



13 February 2023

The Sustainable Finance Disclosure Regulation: the AMF proposes a targeted review to include minimum environmental criteria

The AMF is proposing the introduction of minimum environmental requirements in European law that must be met by financial products in order to be classified as Article 8 or Article 9 under the Sustainable Finance Disclosure Regulation (SFDR).

The SFDR was designed by the EU co-legislators and the Commission as an Environmental, Social and Governance (ESG) transparency regime for financial entities and products. The regulation therefore requires financial market participants to publish information on their sustainability communications and practices.

The SFDR does not impose minimum requirements and does not define the concept of sustainable investment. Consequently, the current Article 8 and Article 9 classification does not aim to assess the nature or extent of the manager's commitment to sustainability.

We note, however, that the use of this categorisation by financial market participants may be misinterpreted by savers as a guarantee that they are participating in the financing of a more sustainable European economy.

It therefore seems necessary to take new steps in order to avoid this ambiguity and to better meet the expectations of savers. It is desirable that the European Commission proposes to introduce minimum criteria concerning environmental impacts for financial

products categorised under Article 8 or Article 9. Such an initiative does not necessarily mean a reversal of the broader ambition of the transparency regime which covers all of the ESG criteria. As a first step, and given the European sustainable finance agenda, it could be targeted at the environmental dimension.

Drawing on existing market practices and regulations, the AMF makes the following recommendations, which could be implemented very quickly in European law and would be a useful addition to the current regulatory framework:

- Minimum environmental criteria should be established for the classification of products as Article 9 or Article 8. Compliance with these criteria would be subject to national supervision. The criteria for Article 9 should continue to be more stringent than those for Article 8.
- A minimum proportion of portfolio assets for Article 9 funds should consist of investments aligned with the Taxonomy. This percentage could increase over time as the European economy advances towards sustainability.
- Financial market participants that manage Article 8 and 9 funds should adopt a binding ESG approach in their investment decision-making process. The EU framework for minimum criteria should identify a set of acceptable ESG approaches that can be implemented by financial players.
- Article 9 funds should exclude investments in fossil fuel activities that are not aligned with the European Taxonomy. Investment in such activities would be possible for Article 8 products provided that they meet strict conditions that ensure that these activities are engaged in an orderly transition.

In a more exploratory approach, the AMF also proposes to introduce the concept of transition and engagement policies. It has identified possible avenues for a quantitative definition of assets in transition.

Marie-Anne Barbat-Layani, Chair of the AMF, discussed the proposal with EU Commissioner McGuinness on February 9, 2023: *"The AMF wants to make a constructive contribution to a new phase of European regulation on sustainable finance,"* she said.

About the AMF

The AMF is an independent public authority responsible for ensuring that savings invested in financial products are protected and that investors are provided with adequate

information. The AMF also supervises the orderly operations of markets. Visit our website <https://www.amf-france.org/en> URL = [https://www.amf-france.org/en]

PRESS CONTACT

— AMF Communications
Directorate

+33 (0)1 5345 6028

Read more


Proposal for minimum environmental standards for financial products belonging
📄 to the Art.9 and 8 categories of SFDR

Keywords

SUSTAINABLE FINANCE

ASSET MANAGEMENT

ON THE SAME TOPIC

 Subscribe to our alerts and RSS feeds

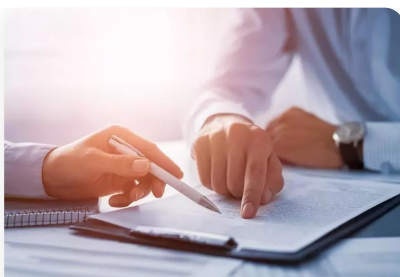


NEWS

SUSTAINABLE FINANCE

10 February 2023

Taxonomy Article 8 reporting: publication of Frequently Asked Questions by the European Commission



AMF'S EU POSITIONS

FINANCIAL PRODUCTS

10 February 2023

Proposal for minimum environmental standards for financial products belonging to the Art.9 and 8 categories of SFDR



NEWS

SUSTAINABLE FINANCE

17 January 2023

Publication of the new directive on corporate sustainability reporting (CSRD)



Legal information:

Head of publications: The Executive Director of AMF Communication Directorate. Contact: Communication Directorate – Autorité des marchés financiers 17 place de la Bourse – 75082 Paris cedex 02