



**PLATFORM ON
SUSTAINABLE FINANCE**

EU Taxonomy & Platform

-
- Outreach



Part 1

ACTION PLAN ON SUSTAINABLE FINANCE

Action plan on financing sustainable growth

1



Reorienting capital flows
towards sustainable
investment

2



**Mainstreaming
Sustainability** into risk
Management

3



**Fostering
transparency and
Long-termism**



Action plan on financing sustainable growth

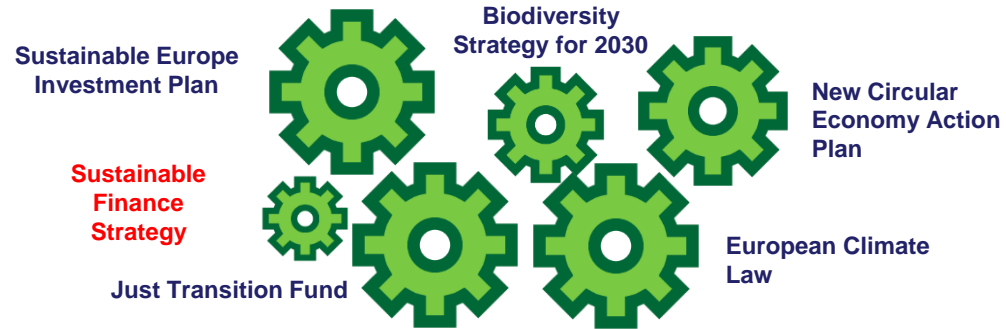
The Action Plan 2018 stretches across the whole investment chain

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.



Sustainable Finance Strategy as part of the EU Green Deal

European
Green Deal

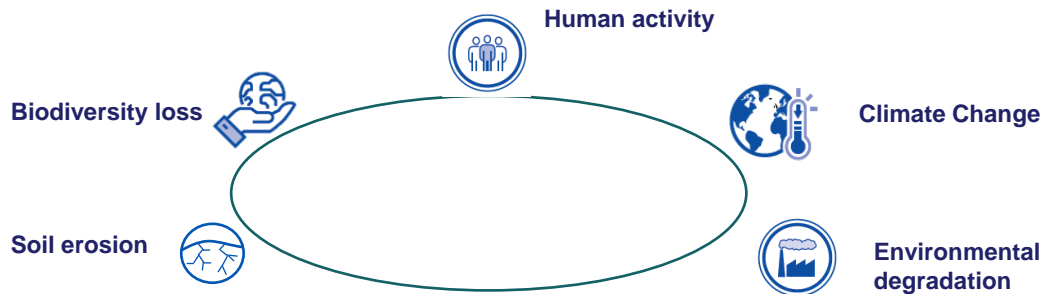


PLATFORM ON
SUSTAINABLE FINANCE

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 to benefit from the economic and job opportunities.**



PLATFORM ON
SUSTAINABLE FINANCE



Part 2

THE TAXONOMY

The Taxonomy is ...



An “inventory” for the future

Provides clarity on what is an environmentally sustainable activity material to achieving a sustainable future.

Provides the market and the public with the necessary confidence on environmental performance



A reporting enabler

Enables to measure the degree of environmental future fitness of an investment product and the share of environmentally future fit activities in a company



A transition tool

Helps investors and companies to plan and report on the transition. It sets the objectives and the direction of travel for different economic activities.

The Taxonomy is ...



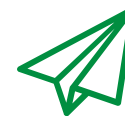
Set out in 'Level 2' EU law

- Respect the empowerment and requirements in the Taxonomy Regulation
- Follow better regulation guidelines



Evidence & science-based

- Clearly spelled-out rationales for any choice (prioritization of activities, setting of criteria...)
- Robust conceptual framework and methodology



Dynamic

- Criteria need regular update
- The sets of activities covered for each objective need to become more comprehensive over time

6 environmental interlinked objectives

CLIMATE CHANGE

Mitigation

Adaptation

*Technical Screening Criteria
in the draft Delegated Act (dec 2020)*

OTHER OBJECTIVES

Transition to a **circular economy**

Pollution prevention and control

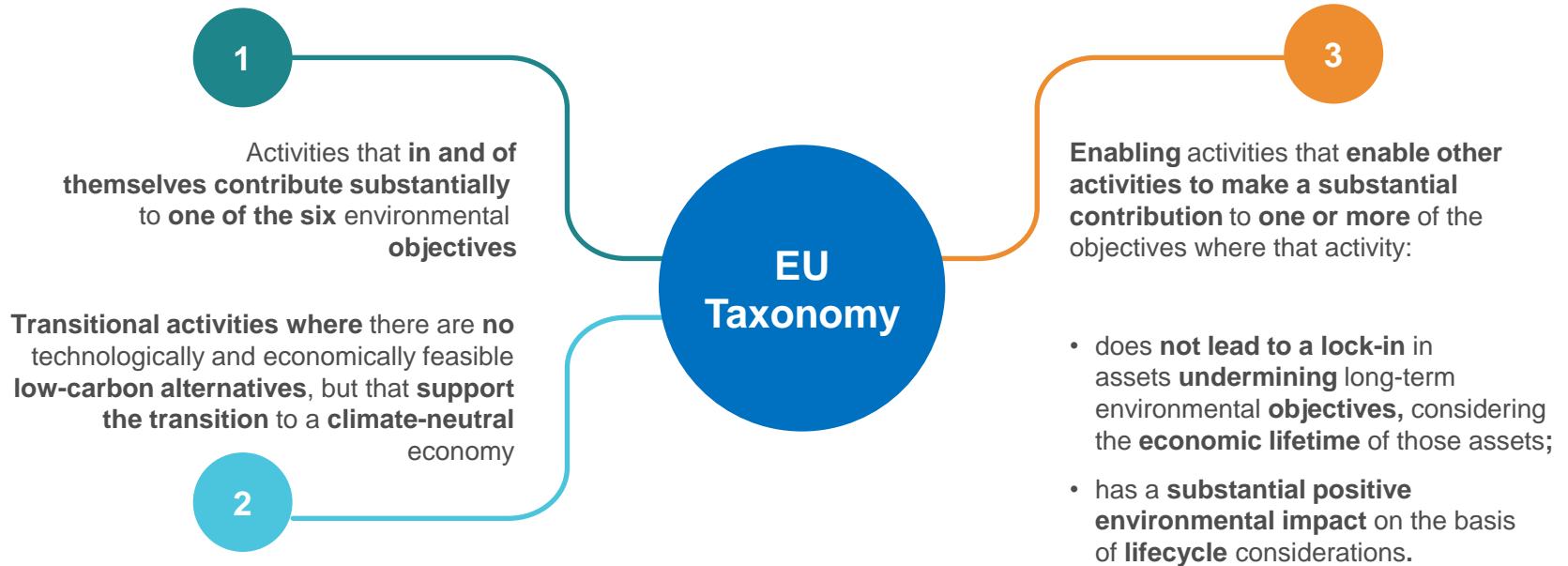
Sustainable use and protection of
water and marine resources

Protection and restoration of
biodiversity & ecosystems

*Technical Screening Criteria
under development*

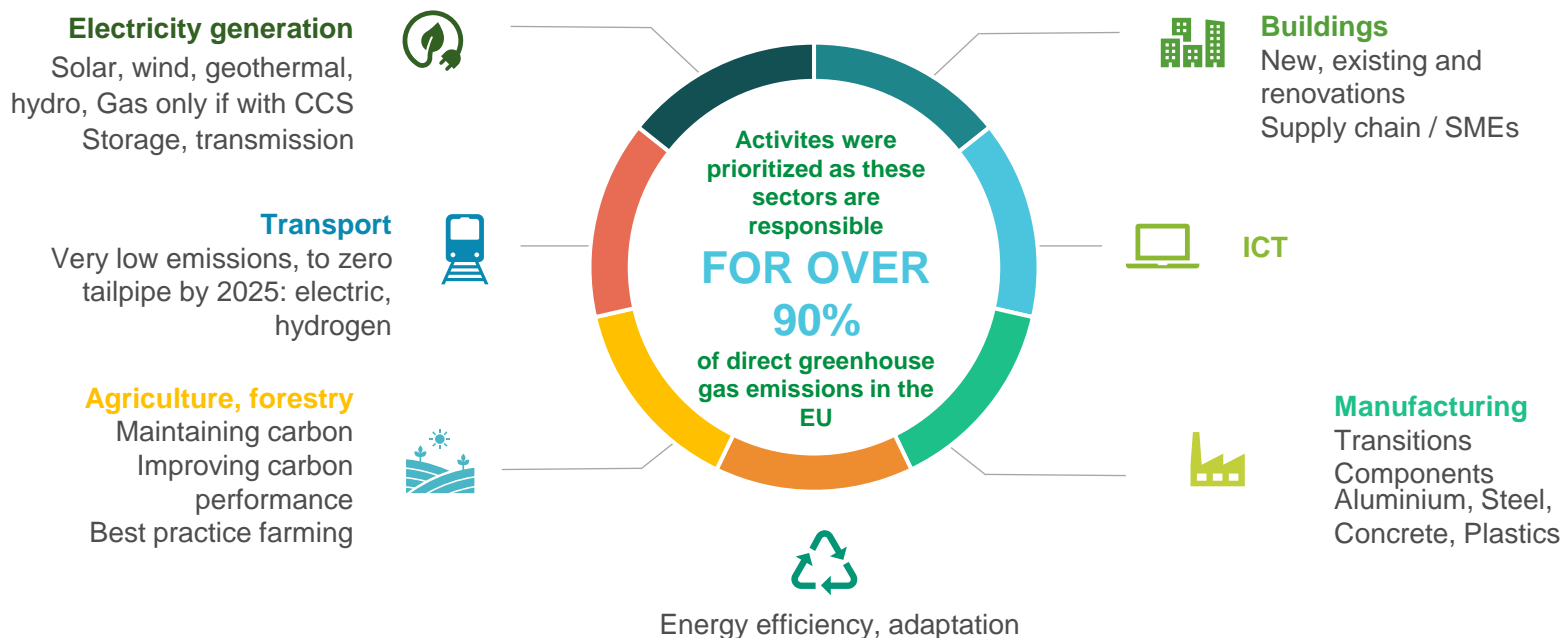
EU Taxonomy

Types of activities



EU Taxonomy

First set of activities (examples from the first draft Delegated act that covers climate change mitigation and adaptation objectives)



EU Taxonomy

Regulation: mandatory disclosures

The Taxonomy Regulation mandates three user obligations:



Financial market participants

Offering financial products in the EU, including occupational pension providers

Article 5 – Article 7

- How and to what extent the Taxonomy was used in determining the sustainability of the underlying investments;
- To what environmental objective(s) the investments contribute; and
- The proportion of underlying investments that are Taxonomy-aligned, as a percentage of the investment, fund or portfolio.



Large companies

Who are already required to provide a non-financial statement under the Non-Financial Reporting Directive

Article 8

- The proportion of turnover aligned with the EU taxonomy;
- CAPEX and OPEX aligned with the EU taxonomy.

→ ***KPIs will be established in a separate delegated act***



The EU and Member States

Article 4

When setting out measures on standards or labels for green financial products or green (corporate) bonds



Part 3

PLATFORM ON SUSTAINABLE FINANCE

How does Platform relate to the Taxonomy?

Platform

- provides recommendations on setting criteria as part of the EU Taxonomy
- advises on revision of the Taxonomy Regulation under the Commission action



Taxonomy

- European Commission drafts and adopts Taxonomy Delegated Acts
- European Commission drafts and proposes changes to the Taxonomy Regulation'

4 tasks for the EU Platform on Sustainable Finance

The Platform is established and mandated by the Taxonomy Regulation (Art. 20) and will assist the Commission in developing its sustainable finance policies, notably:

1

Advise the Commission on **technical screening criteria** for the EU Taxonomy, including on **usability** of the criteria.

2

Advise the Commission on **review of the Taxonomy Regulation** and on covering **other sustainability objectives**, including **social objectives** and **activities that significantly harm the environment**.

3

Monitor and **report on capital flows** towards sustainable investments.

4

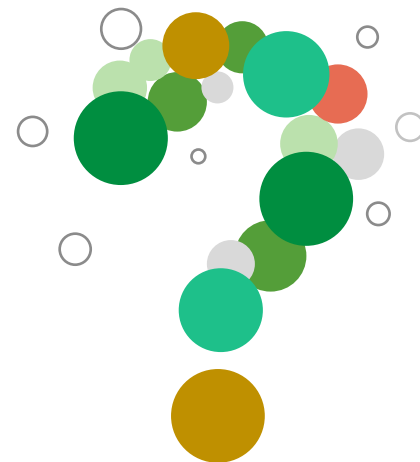
Advise the Commission on **sustainable finance policy more broadly**.

Tasks: Financing Transition Taskforce

- 1 Can the current EU taxonomy framework be used to provide greater support for **attracting capital for the transition of companies towards “sustainable” activities**, including in ways not yet proposed by the Commission and if so in which ways?

- 2 Can the EU taxonomy framework support finance for companies undertaking **activities that do not yet meet, or may be unable to meet, the substantial contribution criteria**? And how can this be done?

- 3 Can the current EU Taxonomy framework support finance for companies active in **sectors that are not covered** in the Taxonomy Regulation’s Delegated Act?

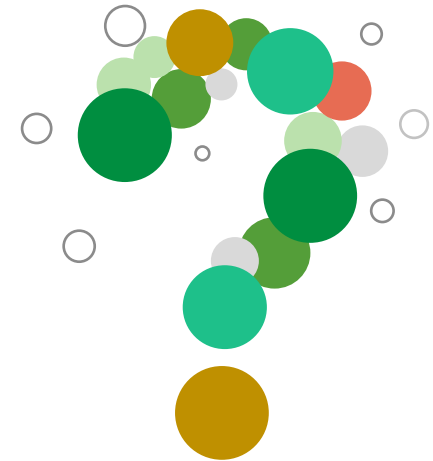


Tasks: Financing Transition Taskforce

- 4 How does the **use of key terminology** such as “sustainable”, “green” and “harmful” compare across the taxonomy framework and other relevant sustainable finance frameworks and how can it be clarified and harmonised?

- 5 What **further avenues** could be explored to enable financing the transition through development of **the taxonomy framework and beyond**?

- 6 Can we clearly address the concerns that the taxonomy will be used to **prevent financing** of transitional activities, while at the same time ensuring that we are **not facilitating “green-washing”**?





Appendix

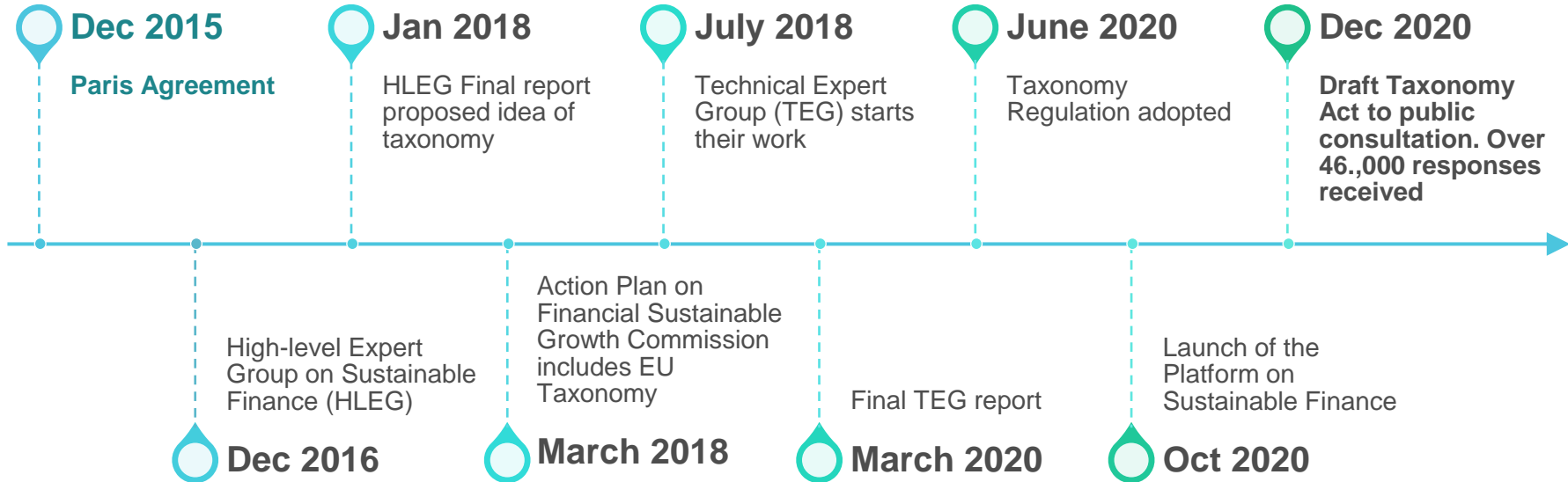
ADDITIONAL SLIDES FOR PART 2 AND 3



Part 2

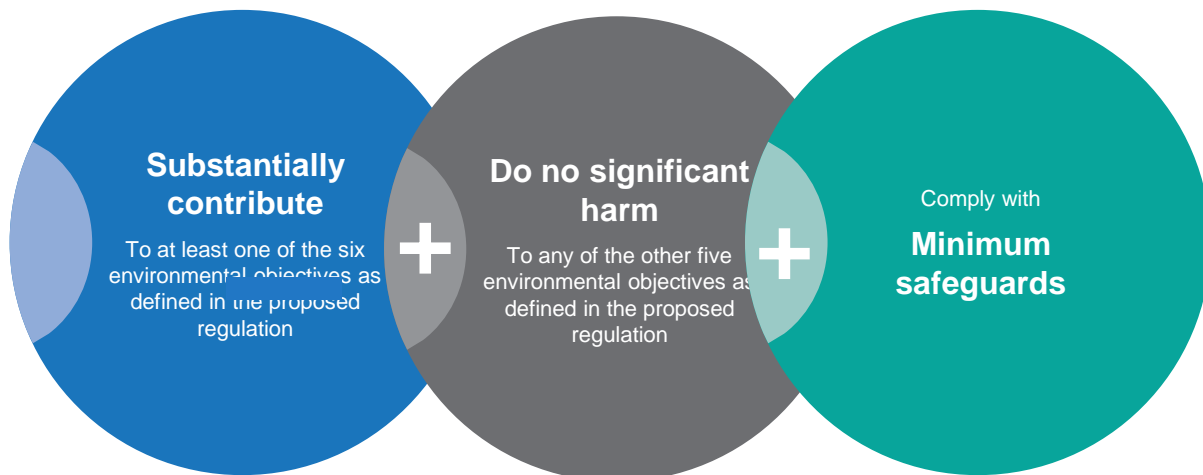
THE TAXONOMY – ADDITIONAL SLIDES

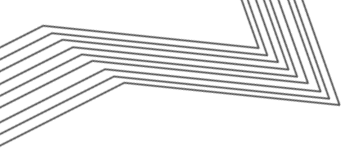
Milestones: EU Sustainable Finance > Taxonomy



Key features

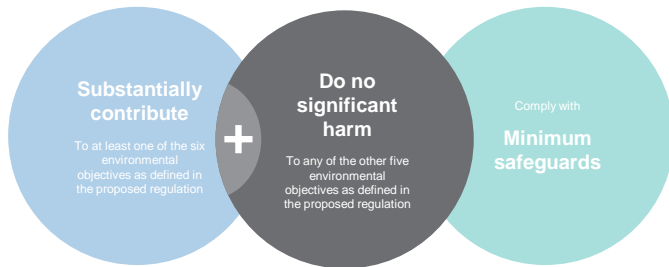
- **Science-based**
- Leverage existing work
- Dynamic
- Capex & opex
- **Easy to use**





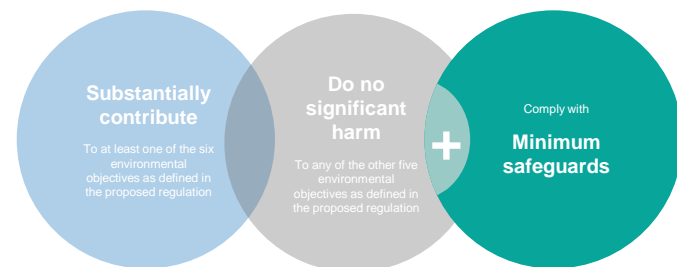
DNSH

Ensure that the technical screening criteria and the Taxonomy itself do not include **economic activities undermining any of the environmental objectives**



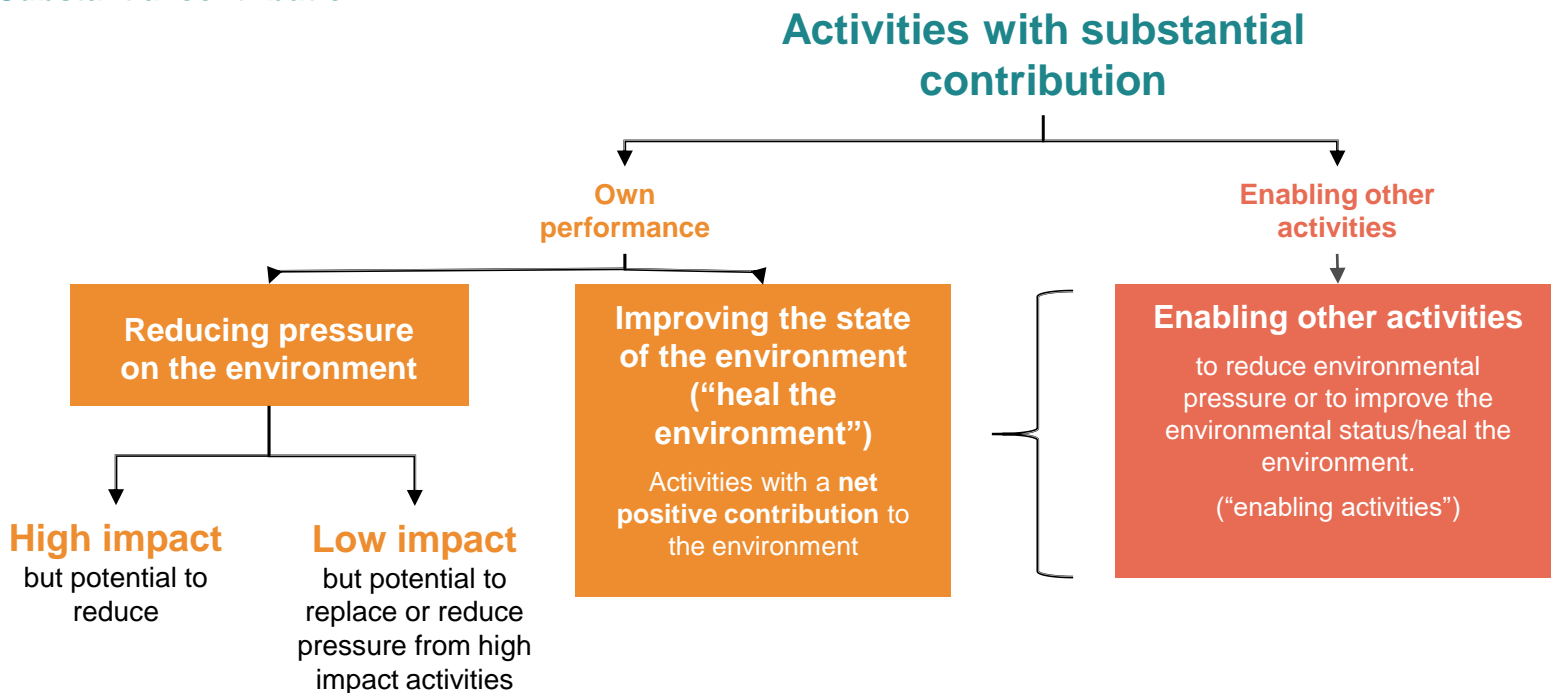
MINIMUM SAFEGUARDS

Alignment with the **OECD Guidelines for Multinational Enterprises & UN Guiding Principles on Business and Human Rights**, including ILO declaration on Fundamental Rights and Principles at Work and the International Bill of Human Rights



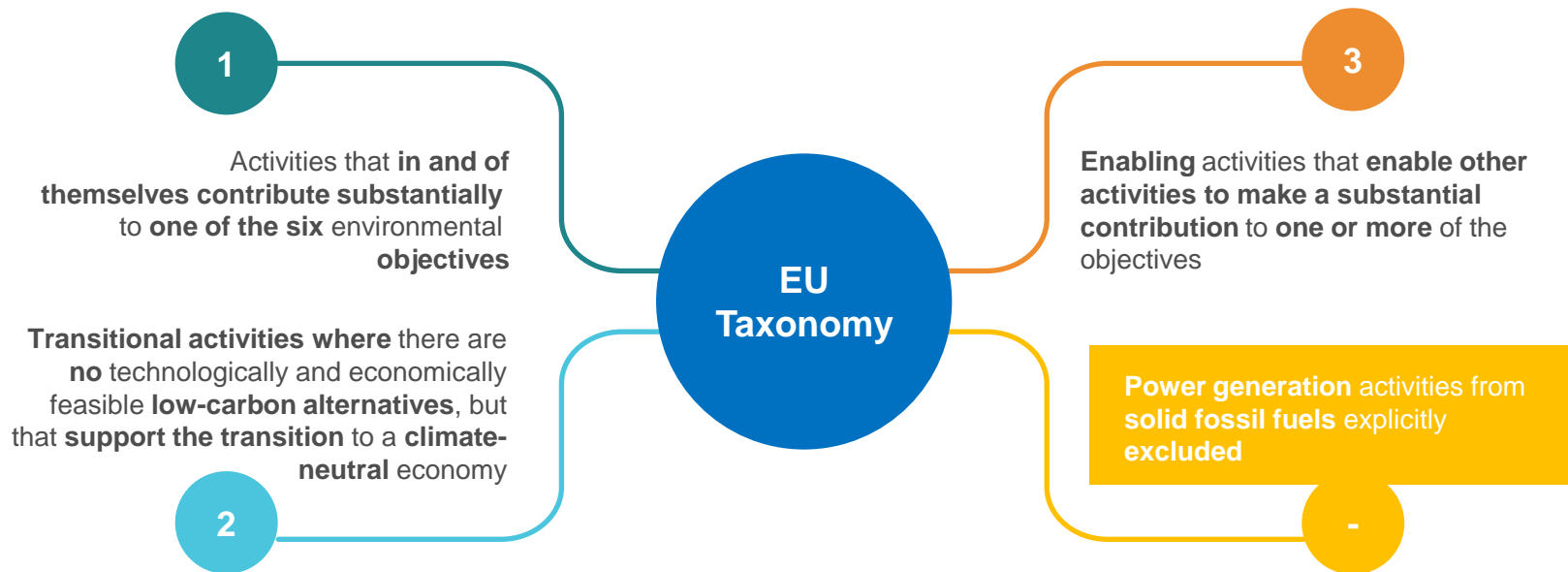
EU Taxonomy

Substantial contribution



EU Taxonomy

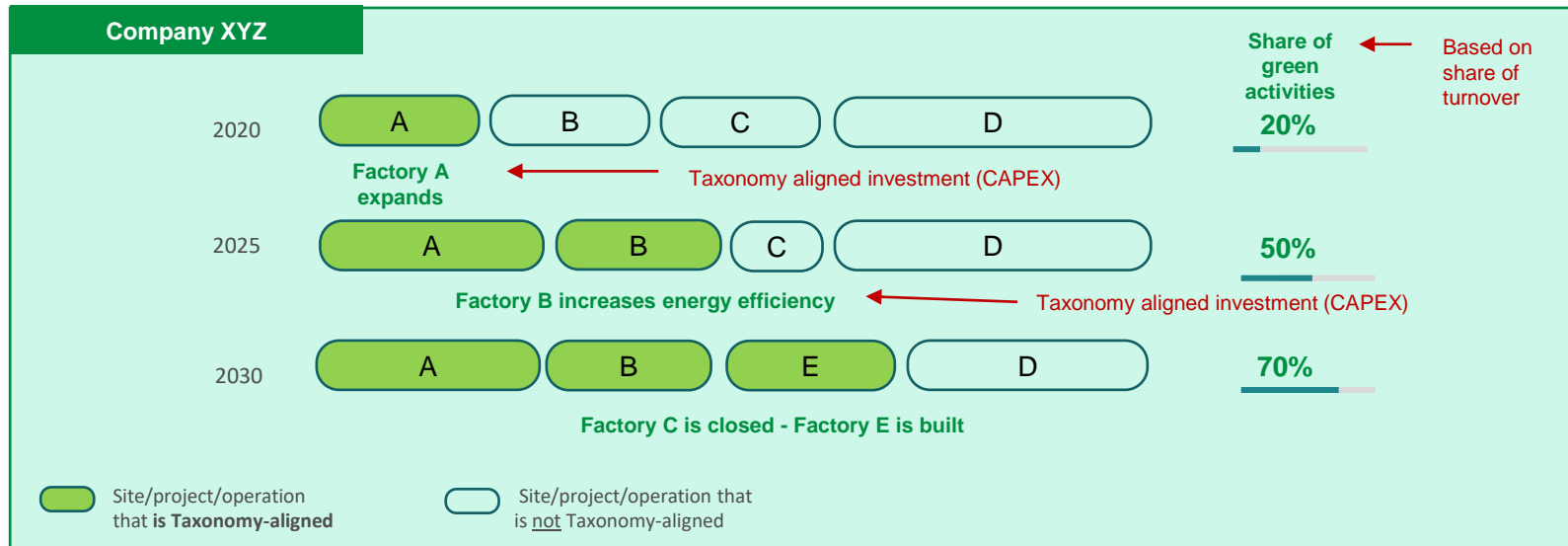
Types of activities



EU Taxonomy use

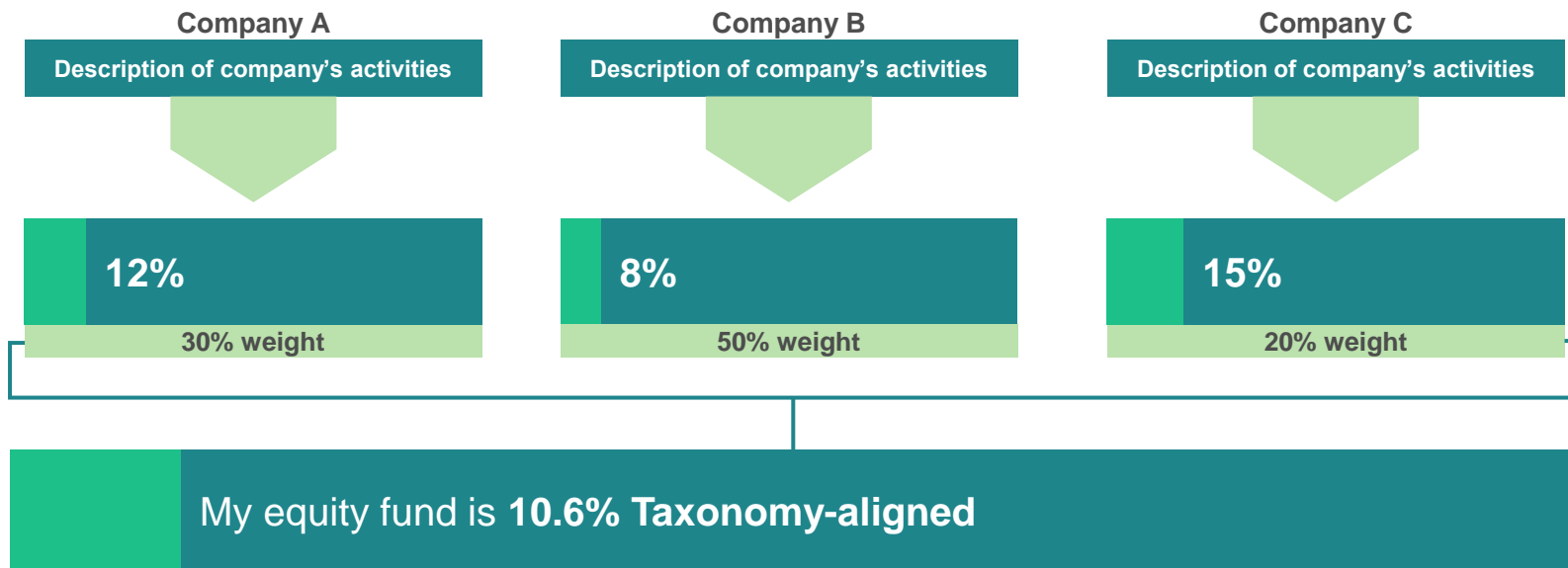
Companies: how it helps transition

- By defining green economic activities, not companies
- The Taxonomy enables companies to transition by gradually increasing their share of green activities



EU Taxonomy use

Equity fund: example





Part 3

**PLATFORM ON SUSTAINABLE FINANCE – ADDITIONAL
SLIDES**



Platform composition

57 members & 10 observers

Chair appointed by Commission

Representatives of EEA, ESAs, EIB, EIF, FRA
(7 members)

Private stakeholders from financial, non-financial and
business sector (24 members)

Civil Society (12 members)

Experts in personal capacity (9 members)

Academia and think tank (5 members)

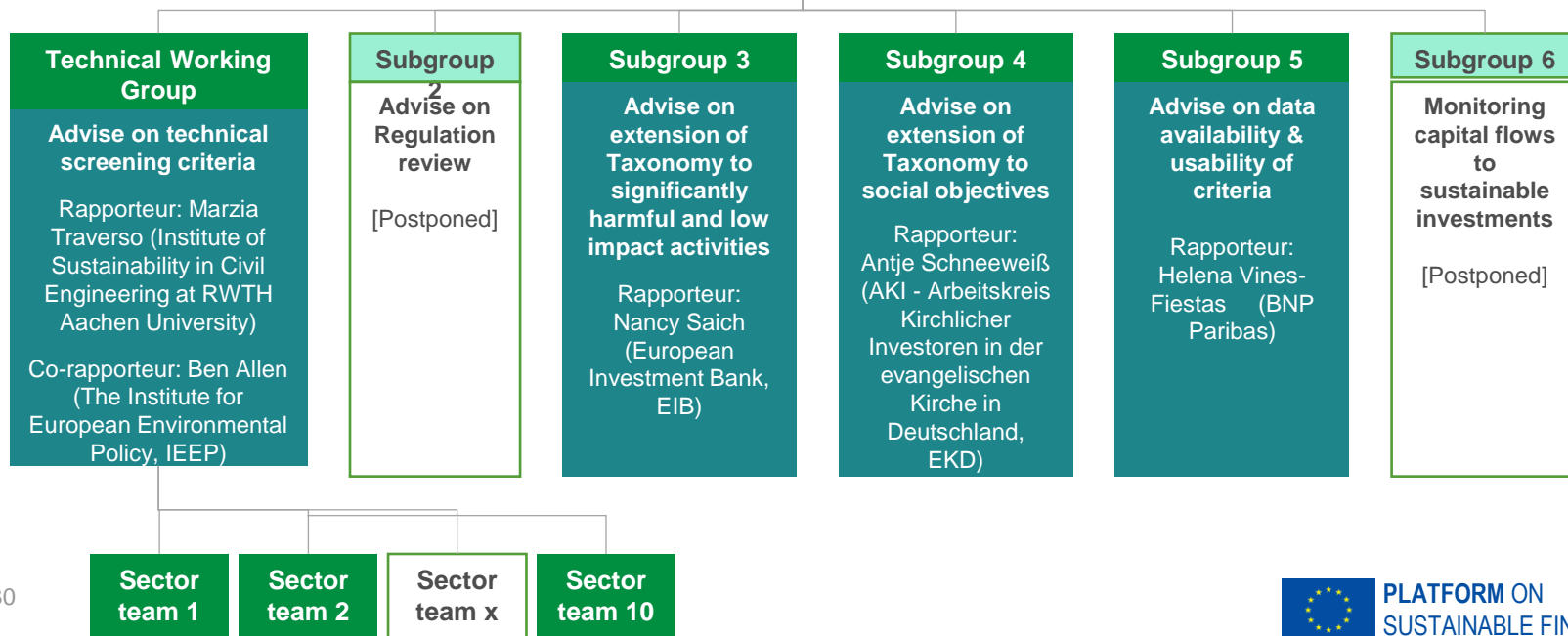
Observers (10 organisations)

Platform structure

Chair: Nathan Fabian (PRI)

57 members & 10 observers

Appointed members from a range of sectors, including industry, academia & civil society





Tasks: Technical Working Group

First priority:

- **Technical screening criteria** for activities that can make *substantial contribution* to environmental **objectives 3-6**
- Defining **level of environmental ambition**

Later:

- Advice on updates to existing criteria for climate
- Assessment of requests any proposed revisions
- Cost benefit analysis of options

Mitigation

Adaptation & resilience

Transition to a **circular economy**

Pollution prevention and control

Sustainable use and protection of **water and marine resources**

Protection and restoration of **biodiversity & ecosystems**



Tasks: Significantly harmful and low impact

Deliverable: a report assessing possible **use cases** for developing a Taxonomy for economic activities that:

- **significantly harm environmental sustainability**, or
- **do not have a significant impact** on environmental sustainability.

The group will look into use cases for a significantly harmful or low impact taxonomy and will recommend on whether and how the taxonomy framework can and should be extended to cover such activities.

Subgroup 3

Advise on whether and how to extend the Taxonomy to significantly harmful and low impact activities

Rapporteur: Nancy Saich
(European Investment Bank, EIB)



Tasks: Social Taxonomy

Deliverables: Advise the Commission on extending the taxonomy to **social objectives**:

- If possible, recommend on the **structure of a social taxonomy** with **substantial contributions** and **DNSH criteria for social issues**
- Reflecting on **other objectives** linked to **business ethics, governance, anti-bribery** or **tax compliance** matters
- To advise the European Commission on the **functioning of Article 18** of the Taxonomy regulation (**minimum social safeguards**)

Subgroup 5

Advise on extension of Taxonomy to social objectives

Rapporteur:
Antje Schneeweiß
(AKI - Arbeitskreis Kirchlicher
Investoren in der
evangelischen Kirche in
Deutschland, EKD)



Tasks: SG5 Data and usability

Data availability, gaps and possible solutions going forward

Deliverables:

- Advice on **data quality, availability, and market preparedness for the disclosure obligations** and on improving data availability and quality.
- Input to the European Financial Reporting Advisory Group (EFRAG) through advice to the Commission on **the role of sustainability accounting and reporting standards**.
- Advice on **usability** of the criteria.
- By invitation from the Commission, advise on the evaluation and development of **sustainable finance policy issues**.

Subgroup 5

Advise on data
availability & usability of
criteria

Rapporteur:
Helena Vines-Fiestas
(BNP Paribas)

Next steps

