



EU Commission update

Renewed Sustainable Finance Strategy and Green Recovery

Webinar

3 June 2020 2:30pm BST

Action plan on financing sustainable growth

The Action Plan 2018 stretches across the whole investment chain

1	Taxonomy	Develop an EU classification system for environmentally sustainable economic activities	6	Sustainability in research and ratings	Explore how credit rating agencies could more explicitly integrate sustainability in to their assessments. Study on sustainability ratings and research and exploring possible measures to encourage their uptake.
2	Standards and labels	Develop EU standards (such as EU Green Bond Standard) and labels for sustainable financial products (via Ecolabel) to protect integrity and trust of sustainable finance market	7	Disclosures by financial market participants	Enhance transparency to end-investors on how financial market participants consider sustainability
3	Fostering investment in sustainable projects	Exploring measures to improve the efficiency and impact of instruments aiming at investment support. Mapping on investment gaps and financing.	8	Sustainability in prudential requirements	Explore the feasibility of reflecting sustainability in prudential rules (where justified from a risk perspective)
4	Incorporating sustainability in financial advice	Amend MiFID II and IDD delegated acts to ensure that sustainability preferences are taken into account in the suitability assessment.	9	Strengthening sustainability disclosures and improving accounting	Enhance climate and sustainability-related information provided by corporations
5	Developing sustainability benchmarks	Develop climate benchmarks and ESG disclosures for benchmarks	10	Fostering sustainable corporate governance	Collect evidence of undue short-term pressures from capital markets on corporations and consider steps for promoting corporate governance that is more conducive to sustainable investments.

Progress on key actions of the Action Plan

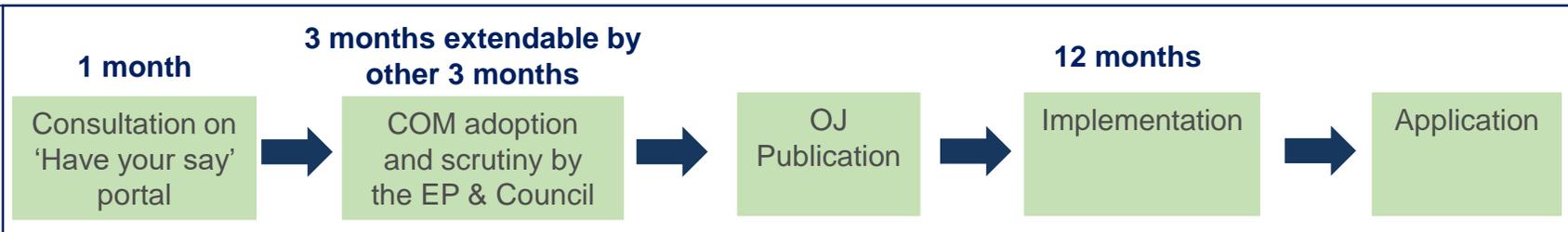
	Action	Objective	Legislative framework	Technical advice	Secondary legislation
1	Taxonomy	Develop a common language on environmentally sustainable economic activities	Status: approved, application from 2021 and 2022 ✓	TEG Platform on Sustainable Finance (from Sept. 2020) ✓	COM drafting secondary legislation based on TEG advice for end of 2020 and 2021
2	Standards and labels	Develop EU standards (such as EU Green Bond Standard) and labels for sustainable financial products (via ecolabel) to protect integrity and trust of sustainable finance market	Ecolabel framework for financial products expected for Q3 2021	TEG (EU Green Bond Standard) JRC (Ecolabel for financial products) ✓	COM developing voluntary EU Green Bond Standard, work on EU Ecolabel in progress
5	Benchmarks	Develop climate benchmarks and disclosures for benchmarks	Status: published, application from 2020 2021 on ESG disclosures ✓	TEG ✓	COM drafting secondary legislation based on TEG advice for 2020
7	Disclosures by financial market participants	Enhance transparency to end investors on how financial market participants consider sustainability	Status: published, application from March 2021 ✓	ESMA, EBA, EIOPA ✓	Future 6 RTS + 3 additional RTS through Taxonomy Regulation + 1 ITS
8	Sustainability in prudential requirements	Explore the feasibility of reflecting sustainability in prudential rules (where justified from a risk perspective)	Pending the result of technical assessment	EBA and EIOPA ✓	Pending the result of technical assessment
9	Corporate sustainability disclosure	Enhance climate and sustainability-related information provided by corporations	Review of the non-financial reporting directive*	TEG (climate-related information) COM fitness check on corporate reporting ✓	Pending the outcome of public consultation on review of NFRD

Timeline of key actions of the Action Plan

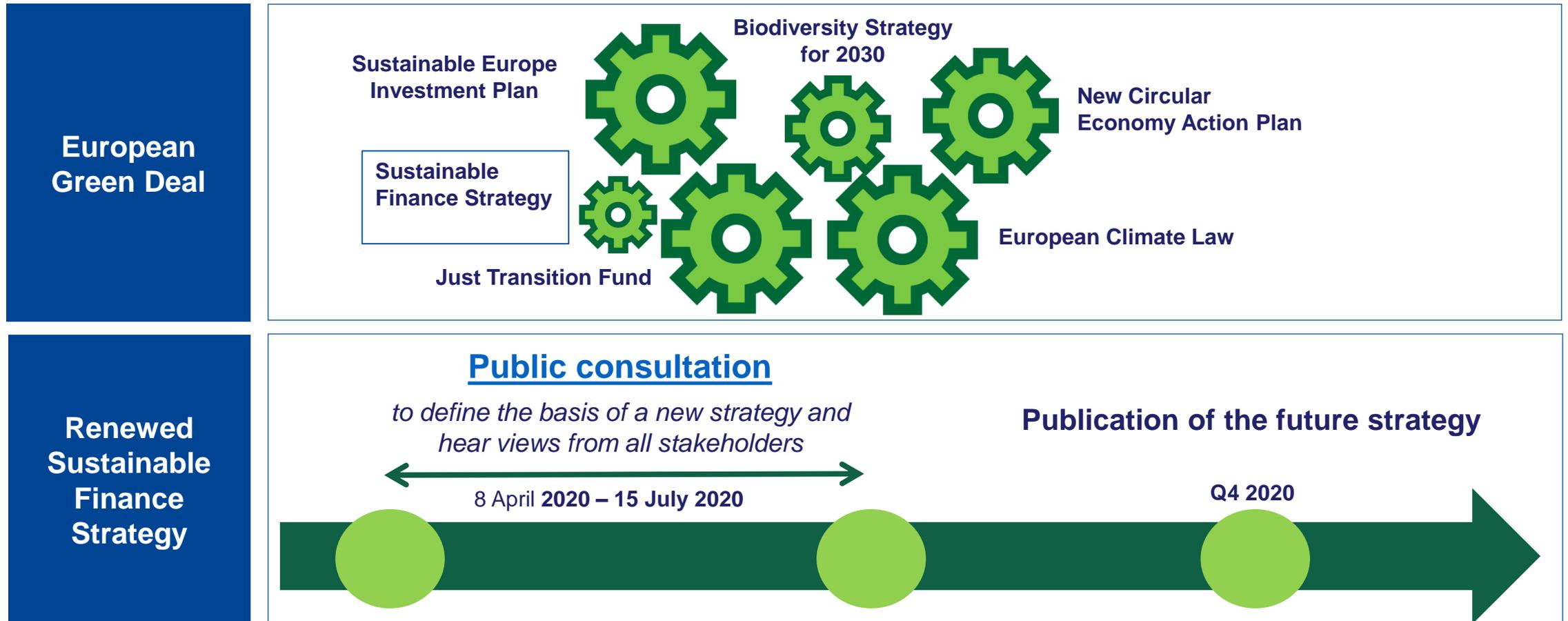


Fiduciary duty and suitability tests

The dates have not been fixed yet.



Renewed Sustainable Finance Strategy as part of the EU Green Deal



From Action Plan to Renewed Strategy

Action Plan on Financing
Sustainable Growth



Renewed Sustainable
Finance Strategy

Building on the 2018 Action Plan, the current context requires a more ambitious and comprehensive strategy



As the **EU moves towards climate-neutrality and steps up its fight against environmental degradation**, the financial and industrial sectors will have to undergo a large-scale transformation. Although the financial sector has already made considerable progress, its **transition is not fast enough to achieve the climate targets of 2030 and 2050**.



The 2018 Action Plan addressed the needs that were identified in the financial sector. The **Renewed Strategy will shift the focus to the real economy and corporates, as well as to public authorities and citizens** to give everyone the necessary tools to transition from brown to green.

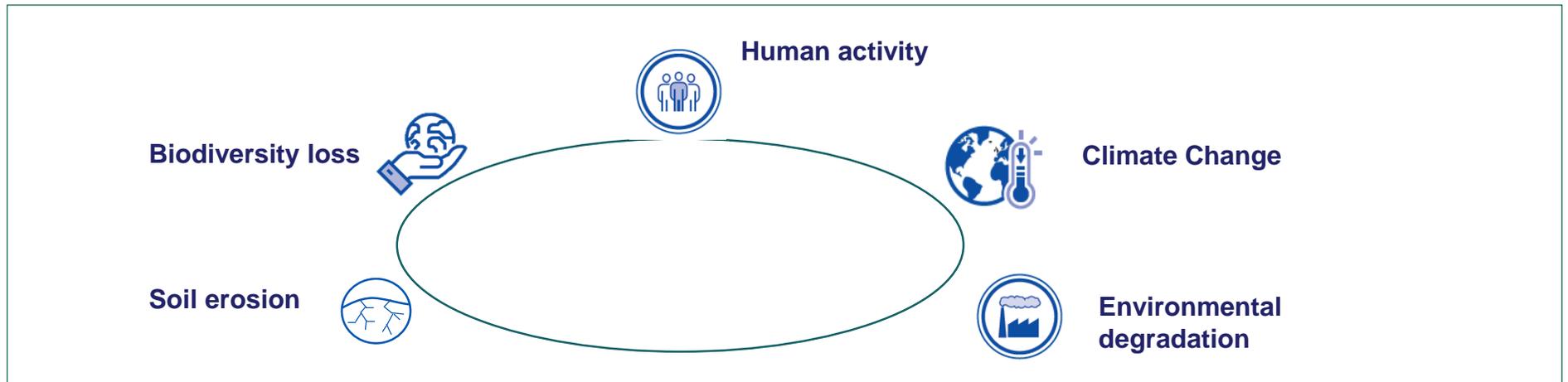


The **COVID-19** pandemic has shown the critical **need to strengthen the sustainability and resilience** of our societies and the ways in which our economies function. In the next years, a more sustainable financial system will be essential to ensure a **green recovery** from the crisis and support the prevention of other pandemics in the future.

The need for a Green Recovery

COVID-19 revealed the insufficient integration of sustainability considerations in our economic systems

The crisis underscores the links between human activity and multiple ecological crises we face



A Green Recovery is indispensable

- **Up until now, governments have focused on emergency plans** to cope with the most immediate consequences of the crisis.
- In the recovery phase, the focus will shift **to preventing massive disruption related to the consequences of climate change and and to benefit from the economic and job opportunities.**

The EU Green Deal as motor for the recovery



There is **no trade-off between incentivizing a speedy economic recovery and supporting the sustainability transition**, especially given that our 2050 deadline for climate-neutrality cannot be postponed. On the contrary, the sustainability transition is a **source of economic and job opportunities**.

Sustainable Finance and the Renewed Strategy will play a key role in the recovery in at least three ways:

A more sustainable financial system means **economies and societies will be more resilient** toward climate and environmental risks

Sustainable finance **provides instruments** that should be used to align public and private finance towards a green recovery

The crisis introduces a **window of opportunity** as well as a **necessity to accelerate** the work on the social dimension of sustainability

The EU recovery package adopted on 27 May 2020

The new recovery instrument 'Next Generation EU' (€750bn) and Commission budget for 2021-2027 (€1,100bn) will:

Support Member States with investments and reforms

- *A new Recovery and Resilience Facility of €560bn*
- *€55bn top-up of current cohesion policy programs through REACT-EU*
- *Just Transition Fund of up to €40bn*
- *European Agricultural Fund for Rural Development of €15bn*

Kick-start EU economy by incentivising private investments

- *Solvency Support Instrument of €31bn*
- *InvestEU of €15.3bn*
- *Strategic Investment Facility of up to €150bn*

Address the lessons of the crisis

- *EU4Health programme of €9.4bn*
- *€2bn reinforcement of rescEU*
- *Horizon Europe fund of €94.4bn*
- *Support for Europe's global partners through additional €16.5bn*
- *Strengthening of other EU programmes*

The EU recovery package adopted on 27 May 2020

To ensure we use the EU growth strategy, the EU Green Deal, to its full potential, it is essential that the recovery package drives our competitive sustainability



Overview of the Renewed Sustainable Finance Strategy

Targeted stakeholder questionnaire – 4 sections

1	General questions	<i>Overall ambition and pace of change in the financial sector to support the sustainability transition</i>
2	Strengthen the foundations for sustainable investment	<i>Improving and growing the existing toolkit for companies and investors that was laid out in the 2018 Action Plan on Sustainable Growth.</i>
3	Increased opportunities for citizens, investors and companies	<i>Maximising the impact of the frameworks and tools in our arsenal in order to 'finance green' as part of the EGD investment plan.</i>
4	Fully managing climate and environmental risks	<i>Measures to further contribute to 'greening finance'.</i>

The renewed strategy will also aim to provide policy tools for the financial system to support a sustainable recovery from COVID-19

Strengthen the foundations for sustainable investment

Improving and growing the existing toolkit for companies and investors that was laid out in the 2018 Action Plan on Sustainable Growth.

Company reporting and transparency

Accounting standards and rules

Sustainability research and ratings

Definitions, standards and labels for sustainable financial assets and financial products

Capital markets infrastructure

Corporate governance, long-termism and investor engagement

Increased opportunities for citizens, investors and companies

Maximising the impact of the frameworks and tools to 'finance green' as part of the EGD investment plan

Mobilising retail investors and citizens

Better understanding the impact of sustainable finance on sustainability factors

Green securitisation

Digital sustainable finance

Project pipeline

Incentives to scale up sustainable investments

The use of sustainable finance tools and frameworks by public authorities

Promoting intra-EU cross-border sustainable investments

EU Investment Protection Framework

Promoting sustainable finance globally

Fully managing climate and environmental risks

Measures to further contribute to 'greening finance'

Identifying exposures to harmful activities and assets and disincentivising environmentally harmful investments

Financial stability risk

Credit rating agencies

Natural capital accounting or 'environmental footprint'

Improving resilience to adverse climate and environmental impacts

Thank you

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