



Aurexia
Sustainable

Regulatory overview: European ESG regulation roadmap

April 2022

Aurexia

Navigating through the complexity of ESG regulations



Supporting investors with making **more informed choices in respect of sustainability** and **diverting capital flows** are the primary objectives of the European Commission's Action Plan on Financing Sustainable Growth.

Whilst the regulatory changes (both in the UK and the EU) are at different stages of finalisation and implementation, the underlying objectives remain the same:

- From a climate perspective, how do we adapt to climate change and mitigate our contribution to greenhouse gases?
- From a holistic ESG perspective, how do we improve choices and support more informed decision making by investors?



This framework targets both non financial and financial actors (Asset Managers, insurers, retail and private banking, CIB, Securities Servicers) while implying finance and risks divisions to work on improved ESG reporting.



EU legislation framework is **way ahead from North America and Asia**. However, they catch up fast, lots of new international coalition has been created, mainly about climate.

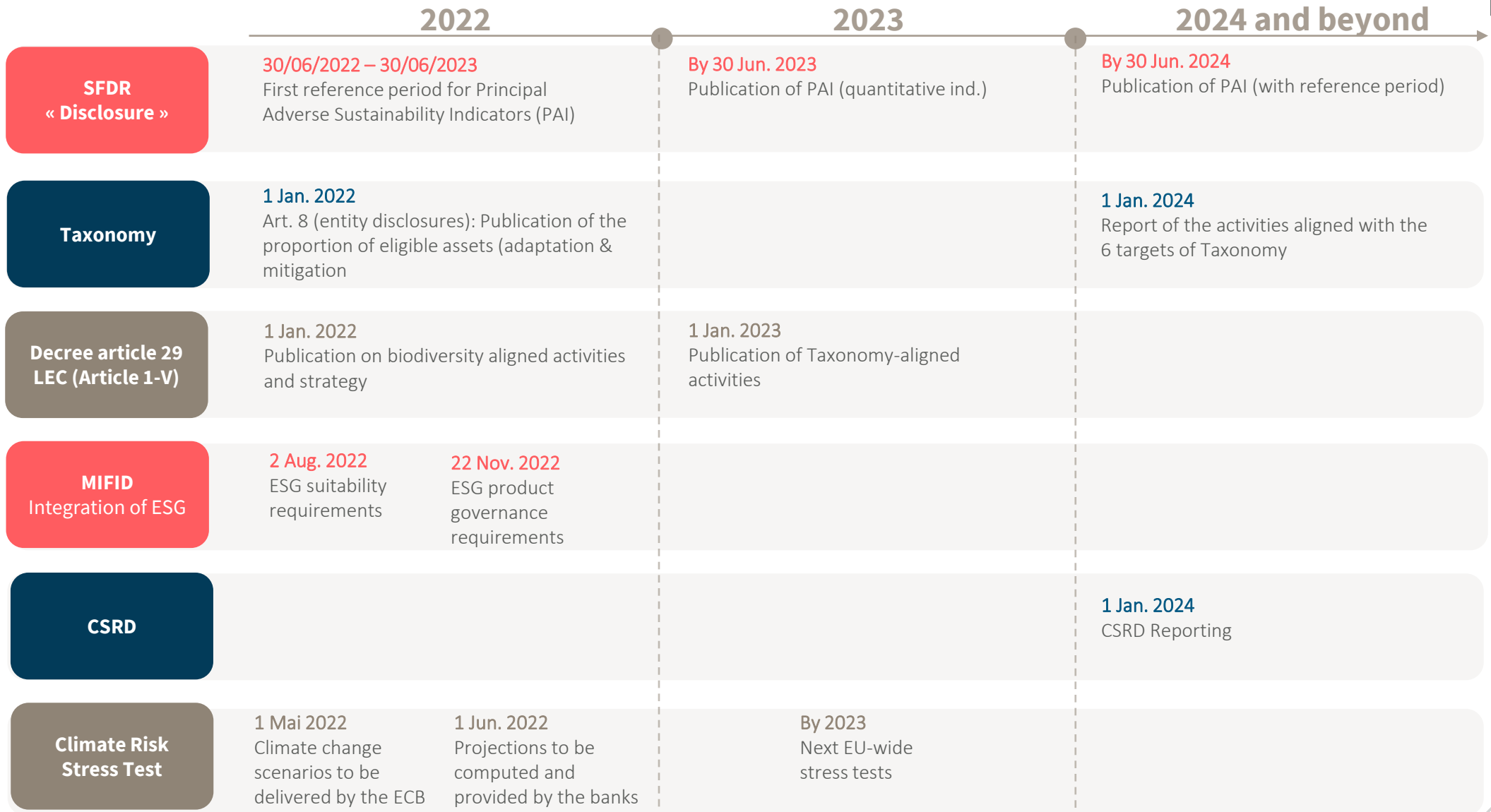
Regulatory requirements around product transparency and investor information are likely to increase buy side demand for ESG products

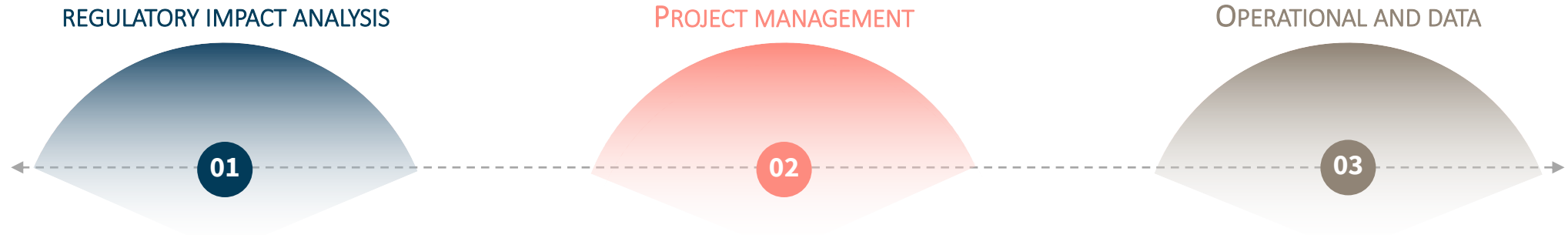
- Previously, asset managers were driven by investor demand.
- Now greater regulatory scrutiny and disclosures (including a comply or explain regime measuring performance against adverse impacts) is likely to result in a greater shift by the buy side to ESG products.

The ESG regulatory framework is still under construction with several expected changes in the future

- The EU Platform on Sustainable Finance (PSF) recently published its final report for a Social Taxonomy to establish a classification system of economic activities that contribute to social goals.
- Upcoming International Sustainability Standards Board (ISSB) by end 2022.
- Upcoming report on technical screening criteria for the 4 remaining environmental objectives to be published by PSF.

Consolidated UE roadmap with main ESG regulations including French LEC 3





- **Regulatory analysis:** taxonomy, climate stress tests, SFDR, CSRD, green bonds standards
- Identification of **products and services** impacted
- Identification of **tools and processes** impacted
- **Detailed impacts analysis** (changes to be expected in documentation/reporting, new documents and publications, process, organization, controls,...)

- **SFDR policies** according to the orientations taken (sustainability policy, PAI,...)
- **MIF2 / IDD** : product governance updates to include non-financial objectives, customer journey updates (questionnaire, client's profiles)
- **Taxonomy:** eligibility and alignment reporting drafting
- **Article 29 / CSRD reporting:** enrich existing article 173 reporting or creating new ones

- **ESG data mapping:** meet the disclosures and reporting requirements
- **Data sourcing:** internal data, providers data (RFI / RFP)
 - Number of ESG data providers selected
 - Building internal capabilities.
 - Using alternative data vendors to plug gaps
- **Maintaining Data:** what data needs to be collected and stored internally (e.g. from clients, other sources)?

Aurexia has developed a **data dictionary** and **decision maps** that translate into executable code for **SFDR PAI reporting**.
 Reach us for further information and a demo of our tool.





A strong and collaborative team of 20 consultants with a global reach to address the specificities by location, eager to conduct missions and support clients to meet their Sustainable agenda.

Scope of intervention



Regulatory impact analysis



Sustainable business strategy

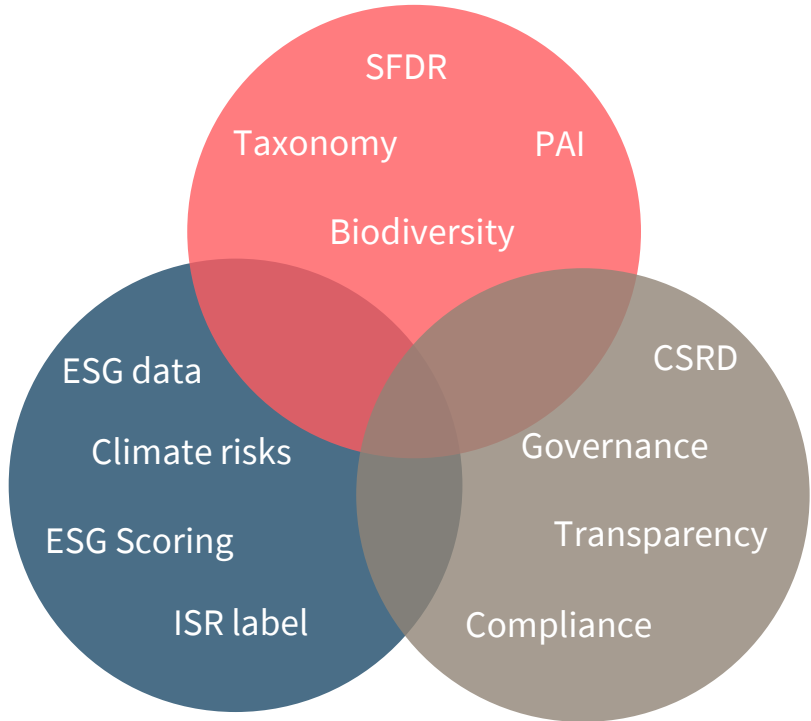


ESG integration within operational processes



ESG Data and Scoring

Topics addressed





UK
Partner
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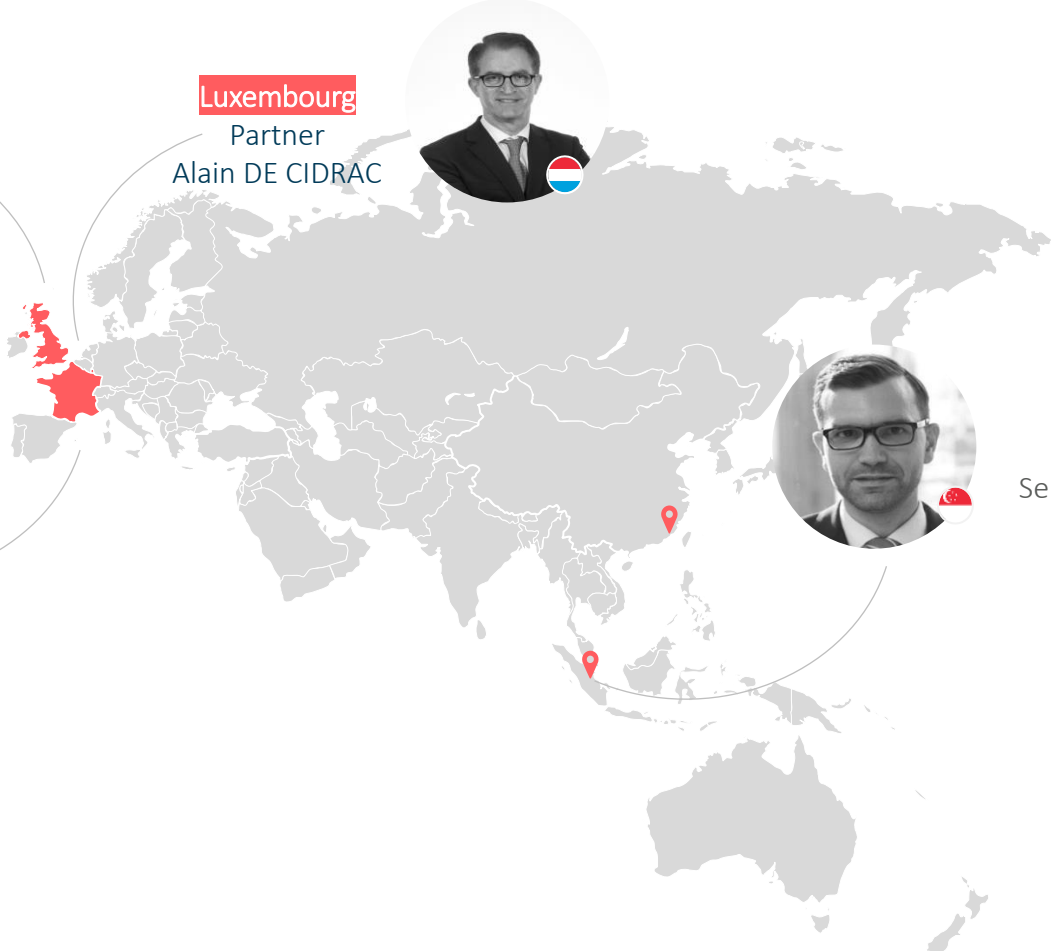
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Bringing value, together