



EUROPEAN COMMISSION

*Brussels, 1.10.2018
C(2018) 6033 final*

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the Communication 'Action plan – Financing Sustainable Growth' {COM(2018) 97 final}.

The Action plan on Financing Sustainable Growth, as part of the Capital Markets Union initiative, is a key building block of the broader comprehensive European Union strategy on sustainable finance. It supports the implementation of the ambitious European Union's climate, environmental and sustainability objectives and helps achieving the below 2 degree pathway set out by the Paris Climate Change Agreement, to which the European Union is strongly committed.

The Commission welcomes the support by the Bundesrat for the Action plan in general and particularly appreciates the Bundesrat's endorsement of key actions included in the Action plan, notably the creation of a uniform European Union classification system for environmentally sustainable activities, a European Union Green Bond standard, the introduction of a European Union label for green financial products based on the existing European Union Ecolabel framework and improved disclosure on Environmental, Social and Governance matters by financial institutions and larger companies.

The Commission has taken good note of the Bundesrat's position that capital requirements enshrined in prudential regulation should solely reflect risk considerations. The Commission shares the view of the Bundesrat that any changes to capital requirements, while taking into account climate, environmental or sustainability factors, must be based on measurable and demonstrable risk of investments.

The Commission would like to confirm to the Bundesrat that implementing the Action plan on Financing Sustainable Growth is one of the priorities of this Commission. The first actions were already launched on 24 May 2018 in the form of legislative proposals on the creation of a European Union-wide classification system of environmentally sustainable activities, clarification of investors' duties and disclosure regarding sustainability and the introduction of a new category of low-carbon benchmarks.

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Furthermore, the Commission set up a technical expert group on sustainable finance, which will work on technical criteria and standards to underpin the Commission's legal proposals. This technical expert group started its work in July 2018, with a mandate until 30 June 2019, possibly extended until the end of 2019.

Given the importance of sustainable finance matters for the European Union, notably the creation of a European Union-wide classification system of environmentally sustainable activities, the Commission also set up a dedicated Member States' expert group on sustainable finance. This Member States' expert group will allow timely follow-up on the implementation of the Commission's Action plan and exchange of views, including best practices, on all relevant sustainable finance issues. The European Parliament participates, as observer, in meetings of the Member States' expert group which held its first meeting at the end of June 2018.

The European Parliament and Member States will be closely associated to the Commission's work on sustainable finance.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Valdis Dombrovskis
Vice-President*