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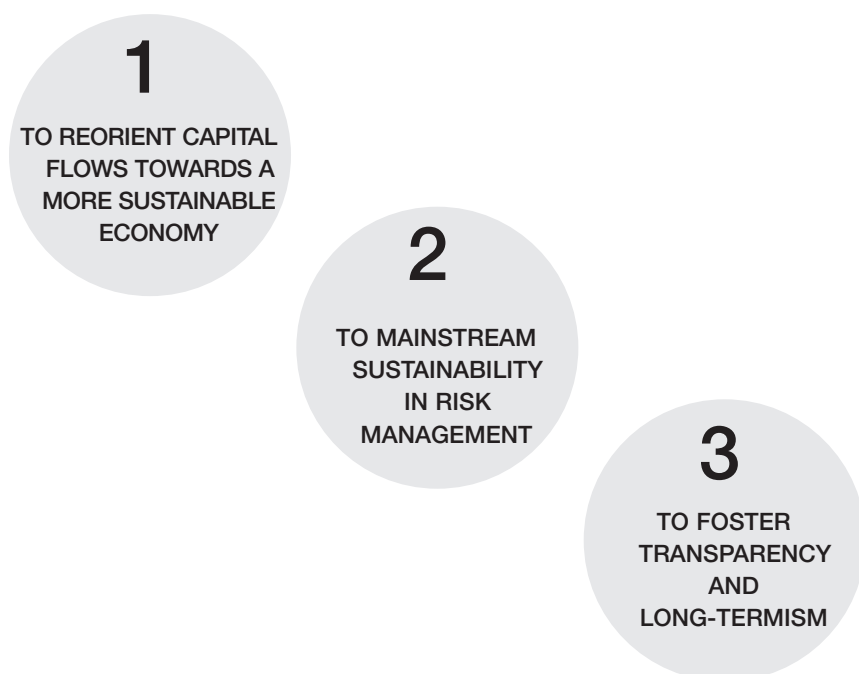
**EU SUSTAINABLE FINANCE  
ACTION PLAN : STATUS TABLE  
PROGRESS AND NEXT STEPS**

**GROWING THE GREEN ECONOMY**

OCTOBER 2019

## EU SUSTAINABLE FINANCE ACTION PLAN : STATUS TABLE PROGRESS AND NEXT STEPS

The European Commission launched its Action Plan on Financing Sustainable Growth (the **Action Plan**) in March 2018. This plan is comprehensive and ambitious, with three broad aims:



These aims are scoped in further detail in 10 separate action points. Some of the action points have been more fully realised than others, but the progress made since the publication of the Action Plan is impressive and reflects the EU's commitment to the sustainability and low carbon transition agenda. This continuing commitment is reflected in the European Council's *New Strategic Agenda 2019 – 2024*, which lists “building a climate-neutral, green, fair and social Europe” as one of its four main priorities.

### Status table

The breadth of the Action Plan and the pace of development can make tracking progress on specific points challenging. The status table aims to draw together the different strands of the Action Plan and reflects progress made to date on each of the 10 action points; however, given the scale of the Action Plan, it is not a fully comprehensive overview of all the work undertaken by the EU in this area.

## ACTIONS AIMED AT REORIENTING CAPITAL FLOWS TOWARDS A MORE SUSTAINABLE ECONOMY



### 1. Establishing an EU classification system for sustainable activities

Status	Next steps
<p>The Commission published its <a href="#">proposal</a> in May 2018. The Parliament published its <a href="#">proposal</a> on 28 March 2019, and the Council published its <a href="#">compromise text</a> on 23 September 2019. The Council published <a href="#">trilogue text</a> comparing the Commission, Council and Parliament positions on.</p> <p>The Commission requested the Technical Expert Group on sustainable finance (TEG) to assist in developing its legislative proposals on the taxonomy. The TEG published <a href="#">its initial proposals</a> in December 2018 and its detailed <a href="#">Taxonomy Technical Report</a> on climate change mitigation and adaptation activities on 18 June 2019. The TEG requested feedback on its Taxonomy Technical Report. The feedback period closed on 13 September 2019.</p>	<p>Q4 2019: trilogue discussions.</p> <p>The TEG will submit a further report to the Commission in December 2019.</p> <p>The TEG reports will form the basis of the delegated acts needed to implement the taxonomy. The Commission's draft regulation indicated that the delegated act on climate change mitigation and adaptation will be effective in Q2 2020. The Council proposals indicative an effective date for these delegated acts of 31 December 2022.</p>



### 2. Creating standards and labels for green financial products

Status	Next steps
<p>The Commission requested the TEG to assist in developing an EU Green Bond Standard. The TEG published its <a href="#">Interim Report</a> in March 2019 and its <a href="#">Final Report</a> on 18 June 2019.</p> <p>The EU Joint Research Centre published a <a href="#">technical report</a> in relation to the development of the EU Ecolabel criteria for Retail Financial Products in March 2019. A first Ad-hoc Working Group meeting was held in April 2019, and subsequent sub-group meetings have been held to discuss the technical report.</p>	<p>No further feedback is expected on the Final Report. The TEG will continue to work on its proposal for accreditation of external verifiers.</p> <p>Q4 2019: next Ad-hoc Working Group meeting.</p>



### 3. Fostering investments in sustainable projects

Status	Next steps
<p>On 18 October 2019 the EU together with a number of countries worldwide launched the <a href="#">International Platform on Sustainable Finance</a> with the objective of scaling up mobilisation of private capital flows towards environmentally friendly investments.</p> <p>The European Fund for Sustainable Development 2018 Operational Report was published in June 2019. This states that the EU has allocated EUR3.7 billion in grants and guarantees for sustainable development.</p>	<p>No details of first meeting or project of the IPSF yet published.</p> <p>No detailed further information publicly available</p>



#### 4. Incorporating sustainability when providing financial advice

Status	Next steps
<p>The Commission published draft delegated regulations for <u>investment firms</u> and <u>insurance distributors</u> in January 2019 amending MiFID II and the Insurance Distribution Directive to ensure that investment firms and insurance distributors take sustainability issues into account when advising clients.</p> <p>Although adoption of these delegated regulations depends on the publication of the Disclosure Regulation (see Action Point 7), the intention is that investment firms and insurance distributors prepare to take ESG factors into account in the suitability assessments they undertake now.</p> <p><u>ESMA Guidelines</u> on certain aspects of MiFID II suitability requirements published in May 2018 specify that it is good practice for firms providing the services of investment advice or portfolio management to collect information on the client's preferences on ESG factors.</p>	<p>Official publication of the delegated regulations depends on the timing of the Disclosure Regulation (see Action Point 7).</p> <p>ESMA Guidelines are applicable.</p>



#### 5. Developing sustainability benchmarks

Status	Next steps
<p>The Commission published its <u>proposals</u> in May 2018. Political agreement was reached in February 2019. The Council published the <u>adopted text</u> on 23 October 2019.</p> <p>The Commission requested the TEG to assist in developing methodology on low carbon benchmarks. The TEG published its <u>Interim Report</u> on Climate Benchmarks and Benchmarks' ESG Disclosures on 18 June 2019 and a <u>Final Report</u> on 30 September 2019.</p> <p>The Commission published a <u>consultation</u> on the Benchmark Regulation on 11 October 2019 which included a question regarding the sufficiency of the supervisory powers for climate-related benchmarks. Consultation closes 6 December 2019.</p>	<p>Q4 2019: publication in Official Journal.</p> <p>Q1 2020: delegated acts to implement the amended benchmark regulation expected to be adopted. These will be based on the TEG Final Report.</p> <p>2020: The Commission will prepare a report based on consultation responses for the Council and the Parliament.</p>

## ACTIONS AIMED AT MAINSTREAMING SUSTAINABILITY INTO RISK MANAGEMENT



### 6. Better integrating sustainability in ratings and market research

Status	Next steps
EMSA conducted a review of credit rating agency ESG practices and consulted on disclosure guidelines. It published its <a href="#">Technical Advice</a> and <a href="#">Final Guidelines</a> on 18 July 2019.	March 2020: Guidelines effective.



### 7. Clarifying institutional investors' and asset managers' duties (the Disclosure Regulation)

Status	Next steps
The Commission published its <a href="#">proposals</a> in May 2018. The Parliament and the Council reached political agreement on 7 March 2019. The Council published the <a href="#">adopted text</a> on 23 October 2019.	Q4 2019: publication in Official Journal.
Separately, the Commission requested <a href="#">technical advice</a> from ESMA and EIOPA in July 2018 on how asset managers, insurance companies and investment or insurance advisers should integrate sustainability risks into their businesses.	
ESMA and EIOPA consulted and delivered their technical advice to the Commission on 30 April 2019: (i) ESMA <a href="#">Technical Advice Final Report</a> on UCITS Directive; (ii) ESMA <a href="#">Technical Advice Final Report</a> on MiFID II and (iii) EIOPA <a href="#">Technical Advice and Impact Assessment</a> on Solvency II.	The Commission to determine next steps to act on the recommendations in the ESMA and EIOPA Final Reports.



### 8. Incorporating sustainability in prudential requirements

Status	Next steps
<a href="#">CRD5</a> directs the EBA to assess whether ESG risk should be included in the supervisory review and evaluation process ( <b>SREP</b> ) by competent authorities.	Q2/3 2021: EBA to publish report.
<a href="#">CRR2</a> requires large institutions with securities admitted to trading on an EU regulated market to disclose information on ESG related risks, including physical and transition risk.	Q2/3 2022: CRR2 requirement to apply.
The <a href="#">Investment Firms Directive (IFD)</a> requires the EBA to report whether ESG risks should be included in the SREP for investment firms subject to IFD. <a href="#">Investment Firms Regulation (IFR)</a> requires both public disclosure of ESG risks for investment firms subject to the prudential regime under IFD and IFR and for the EBA to report on dedicated prudential treatment for ESG assets.	Q4 2019: publication in Official Journal. Q2/3 2023: EBA reports under IFD and IFR due two years after date of application of IFD and IFR (being 18 months from entry into force). Q2/3 2024: the ESG disclosure requirements to apply three years after date of application of IFR (being 18 months from entry into force).
The Commission requested <a href="#">EIOPA</a> to provide an opinion on sustainability within Solvency II in August 2018. EIOPA <a href="#">requested evidence</a> from market participants and on 3 June 2019 consulted on a draft <a href="#">opinion on sustainability within Solvency II</a> . EIOPA published its <a href="#">final opinion</a> on 30 September 2019.	Q1 2020: Commission to publish its report on Solvency II taking into consideration the EIOPA opinion.



**ACTIONS AIMED AT FOSTERING TRANSPARENCY AND LONG-TERMISM****9. Strengthening sustainability disclosures and accounting rule-making**

Status	Next steps
The Commission ran a <a href="#">consultation</a> from March to July 2018 on a number of pieces of legislation as part of its “fitness check” on EU legislation relating to public corporate reporting, including the Non-Financial Reporting Directive (NFRD) and the IAS Regulation. It published a <a href="#">summary report</a> on the consultation in October 2018.	Q3 2019: Commission expected to report on the overall fitness check in a Commission Staff Working Document. No publication to date.
In January 2019, the TEG published its report on <a href="#">climate-related disclosures</a> (including on NFRD) followed by a Commission <a href="#">consultation</a> on its proposed revisions to the non-binding guidelines to the NFRD. The Commission published its final non-binding <a href="#">guidelines</a> on non-financial reporting: Supplement on reporting climate-related information on 18 June 2019.	Commission Guidelines in effect.
The <a href="#">European Reporting Lab@ EFRAG</a> was established in September 2018 to encourage innovation in corporate reporting and sharing of best practice. It launched its <a href="#">first project</a> on climate-related reporting in February 2019.	Q3 2019: EFRAG to publish draft report on climate related reporting.
The Commission requested advice from EFRAG on the impact of IFRS 9 and alternative measurement approaches on long-term investing and EFRAG launched a <a href="#">consultation</a> in May 2019. EFRAG published a <a href="#">summary of feedback</a> received on 8 October 2019.	Q4 2019: EFRAG to issue technical advice to Commission.

**10. Fostering sustainable corporate governance and attenuating short-termism in the capital markets**

Status	Next steps
In February 2019, the <a href="#">Commission requested advice</a> from ESMA, EBA and EIOPA on undue short-term pressure from the financial sector on corporations.	Q4 2019: final advice expected.
ESMA published a <a href="#">Consultation on short-termism in financial markets</a> on 24 June 2019. Consultation now closed.	Q4 2019: ESMA to deliver its report to the Commission.
In January 2019, the Commission ran a conference on sustainable corporate governance to discuss policy developments and share best practice.	No details on next steps available.
The <a href="#">revised Shareholder Rights Directive</a> (EU) 2017/828) aims to promote effective stewardship and long-term investment decision-making.	10 June 2019: applies in all Member States.

## EU SUSTAINABLE FINANCE ACTION PLAN KEY CONTACTS



**Clare Burgess**  
**Partner**  
T: +44 20 7006 1727  
E: [clare.burgess@cliffordchance.com](mailto:clare.burgess@cliffordchance.com)



**Michael Coxall**  
**Knowledge Director**  
T: +44 20 7006 4315  
E: [michael.coxall@cliffordchance.com](mailto:michael.coxall@cliffordchance.com)



**Nigel Howorth**  
**Partner**  
T: +44 20 7006 4076  
E: [nigel.howorth@cliffordchance.com](mailto:nigel.howorth@cliffordchance.com)



**Gail Orton**  
**Head of EU Public Policy**  
T: +33 1 4405 2429  
E: [gail.orton@cliffordchance.com](mailto:gail.orton@cliffordchance.com)



**Peter Pears**  
**Senior Associate**  
T: +44 20 7006 8968  
E: [peter.pears@cliffordchance.com](mailto:peter.pears@cliffordchance.com)



**Michel Petite**  
**Avocat of Counsel**  
T: +33 1 4405 5244  
E: [michel.petite@cliffordchance.com](mailto:michel.petite@cliffordchance.com)



**Dr. Thomas Voland**  
**Partner**  
T: +49 211 4355 5642  
E: [thomas.voland@cliffordchance.com](mailto:thomas.voland@cliffordchance.com)



**Jessica Walker**  
**Knowledge Director**  
T: +44 20 7006 2880  
E: [jessica.walker@cliffordchance.com](mailto:jessica.walker@cliffordchance.com)



**José Luis Zamarro**  
**Partner**  
T: +34 91 590 7547  
E: [joseluis.zamarro@cliffordchance.com](mailto:joseluis.zamarro@cliffordchance.com)

## GROWING THE GREEN ECONOMY



This article was initially published in **GROWING THE GREEN ECONOMY: ADDRESSING THE SUSTAINABILITY CHALLENGES AND OPPORTUNITIES**, our far-reaching look at developments in ESG and sustainable finance.

The severe warnings on climate change starkly documented by the IPCC report and others demonstrate why urgent action to meet the goals of the Paris Agreement is needed. The public, governments and legislators are taking notice and taking action. Much of the legislative effort to date has been focused on the financial system but there is an increasing emphasis on non-financial entities and the requirements that are beginning to be expected of them. These requirements stem from legislation, public pressure and possible litigation.

**GROWING THE GREEN ECONOMY** reflects the breadth and depth of the impact of these environmental and sustainable factors. Visit [www.cliffordchance.com/greeneconomy](http://www.cliffordchance.com/greeneconomy) to read and download the publication in full.

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London, E14 5JJ

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