EU Action Plan: Financing Sustainable Growth

In March 2018, the European Commission unveiled its “Action Plan: Financing Sustainable Growth” setting out the EU vision on the role of finance in sustainable development. The roadmap foresees concrete action points and proposes major regulatory changes to enable the transition to a low-carbon economy and a sustainable financial system.

Impact on financial market players

Key actions proposed by the European Commission:

1. Establishing an EU classification system for sustainable activities
2. Creating standards and labels for green financial products
3. Fostering investment in sustainable projects
4. Incorporating sustainability when providing financial advice
5. Developing sustainability benchmarks
6. Better integrating sustainability in ratings and market research
7. Clarifying duties of institutional investors and asset managers
8. Incorporating sustainability in prudential requirements
9. Strengthening sustainability disclosure and accounting rule-making
10. Fostering sustainable corporate governance and attenuating short-termism in capital markets

Across various industries

Banking | Asset Management | Insurance | Pension Funds
Amendments to existing regulations

**Sustainability factors in compliance with investors’ preferences**

**IDD**

By Q2 2018, the Commission may amend the IDD delegated acts to ensure that sustainability preferences are taken into account in the suitability assessment questionnaire.

**MIFID II**

By Q2 2018, the Commission may amend the MiFID II delegated acts to ensure that sustainability preferences are taken into account in the suitability assessment questionnaire.

**Low-carbon indices**

**Benchmark and regulation**

By Q2 2018, the Commission may adopt delegated acts on the transparency of the methodologies and features of benchmarks and may put forward an initiative for harmonising benchmarks comprising low-carbon issuers.

**Standards and labels for green financial products**

**Prospectus regulation**

By Q2 2019, the Commission will specify the content of the prospectus for green bond issuances to provide additional information to potential investors.

**Sustainability in prudential requirements**

**CRD/CRR**

The Commission will explore the feasibility of the inclusion of risks associated with climate and other environmental factors in institutions’ risk management and the potential calibration of capital requirements of banks.
Possible new regulations and standards

EU taxonomy for sustainable activities

By Q2 2018, the Commission may table a legislative proposal that will ensure the progressive development of an EU taxonomy for climate change as well as environmentally and socially sustainable activities with the aim of embedding this in EU law. This should serve as a classification system in different areas.

Sustainability considerations in fiduciary duty

By Q2 2018, the Commission may table a legislative proposal to clarify the duties of institutional investors and asset managers in relation to sustainability considerations in the investment decision-making process and increase transparency toward end-investors.

Strengthening sustainability disclosure and accounting rule-making

Asset managers would be requested to disclose how they consider sustainability factors in their strategy and investment decision-making process, in particular for their exposure to climate change-related risks.

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