



# Update

Momentum

Finance and Governance

21 april 2017

## **ESAS CONSULT ON TECHNICAL ADVICE ON PRIIPS WITH ENVIRONMENTAL OR SOCIAL OBJECTIVES**

On February 10 2017, the Joint Committee of the European Supervisory Authorities (“ESAs”) put forward a consultation in relation to packaged retail and insurance-based investment products with environmental or social objectives (“EOS PRIIPs”), pursuant to Article 8 of [Regulation \(EU\) No 1286/2014](#) of the European Parliament and of the Council of 26 November 2014.

EOS PRIIPS correspond to a class of packaged retail and insurance-based investment products which have underlying investments that, to some degree, address issues such as preventing pollution, enhancing the recovery of stressed natural resources and activities which are typically considered as socially desirable.

The focus is the methods to be used so as to assess if a PRIIP tackles a specific environmental or social objective under Article 8(4) of the aforementioned regulation. In line with that objective, the proposal seeks to establish minimum requirements regarding the governance mechanisms of PRIIP manufacturers in order to determine whether disclosed EOS objectives have in fact been met.

To the extent a Key Information Document (from hereunder “KID”) classifies a given PRIIP as being an EOS PRIIP, the burden to prove, in supporting documentation, the relevance of these objectives for the whole value chain of the investment process, notably, retail investors, falls upon the manufacturer.

The approach will be three-folded:

- a) The establishment of an investment policy statement detailing the scope of the EOS objectives which are being addressed, its constricting factors regarding risk/return, time horizon, liquidity, the imposition that the retail investor is obliged to meet these objectives;
- b) The set out of an investment policy which dictates how PRIIP manufacturers ought to fulfill their obligations as well how retail investors' money is to be allotted across classes of assets;
- c) The operation of processes, systems and controls to be developed so as to guarantee that the aforementioned strategy is attained.

The need for consultation is anchored in the circumstance that, according to the ESAs, product oversight, governance rules and validation procedures, as provided in [MiFID2](#) and the [Directive \(EU\) 2016/97 of the European Parliament and the Council](#), of 20 January 2016 (“Insurance Distribution Directive”), do not suffice for EOS funds.

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