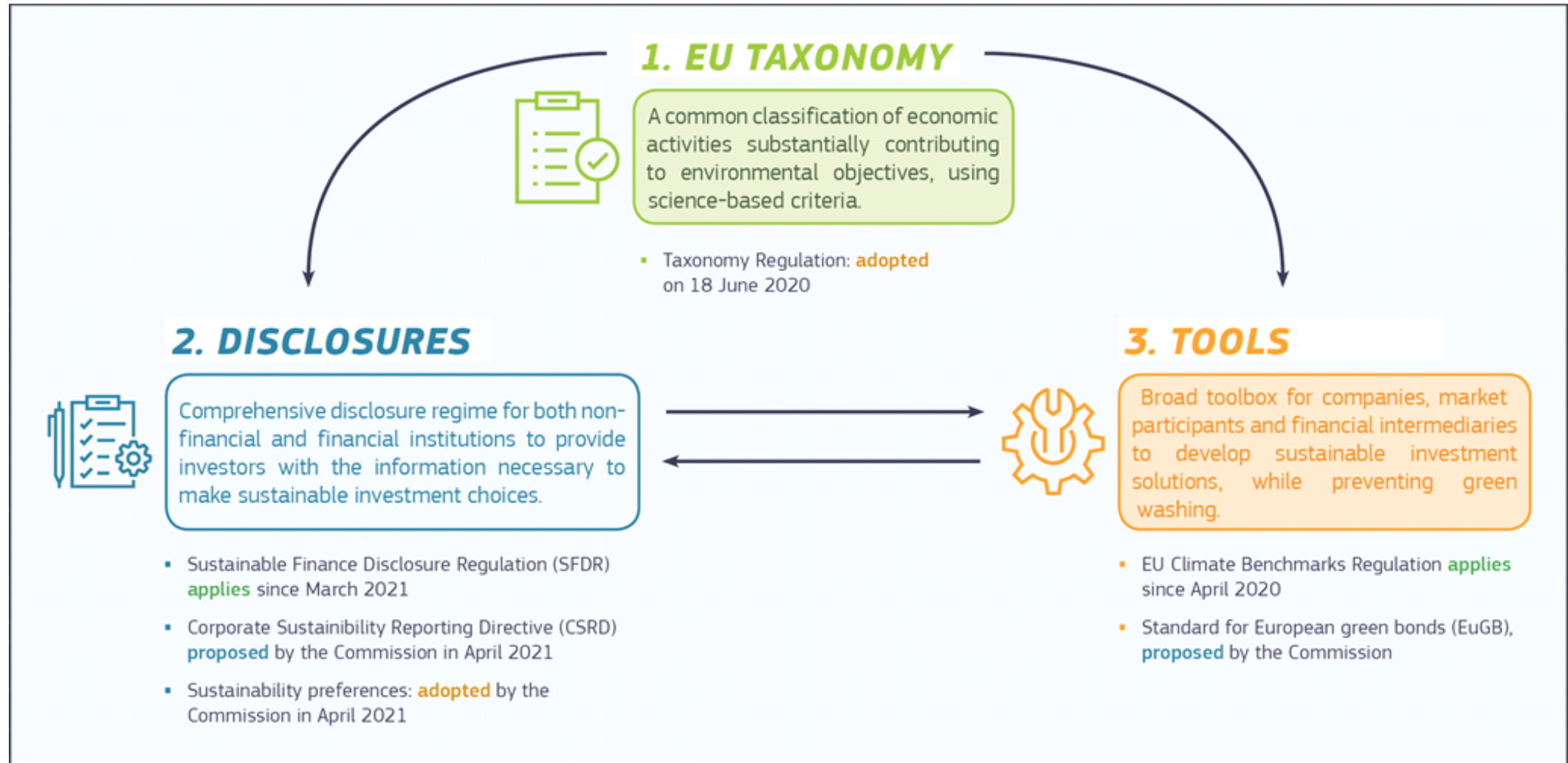




The EU Strategy for Financing the Transition to a Sustainable Economy



The foundations of the EU sustainable finance framework



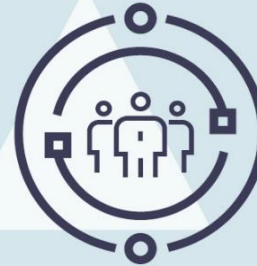
The European Green Deal announced a 'Renewed Sustainable Finance Strategy'

- Complete the work started under the 2018 Action Plan on Financing Sustainable Growth
- An evolved context provides need for additional measures in four key areas



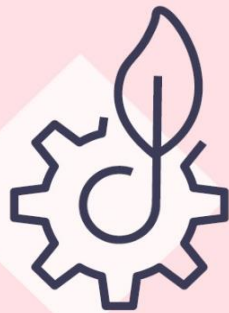
FINANCING THE TRANSITION TO SUSTAINABILITY

This strategy provides the tools and policies to enable economic actors across the economy to finance their transition plans and to reach climate and broader environmental goals, whatever their starting point.



INCLUSIVENESS

This strategy caters for the needs of, and provides opportunities to individuals and small and medium companies to have greater access to sustainable finance.



FINANCIAL SECTOR RESILIENCE AND CONTRIBUTION

This strategy sets out how the financial sector itself can contribute to meet Green Deal targets, while also becoming more resilient and combatting greenwashing.



GLOBAL AMBITION

This strategy sets out how to promote an international consensus for an ambitious global sustainable finance agenda.



I. Financing the path to sustainability

I. Action 1 - Develop a more supportive framework for the financing of intermediary steps that can significantly reduce harmful climate and environmental impacts

Recognise transition efforts

- Consider options for **extending the EU Taxonomy framework** to possibly recognise **economic activities performing at an intermediate level.**

Include additional sustainable activities in the EU Taxonomy

- Adopt a **Complementary EU Taxonomy Climate Delegated Act (2021)**;
- Adopt a delegated act covering the **remaining four environmental goals (2022)**;

Extend the framework of SF standards and labels

- Work on **transition or sustainability-link bonds**;
- Consider a **general framework** for labels for financial instruments
- **ESG Benchmark** label, minimum sustainability criteria for **financial products** that promote environmental or social characteristics;
- Introduce targeted **prospectus disclosures.**

II. Towards a more inclusive sustainable finance framework



Action 2: Improve the inclusiveness of sustainable finance

Empower retail investors and SMEs

- Clarify the **definition of and support for green loans and mortgages** by 2022;
- Increase **access of citizens and SMEs to sustainable finance advisory services.**

Leverage the opportunities digital technologies offer for SF

- Integrate **SF related data in the data spaces;**
- Explore **actions to enable and encourage innovative digital solutions for SMEs and retail investors**

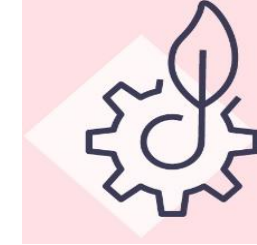
Offer greater protection from climate and environmental risks

- Identify **insurance protection gaps;**
- Initiate a **Climate Resilience Dialogue** with all relevant stakeholders.

Supporting credible social investments

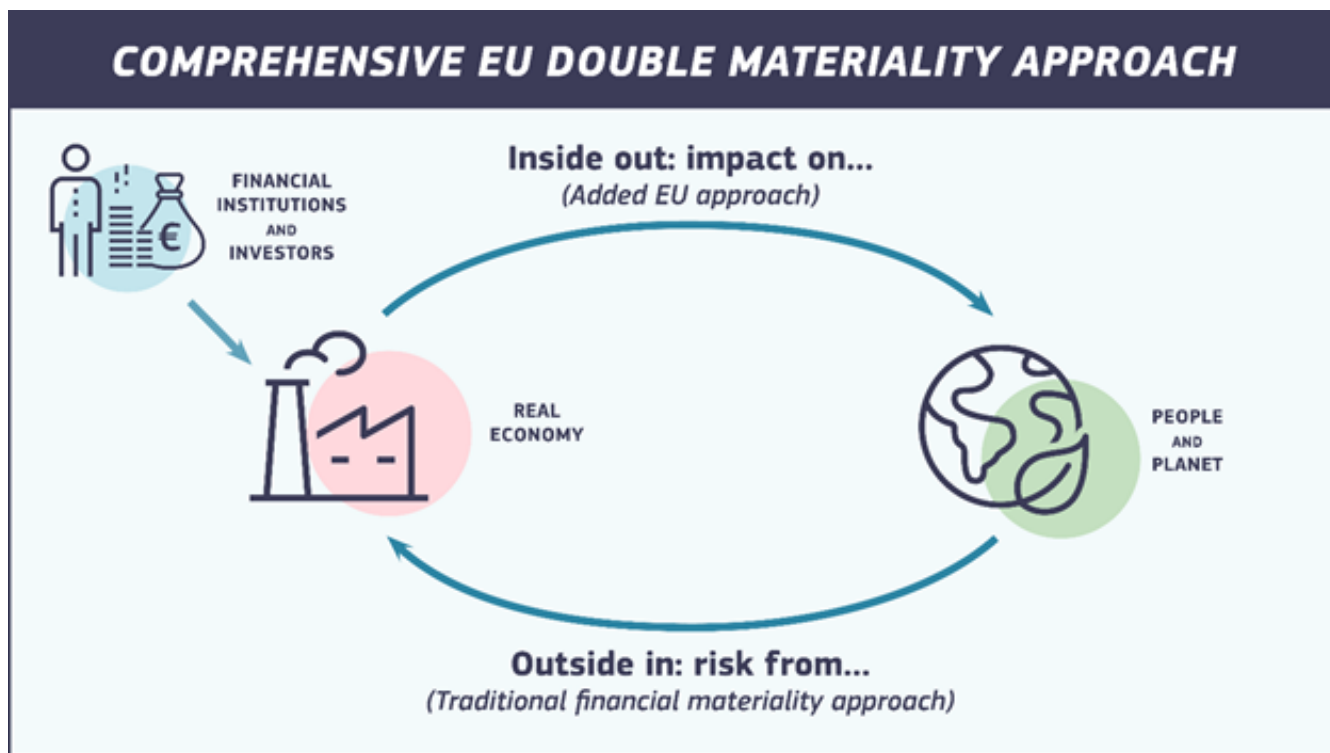
- Publish a report for a social Taxonomy;
- Proposal on Corporate Sustainability Due Diligence (done)

Support green budgeting and risk-sharing mechanisms



The EU double materiality approach

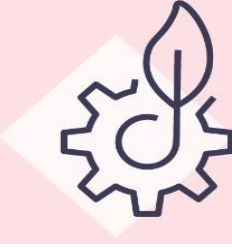
III. Improving the financial sector's resilience and contribution to sustainability: the double materiality perspective



The **double materiality** approach consists of the systematic integration of both financially material sustainability risks (outside-in) and sustainability impacts (inside-out) in financial decision-making processes.

It is crucial that both angles of the materiality concept are duly integrated for the financial sector to contribute pro-actively and fully to the success of the European Green Deal.

III. Improving the financial sector's resilience and contribution to sustainability (1/3)



Action 3: Enhance economic and financial resilience to sustainability risks

Reflect sustainability risks in financial reporting standards and credit ratings

- Work with EFRAG, ESMA and the IASB on how financial reporting standards can best **capture relevant sustainability risks**;
- Take action to **ensure that relevant ESG risks are systematically captured in credit ratings** and rating outlooks in a transparent manner.

Banks and insurers to identify and manage sustainability risks

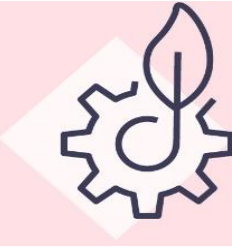
- Ensure the consistent **integration of sustainability risks** in risk management systems: propose amendments in the framework for banks (CRR/CRD) and insurance companies (Solvency II Directive).

Manage sustainability risks at system level

Strengthen long-term financial stability through:

- **Closer cooperation on financial stability risk assessment**;
- **Regular stress tests**;
- Assessment of macro-prudential tools;
- A study dedicated to risks stemming from environmental degradation and biodiversity loss.

III. Improving the financial sector's resilience and contribution to sustainability (2/3)



Action 4: Increase the contribution of the financial sector to sustainability

Improve science-based target setting, disclosure and monitoring of the financial sector's commitments

- Improve **financial institutions' disclosures of sustainability targets** and transition planning;
- Develop guidance to help monitor progress of **voluntary pledges** by financial institutions.

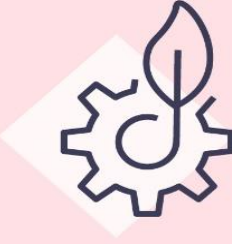
Clarify the fiduciary duties and stewardship rules of investors to reflect sustainability impacts

- Ask EIOPA to **assess the need to review the fiduciary duties of pension funds and investors** to reflect sustainability impacts as part of investment decision making processes, including stewardship and engagement activities.
- The Commission will explore how the **SRD II may better reflect impact considerations** and global best practices in stewardship guidelines.

Improve the availability, integrity and transparency of ESG market research and ratings

- Take action to **improve the reliability and comparability of ESG ratings** and further assess certain aspects of **ESG research**, to decide on whether an intervention is necessary.

III. Improving the financial sector's **resilience and contribution** to sustainability (3/3)



Action 5: Monitor an orderly transition and ensure the integrity of the EU financial system

Address greenwashing

- **Monitor greenwashing risks** with the support of the European Supervisory Authorities (ESAs).
- **Assess and review the current supervisory and enforcement toolkit** with the support of the ESAs.

Monitor an orderly transition of the EU financial system

- Develop a **robust monitoring framework** to measure capital flows and **assist Member States in assessing the investment gap** and measuring the progress made by their financial sectors by 2023;
- **Strengthen the cooperation among all relevant public authorities** to work towards a common approach to monitor an orderly transition and ensure the double materiality perspective is consistently integrated across the EU financial system (by 2022); and
- Establish a **Sustainable Finance Research Forum** to foster knowledge exchange between researchers and the financial community



IV. Fostering global ambition

Action 6: Set a high level of ambition in developing international sustainable finance initiatives and standards and to support EU partner countries

Seek an ambitious consensus in international forums

- Seek an ambitious consensus in international forums, mainstream the concept of double materiality, stress the importance of disclosure frameworks, and agree on objectives and principles for taxonomies.

Advance and deepen the work of the International Platform on Sustainable Finance (IPSF)

- Propose to expand the work of the IPSF to new topics and strengthen its governance.

Support low- and middle-income countries in scaling up their access to sustainable finance

- Support our low- and middle-income partner countries in scaling up their access to sustainable finance by developing a comprehensive strategy and by promoting sustainability-related financial instruments.

Conclusion and discussion

- Based on the 2018 action plan on sustainable finance, **the Commission has taken unprecedented steps to establish the foundations** for sustainable finance.
- This strategy sets **how the objectives of the European Green Deal are translated throughout the financial system** and ensures actors across all sectors of the economy are able to finance their transition regardless of their starting point.
- These policies build on the **Commission's collaboration and partnerships with external private and public initiatives to foster financial sector leadership towards achieving EU sustainability goals.**
- **The Commission will report on this strategy's implementation** by the end of 2023 and will actively support Member States in their efforts.

Thank you



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