The proposed regulation is meant to address two challenges:

- Reduce fragmentation resulting from market-based initiatives and national practices;
- Reduce "greenwashing", i.e. the practice of marketing financial products as "green" or "sustainable", when in fact they do not meet basic environmental standards.

As set out in the Council position, the proposal identifies and defines six EU environmental objectives:

- Climate change mitigation; b. climate change adaptation; c. sustainable use and protection of water and marine resources; d. transition to a circular economy, including waste prevention and recycling; e. pollution prevention and control; f. protection and restoration of biodiversity and ecosystems.

In order to qualify as environmentally sustainable, economic activities would have to fulfil the following requirements:

- COREPER: Taxonomy
- EC Action plan on sustainable finance: Action 10
- Contribute substantively to at least one of the six environmental objectives listed above
- Not significantly harm any of the environmental objectives
- Be carried out in compliance with minimum social and governance safeguards
- Comply with specific technical screening criteria.

On this basis, the Commission would then be tasked to establish the actual classification by defining "technical screening criteria" for each relevant environmental objective (delegated acts and implementing acts defining quantitative and qualitative thresholds). The Commission would be assisted by a technical expert group, the "Platform on sustainable finance", which would be mandated to provide advice for developing the technical screening criteria and analyse their impact in terms of potential costs and benefits of their application.

- According to the Council position, the taxonomy should be established by the end of 2021, in order to ensure its full application by end of 2022.
- The European Parliament voted on its position on this file in March 2019. Negotiations between the Council and the Parliament are therefore ready to start.