



European
Commission

EU SUSTAINABLE FINANCE STRATEGY

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Over the past years, the EU has been building a sustainable finance framework to:



support the flow of private finance towards sustainable economic activities



make the transition to a carbon neutral economy by 2050 possible

2018: THE EU LAID THE FOUNDATIONS FOR SUSTAINABLE FINANCE

1. EU TAXONOMY



A common classification of economic activities substantially contributing to environmental objectives, using science-based criteria.

- Taxonomy Regulation: **adopted** on 18 June 2020

2. DISCLOSURES



Comprehensive disclosure regime for both non-financial and financial institutions to provide investors with the information necessary to make sustainable investment choices.

- Sustainable Finance Disclosure Regulation (SFDR) **applies** since March 2021
- Corporate Sustainability Reporting Directive (CSRD) **proposed** by the Commission in April 2021
- Sustainability preferences: **adopted** by the Commission in April 2021

3. TOOLS



Broad toolbox for companies, market participants and financial intermediaries to develop sustainable investment solutions, while preventing greenwashing.

- EU Climate Benchmarks Regulation **applies** since April 2020
- Standard for European green bonds (EuGB), **proposed** by the Commission today

Why do we need a new EU Sustainable Finance Strategy?

While considerable progress has been made, our planet, economies and societies continue to evolve.

The European Green Deal has also increased the EU's climate ambitions.

In addition, global cooperation on sustainable finance has increased and the international context has changed.

The financial sector will play a critical role in our transition to sustainability. Today's strategy will support the European Green Deal aims, as well as an inclusive and sustainable recovery from the COVID-19 pandemic.



Transition finance is a key goal of the EU sustainable finance agenda



Sustainability demands have evolved



Climate change and environmental degradation are urgent challenges



International cooperation is key to meeting our sustainability goals



FINANCING THE TRANSITION TO SUSTAINABILITY

This strategy provides the tools and policies to enable economic actors across the economy to finance their transition plans and to reach climate and broader environmental goals, whatever their starting point.



INCLUSIVENESS

This strategy caters for the needs of, and provides opportunities to individuals and small and medium-size companies to have greater access to sustainable finance.



FINANCIAL SECTOR RESILIENCE AND CONTRIBUTION

This strategy sets out how the financial sector itself can contribute to meet Green Deal targets, while also becoming more resilient and combatting greenwashing.



GLOBAL AMBITION

This strategy sets out how to promote international cooperation for an ambitious global sustainable finance agenda.

NEW ACTIONS



Financing the transition of the real economy towards sustainability

Support financing certain economic activities contributing to reducing greenhouse gas emissions.

Consider options for a possible extension of the EU Taxonomy framework to recognise transition efforts.

Include additional sustainable activities in the EU Taxonomy.

Extend sustainable finance standards and labels that support financing the transition to sustainability and phased transition efforts.



Towards a more inclusive sustainable finance framework

Empower retail investors and SMEs to access sustainable finance opportunities.

Explore how to leverage the opportunities that digital technologies offer for sustainable finance.

Work towards greater protection from climate and environmental risks through increasing insurance coverage.

Publish a report on social taxonomy.

Work on green budgeting and risk-sharing mechanisms.



Improving the financial sector's resilience and contribution to sustainability: the double materiality perspective

Work towards financial reporting standards that adequately reflect sustainability risks and encourage natural capital accounting.

Ensure ESG risks are systematically captured by credit ratings and rating outlooks in a transparent manner.

Integrate sustainability risks in the risk management systems of banks and in the prudential framework for insurers.

Monitor and address potential systemic risks stemming from sustainability challenges, with the aim of maintaining long-term financial stability and limiting systemic risk.

Reinforce science-based target setting, disclosure and monitoring of the financial sector's commitments.



Fostering global ambition

Clarify the fiduciary duties and stewardship rules of investors to reflect the financial sector's contribution to the Green Deal targets.

Improve the availability, integrity and transparency of ESG market research and ratings.

Assess supervisory powers to address greenwashing.

Develop a robust monitoring framework to measure progress made by the EU financial system.

Improve the cooperation between authorities to monitor the alignment of the EU financial system with Green Deal targets.

Promote ambitious cooperation in international forums and set a high level of ambition in the development of international sustainable finance initiatives and standards.

Propose to expand the work of the International Platform on Sustainable Finance to new topics and strengthen its governance.

Support low- and middle-income countries in their transition efforts, with dedicated tools to help scale up their access to sustainable finance.