In the post COVID-19 context, the European Commission is working to mainstream sustainable finance in support of a green recovery.

On May 27, the Commission communicated its reconstruction plan “Europe’s moment: Repair and Prepare for the Next Generation”, to repair the damages of the COVID-19 pandemic and build a better sustainable future for Europe.

This new recovery plan includes a €750bn instrument as well as strong incentives to push private investment.

At the same time, the EU launched the International Platform on Sustainable Finance (IPSF). With the IPSF, more than 190 countries committed to share knowledge and best practices to promote the harmonisation of policies towards sustainable finance.
The Taxonomy is a classification system that supports investors and companies in identifying environmentally-friendly activities through performance criteria. It aims to support the mobilisation of €260bn a year by 2030 to accelerate the transition to a low-carbon economy, bringing clarity and comparability across capital markets.

The Taxonomy sets performance thresholds —referred to as ‘technical screening criteria’—for economic activities which:

1. Contribute to 1 of the 6 environmental objectives;
2. Do No Significant Harm (DNSH) any other objective;

So far, the EU Taxonomy addresses 2 of the 6 environmental goals:

1. **On climate change mitigation**, whereby an activity can be considered Taxonomy-aligned if it contributes to the stabilisation of greenhouse gas emissions.
2. **On climate change adaptation**, whereby a Taxonomy-aligned activity reduces or prevents adverse impact of climate change on the activity and on people, nature and assets.

For each of the two objectives (climate change mitigation and adaptation), in the Technical Annex you can find the screening criteria of 7 sectors:

- Agriculture & Forestry
- Manufacturing
- Electricity, Gas & Air Conditioning
- Water, Sewerage, Waste & Remediation
- Transport
- ICT
- Buildings

The types of activities included in the EU Taxonomy are the following (see Final Report TEG, March 2020):

- **ENABLING ACTIVITY**
  - The activity is improving the performance of another economic activity, or activities, and does not itself risk harm to environmental objectives.
  - E.g. Manufacture of low carbon products, key components, equipment or machinery.

- **OWN PERFORMANCE**
  - The activity itself is being performed in a way that substantially contributes to an environmental objective.
  - E.g. Building renovation, energy efficient manufacturing processes; low carbon energy production.

- **TRANSITIONING ACTIVITIES AND IMPROVEMENT MEASURES**
  - (Through CAPEX, OPEX alignment with taxonomy)

THE TEG RECOMMENDS THAT IMPROVEMENT MEASURES ACROSS ALL SECTORS IN THE TAXONOMY ARE CONSIDERED FOR INCLUSION IN THE FUTURE.
WHAT WILL I NEED TO DO?
A PERSPECTIVE FOR COMPANIES AND INVESTORS

COMPANIES
If you are a company falling under the obligation of the Non-Financial Reporting Directive (NFRD), you will have to disclose how, and to what extent, your activities are aligned with the Taxonomy. Therefore, you have to disclose in your non-financial statement:

• Proportion of turnover aligned with the Taxonomy
• Capex and, if relevant, Opex aligned with the Taxonomy


Furthermore, in line with the Taxonomy, your company will have to disclose information related to climate change mitigation and adaptation from 2022 onwards.

The disclosure obligations will be clarified by the Commission in mid-2021 with a Delegated Act (no approval from the Parliament and Council needed).

INVESTORS
If you are an investor, the Taxonomy enforces new disclosure requirements for different products according to which you will have to report on whether or not you have been using the EU Taxonomy:

• If no: why
• If yes: your share of investments oriented towards taxonomy-eligible activities and the alignment of your products to the Taxonomy

According to the requirements of the Sustainability-Related Disclosures in the Financial Services Sector Regulation, as an investor, you will be required to disclose information from 2022 onwards.

THESE PROVISIONS CONCERN INVESTORS FROM ALL OVER THE WORLD IF THEY ARE SELLING FINANCIAL PRODUCTS IN THE EUROPEAN UNION

The EU Taxonomy is at the base of the new EU Green Bond Standards (EU-GBS), which creates some requirements for Green Bonds. The aim is to support investment in comparable, credible and transparent debt instruments.

NEXT STEPS

2020
• **MAY-JUNE:** Sustainable Finance Platform creation to support the further development of the EU Taxonomy (Call for Participants)
• **END OF SUMMER:** Publication of the Regulation on the Taxonomy in the Official Journal
• **DECEMBER:** Delegated Act on Climate Change

2021
• **MAY-JUNE:** Delegated Act (mid-2021) on disclosure obligation for companies to clarify how and where to disclose information

2022
• **END OF SUMMER:** Delegated Act on other environmental objectives to define criteria

2023
• Disclosure by companies and investors on other environmental objectives
HOW CAN CSR EUROPE SUPPORT YOU?

CSR Europe continues to follow the EU policy developments on Sustainable Finance to provide you, member company, with the last updates:

1. EU POLICY DIALOGUE

- Consultation on the Renewed Sustainable Finance Strategy that will profoundly shape the next working years on Sustainable Finance
- EFRAG’s Project Task Force on Climate-related Reporting (PTF-CRR)
- EFRAG’s 2nd Project Task Force on reporting of non-financial risks and opportunities and linkage to the business model
- High-Level Round-table on Sustainable Finance at the European SDG Summit 2020. PRE-REGISTER!

2. PEER-TO-PEER LEARNING

Members interested in sustainable finance have the opportunity to engage in CSR Europe’s Community of Practice (CoP) “Total Impact Disclosure”. Under this framework, we would like to invite you to our webinar series:

- 9 JULY 2020 WEBINAR “Which ESG Metrics Will Survive COVID-19?” REGISTER

3. SERVICES & TOOLS

CSR Europe offers practical services to support its member companies in improving their sustainability performance and management:

- Materiality Assessment
  For the identification of Environmental, Social and Governance (ESG) issues that strongly impact your business and stakeholders. View our service offer.
- Stakeholder Dialogue
  The best way to involve your company direct and indirect stakeholders in the development and implementation of an impactful sustainability/CSR strategy. View our service offer.
- Maturity and Integration Assessment (MIA)
  To assess and benchmark the level of maturity and integration of your sustainability management for improved performance. Get more information.
- Report Review
  To assess the strength and weaknesses, as well as the effectiveness, of your reporting practices vis-à-vis the latest frameworks. Get more information.

FOR MORE INFORMATION

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