
EU Taxonomy, Corporate Sustainability Reporting, Sustainability Preferences and Fiduciary Duties:
Directing finance towards the European Green Deal
The European Green Deal is Europe’s growth strategy that will improve the well-being and health of citizens, make Europe climate-neutral by 2050 and protect, conserve and enhance the EU’s natural capital and biodiversity. An Economy that Works for People also means a Just Transition that creates employment and leaves no one behind. To achieve these goals, the European financial system needs to become more sustainable. This will require both robust financial legislation and a clear transition path for businesses. The scale of investment needed to bring about the necessary changes will put the European financial sector at the heart of a sustainable and inclusive economic recovery from the COVID-19 pandemic and of the long-term sustainable economic development of Europe.

The EU has taken major steps to build a sustainable finance ecosystem. The EU Taxonomy Regulation, the Sustainable Finance Disclosure Regulation and the Benchmark Regulation form the foundation to increase transparency and provide tools for investors to identify sustainable investment opportunities.

The Commission is putting forward the EU Taxonomy Climate Delegated Act, a proposal for a Corporate Sustainability Reporting Directive (CSRD), revising the Non-Financial Reporting Directive, and amendments to delegated acts to better reflect sustainability preferences in insurance and investment advice and sustainability considerations in product governance and fiduciary duties. They will help drive a greener, fairer, and more sustainable Europe and support the implementation of the Sustainable Development Goals.

The EU Taxonomy is a robust, science-based transparency tool for companies and investors. It introduces clear performance criteria for determining which economic activities make a substantial contribution to the Green Deal objectives. These criteria create a common language for businesses and investors, allowing them to communicate about green activities with increased credibility and helping them to navigate the transition already under way. The EU Taxonomy will also play an important role in creating the EU Green Bond Standard and the EU Ecolabel for certain retail financial products.

Through the EU Taxonomy Climate Delegated Act, the economic activities of roughly 40% of listed companies, in sectors which are responsible for almost 80% of direct greenhouse gas emissions in Europe, are already covered, with more activities to be added in the future. Through this scope, the EU Taxonomy can significantly increase the potential that green financing offers to support transition, in particular for carbon-intensive sectors where change is urgently needed.

The proposal for the Corporate Sustainability Reporting Directive will set common European reporting rules that will increase transparency, requiring companies to report sustainability information in a consistent and comparable manner. The new reporting requirements would apply to all large and all listed companies, including listed small and medium-sized enterprises (SMEs). The Commission will develop proportionate standards for SMEs. The

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1 Share of EU domiciled companies with more than 500 employees active in economic sectors covered by the EU Taxonomy Climate Delegated Act (Source: Bloomberg).
2 Source: Eurostat.
latter will set a reference for information that companies that are within the scope of the CSRD could reasonably request from SME suppliers and clients in their value chains.

I. INTRODUCTION

Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the ‘EU Taxonomy Regulation’), entered into force on 12 July 2020. Through this Regulation, the European Parliament and the Council mandated the European Commission to provide, in delegated acts, technical screening criteria for determining whether an economic activity can be considered as contributing substantially to environmental objectives. These criteria help establish appropriate definitions for companies, investors and financial market participants on which economic activities can be considered environmentally sustainable.

This mandate is framed by the requirement that technical screening criteria need to be up to date and based on scientific evidence. These criteria must be clear, practicable and easy to apply, thus avoiding unnecessary administrative burden. The European Parliament and the Council have also recognised the importance of public consultation, and explicitly mandated the Commission to involve relevant stakeholders and to build on the advice of experts who have proven knowledge and experience in the relevant areas.

As requested by the European Parliament and the Council, the EU Taxonomy Climate Delegated Act provides the first set of technical screening criteria of the EU Taxonomy and a common language around sustainable activities. The EU Taxonomy Regulation requires that investors and companies use these criteria for related disclosures, which will also serve as a reliable guide for investment decisions.

This is complemented by the proposal for the Corporate Sustainability Reporting Directive, which will ensure that companies provide information on the sustainability of their business practices in a transparent and comparable manner. Through information on Taxonomy-alignment, transition investments and sustainability risks, financial companies can evaluate the ambition and environmental performance of financed activities.

II. THE EU TAXONOMY CLIMATE DELEGATED ACT

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The EU Taxonomy Climate Delegated Act, subject to scrutiny by the European Parliament and the Council, delivers the first set of technical criteria for defining those activities that contribute substantially to climate change mitigation and adaptation, the first two of six environmental objectives in the EU Taxonomy⁶.

These criteria have been developed based on recommendations by the Technical Expert Group (TEG) and following public feedback and advice by the Platform on Sustainable Finance⁷.

The volume of feedback received from stakeholders (including citizens, public authorities, businesses, non-profit organisations, and academia amongst others) reflected the importance of the issue. The vast majority of respondents reiterated the importance of the EU Taxonomy as a key tool supporting the process of transition under the European Green Deal. The summary of the public consultation is available on the Commission’s sustainable finance website.⁸

The feedback also revealed several concerns, including:

- The implications of an activity qualifying as ‘environmentally sustainable’ or not: Some stakeholders were concerned that an activity not qualifying as green under the EU Taxonomy Climate Delegated Act risks being perceived as unsustainable, with possible consequences in terms of access to finance for those activities. (Section 1)
- The level of ambition and usability of criteria: While many stakeholders welcomed the level of ambition of the criteria or even called for higher ambition, other stakeholders were concerned that the ambition of the criteria was too high, and suggested improvements in the usability of criteria. (Section 2)
- The scope of the EU Taxonomy: Some stakeholders were concerned about the scope of activities covered by the criteria being too narrow and the binary nature of the EU Taxonomy, which means it will not provide guidance to markets on how to deal with activities that do not meet, or are not covered by the criteria listed in the EU Taxonomy Climate Delegated Act. (Section 3)

The following three sections clarify the above issues and explain the steps the Commission has taken, or will take in the future, to address them.

1. The implications of an activity qualifying as ‘environmentally sustainable’ or not

Many stakeholders were concerned that the Taxonomy defines which activities qualify as ‘environmentally sustainable’, which could be taken to mean that if an activity is not

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⁶ Article 9 of the EU Taxonomy Regulation specifies the following six environmental objectives: (a) climate change mitigation, (b) climate change adaptation, (c) the sustainable use and protection of water and marine resources, (d) the transition to a circular economy, (e) pollution prevention and control, and (f) the protection and restoration of biodiversity and ecosystems.

⁷ The Platform on sustainable finance was created by Article 20 of the EU Taxonomy Regulation. It is composed of experts from the private and public sector who advise the Commission on the further development of the EU Taxonomy.

⁸ Commission sustainable finance website [link](#).
addressed in the EU Taxonomy Climate Delegated Act, it would automatically qualify as environmentally ‘unsustainable’. This is not the case. The mere fact that a company does not have Taxonomy-aligned activities does not mean that conclusions can be drawn regarding the company’s environmental performance or its ability to access finance.

The EU Taxonomy does not currently define how activities other than green are to be treated. It does not define or categorize any activities as ‘improving the current levels of environmental performance’ but not reaching the level of substantial contribution. These activities – while important in their own right to support the necessary broad transformation of the EU economy – will in themselves not be sufficient to reach our green objectives. Similarly, the EU Taxonomy does not define or categorize any activity as ‘environmentally unsustainable’. Also, not all green activities that can make a substantial contribution to the environmental objectives are yet covered by the EU Taxonomy Climate Delegated Act and thus part of the EU Taxonomy. The EU Taxonomy is a living document that will be added to over time and updated as necessary.

The EU Taxonomy is a transparency tool. It will introduce disclosure obligations for some companies and financial market participants, requiring them to disclose their share of Taxonomy-aligned activities. The disclosure of the proportion of Taxonomy-aligned green activities will allow the comparison of companies and investment portfolios based on this proportion. Companies, if they wish, can reliably use the EU Taxonomy to plan their climate and environmental transition and raise financing for this transition. Financial market participants, if they wish, can use the EU Taxonomy to design credible green financial products. It is expected that the EU Taxonomy will be an enabler of change and encourage a transition towards sustainability. However, while the EU Taxonomy can guide market participants in their investment decisions, naturally it does not prohibit investment in any activity. There is no obligation on companies to be Taxonomy-aligned, and investors are also free to choose what to invest in.

The Taxonomy framework will increase access to sustainable financing beyond currently existing market-based green finance tools. It includes more economic activities and more environmental objectives than have been used so far in market-based green financing frameworks. Notably, it includes some carbon-intensive sectors, enabling market recognition for transitioning activities within those sectors.

Companies will be able to count not only turnover, but also certain operational and capital expenditure as EU Taxonomy aligned, which will further broaden the opportunities the EU Taxonomy will offer. Estimates and early testing of the climate taxonomy criteria showed a low overall Taxonomy alignment today in companies’ activities and investment portfolios (between one and five percent, with many companies and investment portfolios standing at zero). While this figure is expected to rise significantly with the implementation of the Green Deal, it highlights the extent of the transition still required towards climate neutrality by 2050.
The EU Taxonomy is designed for the specific purpose of providing a classification system and improving transparency. The Recovery and Resilience Regulation⁹ uses the ‘do no significant harm’ principle of the EU Taxonomy Regulation enshrined in Article 17 but without requiring the use of the criteria defined in the Taxonomy Delegated Acts. The Commission published dedicated technical guidance,¹⁰ providing more detail on how to apply the ‘do no significant harm’ principle for the purposes of the Recovery and Resilience Facility (RRF). This means that the criteria defined in the EU Taxonomy Climate Delegated Act do not have any direct binding implication for the implementation of the Recovery and Resilience Facility. The Cohesion Policy Regulation also requires that the objective of its funds must use the ‘do no significant harm’ principle of the EU Taxonomy Regulation in the 2021-2027 programming period, but without requiring the use of the criteria of the Taxonomy Delegated Acts. In the future, the original purpose of the EU Taxonomy should be reiterated and the implications should be carefully assessed in terms of suitability, proportionality and compliance costs, before its inclusion in other policies.

2. The level of ambition and usability of criteria in the EU Taxonomy Climate Delegated Act

In designing the Delegated Acts to define criteria for sustainable economic activities, the European Commission is bound to comply with the mandate provided for by the European Parliament and the Council to identify the level of ambition needed for green projects to reach the EU’s environmental objectives.

The EU Taxonomy recognises as sustainable those activities that make a substantial, rather than a marginal, contribution to reaching EU environmental objectives. The EU Taxonomy sets the criteria for substantial contribution and no significant harm based on the level of ambition of the goals of the European Green Deal including the EU climate neutrality objective.

Based on careful examination of the feedback received, modifications have been made, compared to the draft delegated act published for public feedback, without undermining the level of ambition of the European Green Deal objectives. Some of those changes include:

- Numerous clarifications to bolster the technical accuracy and usability of the criteria;
- Further improvements in usability in terms of simplifying criteria, reducing complexity and overall burden and, where appropriate, adjustments to make them more specific and flexible;
- Clarifications to better reflect subsidiarity and shared competence between EU and Member State levels where appropriate (including several clarifications to better take into account national regulations);

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– Improved consistency with existing frameworks, sectoral legislation, and consideration of the upcoming reviews where appropriate;
– Specifications to the scope of some transitional and enabling activities and adjustments to make the taxonomy more usable by economic actors;
– Spelling out better a small number of activities that were covered as part of another activity, where there was a clear demand from stakeholders and where they are consistent with the objectives and requirements of the EU Taxonomy Regulation;
– Updated recitals underlining the need for future reviews and the introduction of additional activities at a later stage.

3. The scope of the EU Taxonomy

Following public feedback and taking into account recommendations by the Platform on Sustainable Finance, the Commission is considering further developing the EU Taxonomy in accordance with the EU Taxonomy Regulation to address the remaining stakeholder concerns, as explained in the next Section.

In particular, the current scope of the criteria outlined in the EU Taxonomy Climate Delegated Act will expand in the future. The criteria are dynamic and will be subject to regular review. This ensures that new sectors and activities, including transitional and enabling activities, may be added to the scope over time by amending this Delegated Act. Stakeholders will have the opportunity to suggest activities to be included in the criteria via a web portal, which will be established in mid-2021 on the European Commission website. The Commission, with inputs from the Platform on Sustainable Finance, will assess the suggestions.

In addition, the taxonomy will have an impact on sustainable finance internationally. In pursuing the European Green Deal objectives, the EU will cooperate closely with its partner countries, also in relevant international fora such as the International Platform on Sustainable Finance (IPSF), the G7/G20, and the Financial Stability Board (FSB). This includes exploring ways to operationalise the EU Taxonomy globally in an appropriate and proportionate way. As part of this, further work on the usability and international operability of the EU Taxonomy will be conducted.

III. NEXT STEPS IN DEVELOPING THE EU TAXONOMY

In line with the legal framework and our past commitments, the Commission will adopt a complementary Delegated act of the EU Taxonomy Regulation covering activities not yet covered in the EU Taxonomy Climate Delegated Act such as agriculture, certain energy sectors and certain manufacturing activities.

This complementary Delegated Act will cover nuclear energy subject to and consistent with the results of the specific review process underway in accordance with the EU Taxonomy Regulation.
Regulation. This process is based on the independent and scientific technical report\textsuperscript{11} published in March 2021 by the Joint Research Centre, the European Commission’s science and knowledge service\textsuperscript{12}. A review of this report is ongoing through two groups of experts, Euratom Article 31 experts group and the Scientific Committee on Health, Environmental and Emerging Risks (SCHEER), to complete the scientific evaluation and it will be finalised in June 2021.

This complementary Delegated Act will also cover natural gas and related technologies as transitional activity in as far as they fall within the limits of Article 10(2) of the EU Taxonomy Regulation. The merits of a sunset clause for transitional activities will be considered in this context.

The Commission will adopt this complementary Delegated Act as soon as possible after the end of the specific review process expected in summer 2021.

A separate Delegated Act will cover activities making a substantial contribution to the other four environmental objectives as set out in the EU Taxonomy Regulation (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems). The Platform on Sustainable Finance is working on recommendations for this Act.

In addition, Article 26 of the EU Taxonomy Regulation requires the Commission to assess by the end of 2021 whether and how the scope of the Taxonomy Regulation could be extended to cover other levels of environmental performance than substantial contribution, as well as other objectives, such as social objectives.

IV. FINANCING THE TRANSITION TO SUSTAINABILITY

While the EU Taxonomy Regulation is a key enabler to mobilise investments into long-term sustainable solutions, the public consultation and reactions by MEPs, Member States, and other stakeholders in recent months highlighted the boundaries of the EU Taxonomy. In particular, a widespread concern is that some activities, which contribute to the green transition of the real economy, are not eligible to be included in the Taxonomy.

Therefore, the Commission will consider proposing legislation to support the financing of certain economic activities, primarily in the energy sector, including gas, that contribute to reducing greenhouse gas emissions in a way that supports the transition towards climate

\textsuperscript{11} Joint Research Centre, Technical assessment of nuclear energy with respect to the ‘do no significant harm’ criteria of the EU Taxonomy Regulation, March 2021. Available through the following link.\textsuperscript{12} The Joint Research Centre report is divided into two parts: the first part focuses on the study of relevant environmental indicators on the ‘do no significant harm’ criteria on the entire nuclear life cycle and the second part focuses on the specific question related to waste that had been highlighted by the TEG. The report found that: “The analyses did not reveal any science-based evidence that nuclear energy does more harm to human health or to the environment than other electricity production technologies already included in the Taxonomy as activities supporting climate change mitigation.
neutrality throughout the current decade. This proposal would aim at defining timeframes and intermediary steps for those economic activities, including for existing investments, that contribute to the transition process in a manner consistent with the European Green Deal.

Such an approach would enable to follow-up on the European Council conclusions of 11-12 December 2020, which acknowledge the role of transition technologies such as natural gas.

Investments in natural gas projects are eligible for funding support by EU instruments, where such investments support the EU policy objectives in a manner consistent with the Green Deal. Examples include the Recovery and Resilience Facility\textsuperscript{13}, Invest EU, the European Regional Development Fund, and the Emissions Trading Scheme Modernisation Fund, which allow for natural gas projects to qualify subject to case-by-case assessments.

The transition to a climate neutral and sustainable economy is not a one-off event but a process. For companies, this transition means to reduce greenhouse gas emissions, become resilient and reduce environmental harm over time. For investors, transition means to improve the environmental performance of a portfolio over time. Members States must also plan and incentivise this transition.

All companies can invest in green activities. As part of their corporate strategy, companies can use the EU Taxonomy to make plans to transition specific activities to meet Taxonomy thresholds. Other science-based metrics may help them to set sustainability performance targets for the company as a whole.

Tasked by the European Commission, the Platform on Sustainable Finance has provided advice on how to acknowledge the role of the EU Taxonomy in contributing to the green transition. In their report to the European Commission published in March 2021\textsuperscript{14}, the Platform recommended, among other issues, to further exploring options to recognize outside of the current framework of the EU Taxonomy – the efforts made to improve the performance of activities towards the substantial contribution criteria.

V. CONSISTENT AND COHERENT CORPORATE SUSTAINABILITY REPORTING

1. A new Corporate Sustainability Reporting Directive

The Commission is proposing a new Corporate Sustainability Reporting Directive (CSRD), which would revise the existing reporting rules that were introduced by the Non-Financial Reporting Directive (NFRD). The proposed Corporate Sustainability Reporting Directive would be the foundation of a consistent flow of sustainability information through the financial value chain and for other stakeholders. Information disclosed by companies would therefore be available for analysts in banks, insurance companies, asset management

\textsuperscript{13} Subject to the specific conditions in Annex III of the Commission Notice on Technical guidance on the application of ‘do no significant harm’ under the Recovery and Resilience Facility Regulation.

\textsuperscript{14} Platform on Sustainable Finance, Transition finance report, March 2021. Available through the following link.
companies or credit rating agencies, for end investors and for non-governmental organisations and other stakeholders that wish to better hold companies to account for their social and environmental impacts. With a view to the objectives of the European Green Deal, companies included under the scope would have to report on the impact of their business model and strategy towards the transition to a sustainable and climate neutral economy. The proposed Directive would ensure that company sustainability reporting corresponds to the needs of financial market participants subject to the disclosure requirements of the Sustainable Finance Disclosure Regulation. It also takes account of the Commission’s intention to put forward a proposal for a Sustainable Corporate Governance Initiative later this year.

Most companies face rising costs due to uncoordinated information demands from investors and other stakeholders for corporate sustainability information. While the proposed Corporate Sustainability Reporting Directive would imply additional reporting costs for companies, it aims to reduce these costs over the medium to long term by building consensus around the essential information that companies should disclose.

The proposed Corporate Sustainability Reporting Directive would apply to some 49 000 companies, compared to approximately 11 000 that are subject to the existing sustainability reporting rules (the Non-Financial Reporting Directive). All large companies, and all companies listed on EU regulated markets except listed micro-enterprises, would be subject to these reporting requirements. They would have to report information on the full range of environmental, social and governance issues relevant to their business. Consistent with the existing rules laid down in the Non-Financial Reporting Directive, they would have to report about the risks to the company arising from sustainability issues, and about their own impacts on people and the environment. This will include information on companies’ global supply chains regarding issues such as forced and child labour and consistent with internationally recognised principles and frameworks such as the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. The information they report would be audited, and it would be digitally tagged so that it can feed into the European Single Access Point envisaged under the Capital Markets Union Action Plan.

The proposed Corporate Sustainability Reporting Directive would require companies to report according to mandatory EU sustainability reporting standards. The Commission will adopt delegated acts to provide for such standards taking into consideration technical advice from the European Financial Reporting Advisory Group, working with key stakeholders, and after consultation of Member States and relevant EU bodies, including the European Supervisory Authorities, the European Environment Agency, the European Agency on Fundamental Rights and the Platform on Sustainable Finance. The first set of standards would be adopted by October 2022.

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The standards will be tailored to EU policies, while building on and contributing to international standardisation initiatives. Therefore, while moving ahead with EU standards to meet the ambition of the Green Deal and the growing information needs of investors, the Union will strive towards convergence of sustainability reporting at a global level, building on initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD).

The Commission is proposing to develop standards for large companies and separate, proportionate standards for SMEs. While SMEs listed on regulated markets would be required to use these proportionate standards, non-listed SMEs – which are the vast majority of SMEs – may choose to use them on a voluntary basis. The Commission stands ready to provide tailor made technical support to Member States to enable sustainability reporting by companies, in particular by SMEs.

2. Coherent corporate sustainability reporting requirements

The proposed Corporate Sustainability Reporting Directive aims to ensure consistency between reporting requirements under the EU Taxonomy Regulation and company sustainability reporting. Article 8 of the Taxonomy Regulation requires companies falling within the scope of the existing NFRD, and additional companies brought under the scope of the proposed Corporate Sustainability Reporting Directive, to report certain indicators on the extent to which their activities are sustainable as defined by the EU Taxonomy. In particular, these companies shall disclose the proportion of their turnover, capital expenditure and operating expenditures that are derived or associated with economic activities that qualify as environmentally sustainable.

These indicators will be specified in a separate delegated act which will apply as of 2022. By publishing each year their key performance indicators on activities considered environmentally sustainable according to the EU Taxonomy, companies will show objectively to investors and the public at large their trajectory towards environmental sustainability.

Companies will have to report these indicators alongside other sustainability information mandated by the Corporate Sustainability Reporting Directive. The mandatory reporting standards to be developed under the Corporate Sustainability Reporting Directive will fully take into account these indicators, and they will build on the screening criteria and ‘do-no-significant-harm’ thresholds of the EU Taxonomy. In particular, the sustainability reporting standards developed will include indicators that are aligned with the indicators that financial market participants will have to report according to the Sustainable Finance Disclosure Regulation.

At the same time, reporting under the proposed Corporate Sustainability Reporting Directive will also provide companies with the means to show their progress towards sustainability, aside from their degree of alignment with the Taxonomy. In particular, companies should present a comprehensive picture of their sustainability impacts and dependencies.
The Commission will ensure that reporting standards reflect not only the current Taxonomy-alignment of a company’s activities, but also its forward-looking business plans, and that the standards facilitate both capital market-based and bank-based finance. Mandatory reporting under the Taxonomy Regulation will apply from January 2022 for the climate change mitigation and adaptation objectives, and from January 2023 for the other four objectives, as agreed by the European Parliament and the Council in the EU Taxonomy Regulation.

The Commission will explore, including with input from the Platform on Sustainable Finance and the European Financial Reporting Advisory Group, appropriate guidance and options for how entities covered by reporting obligations set out in the EU Taxonomy Regulation can meaningfully report in the first year of their reporting obligations, taking into account certain data gaps.

VI. SUSTAINABILITY PREFERENCES AND FIDUCIARY DUTIES

The Commission is today introducing the assessment of client’s sustainability preferences in existing delegated acts under the Markets in Financial Instruments Directive (MiFID II)\(^{17}\) and the Insurance Distribution Directive (IDD)\(^{18}\), as a top up to the suitability assessment. Insurance and investment advisers will be required to obtain information not only about the client’s investment knowledge and experience, ability to bear losses, and risk tolerance as part of the suitability assessment, but also about their sustainability preferences. This will ensure that sustainability considerations are taken into account on a systematic basis when the advisers assess the range of financial instruments and products in their recommendations to clients.

This action will empower retail investors to decide where and how their savings should be invested. This way, everyone will have a chance to make a tangible positive impact on the climate, environment and society if they desire to do so. The change will increase the demand for financial instruments and products with sustainable investment strategies and those that consider adverse impact on sustainability.

By amending existing rules on fiduciary duties in delegated acts for asset management, insurance, reinsurance and investment sectors, the Commission is clarifying the current rules to also encompass sustainability risks such as the impact of climate change and environmental degradation on the value of investments.

VII. CONCLUSION

The EU Taxonomy Climate Delegated Act, the proposal for the Corporate Sustainability Reporting Directive outlined in this Communication, as well as the amendments to delegated acts regarding sustainability preferences, fiduciary duties and product governance are

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important steps in the implementation of the existing Action Plan on Financing Sustainable Growth and the delivery of the European Green Deal.

This enabling sustainable finance ecosystem is part of a wider strategy to achieve change and ensure a just transition to reach our sustainability goals. They are the building blocks to increase transparency and provide tools for investors to identify sustainable investment opportunities. They will enable a number of future tools, such as the EU ecolabel for retail financial products and the EU Green Bond Standard to be developed.

Dialogue, cooperation and strong partnership between authorities, corporate and financial actors, social partners, civil society, and the research and academic community will be crucial to further develop the sustainable finance toolbox, including through the Platform on Sustainable Finance.

Momentum is growing with many of our international partners increasing ambition and pursuing more sustainable development pathways aligned with the Paris Agreement and other environmental goals. The appetite for sustainable products in international markets is also growing, offering more opportunities for sustainable investments. Global convergence of standards is essential to avoid fragmented markets and enable cross-border investments to help achieve the global climate and environmental goals. The EU remains committed to playing a leading role in strengthening worldwide cooperation through the International Platform on Sustainable Finance and other international fora such as the G20 and G7.

The updated Sustainable Finance Strategy to be adopted by the Commission in June 2021 will further set out how sustainable finance will foster the transition to a sustainable and climate-neutral economy.