



Sustainable finance

EU's Action Plan on Sustainable Finance – Where are we now?


Sara Lovisolo, LSEG and TEG member

23 July 2020

The EU wants to raise its ambition on climate change


2014-2019

A Resilient Energy Union with a Forward-Looking Climate Change Policy




Jean Claude Juncker, 2014


Target



• **40%** cuts in greenhouse gas emissions by 2030



• **32%** renewables in energy consumption




• **32,5%** energy savings

Progress

Climate and energy legislation, if implemented: 45% greenhouse gas emission by 2030


2019-2024

A European Green Deal




Ursula von der Leyen, 2019

Target



• **50%** cuts in greenhouse gas emissions by **2030**



• **Climate-neutral** continent by **2050**

Targets envisaged

Public money → The yearly investment gap to meet these targets is estimated to be **between € 175 to 290 billion.** ← **Private money**

Financing the Green Transition

Ambition

Reaching climate neutrality by 2050 while ensuring that the transition is just and fair



Large-scale Investment

EU Budget

Commission's target = at least 25% of EU expenditure contributing to climate objectives for the 2021-2027 Multi-Annual Financial Framework

Blended Finance

InvestEU & European Fund for Sustainable Development (EFSD)

Private Finance

Commission Action Plan on financing Sustainable Growth

Commission Action Plan on financing sustainable growth

Reorient capital flow towards more sustainable investments

- 1 Establish a **Taxonomy** of environmentally sustainability activities
- 2 Create **standards and labels** for green financial products
- 3 Fostering **investment in sustainable projects**
- 4 Incorporate **sustainability** in providing investment **advice**
- 5 Develop sustainability **benchmarks**

Mainstreaming sustainability in risk management

- 6 Better integrate sustainability in ratings and market research
- 7 Clarify institutional **investors'** and asset managers' **duties**
- 8 Incorporate sustainability in **prudential requirements**

Foster transparency & long-termism

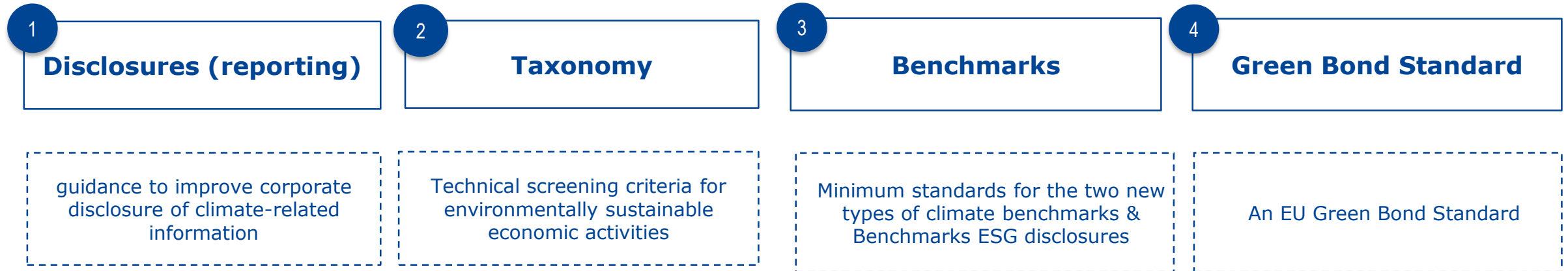
- 9 Strengthen corporate **sustainability disclosure**
- 10 ↑ sustainable **corporate governance** and ↓ short-termism

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

TEG on Sustainable Finance assists the Commission

35 experts - from July 2018 to September 2020



Call for feedback



Call for feedback



March 2020



Interim
June 2019

Call for feedback



September 2019



Interim
Mars 2019

Call for feedback



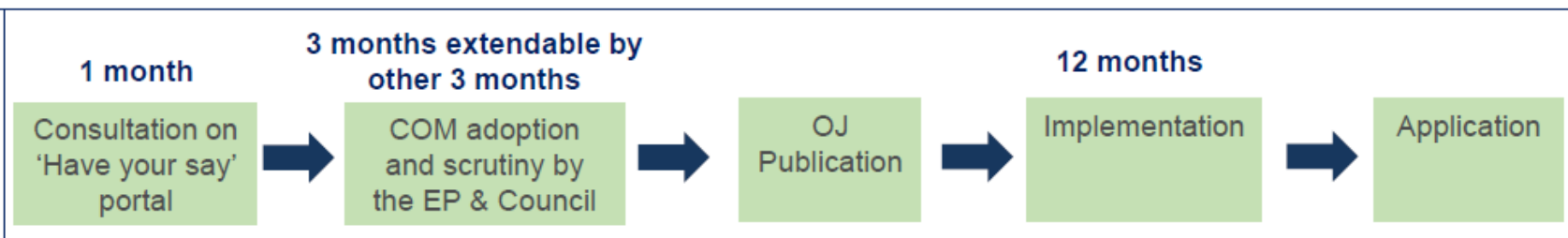
June 2019

Timeline of key actions of the Action Plan



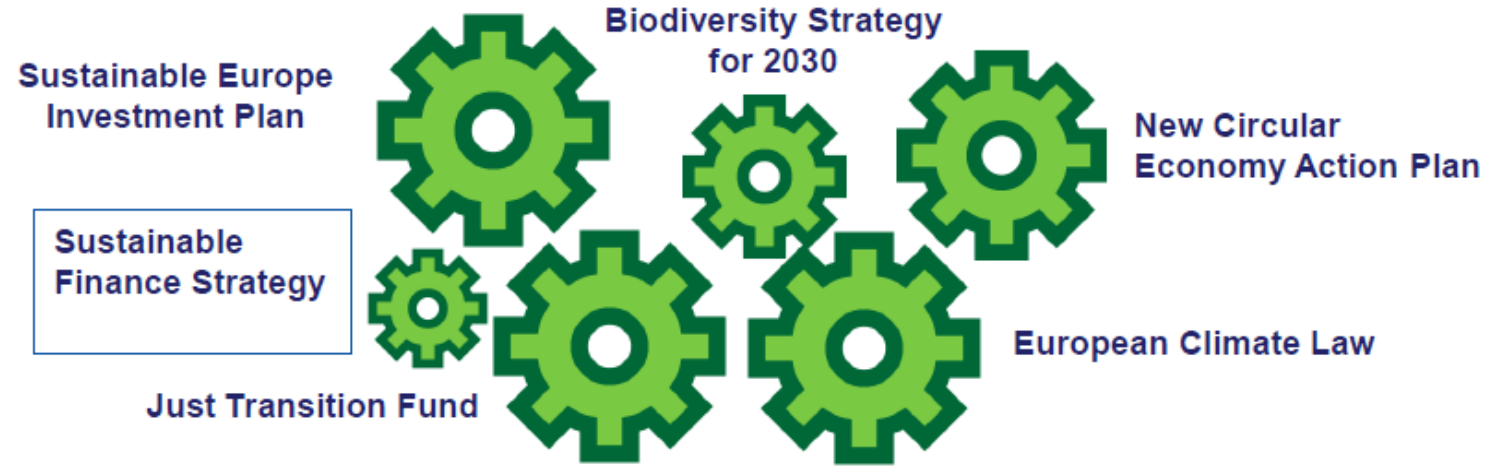
Fiduciary duty and suitability tests

The dates have not been fixed yet.

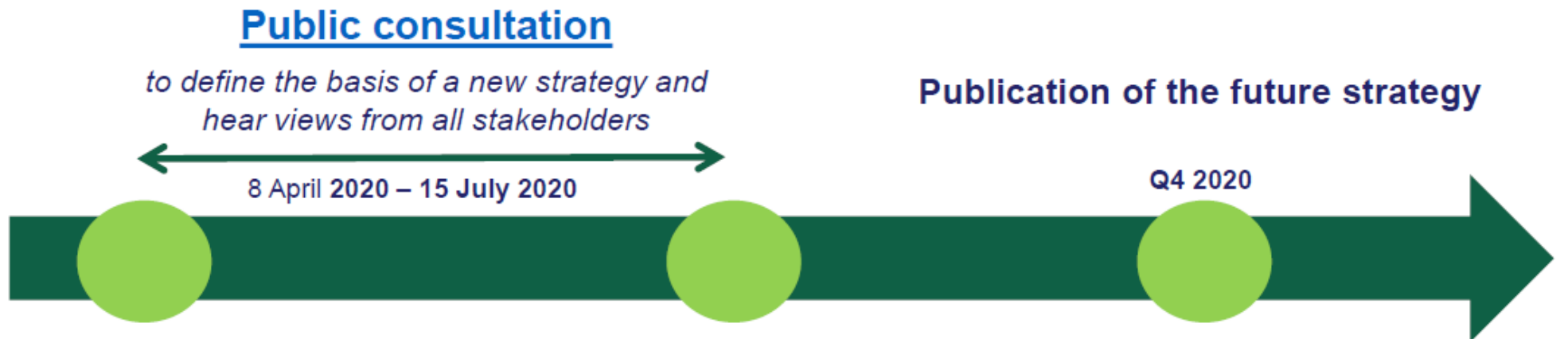


Renewed Sustainable Finance Strategy as part of the EU Green Deal

European Green Deal



Renewed Sustainable Finance Strategy



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



Contacts



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Sara is responsible for sustainability management and strategy at London Stock Exchange Group, with focus on policy analysis. She is an active member of the Consultative Group of the UN-backed Sustainable Stock Exchanges initiative and of the City of London's Green Finance Initiative. On behalf of the Italian stock exchange Borsa Italiana, she co-chairs the working group tasked with setting up the Italian Financial Centre for Sustainability, part of the UN-backed network of Financial Centres for Sustainability (FC4S). In 2018, Sara was appointed to the European Commission's Technical Expert Group on Sustainable Finance (TEG). She has a Masters in Economics and has co-authored a number of publications on the impact of taxation on the cost of capital.

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