



## Commission puts forward new strategy to make the EU's financial system more sustainable and proposes new European Green Bond Standard

Brussels, 6 July 2021

The European Commission has today adopted a number of measures to increase its level of ambition on sustainable finance. First, the new [Sustainable Finance Strategy](#) sets out several initiatives to tackle climate change, and other environmental challenges, while increasing investment – and the inclusiveness of small and medium-sized enterprises (SMEs) – in the EU's transition towards a sustainable economy. The [European Green Bond Standard](#) proposal, also adopted today, will create a high-quality voluntary standard for bonds financing sustainable investment. Finally, the Commission adopted today a Delegated Act on the information to be disclosed by financial and non-financial companies about how sustainable their activities are, based on Article 8 of the [EU Taxonomy](#).

These initiatives highlight the EU's global leadership in setting international standards for sustainable finance. The Commission intends to work closely with all international partners, including through the International Platform on Sustainable Finance, to cooperate on building a robust international sustainable finance system.

### A new Sustainable Finance Strategy

Over the last number of years, the EU has become significantly more ambitious in tackling climate change. The Commission has already taken unprecedented steps to build the foundations for sustainable finance. Sustainability is the central feature of the EU's recovery from the COVID-19 pandemic and the financial sector will be key in helping to meet the targets of the European Green Deal.

Today's Strategy includes **six sets of actions**:

1. Extend the existing sustainable finance toolbox to facilitate access to transition finance
2. Improve the inclusiveness of small and medium-sized enterprises (SMEs), and consumers, by giving them the right tools and incentives to access transition finance.
3. Enhance the resilience of the economic and financial system to sustainability risks
4. Increase the contribution of the financial sector to sustainability
5. Ensure the integrity of the EU financial system and monitor its orderly transition to sustainability
6. Develop international sustainable finance initiatives and standards, and support EU partner countries

The Commission will report on the Strategy's implementation by the end of 2023 and will actively support Member States in their efforts on sustainable finance.

### A European Green Bond Standard (EUGBS)

The Commission has today also proposed a Regulation on a voluntary European Green Bond Standard (EUGBS). This proposal will create a high-quality voluntary standard available to all issuers (private and sovereigns) to help financing sustainable investments. Green bonds are already used to raise financing in sectors such as energy production and distribution, resource-efficient housing, and low-carbon transport infrastructure. There is also a lot of investor appetite for these bonds. However, there is potential to scale-up and increase the environmental ambition of the green bond market. The EUGBS will set a 'gold standard' for how companies and public authorities can use green bonds to raise funds on capital markets to finance ambitious investments, while meeting tough sustainability requirements and protecting investors from greenwashing. In particular:

- Issuers of green bonds will have a robust tool at their disposal to show they are funding green projects aligned with the EU Taxonomy.
- Investors buying the bonds will be able to more easily see that their investments are sustainable, thereby reducing the risk of greenwashing.

The new EUGBS will be open to any issuer of green bonds, including issuers located outside of the EU. There are four key requirements under the proposed framework:

1. The funds raised by the bond should be allocated fully to projects aligned with the EU Taxonomy;
2. There must be full transparency on how bond proceeds are allocated through detailed reporting requirements;
3. All EU green bonds must be checked by an external reviewer to ensure compliance with the Regulation and that funded projects are aligned with the Taxonomy. Specific, limited flexibility is foreseen here for sovereign issuers;
4. External reviewers providing services to issuers of EU green bonds must be registered with and supervised by the European Securities Markets Authority. This will ensure the quality and reliability of their services and reviews to protect investors and ensure market integrity. Specific, limited flexibility is foreseen here for sovereign issuers

The core objective is to create a new 'gold standard' for green bonds that other market standards can be compared to, and potentially seek alignment. This standard will aim to address concerns on greenwashing and protecting market integrity to ensure that legitimate environmental projects are financed. Following today's adoption, the Commission proposal will be submitted to the European Parliament and Council as part of the co-legislative procedure.

### **Sustainable Finance and EU Taxonomy**

Today, the European Commission also adopted the Delegated Act supplementing Article 8 of the [Taxonomy Regulation](#), which requires financial and non-financial companies to provide information to investors about the environmental performance of their assets and economic activities. Markets and investors need clear and comparable sustainability information to prevent greenwashing. Today's Delegated Act specifies the content, methodology and presentation of information to be disclosed by large financial and non-financial companies on the share of their business, investments or lending activities that are aligned with the EU Taxonomy.

Non-financial companies will have to disclose the share of their turnover, capital and operational expenditure associated with environmentally sustainable economic activities as defined in the Taxonomy Regulation and the EU Taxonomy [Climate Delegated act](#), formally adopted on 4 June 2021, as well as any future delegated acts on other environmental objectives. Financial institutions, mainly large banks, asset managers, investment firms and insurance/reinsurance companies, will have to disclose the share of environmentally sustainable economic activities in the total assets they finance or invest in.

The Delegated Act will be transmitted for scrutiny by the European Parliament and the Council for a period of 4 months, extendable once by 2 months.

### **Members of the College said:**

Valdis **Dombrovskis**, Executive Vice-President for an Economy that Works for People, said: *"Today's Sustainable Finance Strategy is key to generate private finance to reach our climate targets and tackle other environmental challenges. We also want to create sustainable funding opportunities for small and medium-sized companies. We will work with our international partners to deepen cooperation on sustainable finance, as global challenges call for global action. We also propose a Green Bond Standard to fight greenwashing and clearly recognise those bonds that truly represent a sustainable investment."*

Mairead **McGuinness**, Commissioner in charge of Financial Services, Financial Stability, and Capital Markets Union, said: *"Today's Strategy sets out our ambitious roadmap on Sustainable Finance for the years ahead. To achieve our climate targets, we need sustained efforts to ensure more money flows towards a sustainable economy. Significant investment is needed to green the economy and create a more inclusive society, so that everyone can play their part. We must step up global cooperation on climate and environmental issues because the EU cannot fight climate change alone – global coordination and action is essential. In addition, our EU Green Bond Standard proposal will set a gold standard in the market, and responds to the needs of investors for a trusted, robust tool when investing sustainably."*

### **Background**

The [European Green Deal](#) made clear that significant investment is required across all economic sectors to transition to a climate-neutral economy and reach the Union's environmental sustainability goals. A big part of these financial flows will have to come from the private sector. Closing this

investment gap means redirecting private capital flows towards more environmentally sustainable investments and requires a comprehensive rethink of the European financial framework. In particular, the European Green Deal underlined that it should be easier for investors and companies to identify environmentally sustainable investments and ensure that they are credible.

With today's proposals, the EU is taking another major step towards achieving the goals in the [Green Deal](#) by ensuring a comprehensive approach to funding the green transition.

## **For More Information**

[Strategy for financing the transition to a sustainable economy](#)

[Proposal for a Regulation on a European Green Bond](#)

[Questions and Answers: European Green Bonds Regulation](#)

[Factsheet: EU sustainable finance strategy](#)

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