



Sustainable Finance

The European Commission's Action Plan

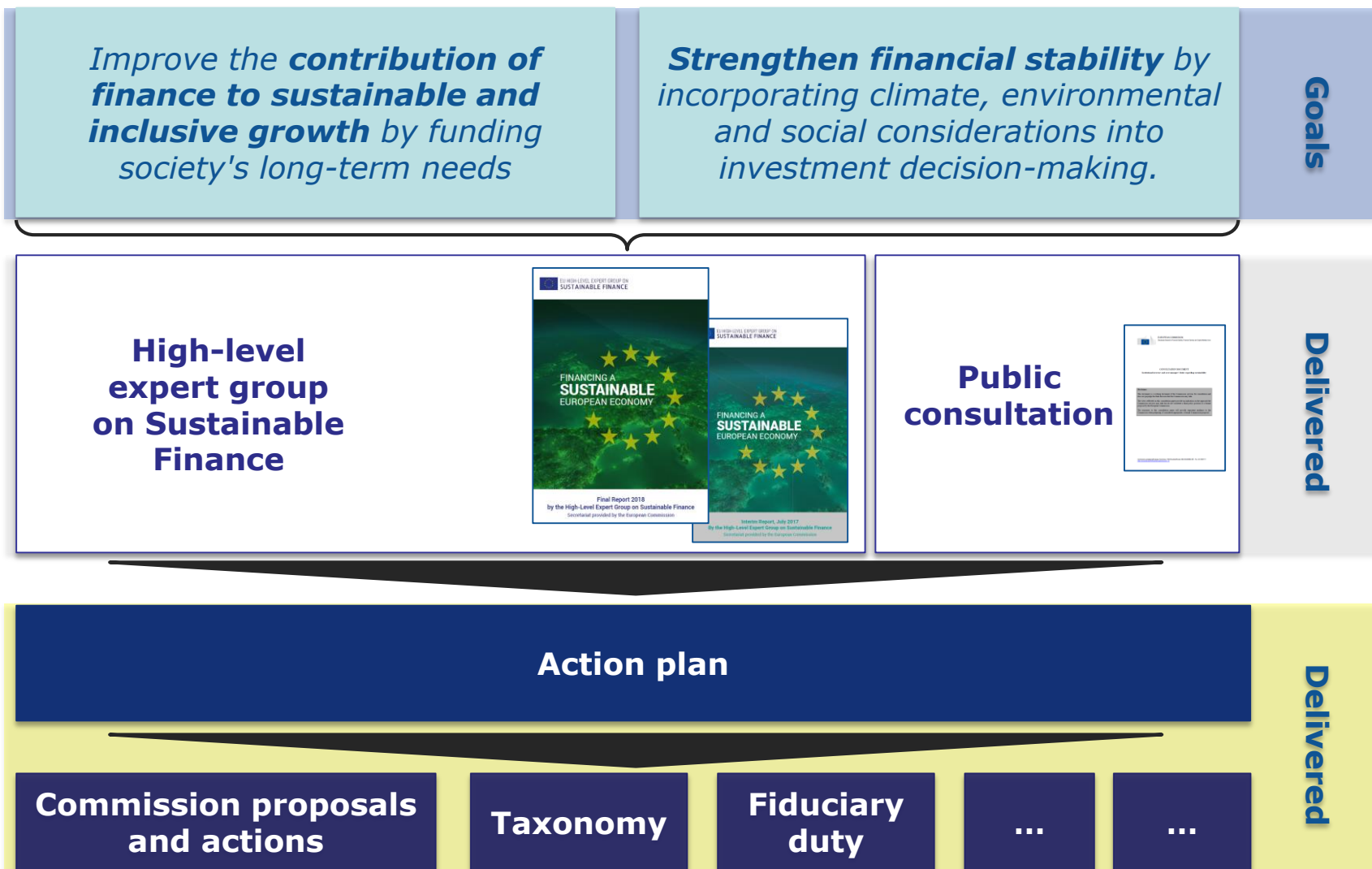
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European Commission (DG FISMA)

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Disclaimer

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Sustainable finance overview



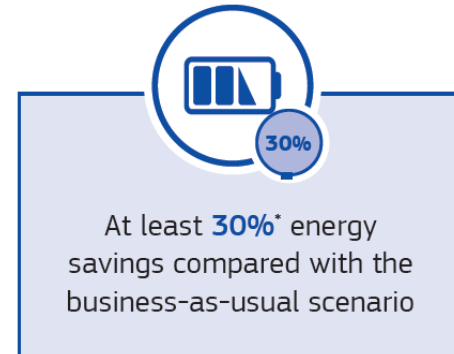
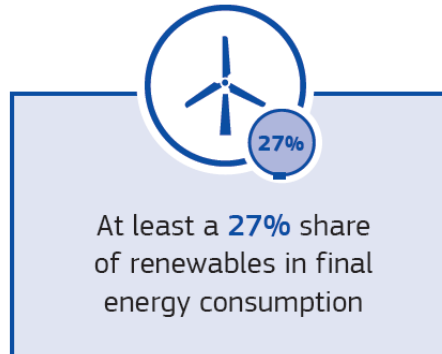
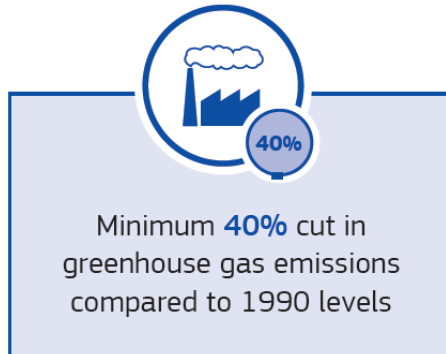
A strong political commitment...

- *2015 Paris Agreement on climate change*
- *United Nations' 2030 Agenda with 17 Sustainable Development Goals (SDGs)*

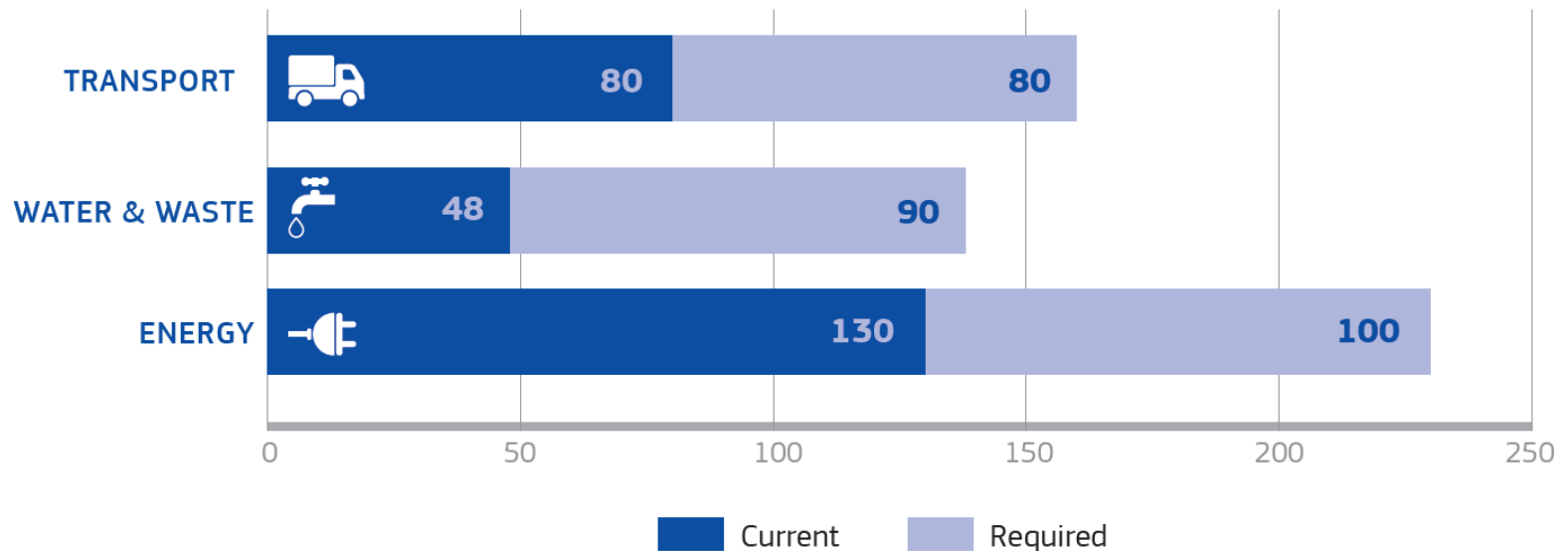


"I want Europe to be the leader when it comes to the fight against climate change. [...] Set against the collapse of ambition in the United States, Europe must ensure we make our planet great again."
(J.C. Juncker, 2017 State of the Union Address)

...to achieve ambitious goals!



ANNUAL INVESTMENT NEEDS FOR SUSTAINABLE DEVELOPMENT IN THE EU (EUR BN)



Consequences of inaction

- *Between 2000 and 2016, annual weather-related disasters worldwide rose by 46%*
- *Between 2007 and 2016, economic losses from extreme weather worldwide rose by 86% (EUR 117 billion in 2016)*
- *Close to 50% of the exposure of Euro area banks to risk is directly or indirectly linked to (transition) risks stemming from climate change*
- *Lower supply of insurance products against effects of an increase of global temperatures (physical risks)*

COM Action Plan objectives

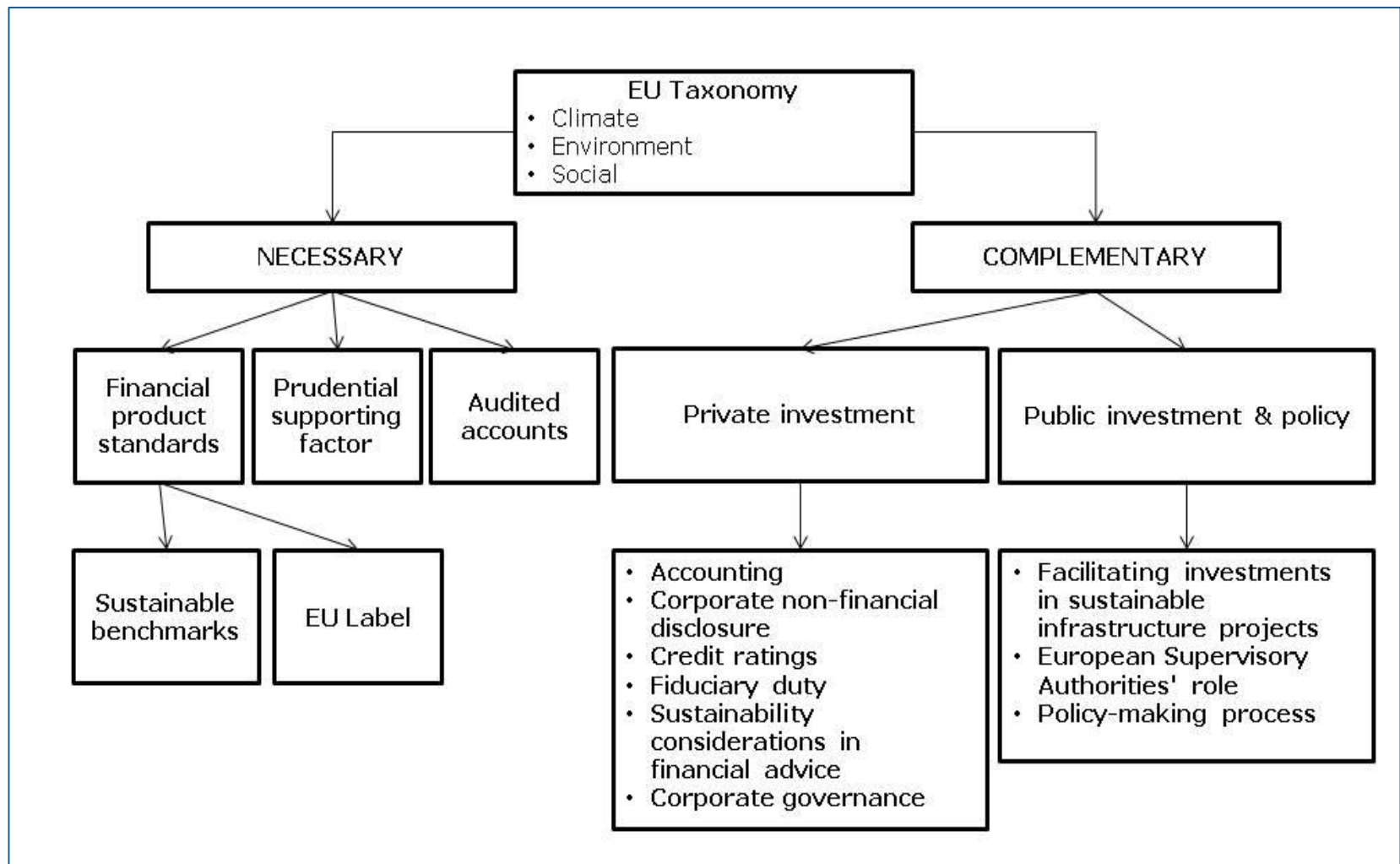
- 1** *Reorienting capital flows towards a more sustainable economy*
- 2** *Mainstreaming sustainability into risk management*
- 3** *Fostering transparency and long-termism*

Reorienting capital flows towards a more sustainable economy - 1

1. ESTABLISHING AN EU CLASSIFICATION SYSTEM FOR SUSTAINABILITY ACTIVITIES

Subject to the results of its impact assessment, Commission legislative proposal on the development of an EU taxonomy for climate change, environmentally and socially sustainable activities	(L)	Q2 2018
Report of the Commission technical expert group providing a taxonomy for climate change mitigation activities	(NL)	Q1 2019
Report of the Commission technical expert group providing a taxonomy for climate change adaptation and other environmental activities	(NL)	Q2 2019

EU Taxonomy is a key building block



Reorienting capital flows towards a more sustainable economy - 2

2. CREATING STANDARDS AND LABELS FOR GREEN FINANCIAL PRODUCTS

Report of the Commission technical expert group on a standard for green bonds	(NL)	Q2 2019
Commission delegated act on the content of the prospectus for green bond issuances	(L2)	Q2 2019
Assessment of applying the EU Ecolabel to financial products	(NL)	As of Q2 2018

Reorienting capital flows towards a more sustainable economy - 3

4. INCORPORATING SUSTAINABILITY WHEN PROVIDING INVESTMENT ADVICE		
Subject to the results of its impact assessment, Commission delegated acts (MiFID and IDD) on the suitability assessment	(L2)	Q2 2018
ESMA to include sustainability preferences as part of its guidelines on the suitability assessment	(NL)	Q4 2018
5. DEVELOPING SUSTAINABILITY BENCHMARKS		
Commission delegated acts on the transparency of the methodology of benchmarks and on the features of the benchmarks	(L2)	Q2 2018
Subject to the results of its impact assessment, an initiative creating a designated category of benchmarks comprising low-carbon issuers	(L/NL)	Q2 2018
Report of the Commission's technical expert group on the design and methodology of the low-carbon benchmark	(NL)	Q2 2019

Mainstreaming sustainability into risk management - 1

6. BETTER INTEGRATING SUSTAINABILITY IN RATINGS AND RESEARCH

Commission services report on progress made on the actions involving credit rating agencies	(NL)	Q3 2019
ESMA to assess current practices in the credit rating market; ESMA to include ESG information in its guidelines on disclosure for credit rating agencies	(NL)	Q2 2019
Study on sustainability ratings and research	(NL)	Q2 2019

Mainstreaming sustainability into risk management - 2

7. CLARIFYING INSTITUTIONAL INVESTORS AND ASSET MANAGERS' DUTIES

Subject to the results of its impact assessment, Commission legislative proposal to clarify institutional investors' and asset managers' duties on sustainability and to increase transparency of end-investors, including transparency on their strategy and climate-related exposures

(L)

Q2 2018

Mainstreaming sustainability into risk management - 3

8. INCORPORATING SUSTAINABILITY IN PRUDENTIAL REQUIREMENTS

<p>Work towards incorporating climate risks into institutions' risk management policies and on the potential calibration of banks' capital requirements in the Capital Requirement Regulation and Directive to take into account climate change-related risks while safeguarding financial stability and ensuring coherence with the EU taxonomy.</p>	<p>Issue under discussion in the on-going legislative procedure</p>	<p>2018-2019</p>
<p>The Commission will invite the European Insurance and Occupational Pensions Authority to assess the impact of prudential rules for insurance companies on sustainable investment</p>	<p>(NL)</p>	<p>Q3 2018</p>

Fostering transparency & long-termism

9. STRENGTHENING SUSTAINABILITY DISCLOSURE AND ACCOUNTING RULE-MAKING		
Publication of conclusions of the fitness check on public corporate reporting. This will inform any future legislative action by the Commission.	(NL)	Q2 2019
Revision of the guidelines on non-financial information as regards climate-related information.	(NL)	Q2 2019
Subject to the result of its impact assessment, proposal requiring asset managers and institutional investors to disclose how they consider sustainability factors in their investment decision making process (as part of the proposal foreseen under action 7).	(L)	Q2 2018
Establishing a European Corporate Reporting Lab as part of EFRAG	(NL)	Q3 2018
Commission to systematically request EFRAG to assess in its endorsement advice the potential impact of new or revised IFRS standards on sustainable investments	(NL)	Q1 2018
Commission request to EFRAG to explore sound alternative accounting treatments to fair value measurement for long-term investment portfolios of equity and equity-type instruments	(NL)	Q2 2018
Commission report on the impact of IFRS 9 on long-term investments	(NL)	Q4 2018

A complex interaction

