

To: Long Term Investments & Sustainable Finance PG, Corporate Reporting WG  
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cc:  
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Subject: EC publishes sustainable finance package

## For action

Members are kindly invited to register to the call on **27 June at 14.00** to share preliminary views on the EC's sustainable finance package, and in particular the ESG ratings regulation proposal.

## Summary

On 13 June, the European Commission (EC) released a package of measures supporting the EU sustainable finance agenda. Specifically, the package includes:

- A [proposal for a Regulation](#) on the transparency and integrity of ESG rating activities
  - The key aim of the proposal is to increase transparency on ESG ratings methodologies, objectives, characteristics and data sources. Additionally, it aims to increase clarity on the operations of ESG rating providers, in particular to prevent and mitigate potential risks associated with conflicts of interest
- EU Taxonomy Delegated Acts, following the consultation held in April
  - The EC adopted the Environmental Delegated Act specifying the technical screening criteria under which certain economic activities qualify as contributing substantially to one or more of the four environmental objectives.
  - The EC adopted amendments to the Climate Delegated Act to include additional economic activities.
  - The EC adopted amendments to the Disclosures Delegated Act to clarify the disclosure obligations for the additional activities.
- A [Commission staff working document](#) on enhancing the usability of the EU Taxonomy and the overall EU sustainable finance framework
  - The document intends to provide an overview of recent measures and tools supporting stakeholders in their implementation efforts, simplifying complex parts of the framework and addressing the most urgent usability issues.
- A [Commission Recommendation](#) on facilitating finance for the transition to a sustainable economy ([Annex](#) to the Commission Recommendation).
  - The report illustrates how the sustainable finance framework encompasses transition finance and explains how companies, investors and financial intermediaries can voluntarily use the current sustainable finance framework to finance their transition to a climate neutral and sustainable economy, while enhancing their competitiveness, with practical examples and explanations.
- A [Commission notice](#) on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the SFDR.
  - The EC notice provides clarifications, in the form of a FAQ, on the interactions between the concepts of taxonomy-aligned investment and sustainable investment under the SFDR.

Members can find the press release [here](#) and all relevant documents [here](#). The secretariat will analyse them and follow up with members in due time.

In its [communication](#) titled "A sustainable finance framework that works on the ground", the EC also underlined the following messages:

- The EU will **need additional investments of about EUR 700 billion annually** to meet the objectives of the Green Deal, RepowerEU and the Net Zero Industry Act
- Early evidence shows that the **EU sustainable finance agenda is working on the ground** and that sustainable finance tools are starting to facilitate investments into the transition to a climate neutral and sustainable economy. The Commission will continue to provide practical guidance to market players, to support the application of existing rules in a clear and effective way. It will also continue to assess gaps and usability concerns and uncertainties and how to address them.
- Over the next few years, the quality and availability of disclosures and data will improve as the implementation of the sustainable finance framework progresses. The implementation and the first application of sustainability disclosure requirements may be challenging as well as the phase-in of reporting raises implementation and usability questions and requires firm-level investments into originating, processing, and quality assuring of the required information. **The Commission is committed to actively supporting implementation, and to enhance the framework's usability and coherence**, ensuring that the various elements are easy to use and administrative burdens are minimised as much as possible. The comprehensive assessment of the SFDR announced in December 2022 is an important part of these efforts. **As part of the SFDR assessment, a public consultation will be launched in autumn 2023.**
- **Transition finance** can be raised not only by companies with the highest sustainability performance, but also by companies with different starting points and clear sustainability objectives. The sustainable finance regulatory framework already recognises investments in the transitioning of economic activities, assets and companies to climate and environmental objectives, for instance through the taxonomy
- The inclusion in the **Taxonomy Regulation** of more economic activities covering all six environmental objectives, and consequently more economic sectors and companies, will increase the potential of sustainable investments in the EU. New economic sectors and activities will be added, and existing ones refined and updated, where needed in line with regulatory and technological developments.
- The Commission has made efforts to ensure the **delegated ESRS act** will meet the intended policy objectives in a proportionate manner, minimising regulatory burdens as much as possible. The Commission has considered the approach to materiality, additional phase-ins, making some disclosures voluntary, additional flexibilities in some disclosures, assess requirements, and further interoperability with the ISSB, and will carefully assess the comments received in the public consultation before finalising the delegated act.