

3fP - Tracker: approach and method

- Unique design of the 3fP since regulatory analysis is organized along the main dimensions of financial market regulation (3 Pillars)
- Financial market regulations is usually issued, researched and studied on a type-of-financial intermediary basis. 3fP-Tracker tool offers an unusual cross-sectoral approach that can stimulate discussions and virtuous “contamination” among sectors, authorities and even countries
- Research and analysis have highlighted a developing but fragmented Italian legal framework with areas of limited activity in which authorities are actually in the process of conducting research and gathering data, all while waiting for EU taxonomy to be agreed and approved



Drivers of evolution in regulation

- Climate risk as a trigger of significant actual financial losses to be remedied, managed and avoided (see insurance sector)
- International (Paris Agreement) and European (EU Action Plan) agreements and legislation
- Market-led initiatives aimed at increasing competitiveness and attractiveness of Italian listed companies
- Increased awareness of the public about climate risk implications and need for politicians to address public concerns



Key takeaways: Dimension 1 - Disclosure

- Disclosure of non-financial information included in Italian civil code (with little effect) and key role of Borsa Italiana Corporate Governance Code both prior and after enactment of DNF and SHRDII
- Discussions on adaptation of accounting standards to integrate non-financial information still in early stages but gaining momentum
- Consumer transparency and investment advisors' duties on ESG factors still awaiting for “upgrade” descending from changes to EU legislation
- Impact of climate-related EU NBSs potentially stronger in Italy than in other jurisdictions



Key takeaways: Dimension 2 - Supervision

- Italian authorities are quickly catching up on the importance of identifying and managing climate risk
- EU Common taxonomy indicated as open point that holds back authorities from producing new “green” regulations that could increase fragmentation of national practices if not in line with future standards
- Financial sectors that adopt forward-looking approach have an hedge compared to others in terms of identification, management and mitigation of climate risk
- Need for financial intermediaries to increase their capabilities in terms of analysis of long term scenarios and building scenarios on the basis of which create relevant assumptions



Key takeaways: Dimension 3 – Enabling scenario

- The Italian scenario is very active but in need of a clear, effective and coordinated national strategy for the transition to a Paris-aligned scenario
- Awareness of civil society about climate emergency increased significantly over the recent years as shown also by increased offer of graduate and master courses in green finance as well as production of scientific papers
- Recent political initiatives go in the right direction but they are still lacking in terms of actual implementation, long-term view, coordination and consistency

