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**

<table>
<thead>
<tr>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 40% cuts in greenhouse gas emissions by 2030</td>
<td>Climate and energy legislation, if implemented: 45% greenhouse gas emission by 2030</td>
</tr>
<tr>
<td>• 32% renewables in energy consumption</td>
<td></td>
</tr>
<tr>
<td>• 32.5% energy savings</td>
<td></td>
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</tbody>
</table>

Jean Claude Juncker, 2014

### 2019-2024

**A European Green Deal**

<table>
<thead>
<tr>
<th>Target</th>
<th>Progress</th>
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<tr>
<td>• 50% cuts in greenhouse gas emissions by 2030</td>
<td></td>
</tr>
<tr>
<td>• Climate-neutral continent by 2050</td>
<td></td>
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Ursula von der Leyen, 2019

The yearly investment gap to meet these targets is estimated to be between € 175 to 290 billion.
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

Blended Finance
InvestEU & European Fund for Sustainable Development (EFSD)
## Progress on key actions of the Action Plan

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

*Note: TEG stands for Technical Expert Group, COM stands for European Commission, RTS stands for Regulatory Technical Standards, ESG stands for Environmental, Social, and Governance, EIOPA stands for European Insurance and Occupational Pensions Authority.
TEG on Sustainable Finance assists the Commission

35 experts - from July 2018 to September 2020

1. Disclosures (reporting)
   - guidance to improve corporate disclosure of climate-related information

2. Taxonomy
   - Technical screening criteria for environmentally sustainable economic activities

3. Benchmarks
   - Minimum standards for the two new types of climate benchmarks & Benchmarks ESG disclosures

4. Green Bond Standard
   - An EU Green Bond Standard

Call for feedback

- January 2019
- June 2019
- March 2020
- September 2019
- June 2019

Interim

- March 2019
- June 2019
- September 2019
Renewed Sustainable Finance Strategy as part of the EU Green Deal

**Public consultation**

- to define the basis of a new strategy and
- hear views from all stakeholders

- 8 April 2020 – 15 July 2020

**Publication of the future strategy**

- Q4 2020
## Overview of the Renewed Sustainable Finance Strategy

<table>
<thead>
<tr>
<th>Targeted stakeholder questionnaire – 4 sections</th>
</tr>
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<tr>
<td>1. General questions</td>
</tr>
<tr>
<td>2. Strengthen the foundations for sustainable investment</td>
</tr>
<tr>
<td>3. Increased opportunities for citizens, investors and companies</td>
</tr>
<tr>
<td>4. Fully managing climate and environmental risks</td>
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The renewed strategy will also aim to provide policy tools for the financial system to support a sustainable recovery from COVID-19.
Sara Lovisolo  
**Group Sustainability Manager, London Stock Exchange Group**  
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.

**Email:** sara.lovisolo@lseg.com