

MEMO# 33681

July 9, 2021

European Commission Publishes a Package of Sustainable Finance Measures

[33681]

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TO: ESG Task Force

EU ESG Disclosure Regulation Working Group RE: European Commission Publishes a Package of Sustainable Finance Measures

On July 6 2021, to help improve the flow of money towards financing the transition to a sustainable economy, the European Commission (Commission) published a comprehensive package^[1] of sustainable finance measures, which includes -

- **Strategy for financing the transition to a sustainable economy** (a selected number of actions is included below; see Strategy for a full list).
 - **Transition activities.** The Commission will develop a more comprehensive framework and help the financing of intermediary steps towards sustainability.
 - **Minimum sustainability criteria for Article 8 under the Sustainable Finance Disclosure Regulation (SFDR).** The Commission will propose minimum sustainability criteria, or a combination of criteria for financial products that fall under Art. 8 of the SFDR, in order to guarantee minimum sustainability performance of such products to further strengthen a harmonised application of the Regulation and incentivise transitional efforts.
 - **Prospectus disclosures.** Within the framework of the Prospectus Regulation and over the course of 2022, the Commission will introduce targeted prospectus disclosures for green, social and sustainable securities to enhance the comparability, transparency and harmonization of information provided for such instruments and to help fight greenwashing.
 - **SFDR indicators.** Before December 2022, the Commission will engage with the European Supervisory Authorities (ESAs) to review the regulatory technical standards under the SFDR, to clarify indicators for both climate and environment-related principal adverse impacts and principal adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
 - **Social taxonomy.** The Commission will publish a report on a social taxonomy,

as required by the Taxonomy Regulation, by the end of 2021.

- **Sustainable corporate governance.** The Commission will propose a Sustainable Corporate Governance Initiative in 2021.
- **Financial resilience and sustainability risks.** To enhance economic and financial resilience to sustainability risks, the Commission will take further steps with regard to accounting, credit ratings, micro-prudential and macro-prudential regulation.
- **Sustainability pledges.** The Commission will reinforce science-based target setting, disclosure and monitoring of financial sector's commitments.
- **Fiduciary duties and stewardship.** The Commission will clarify the fiduciary duties and stewardship rules of investors to reflect the financial sector's contribution to Green Deal targets.
- **ESG market research and ratings.** By Q4 of 2021 at the latest, the Commission will organise a targeted public consultation on the functioning of the market for ESG ratings.
- **Global work and double materiality.** The Commission will set a high level of ambition in the development of international sustainable finance initiatives and standards, in particular advocating for mainstreaming the concept of double materiality and agreeing on common objectives and principles for sustainable taxonomies. The Commission will advocate for the development of a solid international governance on sustainable finance and suggest expanding the mandate of the Financial Stability Board to integrate the double materiality perspective.
- **Proposal for a standard for European green bonds**(a more detailed memo is to follow).
- **Adoption by the European Commission of the delegated act^[2] supplementing Article 8 of the Taxonomy Regulation for scrutiny by co-legislators.**

This delegated act specifies the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities.

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endnotes

[1] See https://ec.europa.eu/info/publications/210706-sustainable-finance-strategy_en.

[2] See Memorandum No. 33551, dated 26 May 2021, available at <https://www.ici.org/memo33551>.

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