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Finance

Renewed sustainable finance strategy and implementation of the action plan on financing sustainable growth

Details

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Author	Directorate-General for Financial Stability, Financial Services and Capital Markets Union
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Description


Commission action plan on financing sustainable growth

The recommendations of the [High-level expert group on sustainable finance](#) , form the basis of the [action plan on sustainable finance](#) , adopted by the Commission in March 2018.

The action plan set out a comprehensive strategy to further connect finance with sustainability. It included ten key actions that can be divided into three categories


Reorienting capital flows towards a more sustainable economy

1. **Establishing a clear and detailed [EU taxonomy](#) , a classification system for sustainable activities.**

On 18 June 2020, the [Taxonomy Regulation for climate change mitigation](#) , and adaptation was published in the Official Journal. The Commission is now preparing the delegated act on climate change objectives for the end of 2020, which will enter into force one year later. The delegated act concerning the other six environmental objectives (sustainable use and protection of water and marine resources, circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems) is planned to be adopted by



the end of 2021, based on the advice of the [Platform on sustainable finance](#)  – with a one year delay to enter into force.

2. **Creating an [EU Green Bond Standard](#) and labels for green financial products**

Based on the final report and usability guide of the Technical Expert Group (TEG), the [Commission is exploring the development of a voluntary EU Green Bond Standard](#) .

Moreover, the Commission is working on an EU Ecolabel for retail investment products. The extension of the Ecolabel framework to financial products, by way of a Commission Decision, is expected for Q3 2021.



3. **Fostering investment in sustainable projects**

To increase investments in sustainable projects, the Commission connects sustainable finance frameworks and tools with the [Sustainable Europe Investment Plan](#) , [InvestEU](#)  and other relevant EU funds. The InvestEU programme aims to support four policy areas through funding, technical support and assistance, and by bringing together investors and project promoters: sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses; and social investment and skills.

4. **Incorporating sustainability in financial advice**

In January 2019, the Commission published [draft rules on how investment advisers and insurance distributors should take sustainability factors into account when providing advice to their clients](#). Further adjustments were made to align the delegated acts (for MIFID II and IDD) with the final version of the disclosure regulation. In line with the advice of EIOPA and ESMA on the integration of the sustainability risks into organisational requirements, risk management procedures and product governance, the Commission also integrated these aspects in the text of the delegated act.

5. **Developing [sustainability benchmarks](#)**

In May 2018, the Commission made a [proposal for a regulation amending the benchmark regulation](#) . The amendment will create a new category of benchmarks comprising low-carbon and positive carbon impact benchmarks, which will provide investors with better information on the carbon footprint of their investments. The [Regulation amending the benchmark regulation](#)  was published in the Official Journal on 9 December 2019. The Commission will adopt the delegated acts by mid-2020.

Mainstreaming sustainability into risk management

6. **Better integrating sustainability in ratings and market research**

To strengthen disclosure on how ESG factors are being considered, [ESMA updated its Guidelines on disclosure requirements for credit ratings](#) in July 2019 and has started checking how credit rating agencies apply these new guidelines in April 2020. Moreover, in December 2019, the Commission launched a study on sustainability ratings and research that will explore the types of products that are provided in for ratings and market research, the main players, data sourcing, transparency of methodologies and potential shortcomings in the market. The study is expected to be completed by the Summer 2020.

7. **Clarifying asset managers' and institutional investors' duties regarding sustainability**

On 9 December 2019, the [Regulation on sustainability-related disclosures in the financial services sector](#)  was published in the Official Journal. Commission services are now working on implementing legislation, clarifying investor duties across key pieces of the EU financial services acquis.

8. Introducing a 'green supporting factor' in the EU prudential rules for banks and insurance companies



The European Parliament and Council agreed in the context of the negotiations on Risk Reduction Measures for banks to mandate the European Banking Authority (EBA) to

- Identify the principles and methodologies for the inclusion of ESG risks in the review and evaluation performed by supervisors, and
- Explore the prudential soundness of introducing a more risk sensitive treatment of “green asset” (so called green supporting factor).


The European Banking Authority published on 6 December 2019 its Action Plan on Sustainable Finance, which explains the phased approach and associated time-lines for the reports, advices, guidelines and technical standards that were mandated to the EBA.

Fostering transparency and long-termism

9. Strengthening sustainability disclosure and accounting rule-making

In June 2019, the Commission published [guidelines on reporting climate-related information](#) , which consist of a supplement to the existing guidelines on non-financial reporting. In its 11 December 2019 Communication on the European Green Deal, the Commission committed to review the [non-financial reporting directive](#) , in 2020 as part of the strategy to strengthen the foundations for sustainable investment. In line with that commitment, on 20 February 2020 the Commission launched a [public consultation on the review of the NFRD](#).





10. Fostering sustainable corporate governance and attenuating short-termism in capital markets

On 1 February 2019 the [Commission requested advice from ESMA, EBA and EIOPA on undue short-term pressure from the financial sector on corporations](#) . They published their findings in December 2019, recommending to strengthen disclosure of ESG factors to facilitate institutional investor engagement ([EBA report](#), [EIOPA report](#), [ESMA report](#)).

Furthermore, the Directorate-General for Justice and Consumers will launch two studies related to corporate governance

1. study on companies' interests, boards' duties and sustainability strategies; and
2. study on human rights and environmental due diligence.

More on the action plan:




- [Text of the action plan](#) 
- [Press release](#) 
- [Frequently asked questions](#) 
- [Factsheet](#) 

To discuss its action plan, the Commission organised a [high level conference on 22 March 2018](#) 


Implementing the action plan


In May 2018, the Commission adopted a package of measures implementing several key actions announced in its [action plan on sustainable finance](#).


The package includes a **proposal for an EU taxonomy regulation**, a proposal for a **regulation on sustainability disclosures** and on **developing low-carbon benchmarks**:


- A [proposal for a regulation on the establishment of a framework to facilitate sustainable investment](#) . This regulation establishes the conditions and the framework to gradually create a [unified classification system \('taxonomy'\)](#) on what can be considered an environmentally sustainable economic activity. This is a first and essential step in the efforts to channel investments into sustainable activities.
- A [proposal for a regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive \(EU\)2016/2341](#) . This regulation will introduce disclosure obligations on how institutional investors and asset managers integrate environmental, social and governance (ESG) factors into their risk management processes. Delegated acts will further specify requirements on integrating ESG factors into investment decisions, which is part of institutional investors' and asset managers' duties towards investors and beneficiaries.
- A [proposal for a regulation amending the benchmark regulation](#) . The proposed amendment will create a new category of benchmarks comprising low-carbon and positive carbon impact benchmarks, which will provide investors with better information on the carbon footprint of their investments.

In addition, from 24 May to 21 June 2018, the Commission has been seeking feedback on amendments to delegated acts under the [Markets in Financial Instruments Directive \(MiFID II\)](#) and the [Insurance Distribution Directive](#) to include ESG considerations into the advice that investment firms and insurance distributors offer to individual clients.

The Commission intends to clarify how asset managers, insurance companies, and investment or insurance advisors should integrate sustainability risks and, where relevant, other sustainability factors in the areas of organisational requirements, operating conditions, risk management and target market assessment. It will do it either by amending existing delegated acts under the UCITS Directive 2009/65/EC, the AIFM Directive 2011/61/EU, the MiFID II Directive 2014/65/EU, the Solvency II Directive 2009/138/EC and the IDD Directive 2016/97, or by adopting new delegated acts under the same Directives. Directorate-General for Financial Stability, Financial Services and Capital Markets Union sent a [formal request to EIOPA and ESMA for technical advices](#) , in this respect.


On 28 September 2018, the Commission requested EIOPA for an [opinion on sustainability within Solvency II](#) , in particular relating to those aspects that concern climate change mitigation.

On 1 February 2019 the [Commission requested advice from ESMA, EBA and EIOPA on undue short-term pressure from the financial sector on corporations](#) . This Call for advice is a part of action 10 from the action plan on financing sustainable growth that aims at fostering sustainable corporate governance and attenuating short-termism in capital markets.

On 18 April 2019, the [European Parliament endorsed the legislation setting the building blocks of a capital markets union, including the regulation on disclosures relating to sustainable investments and sustainability risks](#) .

Renewed sustainable finance strategy

In the framework of the [European Green Deal](#), the Commission announced a renewed sustainable finance strategy, which aims to provide the policy tools to ensure that financial system genuinely supports the transition of businesses towards sustainability in a context of recovery from the impact of the COVID-19 outbreak. The renewed strategy will contribute to the objectives of the [European green deal investment plan](#) , in particular to creating an enabling framework for private investors and the public sector to facilitate sustainable investments. It will build on previous initiatives and reports, such as the [action plan on financing sustainable growth](#) and the reports of the [Technical Expert Group on Sustainable Finance \(TEG\)](#) .

On 8 April 2020 the Commission launched a [consultation on its sustainable finance strategy](#) , available for 14 weeks (until 15 July 2020). All citizens, public authorities and private organisations

within the EU and beyond were invited to give their views and opinions.

Documents

- [Study: Testing draft EU ecolabel criteria on UCITS equity funds](#) 