



European
Commission

EU SUSTAINABLE FINANCE

April package

21 April 2021 | #Investgreen

Channelling money towards sustainability and the European Green Deal

Sustainable finance is about re-orientating investment towards sustainable technologies and businesses. It is an essential part of the European Green Deal. Major public and private investment is needed to make our financial system sustainable and ensure Europe is climate-neutral by 2050.

The EU Taxonomy is a robust, science-based transparency tool for companies and investors. It will provide market participants, investors and companies with a common understanding of green economic activities: activities that make a substantial contribution to the aims of the Green Deal. The purpose of this classification system is to avoid greenwashing.

Implementing the 2018 sustainable finance action plan

This Action Plan set out a list of actions to ensure that the financial system supports the EU's climate and sustainable development agenda.

Recent milestones:

Jul 2020

The **Taxonomy Regulation** entered into force on **12 July 2020**. It creates the world's first-ever "green list" – a classification system for sustainable economic activities.

Dec 2020

The **Climate Benchmarks Regulation** has applied since **23 December 2020**. It increases transparency and the disclosure of sustainability information, making the comparison of different financial products easier.

Mar 2021

The **Sustainable Finance Disclosure Regulation (SFDR)** came into effect on **10 March 2021**. It aims to trigger changes in behavioural patterns in the financial sector, discouraging greenwashing, and promoting responsible and sustainable investments.

A new milestone: the April 2021 package

A comprehensive package of measures to make the financial sector even more sustainable:



The **EU Taxonomy Climate Delegated Act** will classify which activities best contribute to mitigating and adapting to the effects of climate change.



The new **Corporate Sustainability Reporting Directive** will ensure companies provide consistent and comparable sustainability information.



Six amending Delegated Acts will ensure that financial firms, such as advisers, asset managers or insurers, include sustainability in their procedures and their investment advice to clients.

An EU taxonomy: consulting experts and using science to move forward

The work on sustainable finance has solid scientific foundations and is based on:



Research by the EU's Joint Research Centre.



The reports of the **EU Technical Expert Group on Sustainable Finance**.



A panel of experts from various backgrounds who make up the **Platform on Sustainable Finance**, who were appointed to further develop the EU Taxonomy and sustainable finance framework.

Who will benefit?



INVESTORS/CITIZENS

will be able to re-orient their investments towards more sustainable technologies and businesses



BUSINESSES

will have access to new sources of funding through global capital markets and the financial sector worldwide

In more detail: the April package

| INITIATIVE | WHAT IS IT? | WHO SHOULD COMPLY? | TIMING? |
|--|---|---|--|
| New Corporate Sustainability Reporting Directive (CSRD) | <p>Revises and strengthens rules introduced by the Non-Financial Reporting Directive (NFRD).</p> <p>Aims to ensure that companies report reliable and comparable sustainability information that investors and other stakeholders need.</p> | <p>All large companies and all listed companies, except listed micro-enterprises. Nearly 50,000 companies in the EU will now need to follow detailed EU sustainability reporting standards, compared to 11,000 companies subject to the current requirements.</p> | <p>NFRD in place since 2018.</p> <p>CSRD proposal: adopted by the Commission on 21 April 2021.</p> |

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|---|--|--|---|
| EU Taxonomy Climate Delegated Act | <p>A tool to help companies and investors make sustainable investment decisions.</p> <p>Not a mandatory list of activities to invest in.</p> | <p>Disclosure obligations are defined in the Taxonomy Regulation. The Taxonomy Climate DA defines criteria to help actors determine what can be considered as Taxonomy - aligned for the purposes of these disclosures. The DA lists a number of economic activities in sectors covering the large majority of EU carbon emissions (e.g., manufacturing, buildings, etc.) and sets criteria to determine whether each activity can be considered to make a substantial contribution to climate change mitigation and climate change adaptation, and to do no significant harm to environmental objectives.</p> | <p>Taxonomy Regulation: adopted on 18 June 2020.</p> <p>Delegated Act adopted by the Commission on 21 April 2021.</p> <p>Taxonomy Climate Delegated Act: applies from 1 January 2022.</p> |
| Sustainability amendments of rules on fiduciary duties | <p>Clarifies obligations on a financial firm when assessing its sustainability risks, such as the impact of floods on the value of investments.</p> | <p>UCITS management companies, AIFMs, insurance and reinsurance companies, MiFID firms.</p> | <p>Adopted by the Commission on 21 April 2021.</p> <p>Rules expected to start applying from around October 2022.</p> |
| Suitability assessments | <p>When an adviser assesses a client's suitability for an investment, they now also need to discuss the client's sustainability preferences.</p> | <p>MiFID firms and insurance distributors.</p> | <p>Adopted by the Commission on 21 April 2021.</p> <p>Rules expected to start applying from October 2022.</p> |
| Product governance rules | <p>Sustainability factors and sustainability-related objectives to be taken into account in the product oversight and governance process for products/instruments.</p> | <p>MiFID firms and insurance intermediaries/insurance companies (in other words product manufacturers and advisers).</p> | <p>Adopted by the Commission on 21 April 2021.</p> <p>Rules expected to start applying from October 2022.</p> |