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Sustainable Finance in Europe: Regulatory State of Play

Key impacts for banks and capital markets

December 2024

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Association for Financial Markets in Europe
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Disclaimer

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Contents

Foreword

Financial institutions continue to face a complex, continually evolving regulatory framework on sustainable finance and managing ESG risks. In light of the rapid rate of change and regulation increasingly taking effect, AFME is pleased to renew our partnership with Linklaters and publish an update to our report "Sustainable Finance in Europe: Regulatory State of Play" which was first published in 2021 and last updated in March 2023.

This report reviews the latest developments and their impact on banks and capital markets, providing a practical guide to the wide range of initiatives in the EU, UK and Switzerland. As of December 2024, the key building blocks of EU sustainable finance legislation are in place, including the EU Taxonomy, Corporate Sustainability Reporting Directive (CSRD), EU Banking Package, the Corporate Sustainability Due Diligence Directive (CS3D) and the Sustainable Finance Disclosure Regulation (SFDR). Banks are focusing on implementation and are preparing their first year's reporting under the CSRD's European Sustainability Reporting Standards (ESRS), having published their first EU Taxonomy alignment reporting in 2024.

In the UK, 2024 marked a resurgence of ambition in sustainable finance regulation with a new government announcing a new sustainable finance package, the FCA's Sustainability Disclosure Requirements (SDR) regime and anti-greenwashing rule taking effect, and announcements regarding the adoption of ISSB standards, the development of a UK Green Taxonomy, legislation regulating ESG ratings providers and the findings of the Transition Finance Market Review.

AFME continues to support members as they navigate the continually evolving regulatory framework, led through our Sustainable Finance Steering Committee and dedicated working groups. We also highlight the experiences of our members through our policy engagement and consultation submissions. Our annual European Sustainable Finance conference brings together the financial services community with policymakers to evaluate the practical implementation of sustainable finance regulation across Europe and discuss what the future brings.

We hope that you find this report useful and welcome feedback. I would like to thank Linklaters for updating the report and our members for their continued engagement and support.

Oliver Moullin
Managing Director, Sustainable Finance and General Counsel
Association for Financial Markets in Europe

"Financial institutions continue to face a complex, continually evolving regulatory framework on sustainable finance and managing ESG risks"

Introduction

The aim of this AFME guide is to help members keep track of the main sustainable finance-related regulatory developments within the European Union ("**EU**"), the United Kingdom ("**UK**") and Switzerland.

This guide is intended to act as a practical roadmap for AFME members by providing them with a snapshot of the main sustainable finance ("**SF**") regulatory developments within the EU, the UK, and Switzerland, key timelines, the areas of their business that will be directly impacted and the indirect implications for their business (e.g. due to client demand or market expectations).

This guide was first published in November 2021. It was updated in 2023, and has now been updated again (December 2024) to reflect the developments that have occurred since then.

Scope

In this guide, we only address developments which are explicitly concerned with SF. Many areas of regulation, for example the market abuse regime, will be impacted by and adapt to the new products and new risks arising in this area. We do not include these developments but instead limit the scope of this guide to new regimes expressly developed for SF. Additionally, we do not cover all product-specific developments but rather focus on those developments with a broader application institution-wide (or which span product types).

In terms of geography, as mentioned at the outset, this guide is limited to the umbrella developments occurring in the EU, to the parallel regime developing in the UK, and to developments in Switzerland – these three zones largely representing the common geographies under consideration by AFME members on a centralised basis. Of course, many EU jurisdictions are developing their own supplemental regimes, and you will note French, German and Austrian examples of these are set out in the guide. Depending on the AFME member's footprint, consideration of rules and guidance developed at member state level as well as the national transposition of EU directives will be critical to ensure a comprehensive approach to compliance.

Transition plan frameworks are considered in this report only where encoded in law or regulation (for example the CSRD or CSDDD). For a more comprehensive overview of the status of the various transition plan frameworks in the EU and the UK and those global frameworks, please refer to the separate AFME/Linklaters report on this subject.

General: The Sustainable Finance Landscape

The sustainable finance ('SF') landscape encompasses the regulatory, legislative and policy context of transitioning towards a sustainable economy supported by the development of SF initiatives. Over recent years we have seen a significant emphasis on developing a policy and regulatory framework aiming to promote sustainable finance and to require financial institutions to take account of ESG risks. The EU has put in place a comprehensive regulatory framework addressing aspects such as sustainability disclosures, sustainable financing products, the EU Taxonomy, sustainability due diligence and ESG risk management. For the previous legislative cycle in the EU, this was framed by the European Commission's renewed Sustainable Finance strategy (published mid-2021), which proposed over 50 legislative and non-legislative initiatives to be implemented. The EU Commission's 'Fit for 55' package provided a framework for the EU to achieve its 2030 climate target in line with the broader EU Green Deal. With the new EU legislative mandate, the European Commission is expected to focus on supporting implementation and enhancing the usability of the EU framework including important reviews such as the review of SFDR. In the UK, the previous government set out a refreshed Green Finance Strategy and an update on its plans to introduce Sustainability Reporting Standards. The new government has made sustainability a key area of focus and is expected to move forward with a number of key initiatives.

Given the focus on the financial services sector on providing the financing needed to support the transition and to ensure that banks integrate sustainability-related risks in their risk management, maintaining a close eye on the horizon pinpointed in these regulatory action plans, strategies and roadmaps is essential for AFME members, whose business lines, customers bases, sectors, services and infrastructure may be significantly impacted by the changes that these proposals herald. Whilst not themselves posing concrete actions which AFME members must take, these papers are key to understanding the direction of travel for sustainability within the financial services sector. AFME continues to engage with policymakers and regulators in the EU, UK and internationally across these developments and keep members updated.

Taxonomies

A key foundation for many SF frameworks is defining whether an activity is environmentally sustainable. The purpose of the EU's Taxonomy Regulation is to provide a system of classifying activities considered to be environmentally sustainable, as well as to provide an objective method for determining environmental performance. Broadly, an activity is sustainable if it contributes substantially to one of six environmental objectives set out in the Regulation t, if it does no significant harm to any other of the six objectives, and respects basic human rights and labour standards.

As in many areas of SF, the EU led the charge with the development of its Taxonomy. So far, the EU's efforts have focused on establishing a "green" Taxonomy, covering the full spectrum of its environmental objectives (both climate-change related and the remaining environmental ones), while suggestions for the development of "significant harm" (sometimes known as "brown") taxonomies or a social taxonomy have remained outside of the EU's regulatory pipeline.

The EU's Taxonomy Regulation represents a core component of the SF framework for AFME members, who are required to measure and report on their own Taxonomy eligibility and alignment, as well as driving data and reporting obligations for their clients.

Disclosure and Reporting

Disclosure and reporting are the key mechanisms through which financial services firms are held to account for their sustainability ambitions and for providing sustainability information on their clients and counterparties. In the EU, these mechanisms are delivered largely by the EU's Corporate Sustainability Reporting Directive ('CSRD') (which amends the Non-Financial Reporting Directive and which applies to AFME members directly) and, albeit with a focus on asset managers, via the Sustainable Finance Disclosure Regulation ('SFDR'). This package of legislation aims to prevent greenwashing by making transparent the sustainability profiles of financial institutions, and the products and services they offer. Banks are also subject to Pillar 3 ESG reporting, reporting under the EU Taxonomy Regulation and forthcoming reporting under the Corporate Sustainability Due Diligence Directive (CS3D).

Sustainability in Financial Services Sectoral Legislation

Whilst dominated by a package of EU legislation (namely the Taxonomy Regulation, the Sustainable Finance Disclosure Regulation and the Benchmarks Regulation, which has introduced two types of sustainability benchmarks), the SF legislative framework by necessity also impacts key pieces of existing sectoral legislation, from MiFID II, UCITS, AIFMD, to the insurance directives, IDD and Solvency II. An expansion of some of the well-known concepts in these frameworks around suitability, conflicts of interest, product governance and risk management builds a consideration of sustainability factors into these pre-existing frameworks across the financial services.

Sustainability in Prudential Requirements

Whilst disclosure and reporting has developed as an important limb of the SF framework, it is accompanied by an equally important focus on the management of climate change and environmental risks, integrated into prudential and risk management frameworks. This leads to amendments to prudential legislation, notably the Capital Requirements Regulation and Capital Requirements Directive, and is a focus of the ECB and EBA in their publication of policy and guidelines on how risk management frameworks should adapt to for inclusion of this category of risk.

"A key foundation for many SF frameworks is defining whether an activity is environmentally sustainable"

Stress testing has continued to be an important tool in assessing the sector's resilience to financial risk, both by regulators and by credit institutions in their internal modelling/risk analysis. Whilst regulators continue to explore stress test scenarios for their broad bank sector assessments, they are also being developed for use in climate change-specific risk analysis. The ECB conducted a first-of-its-kind, economy-wide climate stress test which encompassed 2000 euro-banks, with the results published in 2023. Since then, it has contributed to the One-off Fit-for-55 stress test along with the three European Supervisory Authorities. For this exercise, climate-related and financial information on credit risk, market and real estate risks was collected from 110 EU banks. Conclusions were published in November 2024, ready to be factored into the longer-term policy agenda of the new European Commission. The conclusion was that, under the scenarios tested, transition risks alone are unlikely to threaten financial stability. However, when transition risks are combined with macroeconomic shocks, they can increase losses for financial institutions and may lead to disruptions.

In 2022, the Bank of England published the results of its 2021 Climate Biennial Exploratory Scenario to explore the financial risks posed by climate change. Following publication of the results, a PRA letter to CEOs set out feedback on how to enhance scenario analysis and further embed supervisory expectations. In recognition that this feedback will take time to embed, the Bank has stated that it will not launch a concurrent exercise in the near-term that further explores climate risks. The Bank also affirmed in its 2023 report on climate-related risks and the regulatory capital frameworks that it will further develop its capabilities to test the resilience of the financial system to climate risks- including how scenario exercises and stress tests can help the Bank and firms understand the exposure of the financial system to risks and progress work to understand material regime gaps in the capital frameworks.

Sustainability Benchmarks

The Low Carbon Benchmarks Regulation forms part of the trio of EU sustainable finance legislation that applies to various types of financial market participants. It amends the Benchmarks Regulation ("BMR") by attempting to increase transparency around the consideration of ESG factors in financial benchmarks and by creating new regulated categories of climate change focussed benchmarks, namely the EU Climate Transition Benchmark and the EU Paris-aligned Benchmark In addition to these, the EU Platform on Sustainable Finance has also proposed the creation of a new category, the EU Taxonomy-Aligning Benchmark, although there have no further developments on this as yet. In October 2023, the European Commission published a legislative proposal in relation to the BMR which, amongst other things, would reduce the scope of the BMR to prohibit non-EU administrators providing the EU-labelled low carbon benchmarks covered by it. At the time of writing, the BMR is in trilogues and it remains to be seen how these proposals progress.

Frameworks, Standards and Labels

In order to fully embed the principles and objectives of the core SF legislative framework across the breadth of the financial markets, additional frameworks and standards, both mandatory and voluntary, are developing rapidly. Affecting many areas of AFME member business, these include the launch of the EU's Green Bond Standard (including various provisions relating to sustainable securitisations), consideration of an EU Green Loan label, a tightening of the Ecolabel's regime to identify "super green" products and integration of sustainability considerations into lending activities, as set out in an EBA report on Green Loans and Mortgages at the end of 2023.

"Stress testing has continued to be an important tool in assessing the sector's resilience to financial risk"

Regulation of ESG Ratings and Data Providers

As the market for ESG ratings and data products grows, EU and UK regulators have focused on the need to ensure adequate transparency of methodologies, governance and to address potential conflicts of interest.. In the EU, the text of the draft regulation was published on 8 November 2024 and now needs to be formally adopted. You can find out more about the regulation here.

The UK is also moving forward on this. A voluntary code of conduct for industry participants was published at the start of 2024, which is grounded in IOSCO's recommendations for ESG data and ratings, with a focus on promoting transparency, good governance, management of conflicts of interest, and robust systems and controls.

The government has responded to its 2023 consultation on regulating ESG ratings providers, noting that there is strong support for the policy. It has also released draft legislation which applies to both UK and overseas-based ESG ratings providers. The draft legislation is open for technical feedback until 14 January 2025. The overall process of designing, developing and commencing the ESG ratings regulatory regime is expected to take approximately four years, with the government aiming to lay the legislation before Parliament in early 2025.

Frameworks for Investing in Sustainable Projects

The development of SF frameworks and standards for the financial services is accompanied by initiatives which enable member states to facilitate, by making funding available, green investing. The EU's Multiannual Financial Framework, the European Green Deal Investment Plan and the Net-Zero Industry Act (which identifies clear goals for European clean tech by 2030 in a bid to focus investment on strategic projects along the entire supply chain) have been developed with this specific objective at the forefront. Whilst such initiatives are not of direct impact on AFME members, they represent the direction of travel politically, as well as presenting opportunities for AFME members' client bases.

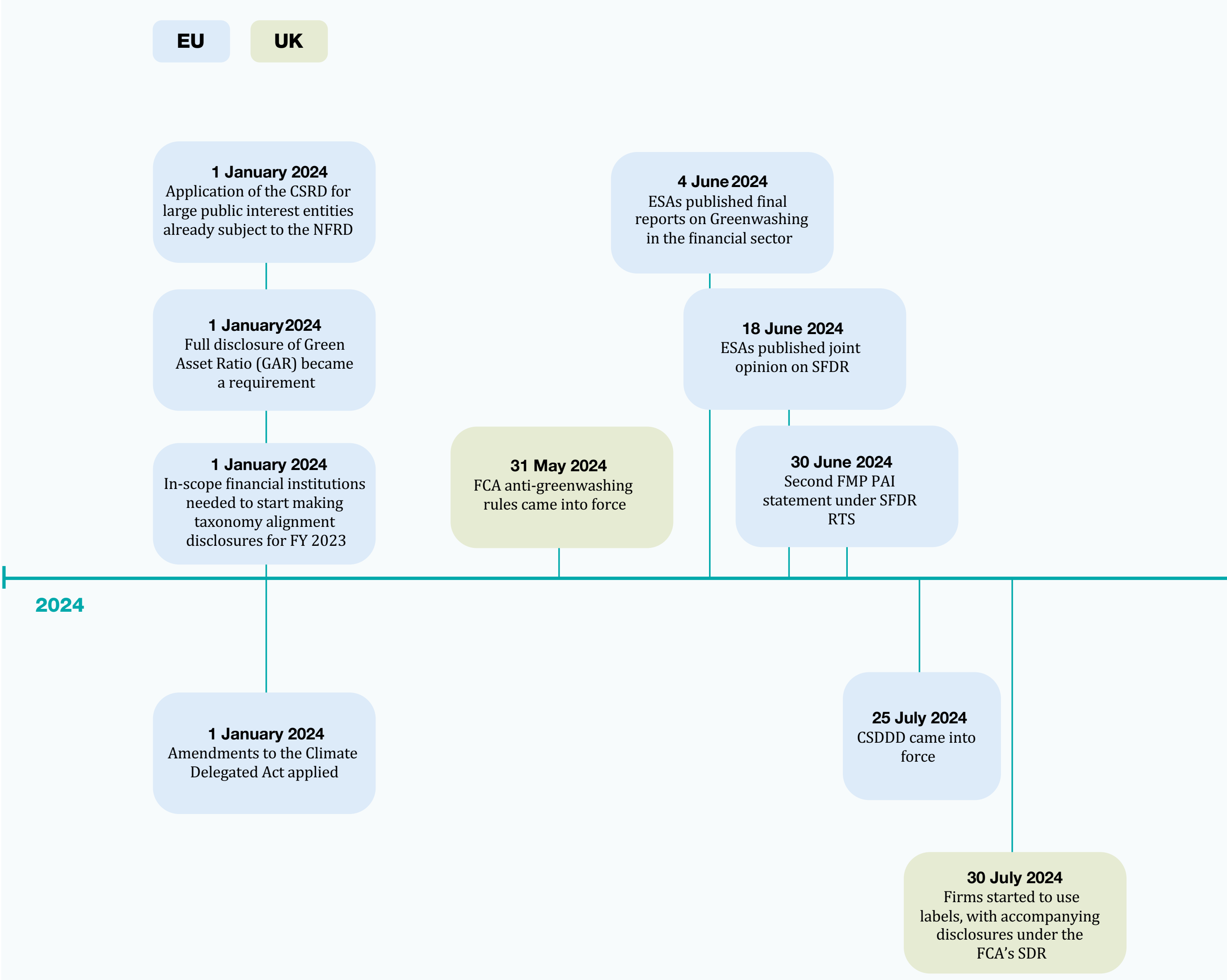
Sustainability Due Diligence and Corporate Governance

For the majority of the measures identified in this report to succeed in delivering on their objectives, there needs to be a robust corporate governance framework supporting their implementation and ongoing compliance. So, enhancements to the prudential framework are accompanied by governance requirements around risk management and control, and the focus on disclosure and reporting has led to the development of much more stringent requirements in relation to ESG and human rights due diligence along value chains (with the new Corporate Sustainability Due Diligence Directive being an integral part of this).

"EU and UK regulators have focused on the need to ensure adequate transparency of methodologies, governance and to address potential conflicts of interest"

Sustainable Finance in Europe: Regulatory State of Play

2024 Timeline of Selected Sustainable Finance and ESG Matters within the EU and UK



Q4 2024
ESG Ratings Regulation expected to be published in OJEU

Q4 2024
Commission to adopt amending Regulation on SFDR RTS to reflect PAI indicators and enhanced transparency (TBC)

17 October 2024
The Transitional Finance Market Review (TFMR) published its report

30 October 2024
ESAs published their third annual report on PAI disclosures under the SFDR

14 November 2024
HMT launched consultation on value case for a UK Green Taxonomy

19 November 2024
EBA published results of one-off 'fit for 55' climate risk scenarios exercise

21 November 2024
ESMA's guidelines on funds' names start to apply for newly created funds

2 December 2024
FCA SDR naming and marketing rules come into force (Temporary flexibility is offered until 2 April 2025)

21 December 2024
European Green Bonds Regulation to apply

End of 2024
UK TAC recommendation on endorsement of UK Sustainability Reporting Standards based on ISSB

End of 2024
ECB expected to limit use of marketable debt instruments from high-carbon footprint entities as collateral

End of 2024
UK Government to publish consultation response on introducing ESG ratings providers into the FCA's regulatory perimeter

2025-2029 Timeline of Selected Sustainable Finance and ESG Matters within the EU and UK

EU UK

Early 2025
UK Government expected to introduce law to regulate ESG ratings agencies

2025
FCA and PRA to publish policy statements on diversity & inclusion

2025
ESMA to develop technical standards under the ESG Ratings Regulation

Q1 2025
UK Government to consult on draft UK-endorsed Sustainability Reporting Standards

Q1 2025
UK Stewardship Code is expected to be updated

Q1 2025
EBA to finalise its guidelines on ESG risks management

Q2 2025
FCA is expected to publish policy statement on extending the SDR rules to portfolio managers

2 April 2025
Firms relying on the FCA's temporary extension for complying with the naming & marketing rules must fully comply

Q2 2025
EFRAG to publish Transition Plan Implementation Guidance under ESRS

Q3 2025
EBA to incorporate ESG and greenwashing considerations into existing EBA legal instruments on retail conduct and consumer protection

21 May 2025
Existing funds will need to comply with ESMA's guidelines on fund names

Late second half 2025
Sustainability-related disclosures in prospectuses for ESG bonds expected to be in force pursuant to the changes to the UK prospectus regime in train

2025

2025
Disclosure of BTAR by financial institutions on a voluntary basis

2025
ESMA to publish guidance on sustainability claims to financial market participants

2025
ESMA to develop technical standards under the Green Bond Regulation

2025
EFRAG work on sectorial ESRS for financial sector

1 January 2025
Application of the CSRD to large companies and parents of large groups not already in scope

1 January 2025
Application of CRR III and CRD VI ('Banking Package') rules, phased in over a number of years

H1 2025
EC review of Disclosure Delegated Act

H1 2025
UK Government to consult on transition plans

Q2 2025
UK Government to potentially consult on disclosure requirements against UK Sustainability Reporting Standards for UK companies that do not fall within the FCA's regulatory perimeter

Summer 2025
UK Government expects to publish final UK Sustainability Reporting Standards

H2 2025
SDR to apply to overseas funds regime, if legislation is enacted. The FCA is likely to consult on related rules and guidance

2 December 2025
FCA SDR ongoing product-level and entity level disclosures for firms with AUM >£50bn

Q3 2025
EBA to publish amendments to Pillar 3 ITS in relation to ESG risks

30 December 2025
Large companies will need to comply with the Deforestation Regulation

2025-2029 Timeline of Selected Sustainable Finance and ESG Matters within the EU and UK

2026

1 January 2026
UK Sustainability Reporting Standards to potentially come into effect

1 January 2026
All listed SMEs, small and non-complex credit institutions and captive insurance undertakings in-scope of CSRD

2026
Art 8 Taxonomy. Disclosure of GAR on trading portfolio

5 June 2026
Amendments to prospectus content requirements in force under the EU Prospectus Regulation for all ESG bonds subject to the EU Prospectus Regulation, including for 'European Green Bonds' and for issuers "opting-in" to the voluntary disclosure regime under the EU Green Bond Regulation

26 July 2026
Deadline for EU member states to transpose CSDDD into their national laws

2 December 2026
FCA SDR entity-level disclosure rules extended to firms with AUM >£5bn

2027

26 July 2027
Application of CSDDD to EU companies with more than 5,000 employees and EUR 1,500,000,000 worldwide net turnover. Application to non-EU companies that generated more than EUR 1,500,000,000 in the EU

2028

1 January 2028
Application of the CSRD for non-EU companies (TBC)

26 July 2028
Application of CSDDD to EU companies with more than 3,000 employees and EUR 900,000,000 worldwide net turnover. Application to Non-EU companies that generated more than EUR 900,000,000 in the EU

2029

26 July 2029
Application of CSDDD to all other in-scope companies

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
General: the sustainable finance landscape		
European Commission's renewed SF strategy	The Renewed SF Strategy was published on 6 July 2021 and sets out over 50 legislative and non-legislative initiatives to be implemented over the years to come. The paper groups these legislative and non-legislative initiatives under four main headings for action by the EU: i. financing the path to sustainability; ii. inclusiveness; iii. the financial sector's double materiality; and iv. global co-operation. Note: the main legislative proposals suggested in the Renewed SF Strategy have been captured in the topic/sector specific rows below.	No immediate actions for members – the Renewed SF Strategy identifies areas in which the EU will be publishing further reforms, which will then result in action points for AFME members.
EU Commission's "Fit for 55" package	On 14 July 2021, the Commission published a package of proposals known as the "Fit for 55" package, which aims to amend EU legislation and policy to ensure that the EU is able to meet its new climate targets – i.e. a 55% reduction in greenhouse gas emissions by 2030 and carbon neutrality (net zero) by 2050. The package of proposals includes changes to the EU Emissions Trading System, renewable energy and energy efficiency legislation, as well as creation of a new Carbon Border Adjustment Mechanism ("CBAM"), which is effectively a carbon levy that will impact on importers of iron, steel, cement, fertilisers, aluminium and electricity, initially as a reporting obligation from 2023, which will then apply more fully from 2026. Although the package of proposals touches on most areas of the EU economy, there is particular emphasis on decarbonising the power generation, transport and buildings sectors. You can read more about the Fit for 55 package as originally proposed here. On 15 December 2021, the second suite of legislative and policy proposals were published. These include proposals in relation to: • gas and hydrogen • methane emissions from oil, gas and coal assets • energy performance of buildings. • These proposals have since been agreed and are either in force pending their application / national transposition or already apply. See "Key Milestones" column for further details on this.	Although the "Fit for 55" package is not aimed at sustainable finance specifically, it fleshes out the EU's overall policy and legislative framework for the bloc's transition to net zero and so provides a roadmap of which areas of the economy have significant investment potential and which areas are at higher risk of stranded assets.
Green Deal Industrial Plan	The Commission proposed on 1 February 2023 a Green Deal Industrial Plan which included plans for a Net-Zero Industry Act (NZIA), to provide for fast-track permitting and other measures to support the rapid scale-up of green technologies across the EU. The NZIA entered into force in June 2024. It applies to all climate-neutral technologies that seek to contribute to the decarbonisation of industry. The NZIA goes hand-in-hand with the Critical Raw Materials Act, which came into force in May 2024, and which aims to secure the EU's supply of raw materials critical for the energy transition and the reform of the electricity market design. These reforms will be backed with a set of measures to ensure quick access to funds for green investments, including simplifying State aid rules via an amended Temporary State aid Crisis and Transition Framework and a revised Green Deal General Block Exemption Regulation for renewable energy deployments and decarbonising industrial processes, redirection of existing EU funds and creation of a European Sovereignty Fund. You can read more on the Green Deal Industrial Plan here.	TBC – measured associated with speeding access to finance for clean tech projects (and all measures designed to further the full development of the CMU should be monitored by AFME members for impact)

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The Commission has proposed various deadlines between 2021 and 2023 for itself and other EU bodies to develop its proposed legislative and non-legislative initiatives. Deadlines for specific initiatives to be confirmed in due course. The Commission was expected to report on the Strategy's implementation by the end of 2023, although a formal report was not published. Remains to be seen whether the new Commission renews the SF strategy.	Proposed legislative and non-legislative initiatives are likely to impact AFME members across their business – the key impacts have been noted in the topic/sector specific rows below.	See previous column.	EU
Provisional political agreement has been reached on several of the Fit for 55 files (those relating to carbon emissions). This tracker enables you to follow the status of many of the Fit for 55 proposals, but in summary: • hydrogen and gas decarbonisation package will apply from February 2025 for the Regulation, and the Directive must be transposed into national law by August 2026. • Methane Regulation has applied since 4 August 2024. • Energy Performance of Buildings Directive has been in force since May 2024 but must now be transposed into national law by May 2026.	Commodity and emissions trading desks will be directly impacted.	The reforms will impact a number of EU corporates who will likely need assistance from the banking sector for potential restructurings, project financings, etc. –accordingly, there are potential business opportunities for AFME members in this area.	EU
TBC	TBC	TBC	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Proposal for an Omnibus Regulation to reduce reporting and red tape	On 8 November, Commission President Von der Leyen stated, at the Q&A following up from an informal European Council meeting, that the new Commission intends to put forward a legislative proposal for an "Omnibus Regulation" to reduce companies reporting red tape. The objective of such proposal would be to reduce bureaucratic burdens and streamline reporting to avoid redundancies and overlaps. Von der Leyen stated the Commission plans to include the EU Taxonomy Regulation, Corporate Sustainability Reporting and Corporate Sustainability Due Diligence Directives in this possible future Omnibus Regulation. She also stressed that the Commission does not wish to amend the content of those laws, but merely simplify reporting requirements. At present there is no further information on this proposal.	TBC
UK Green Finance Roadmap and Green Finance Strategy	The UK's strategy, 'Greening Finance: A Roadmap to Sustainable Investing', was published by Rishi Sunak (then Chancellor of the Exchequer) on 18 October 2021 and outlined the legislative and regulatory changes to come in the UK, encouraging consumers and investors to make more environmentally positive investment decisions. The roadmap proposed three phases to greening the UK's financial system: • Phase 1: Informing investors and consumers • Phase 2: Acting on the information • Phase 3: Shifting financial flows As part of Phase 1 of the strategy, the UK Government laid out three key initiatives: • Sustainability Disclosure Requirements ('SDRs') • The UK Green Taxonomy • Setting out the Government's expectations of investor stewardship You can read more about these Phase 1 initiatives in the relevant section of this report.	TBC in due course. The roadmap will result in legislative and regulatory changes being made in UK. The effect on AFME members will become apparent, once these regulatory changes have been implemented.
UK Update to Green Finance Strategy: "Mobilising Investment: 2023 Green Finance Strategy"	The 2019 Green Finance Strategy set out the UK Government's "comprehensive approach to greening financial systems, mobilising finance for clean and resilient growth, and capturing the resulting opportunities for the UK". In May 2022, the UK government issued a call for evidence seeking views and evidence from stakeholders to support the government in developing an update to the Green Finance Strategy, originally planned for publication in late 2022. This update to the UK's Green Finance Strategy, building on the responses to an earlier call for evidence, was published in March 2023. You can read more on this paper here.	The green finance strategy announced or confirmed legislative and regulatory changes to be made in UK, e.g. in relation to a UK Taxonomy, SDRs, ESG ratings and transition plan disclosure. The effect differs depending on the proposal and is addressed separately throughout this report.
UK Government Mansion House 2024	In the Mansion House speech on 14 November 2024, UK Chancellor Rachel Reeves set out the UK Government's sustainable finance ambitions. Priorities include: • Work on the UK's Green Taxonomy including to establish its use case; • Move forward the development of the regulatory framework for ESG rating providers; • Progress on the ambition to mandate transition plans and their disclosure, with a consultation due in H1 2025; • Commitment to consult on sustainability disclosures for economically significant companies using the UK Sustainability Reporting Standards. • Launching a set of integrity principles for voluntary carbon and nature markets at COP29 ahead of a consultation in early 2025. You can read more on the speech here.	The Mansion House speech brought forward legislative and regulatory changes first announced in the 2023 update to its Green Finance Strategy, as well as changes announced in the Labour Party's election manifesto. The effect on AFME members will become apparent, once these regulatory changes have been implemented.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
TBC		TBC	EU
The previous UK government's roadmap was announced on 18 October 2021 by Rishi Sunak. Milestones relating to key initiatives can be found in the relevant sections of this report	The roadmap drives investors and consumers to make investment decisions which have more positive environmental impacts. It will also require AFME members to comply with the key initiatives laid out by the roadmap, include the SDRs, UK Green Taxonomy and investor stewardship objectives, as part of Phase 1.	TBC in due course.	UK
The update to the UK's Green Finance Strategy was published in March 2023.	Proposed legislative and non-legislative initiatives are likely to impact AFME members across their business – the key impacts have been noted in the topic/sector specific rows below.	See previous column	UK
Milestones relating to key initiatives can be found in the relevant sections of this report	Proposed legislative and non-legislative initiatives are likely to impact AFME members across their business – the key impacts have been noted in the topic/sector specific rows below.	See previous column	UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
UK Transition Finance Market Review	As part of the 2023 Green Finance Strategy, the Government announced that it would commission a market led review into growing transition finance in the UK, to look at how to support companies in the UK and abroad to continue to access the capital they need to decarbonise and deliver on net zero ambitions. In December 2023, the Transition Finance Market Review (TFMR) was formally commissioned. The purpose of the TFMR is to demonstrate the credibility and integrity of transition finance and the contribution that credible transition plans can make. On 14 March 2024 the TFMR launched a call for evidence seeking views on how the UK can leverage its existing strengths as a leading financial and insurance market, legal centre and significant exporter of professional services to become a global hub for funding the global net zero transition. You can read more on the remit and purpose of the TFMR here. The outcomes of the TFMR were published on 17 October 2024. The key message related to the need to ensure the credibility of transition plans in driving a credible transition finance landscape. You can read more on this here.	TBC
UK FCA Discussion Paper 23/1: Finance for positive sustainable gain	In February 2023, FCA published DP 23/1 inviting views from regulated firms across the financial sector with the aim of encouraging an "industry-wide dialogue on firms' sustainability-related governance, incentives, and competencies". You can read more about the content of the discussion paper and what it indicates about the FCA's approach here. AFME's response is available here.	TBC, depending on outcomes and policy/rule development following the discussion paper. FCA has said that following feedback to the DP, it will consider how best to support the industry in the evolving field, and whether there is a case for further regulatory measures. The have been no direct responses to the discussion paper / feedback process as yet, but we expect that it will have been fed into the FCA's approach and SF agenda overall.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The outcomes of the TFMR were announced in October 2024.	TBC	TBC	UK
Period for comment ended 10 May 2023. Whether there will be further rules and the timing for those will depend on response to the DP and FCA's further work in this area. Nothing has emerged with a direct connection to the DP as yet although generally the FCA is moving its SF agenda forward, e.g. through its approach to the SDR and SDS.	TBC	TBC	UK

<table>
<tr><th>Action Plan Item</th><th>Initiative and description of key policy objectives</th><th>Key actions for AFME members</th></tr>
<tr><td colspan="3">Taxonomies</td></tr>
<tr><td>EU Taxonomy Regulation (Level 1)</td><td>
Establishes the framework for determining whether an economic activity is "environmentally sustainable" i.e. if it: (i) contributes substantially to at least one of the six environmental objectives specified in the Taxonomy Regulation; (ii) does not cause significant harm to the other environmental objectives specified; and (iii) is subject to minimum social and labour safeguards set out in international standards. The Taxonomy Regulation also permits certain enabling and transitional activities to qualify as "environmentally sustainable" if the relevant conditions set out in the rules are met.
The framework is, and will be, supplemented by delegated acts setting out detailed technical screening criteria ("TSCs") for limbs (i) and (ii) based on the sector/industry within which the relevant economic activities operate.
The six environmental objectives are:

climate change adaptation
climate change mitigation
sustainable use and protection of water and marine resources
transition to a circular economy
pollution prevention and control
protection and restoration of biodiversity and ecosystems

The Taxonomy Regulation currently:

imposes product level disclosure obligations for financial market participants ("FMPs" -- mainly buyside firms) on the extent to which their financial products are Taxonomy-aligned or not – these firms must either disclaim that the products do not consider the Taxonomy or calculate and disclose Taxonomy alignment from 2022;
must be used to support the EU and national green bond frameworks once developed (see below); and
under Article 8, will require disclosures of the Taxonomy eligibility and alignment of their business activities by entities covered by the Non-Financial Reporting Directive ("NFRD") i.e. "large public interest entities" – and the definition includes EU listed issuers, EU banks, EU insurers and other entities designated by local Member States to be in scope, provided they have at least 500 employees, B/S of EUR 20 million and net turnover of EUR 40 million, measured on a solo or consolidated group basis in the case of parent undertakings. (Note: local EU MS may have gold-plated these requirements, so AFME members should confirm the position locally). In due course, as its application is phased in, the scope will be expanded to cover a wider range of entities under the Corporate Sustainability Reporting Directive ("CSRD"), as set out in the CSRD specific row below. A delegated act has been published with more detailed reporting requirements – see Taxonomy Art 8 Delegated Act row below.
Please note that "Taxonomy eligibility" looks at the extent to which the business of the company is covered by (and is therefore eligible for an assessment under) the technical screening criteria in the delegated acts published under the Taxonomy Regulation. "Taxonomy alignment", on the other hand, requires an assessment against the actual technical screening criteria and social/labour safeguards noted above to determine the extent to which the business of the company is Taxonomy compliant/aligned.

In the Taxonomy Regulation, for an economic activity to be sustainable. It must comply with certain minimum safeguards (Article 3). In October 2022, the PSF published its final report on what it means to have met the "minimum safeguards" threshold. You read about this report here.
</td><td>

AFME members that have EU "large public interest entities" within their group (as measured on a solo or consolidated basis) pursuant to the NFRD must publish disclosures from 2022 on the extent of their (i) Taxonomy eligibility, and (ii) from 2023 (for non-financial services firms)/2024 (for financial services firms) on the extent of their Taxonomy alignment. See Taxonomy Art 8 Delegated Act row below.
Note: the population of in-scope entities will be expanded under the CSRD and/or may be expanded by local implementation of NFRD (e.g. in Germany, non-EU entities with a German listing are also potentially in scope, if they meet the other public interest entity tests).
The SFDR product level disclosure obligations on FMPs regarding Taxonomy alignment must be published from January 2022 – but the detailed Level 2 disclosures have been delayed until 1 January 2023 (see SFDR row below).
See green bonds standard row below.

Additionally, please note that the Taxonomy is expected to become the dictionary/framework across all EU SF product categorisation and labelling regimes and so will likely give rise to further action points for AFME members.
</td></tr>
</table>

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
In force since 12 July 2020. Detailed TSCs on the environmental objectives will be phased in progressively – with the delegated acts on climate change adaptation/ mitigation taking effect from January 2022 (although the Complementary Delegated Act with TSCs for nuclear energy and natural gas takes effect from 1 January 2023 (having come into force on 4 August 2022). Delegated acts for the other four environmental objectives (Taxo 4) have applied since January 2024. Read more about them here. The Platform for Sustainable Finance ("PSF") published its final recommendations on the four TSCs in March 2022, as well as reports on Minimum Safeguards and Data and Usability in October 2022. The Commission now needs to take the reports on Minimum Safeguards and Data and Usability into consideration and adopt a delegated act.	All – in addition to the immediate impacts identified in the "Key actions for AFME members" column, please note that the Taxonomy is expected to become the dictionary/framework across all EU SF product categorisation and labelling regulatory regimes and may well become best practice more broadly.	FMP clients may require AFME members to disclose the extent of their/their product's Taxonomy alignment, in order to comply with their own Taxonomy disclosure obligations. Similarly, large public interest entities in scope of the Article 8 entity level Taxonomy disclosures may expect their clients/ counterparties to disclose Taxonomy eligibility and alignment of their business activities on a trade-by-trade basis and therefore demand this information from AFME members on a trade-by-trade basis.	EU – however, the regime also applies to non-EU AIFMs marketing their funds into Europe under Article 42 of AIFMD.

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
EU Taxonomy Climate Delegated Act	These set out Taxonomy technical screening criteria ("**TSCs**") for climate change mitigation and climate change adaptation (the first two environmental objectives). The Annex to the delegated acts sets out the TSCs which generally consist of quantitative science-based metrics/targets, but in some contexts firms are expected to undertake qualitative assessments as well. Different TSCs are prescribed for different economic activities/industries (on the basis that different sectors/industries are at different stages of transition, and so for some industries relative standards may be more appropriate for now) and NACE (Nomenclature of Economic Activities), which is the European framework for classifying economic activities, is used as the basis to classify different economic activities. What this means from a practical perspective is that when assessing their, or their clients'/counterparties' Taxonomy alignment, AFME members will first need to identify the economic activities that are performed by the relevant entity, map them across to the NACE categories to identify the applicable TSCs in the delegated acts and then assess them against the TSCs. **Note:** the TSCs do not comprehensively cover all possible economic activities and to date TSCs have only been drafted for certain sectors/industries. If a particular economic activity is not covered by the TSCs, then it cannot be assessed to be Taxonomy eligible or aligned for now (even if it is considered to be very green in practice). The EU Taxonomy Climate Delegated Act has applied from 1 January 2022. In December 2022 the Commission published a draft FAQ containing technical clarifications on the technical screening criteria set out in the Climate Delegated Act. The Climate Delegated Act was subsequently amended by a further delegated act which has applied since 1 January 2024, and which includes climate adaption and mitigation TSC for additional economic activities and some changes to existing climate TSC. You can read about these amendments here.	See row above

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The Climate Delegated Act has applied from 1 January 2022 (although the Complementary Delegated Act which amends the Climate Delegated Act with TSCs for nuclear energy and natural gas has applied from 1 January 2023). The Climate Delegated Act was amended by a further Delegated Act to include climate adaption and mitigation TSC for additional economic activities and some changes to existing climate TSC. These amendments have applied since 1 January 2024.	See row above	See row above	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Complementary Delegated Act with TSC for nuclear power and natural gas	On 2 February 2022, the Commission approved in principle a Complementary Delegated Act including, under certain conditions, nuclear and gas energy activities in the list of economic activities covered by the EU Taxonomy. The Complementary DA is accompanied by: • Three annexes (Annex 1, Annex 2 and Annex 3); • Q&A on the inclusion of nuclear and natural gas in the Taxonomy – this explains the Commission's rationale in more detail; and • FAQ to clarify the content of the Article 8 Disclosures Delegated Act – this supplements the Article 8 Disclosures FAQ that was published in December 2021. The Complementary Delegated Act amends the Climate Delegated Act and Article 8 Taxonomy Disclosures Delegated Act, both of which were published in the Official Journal in December 2021. The Commission says it has tweaked the technical screening criteria (rather than doing any major rewrites) from the version it sent to the Platform on Sustainable Finance and the Member States Expert Group on Sustainable Finance for internal consultation in January 2022. In particular, the Complementary DA sets out the criteria subject to which certain nuclear and gas activities can be classified as "transitional" activities to those already covered by the Climate Delegated Act. Given the politically highly sensitive nature of natural gas and nuclear power, this Delegated Act has been subject to significant delay and disagreement – see "Key Milestones" for next steps.	See row above

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
On 15 July 2022, the EU Taxonomy Complementary Climate Delegated Act covering certain nuclear and gas activities was published in the Official Journal of the EU (OJEU) (following no objection by the European Parliament and Council). It came into force on 4 August 2022 and has applied from 1 January 2023. However, a number of NGOs (including Greenpeace, ClientEarth, Friends of the Earth and the WWF) have asked the Commission to review the inclusion of natural gas and nuclear in the Delegated Act. The Commission has up to 22 weeks to reply to the NGOs' requests. If, following an internal legal review, the Commission decides not to repeal/withdraw the Delegated Act, the NGOs have threatened to commence legal proceedings in the Court of Justice of the European Union (CJEU). The member state of Austria has also commenced legal proceedings in the CJEU against the Commission for inclusion of nuclear energy and natural gas in the taxonomy. The oral hearing started in October 2024 and a verdict is expected in a few months. It remains to be seen whether the various requests for internal review and the legal challenges in the CJEU will result in any changes to the EU green taxonomy. However, the legal challenges could take longer than two years, especially since in the present case an appeal is also conceivable. In the meantime, the Complementary Delegated Act remains legally valid and in force, unless and until such time as either the Commission or the CJEU decide to revoke it.	See row above	See row above	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
EU Taxonomy Delegated Act re. TSCs for remaining four environmental objectives ("Taxo 4")	Taxo 4 has applied since 1 January 2024. The Taxo 4 TSCs prescribe the criteria for determining whether particular economic activities contribute substantially to the four remaining environmental objectives: • sustainable use and protection of water and marine resources; • transition to a circular economy; • pollution prevention and control; and • protection and restoration of biodiversity and ecosystems. These TSCs follow the same format and approach as the TSCs for climate change adaptation/mitigation summarised in the row above and this was the approach taken by the PSF in its report with suggested TSCs (see "Key milestones" column). At the same time, a delegated act which made consequential amendments to the existing Taxonomy Disclosures Delegated Act (the delegated act which sets out the Article 8 Taxonomy reporting requirements) was published. For more details on Taxo 4, read here. Disclosures in respect of the technical screening criteria in the new delegated acts (Taxo 4) apply as follows: • From 1 January 2024: All entities report on eligibility (for the previous calendar year); • From 1 January 2025: Non-financial entities report on alignment (for the previous calendar year); • From 1 January 2026: Financial entities report on alignment (for the previous calendar year).	Taxo 4 has applied since 1 January 2024 – with firms required to make disclosures under the Taxonomy Regulation (i.e. large public interest entities under the NFRD, CSRD undertakings and FMPs under SFDR) expected to update their Taxonomy disclosures to reflect these standards.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
On 30 March 2022, the Platform on Sustainable Finance ("**PSF**") published its final non-binding recommendations to the European Commission on TSCs for these four environmental objectives. The Commission took those recommendations and published the TSCs for the remaining four environmental objectives under the Taxonomy Regulation (Taxo 4) in November 2023, and they have applied since 1 January 2024.	See row above	See row above	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Development of "significant harm" and "no significant impact" taxonomies	The PSF is tasked with advising the Commission on extending the scope of the Taxonomy Regulation to cover economic activities that significantly harm environmental sustainability. Following a draft report on 12 July 2021, the PSF published its final report on options to extend the taxonomy with respect to environmental objectives on 29 March 2022. The focus is on supporting the net zero transition and the final report proposes a traffic light system with three levels: • Significant Contribution (green); • Intermediate Contribution (amber); and • Significant Harm (red). The report also talks about introducing a fourth category of low environmental impact ("**LEnvl**") sectors that have very little impact on the environment (positive or negative) e.g. hairdressers, creches, tax advisers or lawyers. These are quite significant proposals, as currently Taxonomy compliance is optional in the sense that firms can choose to say that they do not consider the Taxonomy in their business and disclose 0% alignment. However, the expectation seems to be that going forward all economic activities will need to be assessed against and reported as falling within one of the four categories above. At present, the existing Taxonomy (see above) is designed to only cover activities that make a "significant contribution" to one of the six environmental objectives whilst also doing "no significant harm" to the other environmental objectives and complying with the minimum social/labour safeguards summarised above. However, the PSF has stated that there is a "*high risk of misinterpretation and misunderstanding*" of the "intermediate performance" space between significant contribution and harm – as activities unable to meet the strict Taxonomy standards for green activities may be mistakenly considered by some users as environmentally "unsustainable". The PSF is therefore proposing the new traffic light classification system to capture the breadth of different economic activities. The expectation is that the "intermediate" and "LEnvl" labels will provide a positive label for market players to move activities out of the "red" significant harm category (as under the current Taxonomy, significant harm, intermediate and LEnvl activities are effectively all lumped together as "not green"). The wording of the EU Taxonomy Regulation does not currently allow for the creation of any other category of activities other than "environmentally sustainable economic activities". As changing the Regulation would take some time, the PSF recommends that the proposed traffic light Taxonomy be applied initially on a voluntary basis and that the Commission should develop guidance on voluntary reporting, with examples of amber use of proceeds instructions and debt (what it calls Phase 1). Once the Commission has gathered experience and consulted with users on the voluntary approach, it would then submit a proposal to change the Level 1 Taxonomy Regulation to put the traffic light Taxonomy on a legislative footing (Phase 2).	As the proposal is still in development, it is unclear as to exactly what compliance changes will be required. However, it seems likely that these changes will require reporting/ disclosures by NFRD/CSRD in-scope entities (at an entity level) and by FMPs (with respect to their SFDR financial products) on the extent of their investment in "significant harm" activities, and also to convert their Taxonomy alignment disclosures required under the rows above to ones which require disclosure on the breakdown between "substantially contributing", "intermediate", "substantially harming" or LEnvl activities. As noted above, because the Taxonomy Regulation is expected to become the dictionary/framework across all EU SF product categorisation and labelling regimes in due course, there will likely be further actions for AFME members.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
12 July 2021: PSF published draft report and start of the public consultation. 27 August 2021: public consultation closed. 29 March 2022: PSF published its final non-binding recommendations to the Commission The Commission was required to publish a report on the extension of the scope of the Taxonomy by the end of 2021. This deadline was missed and there has been no indication when we can expect this report. The Taxonomy Regulation also requires a report by 13 July 2022 assessing various aspects of the Regulation including its extension. This deadline was also missed. It is understood that this project is on the backburner for the time being.	See row above	See row above	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Development of "social" taxonomy	The PSF is also tasked with advising the Commission on extending the scope of the Taxonomy Regulation to social objectives. It published a draft report on 12 July 2021 with its recommendations, and a final report on 28 February 2022. For the time being, the concept of a social taxonomy seems to have been shelved, although it may of course make a reappearance with the work plan of the new Commission. The social taxonomy as put forward by the PSF was intended to define more clearly what amounts to a social investment and what activities contribute substantially to achieving social objectives with a view to directing private capital towards socially valuable activities. In response to feedback on its draft report, in particular to concerns about increased administrative burden on businesses, the PSF tried to align the structure of the suggested social taxonomy more closely with the existing environmental taxonomy. The suggested structure of the social taxonomy therefore involves: • the development of social objectives; • defining different types of substantial contributions; • "do no significant harm" ("DNSH") criteria; and • minimum safeguards. The PSF abandoned its previous suggestion of having a horizontal and vertical dimension and instead suggested a single structure with three main objectives: • decent work (including value-chain workers); • adequate living standards and wellbeing for end-users ; and • inclusive and sustainable communities and societies. Each of the three main objectives would need to be supplemented by different sub-objectives. Further work will be needed to establish criteria for substantial contribution for the different sub-objectives. However, an economic activity does not need to make a substantial contribution to all sub-objectives in order to qualify as socially sustainable. ESMA expressed support for a social taxonomy as part of its long-term vision on the functioning of the sustainable finance framework.	As the proposal is still in development, it is unclear as to exactly what compliance changes will be required. However, it seems likely that these changes will require further reporting/disclosures by entities in scope of the Taxonomy disclosures summarised in the rows above (i.e. NFRD/ CSRD in-scope entities and FMPs with respect to their SFDR financial products) on the extent of their alignment with the Social Taxonomy. As with the environmental Taxonomy, the Social Taxonomy would become the dictionary/framework across all EU SF product categorisation and labelling regimes with a social dimension and so in due course, there would likely be further actions for AFME members should the taxonomy materialise.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
12 July 2021: PSF publishes draft report and public consultation starts 27 August 2021: public consultation closed 28 February 2022: PSF published its final report on extension of the existing EU taxonomy to include a social taxonomy The Commission now needs to decide if and how to take forward the PSF's suggestions (however it is understood that this project has been placed on the back burner currently).	See row above	See row above	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Taxonomy Art 8 Delegated Act – reporting of Taxonomy alignment by NFRD/CSRD firms (the Taxonomy Disclosures Delegated Act)	As noted in the Taxonomy Regulation row above, Article 8 of the Taxonomy Regulation requires large public interest undertakings covered by the NFRD (and, as its application is phased in, the CSRD) to publish information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under the Taxonomy Regulation. On 6 July 2021, the European Commission adopted the Taxonomy Disclosures Delegated Act, a delegated act setting out the content, methodology and presentation of the KPIs that non-financial (i.e. unregulated corporates) and financial (i.e. banks, insurers, etc.) undertakings are required to disclose under Article 8 of the Taxonomy Regulation This came into force on 30 December 2021. In-scope undertakings (i.e., those covered by the NFRD) were required to report their taxonomy eligibility from 1 January 2022 (for financial year 2021). In-scope corporates were required to report on taxonomy alignment from 1 January 2023 (for financial year 2022). In-scope financial organisations were required to report on taxonomy alignment from 1 January 2024 (for financial year 2023). Non-financial undertakings must report on the Taxonomy "eligibility" and "alignment" of their business activities based on the proportion of their: (i) turnover; (ii) capital expenditure; or (iii) operating expenditure related to Taxonomy-aligned business activities.[1] The metrics for financial undertakings are more complex – the starting point is that the Taxonomy eligibility/alignment of financial services firms should be determined by reference to the Taxonomy alignment/eligibility of their client base (i.e. how much revenue a bank makes, or how many balance sheet exposures it has to Taxonomy eligible/aligned corporates vs. not). The metrics also vary depending on the kind of financial services firms and some must be calculated and disclosed at both entity and consolidated group level. In summary for: • **Banks** – the main metric is the green asset ratio ("**GAR**"), i.e. balance sheet exposures (e.g. loans and advances, Treasury holdings, but excluding trading portfolio) to Taxonomy aligned/eligible corporates vs. not. There are also secondary KPIs which apply to other business activities such as brokerage (fees and commission-based KPIs) and asset management (AUM green ratio). • **Asset Managers** – AUM green ratio i.e. weighted average of investments in Taxonomy-aligned economic activities vs. total AUM. • **Investment firms** – GAR for dealing on own account activities (i.e. assets associated with Taxonomy-aligned economic activities vs. total assets) and fees and commissions KPI for other MiFID investment services provided (i.e. revenue from services associated with Taxonomy-aligned activities of clients vs. total revenue). • **Insurers** – different KPIs apply for investment activities (weighted average of investments that are directed at funding or associated with Taxonomy-aligned economic activities) and underwriting activities (gross premiums written or reinsurance revenue corresponding to Taxonomy-aligned insurance or reinsurance activities).	Any financial services firms that are large public interest entities within your group (as calculated on a solo or consolidated basis, see above) must: i. from 2022, for FY 2021 (and then annually thereafter) – start disclosing Taxonomy eligibility figures against applicable KPIs, by reference to the business activities of their client base, as assessed against the Taxonomy TSCs, using the EU's NACE classification system; and ii. from 2024, for FY 2023 (and then annually thereafter) – start disclosing Taxonomy alignment figures against applicable KPIs, by taking account of Taxonomy alignment disclosures that will be published by NFRD corporate clients in 2023 (for FY 2022), as non-financial undertakings will be operating on an earlier alignment reporting cycle. In theory, AFME members should be able to rely on public disclosures from their NFRD client base, but there will, however, still be data gaps/challenges – e.g. alignment data from NFRD financial services undertakings will likely not be available for the first report due in 2024 (for FY 2023) as they will be operating on the same reporting cycle. Therefore, in scope AFME members will likely need to implement complex reporting and data capture systems and processes to calculate Taxonomy eligibility and alignment of their client base across different business lines, noting also the upcoming expansions to the Taxonomy Regulation covered in the rows above, such as the Social Taxonomy. **Note**: local Member State implementations of NFRD may mean that reporting start dates are different to the ones noted above (e.g. this is the case in Germany) – firms should therefore check the position with local counsel. Additionally, as noted above and in the CSRD row below, the population of entities in scope of these reporting requirements will be expanded by the CSRD and/or may vary due to local Member State implementations of NFRD or CSRD. A draft FAQ for financial undertakings was published on 21 December 2023 specifically with the aim of assisting with the first round of mandatory reporting.

1 Please see EU Taxonomy Regulation row above for a summary of the differences between "eligibility" and "alignment" reporting.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The delegated act was adopted on 6 July by the Commission and was finally approved and published in the Official Journal of the EU ("OJ") on 10 December 2021, entering into force on 30 December 2021. In-scope financial and non-financial undertakings are expected to report on Taxonomy eligibility in 2022 for FY 2021. In-scope non-financial undertakings/corporates will be expected to report on taxonomy alignment from 1 January 2023 for FY 2022. In-scope financial institutions started making taxonomy alignment disclosures from 1 January 2024 for FY 2023. Credit institutions also do not have to disclose against the fees and commission KPI until 1 January 2026 (for FY 2025). The Taxonomy Disclosures Delegated Act was due to be reviewed by the European Commission in 2024 but this has been delayed to 2025. AFME has published a paper highlighting priorities for the review of the Green Asset Ratio and a paper highlighting challenges with the application of the FAQs.	Corporate reporting/disclosure teams will need to ensure that the relevant reports are prepared and published for NFRD (and later, CSRD) in-scope entities within the group. As noted in the previous column, firms will need to implement complex data capture and reporting processes (which should be mindful of future expansions to the Taxonomy). In due course it may become market practice for counterparties/clients to be contractually required to disclose Taxonomy eligibility and alignment scores at the entity or project level (in the case of project-specific transactions) to enable financial services firms to accurately calibrate their Taxonomy alignment/eligibility scores. The overall impact will also vary depending on the approach AFME members wish to take towards these disclosures – those that wish to aim for a high Taxonomy alignment score will need to ensure that their services are focused on Taxonomy-aligned corporates.	Clients will likely have regard to the Taxonomy alignment scores of their in-scope financial services firms – for the purposes of meeting their own mandatory disclosure obligations and also potentially because of commercial/client/market expectations to have a "greener" supply chain. There will also be potential reputational implications as disclosing firms with low Taxonomy alignment scores could be challenged on their broader sustainability practices/commitments.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Taxonomy Art 8 Delegated Act – reporting of Taxonomy alignment by NFRD/CSRD firms (the Taxonomy Disclosures Delegated Act)	**Commission notices and FAQs** • On 20 December 2021, the Commission published a set of FAQs entitled "How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Delegated Act?" The FAQs are designed to assist entities in making disclosures under Article 8 of the Taxonomy Regulation. • A Commission notice on the interpretation of certain legal provisions to clarify the content of the Article 8 Taxonomy Disclosures Delegated Act (designed to complement the December 2021 FAQs) was published in October 2022. • A Commission notice on the interpretation and implementation of certain legal provisions of the Taxonomy Disclosures Delegated Act on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets was published on 20 October 2023 (C/2023/305). • Commission draft guidance was issued on 21 December 2023, with the aim of assisting FMPs to prepare their first mandatory reporting exercise in 2024. • A Commission notice on the interpretation and implementation of certain legal provisions of the Taxonomy Disclosures Delegated Act on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets was published on 8 November 2024. Its purpose is to provide further interpretative and implementation guidance to financial undertakings in the form of replies to FAQs on the reporting of their key performance indicators (KPIs). You can read about the notice here.	
Development of UK Taxonomy	The Green Technical Advisory Group (GTAG) was established and mandated to advise the UK Government on how to adapt the EU Taxonomy for UK purposes (June 2021). At the end of December 2022, the Treasury issued a statement explaining that the Government did not intend to make secondary legislation to develop the UK's green taxonomy in 2022, as originally scheduled. Having received advice from the GTAG, and following stakeholder engagement, the then Government decided that there was benefit in reviewing the approach to taxonomy development to maximise the effectiveness of its sustainable finance agenda. This approach has been continued by the new Labour government which has now (November 2024) launched a consultation on what a UK Green Taxonomy should be, and do. Specifically the consultation asks whether it can be a useful classification tool to facilitate an increase in sustainable investment and/or reduce greenwashing. The government says that it wants to "learn the lessons" of taxonomy implementation elsewhere. The consultation asks, among other things, whether interoperability with existing taxonomies would be helpful. The consultation closes on 6 February 2025. Read more about it here. The EU Taxonomy regulations (being the UK's onshored Level 1 Taxonomy Regulation) have been repealed by the Financial Services Act . As background to this change in approach - in October 2022, GTAG published its Advice on the Development of the Green Taxonomy. This advocated a full and considered market consultation on the development of the UK Taxonomy (leading to the change in approach that concluded 2022) and called for the timetable to be significantly pushed back to allow for that. The advice in the paper focuses on four areas: i. how to approach onshoring the EU framework, on which the UK Green Taxonomy is based, at a time when the UK Government has set out a policy ambition to move further, faster than the EU in some areas of climate action; ii. optimising the taxonomy's international interoperability, given 80% of UK-managed assets are invested in international capital markets; iii. streamlining Do No Significant Harm (DNSH) to be usable and useful for reporting entities; and iv. setting out wide range of potential taxonomy use cases.	The compliance implications for firms are unclear at this stage – however, we expect the key actions to be broadly similar to those under the EU regime, that is, the UK Taxonomy will be used to supplement a UK "sustainable investments" framework, and potentially, entity level disclosures by UK corporates and financial services firms, similar to the Article 8 Taxonomy regime for large EU public interest entities.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The GTAG advice which advocating slowing down the development of the UK's Green Taxonomy to give proper consideration to its formulation was published in October 2022. In November 2024, the government consulted on the purpose and value of a Green Taxonomy. The consultation closes on 6 February 2025.	TBC in due course.	TBC in due course.	UK

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<tr><th>Action Plan Item</th><th>Initiative and description of key policy objectives</th><th>Key actions for AFME members</th></tr>
<tr><td colspan="3">Disclosure and reporting</td></tr>
<tr><td>EU Sustainable Finance Disclosure Regulation (“EU SFDR”)</td><td>The EU SFDR (Level 1) has applied since March 2021. The regime requires:
• Financial market participants, “FMPs” (broadly speaking EU buyside firms such as fund managers, firms conducting MiFID investment management activities, pension schemes and insurers) and financial advisers (i.e. firms that conduct MiFID investment advisory activities or which advise on IBIPs) must publicly disclose how they integrate sustainability risks within their investment management/advisory services and in their remuneration policies and procedures.
• Such firms are also required to publicly disclose how they assess the principal adverse sustainability impacts (“PASI”) of their investment management/advisory activities on the environment, society, etc. on a comply or explain basis – however, this PASI disclosure is mandatory for large FMPs (i.e. those that have 500 employees on a solo or, in the case of parent undertaking FMPs, consolidated balance sheet basis). These are entity level, rather than product level disclosures.
- FMPs that choose to comply, or are mandatorily required to comply with these PASI disclosure obligations must also annually report on the extent to which their activities (at an entity level) have resulted in or financed PASIs (e.g. fund managers must disclose overall Scope 1 and 2 emissions for all the investments that they manage and make during the annual reporting period). The reporting template is set out in the SFDR Level 2 rules and there is a prescribed list of mandatory and voluntary PASI indicators that firms should consider and report against (e.g. Scope 1 and 2 emissions, board gender diversity and others).
- The PASI disclosure obligations on financial advisers do not require them to annually report in the same way, but rather they must explain ex ante how they consider the PASIs of financial products they advise on.
• FMPs are also required to classify their products based on their green ambitions, and then comply with disclosure and product eligibility requirements that flow from the categorisation. The product categories include:
- Article 9 products – these are products that have a “sustainable investment objective” and which are expected to exclusively target “sustainable investments” (these are investments that do an environmental or social good, have good governance and, notably, have been assessed to “do no significant harm” to any other environmental or social objective – this “DNSH” test is meant to be assessed in practice by reference to the PASI indicators noted above.
- Article 8 products – these are products that promote environmental or social characteristics through their product design, marketing materials, investment strategy, etc. This is a broad catch-all category that is intended to capture any products that claim to take ESG considerations into account when making investment decisions. Such products must have at least an environmental or social good, and the investee companies must follow good governance practices.
- Article 6 products – these are products that do not make any environmental or social commitments or promises; these products must still consider sustainability risks (as should all Article 8 and 9 products) or explain why they are not relevant.
• Detailed product level disclosure and reporting requirements attach to Article 8 and 9 products to ensure that investors have clear information on the ESG commitments made by such products and the extent to which they are met on an ongoing basis.</td><td>AFME members with EU entities that provide investment advice on MiFID financial instruments or IBIPs are directly impacted and must ensure that they have published the entity level sustainability risk and PASI disclosures on their websites.
If AFME members or their affiliates conduct investment management activities or issue investment products in-scope of the regime (e.g. funds, IBIPs, etc.), they must also be complying with the SFDR reporting and disclosure obligations at both an entity and product level.</td></tr>
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Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
1 January 2022: Level 1 Taxonomy Regulation disclosure obligations apply for Article 8 and 9 SFDR products. EU SFDR Level 1 has been in force since 10 March 2021 (however, the mandatory PASI disclosure obligations for large FMPs have only applied from 30 June 2021). A targeted and public consultation on a potential review of Level 1 SFDR framework closed on 15 December 2023. AFME's response is available here. In June 2024, the ESAs published a joint opinion on the review of SFDR, making a number of recommendations. The new European Commission is expected to take forward a review, potentially moving towards a sustainability product categorisation system. We await a report from the PSF on potential product categories.	Investment advisory businesses. Asset and wealth management businesses will also be directly impacted.	These reforms have resulted in buyside firms requiring ESG disclosures and information from broker-dealers/banks on their products (e.g. debt instruments, derivatives, securitisations, etc.), entities, etc. so that the buyside firms can comply with their entity and product level SFDR obligations (in particular the PASI reporting obligation).	EU – however, the regime also applies to non-EU AIFMs marketing their funds into Europe under Article 42 of AIFMD.

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
EU Sustainable Finance Disclosure Regulation ("EU SFDR")	**SFDR Review** A targeted and public consultation on a potential review of the Level 1 SFDR framework closed on 15 December 2023. AFME's response is available here. A SFDR workshop was held in October 2023 drawing out key questions for the consultation including; • The need for a product categorisation system and • Whether disclosures to retail and professional investors should be distinguished. In the meantime, on 18 June 2024, the ESAs published a joint opinion setting out recommendations to the Commission on SFDR. This considers among other things views on the shape of a future product categorisation system and a proposal for sustainability indicators. This opinion comes at the ESAs own initiative (as opposed to at the request of the Commission) and is expected to be taken into account by the Commission as it considers its own position with respect to its SFDR review. The PSF is also working on a report on potential product categories.The new European Commission is expected to take forward a review, potentially moving towards a sustainability product categorisation system.	
SFDR Delegated Regulation (EU 2022/1288) (Level 2)	The SFDR Delegated Regulation was adopted on 6 April 2022 and has applied from 1 January 2023. Subject to significant disagreement, its progress was very slow, meaning there was a nearly two year gap between application of the Level 1 SFDR and this Level 2 Delegated Regulation. You can find out more about the Level 2 and its journey here. To support interpretation of the SFDR Delegated Regulation (and the SFDR): • On 17 November 2022, the ESAs published an extensive Q&A on various questions on the SFDR Delegated Regulation. The Q&A was effective immediately and applicable to all firms subject to SFDR. • On 14 April 2023, the Commission published its long awaited responses to questions the ESAs had submitted to the Commission in September 2022, on some important questions of interpretation of the SFDR, including in relation to the definition of "sustainable investment". • A consolidated Q&A document incorporating the April 2023 Q&A as well as the Commission's Q&A responses published in May 2022 and July 2021, and the ESA Q&A published in November 2022 was published on 17 May 2023 and updated on 12 January 2024. • In the ESA's 2025 work plan, they have noted that they will deliver their fourth annual report under Article 18 SFDR regarding the extent and quality of principal adverse impact (PAI) disclosures under the Sustainable Finance Disclosure Regulation (SFDR). The 2025 report will be the second time that the PAI indicators and template in the Delegated Regulation will have been available, allowing for analysis and comparison to the first year in 2024.	As for SFDR
SFDR Delegated Regulation (2023/363) in relation to fossil gas and nuclear	The Commission introduced a Delegated Regulation (2023/363) to amend and correct the SFDR Delegated Regulation (2022/1288) - in particular, to update the template disclosures for products investing in environmentally sustainable activities. This entered into force on 20 February 2023. Fundamentally, the changes ensure that investors receive the information set out in the Complementary Climate Delegated Act (2022/1214), which was adopted nearly a year earlier. This includes detail in the pre-contractual disclosures, on websites and in periodic reports regarding exposures to investments in fossil gas and nuclear energy activities. The changes followed on the heels of a September 2022 report from the ESAs on disclosure of financial products' exposure to investments in fossil gas and nuclear energy activities. The changes were considered necessary in order to further improve transparency and foster comparability of information disclosed to investors. You can read more on this here.	As for SFDR

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The SFDR Delegated Regulation has applied from 1 January 2023. Proposed amendments to it followed, in relation to the PASIs and pre-contractual disclosures (including in relation to transition plan disclosure). A final report on new RTS was published in December 2023. The Commission had three months from the date of the final report to decide whether to endorse the RTS. However, at a meeting held on 23 January 2024, the Commission indicated that endorsement would not come within its legislative cycle. It is still unclear at this stage when the changes proposed by the revised RTS will take effect (if indeed endorsed and adopted by the EU). In 2025, the ESAs will contribute more Q&As including on the reporting of principal adverse impacts.	As for SFDR - Investment advisory businesses. Asset and wealth management businesses will also be directly impacted.	As for SFDR	EU
The delegated regulation bringing the SFDR RTS into line with the Complementary Climate Delegated Act (with regard to nuclear and gas disclosures) came into force on 20 February 2023.	AS for SFDR - Investment advisory businesses. Asset and wealth management businesses will also be directly impacted.	As for SFDR	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
ESMA Guidelines on the use of funds' names with ESG or sustainability-related terms	The name of a fund is usually the first fund attribute investors see, and while investors are expected to look beyond the name itself, the name can have a significant impact on their investment decisions. ESMA believes that to prevent misleading investors and prevent potential greenwashing risk, the use of ESG or sustainability-related terms in a fund name should be supported in a material way by evidence of sustainability characteristics or objectives that are reflected fairly and consistently in the fund's investment objectives and policy. Accordingly, ESMA consulted on Guidelines on the use on funds' names with ESG or sustainability-related terms. Following the November 2022 consultation and an open hearing in January 2023, and following a delay (which allowed for the finalisation and publication of the EU AIFMD II and revised UCITS rules (which give ESMA the mandate to publish these Guidelines)), final guidelines on the use of funds' names with ESG or sustainability related terms apply from 21 November 2024. You can read more on the guidelines here.	AFME members with EU entities that provide investment management must ensure any funds they launch comply with the guidelines
ESA's reports on greenwashing in the financial sector	On 30 June 2022, the Commission published a request for input to the ESAs relating to greenwashing risks and the supervision of sustainable finance policies. The ESAs were requested to provide input on the following: • Greenwashing and greenwashing risks. Where possible, the ESAs should collect information on the most frequent greenwashing occurrences and complaints. • Supervisory practices, experience and capacities. The Commission is looking for an overview and assessment of the most relevant supervisory practices and tools competent authorities are developing, or have developed to define, capture and address greenwashing cases and greenwashing risks within their remit. • The current status of implementation of sustainable finance policies and supervisory convergence. • Supervisory measures and enforcement. • Assessment of supervisory obligations and powers. • Proposals for improvement of the regulatory framework. The Commission is interested in insight on areas of improvement for the current regulatory framework based on observed and experienced potential shortcomings. The Commission requested each of the ESAs, individually but in a co-ordinated manner, provide their respective input by means of a progress and final report. This request was followed by a Call for Evidence on greenwashing from the ESAs, launched in November 2022, • in which the ESA's sought views from stakeholders on how to understand greenwashing and what the main drivers of greenwashing might be; as well as examples of potential greenwashing practices, and • any available data to help the ESAs gain a concrete sense of the scale of greenwashing and identify areas of high risks. • Interim progress reports were published in June 2023 with the final reports published a year later. The reports set out the ESA's common high level understanding of greenwashing and map areas more exposed to greenwashing risks across the Sustainable Investment Value Chain (SIVC). You can read more about the reports here.	The reports provide sector specific assessments for key business areas such as issuers, investment managers, benchmark administrators and investment service providers. An AFME member should consider the report as it impacts those areas, as relevant.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The consultation closed on 20 February 2023 with ESMA expecting the final Guidelines to be issued by Q2/Q3 2023. This was delayed, and the final guidelines apply from 21 November 2024.	Asset management businesses will be directly impacted.		EU
The ESAs published their progress reports in June 2023 and their final reports in June 2024. Based on the ESAs' input, the Commission will assess and monitor greenwashing risks in the financial market while the implementation of key policies is ongoing. It will also consider whether further steps are necessary for effective supervision and enforcement in the context of greenwashing and risks.	TBC, dependent upon focus of regulation/policy developing from the ESA's findings and other related work.	As for previous column	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
UK Sustainability Disclosure Requirements ("SDR") regime	Following its discussion paper, the FCA opened a consultation in October 2022 on its proposed product classification, labelling and disclosure regime, which has similar aims to the SFDR but differs substantially from the EU rules as it looks to build on the FCA's TCFD and international standards (e.g. IFRS and IOSCO standards). It includes an anti-greenwashing rule for all regulated firms, as well as requirements around product labelling for sustainable investment funds. **Scope** – the 'anti-greenwashing' rule applies to all regulated firms. However, the more specific proposals (e.g. classification, disclosure, naming, marketing and distribution) primarily impact investment funds (and primarily those marketed to retail investors) and the firms that manage or distribute those products. **Application to overseas funds** - the proposals focus on funds based in the UK. They do not cover overseas products that are marketed into the UK (unlike the EU's SFDR and most other domestic ESG labelling regimes such as the French AMF doctrine). Overseas products will likely be indirectly impacted, as: (i) UK distributors / regulated firms, who will be subject to the general anti-greenwashing rule, will require an overseas fund and (ii) manufacturers of these overseas funds may wish to advocate for voluntary compliance with the labels from a local demand or competitiveness perspective. It is intended to consult on the application of the SDR to overseas funds next. **Product labels** – 4 products labels are proposed with different eligibility criteria - "Sustainable – impact", "Sustainable – improver", "Sustainable - focus " and "Sustainable – mixed goals". **Requirements on distributors –** The proposed regime would require distributors to ensure that product-level information (including the labels) is made available to consumers (the EU's SFDR rules do not impose any obligations on distributors). **General 'anti-greenwashing' rule –** The proposed regime envisages this general rule to be applied to all regulated firms, which reiterates existing rules to clarify that sustainability-related claims must be **clear, fair and not misleading .** This is a key proposal, and although the FCA will reason that this is just a clarification of their existing rules, it will likely require all FCA-regulated firms to revisit their approach to ESG and sustainability across all product types (not just investment products in scope of the SDR) and disclosures. You can read more on the SDR rules here. In April 2024, the FCA published a consultation paper on extending the SDR regime portfolio management services. The proposal is to extend the SDR and labelling regime to all forms of portfolio management services (including where the portfolio management offering are model portfolios, customised portfolios and/or bespoke portfolio management services). It will do this by using the same definition of "portfolio management as under the TCFD rules – which means that services in relation to private equity or other private market activities consisting of either advising on investments or managing investments on a recurring or ongoing basis would also be captured. As the regime is focused on delivering outcomes for retail investors, the proposals are primarily aimed at wealth management services for individuals and model portfolios for retail investors. Firms offering portfolio management services to professional clients can opt into the labelling regime but will not be subject to the naming and marketing requirements and associated disclosures. The proposed rules do not apply to services for clients based overseas (and it does not appear that the rules allow for an opt in, so do not allow scope to voluntarily apply the labels to services provided to non-UK clients) or to portfolio management provided to funds, AIFMs or UCITS ManCos on behalf of a fund. You can read more on the extension of the SDR to portfolio managers here.	If AFME members or their affiliates conduct investment management activities or issue investment products in-scope of the regime, they must also comply with the SDR labelling and disclosure requirements. If AFME members act as a distributor, they would need to have regard to the relevant rules on distributors. If the AFME member has a private banking / PWM division, it needs to pay attention to the forthcoming extension of the SDR to portfolio managers. **The general 'anti-greenwashing' rule** applies to all regulated firms. It reiterates existing rules to clarify that sustainability-related claims must be **clear, fair and not misleading** .This rule requires all FCA-regulated firms to revisit their approach to ESG and sustainability across all product types (not just investment products in scope of the SDR) and disclosures.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The SDR consultation closed on 25 January 2023 and the policy statement with final rules was published in November 2023. The anti-greenwashing rule and guidelines have been effective since 31 May 2024. The implementation date for the SDR labelling and disclosure requirements has been staggered, with in-scope firms being able to use the labels from 31 July 2024. However, the industry asked for more time to comply with the labelling rules, and FCA granted limited temporary flexibility until 2 April 2025 in certain circumstances. The consultation to extend the SDR to portfolio managers closed in June 2024. Final rules and further information about implementation are expected in Q2 2025. Steps to extend the SDR to overseas funds will follow - government will legislate, and then FCA consultation and rules will follow. Rules were expected in H2 2025, although this may be delayed given general delays in this space.	The anti-greenwashing rule impacts all products and services offered/sold by an AFME member firm which purports to be green/ sustainable etc. Asset and wealth management are impacted by the labelling/ disclosure provisions (wealth management / private banking await the next steps on the extension of the SDR regime to portfolio managers). There are rules where the firms acts as distributor of an SDR product – where a firm acts as a distributor it needs to pay attention to these.	These reforms are likely to result in buyside firms requesting ESG disclosures and information from broker-dealers/banks on their products	UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
FCA's anti-greenwashing principles for AFMs	On 19 July 2021, the FCA published a letter to the chairs of UK authorised fund managers ("**AFMs**") setting out its expectations and principles regarding greenwashing in the context of UK authorised funds. The principles build on existing FCA rules that apply to AFMs (in particular the obligations to make fair, clear and not misleading communications) and are intended to be complementary to the EU's SFDR requirements. The principles are presented as "guiding" principles, but do prescribe strict requirements in certain areas (e.g. fund names) and are quite similar to the AMF's French doctrine for significantly engaging funds (albeit the UK reforms are a lot less prescriptive overall). The principles also echo the overall SFDR framework as AFMs are expected to: (i) have clear and accessible pre-contractual ESG disclosures; (ii) report on the attainment of ESG objectives and characteristics; and (iii) ensure that product marketing/labelling is proportionate to the materiality of ESG considerations in the management of the fund. The principles are also expected were a precursor to and formed the basis of the SDR.	No direct impacts, as we expect AFME members will not be UK authorised fund managers – but they may have affiliates that fall within that category.
Swiss prospective law/ amendments on sustainable finance including to prevent greenwashing	The Swiss government is taking steps towards a possible law regarding sustainable finance, or possible amendments to the current financial market laws. The Federal Council had published a report in June 2020 analysing the current situation and announcing future reforms. As a result, the Federal Council instructed the State Secretariat for International Finance ("SIF"), in cooperation with the Financial Market Supervisory Authority ("FINMA") and the Federal Office for the Environment and the Federal Office of the Energy, to follow regulatory developments in the EU regarding sustainable finance (namely the EU taxonomy), as well as ongoing actions in the industry regarding the avoidance of greenwashing. The SIF is expected to evaluate whether there is a need to adjust Swiss financial market laws, and submit proposals to the Federal Council by the end of 2021. The key policy objectives are: (1) to preserve the exportability of Swiss financial products, (2) position Switzerland as a leading sustainable finance hub and (3) prevent greenwashing. On November 3, 2021, FINMA published its Guidance 05/2021 - Preventing and combating greenwashing, introducing transparency and reporting rules at the fund-level for Swiss funds, as well as organizational requirements for investment managers of Swiss and foreign funds. These rules concern sustainability-related products, i.e., products which (i) refer to sustainability in their name (e.g., sustainable, green, ESG, environment-friendly), (ii) are described as sustainability-related in the product documentation, or (iii) otherwise provide for a link to sustainability, typically through advertisement. FINMA did not include binding rules for sustainability preferences yet at the point of sale, pending the Swiss Federal Council's report by year-end 2021 Since then, the Federal Council published its position paper on the next steps needed to prevent greenwashing in the financial sector (December 2022). It has also instructed a working group, led by the Federal Department of Finance, to make proposals on the best way to implement the Council's position on the prevention of greenwashing. On 19 June 2024, the Federal Council stated that it was satisfied with the industry's self-regulatory provisions, although noted that "unresolved issues remain", including compliance with EU law and the permissible reference framework for sustainability targets and enforceability. The self-regulation provisions will come into force, with transitional periods for implementation up to 1 January 2027, although the Federal Council will re-evaluate its decision once the EU finalises the amending SFDR, but by the end of 2027 at the latest.	

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The principles take effect from the date of publication of the letter (i.e. as of 19 July 2021).	No direct impacts	These reforms are likely to result in buyside firms demanding ESG disclosures and information from broker-dealers/banks on their products (e.g. debt instruments, derivatives, securitisations. etc.), entities. etc. so that the buyside firms can comply with these principles at a product level. The principles will also likely result in increased buyside demand for green products. AFME members may be indirectly impacted when distributing UK authorised funds as the AFMs of such products may look to impose strict guidelines on how they are marketed from an ESG perspective to avoid triggering these requirements.	UK
FINMA's guidance on preventing and combating greenwashing was published on 3 November 2021. Self-regulatory provisions came into force on 19 June 2024, with transitional periods for implementation up to 1 January 2027.			Switzerland

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Mandatory TCFD disclosures by UK firms	In 2021, the UK government announced its roll out of mandatory TCFD reporting across the economy by 2025, with most of the remaining measures introduced by 2023. The FCA made rules for mandatory TCFD disclosures by: • premium listed commercial companies – by introducing a new Listing Rule (which is now in effect) that applies on a "comply or explain" basis, to financial years beginning on or after 1 January 2021 (see FCA PS 20/17); • standard listed commercial companies – by extending the aforementioned rule to apply for financial years beginning on or after 1 January 2022 for all other listed companies (see FCA PS 21/23); and • UK asset managers, life insurers and FCA-regulated pension providers (see FCA PS 21/24). The FCA set out more on its disclosure expectations in its Primary Markets Bulletin 36. The bulletin includes details on the FCA's supervisory strategy in this space, on the thematic work, collaborating with the Financial Reporting Council, that it intends to carry out, and on how instances of non-compliance will be handled. In July 2022, FCA reviewed the first disclosures made under these rules by premium listed issuers and suggested areas of best practice. See also row below for mandatory TCFD reporting for UK registered companies (which includes many UK financial institutions). The DWP (Department for Work and Pensions) is introducing similar TCFD reporting obligations for UK occupational pension schemes. As of November 2023, TCFD has been disbanded and the IFRS Foundation has taken over the monitoring of companies' climate-related disclosures. That said, the rules mandating TCFD reporting in the UK still apply currently. However, there are plans for the UK to endorse the ISSB reporting standards instead, and the government is now considering how this will be achieved. ISSB announced that "the incorporation of the TCFD recommendations into the ISSB Standards provides yet further simplification of the so-called 'alphabet soup' of disclosure initiatives for companies and investors." It remains to be seen what the UK's approach to endorsing these standards is.	AFME members with in-scope UK entities will be subject to mandatory TCFD [or equivalent – we await endorsement of ISSB] reporting by 2025. They may already be subject to TCFD reporting for corporates via the Companies Act 2006 amendments (see row below).
UK TCFD disclosure rules for UK listed companies and some financial institutions	At the end of October 2021, the UK Government announced amendments to the Companies Act 2006 to require the disclosure of climate-related financial information by UK registered companies and financial institutions. This includes information on their governance and management of climate-related risks and opportunities, as well as analysis of their business' resilience to climate related scenarios. These new obligations are based on TCFD recommendations and apply in respect of financial years starting 6 April 2022 onwards. This is separate to the FCA's rules for premium listed companies, standard listed companies and asset managers described in the item above. Although there is overlap in scope, the inclusion of climate-related reporting within the statutory framework (as opposed to the regulatory framework) is important because it means that directors will need to take responsibility for the completeness and accuracy of the company's disclosures. The requirements are set out in the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022, which were made on 17 January 2022. These regulations amend the Companies Act 2006 and the LLP Act respectively. The Department for Business, Energy & Industrial Strategy (BEIS) has published guidance to help publicly quoted companies, large private companies and limited liability partnerships (LLPs) understand how to meet these new mandatory TCFD-aligned climate disclosure requirements.	AFME members will have had to check which of their legal entities fall within scope of the reporting requirement: The rules require that climate-related information be provided by those companies which already have to publish a non-financial information statement in their strategic report – that is, traded companies, and certain financial institutions, in each case if they have more than 500 employees. In addition, the new climate disclosure requirements apply to Alternative Investment Market traded companies and UK companies with a group turnover of more than £500 million, in each case if they have more than 500 employees. LLPs of comparable size are subject to equivalent provisions.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
Mandating of TCFD reporting across different sectors: 2022 to 2025. A government consultation on its approach to ISSB endorsement is expected soon.	All, as these disclosures must be made at an entity level, covering all the business lines of the large institution. Corporate reporting/disclosure teams will need to ensure that the relevant disclosures are prepared and published. To the extent AFME members have UK affiliates that are in-scope, and the group publishes voluntary group level TCFD disclosures today, those disclosures will need to be uplifted accordingly with respect to the in-scope affiliate.	ECM/DCM teams may also be indirectly impacted because of the impact of these reforms on UK listed issuers.	UK
The reporting obligations apply in respect of financial year starting 6 April 2022, for reporting in 2023. These reporting obligations will be impacted by the UK's endorsement of ISSB standards.	All – this is an entity level disclosure obligation.		UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
UK TCFD reforms for asset managers	On 17 December 2021, the FCA published policy statement 21/24 with requirements extending mandatory TCFD reporting to asset managers, life insurers and FCA-regulated pension providers, as part of the UK's ambition to have fully phased-in TCFD reporting by 2025. These rules require most UK asset managers (i.e. UK MiFID managers, AIFMs and UCITS ManCos) and asset owners (i.e. life insurers and FCA regulated pension providers) to annually report on TCFD compliance at both an entity and at a product level. Key points to note include: • the product level reporting requirements are a recent development that had not been previously suggested in the government's TCFD roadmap, and follow similar metrics to the climate principal adverse indicators in SFDR – although unhelpfully, the FCA's proposed calculation methodologies differ in some regard such that firms will need to prepare separate SFDR and FCA product level disclosures; and • the entity level report must include a compliance statement, signed by a member of senior management. The FCA rules do not apply to: • FCA-regulated asset managers and asset owners that have less than £5 billion in assets under management or administration (calculated on a three-year rolling average basis); and • overseas firms accessing the UK under the temporary permissions regime (TPR). The rules can be found in the ESG Sourcebook of the FCA Handbook.	No direct impacts unless AFME members provide investment management services or have affiliates that are in scope of the regime.
Switzerland – TCFD implementation	The Swiss Ordinance on Climate Disclosures, adopted in November 2022, requires mandatory TCFD reporting by public companies, banks and insurance companies with 500 or more employees, total assets of more than CHF 20 million or a turnover of more than CHF 40 million. On 31 May 2021, FINMA specified transparency obligations for climate risks. Effective from 1 July 2021, large banks (and insurance companies) are required to disclose quantitative and qualitative data on climate-related financial risks. The rules governing this disclosure are aligned with the recommendations of the TCFD. In July 2024, FINMA published its ex-post evaluation report which reviewed the requirements and decided against revising the regulations but indicated that more measures may still be on the horizon.	AFME member entities within scope of the reporting requirement will need to report in compliance with the Ordinance.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The regime has applied from: 1 January 2022 for large UK asset managers (i.e. enhanced SMCR firms that have AUM of more than 50 billion) and large asset owners (i.e. FCA-regulated life insurers and pension providers that have £25 billion or more assets under management/administration) – with the first annual report due by 30 June 2023; 1 January 2023 for all other UK asset managers and asset owners that are not excluded under the £5 billion threshold – with the first annual report due by 30 June 2024. These rules will be impacted by the UK's endorsement of ISSB.	No direct impacts unless AFME members provide investment management services.	As above – to the extent AFME members have UK affiliates that are in-scope, and the group publishes voluntary group level TCFD disclosures today, those disclosures will need to be uplifted accordingly with respect to the in-scope affiliate.	UK
The Ordinance entered into force on 1 January 2024, with first reports to be published in 2025 for reporting on the 2024 financial year.	Disclosure obligations and increased transparency.		Switzerland

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
French AMF ESG Doctrine	The AMF published a Position-Recommendation 2020-03 on "information to be provided by collective investment schemes incorporating non-financial approaches" in March 2020 (with two updates published in July 2020 and January 2022) – the "**AMF ESG Doctrine**". The AMF ESG Doctrine applies as follows: • Impacted firms: asset management companies and distributors of the products described below. • Impacted fund materials: impacts the name of the fund, KIID and prospectus, as well as marketing materials (which would capture any promotional documents). • Level of disclosures: applies at a product level only, but there are some entity level disclosures for French AIFMs and UCITS Mancos. • Scope of products: applies to French AIFs and UCITS (subject to some exemptions), as well as non-French UCITS, that are authorised to be marketed in France to retail investors. Fund managers that market their funds into France to retail investors are, strictly speaking, in scope. In theory, instead of complying with certain requirements concerning the fund documentation, foreign funds could include prominent disclaimers in each marketing material addressed at French investors flagging that their products do not comply with the AMF ESG Doctrine. However, it is quite impossible in practice to market a fund in France on the basis of such disclaimers. Funds with ESG ambitions that are marketed in France should be categorised as either adopting a "significantly engaging" or "non-significantly engaging" ESG methodology: i. only funds implementing a significant engagement methodology are entitled to disclose ESG objectives as a "key"/"central" aspect of communications in their documentation; and ii. only funds implementing a non-significant engagement methodology are entitled to disclose ESG objectives as a "reduced"/"limited" aspect of communications in their documentation. The AMF ESG Doctrine sets out minimum standards and eligibility criteria for each category as well, to ensure that the methodology applied by the fund manager is in fact significantly or non-significantly engaging when it comes to ESG. Compliance with the minimum standards must be reflected in the fund documentation (i.e. the AMF ESG Doctrine provides for some ESG disclosures to be inserted in the prospectus in this respect). Other funds (i.e. that do not consider ESG in a "significantly engaging" or "non-significantly engaging" manner) are not permitted to reference ESG in their marketing materials, other than in their prospectus in a proportionate way. Funds with an approach that does not meet central or limited communication standards (i.e. implementing a significant or non-significant engagement methodology) are not entitled to communicate on non-financial characteristics (e.g. in the name of the fund, KIID and /or marketing materials), save in their Prospectus and in a proportionate way. The update of the AMF ESG Doctrine published in January 2022 provides for some additional requirements for funds using Total Return Swaps and communicating on their consideration of non-financial criteria. **Interplay with SFDR:** The AMF ESG Doctrine was introduced before SFDR. The AMF published a communication in January 2021, explaining how the AMF doctrine will work alongside the SFDR. At a high level, the AMF has confirmed that, in its view, the AMF doctrine and SFDR are complementary to one another (with some overlaps) and that it may revise its doctrine to converge with the EU SFDR requirements and guidance in due time – this update is still expected. **ELTIFs**: The AMF ESG Doctrine has subsequently been amended to expressly include ELTIF funds in its scope.	AFME members will be directly impacted if they market funds in France to retail investors.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The regime has been in force since March 2020, although a further update regarding SFDR is expected (see Column 2).	Teams that distribute funds into France – or (which we expect will be less relevant) asset management teams that manufacture funds for sale into France.	French fund managers and other managers that are in scope of these rules will likely demand enhanced ESG disclosures and information from broker-dealers/banks on their products (e.g. debt instruments, derivatives, securitisations, etc.), entities, etc. so that they can comply with the AMF's strict eligibility requirements for "significantly engaging" or "non-significantly engaging" funds. AFME members may also be further impacted when distributing funds into France – as the managers of such products may look to impose strict guidelines on how they are marketed from an ESG perspective to avoid triggering these requirements.	France – the regime also applies to overseas funds marketed to retail in France.

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Corporate Sustainability Reporting Directive ("CSRD")	The CSRD revises and enhances the ESG reporting rules in the Non-Financial Reporting Directive (NFRD) that previously applied to public interest entities (which include EU credit institutions) which are deemed to be "large" on a solo or consolidated basis under the Accountancy Directive. The CSRD will apply to all "large" EU entities (even if not public interest entities) and all listed EU companies. The key policy objective of the CSRD is to ensure that a much broader range of companies report reliable, coherent and comparable sustainability information for the benefit of investors and other stakeholders. In-scope entities will be required to use the mandatory European sustainability reporting standards (ESRS) which are developed by EFRAG. The first set have applied from 1 January 2024. You can read more about them here. These cover the full range of sustainability matters (environment, social, governance and cross-cutting standards). The type of sustainability information required to be disclosed under the ESRS includes the principal adverse impact ("**PAI**") KPIs required to be disclosed under the EU SFDR and the information required under the Taxonomy Regulation (among other things). EFRAG implementation guidance has also been produced on the materiality assessment, the value chain and on detailed ESRS data points in order to support with the preparation of the first sustainability statements. Sector specific ESRS and ESRS for certain non-EU companies with business in the EU meeting certain threshold have been delayed. Their adoption will now not be until 30 June 2026 – read about this here. For the financial services, there will be three sets of sector specific ESRS – for banking, capital markets and insurance. There is also draft ESRS implementation guidance in relation to the transition plan disclosures required by CSRD. The draft published in early November 2024, this is sector agnostic only. A controversial negotiation in agreeing the final text was in relation to extra-territorial scope. It has been agreed that CSRD will apply to non-EU undertakings which generate a net turnover of EUR150million in the EU and have at least one subsidiary or branch in the EU. Further guidance on how "turnover" is defined will be critical in understanding the full impact of this scope. CSRD has to be transposed into member state law. The deadline for transposition expired in July 2024 although 17 jurisdictions did not meet the deadline. You can read more about the status of transposition and what gold plating there is here. See also Taxonomy Art 8 Delegated Act row above. You can find out more on all aspects of CSRD here in Linklaters CSRD Demystified series.	In-scope companies have to report information on the full range of environmental, social and governance issues relevant to their business, in accordance with mandatory EU sustainability reporting standards (with more proportionate standards being developed for SMEs). This includes not just sustainability risks faced by the company, but also the impact of its business on broader ESG objectives (e.g. the impact of the business on climate change). Consistent with the pre-existing rules in the NFRD, in-scope companies have to report about the risks to the company arising from sustainability issues, and about their own impacts on people and the environment. This includes information on companies' global supply chains regarding issues such as forced and child labour and consistent with internationally recognised principles and frameworks such as the International Labour Organisation ("**ILO**") Declaration on Fundamental Principles and Rights at Work. The disclosures are complementary to the Taxonomy Regulation disclosures that will also apply to these corporates and will build on the screening criteria and "do-no-significant-harm" thresholds of the EU Taxonomy. Notably, there is an obligation for this information to be audited, although the Commission is starting with a "limited" assurance requirement. **Note**: local Member State implementations may mean that reporting start dates are different and/or the population of in-scope entities is broader and/or there is other gold-plating to take into consideration. This needs to be checked by reference to local Member State implementations – see our tracker here which links to information about transposition in certain member states.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The CSRD came into force on 5 January 2023. The CSRD has to be transposed into member state law. The transposition deadline passed in July 2024, with 17 member states having failed to meet it. The first set of ESRS applied since 1 January 2024.. Adoption of the second set of ESRS – including the sector specific ESRS - has been delayed until June 2026. Draft implementation guidance in relation to transition plans was published in November 2024. It is expected to be finalised in Q2 2025. CSRD is being phased in: 1 January 2024 for companies already subject to the non-financial reporting directive 1 January 2025 for large companies that are not presently subject to the non-financial reporting directive 1 January 2026 for listed SMEs, small and non-complex credit institutions and captive insurance undertakings. 1 January 2028 for non-EU companies. which generate a net turnover of EUR 150 million in the EU and which have at least one subsidiary or branch in the EU (this is a new addition to the scope of the original proposal, and there is still uncertainty how "turnover generated in the EU" will be interpreted)	These disclosures must be made at an entity level, covering all the business lines of the large institution. Corporate reporting/disclosure teams will need to ensure that the relevant disclosures are prepared and published.	These disclosures are likely to attract client and market scrutiny and may be used as a basis to challenge sustainability claims/ commitments made by the firm.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
CRR/CRD amendments (Pillar 3 - disclosure)	CRR (as amended by CRR III) contains a requirement for large institutions which have issued securities that are admitted to trading on a regulated market of a member state to disclose information on ESG risks (including physical and transition risks as defined in the EBA's 2021 Report).[2] Disclosure requirements have been applicable since 28 June 2022 on an annual basis for the first year and biannually thereafter. On 1 March 2021, the EBA published its Consultation Paper on prudential disclosures on ESG risks in accordance with Article 449a CRR. The Consultation Paper was issued in response to the EBA's mandate to develop implementing technical standards (ITS) specifying the disclosure requirements in a way that conveys sufficiently comprehensive and comparable information for users of that information to assess the risk profile of the institution. In January 2022, the final draft ITS was published by the EBA. In September 2022, the Commission suggested two changes to the ITS: • Deleting the definition of individual ESG risks, because this definition has taken place in the context of the CRR III proposal currently being negotiated. • Disclosure of the banking book taxonomy alignment ratio should take place on a voluntary basis because due to the lack of data from SMEs and non-NFRD corporates. It requested the EBA's opinion on these two suggestions, which the EBA submitted on 17 October 2022. Finally, the ITS (EU 2022/2453) was published in the OJEU on 19 December 2022 and entered into force in early January 2023. The EBA is expected to consult on updating Pillar 3 ESG ITS in Q4 2024 with revised ITS due in 2025, although due to delays at the Basel Committee, this is now expected in Q1 2025.	In-scope AFME members would have to complete a series of detailed tables and templates which in turn will require detailed customer-level data. Firms will need to augment existing disclosure processes and systems and identify and embed synergies with Article 8 taxonomy reporting where relevant (noting that disclosures under this regime are required biannually as opposed to annually under Article 8 taxonomy).

2 Article 449a CRR.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
Commission Implementing Regulation (EU) 2022/2453 was published in the OJEU on 19 December 2022 and entered force 20 days thereafter. First reports were due in 2023, with a disclosure reference date as of 31 December 2022	All, as these disclosures must be made at an entity level, covering all the business lines of the large institution. Corporate reporting/disclosure teams will need to ensure that the relevant disclosures are prepared and published.	These disclosures are likely to attract client and market scrutiny – particularly where it seems that the firm is not managing ESG risks effectively.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
International Sustainability Reporting Standards	Key international initiatives seeking to develop sustainability reporting standards include: • Task Force on Climate-related Financial Disclosures ("**TCFD**"). This was disbanded in October 2023, having fulfilled its remit. The IFRS Foundation has taken over the monitoring of the progress of companies' climate-related disclosures using ISSB disclosure standards. The key policy objective of the TCFD was to develop recommendations for more effective climate-related disclosures that could promote informed investment and credit decisions and, therefore, allow stakeholders to better understand the concentration of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. • Task Force on Nature-related Financial Disclosures ("**TNFD**"). The key objective of the TNFD is to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks and opportunities, with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes. • The final version of its recommendations was published in September 2023. Find out more about the recommendations here. These set out a number of targets to be achieved by 2030 including a monitoring and disclosure target for the private sector. • Additional TNFD sector guidance was published in July 2024, including for financial institutions with recommended disclosures and disclosure metrics for banks, re/insurance companies, asset managers and owners, and development finance institutions. It also published updated guidance on value chains which aims to help organisations identify and assess dependencies, impacts, risks and opportunities in their upstream and downstream value chains with regard to nature and biodiversity. Read more on this here.Sustainability Accounting Standards Board ("**SASB**"). SASB has developed industry-specific standards to enhance the reliable and consistent disclosure of financially material sustainability information by companies to their investors across 77 industries. SASB merged with the International Integrated Reporting Council ("**IIRC**") in 2021 to form the Value Reporting Foundation ("**VRF**"). In 2022 the SASB standards became the responsibility of the ISSB. SASB's sustainable accounting standards can be seen as a complement to the ISSB's more general sustainability disclosure standards (S1) and climate-specific disclosures (S2). While ISSB standards provide the overarching principles and requirements for sustainability reporting, SASB frameworks offer detailed, industry-specific metrics and guidance for reporting on material sustainability topics. SASB's standards are organised under five dimensions: environmental impacts, social capital, human capital, business model and innovation, and leadership and governance. • Global Reporting Initiative ("**GRI**"). The GRI Sustainability Reporting Standards are a set of standards for sustainability reporting (including environmental and climate change reporting) to enable corporations to measure and understand their impacts on the environment, society and the economy. They comprise a modular framework of:three general standards that provide a starting point for reporting, guidance on reporting contextual information about an organisation and guidance on reporting the management approach for each topic; and • separate standards for specific disclosures relating to environmental, economic or social issues. On the environment in particular, there are separate standards for the topics of materials, energy, water, biodiversity, emissions, waste, environmental compliance and supplier environmental assessment. .In July 2024, the GRI and TNFD published an interoperability map and guidance document which show that the TNFD Disclosure Recommendations and the GRI Standards, including the GRI 101: Biodiversity 2024, are highly aligned. Read more on this here.	**TCFD** – Disclosures required on climate-related risks and opportunities in relation to the organisation's governance, strategy and financial planning, risk management and metrics and targets. The UK FCA made TCFD disclosures mandatory for listed commercial companies, asset managers and asset owners. **TNFD** – Similar to TCFD, disclosures will focus on how nature impacts the organisation's immediate financial performance, or the longer-term financial risks that may arise from how the organisation, positively or negatively, impacts nature.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
Development and consolidation of the various sustainability reporting standards is ongoing. The FCA's mandatory TCFD disclosure regime for premium listed corporates, standard listed corporates and asset managers/ asset owners is already in force. TNFD: the final version of the disclosure framework was published in September 2023 The ISSB standards IFRS S1 and S2 were finalised in June 2023. The IFRS Foundation has taken over the monitoring of the progress of companies' climate-related disclosures from TCFD, which has been disbanded. IThere are currently no key actions in relation to the IFRS Foundation's standards. Next, it is for the IFRS Foundation to decide whether to expand the climate standards to incorporate other ESG/sustainability information. Corporates and investors must monitor whether/how governments decide to adopt the ISSB standards in their national frameworks or develop their own bespoke standards.	Corporate reporting/disclosure teams will need to ensure that the relevant disclosures are prepared and published in respect of any AFME members that: (i) are obliged by local law to follow such standards; or (ii) have voluntarily adopted any of the relevant sustainability reporting standards.	These disclosures, or even failures to publish such disclosures, are likely to attract client and market scrutiny and may be used as a basis to challenge sustainability claims/ commitments made by the firm.	Global

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
International Sustainability Reporting Standards	• International Financial Reporting Standards ("**IFRS**"). The IFRS Foundation established an International Sustainability Standards Board ("I**SSB**") during COP 29 in November 2021, tasked with preparing and overseeing a set of comparable and consistent sustainability standards to replace the current voluntary patchwork in this space. The IFRS Foundation states that the purpose of the ISSB is to "allow businesses to build public trust through greater transparency of their sustainability initiatives, which will be helpful to investors and an even broader audience in a context in which society is demanding initiatives to combat climate change" In June 2023, the ISSB published the first set of its sustainability disclosure standards. These are: General Requirements for Disclosure of Sustainability-related Financial Information Standard, which require companies to disclose information that enables investors to assess the effect of significant sustainability-related risks and opportunities on its enterprise value (IFRS S1); and Climate-related Disclosures Standard (IFRS S2). • In November 2021, the Board of the International Organization of Securities Commissions ("**IOSCO**") published its recommendations for regulators and policy makers on improving sustainability-related practices, policies, procedures and disclosures across the global asset management industry. This was followed up with a final report in December 2023. • A separate IOSCO report was published on 23 November 2021 covering recommendations for ESG data and ratings providers. • In July 2023, IOSCO endorsed the ISSB standards IFRS S1 and S2. • The CFA Institute has published its first voluntary Global ESG Disclosure Standards for Investment Products which have been designed to help 'mitigate greenwashing' and enable investors, consultants, advisors and distributors to better understand, evaluate and compare ESG investment products. The standards, published on 1 November 2021, were developed following an industry-wide consultation to create standards that are based on the principles of fair representation and full disclosure of ESG issues within the objectives, investment process, and stewardship activities of investment products. The standards apply to all types of investment vehicles, asset classes, and ESG approaches. They do not address corporate-level reporting or firm-level disclosures, naming, labelling or rating products, or the content of investment products' periodic reports.	
UK Transition Plan Taskforce	The Transition Plan Taskforce (TPT) was launched by HM Treasury to develop a gold standard for climate transition plans. Working with FCA, the TPT was given a two year mandate to strengthen disclosures in this space. In January 2024, this mandate was extended to the end of October 2024 to support the UK Transition Finance Market Review ("TFMR"). In October 2023, the TPT published its final Disclosure Framework and accompanying guidance. In April 2024, sector specific guidance, including in relation to banking, asset managers and asset owners, followed to supplement the core TPT disclosure framework. You can read more about the sector specific guidance here. On 31 October 2024, the TPT officially concluded its work and published a final report providing an overview of its achievements and future prospects. The report outlines key opportunities and challenges for the global adoption of transition plans, including enhancing market capabilities, sharing best practices, developing decision-making tools, and fostering global consistency in transition planning norms. You can read about this report here. Following this, the ISSB has taken ownership of the TPT disclosure framework and guidance. A new International Transition Plan Network, launched during New York Climate Week in September 2024, has been set up to serve as a collaborative platform to support the development of global norms in private sector transition planning. (This report is only intended to give a snapshot of the key transition plan frameworks. For a more comprehensive view, read this AFME/Linklaters report on transition plan frameworks for the financial services sector.)	Disclosure on transition plans will be required by AFME members through a variety of mechanisms. The TPT's recommendations may be important in determining the substance of those disclosures, although it does not of itself set out a publication requirement.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The TPT disclosure framework was published in October 2023. Sector specific guidance was published in April 2024. The work of the TPT concluded on 31 October 2024.	Whole UK business – attention must be paid to the way the TPT guidance is factored into the UK's transition plan disclosure framework to understand the impact/role of the TPT guidance.	TBC	UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Sustainability in financial services sectoral legislation		
Delegated acts integrating sustainability into UCITS, AIFMD, MiFID II, Solvency II and IDD	The Delegated Acts incorporate sustainability considerations into the UCITS, AIFMD, MiFID II, Solvency II and IDD frameworks. The DAs are based on ESMA and EIOPA reports on technical advice submitted in April 2019, which concluded that further clarification on the integration of sustainability risks and factors in the existing delegated acts was necessary. The Delegated Acts include obligations to embed: i. the consideration of sustainability risks in the organisational, governance and risk management framework; ii. the consideration of sustainability preferences/risks in the conflicts framework; iii. the consideration of sustainability preferences in the suitability assessment process, when providing advice or managing investments; iv. the consideration of sustainability risks and principal adverse impacts of investment decisions, in the context of investment due diligence conducted by AIFMs and UCITS managers; and v. the consideration of sustainability factors/objectives in the target market and broader product governance framework. The Delegated Acts are set out below: MiFID II • Commission Delegated Regulation (EU) 2021/1253 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms • Commission Delegated Directive (EU) 2021/1269 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations AIFMD • Commission Delegated Regulation (EU) 2021/1255 amending Delegated Regulation (EU) 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by alternative investment fund managers UCITS • Commission Delegated Directive (EU) 2021/1270 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for UCITS Solvency II and IDD • Commission Delegated Regulation (EU) 2021/1256 amending Delegated Regulation (EU) 2015/35 as regards the integration of sustainability risks in the governance of insurance and reinsurance undertakings (Solvency III) • Commission Delegated Regulation (EU) 2021/1257 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products (Insurance Distribution Directive)	These required uplifts to existing risk management, conflicts and broader organisational policies and procedures to ensure ESG risks and factors are appropriately covered. Firms must ensure that senior management has a sufficient understanding of ESG risks across all business lines. The target markets and product governance framework for all products needed to be considered and, as appropriate, updated in light of these reforms. AFME members that provide investment advice need to ensure they obtain information from clients on "sustainability preferences", and do not present products that do not meet the client's sustainability preferences as meeting their ESG needs. This is a tricky exercise as the definition of sustainability preferences now refers to a preference expressed by the client for financial instruments/products that: (i) have a minimum proportion of Taxonomy compliance or a minimum proportion of "sustainable investments" (as defined in the SFDR) – and the minimum proportion will then be set by the client; or (ii) consider principal adverse sustainability impacts (PASIs), but in accordance with qualitative or quantitative elements set by the client. AFME members therefore need to potentially assess the product ranges they advise on against these preferences – even where the product manufacturer has not done the assessment of Taxonomy alignment etc. itself.
ESMA Guidelines on certain aspects of the MiFID II suitability requirements	ESMA proposed guidelines on the ESG amendments to the suitability requirements in MiFID II, largely relating to sustainability preferences. These were finalised and published on ESMA's website in April 2023. You can read more on the guidelines here.	The guidelines will only be relevant to AFME members who provide investment advice, or for investment/asset manager affiliates. See row above for more on impact of suitability amendments.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The majority of the Delegated Acts came into force from 1/2 August 2022, and firms will need to have been compliant with the relevant requirements, as of that date. With regard to the MiFID II product governance amendments, Member States will needed to have amended their national rules to implement the directive amending those rules by 21 August 2022, to apply from 22 November 2022.	All business lines will be generally impacted because of the requirements to embed ESG within risk management, conflicts and frameworks (which will be relevant across all business lines – including ECM/DCM, Structured Products teams, Research, etc.). There will also be specific impacts for Asset Management, Wealth Management and other advisory businesses.	The changes introduced to the suitability and product governance regimes will likely lead to distributors/investors demanding increased information on the greenness of products manufactured by banks/brokers.	EU
The guidelines were finalised on 23 September 2022 but applied since October 2023 when they were published on ESMA's website in all official EU languages.	As above - there will be specific impacts for Asset Management, Wealth Management and other advisory businesses.	The changes introduced to the suitability regime will likely lead to distributors/investors demanding increased information on the greenness of products manufactured by banks/brokers.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
ESMA Guidelines on certain aspects of the MiFID II product governance requirements – consultation paper	On 8 July 2022, ESMA published updated MiFID II product governance guidelines for consultation, which also include changes to reflect the upcoming ESG changes to the MiFID II product governance ("PG") rules that take effect from November this year. The final report was published in March 2023, and the guidelines have applied since October 2023. The guidelines are surprisingly light on the ESG side and the key ESG update is that ESMA has suggested that MiFID manufacturers and distributors could use the "sustainability preferences" definition from the upcoming ESG suitability rules (i.e. min % of Taxonomy alignment, min % of SI sustainable investments or PAI consideration) to define the sustainability related objectives of their product's target market. This is expressed as an option rather than a requirement, but care should be taken when completing industry led ESG documents such as the European ESG template ("EET") or the latest European MiFID template ("EMT") – as responses in the EET/EMT could be viewed as a confirmation of the product's target market sustainability objectives. You can read more on the guidelines here.	The guidelines need to be taken in account in the way AFME members implement the product governance requirements.
Fiduciary Duties and further amends to AIFMD, MiFID II, UCITS, IDD and IORP II	As anticipated in the Renewed SF Strategy, the Commission asked EIOPA to consider and assess the introduction of a fiduciary obligation on pension schemes to consider the positive and negative sustainability impacts of their investment decisions. The aim would be to ensure that the framework better reflects members' and beneficiaries' sustainability preferences and broader societal and environmental goals. On this, EIOPA submitted its technical advice to the Commission on 28 September 2023 (Technical advice for the review of the IORP II Directive - Chapter 6 covers sustainability and fiduciary duties). The Commission has separately collaborated with the ESAs to consider and assess further measures to ensure other buyside firms and advisers consider the positive and negative sustainability impacts of their investment decisions, and of the products they advise on, on a systematic basis. In particular, ESMA announced (Oct 2023) that it would launch a Common Supervisory Action on the integration of sustainability in firms' suitability assessment and product governance processes and procedures in 2024, although this has now been rolled over into its 2025 workplan. The Commission will also review relevant frameworks relating to investors' stewardship and engagement activities. In particular, the Commission will explore how the Shareholder Rights Directive II may better reflect EU sustainability goals and align with global best practices in stewardship guidelines.	TBC in due course – the reforms are expected to directly impact the buyside mainly, but AFME members that provide investment advice will be directly impacted.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The guidelines have applied since October 2023 when they were published on ESMA's website in all official EU languages	Of relevance to any part of the bank which manufactures or distributes investment products, e.g. DCM, ECM, private banking, custody and depositary services	TBC	EU
EIOPA was asked to deliver its advice by 1 July 2023. This deadline was extended by three months. The Commission started preliminary work on the IORPII directive review and will issue its proposal during the 2024-2029 EC mandate. ESMA's Common Supervisory Action in relation to sustainability suitability assessments will not commence until 2025.	TBC in due course – any teams providing investment advice will be directly impacted.	TBC in due course	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Sustainability in prudential requirements		
CRR/CRD amendments (ESG risk supervision)	In June 2021, the European Banking Authority (EBA) published its Report on management and supervision of ESG risks for credit institutions and investment firms. The Report contains the EBA's assessment of how to include ESG risks into the three pillars of the prudential framework. It assesses their potential inclusion in Pillar 2 by providing common definitions of ESG risks, elaborating on the arrangements, processes, mechanisms and strategies to be implemented by credit institutions and investment firms to identify, assess and manage ESG risks.[3] The Report recommends the incorporation of ESG risks into credit institutions' and investment firms' business strategies, internal governance arrangements and risk management frameworks. For credit institutions, the EBA's 2021 Report also addressed supervision of ESG risks. The EBA identifies a need to reflect ESG risks in the supervisory evaluation of institutions falling within the scope of the CRR/CRD and highlights that the existing SREP may not enable supervisors to sufficiently understand the longer-term impacts of ESG risks. Accordingly, the Report identifies a need to introduce a new aspect of analysis in the supervisory assessment process. This would take the form of an evaluation of whether credit institutions sufficiently test the long-term resilience of their business models against the time horizon of the relevant public policies or broader transition trends, on at least a 10-year time horizon. The Report has been used by the EBA as a basis for the development of draft EBA Guidelines on the management of ESG risks by institutions and for updating the SREP Guidelines to include ESG risks in the supervision of credit institutions. These draft guidelines were published in January 2024, and it is expected that the EBA will finalise them by the end of 2024 so that their application date is aligned with the application date of CRD6. You can read more about the EBA Guidelines here.	AFME members to assess and, as appropriate, uplift their risk management frameworks to identify, assess and manage ESG risks. AFME members to also consider if ESG risks are sufficiently considered and incorporated within their business strategies and internal governance arrangements, and to make appropriate enhancements where necessary.

3 The Report was mandated under Article 98(8) of CRD and Article 35 of IFD.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
EBA report issued in June 2021. EBA Guidelines on the management of ESG risks are in draft. They are expected to apply from January 2025 so as to align with CRR3 / CRD6. Although the SREP Guidelines were updated in March 2022, this review did not relate to the inclusion of ESG risks into the SREP, which will be undertaken in a subsequent review.	All business lines will be generally impacted because of the requirements to embed ESG within risk management, governance and business strategy. Corporate reporting/disclosure teams will need to ensure that the relevant disclosures are prepared and published.	ESG risks are likely to play an increasingly important role in regulatory engagement and oversight – both within and outside the SREP.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
EU Banking Package – CRDVI / CRR III	Following the EBA's report on management and supervision of ESG risks for credit institutions and investment firms in June 2021 and the Commission's renewed Sustainable Finance Strategy in July 2021, the Commission adopted (October 2021) legislative proposals for a review of the Capital Requirements Regulation (CRRII) and the Capital Requirements Directive (CRDV). These proposals led to CRR III and CRD VI, the majority of whose new rules apply from 1 January 2025. While the package primarily aims at ensuring a stronger resilience of EU banks to potential future economic shocks by finalising the implementation of the Basel III rules, it is also intended to contribute to the transition to climate neutrality. To do this, requirements in relation to the following areas are provided: • Introduction of uniform definitions for types of ESG risk, so that standardised and clear definitions can lead to comparable measurement and assessment of risk. • Business strategies, processes and governance frameworks must include consideration of ESG risks, with the time horizon for strategic planning to be extended to at least ten years when incorporating ESG-risk considerations into business strategies. EBA guidelines will be developed to specify the criteria for the assessment of ESG risks. • The management body will be required to develop and sign-off on specific plans and quantifiable targets to monitor and address the risks arising from the misalignment of the business model and strategy of the institutions with the relevant EU policy objectives or broader ESG transition trends. • Disclosure of information on exposures to ESG risks is proposed to be included in the supervisory reporting of all institutions (not just large institutions, as required by CRR II). • Preparation of prudential transition plans to address climate-related and environmental risks arising from the process of adjustment towards climate neutrality by 2050. • ESG risk will be incorporated into supervisory review process. You can access Linklaters blacklines of CRRIII and CRDVI here which illuminate the sustainability (and other changes) made as a consequence of these reforms. The question that continues to be considered is whether a dedicated prudential treatment of ESG exposures should be developed, or whether the treatment of ESG risks can be factored into the existing capital requirements framework. This theme was explored in the EBA's May 2022 Discussion Paper, The Role of Environmental Risks in the Prudential Framework. Although only an exploratory paper, it tended towards the inclusion of ESG exposures within the existing framework. This paper was followed with the October 2023 report on The Role of Environmental and Social Risks in the Prudential Framework which came to the same conclusion. According to CRR III (art 501c), the EBA is required to publish two more reports on various issues relating to the functioning of the prudential treatment of exposures to environmental and/or social factors by the end of 2024 and the end of 2025. The first report may be delayed, as the Basel Committee has pushed back its (related) publication to H1 2025.	TBC in due course – the reforms will impact AFME members, who will need to assess and, as appropriate, uplift their risk management and regulatory capital frameworks to identify, assess and manage ESG risks.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
CRR III and CRD VI (the EU Banking Package) have been in force since July 2024. The majority of the new rules apply from January 2025, phasing in over a number of years. At this stage, the EBA remains of the view that a dedicated prudential treatment for ESG risks is not currently required.. This conclusion is reached in the May 2022 and October 2023 EBA papers on the role of environmental risks in the prudential framework. We expect further reports from EBA at the end of 2024 and 2025 considering this question further (although the first report may be delayed beyond H1 2025 due to Basel Committee delays).	All business lines will be generally impacted because of the requirements to embed ESG within risk management, governance and business strategy.	ESG risks are likely to play an increasingly important role in regulatory engagement and oversight – both within and outside the SREP.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
EU stress testing and scenario analysis	The ECB conducted a first-of-its-kind, economy-wide climate stress test which encompasses 2000 euro-banks and which covers a period of 30 years into the future. The results were published on 22 September 2021. Additionally, it conducted a 2022 climate risk stress test for SSM supervised banks.[4] This relied on banks' self-assessment of their exposure to climate change risk and their readiness to address it. On 18 October 2021, it sent a 'Dear CEO' letter providing information on participation in that stress test. The exercise consisted of three distinct modules: (i) a questionnaire on banks' climate stress test capabilities, (ii) a peer benchmark analysis to assess the sustainability of banks' business models and their exposure to emission-intensive companies, and (iii) a bottom-up stress test. The ECB published the results of its 2022 stress test in July. The ECB concluded that although some progress has been made since 2020, that banks in the Single Supervisory Mechanism (SSM) do not yet sufficiently incorporate climate risk into their stress-testing frameworks and internal models. Its findings include the following: • Around 60% of banks do not yet have a climate risk stress-testing framework and **most banks do not include climate risk in their credit risk models, with just 20% considering climate risk as a variable when granting loans**. • On aggregate, **almost two-thirds of banks' income from non-financial corporate customers stems from greenhouse gas-intensive industries**. In many cases, banks' financed emissions come from a small number of large counterparties, increasing their exposure to transition risks. Banks often rely on proxies to estimate their exposure to emission-intensive sectors. The report contains a high-level description of the good practices in climate relating to risk stress testing observed by the ECB. The ECB states that it is crucial that banks obtain better data from their customers and rely less on proxies to estimate their exposure to carbon-intensive sectors. They should also establish climate stress testing capabilities that encompass several climate risk transmission channels and portfolios The EBA, with the other ESAs, the ECB and the ESRB, launched the one-off Fit for 55 climate risk scenario analysis exercise in July 2023. It aims to assess the resilience of the financial sector in line with the Fit-for-55 package, and to gain insights into the capacity of the financial system to support the transition to a lower carbon economy under conditions of stress. Data collection concluded in March 2024 and results were published in November 2024. You can read more about this exercise here.	Public information around the ECB's intentions is limited at this stage.

4 This is separate to the economy-wide stress test that the ECB has conducted in 2021.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
Further details about the ECB's stress test for SSM supervised banks were published in October 2021 in the ECB's "Dear CEO" letter and the aggregated results of this stress test were published in July 2022. The ECB integrated the findings from the 2022 CST into its supervisory review and evaluation process (SREP), which means that they could have an indirect effect on Pillar 2 capital requirements. There will, however, be no direct impact on capital through Pillar 2 guidance in 2022. The outcomes of the Fit for 55 climate scenario analysis were published in November 2024.	As above	The outcomes of these stress tests are likely to drive regulatory engagement/scrutiny on ESG matters.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
UK: Bank of England climate stress test	The Climate Biennial Exploratory Scenario (CBES) was undertaken in 2021 and results have now been published. The overall conclusion is that, although UK banks and insurers are making good progress in some aspects of their climate risk management, much more needs to be done to understand and manage their exposure to climate risks. Key points that emerged: • Based on this exercise, whilst over time climate risks will become a persistent drag on banks' and insurers' profitability, the costs of a transition to net zero look absorbable for banks and insurers without a worrying direct impact on their solvency. • That being said, there is a lot of uncertainty in these projections, not to mention that the drag on profitability will leave the sector more vulnerable to other, future shocks. • The timing and extent of climate action has a significant bearing on the degree of losses and risk that might be suffered, with climate-related credit losses for banks under the late action scenario 30% higher than the early action scenario. Loss rates for banks under the late action scenario were projected to more than double as a result of climate risk, leading to an extra £110 billion of losses. As such, early action is important to lower the cost of the transition (bearing in mind, however, that the financial sector cannot run ahead of the real economy). • The "no additional action" (NAA) scenario delivers the worst outcome. Whilst a simple comparison of estimated loss rates under each of the scenarios might suggest otherwise, this is misleading due to the very different end points of the scenarios (and under NAA, unlike the other two scenarios, the impact of climate change would persist beyond 2050, incurring substantial economic costs not captured in the estimates). The results also highlight the significant impact to climate vulnerable households and sectors under the NAA scenario, as assets exposed to physical climate risk could become prohibitively expensive to insure or borrow against.	TBC, depending on feedback from BoE (for relevant banks), and further policy development for the UK bank sector.
Solvency II Review (2021)	The Renewed SF Strategy included the following proposals in relation to the review of Solvency II: • requirement for insurers to conduct climate change scenario analysis; • EIOPA to assess the need for a dedicated prudential treatment of environment-related assets and activities; and • EIOPA to assess effectiveness of current prudential regime and possible amendment of Solvency II. • Amendments to Solvency II were proposed and the amending legislation was adopted in early 2024. • Following consultation, EIOPA published its final report on the "Prudential Treatment of Sustainability Risks for Insurers" in November 2024, recommending additional capital requirements for fossil fuel assets on European insurers' balance sheets to accurately reflect the high risks of these assets. The Commission will review the report and consider implementing the proposed additional capital requirements for fossil fuel assets.	TBC in due course
Systemic Risk	The Renewed SF Strategy includes proposals for the Commission to report on: • methodological frameworks and potential financial risks of biodiversity loss (by Q4 2023); and • climate-related financial stability risk with possible policy proposals (by end-2022). The ESAs and ECB will also perform regular climate change stress tests, with the Commission required to analyse how to integrate such identified risks into regulation. Possible legislative proposal to amend the macro-prudential toolbox for bank supervisors.	TBC in due course

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
Results were published in May 2022. BoE is giving firms feedback on the quality of their CBES submissions. What this leads to remains to be seen: the BoE will use the CBES results to inform ongoing work on climate risks, amongst other things feeding into the Financial Policy Committee's thinking around financial stability policy issues related to climate change. No further climate stress testing has been announced by the Bank of England at this point.	TBC	TBC	UK
Review was to be completed by 2023. The amending Solvency II directive was adopted in early 2024. It is expected to be published in the OJEU soon. Following the EIOPA prudential consultation in December 2023, there is no indication as to whether further policy is to come, although an April 2024 ESRB paper indicated that "EIOPA does not reach a firm conclusion as to whether a dedicated prudential treatment for sustainability risks would be justified at this time", i.e. not enough evidence/not enough time has passed as yet.	Insurance activities	TBC in due course	EU
Work on prudential requirements has continued – see the rest of the section on Prudential Requirements. The ECB's collateral framework has not been changed as yet to try to reduce biodiversity impact.	TBC in due course	TBC in due course	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
ECB's Action Plan	The 2021 ECB Action Plan included climate change considerations in its monetary policy. The Plan included an ambitious roadmap which further incorporated climate change into its policy framework. On 4 July 2022, the ECB announced new measures to account for climate change in its corporate bond purchases, collateral framework, disclosure requirements and risk management, in line with its climate Action Plan and accompanying roadmap. Such measures include: • **Corporate bond holdings**: tilting corporate bond holdings towards issuers with better climate performance (measured by reference to lower greenhouse gas emissions, more ambitious carbon reduction targets and better climate-related disclosures) through the reinvestment of the sizeable redemptions expected over the coming years. • **Collateral framework**: limiting the share of assets in its collateral framework of issuers with a high carbon footprint, with limits initially only applying to marketable debt instruments issued by non-financial companies. Eurosystem also to consider climate change risk when reviewing haircuts applied to corporate bonds used as collateral. • **Climate-related disclosure requirements for collateral**: following full implementation of CSRD, only accepting marketable assets and credit claims as collateral in Eurosystem credit operations from companies and debtors within scope of CSRD that comply with the directive. For assets that can be pledged which do not fall under CSRD (such as asset-backed securities and covered bonds) the Eurosystem intends to support better and harmonised disclosures of climate-related data by engaging closely with the relevant authorities. • On 25 June 2024, the ECB published its second set of climate-related financial disclosures, providing information on the carbon footprint of its portfolios and their exposure to climate risks and FAQ detailing how it aims to gradually decarbonise the corporate bond holdings in its monetary policy portfolios on a path aligned with the goals of the Paris Agreement, including by reducing the Eurosystem's exposure to climate-related financial risk by tilting its corporate bond purchases towards issuers with better climate performance (as outlined in the above July 2022 announcement). The ECB will use issuer-specific climate scores (which they will calculate using three sub-categories: backward-looking emissions, forward-looking targets and climate reporting/disclosures) for decarbonisation. The metrics will be based upon publicly available data and the methodology is guided by the requirements for climate transition benchmarks and Paris-aligned benchmarks pursuant to EU regulation. • In addition, the Eurosystem will use a differentiated bidding approach in the primary market to favour issuers with higher climate scores, also allowing for favourable treatment of green bonds that comply with a stringent identification process. • Finally, the Eurosystem will employ other measures, such as maturity limits for lower-scoring issuers, to further mitigate its climate-related financial risk. • The ECB's climate and nature action plan for 2024/2025 focuses on: i. the implications of the green transition, ii. the physical impact of climate change, and iii. the risk that nature loss and degradation pose to the economy. • Because of the plan, ECB-supervised banks can expect to see ECB continuing its work to integrate C&E risk into the prudential framework, and from a supervisory perspective can expect a continued focus on their alignment with ECB expectations and milestones.	There is no immediate action for AFME members. Instead, members would be impacted by any further legislation, guidance and policy which is published in accordance with the proposals in the ECB's Action Plan.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The Action Plan was released on 8 July 2021 and the ECB announced new measures implementing aspects of this Action Plan on 4 July 2022, with further details on how the ECB intends to gradually decarbonise corporate bond holdings announced on 19 September 2022. Timings relating to these decisions vary, with some expected to apply from 2022. Corporate bond holdings will be tilted towards issuers with better scores and this tilting will be applied to all corporate bond purchases settled as of 1 October 2022. The ECB began publishing climate-related information on corporate bond holdings regularly from Q1 2023. Changes to the ECB's collateral framework have been introduced to integrate climate and environmental risks but do not yet consider other risks like those to biodiversity.	TBC in due course	TBC in due course	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
ECB's Guide on climate-related and environmental risks for banks	The ECB has published its final Guide on climate-related and environmental risk. The Guide explains how the ECB expects banks to prudently manage and transparently disclose such risks under current prudential rules. Based on these expectations, the ECB followed up with the banks through two key steps: • In early 2021, the ECB asked the banks to conduct a self-assessment in light of the supervisory expectations outlined in the Guide, and to then draw up appropriate action plans. These were then benchmarked and challenged in the supervisory dialogue. • In 2022, the ECB conducted a full supervisory review of banks' practices. The ECB expects all banks to be fully aligned with its supervisory expectations on C&E risks as outlined in its guide, including having in place a sound integration of C&E risks in their stress testing framework and Internal Capital Adequacy Assessment Process by the end of 2024.The ECB's Guide impacts "significant institutions", being the largest Euro area banks subject to direct SSM supervision.	The key action for AFME members who are "significant institutions" is to implement plans which comply with the ECB's expectations for managing climate-related and environmental risk by the end of 2024..
ECB's Report on the supervisory review of banks' approaches to manage climate and environmental risks	On 22 November 2021, the ECB published a report entitled 'The state of climate and environmental risk management in the banking sector'. The report assesses banks' progress in meeting the ECB's supervisory expectations set out in its Guide published last November, and the report sets out what the ECB regards as good practices in different areas. The key conclusions highlighted from the report are as follows: • No supervised bank is close to meeting all the ECB expectations on climate and environmental risks • Banks have developed plans to improve practices, but progress is too slow • Supervisors have informed banks of main shortcomings, with full review of practices in 2022 The report also highlights that the ECB is committed to continuing its supervisory dialogue with banks and will gradually integrate climate and environmental risk into its SREP methodology. This will eventually influence Pillar 2 capital requirements. Following the report, several key steps were identified: • Supervisors to investigate banks' climate and environmental risk disclosures. The ECB planned to publish its findings in an updated report on climate and environmental disclosures in the first quarter of 2022, together with individual feedback to banks – the report on "The Importance of being transparent" was delayed until April 2023. • The ECB planned to conduct a full review of how prepared banks are to manage climate and environmental risks, with deep dives into their incorporation into strategy, governance, and risk management. The review took place in the first half of 2022, in conjunction with the ECB's supervisory stress test on climate-related risks. The results of the thematic review undertaken following this report were published in November in the ECB's "Walking the Talk" report.	AFME members will need to comply with the ECB's supervisory expectations as to how banks should manage climate and environmental risks. AFME members might be expected to respond to the ECB's review into banks' climate risk disclosures. The ECB will also be reviewing members' strategy, governance, and climate risk management in early 2022.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
At the beginning of 2022, the Supervisor Review and Evaluation Process (‘**SREP**’) will begin. The March 2022 update of the SREP Guidelines noted that inclusion of ESG considerations will be handled in a later review of the SREP Guidelines. This has not been undertaken yet. Banks are required to meet the SSM supervisory expectations by the end of 2024.	The ECB Guide will require AFME members to evaluate their approach to environmental and climate- risk management, ensuring compliance with ECB standards. The implementation of the guidelines will affect how whole banks are managed and their disclosure regimes. The SSM has announced that banks that fail to meet requirements may be subject to penalty payments.	N/a	The Guide is applicable to the EU region and Single Supervisory Mechanism (‘**SSM**’) members.
The report was published on 22 November 2021. The ECB conducted a thematic review of banks’ practices in 2022. A report (“Walking the Talk”) on the outcomes of the review was published in November 2022. This set some important deadlines for ECB banks: • By March 2023: full assessment and categorisation of C&E risks on bank’s activities • End 2023: manage C7E risks with institution-wide approach • End 2024: full alignment with all supervisory expectations on C&E risks outlined in the ECB’s 2020 Guide on climate-related and environmental risks.	Whole bank	Whole bank	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
EBA Loan Origination Guidelines	The Loan Origination Guidelines aim to improve lending and monitoring practices by financial services firms when lending to both consumers and non-financial corporates. The aim of the Guidelines is improving overall stability, and this is achieved through five specific areas: i. internal governance and control framework for credit-granting and decision-making processes ii. requirements for borrower creditworthiness assessments by differentiating between lending to consumers, micro-enterprises, and macro-enterprise iii. supervisory expectations of the risk-based pricing of loans iv. guidance on the approaches to the valuation of immovable and movable property collateral at the point of credit granting, and the review of the value of such collateral, based on the outcomes of the monitoring; and v. ongoing monitoring of credit risk and exposures, including regular credit reviews of borrowers The Guidelines press firms to embed principles and supervisory expectations into their lending and monitoring processes. They consider environmental factors for loan origination and implement guidance for monitoring material ESG-related risk, by introducing environmentally sustainable lending dimensions. The Guidelines also set requirements for firms to consider ESG factors and risks in their credit policies and procedures.	Lending divisions will have had to adjust their data management processes and lending strategies to meet the Guidelines for new business.
BaFin guidance notice on dealing with sustainability risks	BaFin published a guidance notice on dealing with sustainability risks at the end of 2019. The guidance notice explains how the BaFin expects banks to prudently manage and transparently disclose such risks under current prudential	The key action for AFME members is to implement plans which comply with the BaFin's expectations for managing sustainability risk.
7th Amendment of the BaFin circular "Minimum Requirements for Risk Management (MaRisk)"	BaFin published the 7th amendment of the Minimum Requirements for Risk Management (MaRisk) in June 2023. The primary objective was to implement the EBA guidelines on loan origination and monitoring. In addition, based on the BaFin guidance notice on dealing with sustainability risks (see above), but also with regard to European initiatives in this area, specific requirements for the management of ESG risks were included in the MaRisk for the first time. For small institutions some reliefs are provided. Since most of the requirements regarding ESG risks were already tackled at national or European level, BaFin did not foresee a transition period for their implementation.	The key action for AFME members is to implement plans which comply with the BaFin's expectations for managing sustainability risk and their lending divisions have to adjust their data management processes and lending strategies to meet the requirements for new business
Austrian Financial Market Authority ("FMA") Guide for managing sustainability risks	The Guide focuses on the need for climate risks to be methodically addressed as part of risk management and the FMA expects appropriate consideration of all ESG risks. This Guide is intended to serve as guidance for entities supervised by the FMA in considering sustainability risks within the scope of their business activities, and is intended in particular to prepare them for the application of SFDR and the Taxonomy Regulation	Ensure that sustainability risks are considered in risk management, strategy and governance.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The Guidelines have applied since 30 June 2021 for new loans and advances. They apply to already existing loans and advances that require renegotiation or contractual changes with the borrowers applied from 30 June 2022. Additionally, firms will be allowed to address possible data gaps and adjust monitoring infrastructure until 30 June 2024.	Lending/credit divisions The Guidelines will be directly relevant to the credit policies and procedures of firms.		The majority of EU members states will comply with the Guidelines. However, France and Slovenia advised that they are not complying, which is in part due to their existing national legislation which already partially complies with the Guidelines. As for the UK, the Guidelines are not applicable, but the PRA and FCA will continue to have strong loan origination and monitoring objectives, which aligns with the purpose of the Guidelines.
To be implemented asap after publication of the guidance notice.	The BaFin guidance notice requires AFME members to evaluate their approach to sustainability risk management, ensuring compliance with BaFin standards. The implementation of the guidance notice affects how whole banks are managed.	N/a	Germany
To be implemented asap after publication of the updated circular	The BaFin circular requires AFME members to evaluate their approach to sustainability risk management, ensuring compliance with BaFin standards. Furthermore, amendments to the MaRisk covering the implementation of the EBA guidelines on loan origination and monitoring are directly relevant to the credit policies and procedures of firms	N/a	Germany
To be implemented asap after publication of the guide.	Whole bank	Whole bank	Austria

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
PRA's publications on climate change financial risk	The PRA first set out its expectations on how banks and insurers manage financial risks arising from climate change in Supervisory Statement 3/19. Since then it has published a number of reports on its expectations and its findings including: • The Climate Change Adaptation Report (2021), 'Climate-related financial risk management and the role of capital requirements'. Thisoutlines the PRA's response to the risks posed by climate change to its operational and policy functions. At the same time, the UK Pensions Regulator and FCA also published Climate Change Adaptation Reports. The report is divided into two parts; Part A of the report examines the risks posed by climate change to PRA regulated firms, the progress they have made in their management of these risks, what the PRA's response to these risks has been, and the PRA's supervisory strategy from 2022, and Part B of the report examines the relationship between climate change and the banking and insurance regulatory capital regimes, whether there are gaps that should be addressed, and the PRA's planned future work in this space.This report embeds climate change into the PRA's supervisory approach from 2022. It highlights the PRA's expectation that firms will manage climate-related financial risks on an ongoing basis and signals a shift in the PRA's climate-related supervisory expectations, from previously one of assessing implementation, to now actively supervising against them. • October 2022 Dear CEO letter setting out observations of banks' embeddedness of climate-related financial risk. Observations relate to governance (board oversight and SMF), risk management, scenario analysis, disclosure, data, and climate and accounting; and • January 2024 Dear CEO letter setting out the PRA's supervisory priorities including in relation to climate-related financial risk management capabilities and linking these more concretely into decision making processes/governance. This letter notes that PRA will begin work updating SS 3/19 (Enhancing banks' and insurers' approaches to managing the financial risks from climate change) which will include, among other things, identified effective practice and developments in wider regulatory thinking. You can read more on the Dear CEO letter here.	AFME members will need to comply with the PRA's expectations on the management of climate-related risks, and can expect those expectations to form part of the supervisory approach taken by the PRA to those it regulates.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The report was published on 28 October 2021. The shift in the PRA's supervisory and regulatory approach took effect from 2022. A high-level timeline of key PRA climate-related work is available here on page xi of the Report. In its January 2024 Dear CEO letter, and its 2024/25 Business Plan, PRA announced that it is working in 2024 to update SS3/19. It will publish thematic findings on banks' processes to quantify the impact of climate risks on expected credit losses.	The PRA's Report will impact upon the management of climate-related risks across the whole institution.	Whole bank	UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Basel Committee Principles for the effective management and supervision of climate-related financial risks	The purpose of these principles is "to promote a principles-based approach to improving both banks' risk management and supervisors' practices" Even though the existing Basel Framework, namely the Core Principles for effective banking supervision (BCPs) and the supervisory review process (SRP), is considered broad and flexible enough to also cover the measures necessary to take into account climate-related financial risks, the Committee concluded that additional guidance would foster the alignment of supervisory expectations. The publication encompasses 12 principles addressed to banks and 6 principles addressed to prudential supervisors, each referring to the corresponding principles in the BCP and SRP and all intended to be applied in a proportionate manner. The areas covered by the principles include corporate governance, internal controls, risk assessment, management and reporting. Since the publication of the BCPs, the Basel Committee has launched two consultations specifically on climate-related financial risks. The consultations have all closed, and further steps are awaited: • November 2023 consultation on a Pillar 3 disclosure framework for climate-related financial risks. A final proposal was expected in H2 2024 but has been pushed back to H1 2025. • April 2024 consultation on the role of climate scenario analysis in strengthening the management and supervision of climate-related financial risks. In the EU, the principles are largely aligned with approaches already taken by EU authorities such as the ECB's guide on climate-related and environmental risks and through the proposed CRR amendments. In the UK, the principles are broadly also in line with the supervisory approach set out by the Bank of England in its Climate Change Adaption Report 2021 when combined with the TCFD disclosure obligations. It remains to be seen whether there will be any further implementation measures.	TBC – at this stage likely that compliance with existing / coming national regulatory requirements will be enough for national regulators to have satisfied these Principles.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
After a consultation that opened in November 2021, these Principles were issued in June 2022. A final proposal in relation to a Pillar 3 disclosure framework for climate-related financial risks is expected in H1 2025. The Committee expects the Principles to be implemented by national regulators as soon as possible, although given similar measures already in place or proposed in the EU and the UK, it remains to be seen whether any further implementation measures will emerge in either of those.	TBC	TBC	Global

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Sustainability benchmarks		
Regulation (EU) 2019/2089 on Low Carbon Benchmarks ("LCBR")	The LCBR amends the Benchmarks Regulation 2016/1011 ("BMR") to: i. introduce two new categories of low carbon benchmarks – "EU Climate Transition" and "EU Paris-aligned" benchmarks (Note: pursuant to recital 16 of the LCBR, the labels EU Climate Transition and EU Paris-aligned benchmarks can only be used within Europe, where the benchmark complies with the relevant LCBR standards); and ii. introduce new ESG disclosure obligations for benchmark administrators. Administrators of benchmarks (or families of benchmarks) need to disclose (for all benchmarks other than interest rate and FX) whether the benchmark pursues ESG objectives, and if it does, administrators need to: (a) publish an explanation of how the key elements of the methodology reflect the ESG factors; and (b) explain in the benchmark statement how ESG factors are reflected for each benchmark or family of benchmarks. In addition to these, in December 2023 the EU PSF published for feedback a paper proposing the creation of another category of benchmarks, EU Taxonomy-Aligning Benchmarks. This paper closed for feedback in March 2024. The feedback process was not an official Commission consultation and does not necessitate changes by the Commission. Whether this leads to policy changes remains to be seen. In October 2023, the European Commission published a legislative proposal in relation to the BMR which, amongst other things, would reduce the scope of the BMR to prohibit non-EU administrators providing the EU-labelled low carbon benchmarks covered by it. At the time of writing, the BMR amendments are in trilogues and it remains to be seen how these proposals progress.	Although administrators have been required to comply with the disclosure requirements since 30 April 2020, the delay to the publication of the delegated acts setting out the detailed minimum requirements for the disclosure (published December 2020) meant that market participants generally took the approach of holding off on updating their documents following the ESMA no action letter issued on 29 April 2020. In practice, this means that all benchmark administrators will need to update their methodology and their benchmark statements as soon as possible to either disclose any ESG elements of the benchmark or to confirm that there are no ESG elements. However, administrators are still navigating their way around the delegated acts and considering how they can obtain all of the data that they need. It is noted that there are some inconsistencies in the drafting of the delegated acts, but they seem to indicate that estimates and the use of estimation models are permitted. It is acknowledged that there is a gap between what is currently reported under the NFRD (and the TCFD) and what benchmark administrators need to disclose, and although the new CSRD proposals should help to address this (by expanding the scope of EU entities subject to Taxonomy-related disclosure requirements), there will be a time lag. It may, therefore, be that more guidance is needed for benchmark administrators in the meantime. This is where the EC's Handbook on Climate Benchmarks and benchmarks' ESG disclosures can be useful.
Delegated Regulations to the LCBR	Delegated Regulation on minimum standards for EU Climate transition benchmarks and EU Paris-aligned benchmarks (Low Carbon Benchmarks DR) – fleshes out the detailed, minimum requirements that apply to benchmarks seeking to be classified as EU climate transition and EU Paris-aligned benchmarks. Delegated Regulation on the minimum content of the explanation of how ESG factors are reflected in the benchmark methodology (ESG Methodology DR) – mandates minimum content disclosures for low carbon benchmarks that all benchmark administrators must make. Delegated Regulation on the explanation in benchmark statements regarding how ESG factors are reflected (Benchmark Statement DR) – this sets minimum disclosure requirements in relation to how each benchmark considers specific ESG factors. Note: in recent SFDR Q&As (see SFDR row above), the European Commission stated that where EU Paris-aligned benchmarks or EU climate transition benchmarks are used by FMPs under SFDR to create Article 9 SFDR products, the benchmark administrators must additionally ensure compliance with the SFDR "sustainable investments" requirements with respect to the selection of constituent companies in the EU Paris-aligned/climate transition benchmark. This was an unexpected development as the methodologies for EU Paris-aligned benchmarks and EU climate transition benchmarks are very detailed already, and whilst they meet some limbs of the SFDR "sustainable investments" test, they do not tick off all the requirements.	See above. Additionally, administrators of EU Paris-aligned benchmarks are obliged to exclude from the benchmark any companies that are found or estimated by them to do no significant harm (DNSH) to one or more environmental objectives covered by the Taxonomy Regulation – we expect that benchmark administrators will have to follow the Taxonomy TSCs (see row above) from 1 January 2022 for climate change adaption/mitigation and from 1 January 2023 for the other four Taxonomy environmental objectives. The same DNSH obligation kicks in for administrators of EU Climate Transition Benchmarks from 31 December 2022.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The regulation is in force. Provisions relating to the administration of the new ESG benchmarks have applied since 30 April 2020, along with the requirements on benchmark administrators to make the relevant ESG disclosures. By 31 December 2021, all administrators are required to include disclosure in their benchmark statement on how their methodology aligns with the target of carbon emissions reduction or attains the objectives of the Paris Agreement. Administrators of significant benchmarks are also required to "endeavour" to provide one or more EU Climate Transition Benchmarks by 1 January 2022 .	Benchmark administration business	Benchmark administration teams will likely be asked by buyside clients subject to SFDR to explain how their benchmarks align with the SFDR tests for Article 8/9 products – especially following the Commission Q&A on SFDR (see Delegated Regulations to the LCBR and SFDR rows below). Business teams using third party benchmarks to create green products should also be mindful of the ESG disclosures proposed by the third-party benchmark administrators to ensure that their view of the ESG-ness of the benchmark also matches the view of the benchmark administrator.	EU
In force since 23 December 2020 – note that administrators of significant benchmarks are also required to "endeavour" to provide one or more EU Climate Transition Benchmarks by 1 January 2022. Please also see the previous column for key deadlines related to the Taxonomy Regulation. Note: in its Renewed SF Strategy, the Commission noted that it will be conducting a review of minimum standards for Climate Transition Benchmarks and Paris-aligned Benchmarks by 31 December 2022. This has culminated in the amendments to the BMR which were published on 17 October 2023 and take effect on 1 January 2026.	As above.	As above.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Further EU ESG Benchmark	The Renewed SF Strategy includes an assessment of the possibility to create an ESG Benchmark methodology (i.e. one that is not just focused on climate).	TBC in due course.
Benchmarks Regulation ((EU) 2016/1011) (UK Benchmarks Regulation)	The Low Carbon Benchmarks Regulation (including the Delegated Regulations) has been onshored into UK law. In September 2022, FCA issued a portfolio letter to all benchmark administrators, outlining the key risks identified and FCA's areas of focus, as well as the actions FCA expects benchmark administrators to take to minimise risks. In March 2023, the FCA sent a Dear CEO letter regarding its ESG Benchmarks Review. It found that the quality of disclosures made by a sample of UK benchmark administrators was poor.	See LCBR row above – same impacts as under the EU LCBR, but given that we do not have a UK Taxonomy Regulation as yet, it is unclear how the requirements in the Delegated Acts regarding compliance with Taxonomy standards (e.g. the DNSH requirement) should be complied with.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
By 31 December 2022 Preliminary research was undertaken and stakeholders were asked for input in the course of 2022. Since then, the Commission has shelved the concept of an ESG benchmark label for the time being.	Benchmark administration business	TBC in due course – but likely as above.	EU
Has applied in the UK from the end of the Brexit transition period. Administrators of significant benchmarks in the UK were to “endeavour” to provide one or more EU Climate Transition Benchmarks by 1 January 2022.	UK benchmark administration business	See LCBR row above.	UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Frameworks, standards and labels		
EU Green Bond Standard	On 30 November 2023, the Regulation on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds ("EuGB Regulation") was published in the Official Journal of the European Union. The Regulation entered into force on 20 December 2023 and applies from 21 December 2024. The EuGB Regulation introduces: (i) a voluntary label for green bonds using the designation 'European Green Bond' or 'EuGB', which is available for issuers of green use of proceeds bonds where proceeds are fully allocated to economic activities aligned with the EU Taxonomy Regulation (subject to some limited flexibility); and (ii) creates an optional disclosure regime for bonds marketed as environmentally sustainable and sustainability-linked bonds. The EuGB Regulation also provides specific disclosure and exclusion requirements for securitisations that can apply the EuGB label. Issuers of European Green Bonds will be required to contract an independent external reviewer to provide a pre-issuance review of the pre-issuance disclosures and a post-issuance review of the post-issuance annual allocation reports set out in the EuGB Regulation; such external reviewer must be registered and supervised by the European Securities Markets Authority ("**ESMA**"). A transitional regime for external reviewers will apply for the first 18 months following the entry into application of the EuGB Regulation, to enable issuance of European Green Bonds before the registration system is fully implemented. The Commission is tasked with producing a report assessing the need to regulate sustainability-linked bonds three years after the entry into force of the EuGB Regulation. In addition, whilst the current EuGB Regulation does not cover synthetic securitisations, an assessment will be made to extend the regime to synthetic securitisations within five years. You can read more about the EuGB Regulation here.	Any issuance or marketing of green bonds within Europe that wishes to use the EuGB label will need to comply with the requirements of the EuGB Regulation. We have included a summary below of documentation and reporting requirements. **Documentation and reporting** The EuGB label will only be available for issuers that publish an EU Prospectus Regulation (**EU PR**) compliant prospectus, as well as sovereign or quasi-sovereign issuers of EU Member States that are exempt from the requirement to publish a prospectus under the EU PR. Prior to issuance of an EuGB, issuers must draw up a **European Green Bond factsheet**, a concept which is similar to what is currently referred to as a green bond framework. A European Green Bond factsheet will be considered "regulated information" and so may be incorporated by reference in a prospectus prepared pursuant to the EU PR (*but see* EU prospectus regulation updates below). A **pre-issuance review** of the factsheet confirming that the factsheet meets the requirements of the EuGB Regulation will need to be prepared by an external reviewer registered with and supervised by ESMA. **Annual allocation reports** must be published until the full allocation of the proceeds of the bond demonstrating that the proceeds of European Green Bonds have been allocated as required. A **post-issuance review** must be prepared by an external reviewer prepared by an external reviewer registered with and supervised by ESMA. Where an issuer is using the gradual or bond by bond approach for allocations, such external review is required for the first allocation report following full allocation of bond proceeds, assessing whether the issuer has allocated the proceeds in accordance with the requirements of the EuGB Regulation and with the intended use of proceeds set out in the European Green Bond factsheet. Where an issuer is using a portfolio approach for allocations each such report (unless no change during the reporting period) will require a positive opinion from an external reviewer. Issuers will also need to draw up an **impact report** on the environmental impact of the use of proceeds on an aggregated basis after the full allocation of the proceeds and at least once during the lifetime of the bond.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
EuGB Regulation applies from 21 December 2024. A transitional regime for external reviewers will apply for the first 18 months following the entry into application of the Regulation, to enable issuance of European Green Bonds before the registration system is fully implemented.	DCM activities and teams that invest in or repackage debt instruments.	Existing and future green bond issuances that are sold within Europe that do not comply with the EuGB Regulation may (in time) be compared unfavourably against these standards. This is also an opportunity area for AFME members, as there will likely be great buyside demand for these EU Taxonomy-aligned bonds, because they will enable buyside firms to deliver on the Taxonomy/ESC commitments of their SFDR investment products.	EU (including where non-EU bonds are marketed in the EU)

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
UK green bond prospectus disclosures	On 26 July 2024, the FCA released a consultation on its proposals for the new prospectus rules which will replace the UK Prospectus Regulation. This consultation is part of the long process of reform of the prospectus regime post Brexit. For ESG bonds, the proposal would require issuers to disclose whether their debt securities have been marketed as 'green', 'social' or 'sustainable' or issued under a bond framework or a similar document; such issuers would also then be required to make further disclosures depending on the nature of the bond[8]. The consultation closed on 18 October 2024. The FCA has stated that it aims to finalise the new rules by the end of H1 2025 and that there would then be a further period prior to the new rules coming into force. The existing prospectus minimum content requirements for equity and GDR issuers will be extended to include additional disclosures where the company identifies: (i) climate-related risks as risk factors; or (ii) climate-related opportunities as material to its prospects. While the TCFD or IFRS S2 framework will be points of reference for these disclosures, the FCA is not expecting that issuers will need to disclose all information required under those frameworks in all circumstances – it will be for issuers to determine the information to disclose in line with the threshold set by the general "necessary information" test.	TBC in due course.
EU prospectus regulation updates	The EU Listing Act package of reforms (the Act) was published in the Official Journal of the EU (OJ) on 14 November 2024. The Act includes a Regulation which (among other things) amends the EU Prospectus Regulation (EU PR) – these amendments will be phased in, with application dates keying off the Act's publication in the OJ. For ESG bonds, future delegated acts (see more below) will take into account whether debt securities are advertised as considering ESG factors or pursuing ESG objectives (this will take the form of new disclosure annexes to be developed within 18 months of publication in the OJEU (5 June 2026). New prospectus content requirements will also be developed for European Green Bonds, building on the requirements under the EuGB Regulation (e.g. on mandatory incorporation of "relevant information" contained in the European Green Bond factsheet and the "relevant" optional disclosures for issuers "opting in" to the voluntary disclosure regime under the EuGB Regulation). These amendments will follow within 18 months of the Act's publication in the OJ (5 June 2026). As discussed above, implementation of many aspects of the Act is dependent on the publication of delegated acts which still need to be developed. To this end, ESMA published a consultation paper (28 October 2024) in respect of the standardised format and sequence of prospectuses and proposed changes to disclosure annexes, which includes a new building block in relation to debt securities advertised as considering ESG factors or pursuing ESG objectives (including where issued pursuant to the EuGB Regulation). The deadline for response to ESMA's consultation is 31 December 2024. ESMA expects to deliver a final version of its technical advice to the Commission in the second quarter of 2025 with the required ESG disclosures to apply from 5 June 2026. For more information on the ESG aspects and interaction between the EU GB Regulation and the Act see our note here.	TBC in due course.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The consultation closed on 18 October 2024 and the new UK regime is expected to apply from late 2H 2025	TBC in due course – we expect DCM teams, underwriting activities and other teams issuing products that are required to prepare a prospectus will be directly impacted. Firms to be mindful of potential liability risks associated with prospectus disclosures.	TBC in due course – we expect the buyside/investors will welcome such disclosures and there will likely be increased investor and regulatory scrutiny of such disclosures.	UK
Expected changes to the ESG content requirements for EU PR prospectuses to be in force in 2026 (application date of relevant amendments is 18 months following publication of the EU Listing Act in the OJ). ESMA is currently consulting on its	TBC in due course – we expect DCM teams, underwriting activities and other teams issuing products that are required to prepare a prospectus will be directly impacted. Firms to be mindful of potential liability risks associated with prospectus disclosures.	TBC in due course – we expect the buyside/investors will welcome such disclosures and there will likely be increased investor and regulatory scrutiny of such disclosures.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Securitisation	On 2 March 2022, EBA published its report on developing a specific sustainable securitisation framework to integrate transparency requirements. The key conclusions included: • the EBA does not believe that a dedicated regulatory framework for sustainable securitisation is currently required or even advisable, largely because the market is so small, there would be no consensus on the shape of any such framework - however, this is likely to change as more deals are done; • synthetic securitisations currently fall outside the EU Green Bond Regulation (because they are not a financing tool) and more work is needed to determine how any framework for sustainable synthetic securitisations should look; and • additional sustainability-linked disclosures should be introduced to Article 7 of the EU Securitisation Regulation and the related templates. • On 10 October 2022, the EU Commission published its report on the functioning of the EU Securitisation Regulation. The EU Commission agreed with the EBA that rather than creating a dedicated sustainability label for securitisations, it would be better to adapt the EU Green Bond Regulation to securitisations. It also supported the EBA's ongoing work to incorporate sustainability disclosures for all securitisations (not just those which are STS) into the existing EU Securitisation Regulation reporting framework. **ESG Disclosure Templates for STS Securitisations** • Article 22(4) of the EU Securitisation Regulation requires originators who wish their RMBS or auto loan/lease securitisations to qualify for the STS label to publish any available information on the environmental performance of the assets financed by the securitised loans/leases. Alternatively, the originator may publish any available information related to the principal adverse impacts of the assets financed by the securitised receivables on sustainability factors. • In order that any disclosures under the second alternative referred to in the paragraph above are made in a consistent manner, Commission Delegated Regulation (EU) 2024/1700 specifies the content, methodologies and presentation of information of information related to the principal adverse impacts of the assets financed by the underlying exposures (on STS securitisations) on sustainability factors. It also includes a template for disclosing such information. • To the extent that an originator opts to disclose this information, it will need to do so in the same manner (including timings) as it discloses information under Article 7(1)(a) and (e) of the EU Securitisation Regulation. However, the new template has been closely modelled on those produced in connection with the EU SFDR and, unlike the other templates in use under the EU Securitisation Regulation, the main item it contains is a summary (which must be no more than two sides of A4 paper) of the principal adverse impacts on sustainability factors. The template also includes certain specific matters which must be addressed in the summary and these vary depending on whether the underlying receivables are residential mortgage loans or auto loans/leases. • The May 2022 consultation paper which preceded the Commission Delegated Regulation also included a draft template for use by originators of other asset classes, should any of them wish to make use of it. Although these new templates are unlikely to be used on many securitisations in the short term, it is likely that a combination of investor pressure and increased regulatory scope will see them being used more and more over time.	

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The EBA report on developing a specific sustainable securitisation framework was published in March 2022. In October 2022 the Commission concluded that a dedicated framework was not the required.	Structured product teams and other parts of the business acting as originators/sponsors of securitisations will be directly impacted in terms of structuring, product marketing/labelling and preparation of disclosures for securitisations. Business areas that invest in securitisations may also potentially be impacted, if reforms are also introduced for "institutional investors" that are currently subject to due diligence requirements under the EU Securitisation Regulation.	Given SFDR and general demand for sustainable products in the market, we expect that buyside investors are and will be demanding more "green" securitisations and current product issuances may then be compared against the likely high standards the EU sustainable securitisation framework will impose.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Securitisation	**EU Green Bond Regulation** The EU Green Bond Regulation contains a number of provisions which are specific to securitisations. • In the case of a securitisation, references to how the issue proceeds must be used are to be read as references to the use by the originator of the proceeds of the sale of the securitised exposures to the issuer. • Although the issuer will remain responsible for producing a prospectus, the prospectus must include a statement that the originator is responsible for fulfilling the commitments undertaken in the prospectus regarding the use of proceeds. Although there is no requirement for the securitised exposures to be "green", the prospectus for a European green bond must include disclosure on: - the share of the securitised exposures that finance economic activities that are taxonomy eligible economic activities; - within that pool of securitised exposures that finance economic activities that are taxonomy eligible economic activities, the share per relevant economic activity; and - within that pool of securitised exposures that finance economic activities that are taxonomy eligible economic activities, the share of those exposures (per relevant economic activity) that fail to meet the "do no significant harm" objective. • These additional disclosures must be provided on a best efforts basis and to the best of the originator's ability, based on available data. • In the case of a securitisation: - the requirement to produce a European green bond factsheet, a European green bond allocation report and a European green bond impact report above will apply to the originator; and - the requirements to publish items on a website and to notify the relevant competent authority and ESMA will apply to the originator or the issuer. • The securitised exposures may not comprise those financing the exploration, mining, extraction, production. processing, storage, refining or distribution (including transportation) and trade of fossil fuels. The originator must include an explanation of how this requirement has been complied with in the European green bond factsheet. Bonds issued for the purpose of synthetic securitisation will not be eligible to use the designation "European green bond" or "EuGB".	

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Ecolabels	EU Ecolabels have been used since 1992 to certify the environmental quality of consumer goods within the European Union. The EU Ecolabelling Board and the Commission are now preparing draft technical criteria to extend the Ecolabel regime to retail investment products by leveraging the EU Taxonomy TSCs. The product scope will comprise: • certain packaged retail and insurance-based investment products (PRIIPs) – namely UCITS, AIFs and insurance-based investment products (IBIPs); and • the service of managing a fixed-term deposit or savings deposit products (as referred to in Article 2(1) point 3 of Directive 2014/49/EU on deposit guarantee schemes) provided by credit institutions. In order to qualify for the Ecolabel, the PRIIPs product must comply with strict eligibility criteria, which will include: i. a minimum proportion of Taxonomy-aligned investments (e.g. under the current proposals, at least 70% of the portfolio of a retail AIF should be invested in Taxonomy-aligned activities, or in the case of fixed-term or savings deposits, at least 70% of the total deposits shall be used to make green loans and/or to invest in green bonds financing Taxonomy-aligned activities); ii. exclusions for harmful environmental, social and governance activities; iii. engagement actions to foster change of corporate strategies and action; and iv. taking actions to maximise/enhance investor impact. Product manufacturers will have to apply to competent authorities to have their products awarded the Ecolabel (and will need to undergo verifications and provide detailed information in support). After being awarded the EU Ecolabel, firms will be required to provide updated information on their licensed product(s) every 12 months and will need to reapply every three years.	These are voluntary standards to create effectively super green EU products. Most of the in-scope products are buyside retail investment products; however, fixed-term or savings deposit products offered by AFME members will be eligible.
EBA green retail lending and mortgages	In December 2023 the EBA delivered an opinion on the creation of a framework for green retail loans and mortgages. The opinion • called for a standard definition of a green loan, linked to the EU Taxonomy Regulation; and • proposed a framework for green lending, using the Taxonomy and the EU Green Bond structure as reference points There is also a requirement in the Renewed SF Strategy for a review of the Mortgage Credit Directive, which may lead to the uptake of energy efficiency mortgages. In the EBA's opinion, it advised that the Mortgage Credit Directive be revised to include the concept of green mortgages.	TBC in due course

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The EU Commission's Joint Research Centre (JRC) published a report in March 2021 with details on the draft proposal for an EU Ecolabel regime for retail investment products. This was accompanied by a draft Commission decision that extends the EU Ecolabel to retail investment products. The Commission Decision was expected to be adopted in Q4 2021, but this has been delayed.	The proposals will be directly relevant to the deposit taking businesses.	Retail financial products sold within Europe that do not have an EU Ecolabel may be compared unfavourably against products which do have an EU Ecolabel. The reforms will largely be relevant to the buy-side, and could result in increased buyside demand for green/Taxonomy-aligned products or disclosures from their brokers, to ensure their investment portfolios meet these high standards.	EU
EBA opinion provided in June 2022. There was a call for advice to the EBA from the Commission on green retail lending. This led to the EBA's Opinion delivered in December 2023.	TBC in due course – we expect that consumer lending and structured finance/securitisation desks of banks will be directly impacted.	TBC in due course	EU

<table>
<tr><th>Action Plan Item</th><th>Initiative and description of key policy objectives</th><th>Key actions for AFME members</th></tr>
<tr><td colspan="3">Regulation of ESG ratings and data providers</td></tr>
<tr><td rowspan="2">EU ESG Ratings Regulation</td><td>EU ESG Ratings Regulation
The EU ESG Ratings Regulation introduces a regulatory regime for providers of ESG ratings.
In November 2024 the agreed text of the ESG Ratings Regulation was published (political agreement having been reached in February). The next step is formal adoption and publication in the Official Journal of the EU following which there will be an 18 month period leading to its application – likely taking it application to Q3 2026. You can find out more about the terms of the regulation here.</td><td>AFME members to review whether any of their products or services may fall within the scope of the regulation.</td></tr>
<tr><td>UK regulation of ESG ratings providers
On 29 June 2022, the FCA published its Feedback Statement 22/4 on ESG integration in the UK capital markets following the discussion chapter in its consultation paper on enhancing climate-related disclosures by standard listed companies. This paper addressed the role of ESG data and ratings providers and identified various policy issues for ESG rating providers and areas of potential harm in the FCA's view, including:
lack of transparency around rating methodologies;
potential conflicts of interest and concerns regarding issuers engaging in "ratings shopping";
• concerns about how ESG ratings may become hardwired into firms' investment processes, with potentially significant impacts for investors' outcomes;
• lack of clarity as to the reasons for divergence amongst providers' ratings; and
• absence of a common ESG framework, making ESG ratings difficult to interpret. The multi-dimensionality of ESG ratings, combined with lack of transparency of providers' methodologies, also makes it difficult to understand what ratings mean and to interpret rating changes and differences across providers.
The Feedback Statement noted a clear rationale for regulatory oversight of ESG data and rating providers and for a globally consistent approach, informed by IOSCO's recommendations on ESG data and ratings.
The FCA has continued to work with HMT, who launched a consultation in 2023 on bringing ESG data and rating providers within the FCA's regulatory perimeter. You can read about the proposals in the consultation here. In November 2024, HMT responded to its consultation, noting strong support for the policy and releasing draft legislation which applies to both UK and overseas based ESG ratings providers. The draft legislation is open for technical feedback until 14 January 2025. You can read about HMT's response here.
Once HMT extends the regulatory perimeter, the FCA will take the necessary steps to develop and consult on a proportionate and effective regulatory regime for ESG data and rating providers, with a focus on outcomes in areas highlighted in IOSCO's recommendations (which include transparency, good governance, The FCA convened an industry taskforce to develop a voluntary Code of Conduct for ESG rating and data providers. This is closely aligned with the IOSCO recommendations and applies to a much broader segment of the ESG information market than the legislation will cover, as its intended scope also includes ESG data providers. You can read more about the voluntary code here.
The FCA also published Primary Markets Bulletin 41 which elaborates on the FCA's response to stakeholder feedback and clarifies expectations of issuers of ESG-labelled debt instruments.</td><td>AFME members that provide ESG ratings data or research within the UK are likely to be subject to the voluntary Code of Conduct.
The forthcoming regulation impacts UK ESG rating providers and ESG rating providers outside the UK where their rating impacts UK users.</td></tr>
</table>

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
Political agreement on the text of the ESG Rating Regulation was reached in February 2024. The next step is formal adoption and publication in the Official Journal of the EU following which there will be an 18 month period leading to its application – likely taking it to Q3 2026.	TBC – AFME members should pay attention to the final text to review whether any ESG ratings produced by the bank fall within the scope of the regulation.	Once these proposals are in force, EU clients are likely to prefer to deal with entities that are regulated/supervised under this framework.	EU
The voluntary Code of Conduct for ESG data and rating providers was published in December 2023 HMT consulted on bringing ESG rating providers within the scope of the regulatory perimeter in 2023. Government has announced that legislation will be brought forward in 2025.	TBC – AFME members should pay attention to the exclusions (and any changes in the technical feedback process) including in respect of how investment research is treated.	Once these proposals are in force, UK clients are likely to prefer to deal with entities that are regulated/supervised under this framework.	UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Credit rating agencies regulation	As part of the Renewed SF Strategy, the Commission noted that it will take action to ensure that relevant ESG risks are systematically captured in **credit ratings** and rating outlooks in a transparent manner. In April 2024, the Commission launched its consultation on proposals to integrate ESG factors in credit ratings and to improve transparency in respect of the inclusion of ESG risks in credit ratings and rating outlooks. You can read more on this here. This legislative proposal was preceded by the following EU initiatives: **ESMA Technical Advice on Credit Rating Agencies Regulation ("CRAR"):** In July 2019, ESMA provided its technical advice to the Commission on potential changes to the credit rating framework to embed sustainability considerations: • ESMA considers that, while it would not be advisable to amend CRAR to explicitly mandate the consideration of sustainability characteristics in the credit assessments of a credit ratings agency ("CRA"), it could be useful to update the CRAR's disclosure provisions to provide a more consistent level of transparency around how credit ratings agencies are considering ESG factors in their assessments. • ESMA also suggests assessing whether there are sufficient regulatory safeguards in place for non-credit rating products to support sustainability assessments. **ESMA Guidelines on Disclosure Requirements applicable to Credit Ratings:** The EU Commission's Action Plan for Sustainable Finance also tasked ESMA with including environmental and sustainability considerations into its Guidelines on Disclosure Requirements. These guidelines were published by ESMA in July 2019, and set out: (i) guidance on what CRAs should disclose in their press releases when they issue a credit rating, to ensure a better level of consistency; and (ii) further to the Action Plan, guidance on CRAs' disclosures as to whether ESG factors were a key driver behind a change to a credit rating or outlook. Where ESG factors were a key driver behind a change to a credit rating or rating outlook disclosed under the CRAR, the press release/report should further disclose: (i) whether any of the key drivers behind the change in credit rating or rating outlook correspond to the CRA's categorisation of ESG factors, and, if so, which ones; (ii) why these ESG factors were material to the credit rating or rating outlook; and (iii) a link to the CRA's guidance/documentation explaining how ESG factors are considered in the CRA's credit ratings or within the CRA's methodologies and associated models.	Product issuances that rely on credit ratings will be directly impacted and ESG risks could result in rating downgrades for issuer banks/clients.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The ESMA Technical Advice was published in July 2019, but it is currently unclear when it will be implemented. The ESMA Guidelines have been used in supervision since 30 March 2020. The deadline for the submission of responses to ESMA's consultation paper on its legislative proposal was 21 June 2024. ESMA will submit its technical advice to the European Commission by end December 2024.	ECM/DCM, Structured Products, other product issuance teams and Research	Poor credit ratings based on ESG risks are likely to have negative commercial implications.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Frameworks for investing in sustainable projects		
Invest EU and MFF	The Multiannual Financial Framework ("**MFF**"), as the EU's long-term budget, aims to ensure that EU expenditure is aligned with EU political priorities. For the term of 2021 to 2027, the MMF is focussing (among other areas) on the following ESG priorities: • "Cohesion, Resilience and Values" – which includes e.g. promotion of sustainable territorial development e.g. the European Social Fund+ to support employment, the up-/re-skilling of workers and poverty reduction, etc. • "Natural Resources and Environment" – which aims to invest in sustainable agriculture and maritime sectors, alongside climate action, environmental protection, food security and rural development (noting EU claims that 30% of EU funds will be spent to fight climate change). By way of example, to address social and economic consequences coming from the objective to reach climate neutrality in the EU by 2050, a "Just Transition Fund" will help the most vulnerable coal and carbon-intensive regions address the economic and social costs of climate transition. The InvestEU fund programme will receive a €1 billion top up from the MFF, to help support the financing of sustainable EU projects (see row below).	None for AFME members specifically. Banks could, however, nonetheless seek to account for/benefit from the sustainable elements of the MMF's relevant spending categories (per the column to the left).
Public/private finance initiatives	The European Green Deal Investment Plan aims (among other things) to mobilise funding worth at least €1 trillion in the course of 2021 to 2030, to, broadly speaking fund the objectives of a just transition to a climate friendly economy. Approximately half of this would come from the EU budget (see row above), and the remainder from other public and private sources. On the latter, the "InvestEU" programme (under the MFF) shall be used to specifically mobilise public and private investment through an EU budget guarantee, by providing technical advice, and by connecting worldwide investors with projects that need funding in areas prioritised by the EU – which include financing projects with a sustainable focus. In addition to providing support to companies, this programme will also aim to turn the focus of investors towards EU policy priorities such as the European Green Deal, etc.	None for AFME members per se. However, AFME members could potentially benefit from funding opportunities under the sustainable "InvestEU" programme if their proposed projects meet the relevant eligibility criteria.
UK National Wealth Fund	Ahead of the July 2024 election, the Labour Party pledged to launch a National Wealth Fund as part of their election manifesto. After winning the election, the Chancellor announced plans to align the UK Infrastructure Bank and the British Business Bank under a new National Wealth Fund. The new fund would receive £7.3bn in funding. Shortly after, the National Wealth Fund Taskforce published their recommendations. One of the main recommendations was that the fund should be based inside an existing institution, such as the UK Infrastructure Bank In October 2024, the UK Infrastructure Bank became the National Wealth Fund. The mandate of the fund was expanded beyond infrastructure to include a wider industrial strategy, described as being to "mobilise billions of pounds of investment in the UK's world-leading clean energy and growth industries and support the delivery of the government's new Industrial Strategy". The fund was advised to work 'in close partnership' with the British Business Bank. The fund received a scaled back cash injection of £5.8bn.	TBC

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
None for AFME members, but key EU actions (to the left) generally relevant between now and 2027.	-	-	EU
None for AFME members, but key EU actions (to the left) generally relevant between now and 2030.	-	-	EU
The National Wealth Fund was launched in October 2024.	TBC	TBC	UK

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Sustainability due diligence and corporate governance		
Short-termism in capital markets	In February 2019, the European Commission published a call for advice to the European Supervisory Authorities (ESMA, EIOPA and the EBA) requesting them to collect evidence of potential undue short-term pressure from the financial sector on corporations. The Commission considers that pressure of this kind could lead corporations to overlook long-term risks and opportunities, such as those related to climate change and other factors related to sustainability. Companies facing short-term pressure could, as a result, forgo investment in areas important for a successful transition towards a sustainable economy. In December 2019, the EBA published its report, in which it assessed the potential presence and drivers of short-termism by looking at potential short-term pressures exerted by banks on corporate clients, as well as the potential short-term pressures banks may be under on their own, by shareholders and capital markets. The EBA also assessed whether banking regulations may play a role in exacerbating or mitigating short-termism. Overall, the EBA identified some limited concrete evidence of short-termism (without being in a position to label it systematically as undue) and highlighted the need to promote long-term approaches. The EBA included some recommendations advocating that policy action should aim to provide relevant information and incentives for banks to incorporate long-term time horizons in their strategies, governance, business activities and risk management. In particular, the EBA recommended the following: • To maintain a robust regulatory prudential framework as a pre-condition for long-term investments, while continuing to monitor potential unintended consequences of financial regulations on the supply of sustainable investment financing. • To foster the adoption of longer-term perspectives by firms through more explicit legal provisions on sustainability in the CRD IV Directive (2013/36/EU). • To continue enhancing disclosures of long-term risks and opportunities, by both banks and corporations, by setting principles and requirements that can ensure comparability and reliability of disclosure. • To improve information flows, data access and support the role of the banking sector in raising awareness on sustainability challenges and ESG risks (e.g. by developing platforms or setting up a centralised database on environmental data for the financial sector). ESMA also published its report on undue short-term pressures in securities markets in December 2019, in which it recommended the Commission take action in key areas, such as: • disclosure of ESG factors, including: • amending the Non-Financial Reporting Directive (NFRD); • promoting a single set of international ESG disclosure standards; • requiring the inclusion of non-financial statements in annual financial reports; and • institutional investor engagement, including: • a review of the White List under the Takeover Bids Directive; • a potential shareholder vote on the non-financial statement; and • monitoring the application of the Shareholder Rights Directive (SRD II).	A number of actions identified by the EU authorities have led to broader initiatives, including, in particular, proposals to amend the NFRD through a draft Corporate Sustainability Reporting Directive (see above), and the Commission is also supportive of the work being done by the IFRS Foundation to develop a single set of international ESG disclosure standards (see above). Status of other action points TBC.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
See relevant rows above.	See relevant rows above.	See relevant rows above.	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Corporate Sustainability Due Diligence Directive ("CS3D")	On 23 February 2022, the Commission published its much-awaited proposal for a Directive on Corporate Sustainability Due Diligence (CS3D), aimed at imposing on companies of a certain size operating in the EU far-reaching due diligence obligations covering the adverse human rights and environmental impacts of their own operations, and those of their subsidiaries and their upstream and downstream value chain. This has now been through the legislative process and came into force on 23 July 2024, although with a phased application timetable – you can understand more about this here. *In-scope companies:* **Companies incorporated in the EU** EU companies are covered by the CS3D if they have more than 1000 employees on average and had a net worldwide turnover of more than EUR 450 million in the last financial year. **Companies incorporated outside the EU** For non-EU companies, no employee threshold is provided for, and the EUR 450 million turnover threshold should be reached in the EU, in the year preceding the last financial year. The competent Member State will then be the Member State in which the non-EU company has a branch. In case of branches in several Member States, or the absence of branch in the EU, the competent Member State will be that in which the company generated the highest net turnover. Non-EU companies will have to appoint an authorised representative domiciled or established in one of the Member States where it operates. **Ultimate parent companies** Ultimate parent companies of groups that reach these thresholds on the basis of their consolidated annual financial statements are also in scope. Holding companies that do not engage in taking management, operational or financial decisions affecting the group or one or more of its subsidiaries may be exempted if one of the ultimate parent company's subsidiaries established in the EU is designated to fulfil the CSDDD obligations. **Partial carve-out for the financial services** For regulated financial undertakings, the chain of activities does not include downstream business partners that are receiving their services and products. The CS3D due diligence obligation only covers only the upstream part of their chain of activities. Find out more here about the key terms of the CS3D. The UK has made a statement that it does not intend to replicate this new directive, on the basis that many UK companies are already subject to similar obligations through other legislation. Given the scope of the CSDDD, which draws on the upstream and downstream value chains of the in-scope entity, UK businesses may be subjected to its obligations as well through the due diligence/data provision obligation.	The rules would appear to have a significant impact on AFME members, who will have to map the human rights and environmental impacts of their upstream operations and of the transactions they enter into or broker, and may have to take steps to prevent, cease or minimise actual impacts arising in their value chain. The CS3D is subject to review, including in respect of the partial carve-out for financial services firms' downstream value chain.
Switzerland – Non financial disclosures	In January 2022, the Swiss parliament passed an amendment introducing non-financial reporting and mandatory human rights due diligence to (i) large entities in Switzerland and (ii) prudentially supervised financial institutions. The reporting is based on the model of the EU Non-Financial Reporting Directive. On 26 June 2024, the Swiss Federal Council introduced a draft law proposing an amendment to non-financial reporting, extending the reporting obligations and harmonising Swiss reporting obligations with the CSRD. Though many of the proposed reporting features are quite similar to those of the CSRD, there is a difference with regard to the standards that form the basis of the reporting obligations. Companies in Switzerland will be given the choice of either basing their sustainability report on ESRS or choosing another equivalent standard. The Federal Council will define equivalent standards in a corresponding ordinance. The consultation closed on 17 October 2024. In Autumn 2024, the Federal Council is expected to set out the results from its analysis of the impact that the CSDDD will have on Swiss companies.	Disclosure obligation for entities in Switzerland – which will include Swiss banks.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The CS3D came into force on 25 July 2024. Its application is phased in – the first group of companies will be subject to the obligation from 26 July 2027. These are the largest companies: those with more than 5 000 employees and EUR 1,500,000,000 worldwide net turnover (if EU company) or more than EUR 1,500,000,000 net turnover in the EU (if non EU company)	Whole business	Whole business – even if part of the organisation is out of scope, it may be in someone else's value chain and therefore indirectly caught and subject to the burden.	EU
	Whole bank impact	Where disclosure obligations impact bank clients, likely indirect impact (e.g. data requests) on banks.	Switzerland

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Deforestation Regulation ("EUDR")	The EU Deforestation-free Products Regulation ("EUDR") entered into force in June 2023. The regulation requires due diligence to be carried out before certain commodities can be placed on, or exported from, the EU market, to confirm that the commodity (and certain derived products) are "deforestation-free" and conform with the relevant legislation of the country of production. It is part of a broader EU legislative agenda tackling supply chains, including the CS3D (see above). A controversial element during the legislative negotiations was the potential application of the proposal to financial institutions. The final text of the legislation does NOT include financial services in the scope (although care should be taken with this as aspects of a financial services business may nonetheless be caught, for example commodities business). However, by June 2025, the Commission must complete an impact assessment evaluating the role of financial institutions in contributing to deforestation and assessing the need to provide further due diligence obligations for financial institutions. On 2 October 2024, the European Commission announced that it had published: • a legislative proposal to delay the application of the EUDR by 12 months; • guidance on the EUDR; • updated FAQs; and • the principles of the methodology it will apply to the EUDR benchmarking exercise, which will be used to classify third countries as low, standard, or high risk for due diligence purposes. • Read more on the EUDR here.	Although there are mechanisms carving out financial services, AFME members should review to ensure all their business lines are out of scope. Also the EUDR may impact them in their capacity as a corporate, rather than as a financial services firm. The regulation will be reviewed and any changes to the financial services scope should be kept under scrutiny.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The requirements under the EUDR should have applied from 18 months after the EUDR's entry into force. However the October 2024 legislative proposal delays application of the EUDR by 12 months - from 30 December 2024 to 30 December 2025 for large in-scope companies and to 30 June 2026 for small and micro enterprises. Unless a delay is agreed before the end of the year, the EUDR will start to apply from 30 December this year. The proposal also extends the date by which the Commission needs to adopt implementing acts classifying third countries as low, standard or high risk, until 30 June 2025.	AFME members should review their business lines to ensure they are out of scope. Particular attention should be paid to commodities desks.	Useful to be aware of the requirements of the regulation on AFME member clients who are within scope of the regulation	EU

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
German Supply Chain Due Diligence Act (in English)	Under the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*) in-scope companies have to: • adopt a policy statement on human rights protection in their supply chains; • establish a risk management system and regularly perform risk analyses; • implement preventive measures in their own organisation and vis-à-vis direct suppliers; • take remedial action and/or mitigate risks; • implement a complaint system; and • document their processes. The Act applies to companies from all sectors having their head office, principal place of business, administrative headquarters or registered office in Germany and employ a minimum of 3,000 employees (as of 2024 reduced to 1,000 employees). The purpose of the Act is to protect human rights and the environment as defined by international treaties referenced in an annex to the Act. Relevant human rights risks include forced labour, child labour, discrimination, violation of the freedom of association, violation of occupational health and safety, problematic employment and working conditions as well as damage to health, shelter or subsistence goods, for example through water, soil or air pollution. Certain environmental aspects are also covered. The law covers the entire supply chain (understood as the production and the provision of services), albeit with gradual responsibilities along the different levels of the supply chain. The Federal Office for Economic Affairs and Export Control (*Bundesamt für Wirtschaft und Ausfuhrkontrolle*) is primarily responsible for enforcing the new obligations by means of information and discovery requests, remediation orders as well as financial penalties and exclusion from public procurement. Depending on the individual circumstances, fines may, in principle, amount to up to EUR 800 000. However, for companies with an average annual global turnover of more than EUR 400 million during the last three years, the fines amount to up to 2% of the average turnover. In terms of civil liability, NGOs and labour unions based in Germany may enforce claims of potential victims in case of violations of highly important human rights before German courts. The Act does not include any provisions on civil liability, but responsibility remains possible under the general provisions. There are currently ongoing discussions on the Act, in particular to reduce reporting burdens for in-scope companies. Furthermore, the German Federal Government announced its plan to implement the CSDDD 1:1 in this legislative period by amending the German LkSG.	In-scope companies should • check the governance framework in place in relation to supply chains, and analyse whether they have to make adjustments, • identify potential high-risk areas by taking stock of their existing supply chains and their respective compliance management systems, and • establish an effective risk management strategy.

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
For in-scope companies with more than 3000 employees, the new law entered into force on 1 January 2023. The threshold has been reduced to 1000 employees as of 2024.	If the general requirements are met, credit institutions are covered by the law as service providers.	Credit institutions may be affected as direct or indirect suppliers. For example, the government proposal explicitly stated that banks will be included in manufacturers' supply chains in case of loans that finance their manufacturing activities.	Germany

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Shareholder Rights Directive II ('SRD II')	SRD II introduces new transparency obligations on institutional investors and asset managers who are investing in shares which are listed on a regulated EEA market. It aims to obtain greater shareholder engagement in corporate governance. It reflects EU sustainability goals and aligns with global best practices in stewardship guidelines and provides a minimum baseline for effective stewardship activities and long-term investment decision-making. SRD II requires in scope institutional investors and asset managers to develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy. SRD II overlaps with the ESG reforms by requiring disclosures on shareholder engagement policies and implementation by institutional investors and asset managers. It also mandates disclosures on how investment strategies are consistent with the profile and duration of liabilities. On 11 October 2022, ESMA published a call for evidence on the implementation of certain provisions of SRD II. The provisions cover the following areas: • Identification of shareholders. • Transmission of information. • Facilitation of the exercise of shareholder rights. • Transparency of proxy advisors. This resulted in the June 2023 publication of a report by the ESAs assessing the implementation of SRDII, which would feed into work to be undertaken by the Commission. Next steps on this are awaited.	
UK Stewardship Code	On the back of SRD II, the UK Stewardship Code 2020 is being revised and now expects signatories to account for ESG factors in their stewardship approach. The Financial Reporting Council (FRC) is still working on a fundamental review of the Code. Interim changes and the policy direction for this review were announced in the summer 2024 to reduce reporting burdens for signatories and encourage UK growth and competitiveness. The FRC has also acknowledged concerns about the influential role of proxy advisors and is considering how to achieve greater transparency of their activities. The FRC launched its consultation on 11 November 2024, which runs until 19 February 2025. An updated Stewardship Code is expected to appear in the first half of 2025 with an effective date of 1 January 2026. You can read more about this here.	Turns on whether the AFME member is, or wants to be, a signatory to the code – typically where it has an investment management/ investment services division.
Switzerland – Swiss Bankers Association (SBA) Guidelines for the financial services providers on the integration of ESG-preferences and ESG-risks and the prevention of greenwashing in investment advice and portfolio management	The guidelines replace the 2020 "guidelines for the integration of ESG considerations into the advisory process for private clients". They were adopted in June 2022. The current guidelines were issued in May 2024, updating the previous version from October 2023. The guidelines build on the conduct rules of the FinSA and supplements these with regard to ESG aspects as follows: • Duty to provide information: inform clients on ESG risks and ESG characteristics of the products offered; • Assessment of clients' ESG preferences as part of the appropriateness and suitability test and their consideration in investment advice and asset management (matching of client preferences with appropriate products) • Documentation of ESG preferences and rendering of account upon client request • Training and professional development: client advisors in particular should be trained in the area of ESG investment solutions. Compliance with the requirements should be reviewed by internal audit teams at least every three years.	Recommendations for Swiss financial service providers

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
Implementation of the SRD II Directive has taken place in two phases. This is subject to a few exceptions in the Directive which are not yet in force. On 10 June 2019, the Directive was initially transposed into the national laws of EU Member States. On 3 September 2020, core operational changes (being the more substantive provisions of SRD II) became applicable. SRDII is now under review, although the process seems to have stalled. Responses to the call for evidence on certain aspects of SRDII were requested by 28 November 2022. ESMA, and the other ESA's provided the European Commission with its input by June 2023. This was intended to factor into work to be done by the Commission but next steps on this have not been seen as yet.	No direct impacts unless AFME members provide investment management services		EU The UK Stewardship Code applies in the UK
An updated Stewardship Code is expected in H1 2025.	TBC, depending on whether the AFME member is a Code signatory		UK
The guidelines entered into force on 1 January 2023 with the following transition periods: (a) from 1 January 2024, requirements on training and professional development and those applicable to new clients; and (b) from 1 January 2025, requirements applicable to existing clients. The May 2024 changes to the guidelines entered into force on 1 September 2024 with the following transition periods: (a) from 1 January 2026 requirements on training and professional development and those applicable to new clients; and (b) from 1 January 2027 for existing client relationships	Compliance is mandatory for SBA members. Non-members may voluntarily join the guidelines but must inform the SBA.	Not defined	Switzerland

Action Plan Item	Initiative and description of key policy objectives	Key actions for AFME members
Switzerland – Swiss Bankers Association (SBA)– Guidelines for mortgage providers on the promotion of energy efficiency	On 28 June 2022, the SBA published guidelines for mortgage providers on the promotion of energy efficiency, covering advice to private individuals seeking finance for single-family and holiday homes. The purpose being to motivate owners to deal with the issue of maintaining the value and optimising the energy efficiency of their properties with the support of the bank, and thus be made aware of energy-efficient renovation.	AFME members which have an SBA member in their group must have regard to these binding guidelines and are applicable where the Swiss bank provides private banking, investment advice and/or wealth management services to its clients.
Switzerland – Swiss Funds and Asset Management Association (AMAS) and Swiss Sustain-able Finance (SSF) Key Messages and Recommenda-tions	The recommendations are non-binding intended to support asset managers aiming to integrate sustainability into their products and services. They focus on the following topics i. Governance ii. Investment Policy iii. Investment Strategy iv. Risk Management v. Transparency and Reporting A follow-up publication was published in December 2021 on 'How to avoid the greenwashing trap: Recommendations on transparency and minimum requirements for sustainable investment approaches and products."	Recommendations for Swiss financial service providers

Key milestones	AFME member direct business area impact	Indirect business area impact	Region/jurisdiction
The guidelines entered into force on 1 January 2023. A transition period up to 1 January 2024 applied for adapting banks' internal processes.	Binding where the services are provided by an SBA member bank.	n/a	Switzerland
Published on June 16, 2020.	Not legally binding.	Not defined.	Switzerland

AFME Publications

In addition to responses to stakeholders' consultations and our participation in other outreach programmes, AFME's output consists of market guides, implementation advice and thought leadership pieces to support our members and their clients in their transition journey.

Some of our publications include:

- **NEW** Climate transition plans: current and emerging frameworks for the European financial services sector: The report provides an overview of transition plan frameworks and guidance for European banks, focusing on international standards, UK and EU developments, and related trends in litigation and scrutiny. It serves as a reference for navigating these frameworks, discussing their content and detailing their legislative timelines.

- **NEW** Sustainable Finance in the UK: Partnering with the financial sector to deliver green growth: This paper outlines AFME members' views on the sustainable finance landscape in the UK and provides recommendations to the UK government as it takes the next steps in creating a policy environment and regulatory framework to enable financial flows to support climate, environmental, and broader sustainability goals.

- **NEW** Sustainable Finance in the EU: Priorities to unlock financing and investment: The paper outlines AFME members' views and recommendations on the functioning of the current EU sustainable finance framework and the implementation challenges that banks face in applying it when financing companies.

- **NEW** ESG Data for Financial Services in an Operational Environment: The report looks at the operational consequences of ESG regulatory reporting requirements. It sets out how financial institutions should manage ESG data across the data lifecycle; the operational challenges in satisfying evolving ESG regulatory requirements and opportunities for new technology to exist within this exchange despite the challenges.

- European Green Securitisation Regulatory State of Play: Obstacles to growth and opportunities for leadership: The report sets out a comprehensive overview of the current European regulatory landscape for green securitisation, highlighting the challenges preventing it from fully contributing to Europe's green transition.

- Into The Wild: Why nature may be the next frontier for capital markets: The report explores how finance can be channelled to help address nature loss, provides an overview of the natural capital finance products currently in the market, highlights case studies of innovative practices by AFME members, and makes five key policy recommendations.

- ESG and the Role of Compliance: The discussion paper sets out observations on how compliance functions can support their firms in robustly and transparently managing the regulatory risks associated with ESG issues. It is intended to be a practical tool to support the thinking and enable discussions within firms on shaping the role of compliance and ESG.

- GFMA and BCG Report "Unlocking the Potential of Carbon Markets to Achieve Global Net Zero": An in-depth analysis of the role, interaction and importance of both compliance and voluntary carbon markets to the low-carbon transition, and an outline of the challenges which the public and private sector need to overcome to achieve this vision.

- AFME Recommended ESG Disclosure and Diligence Practices for the European High Yield Market: The paper contains guidelines on sustainable finance considerations for issuers and investors when leading or otherwise participating in offerings of high yield bonds. It also contains an example questionnaire, intended to provide a suggested framework for market participants' ESG due diligence with respect to high yield and leveraged finance transactions, as well as guidance helpful in any capital markets transaction. Find an updated version of the questionnaire on AFME's High Yield page.

- GFMA and BCG Global Guiding Principles for Developing Climate Finance Taxonomies: The report recommends that all existing and new taxonomies should be assessed against five global principles and tailored to regional or national contributions, climate targets and policies, and sector-specific transition pathways.

- Discussion Paper: ESG Disclosure and Diligence Practices for the European Securitisation Market: The paper offers reflections on the current landscape and seeks to suggest a framework for market participants' due diligence with respect to securitisation transactions.

- GFMA and BCG Report on Climate Finance Markets and the Real Economy: The report outlines market-wide and sector-specific recommendations necessary to accelerate investment in climate finance.

AFME also publishes quarterly European ESG Finance reports to provide detailed data and analysis on the rapidly growing Sustainable Finance market in Europe. Find the latest quarterly report on our Data and Research page.

Find more Views from AFME on our website.

Notes

About Linklaters

Linklaters LLP is a leading international law firm. Our global ESG team is longstanding, with many years of experience advising on environmental, social and governance issues across a wide range of sectors and contexts. We have been at the forefront of supporting clients on environmental and climate matters, navigating emerging soft law human rights standards, advising on sustainable finance, business ethics issues, and designing governance frameworks, compliance systems and crisis response strategies.

We take a holistic approach, providing our expertise across a wide range of practice areas – from prudential regulatory and banking expertise to our unparalleled ESG and financial regulatory practice, business and human rights team, antibribery and corruption, risk management and dispute resolution practices.

Our ESG practice is market leading and ranked band 1 globally by Chambers and Partners for Environmental, Social & Governance risk. Further information is available at www.linklaters.com/esg.

Linklaters provides you with a vast array of information, commentary and resources to stay on top of and understand the developments in the SF space. You can find regular updates on all aspects of ESG across the globe in our Sustainable Futures blog. You can sign up to receive our regular ESG newsletters. Our Sustainable Finance tracker enables you to keep track of important milestones occurring across the globe, but we also provide in-depth analysis across a range of challenging topics including CSRD, CSDDD, biodiversity and transition planning.

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/ About AFME

The Association for Financial Markets in Europe (AFME) is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues.

We represent the leading global and European banks and other significant capital market players.

We advocate for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society.

We aim to act as a bridge between market participants and policy makers across Europe, drawing on our strong and long-standing relationships, our technical knowledge and fact-based work.

Focus
on a wide range of market, business and prudential issues

Expertise
deep policy and technical skills

Strong relationships
with European and global policymakers

Breadth
broad global and European membership

Pan-European
organisation and perspective

Global reach
via the Global Financial Markets Association (GFMA)

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