



Council of the
European Union

023551/EU XXVI. GP
Eingelangt am 30/05/18

Brussels, 30 May 2018
(OR. en)

9355/18

Interinstitutional File:
2018/0178 (COD)

EF 145
ECOFIN 491
CODEC 861
ENV 351

PROPOSAL

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 24 May 2018

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

No. Cion doc.: COM(2018) 353 final

Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND
OF THE COUNCIL on the establishment of a framework to facilitate
sustainable investment

Delegations will find attached document COM(2018) 353 final.

Encl.: COM(2018) 353 final



Brussels, 24.5.2018
COM(2018) 353 final

2018/0178 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the establishment of a framework to facilitate sustainable investment

(Text with EEA relevance)

{SEC(2018) 257 final} - {SWD(2018) 264 final} - {SWD(2018) 265 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

This proposal is part of a broader Commission initiative on sustainable development. It lays the foundation for an EU framework which puts Environmental, Social and Governance (ESG) considerations at the heart of the financial system to support the transformation of Europe's economy into a greener, more resilient and circular system. To make investments more sustainable ESG factors should be considered in the investment decision making process, when taking into account factors such as greenhouse gas emissions, resource depletion, or working conditions. This proposal, and the legislative acts proposed alongside it, aim at integrating ESG considerations into the investment and advisory process in a consistent manner across sectors. This should ensure that financial market participants (UCITS management companies, AIFMs, insurance undertakings, IORPs, EuVECA managers and EuSEF managers), insurance distributors or investment advisors, who receive a mandate from their clients or beneficiaries to take investment decisions on their behalf, integrate ESG considerations into their internal processes and inform their clients in this respect. Furthermore, to help investors compare the carbon footprint of investments, the proposals introduce new categories of low carbon and positive carbon impact benchmarks. These proposals which are mutually reinforcing should facilitate investments in sustainable projects and assets across the EU.

In particular, this proposal sets out uniform criteria for determining whether an economic activity is environmentally sustainable. It further sets out a process involving a multi-stakeholder platform to establish a unified EU classification system based on a set of specific criteria, in order to determine which economic activities are considered sustainable.

This would provide economic actors and investors with clarity on which activities are considered sustainable in order to inform their investment decisions. It would help ensuring that investment strategies are oriented towards economic activities which are genuinely contributing to the achievement of environmental objectives, while also complying with minimum social and governance standards. Greater clarity on what can be considered an environmentally sustainable investment will facilitate access to cross border capital market for environmentally sustainable investment.

The Commission's package follows global efforts towards a more sustainable economy. Governments from around the world have chosen a more sustainable path for our planet and our economy by adopting the **2016 Paris Agreement on climate change** and the **United Nations (UN) 2030 Agenda for Sustainable Development**.

The EU is committed to a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability has since long been at the heart of the European project. The EU Treaties give recognition to its social and environmental dimensions, which should be addressed together.

The 2016 Commission Communication on the next steps for a sustainable European future links the Sustainable Development Goals (SDGs)¹ of the UN 2030 Agenda for Sustainable Development to the European policy framework to ensure that all EU actions and policy initiatives, within the EU and globally, take the SDGs on board at the outset. The EU is also

¹ The 17 SDGs provide qualitative and quantitative objectives for the next 15 years to prepare ourselves for the future and work towards human dignity, stability, a healthy planet, fair and resilient societies and prosperous economies.

fully committed to reaching the EU 2030 climate and energy targets and to mainstream sustainable development into EU policies, as announced in the 2014 **Political Guidelines for the European Commission**² by Jean-Claude Juncker. Therefore, many of the European Commission's policy priorities for 2014-2020 feed into the EU climate objectives and implement the 2030 Agenda for Sustainable Development. These include the **Investment Plan for Europe**,³ the **Circular Economy Package**,⁴ the **Energy Union package**,⁵ the **Update of the EU Bioeconomy Strategy**,⁶ the **Capital Markets Union**⁷ and the **EU budget for 2014-2020**, including the **Cohesion fund** and research projects. In addition, the Commission launched a multi-stakeholder platform to follow-up and exchange best practices on SDG implementation.

Achieving EU sustainability goals requires important investments. In the climate and energy space alone, it is estimated that an additional annual investment of EUR 180 billion is needed to meet climate and energy targets by 2030.⁸ A substantial part of these financial flows will have to come from the private sector. Closing this investment gap means significantly reorienting private capital flows towards more sustainable investments and requires a comprehensive rethinking of the European financial framework.

In this context, the Commission established in December 2016 a **High-Level Expert Group (HLEG)** to develop an EU strategy on sustainable finance. The HLEG published its final report⁹ on 31 January 2018. This report provided a comprehensive vision on sustainable finance for Europe and identified two imperatives for Europe's financial system. The first is to improve the contribution of finance to sustainable and inclusive growth. The second is to strengthen financial stability by incorporating Environmental, Social and Governance (ESG) factors into investment decision-making. The HLEG issued eight key recommendations, which it believes are essential building blocks of a sustainable European financial system. Among these recommendations, the HLEG calls for the establishment of a technically robust classification system at EU level to provide clarity on what is 'green' or 'sustainable' – a so-called sustainability taxonomy. The advice of the expert group was to start, as a first step, with establishing when an economic activity can be considered as environmentally sustainable.

To follow-up on the work of the HLEG, the Commission published an **Action Plan on Financing Sustainable Growth**¹⁰ on 8 March 2018. This committed it to tabling a legislative proposal in Q2 2018 ensuring the gradual development of an EU taxonomy for climate change and environmentally and socially sustainable activities, building on existing work where relevant. The aim is to embed the future EU taxonomy in EU law and provide the basis for using that classification system in different areas (e.g. standards, labels, sustainability benchmarks).

² A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change - Political Guidelines for the next European Commission, Strasbourg, 15 July 2014 available at:

https://ec.europa.eu/commission/sites/beta-political/files/juncker-political-guidelines-speech_en.pdf

³ COM(2014) 0903 final.

⁴ COM(2015) 614 final.

⁵ COM(2015) 80 final.

⁶ Commission Staff Working Document on the review of the 2012 European Bioeconomy Strategy (SWD(2017) 374 final)..

⁷ COM(2015) 468 final.

⁸ The estimate is a yearly average investment gap for the period 2021 to 2030, based on PRIMES model projections used by the European Commission in the Impact Assessment of the Proposal of the Energy Efficiency Directive (2016), available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1483696687107&uri=CELEX:52016SC0405>.

⁹ EU High-Level Expert Group on Sustainable Finance Final Report, Financing a Sustainable European Economy, available at: https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf

¹⁰ COM(2018) 97 final.

- **Consistency with existing policy provisions in the policy area**

The proposal establishes the criteria and the process to identify environmentally sustainable investment, to ensure that the single market is not distorted by different interpretations of this concept across Member States. This proposal is consistent with other policy provisions in the policy area of the single market and financial markets, as it does not interfere with any existing provision but allows existing and future legal provisions to use and build on the common concept of environmentally sustainable investment in the future. There are no differences from or inconsistencies with other single market policy provisions.

- **Consistency with other Union policies**

The proposal complements existing EU environmental and climate policies. The common understanding of what constitutes environmentally sustainable investment will complement existing EU environmental policies by providing a reference point which they can use in the future so that such policies develop more consistently across the Union. The proposal builds on existing policies and uses the concepts developed under those policies to ensure consistency. It builds on the concepts developed under the 7th Environmental Action Programme,¹¹ the Water Framework Directive,¹² the Action Plan for the Circular Economy,¹³ the Industrial Emissions Directive¹⁴ such as when referencing the 2030 Agenda for Sustainable Development, the Ecolabel Regulation,¹⁵ the Statistical Classification of Economic Activities in the European Community (NACE),¹⁶ the Classification of Environmental Protection Activities and Expenditure (CEPA) and the Classification of Resource Management Activities (CReMA).¹⁷

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

Article 114 of the Treaty on the Functioning of the European Union (TFEU) confers on the European Parliament and the Council the competence to adopt measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which relate to the establishment and functioning of the internal market. Article 114 TFEU enables the EU to take measures to eliminate current obstacles to the exercise of the fundamental freedoms and to prevent such obstacles from emerging, including those that make it difficult for economic operators, including investors, to take full advantage of the benefits of the internal market.

Currently Member States differ in their interpretations as to what counts as sustainable investment. Some Member States have in place labelling schemes or market-led initiatives to determine what qualifies as green for investment purposes, others do not have any rule in place but are likely to legislate in this field based on their own definition of sustainable

¹¹ Decision No 1386/2013/EU.

¹² Directive 2000/60/EC.

¹³ COM/2015/0614 final.

¹⁴ Directive 2010/75/EU.

¹⁵ Regulation (EC) No 66/2010.

¹⁶ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (OJ L 393/1, 30.12.2006, p.1.)

¹⁷ Annex 4 and 5 of Regulation (EU) No 538/2014 of the European Parliament and of the Council of 16 April 2014 amending Regulation (EU) No 691/2011 on European environmental economic accounts (OJ L 158, 27.5.2014).

investment. National labels based on different criteria as to which economic activities qualify as environmentally sustainable make it difficult for investors to compare green investment, thus discouraging them from investing across borders.

Existing divergences are also a burden on economic operators having to comply with different standards in different Member States. To address existing divergences and prevent any further barriers to the internal market from emerging, this proposal establishes a standard EU-level definition of what qualifies as an environmentally sustainable economic activity for investment purposes. The purpose of this proposal is to standardise the concept of environmentally sustainable investment across the Union, thereby facilitating investment in environmentally sustainable economic activities, both nationally and in more than one EU country. The standardised concept will also enable economic operators to attract investment from abroad more easily.

Article 114 of the TFEU provides the legal basis on which the EU can adopt this proposal, since its objective is to facilitate EU-wide investment in sustainable economic activities, irrespective of national boundaries.

- **Subsidiarity (for non-exclusive competence)**

This proposal complies with the principle of subsidiarity, set out in Article 5 of the Treaty on European Union (TEU). This principle states that action may be taken at EU level only if the aims envisaged are not achievable at a lower level.

The existing lack of clarity as to what constitutes an environmentally sustainable economic activity could be exacerbated if Member States attempt to take action in that field in parallel, without coordination. Given the commitments to environmental and climate policy goals at both international (e.g. Paris Agreement) and EU level, more and more Member States are likely to explore the option of introducing labels for sustainable financial products, using their own bespoke taxonomies. This would exacerbate national barriers to the operation of capital markets for raising funds for sustainable projects. Diversifying classification systems would increase market fragmentation and raise competition problems, making it more difficult and costly for investors to understand what is and what is not sustainable.

The criteria for determining what constitutes a sustainable activity for investment purposes should therefore be standardised at EU level. Subsequently, a uniform EU classification system should be established through a process involving all relevant stakeholders. This will make it easier for economic operators to attract capital for sustainable investment from across the EU. It will be a first step towards tackling 'greenwashing' and will make it easier for investors to identify the criteria applied when classifying a financial product as 'green' or sustainable. The proposal is thus designed to address the shortcomings of the existing legal framework by establishing standard criteria for ascertaining what counts as environmentally sustainable investment. EU-level action is more effective in guaranteeing uniformity and legal certainty as regards the exercise of Treaty freedoms.

- **Proportionality**

This proposal complies with the principle of proportionality set out in Article 5 TEU. The proposed measures create incentives for investing in green activities without penalising other investments. They are necessary to make matters clear for investors by standardising at EU level the criteria used to ascertain the degree of an investment's environmental sustainability. Providing standard criteria will make it easier for investors to identify the relative

environmental sustainability of a given investment, and to compare investments both nationally and across Member States.

The proposal is designed to address the divergence of existing national taxonomies and market-based initiatives at national level, in order to tackle the risk of ‘greenwashing’, make it easier for economic operators to raise funds for environmentally sustainable activities across borders, and to try to establish a level playing field for all market participants.

As regards the costs of such harmonisation on financial market participants, the proposal introduces a disclosure obligation only for those who offer financial products that they claim to be environmentally sustainable. This will become applicable only once the EU classification system has been developed. Moreover, the approach taken in this proposal provides enough flexibility for Member States to decide on specific details of national labels, such as flexibility for financial market participants as regards the degree to which the financial product being offered contains assets considered environmentally sustainable under the EU classification system.

Consequently, the proposal does not go beyond what is necessary to tackle the issues at EU level.

- **Choice of the instrument**

This proposal is designed to standardise the way in which an investment’s degree of environmental sustainability is determined, by laying down the criteria such an investment must fulfil, in order to avoid diverging national approaches. A different choice of instrument, such as a non-legislative measure or a directive providing minimum harmonisation, would leave to Member States the discretion to define environmentally sustainable investment based on divergent classifications of economic activities. Such discretion could make the single market more fragmented and mean that financial products with a poor environmental performance will still be labelled as ‘environmentally sustainable’. This proposal ensures that financial market participants who offer financial products as environmentally sustainable investments or as investments with similar characteristics make it clear to investors why such products can be considered environmentally sustainable, building on uniform criteria established at EU level. A directly applicable regulation, providing full harmonisation, is necessary to achieve these policy objectives. A regulation is thus the best way to achieve full harmonisation, avoid divergences and thus ensure greater clarity for market participants.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

Stakeholders’ views were gathered through a public consultation on the Interim Report by the High Level Expert Group on sustainable finance, and targeted interviews of financial institutions, conducted by the Commission. Stakeholders were asked what an EU taxonomy should cover, whether they saw a need for regulatory intervention, and what scope an EU taxonomy should initially have. The views gathered on these three themes may be summarised as follows:

- EU regulatory intervention - most respondents were in favour of developing a taxonomy (i.e. a classification of sustainable economic activities) at EU level. Many of them said an EU taxonomy should build upon, or at least take into account, existing international frameworks (e.g. UN SDGs) and classifications

(e.g. the work of the Climate Bonds Initiative, Eurosif, the Task Force on Climate-Related Financial Disclosures, etc.).

- Scope - a majority of the respondents indicated that an EU taxonomy should eventually cover all sustainability objectives (environment and social). Some respondents favoured a step-by-step approach starting with environment.
- Level of detail - views differed as regards the level of detail an EU taxonomy should have. While the financial industry generally favoured a non-prescriptive taxonomy, other stakeholders (private individuals and civil society) preferred a more detailed taxonomy, providing clear definitions and (measureable) criteria.

The Commission's proposal is broadly in line with the stakeholders' views in so far as it: i) sets out uniform criteria and a clear process for the establishment of a taxonomy of environmentally sustainable activities in a legally binding act, based on environmental objectives; ii) ensures that the EU taxonomy is built on existing international frameworks and is granular and detailed enough to provide the basis for a common and unique language on sustainability; iii) provides for a review clause to possibly cover also social objectives. This should address the current fragmentation and bring the needed clarity for investors as to what environmentally sustainable economic activities are.

- **Collection and use of expertise**

The proposal is built on the High Level Expert Group on sustainable finance's final report which recommends to establish and maintain a common sustainability taxonomy at EU level. According to this report, this shared EU classification of sustainable activities, should:

- be aligned with the EU's declared public policy goals, including the implementation of the Paris Agreement, the SDGs;
- give capital market participants guidance on the relevance of specific activities or the contribution they make;
- the parameters of the taxonomy and the data underpinning them should be freely accessible, and should be developed through a multi-stakeholder process so as to ensure market buy-in;
- be an evolving tool. The science around sustainability is dynamic and evolving, as are social expectations as well as investor and market needs. Therefore, the taxonomy should be considered to represent the best of our currently available knowledge and will require continuous review.

The proposal also builds upon a study 'Defining "green" in the context of green finance' commissioned by the Commission in 2017 presenting:

- an overview and analysis of worldwide efforts to define 'green' in the context of green bonds, lending and listed equity;
- the means and scope for identifying 'green' assets and activities through conceptual definitions, taxonomies, ratings methodologies and other mechanisms;
- a list of available 'green' definitions, descriptions and assessments of selected definitions, as well as a comparison of available 'green' sectoral taxonomies.

This proposal launches a gradual process for the establishment of an EU classification system, involving a broad range of stakeholders with the relevant knowledge and expertise. As first

step, this proposal sets out the framework to establish uniform criteria to show when an economic activity can be considered as environmentally sustainable. The Commission will afterwards identify the activities which will qualify as sustainable while drawing on the technical advice of a platform on sustainable finance consisting of experts.

This approach reflects the fact that knowledge of environmental impacts and expertise in the field are developing rapidly. The legal framework must therefore remain flexible, so that it can be updated where necessary in the light of future scientific, technological and market developments. Secondly, this proposal takes account of the high level of complexity, detail, granularity and, hence, resources required; this is such that the EU classification will need to be developed gradually, starting with those environmental areas where action is most urgently needed and knowledge is more advanced.

- **Impact assessment**

The proposal takes into account the opinions (the positive opinion with reservations issued on 14 May 2018 and the previous two negative opinions) issued by the Regulatory Scrutiny Board (RSB). The proposal and revised impact assessment address the comments of the RSB, which concluded in their opinions that adjustments were necessary before proceeding further with this initiative.

Comments received as part of the positive third opinion focused on:

- ensuring clarity regarding the operationalisation of the notions of 'do no harm' and 'contributing substantially to sustainability';
- ensuring that the monitoring and evaluation framework includes issues and risks that have to be taken into account when developing the technical screening criteria;
- making more transparent the cost-benefit trade-off when comparing options

These concerns were addressed in the final and revised version of the impact assessment.

Comments received from the RSB previously were fully addressed both in the proposal and the accompanying revised impact assessment and can be grouped into three broader areas of concern:

First, and more generally, the RSB suggested that the impact assessment should better explain the scope, sequencing and coherence of the various measures, including the taxonomy and how it relates to the other proposals. As such, the final version of the impact assessment benefitted from the following improvements:

- the immediate and potential future uses of the taxonomy were better described, as well as how it would be operationalised;
- it was clarified that the nature and magnitude of the costs on stakeholders would be impact-assessed before the adoption of each delegated act establishing the technical screening criteria;
- the consistency and complementarity with existing EU legislation and policies in other areas (e.g. environment and climate, energy, transport) was explained;
- the sequencing and the interactions between 'an environmental taxonomy' and a 'social taxonomy' were explained;
- how the taxonomy would be expanded and updated over time was clarified and the associated administrative costs estimated;

- it was clarified how the co-legislators would be informed/involved throughout the development of the technical screening criteria.

Second, and more specifically, the RSB expressed concerns regarding the immediate use of the taxonomy and the risks associated with making such use mandatory for financial market participants before the taxonomy has reached sufficient stability and maturity. The proposed legal text, based on the final and revised impact assessment, addresses this concern as follows:

- **A number of provisions in this proposal ensure that the taxonomy will only be used once it is stable and mature**, in order to avoid disproportionate costs on financial market participants. The aim of these safeguards is that the use of the taxonomy will only come at the end of a consultative process with stakeholders which has created buy-in and a good understanding of the concept:
 - Article 18 lays down that the operational part of this regulation (articles 3 to 12) will enter into application six months after the entry into force of the delegated acts. This means that financial market participants will not be required to apply the criteria for environmentally sustainable economic activities until they have had sufficient time to prepare for and familiarise themselves with the rules and their application.
 - Financial market participants who market financial products as environmentally sustainable will be required to provide appropriate disclosure. However, this proposal ensures that relevant disclosure obligations are such that they do not place a disproportionate burden on relevant financial market participants. Article 4 requires the disclosure of the way in which and the extent to which criteria determining the environmental sustainability of an investment, as laid out by the taxonomy, were taken into account in investment decision-making processes. The delegated acts will specify the exact scope of this disclosure obligation, based on a thorough impact assessment.
 - Administrators of low-carbon or positive carbon impact benchmarks will be able to design their methodologies and the related disclosure obligations without being obliged to use the taxonomy, which will constitute only a reference for the selection of the benchmark's underlying assets.

Third, the RSB was concerned about the way in which the six environmental objectives of the taxonomy, as laid out in article 5, will be operationalised, particularly with regards to the notion of 'do no harm' and its interaction with existing Union legislation, as well as the notion of 'contributing substantially to sustainability'. A related concern was potential issues of distorting competition when stipulating heterogeneous criteria for different sub-sectors. These concerns were reflected in the impact assessment and the legal text addresses them as follows:

- The recitals emphasise that the delegated acts determining the technical screening criteria for each of the six environmental objectives will be thoroughly impact assessed. The empowerment to the Commission sets out that both sets of criteria – those fulfilling the 'do no harm' requirement and those which determine an activity's 'substantial contribution to sustainability' – will be addressed together in single delegated acts for each of the six objectives.

- Article 14(1)(d) requires that the development of the technical screening criteria takes into account any relevant existing EU legislation.
- Article 14(1)(h) requires that the technical screening criteria acknowledge the risk of stranded assets and the potential impact of the proposed measures on market liquidity. These risks, as well as any possible risks of providing inconsistent incentives, will be rigorously assessed when developing the technical screening criteria as part of the delegated acts, described in article 14.
- Article 14(1)(i) sets out that the delegated acts will be developed objective by objective, for all relevant sectors, in order to not distort competition. Recital 27 supports this provision.
- Article 18 provides additional safeguards for the use of the taxonomy by financial market participants when deferring the application of the operational provisions in this regulation. This ensures that additional obligations are not imposed on financial market participants until sufficient clarity on the content of the taxonomy and compliance with it are in place.

The proposal is in line with the conclusions of the impact assessment on the preferred option. The general policy alternatives examined in the impact assessment consisted of the following options:

- no EU action (Option 1)
- EU environmental taxonomy with a medium degree of granularity (Option 2)
- EU environmental taxonomy with a high degree of granularity (Option 3)

Under the first option, market-led or market-based initiatives with different scopes are likely to be further developed and compete with classifications developed by public bodies in the future (e.g. the EIB) and hence no coherent and univocal classification system on sustainable activities in the medium to long-term will emerge. This is likely to limit the possibility of redirecting capital flows towards sustainability goals. Option 2 foresees, on the other hand, the identification of six EU environmental objectives and the identification and classification of economic activities (grouped by macro-sectors, sectors and sub-sectors) that contribute unambiguously to any of them. However, the lack of more granular technical screening criteria raises doubts about (i) how 'green' the taxonomy under option 2 really is (as it might favour economic activities in a sub-sector defined as 'green' even if they have poor environmental performance) and (ii) what the contribution is to a given EU environmental objective (e.g. the lack of measurable impacts also makes the collection and monitoring of data more difficult).

Option 3 – which instead foresees the development of technical screening criteria specific to sub-sectors and the EU environmental objective the sub-sectors contribute to – is the preferred option as it provides full clarity on which activities are environmentally sustainable by also overcoming the main shortcomings identified under the less granular taxonomy (Option 2). In terms of economic impacts, a uniform classification at EU level would help to determine which activities can be regarded as sustainable and send appropriate signals to economic actors, as it would 'translate' EU policy objectives into tangible guidance to identify the relevant projects or investments. It could therefore help orient more capital flows towards sustainable investments. This regulation is an important first step towards providing clarity on what constitutes a sustainable investment, but the taxonomy itself will be developed through delegated acts. The impacts on stakeholders depend on the final uses of the taxonomy and on the details of the taxonomy. In terms of costs, developing such a taxonomy will take time and

resources, which will also have an impact on the EU budget (see budgetary implications section below).

In terms of environmental impacts, once operational, the EU taxonomy is expected to have a positive indirect environmental impact in the EU. Through providing clarity on what is 'green', it would facilitate investments in sustainable projects and assets across the EU. This would contribute to the achievement of the EU environmental goals e.g. lowering greenhouse gas emissions in line with the Paris Agreement, and moving to a resource-efficient and circular economy. The additional investments resulting from increased transparency and market harmonisation could help to ensure the far-reaching sustainable transformation envisaged by the environmental policies already in place at EU and Member State levels. Investments in green sectors (e.g. renewable energy, energy efficiency, waste management, environmental restoration) would thus translate into immediate and longer term environmental benefits such as reduced pollution levels (e.g. to air, water and soil) with related health benefits, reduced greenhouse gas emissions mitigating dangerous climate change and the preservation and enhancement of natural capital and eco-system services.

In terms of social impacts, as the proposal contains minimum safeguards including on social aspects, some positive minimum social impacts are also to be expected. More important social impacts could be expected once the proposed initiative is reviewed to eventually cover social objectives and socially sustainable activities as per the review clause.

- **Fundamental rights**

The proposal respects the fundamental rights and observes the principles recognised by the Charter of Fundamental Rights of the European Union given the obligation that the identified environmentally sustainable economic activity has to be carried out respecting some minimum social and governance safeguards.

4. BUDGETARY IMPLICATIONS

The proposal includes an article on the creation of a Platform on Sustainable Finance. This Platform will assist the Commission in the progressive development and the update of the EU classification system. It will carry out other tasks necessary to achieve the objectives of the sustainable finance action plan, and particularly advise the Commission on the need to amend the framework set out by this proposal. It will also be tasked to monitor and report regularly to the Commission on capital flows towards sustainable investment.

The European Supervisory Authorities (ESAs) will play a key role in the development of the EU sustainability taxonomy to ensure that it is usable by financial institutions, applicable to financial products and compatible with the EU financial legislation. The ESAs will play an important role in ensuring that the EU sustainability taxonomy is developed in such a way that it is useful for climate scenario analysis and, at a later stage, for climate stress testing. In order to accomplish these and other tasks, each authority would need 1 additional full-time employee as of 2020 when the different provisions of the proposal are expected to enter into application.

It should be noted that any budgetary demands from the ESAs will still be subject to all accountability and audit mechanisms put in place in the ESAs' Regulations for the preparation, adoption and execution of their annual budgets. Moreover, the annual decision on the EU balancing contribution to the ESAs and their establishment plans (e.g. decision on the staffing level) would still be authorised by the European Parliament and the Council, and subject to discharge from the European Parliament on a recommendation from the Council.

The European Environmental Agency (EEA) will also be closely involved in the sustainable finance work, in particular by providing its technical knowledge in various environmental areas to develop and maintain the EU sustainability taxonomy for all climate-related and environmental issues. The EEA will also collect and provide data on investment needs and flows in EU Member States as part of the Sustainable Finance Observatory, and provide advice to EU Member States in order to develop their low-carbon and sustainable investment strategies. In order to accomplish these and other tasks, the EEA would need 2 additional full-time employees as of 2020.

The European Commission will be responsible for managing the Platform (e.g. organising its meetings and meetings of any sub-groups, reporting on the outcome, preparing legislative proposals, liaising with the ESAs and the EEA, maintaining an IT collaborative tool, reimbursing experts, performing other secretarial tasks, etc). In order to accomplish these and other tasks, the European Commission would need 10 full-time employees as of 2020 (8 AD and 2 AST).

The financial and budgetary impact of this proposal is explained in detail in the legislative financial statement annexed to this proposal.

It should be noted that the information provided in the legislative financial statement is compatible with the post-2020 MFF proposal.

5. OTHER ELEMENTS

• Implementation plans and monitoring, evaluation and reporting arrangements

The uniform criteria for determining environmentally sustainable economic activities will be developed and operationalised through subsequent delegated acts, which will define the technical screening criteria. Those delegated acts will be duly impact assessed. The development of the technical screening criteria will take into account, in particular, their impact on competition within and between industries, on existing green financial products and markets, and on liquidity in financial markets as well as potential risks of delivering inconsistent incentives.

Evaluation and reporting is foreseen every three years after the entry into application of this Regulation. The Commission is to publish a report on the application of this Regulation, evaluating the progress on its implementation to develop technical screening criteria for environmentally sustainable economic activities and the possible need to revise the criteria set out in this Regulation for considering an economic activity environmentally sustainable.

The Commission should also assess whether it is appropriate to set up a verification mechanism to verify compliance with the application of the criteria for determining the environmental sustainability of an economic activity.

Finally, the Commission should evaluate whether it is appropriate to extend the scope of this Regulation to cover other sustainability objectives, in particular social objectives, as well as the use of the common notion of environmentally sustainable investment in Union law, and at Member State level.

Any future Commission legislative proposals providing for the binding use of the EU classification of environmentally sustainable activities in further areas will be subject to impact assessments, in line with the Better Regulation principles.

The Commission is required to forward its report to the European Parliament and to the Council. The Commission is required to make proposals to amend this Regulation as appropriate.

- **Detailed explanation of the specific provisions of the proposal**

Article 1 sets out the subject matter and the scope of this Regulation.

This proposal establishes the framework to set out uniform criteria to determine the environmental sustainability of an economic activity, exclusively for the purposes of determining the degree of sustainability of an investment.

This proposal provides the basis to establish the environmental sustainability of economic activities, rather than that of companies or assets. Therefore it does not harmonise the methodology to determine the environmental sustainability of an investment in certain companies or assets. However, the uniform criteria for environmentally sustainable activities will permit to determine the degree of environmental sustainability of a given company, for the purposes of investment. If a company performs only environmentally sustainable activities, the investment in this company is deemed environmentally sustainable. Thus, a share of this company will be an environmentally sustainable asset. Those companies that perform several activities and only some of them are environmentally sustainable, may have different degrees of environmental sustainability, that can be determined, for instance, based on the proportion of turnover that originates from sustainable activities as compared to other activities. The assets that are used to finance only the environmentally sustainable activities of the company (e.g. certain types of bonds) will be considered environmentally sustainable investments, while other assets may have a different degree of environmental sustainability. The degree of environmental sustainability can similarly be determined for investment portfolios consisting of several companies, which will incentivise investments into environmentally sustainable economic activities, without penalising or creating disincentives for investments into other economic activities.

This Regulation applies to Member States and the Union in the context of marketing requirements for market actors and the offering of financial products or corporate bonds pursuing environmental objectives, in particular in the context of labelling.

This Regulation does not establish a label for sustainable financial products. Instead, it provides the framework to set out the criteria that need to be taken into account when setting up such labels at national or EU level. Thus, this Regulation does not prevent Member States from keeping in place, or further developing, labelling schemes – as long as they comply with the criteria set out here for environmentally sustainable economic activities.

In the future, if a label for financial products is developed under the Ecolabel Regulation, already existing national labelling schemes can co-exist with that Ecolabel, provided they comply with the conditions set out in Article 11 of the Ecolabel Regulation.

This proposal is linked with the proposal for a Regulation on improving sustainability disclosures [Commission proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341].

This Regulation requires those financial market participants that are subject to the disclosure obligations set out in the proposed Regulation on improving sustainability disclosure referenced above (e.g. fund managers) to disclose the degree of environmental sustainability of those financial products that they claim pursue environmental objectives.

If a fund manager offers a fund claiming it is a 'green fund', then for that particular fund the manager will have to indicate the way and the extent to which the criteria for environmentally

sustainable economic activities were used to determine the environmental sustainability of the investment in the fund's pre-contractual disclosure document.

The scope of this obligation will be specified by delegated acts once the technical screening criteria for environmentally sustainable activities are developed.

This disclosure obligation will help investors better understand the degree of environmental sustainability of a financial product, and better compare them before making their investment decisions.

This Regulation sets out provisions framing the process for the development of the technical screening criteria underpinning the establishment of the EU classification of environmentally sustainable economic activities.

It provides for a gradual entry into application of the Regulation only once the classification's criteria for each environmental objective are sufficiently mature and stable, allowing for a consultative process with stakeholders to create buy-in and a good understanding of the concept among relevant financial market participants.

Article 2 contains the definitions of terms used in this Regulation.

The definitions of financial market participants and of financial products are those set out in the proposal for a Regulation on improving sustainability disclosures.

Article 3 sets out the criteria for determining the environmental sustainability of an economic activity, for the purpose of establishing the degree of environmental sustainability of an investment. Those criteria require that the economic activity contributes substantially to one or more environmental objectives and does not significantly harm any of the others. Recognising the principles enshrined in the European Pillar of Social Rights, they also require that the economic activity is carried out in compliance with minimum social and labour international standards.

Once the Commission specifies, via delegated acts, the technical screening criteria for determining what constitutes a substantial contribution to an environmental objective and what constitutes substantial harm to other objectives, those criteria also apply.

Article 4 establishes obligations on Member States and financial market participants to use the criteria set out in Article 3 in specific cases.

It provides that both Member States and the Union use the uniform criteria for environmentally sustainable economic activities when setting out the requirements for marketing financial products or corporate bonds as environmentally sustainable, in particular in the context of labelling schemes (e.g. for green bonds). It sets out a disclosure obligation on asset managers and institutional investors offering financial products, which are marketed as environmentally sustainable or as investments with similar characteristics, the scope of which will be further specified in the Commission's delegated acts.

In accordance with article 18, these obligations will become applicable only once the Commission specifies the technical criteria to be used to determine when an activity contributes substantially to a given environmental objective and does not cause significant harm to the other objectives.

Article 5 establishes that for the purpose of this Regulation, the environmental objectives are the following: 1) climate change mitigation; 2) climate change adaptation; 3) sustainable use and protection of water and marine resources; 4) transition to a circular economy, waste prevention and recycling; 5) pollution prevention and control; (6) protection of healthy ecosystems.

Articles 6 to 11 further define the criteria for a substantial contribution to each environmental objective.

The Commission is empowered to adopt delegated acts to specify technical screening criteria for what qualifies as a substantial contribution to a given environmental objective for a given economic activity and what is considered to cause significant harm to other objectives.

Each article indicates the date of adoption of the relevant delegated act, so to provide for the progressive development of the EU classification based on the technical screening criteria. Those related to climate change mitigation and adaptation will be adopted first (by December 2019). Those related to the other objectives will be progressively established and applied by December 2021 (transition to a circular economy, waste prevention and recycling as well as pollution prevention and control) and by December 2022 (sustainable use and protection of water and marine resources and protection of healthy ecosystems).

Article 12 sets out the details for the criteria for determining when an economic activity harms any environmental objective significantly.

Article 13 sets out minimum safeguards by reference to the principles and rights set out in the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work.

Article 14 further frames the Commission empowerment by setting out the requirements for the technical screening criteria to be established by delegated acts.

In particular, it requires that those criteria build on standards and labels which exist already at Union level, setting out environmental sustainability criteria in other contexts (such as product labelling, environment protection, etc). As those standards do not automatically translate into investable assets, the technical criteria should operationalise them for the purposes of investments.

Those criteria should also take into account the requirements set out in existing EU legislation, in particular to determine the minimum requirements that needs to be met to avoid significant harm to an environmental objective. This implies an assessment of whether or not existing requirements are sufficient to that purpose.

The technical screening criteria should be practicable, easy to apply, and verifiable within reasonable cost-of-compliance boundaries, and provide for sufficient legal clarity.

When establishing the technical screening criteria, the Commission should assess the use of possible different eligibility criteria per economic sector and subsector, and should strive to ensure that the ease with which an economic operator could engage in an activity that would be considered sustainable, is largely the same by sector.

The Commission should also take into account the potential impact of these criteria on the valuation of those assets that until the adoption of the technical screening criteria were

considered as 'green' assets under existing market practices. It should assess whether these criteria for sustainable activities would give rise to stranded assets and the risk that certain assets lose value as a result of the transition to a more sustainable economy, as well as the risk of delivering inconsistent incentives.

The technical screening criteria should also take into account impacts on market liquidity and competition.

Article 15 requires the Commission to establish a Platform on sustainable finance consisting of experts, which shall advise the Commission on the technical screening criteria. The Platform will take the form of a Commission expert group established in accordance with the Horizontal rules on expert groups, and will replace the expert group previously put in place with similar tasks.

Article 16 governs the exercise of the delegated powers.

Article 17 contains a review clause, requiring the Commission to publish a report evaluating the implementation of this Regulation and the possible need to amend it by 31 December 2021 and every three years thereafter.

Article 18 sets out the date of entry into force and direct applicability of this Regulation.

It defers the applicability of the Regulation to a date posterior to the adoption of the delegated acts establishing the technical screening criteria, for each environmental objective. Thus, in respect of each of the environmental objectives, the provisions related to each environmental objective will become applicable only six months after the technical screening criteria are established, in order to give the market players that are concerned sufficient time to prepare.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the establishment of a framework to facilitate sustainable investment

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Central Bank,¹⁸

Having regard to the Opinion of the European Economic and Social Committee,¹⁹

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Article 3(3) of the Treaty on European Union aims to establish an internal market that works for the sustainable development of Europe, based among others on balanced economic growth and a high level of protection and improvement of the quality of the environment.
- (2) On 25 September 2015, the UN General Assembly adopted a new global sustainable development framework: the 2030 Agenda for Sustainable Development²⁰ having at its core the Sustainable Development Goals (SDGs) covering three pillars of sustainability: environmental, social and economic/governance. The Commission's Communication of 2016 on the next steps for a sustainable European future²¹ links the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, within the Union and globally, take the SDGs on board at the outset. The European Council conclusions of 20 June 2017²² confirmed the commitment of the Union and the Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner and in close cooperation with partners and other stakeholders.
- (3) In 2016, the Council concluded on behalf of the Union the Paris Climate Agreement²³. Article 2(1)(c) of the Paris Climate Agreement sets the objective to strengthen the response to climate change, among other means by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

¹⁸ OJ C , , p .

¹⁹ OJ C , , p .

²⁰ Transforming our World: The 2030 Agenda for Sustainable Development (UN 2015) available at <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

²¹ COM(2016) 739 final.

²² CO EUR 17, CONCL. 5.

²³ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 4).

- (4) Sustainability and the transition to a low-carbon and climate resilient, more resource-efficient and circular economy are key in ensuring long-term competitiveness of the Union's economy. Sustainability has long been at the heart of the European Union project and the Treaties give recognition to its social and environmental dimensions.
- (5) In December 2016, the Commission mandated a High-Level Expert Group to develop an overarching and comprehensive Union strategy on sustainable finance. The report of the High-Level Expert Group published on 31 January 2018²⁴ calls for the creation of a technically robust classification system at Union level to establish clarity on which activities are 'green' or 'sustainable', starting with climate change mitigation.
- (6) In March 2018, the Commission published its Action Plan 'Financing Sustainable Growth'²⁵ setting up an ambitious and comprehensive strategy on sustainable finance. One of the objectives set out in that Action Plan is to reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth. The establishment of a unified classification system for sustainable activities is the most important and urgent action envisaged by the Action Plan. The Action Plan recognises that the shift of capital flows towards more sustainable activities has to be underpinned by a shared understanding of what 'sustainable' means. As a first step, clear guidance on activities qualifying as contributing to environmental objectives, should help inform investors about the investments that fund environmentally sustainable economic activities. Further guidance on the activities contributing to other sustainability objectives, including social objectives, may be developed at a later stage.
- (7) Decision No. 1386/2013/EU of the European Parliament and of the Council²⁶ called for an increase in private sector funding for environmental and climate-related expenditure, notably through putting in place incentives and methodologies that stimulate companies to measure the environmental costs of their business and profits derived from using environmental services.
- (8) Achieving SDGs in the Union requires the channelling of capital flows towards sustainable investments. It is important to exploit fully the potential of the internal market for the achievement of those goals. It is also important to ensure that capital flows channelled towards sustainable investment are not disrupted in the internal market.
- (9) Offering financial products which pursue environmentally sustainable objectives is an effective way of channelling private investments into sustainable activities. National requirements for marketing as sustainable investments financial products and corporate bonds, in particular requirements set out to allow the relevant market actors to use a national label, aim to enhance investor confidence, to create visibility and to address concerns about "greenwashing". Greenwashing refers to the practice of gaining an unfair competitive advantage by marketing a financial product as environment-friendly, when in fact it does not meet basic environmental standards. Currently a few Member States have in place labelling schemes. They build on different taxonomies classifying environmentally sustainable economic activities. Given the political commitments under the Paris Agreement and at Union level, it is likely that more and more Member States will set up labelling schemes or other requirements on market actors in respect of financial products or corporate bonds marketed as environmentally sustainable. In doing so, Member States would be using their

²⁴ EU High-Level Expert Group on Sustainable Finance Final Report, Financing a Sustainable European Economy, available at: https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf.

²⁵ COM(2018) 97 final.

²⁶ Decision No. 1386/2013/EU of the European Parliament and of the Council of 20 November 2013 on a General Union Environment Action Programme to 2020 'Living well, within the limits of our planet' (OJ L 354/171 28.12.2013).

own national taxonomies for the purposes of determining which investments qualify as sustainable. If such national requirements are based on different criteria as to which economic activities qualify as environmentally sustainable, investors will be discouraged from investing across borders, due to difficulties in comparing the different investment opportunities. In addition, economic operators wishing to attract investment from across the Union would have to meet different criteria in the various Member States in order for their activities to qualify as environmentally sustainable for the purposes of the different labels. The absence of uniform criteria will thus increase costs and create a significant disincentive for economic operators, amounting to an impediment to access cross-border capital markets for sustainable investments. The barriers to access to cross-border capital markets for the purposes of raising funds for sustainable projects are expected to grow further. The criteria for determining whether an economic activity is environmentally sustainable should therefore be harmonised at Union level, in order to remove obstacles to the functioning of the internal market and prevent their future emergence. With such harmonisation economic operators will find it easier to raise funding for their green activities across borders, as their economic activities can be compared against uniform criteria in order to be selected as underlying assets for environmentally sustainable investments. It will therefore facilitate attracting investment across borders within the Union.

- (10) Moreover if market participants do not provide any explanation to investors of how the activities they invest in contribute to environmental objectives, or if they use different concepts in their explanation of what is a ‘sustainable’ economic activity, investors will find it disproportionately burdensome to check and compare these different financial products. It has been found that this discourages investors from investing into green financial products. Furthermore, the lack of investor confidence has major detrimental effects on the market for sustainable investment. It has further been shown that national rules or market-based initiatives taken to tackle this issue within national borders will lead to fragmenting the internal market. If financial market participants disclose how the financial products they claim are environment-friendly meet environmental objectives, and they use for such disclosures common criteria across the Union of what is an environmentally sustainable economic activity, this will help investors compare environment-friendly investment opportunities across borders. Investors will invest in green financial products with higher confidence across the Union, improving the functioning of the internal market.
- (11) To address existing obstacles to the functioning of the internal market and to prevent the emergence of such obstacles in the future, Member States should be required to use a common concept of environmentally sustainable investment when setting up requirements for market actors for the purpose of labelling financial products or corporate bonds marketed as environmentally sustainable at national level. For the same reasons, fund managers and institutional investors that hold themselves out as pursuing environmental objectives should use the same concept of environmentally sustainable investment when disclosing how they pursue those objectives.
- (12) Establishing criteria for environmentally sustainable economic activities may encourage firms to disclose on their websites, on a voluntary basis, information on the environmentally sustainable economic activities they carry out. This information will not only help relevant actors in the financial markets to easily identify which firms carry out environmentally sustainable economic activities, but it will also facilitate for these firms to raise funding for their green activities.
- (13) A Union classification of environmentally sustainable economic activities should enable the development of future Union policies, including Union-wide standards for environmentally sustainable financial products and eventually the establishment of labels that formally recognise compliance with those standards across the Union. Uniform legal requirements for considering investments as environmentally sustainable investments, based on uniform

criteria for environmentally sustainable economic activities, are necessary as a reference for future Union legislation aiming at enabling those investments.

- (14) In the context of achieving SDGs in the Union, policy choices such as the creation of a European Fund for Strategic Investment, have proven to be effective in contributing to channel private investment alongside public spending towards sustainable investments. Regulation (EU) 2015/1017 of the European Parliament and of the Council²⁷ specifies a 40% climate investment target for infrastructure and innovation projects under the European Fund for Strategic Investment. Common criteria for the sustainability of economic activities could underpin future similar initiatives of the Union supporting investment pursuing climate-related or other environmental objectives.
- (15) To avoid market fragmentation as well as harm to consumer interests due to divergent notions of environmentally sustainable economic activities, national requirements that market actors should comply with when they wish to market financial products or corporate bonds as being environmentally sustainable, should build on the uniform criteria for environmentally sustainable economic activities. Those market actors include financial market participants offering “green” financial products and non-financial companies issuing “green” corporate bonds.
- (16) To avoid harming consumer interests, fund managers and institutional investors offering financial products as environmentally sustainable, should disclose how and to what extent the criteria for environmentally sustainable economic activities are used to determine the environmental sustainability of the investments. The information disclosed should enable investors to understand the share of the investment funding environmentally sustainable economic activities as a percentage of all economic activities and thus the degree of environmental sustainability of the investment. The Commission should specify the information that needs to be disclosed for that purpose. That information should enable national competent authorities to verify compliance with the disclosure obligation easily, and to enforce that obligation in accordance with applicable national law.
- (17) To avoid circumvention of the disclosure obligation, that obligation should also apply where financial products are offered as having similar characteristics as environmentally sustainable investments, including those having as their target environmental protection in a broad sense. Financial market participants should not be required to invest only in environmentally sustainable economic activities determined in accordance with the technical screening criteria set out in this Regulation. They should be encouraged to inform the Commission if they consider that an economic activity that does not meet the technical screening criteria, or for which such criteria have not been established yet, should be considered environmentally sustainable, to help the Commission to evaluate the appropriateness of complementing or updating the technical screening criteria.
- (18) For the purposes of determining whether an economic activity is environmentally sustainable, an exhaustive list of environmental objectives should be laid down.
- (19) The environmental objective of protection of healthy ecosystems should be interpreted taking into account relevant legislative and non-legislative instruments of the Union, including Directive 2009/147/EC of the European Parliament and of the Council²⁸, Council

²⁷ Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub (OJ L 345, 27.12.2017, p. 34).

²⁸ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 020, 26.1.2010, p. 7).

Directive 92/43/EEC²⁹, Regulation (EU) No 1143/2014 of the European Parliament and of the Council,³⁰ the EU Biodiversity Strategy to 2020,³¹ the EU Green Infrastructure Strategy, Council Directive 91/676,³² Regulation (EU) No 511/2014 of the European Parliament and of the Council,³³ Regulation (EU) No 995/2010 of the European Parliament and of the Council,³⁴ the Forest Law Enforcement, Governance and Trade Action Plan,³⁵ and the Wildlife Trafficking Action Plan.³⁶

- (20) For each environmental objective, uniform criteria for considering economic activities to be substantially contributing to that objective should be laid down. One element of the uniform criteria should be to avoid significant harm to any of the environmental objectives set out in this Regulation. This is in order to avoid that investments are considered environmentally sustainable although the economic activities benefitting from those investments cause harm to the environment to an extent outweighing their contribution to an environmental objective. The conditions for substantial contribution and for not causing significant harm should enable investments into environmentally sustainable economic activities to make a real contribution to the environmental objectives.
- (21) Recalling the joint commitment of the European Parliament, the Council and the Commission to pursue the principles enshrined in the European Pillar of Social Rights in support of sustainable and inclusive growth and recognising the relevance of international minimum human and labour rights and standards, compliance with minimum safeguards should be a condition for economic activities to qualify as environmentally sustainable. For that reason economic activities should only qualify as environmentally sustainable where they are carried out observing the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work and the eight ILO core conventions. The ILO core conventions define human and labour rights that companies are due to respect. Several of these international standards are also enshrined in the Charter of Fundamental Rights of the European Union, in particular the prohibition of slavery and forced labour and the principle of non-discrimination. Those minimum safeguards are without prejudice to the application of more stringent requirements on environment, health and safety and social sustainability set out in Union law, where applicable.
- (22) Given the specific technical details needed to assess the environmental impact of an economic activity and the fast-changing nature of both science and technology, the criteria of environmentally sustainable economic activities should be adapted regularly to those changes. For the criteria to be up to date, based on scientific evidence and input from experts

²⁹ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

³⁰ Regulation (EU) No 1143/2014 of the European Parliament and of the Council of 22 October 2014 on the prevention and management of the introduction and spread of invasive alien species (OJ L 317, 4.11.2014, p. 35).

³¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - Our life insurance, our natural capital: an EU biodiversity strategy to 2020 (COM/2011/0244 final).

³² Council Directive 91/676 of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1).

³³ Regulation (EU) No 511/2014 of the European Parliament and of the Council of 16 April 2014 on compliance measures for users from the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization in the Union (OJ L 150, 20.5.2014, p. 59).

³⁴ Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (OJ L 295, 12.11.2010, p. 23).

³⁵ Communication from the Commission to the Council and the European Parliament - Forest Law Enforcement, Governance and Trade (FLEGT) - Proposal for an EU Action Plan (COM/2003/0251 final).

³⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - EU Action Plan against Wildlife Trafficking (COM/2016/087 final).

as well as relevant stakeholders, the conditions for substantial contribution and significant harm should be specified with more granularity for different economic activities and should be updated regularly. To that purpose, granular and calibrated technical screening criteria for the different economic activities should be laid down by the Commission, on the basis of the technical input of a multi-stakeholders Platform on Sustainable Finance.

- (23) Some economic activities have a negative impact on the environment, and a substantial contribution to one or more environmental objectives can be achieved by reducing that negative impact. For those economic activities, it is appropriate to set out technical screening criteria that require a substantial improvement in environmental performance compared to, inter alia, the industry average. Those criteria should consider also the long term impact of a specific economic activity.
- (24) An economic activity should not be considered environmentally sustainable if it causes more harm to the environment than the benefits it brings. The technical screening criteria should identify the minimum requirements necessary to avoid a significant harm to other objectives. When establishing and updating the technical screening criteria, the Commission should ensure that those criteria are based on available scientific evidence and are updated regularly. Where scientific evaluation does not allow for the risk to be determined with sufficient certainty, the precautionary principle should apply, in line with Article 191 TFEU.
- (25) When establishing and updating the technical screening criteria the Commission should take into account the relevant Union law, as well as non-legislative instruments of the Union already in place, including the Regulation (EC) 66/2010 of the European Parliament and the Council³⁷, the EU Eco-Management and Audit Scheme,³⁸ the EU Green Public Procurement criteria³⁹ and the on-going work on Product and Organisation Environmental Footprint rules.⁴⁰ To avoid unnecessary inconsistencies with classifications of economic activities that already exist for other purposes, the Commission should also take into account the statistical classifications relating to the Environmental Goods and Services Sector, namely the Classification of Environmental Protection Activities and Expenditure (CEPA) and the Classification of Resource Management Activities (CRoMA).⁴¹
- (26) When establishing and updating the technical screening criteria the Commission should also take into account the specificities of the infrastructure sector and take into account environmental, social and economic externalities within a cost-benefit analysis. In that regard, the Commission should consider the work of international organisations, such as the OECD, relevant Union legislation and standards, including Directive 2001/42/EC of the European Parliament and of the Council⁴², Directive 2011/92/EU of the European

³⁷ Regulation (EC) 66/2010 of the European Parliament and the Council of 25 November 2009 on the EU Ecolabel (OJ L 27, 30.1.2010, p. 1).

³⁸ Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1–45).

³⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Public procurement for a better environment {SEC(2008) 2124} {SEC(2008) 2125} {SEC(2008) 2126} COM/2008/0400 final.

⁴⁰ 2013/179/EU: Commission Recommendation of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1–210).

⁴¹ Annex 4 and 5 of Regulation (EU) No 538/2014 of the European Parliament and of the Council of 16 April 2014 amending Regulation (EU) No 691/2011 on European environmental economic accounts (OJ L 158, 27.5.2014).

⁴² Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (OJ L 197, 21.7.2001, p. 30).

Parliament and of the Council⁴³ Directive 2014/23/EU of the European Parliament and of the Council⁴⁴, Directive 2014/24/EU of the European Parliament and of the Council⁴⁵, Directive 2014/25/EU of the European Parliament and of the Council⁴⁶, and current methodology. In that context, the technical screening criteria should promote appropriate governance frameworks integrating environmental, social and governance factors, as referred to in the United Nations-supported Principles for Responsible Investment⁴⁷, at all stages of a project's lifecycle.

- (27) To avoid distorting competition when raising financing for environmentally sustainable economic activities, the technical screening criteria should ensure that all relevant economic activities within a specific sector can qualify as environmentally sustainable and are treated equally if they contribute equally towards one or more of the environmental objectives laid out in this Regulation. The potential capacity to contribute towards those environmental objectives may however vary across sectors, which should be reflected in the criteria. However, within each sector, those criteria should not unfairly disadvantage certain economic activities over others if the former contribute towards the environmental objectives to the same extent as the latter.
- (28) When establishing technical screening criteria, the Commission should assess whether adoption of those criteria for environmentally sustainable activities would give rise to stranded assets or deliver inconsistent incentives, and whether it would have any negative impact on liquidity in financial markets.
- (29) To avoid overly burdensome compliance costs on economic operators, the Commission should establish technical screening criteria that provide for sufficient legal clarity, are practicable, easy to apply and with which compliance can be verified within reasonable cost-of-compliance boundaries.
- (30) To ensure that investments are channelled towards economic activities that make the biggest positive impact on the environmental objectives, the Commission should give priority to the establishment of technical screening criteria for the economic activities that potentially contribute most to the environmental objectives.
- (31) Appropriate technical screening criteria should be established for the transport sector, including for mobile assets, which should take into account that the transport sector, including international shipping, contributes close to 26% of total greenhouse gas emissions in the Union. As evidenced in the Action Plan on Financing Sustainable Growth⁴⁸ the transport sector represents about 30% of additional annual investment needs for sustainable development in the Union, including by increasing electrification or transition to cleaner modes of transport by promoting modal shift and traffic management.
- (32) It is of particular importance that the Commission when preparing the development of the technical screening criteria, carry out appropriate consultations in line with Better Regulation requirements. The process for the establishment and the update of the technical screening criteria should also involve relevant stakeholders and build on the advice of experts with proven knowledge and experience in the relevant areas. For that purpose, the

⁴³ Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 26, 28.1.2012, p. 1).

⁴⁴ Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014, p. 1).

⁴⁵ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65).

⁴⁶ Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

⁴⁷ <https://www.unpri.org/download?ac=1534>.

⁴⁸ COM(2018) 97 final.

Commission should set up a Platform on sustainable finance. This Platform should be composed of experts representing both the public and the private sector. Public sector representatives should include experts from the European Environmental Agency, the European Supervisory Authorities and the European Investment Bank. Private sector experts should include representatives of relevant stakeholders, including financial market actors, universities, research institutes, associations and organisations. The Platform should advise the Commission on the development, analysis and review of technical screening criteria, including their potential impact on the valuation of assets that until the adoption of the technical screening criteria were considered as green assets under existing market practices. The Platform should also advise the Commission on whether the technical screening criteria are suitable for further uses in future Union policy initiatives aimed at facilitating sustainable investment.

- (33) In order to specify the requirements set out in this Regulation, and particularly to establish and update granular and calibrated technical screening criteria for different economic activities as to what constitutes a substantial contribution and significant harm to the environmental objectives, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the information required to comply with the disclosure obligation set out in Article 4 (3), and the technical screening criteria mentioned in Article 6(2), Article 7(2), Article 8(2), Article 9(2), Article 10(2) and Article 11(2). It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council should receive all documents at the same time as Member States' experts, and the experts of the European Parliament and the Council should systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (34) To give sufficient time to the relevant actors to familiarise themselves with the criteria for environmentally sustainable economic activities set out in this Regulation and to prepare for their application, the obligations set out in this Regulation should become applicable, for each environmental objective, six months after the relevant technical screening criteria have been adopted.
- (35) The application of this Regulation should be reviewed regularly in order to assess the progress on the development of technical screening criteria for environmentally sustainable activities, the use of the definition of environmentally sustainable investment, and whether compliance with the obligations requires the establishment of a verification mechanism. The review should include also an assessment of whether the scope of this Regulation should be extended to cover social sustainability objectives.
- (36) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States, but can be better achieved at Union level, by reason of the need to introduce at Union level uniform criteria for environmentally sustainable economic activities, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Chapter I

Subject matter, scope and definitions

Article 1 *Subject matter and scope*

1. This Regulation establishes the criteria for determining whether an economic activity is environmentally sustainable for the purposes of establishing the degree of environmental sustainability of an investment.
2. This Regulation applies to the following:
 - (a) measures adopted by Member States or by the Union setting out any requirements on market actors in respect of financial products or corporate bonds that are marketed as environmentally sustainable.
 - (b) financial market participants offering financial products as environmentally sustainable investments or as investments having similar characteristics.

Article 2 *Definitions*

1. For the purposes of this Regulation, the following definitions shall apply:
 - (a) 'environmentally sustainable investment' means an investment that funds one or several economic activities that qualify under this Regulation as environmentally sustainable;
 - (b) 'financial market participants' mean financial market participants as defined in Article 2 (a) of [Commission proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341];
 - (c) 'financial products' mean financial products as defined in Article 2 (j) of [Commission proposal for a Regulation on disclosures relating to sustainable investments and sustainability risks and amending Directive (EU) 2016/2341];
 - (d) 'climate change mitigation' means the process of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and limiting the temperature increase to 1.5 °C above pre-industrial levels;
 - (e) 'climate change adaptation' means the process of adjustment to actual and expected climate and its effects;
 - (f) 'greenhouse gas' means a greenhouse gas listed in Annex I to Regulation (EU) No 525/2013 of the European Parliament and of the Council;⁴⁹
 - (g) 'circular economy' means maintaining the value of products, materials and resources in the economy for as long as possible, and minimising waste, including through the application of the waste hierarchy as laid down in Article 4 of Directive 2008/98/EC of the European Parliament and of the Council;⁵⁰

⁴⁹ Regulation (EU) No 525/2013 of the European Parliament and of the Council on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change and repealing Decision 280/2004/EC (OJ L 165, 18.6.2013, p. 13).

⁵⁰ Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).

- (h) 'pollution' means:
 - (i) the direct or indirect introduction, as a result of human activity, of substances, vibrations, heat, noise or other pollutants into air, water or land which may be harmful to human health or the quality of the environment, may result in damage to material property, or may impair or interfere with amenities and other legitimate uses of the environment;
 - (ii) in the context of marine environment, pollution as defined in Article 3(8) of Directive 2008/56/EC of the European Parliament and of the Council;⁵¹
- (i) 'healthy ecosystem' means an ecosystem that is in a good physical, chemical and biological condition or of a good physical, chemical and biological quality;
- (j) 'energy efficiency' means using energy more efficiently at all the stages of the energy chain from production to final consumption;
- (k) 'good environmental status' means good environmental status as defined in Article 3(5) of Directive 2008/56/EC;
- (l) 'marine waters' means marine waters as defined in Article 3(1) of Directive 2008/56/EC;
- (m) 'surface water', 'inland water', 'transitional waters' and 'coastal water' shall have the same meaning as in points (1), (3), (6) and (7) of Article 2 of Directive 2000/60/EC⁵²;
- (n) 'sustainable forest management' means using forests and forest land in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems.

Chapter II

Environmentally sustainable economic activities

Article 3

Criteria for environmentally sustainable economic activities

For the purposes of establishing the degree of environmental sustainability of an investment, an economic activity shall be environmentally sustainable where that activity complies with all of the following criteria:

- (a) the economic activity contributes substantially to one or more of the environmental objectives set out in Article 5 in accordance with Articles 6 to 11;
- (b) the economic activity does not significantly harm any of the environmental objectives set out in Article 5 in accordance with Article 12;
- (c) the economic activity is carried out in compliance with the minimum safeguards laid down in Article 13;
- (d) the economic activity complies with technical screening criteria, where the Commission has specified those in accordance with Articles 6(2), 7(2), 8(2), 9(2), 10(2) and 11(2).

⁵¹ Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive) (OJ L 164, 25.6.2008, p. 19–40).

⁵² Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p.1).

Article 4

Use of the criteria for environmentally sustainable economic activities

1. Member States shall apply the criteria for determining environmentally sustainable economic activities set out in Article 3 for the purposes of any measures setting out requirements on market actors in respect of financial products or corporate bonds that are marketed as ‘environmentally sustainable’.
2. Financial market participants offering financial products as environmentally sustainable investments, or as investments having similar characteristics, shall disclose information on how and to what extent the criteria for environmentally sustainable economic activities set out in Article 3 are used to determine the environmental sustainability of the investment. Where financial market participants consider that an economic activity which does not comply with the technical screening criteria set out in accordance with this Regulation or for which those technical screening criteria have not been established yet, should be considered environmentally sustainable, they may inform the Commission.
3. The Commission shall adopt delegated acts in accordance with Article 16 to supplement paragraph 2 to specify the information required to comply with that paragraph, taking into account the technical screening criteria set out in accordance with this Regulation. That information shall enable investors to identify:
 - (a) the percentage of holdings pertaining to companies carrying out environmentally sustainable economic activities;
 - (b) the share of the investment funding environmentally sustainable economic activities as a percentage of all economic activities.
4. The Commission shall adopt the delegated act in accordance with paragraph 3 by 31 December 2019 with a view to ensure its entry into application on 1 July 2020. The Commission may amend that delegated act, in particular in the light of amendments to the delegated acts adopted in accordance with Article 6(2), Article 7(2), Article 8(2), Article 9(2), Article 10(2) and Article 11(2).

Article 5

Environmental objectives

For the purposes of this Regulation, the following shall be environmental objectives:

- (1) climate change mitigation;
- (2) climate change adaptation;
- (3) sustainable use and protection of water and marine resources;
- (4) transition to a circular economy, waste prevention and recycling;
- (5) pollution prevention and control;
- (6) protection of healthy ecosystems.

Article 6

Substantial contribution to climate change mitigation

1. An economic activity shall be considered to contribute substantially to climate change mitigation where that activity substantially contributes to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals through any of the following means, including through process or product innovation:

- (a) generating, storing or using renewable energy or climate-neutral energy (including carbon-neutral energy), including through using innovative technology with a potential for significant future savings or through necessary reinforcement of the grid;
 - (b) improving energy efficiency;
 - (c) increasing clean or climate-neutral mobility;
 - (d) switching to use of renewable materials;
 - (e) increasing carbon capture and storage use;
 - (f) phasing out anthropogenic emissions of greenhouse gases, including from fossil fuels;
 - (g) establishing energy infrastructure required for enabling decarbonisation of energy systems;
 - (h) producing clean and efficient fuels from renewable or carbon-neutral sources.
2. The Commission shall adopt delegated acts in accordance with Article 16 to:
 - (a) supplement paragraph 1 to establish technical screening criteria for determining under which conditions a specific economic activity is considered, for the purposes of this Regulation, to contribute substantially to climate change mitigation;
 - (b) supplement Article 12 to establish technical screening criteria, for each relevant environmental objective, for determining whether an economic activity in respect of which screening criteria are established pursuant to point (a) of this paragraph is considered, for the purposes of this Regulation, to cause significant harm to one or more of those objectives.
 3. The Commission shall establish the technical screening criteria referred to in paragraph 2 in one delegated act, taking into account the requirements laid down in Article 14.
 4. The Commission shall adopt the delegated act referred to in paragraph 2 by 31 December 2019, with a view to ensure its entry into application on 1 July 2020.

Article 7

Substantial contribution to climate change adaptation

1. An economic activity shall be considered to contribute substantially to climate change adaptation where that activity contributes substantially to reducing the negative effects of the current and expected future climate or preventing an increase or shifting of negative effects of climate change, through the following means:
 - (a) preventing or reducing the location- and context-specific negative effects of climate change, which shall be assessed and prioritised using available climate projections, on the economic activity;
 - (b) preventing or reducing the negative effects that climate change may pose to the natural and built environment within which the economic activity takes place, which shall be assessed and prioritised using available climate projections.
2. The Commission shall adopt a delegated act in accordance with Article 16 to:
 - (a) supplement paragraph 1 to establish technical screening criteria for determining under which conditions a specific economic activity is considered, for the purposes of this Regulation, to contribute substantially to climate change adaptation;

- (b) supplement Article 12 to establish technical screening criteria, for each relevant environmental objective, for determining whether an economic activity in respect of which screening criteria are established pursuant to point (a) of this paragraph is considered, for the purposes of this Regulation, to cause significant harm to one or more of those objectives.
3. The Commission shall establish the technical screening criteria referred to in paragraph 2 together in one delegated act, taking into account the requirements laid down in Article 14.
4. The Commission shall adopt the delegated act referred to in paragraph 2 by 31 December 2019, with a view to ensure its entry into application on 1 July 2020.

Article 8

Substantial contribution to sustainable use and protection of water and marine resources

1. An economic activity shall be considered to be contributing substantially to sustainable use and protection of water and marine resources where that activity substantially contributes to the good status of waters, including freshwater, transitional waters and coastal waters, or to the good environmental status of marine waters, through any of the following means:
 - (a) protecting the aquatic environment from the adverse effects of urban and industrial waste water discharges by ensuring adequate collection and treatment of urban and industrial waste waters in accordance with Articles 3, 4, 5 and 11 of Council Directive 91/271/EEC⁵³;
 - (b) protecting human health from the adverse effects of any contamination of drinking water by ensuring that it is free from any micro-organisms, parasites and a substances that constitute a potential danger to human health, and that it meets the minimum requirements set out in Annex I, Parts A and B, to Council Directive 98/83/EC⁵⁴, and increasing citizens' access to clean drinking water;
 - (c) abstracting water in keeping with the objective of good quantitative status as defined in table 2.1.2 in Annex V to Directive 2000/60/EC;
 - (d) improving water efficiency, facilitating water reuse, or any other activity that protects or improves quality of Union's water bodies in accordance with Directive 2000/60/EC;
 - (e) ensuring the sustainable use of marine ecosystem services or contributing to good environmental status of marine waters, as determined on the basis of the qualitative descriptors set out in Annex I to Directive 2008/56/EC and as further specified in Commission Decision (EU) 2017/848⁵⁵.
2. The Commission shall adopt a delegated act in accordance with Article 16 to:
 - (a) supplement paragraph 1 to establish technical screening criteria for determining under which conditions a specific economic activity is considered, for the purposes of this Regulation, to contribute substantially to sustainable use and protection of water and marine resources;

⁵³ Council Directive 91/271/EEC of 21 May 1991 concerning urban waste water treatment (OJ L 135, 30.5.1991, p. 40).

⁵⁴ Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption (OJ L 330, 5.12.1998, p. 32).

⁵⁵ Commission Decision (EU) 2017/848 of 17 May 2017 laying down criteria and methodological standards on good environmental status of marine waters and specifications and standardised methods for monitoring and assessment, and repealing Decision 2010/477/EU (OJ L 125, 18.5.2017, p. 43).

- (b) supplement Article 12 to establish technical screening criteria, for each relevant environmental objective, for determining whether an economic activity in respect of which screening criteria are established pursuant to point (a) of this paragraph is considered, for the purposes of this Regulation, to cause significant harm to one or more of those objectives.
3. The Commission shall establish the technical screening criteria referred to in paragraph 2 together in one delegated, and taking into account the requirements laid down in Article 14.
4. The Commission shall adopt the delegated act referred to in paragraph 2 by 1 July 2022, with a view to ensure its entry into application on 31 December 2022.

Article 9

Substantial contribution to the circular economy and waste prevention and recycling

1. An economic activity shall be considered to contribute substantially to the transition to a circular economy and waste prevention and recycling where that activity contributes substantially to that environmental objective through any of the following means:
 - (a) improving the efficient use of raw materials in production, including through reducing the use of primary raw materials and increasing the use of by-products and waste;
 - (b) increasing the durability, reparability, upgradability or reusability of products;
 - (c) increasing the recyclability of products, including of individual materials contained in products, inter alia through substitution or reduced use of products and materials that are not recyclable;
 - (d) reducing the content of hazardous substances in materials and products;
 - (e) prolonging the use of products including through increasing reuse, remanufacturing, upgrading, repair and sharing of products by consumers;
 - (f) increasing the use of secondary raw materials and their quality, including through high-quality recycling of waste;
 - (g) reducing waste generation;
 - (h) increasing preparing for re-use and recycling of waste;
 - (i) avoiding incineration and disposal of waste;
 - (j) avoiding and cleaning-up of litter and other pollution caused by improper waste management;
 - (k) using natural energy resources efficiently.
2. The Commission shall adopt a delegated act in accordance with Article 16 to:
 - (a) supplement paragraph 1 to establish technical screening criteria for determining under which conditions a specific economic activity is considered, for the purposes of this Regulation, to contribute substantially to the circular economy and waste prevention and recycling;
 - (b) supplement Article 12 to establish technical screening criteria, for each relevant environmental objective, for determining whether an economic activity in respect of which screening criteria are established pursuant to point (a) of this paragraph is considered, for the purposes of this Regulation, to cause significant harm to one or more of those objectives.

3. The Commission shall establish the technical screening criteria referred to in paragraph 2 together in one delegated act, taking into account the requirements laid down in Article 14.
4. The Commission shall adopt the delegated act referred to in paragraph 2 by 1 July 2021, with a view to ensure its entry into application on 31 December 2021.

Article 10

Substantial contribution to pollution prevention and control

1. An economic activity shall be considered to contribute substantially to pollution prevention and control where that activity contributes to a high level of environmental protection from pollution through any of the following means:
 - (a) reducing air, water and soil pollutant emissions other than greenhouse gasses;
 - (b) improving levels of air, water or soil quality in the areas in which the economic activity takes place whilst minimizing negative impacts on, and risks to, human health and the environment;
 - (c) minimising significant adverse effects on human health and the environment of the production and use of chemicals.
2. The Commission shall adopt a delegated act in accordance with Article 16 to:
 - (a) supplement paragraph 1 to establish technical screening criteria for determining under which conditions a specific economic activity is considered, for the purposes of this Regulation, to contribute substantially to pollution prevention and control;
 - (b) supplement Article 12 to establish technical screening criteria, for each relevant environmental objective, for determining whether an economic activity in respect of which screening criteria are established pursuant to point (a) of this paragraph is considered, for the purposes of this Regulation, to cause significant harm to one or more of those objectives.
3. The Commission shall establish the technical screening criteria referred to in paragraph 2 together in one delegated act, taking into account the requirements laid down in Article 14.
4. The Commission shall adopt the delegated act referred to in paragraph 2 by 1 July 2021, with a view to ensure its entry into application on 31 December 2021.

Article 11

Substantial contribution to protection of healthy ecosystems

1. For the purposes of this Regulation, an economic activity shall be considered to contribute substantially to healthy ecosystems where that activity contributes substantially to protecting, conserving and enhancing biodiversity and ecosystem services in line with the relevant legislative and non-legislative Union instruments, through any of the following means:
 - (a) nature conservation (habitats, species); protecting, restoring and enhancing the condition of ecosystems and their capacity to provide services;
 - (b) sustainable land management, including adequate protection of soil biodiversity; land degradation neutrality; and the remediation of contaminated sites;
 - (c) sustainable agricultural practices, including those that contribute to halting or preventing deforestation and habitat loss;
 - (d) sustainable forest management.
2. The Commission shall adopt a delegated act in accordance with Article 16 to:

- (a) supplement paragraph 1 to establish technical screening criteria for determining under which conditions a specific economic activity is considered, for the purposes of this Regulation, to contribute substantially to the protection of healthy ecosystems;
 - (b) supplement Article 12 to establish technical screening criteria, for each relevant environmental objective, for determining whether an economic activity in respect of which screening criteria are established pursuant to point (a) of this paragraph is considered, for the purposes of this Regulation, to cause significant harm to one or more of those objectives.
3. The Commission shall establish the technical screening criteria referred to in paragraph 2 together in one delegated act, taking into account the requirements laid down in Article 14.
4. The Commission shall adopt the delegated act referred to in paragraph 2 by 1 July 2022, with a view to ensure its entry into application on 31 December 2022.

Article 12

Significant harm to environmental objectives

For the purposes of Article 3(b), an economic activity shall be considered as significantly harming:

- (a) climate change mitigation, where that activity leads to significant greenhouse gas emissions;
- (b) climate change adaptation, where that activity leads to increased negative effect of current and expected climate, for and beyond the natural and built environment within which that activity takes place;
- (c) sustainable use and protection of water and marine resources, where that activity is detrimental to a significant extent to good status of Union waters, including freshwater, transitional waters and coastal waters, or to good environmental status of marine waters of the Union;
- (d) circular economy and waste prevention and recycling, where that activity leads to significant inefficiencies in the use of materials in one or more stages of the life-cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products; or where that activity leads to a significant increase in the generation, incineration or disposal of waste;
- (e) pollution prevention and control where that activity leads to significant increase in emissions of pollutants to air, water and land, as compared to the situation before this activity started;
- (f) healthy ecosystems, where that activity is detrimental to a significant extent to the good condition of ecosystems.

Article 13

Minimum safeguards

The minimum safeguards referred to in Article 3(c) shall be procedures implemented by the undertaking that is carrying out an economic activity to ensure that the principles and rights set out in the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work, namely: the right not to be subjected to forced labour, the freedom of association, workers' right to organise, the right to collective bargaining, equal remuneration for men and women workers for work of equal value, non-discrimination in opportunity and treatment with respect to employment and occupation, as well as the right not to be subjected to child labour, are observed.

Article 14
Requirements for technical screening criteria

1. The technical screening criteria adopted in accordance with Articles 6(2), 7(2), 8(2), 9(2), 10(2) and 11(2) shall:
 - (a) identify the most relevant potential contributions to the given environmental objective, considering not only the short-term but also the longer term impacts of a specific economic activity;
 - (b) specify the minimum requirements that need to be met to avoid significant harm to any of the relevant environmental objectives;
 - (c) be qualitative or quantitative, or both, and contain thresholds where possible;
 - (d) where appropriate, build upon Union labelling and certification schemes, Union methodologies for assessing environmental footprint, and Union statistical classification systems, and take into account any relevant existing Union legislation;
 - (e) be based on conclusive scientific evidence and take into account, where relevant, the precautionary principle enshrined in article 191 TFEU;
 - (f) take into account the environmental impacts of the economic activity itself, as well as of the products and services provided by that economic activity, notably by considering their production, use and end-of-life;
 - (g) take into account the nature and the scale of the economic activity;
 - (h) take into account the potential impact on liquidity in the market, the risk of certain assets becoming stranded as a result of losing value due to the transition to a more sustainable economy, as well as the risk of creating inconsistent incentives;
 - (i) cover all relevant economic activities within a specific sector and ensure that those activities are treated equally if they contribute equally towards one or more environmental objectives, to avoid distorting competition in the market;
 - (j) be set as to facilitate the verification of compliance with those criteria whenever possible.
2. The technical screening criteria referred to in paragraph 1 shall also include criteria for activities related to the clean energy transition, in particular energy efficiency and renewable energy, to the extent that those are substantially contributing to any of the environmental objectives.
3. The technical screening criteria referred to in paragraph 1 shall also include criteria for activities related to the switch to clean or climate-neutral mobility, including through modal shift, efficiency measures and alternative fuels, to the extent that those are substantially contributing to any of the environmental objectives.
4. The Commission shall regularly review the screening criteria referred to in paragraph 1 and, if appropriate, amend the delegated acts adopted in accordance with this Regulation in line with scientific and technological developments.

Article 15
Platform on Sustainable Finance

1. The Commission shall establish a Platform on sustainable finance composed of:
 - (a) representatives of:
 - (i) the European Environment Agency;

- (ii) the European Supervisory Authorities;
 - (iii) the European Investment Bank and the European Investment Fund;
 - (b) experts representing relevant private stakeholders;
 - (c) experts appointed in a personal capacity, with proven knowledge and experience in the areas covered by this Regulation.
2. The Platform on Sustainable Finance shall:
- (a) advise the Commission on the technical screening criteria referred to in Article 14, and the possible need to update those criteria;
 - (b) analyse the impact of the technical screening criteria in terms of potential costs and benefits of their application;
 - (c) assist the Commission to analyse requests from stakeholders to develop or revise technical screening criteria for a given economic activity;
 - (d) advise the Commission on the suitability of the technical screening criteria for possible further uses;
 - (e) monitor and report regularly to the Commission on capital flows towards sustainable investment;
 - (f) advise the Commission on the possible need to amend this Regulation.
3. The Platform on Sustainable Finance shall be chaired by the Commission.

Article 16
Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission, subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Articles 4(3), 6(2), 7(2), 8(2), 9(2), 10(2) and 11(2) shall be conferred on the Commission for an indeterminate period from [Date of entry into force of this Regulation].
3. The delegation of powers referred to in paragraph 2 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Articles 4(3), 6(2), 7(2), 8(2), 9(2), 10(2) and 11(2) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Chapter III

Final provisions

Article 17

Review clause

1. By 31 December 2021, and subsequently every three years thereafter, the Commission shall publish a report on the application of this Regulation. That report shall evaluate the following:
 - (a) the progress on the implementation of this Regulation with regard to the development of technical screening criteria for environmentally sustainable economic activities;
 - (b) the possible need to revise the criteria set out in this Regulation for considering an economic activity environmentally sustainable;
 - (c) the appropriateness of extending the scope of this Regulation to cover other sustainability objectives, in particular social objectives;
 - (d) the use of the definition of environmentally sustainable investment in Union law, and at Member State level, including the appropriateness of setting up verification mechanism of compliance with the criteria set out in this Regulation.
2. The report shall be sent to the European Parliament and to the Council. The Commission shall make accompanying proposals where appropriate.

Article 18

Entry into force and application

1. This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
2. Articles 3 to 13 of this Regulation shall apply:
 - (a) in respect of the environmental objectives referred to in points (1) and (2) of Article 5, from 1 July 2020;
 - (b) in respect of the environmental objectives referred to in points (4) and (5) of Article 5, from 31 December 2021;
 - (c) in respect of the environmental objectives referred to in points (3) and (6) of Article 5, from 31 December 2022.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management mode(s) planned

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on [body]'s appropriations*
 - 3.2.3. *Estimated impact on [body]'s human resources*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party contributions*
- 3.3. Estimated impact on revenue

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment

1.2. Policy area(s) concerned

Policy area: Financial Stability, Financial Services and Capital Markets Union
Activity: Sustainable Finance

1.3. Nature of the proposal/initiative

- The proposal/initiative relates to **a new action**
- The proposal/initiative relates to **a new action following a pilot project/preparatory action**⁵⁶
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

Contribute to a better integrated and innovative internal market for sustainable financial services while ensuring a high level of consumer/investor protection and financial stability.

1.4.2. *Specific objective(s)*

In 2015, landmark international agreements have been established with the adoption of the [Sustainable Development Goals \(SDG\)](#) and the [Paris Climate Agreement \(COP21\)](#). These commitments and the growing awareness of the urgency to address climate change, other environmental degradation and sustainability risks call for an effective EU strategy on sustainable finance.

The [Commission's Communication on accelerating implementation of the Capital Markets Union \(CMU\)](#) of September 2016 announced the creation of a High Level Expert Group on sustainable finance to set an overarching EU strategy in this area. Capital markets and private sources will play an essential role in mobilising investment in sustainable technologies, applications and infrastructure, and in helping the European Union meet its climate and environmental objectives.

In December 2016, the Commission established a High Level Expert Group on Sustainable Finance that was composed of twenty highly qualified senior experts coming from civil society, the business community and other non-public sector institutions. In January 2018, the group submitted to the Commission a set of policy recommendations aimed at (a) facilitating the flow of public and private capital towards sustainable investments, and (b) minimising possible risks to the EU financial system due to its exposure to carbon intensive assets. A particular focus was on environmental sustainability, but other dimensions of sustainability, such as social and governmental risks, were also considered where relevant.

In CMU Mid-Term Review (MTR) Communication of June 2017, the Commission undertook to "*decide by Q1 2018 on the concrete follow-up that it will give to the recommendations of the High Level Expert Group on Sustainable Finance*". To this end,

⁵⁶ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

the Commission's Action Plan frames the objectives of its policy in terms of sustainable finance, identifies the priorities, and sets out the steps that it will take and the related timetable.

The Commission's Action Plan on Financing Sustainable Growth of 8 March 2018 is accompanied by the following actions:

- Establishing an EU classification system for sustainability activities (starting with climate-related activities)
- Creating standards and labels for green financial products
- Better integrating sustainability in the investment mandates of institutional investors and asset managers
- Developing sustainability benchmarks
- Better integrating sustainability in ratings and research
- Enhancing disclosures
- Incorporating sustainability in prudential requirements
- Fostering sustainable corporate governance and attenuate short-termism in capital markets
- Better integrating sustainability in supervisory processes (e.g. ESAs to provide guidance on how sustainability can be taken into account in relevant EU financial services legislation and help identify existing gaps; promote convergence on the implementation of sustainability considerations in EU law; identify and report on the risks that ESG factors pose to financial stability - e.g. through the development of a common EU methodology for relevant scenario analyses, which could later evolve into climate/environmental stress testing).
- Creating a public-private platform (public sector bodies such as the ESAs, EEA, EIB and Eurostat) that would monitor key developments to ensure the progressive scale-up and adaptability of the EU sustainability taxonomy. Over time, it may also carry out other tasks necessary to achieve the objectives of the Action Plan.

The proposal of a **Regulation on the establishment of a framework to facilitate sustainable investment** focuses on the establishment of a common language for sustainable finance, e.g. a unified EU classification system (or a so-called taxonomy). The taxonomy will be the basis for all the aforementioned actions, and this work will closely interact with these activities.

The proposed **Platform on Sustainable Finance** will i) update and continue to progressively scale up the EU sustainability taxonomy; ii) carry out other tasks necessary to achieve the objectives of the sustainable finance action plan; and iii) monitor and report regularly on capital flows towards sustainable investment. The key players of this work are the following:

- European Supervisory Authorities (ESAs): the ESAs will be involved in all of the above targeted actions that are consistent with their current mandates, as well as with the revised ones as proposed in the ESAs legislative proposal of September 2017 where the mandate of the ESAs is enhanced to require them to specifically integrate Environmental, Social and Governance (ESG) risks into their work. Note: for this enhanced mandate, no request for resources was included in the legislative proposal for the ESAs.

The ESAs will play a key role in the development of EU taxonomies to ensure that they are usable by financial institutions, applicable to financial products and compatible with the EU financial legislation, including prudential regulation. For example, EBA and EIOPA

will ensure that EU taxonomies can allow the analysis of risk differences between bank and insurance assets/exposures and will analyse such differences and their possible incorporation into prudential regulation. ESMA and EIOPA will contribute to the incorporation of EU taxonomies into the rules under which investment companies are pension funds are managed. ESMA and EBA in particular will ensure that EU taxonomies can feed into the development of green bond standards and other financial products green labels and contribute to the development of such standards and labels. ESMA will also ensure that EU taxonomies feed into the construction/analysis of sustainability benchmarks and will contribute to linking EU taxonomies with suitability assessments of financial instruments and with corporate reporting.

The ESAs, in particular EBA and EIOPA, will have an important role to play in ensuring that taxonomies are developed in such a way that they are useable for climate scenario analysis and, at a later stage, for climate stress testing, and will contribute to the development of methodologies for such scenario analysis and stress testing based on EU taxonomies.

The ESAs, in particular ESMA, will contribute to the collection and analysis of market data (including transactional data) for the Sustainable Finance Observatory.

In order to accomplish the listed tasks, each Authority would need the following new posts as of 2020: 1 CA for EBA, 1 CA for EIOPA and 1 TA for ESMA.

- European Environmental Agency (EEA): The EEA new tasks fall within the current mandate of the EEA Founding Regulation, yet at the same time these tasks will be additional tasks for the EEA and therefore require more resources.

The EEA will be heavily involved in the sustainable finance work, in particular in the work on EU classification system for sustainability activities, standards and labels for green financial products, and provision of advisory/observatory function. The EEA is scheduled to provide its technical knowledge in various environmental areas to develop and maintain the EU taxonomy for all climate-related and environmental issues. The EEA will also collect and provide data on investment needs and flows in EU Member States as part of the Sustainable Finance Observatory, and provide advice to EU Member States in order to develop their low-carbon and sustainable investment strategies. The EEA would need the following new posts as of 2020: 1 TA and 1 CA posts.

- European Commission: the European Commission will be involved in all of the above targeted actions, but in particular with the management of the aforementioned public/private platform (e.g. organisation of meetings for the Platform and any sub-groups, reporting on the outcome, consulting stakeholders, preparing legislative proposals, supporting the observatory/advisory, liaising with the ESAs and the EEA, maintaining the IT collaborative tool, reimbursement of experts and other secretarial tasks, etc.). The European Commission would need the following staff: 10 FTEs (8 AD and 2 AST):

- FISMA would need 3 FTEs: 1 FTE (AD) for the Platform chair, 2 FTEs (AD) to manage the group, and 2 FTE (AST) to provide logistical support.

- ENV would need 2 FTEs (AD) for the management of this Platform.

- CLIMA would need 2 FTEs (AD) for the management of this Platform.

- ESTAT would also need 1 FTE (AD) to contribute to the taxonomy, in particular the monitoring aspect of the Platform. This work is complementary to the Sustainable Development in the EU: Monitoring report on progress towards SDGs in the EU context (2017) and [Eurostat Resource efficiency scoreboard](#).

The Platform will customise and use an existing collaborative IT tool of the Commission for communication purposes. The annual operational IT costs that will facilitate the work of the platform members will be EUR 50 000, while the annual research/studies/survey costs that will support the work of the platform members will be EUR 500 000. Each pillar of the Platform is expected to meet 10 times a year and the annual costs of reimbursement are estimated at EUR 223 500.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The **Platform on Sustainable Finance** will update and continue to progressively scale up the EU sustainability taxonomy; carry out other tasks necessary to achieve the objectives of the sustainable finance action plan; and monitor and report regularly on capital flows towards sustainable investment.

A clear and unified concept of environmental sustainable investment would provide appropriate signals to economic actors on what activities are considered sustainable; protect private investors by avoiding risks of green washing; ensure that the single market is not fragmented; and provide the basis for further meaningful action (since there will be clarity on what is "sustainable" or "green") in areas such as standards, labels, disclosures, and any future changes to prudential rules.

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

The implementation of the actions envisaged in the proposal will be monitored by the Commission. Indicators could include:

- Number of updates of the taxonomy
- Number of monitoring reports on capital flows towards sustainable investment

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term*

The **proposal for this Regulation** follows the adoption of the Commission's Action Plan of 8 March 2018 and the HLEG Final Report of January 2018, and identifies a number of initiatives to enable the uptake of sustainable finance in the European financial sector. While a number of legislative initiatives have already been adopted in this area, other measures (legislative and non-legislative) are deemed necessary to ensure that the European financial sector can harness the benefits brought by sustainable finance while ensuring adequate level of consumer/investor protection and financial stability. Moreover, the Commission will set up a more stable governance structure in the form of a public-private platform to adapt the EU sustainability taxonomy and monitor key developments.

1.5.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

Reasons for action at European level (ex-ante):

A clear and unified EU taxonomy (and related concept of environmental sustainable investment) will provide appropriate signals to economic actors on what activities are considered sustainable; protect private investors by avoiding risks of green washing; ensure that the single market is not fragmented; and provide the basis for further meaningful action in areas such as standards, labels, disclosures, and any future changes to prudential rules.

Expected generated Union added value (ex-post):

The work planned in this proposal will enable the mobilisation of sustainable finance across the EU while ensuring a high level of financial stability. A unified taxonomy and

the monitoring of sustainability investments will support the uptake of sustainable finance in the European financial sector.

1.5.3. *Lessons learned from similar experiences in the past*

N/A

1.5.4. *Compatibility and possible synergy with other appropriate instruments*

The objective of this proposal is consistent with a number of other EU policies and ongoing initiatives that are aimed at: (i) developing the Economic and Monetary Union (EMU); (ii) developing the Capital Markets Union; (iii) integrating sustainability into the EU financial system, while at the same time protecting the stability of the financial system from risks related to ESG factors.

First, this proposal is coherent with the EMU. The Five Presidents' Report on Completing Europe's EMU underlined that the closer integration of capital markets and gradual removal of remaining national barriers could create new risks to financial stability. According to this Report, there will be a need to expand and strengthen the supervisory framework to ensure the solidity of all financial actors.

Second, this proposal is coherent with the CMU project. In the light of increasing interconnectedness of financial markets at EU and global level, there is a need to further integrate EU supervision to face the future challenges of the EU financial markets. Both the UN 2030 Agenda for Sustainable Development and the Paris Agreement make it clear that reform of the financial system is central to putting our economies on a sustainable growth path. Reorienting private capital flows to more sustainable investments requires a comprehensive and deep rethinking of our financial framework. A unified taxonomy and a monitoring mechanism of capital flows towards sustainable investments will support the Capital Markets Union.

Third, sustainable finance forms part of the Commission's efforts to mobilise private capital towards green and sustainable investments to enable the transition to a low-carbon economy and shows the EU's strong commitment to mitigate risks posed by climate change and environmental challenges. In particular, there is the need to equip the EU financial sector with the right instruments to promote sustainable finance and ensure financial stability. A clear and unified EU taxonomy (and related concept of environmental sustainable investment) would provide the basis for further action in areas such as standards, labels, disclosures, and any future changes to prudential rules.

1.6. Duration and financial impact

- Proposal/initiative of **limited duration**
 - Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
 - Financial impact from YYYY to YYYY
- Proposal/initiative of **unlimited duration**
 - Implementation with a start-up period from YYYY to YYYY,
 - followed by full-scale operation.

1.7. Management mode(s) planned⁵⁷

- Direct management** by the Commission through
 - executive agencies
- Shared management** with the Member States
- Indirect management** by entrusting budget implementation tasks to:
 - international organisations and their agencies (to be specified);
 - the EIB and the European Investment Fund;
 - bodies referred to in Articles 208 and 209;
 - public law bodies;
 - bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
 - persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

Comments

N/A

⁵⁷

Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: <https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The proposal puts forward the establishment of a public-private platform on sustainable finance to monitor key developments to ensure the progress, scale-up and adaptability of the EU sustainability taxonomy. Regarding the involvement of the ESAs and the EEA, the Commission will monitor it based on the tasks envisaged in the proposal.

2.2. Management and control system

2.2.1. Risk(s) identified

In relation to the legal, economic, efficient and effective use of appropriations resulting from the actions to be carried out by the ESAs and the EEA in the context of this proposal, this initiative does not bring about new significant risks that would not be covered by an existing internal control framework.

The actions to be carried out in the context of this proposal will start in 2020, and will further continue and need to be envisaged under the new Multiannual Financial Framework (MFF).

2.2.2. Control method(s) envisaged

Management and control systems are provided in the Regulations currently governing the functioning of the ESAs and the EEA. These bodies work closely together with the Internal Audit Service of the Commission to ensure that the appropriate standards are observed in all areas of the internal control framework.

Every year, the European Parliament, following a recommendation from the Council, grants discharge to each ESA and the EEA for the implementation of their budget.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

For the purpose of combating fraud, corruption and any other illegal activity, the provisions of Regulation (EU, Euratom) N°883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) apply to the ESAs and the EEA without any restriction. The ESAs and the EEA have a dedicated anti-fraud strategy and resulting action plan. In addition the Regulations establishing the ESAs and the EEA, as well as the ESAs' Financial Regulations set out the provisions on implementation and control of the ESAs' and EEA's budgets and applicable financial rules, including those aimed at preventing fraud and irregularities.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ⁵⁸	from EFTA countries ⁵⁹	from candidate countries ⁶⁰	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
1a) Competitiveness for growth and jobs	12.0201 FISMA	Diff.	NO	NO	NO	NO
	12.0204 EBA	Diff.	NO	NO	NO	NO
	12.0205 EIOPA	Diff.	NO	NO	NO	NO
	12.0206 ESMA	Diff.	NO	NO	NO	NO

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff. ⁶¹	from EFTA countries ⁶²	from candidate countries ⁶³	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
2 – Sustainable growth: Natural resources	07.0203 DG ENV	Diff.	NO	NO	NO	NO
	07.0206 EEA	Diff.	NO	NO	NO	NO

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Non-diff. ⁶⁴	from EFTA countries ⁶⁵	from candidate countries ⁶⁶	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation

⁵⁸ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁵⁹ EFTA: European Free Trade Association.

⁶⁰ Candidate countries and, where applicable, potential candidates from the Western Balkans.

⁶¹ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁶² EFTA: European Free Trade Association.

⁶³ Candidate countries and, where applicable, potential candidates from the Western Balkans.

⁶⁴ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁶⁵ EFTA: European Free Trade Association.

5 – Administrative expenditure	12 01 01 01 DG FISMA Human resources Administrative costs	Non-diff.	NO	NO	NO	NO
	07 01 01 01 DG ENV	Non-diff.	NO	NO	NO	NO
	34 01 01 01 DG CLIMA	Non-diff.	NO	NO	NO	NO
	29 01 01 01 ESTAT	Non-diff.	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Heading.....]	Diff./non- diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	[XX.YY.YY.YY]		YES/N O	YES/N O	YES/N O	YES/NO

⁶⁶ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)⁶⁷

Heading of multiannual financial framework	1a)	Competitiveness for growth and jobs
---	------------	-------------------------------------

DG FISMA			Year 2020	Year 2021 ⁶⁸	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6) ⁶⁹			TOTAL
FISMA	Commitments	(1)	0.050	0.050	0.050	0.050				0.200
	Payments	(2)	0.050	0.050	0.050	0.050				0.200
TOTAL appropriations for FISMA	Commitments	=1+1a +3a	0.050	0.050	0.050	0.050				0.200
	Payments	=2+2a +3b	0.050	0.050	0.050	0.050				0.200

EBA			Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL (due to co-financing arrangement 60/40, only 40% is mentioned here)
Title 1: Staff expenditure	Commitments	(1)	0.034	0.034	0.034	0.034				0.136
	Payments	(2)	0.034	0.034	0.034	0.034				0.136
Title 2: Infrastructure and operating	Commitments	(1a)								

⁶⁷ Small difference in the total amount are due to rounding the numbers to three decimal places.

⁶⁸ The expenditure for the period after 2020 is compatible with the Commission proposals for the next Multiannual Financial Framework (2021-2027) published on 2 May 2018.

⁶⁹ The number of years to complete the work of the Platform cannot be estimated at this time; therefore, the table shows the impact on expenditure only for the first four years of existence of the Platform. It is expected that the Platform will exist at least during the period of the next MFF (i.e. up to 2027).

expenditure	Payments	(2a)								
Title 3: Operational expenditure	Commitments	(3a)								
	Payments	(3b)								
TOTAL appropriations for EBA	Commitments	=1+1a +3a	0.034	0.034	0.034	0.034				0.136
	Payments	=2+2a +3b	0.034	0.034	0.034	0.034				0.136

EIOPA			Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL (due to co- financing arrangement 60/40, only 40% is mentioned here)
Title 1: Staff expenditure	Commitments	(1)	0.029	0.029	0.029	0.029				0.116
	Payments	(2)	0.029	0.029	0.029	0.029				0.116
Title 2: Infrastructure and operating expenditure	Commitments	(1a)								
	Payments	(2a)								
Title 3: Operational expenditure	Commitments	(3a)								
	Payments	(3b)								
TOTAL appropriations for EIOPA	Commitments	=1+1a +3a	0.029	0.029	0.029	0.029				0.116
	Payments	=2+2a +3b	0.029	0.029	0.029	0.029				0.116

ESMA			Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL (due to co- financing arrangement 60/40, only 40% is mentioned here)
------	--	--	--------------	--------------	--------------	--------------	---	--	--	--

Title 1: Staff expenditure	Commitments	(1)	0.066	0.066	0.066	0.066				0.264
	Payments	(2)	0.066	0.066	0.066	0.066				0.264
Title 2: Infrastructure and operating expenditure	Commitments	(1a)								
	Payments	(2a)								
Title 3: Operational expenditure	Commitments	(3a)								
	Payments	(3b)								
TOTAL appropriations for ESMA	Commitments	=1+1a +3a	0.066	0.066	0.066	0.066				0.264
	Payments	=2+2a +3b	0.066	0.066	0.066	0.066				0.264

TOTAL appropriations under HEADING 1 of the multiannual financial framework	(Total commitments = Total payments)	0.179	0.179	0.179	0.179					0.714
--	--------------------------------------	--------------	--------------	--------------	--------------	--	--	--	--	--------------

Heading of multiannual financial framework	2	Sustainable growth: Natural resources
---	----------	---------------------------------------

DG ENV			Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
ENV (studies)	Commitments	(1)	0.500	0.500	0.500	0.500				2.000
	Payments	(2)	0.500	0.500	0.500	0.500				2.000
TOTAL appropriations for DG ENV	Commitments	=1+1a +3a	0.500	0.500	0.500	0.500				2.000
	Payments	=2+2a +3b	0.500	0.500	0.500	0.500				2.000

EEA			Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
Title 1: Staff expenditure	Commitments	(1)	0.291	0.291	0.291	0.291				1.164
	Payments	(2)	0.291	0.291	0.291	0.291				1.164
Title 2: Infrastructure and operating expenditure	Commitments	(1a)								
	Payments	(2a)								
Title 3: Operational expenditure	Commitments	(3a)								
	Payments	(3b)								
TOTAL appropriations for EEA	Commitments	=1+1a +3a	0.291	0.291	0.291	0.291				1.164
	Payments	=2+2a +3b	0.291	0.291	0.291	0.291				1.164

TOTAL appropriations under HEADING 2 of the multiannual financial framework	(Total commitments = Total payments)		0.791	0.791	0.791	0.791				3.164
--	---	--	--------------	--------------	--------------	--------------	--	--	--	--------------

Heading of multiannual financial framework	5	Administrative expenditure
---	----------	-----------------------------------

EUR million (to three decimal places)

	Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
European Commission						

• Human Resources	1.430	1.430	1.430	1.430				5.720
• Other administrative expenditure (conference and meeting costs)	0.224	0.224	0.224	0.224				0.896

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	1.654	1.654	1.654	1.654				6.616
--	--------------------------------------	--------------	--------------	--------------	--------------	--	--	--	--------------

EUR million (to three decimal places)

		Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	2.624	2.624	2.624	2.624				10.496
	Payments	2.624	2.624	2.624	2.624				10.496

3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

EBA																		TOTAL	
Indicate objectives and outputs ↓			Year 2020		Year 2021 ⁷⁰		Year 2022		Year 2023		Enter as many years as necessary to show the duration of the impact (see point 1.6) ⁷¹								
	OUTPUTS																		
	Type ⁷²	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost	
SPECIFIC OBJECTIVE No 1 ⁷³ Support the Platform in its work on taxonomy, provide input for the SF Observatory and carry out actions of the SF Action Plan																			
Provide analysis, guidance, reports, data and advice	Analysis, guidance, reports, data and advice	0.034 (per FTE)	1	0.034	1	0.034	1	0.034	1	0.034							1	0.136	
Subtotal for specific objective No 1				0.034		0.034		0.034		0.034								0.136	

⁷⁰ The expenditure for the period after 2020 is compatible with the Commission proposals for the next Multiannual Financial Framework (2021-2027) published on 2 May 2018.

⁷¹ The number of years to complete the work of the Platform cannot be estimated at this time; therefore, the table shows the impact on expenditure only for the first four years of existence of the Platform. It is expected that the Platform will exist at least during the period of the next MFF (i.e. up to 2027).

⁷² Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

⁷³ As described in point 1.4.2. 'Specific objective(s)...'

TOTAL COST		0.029		0.029		0.029		0.029											0.115
-------------------	--	--------------	--	--------------	--	--------------	--	--------------	--	--	--	--	--	--	--	--	--	--	--------------

ESMA																				
Indicate objectives and outputs ↓			Year 2020		Year 2021		Year 2022		Year 2023		Enter as many years as necessary to show the duration of the impact (see point 1.6)						TOTAL			
	OUTPUTS																			
	Type ⁷⁶	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1 ⁷⁷ Support the Platform in its work on taxonomy, provide input for the SF Observatory and carry out actions of the SF Action Plan																				
Provide analysis, guidance, reports, data and advice	Analysis, guidance, reports, data and advice	0.066 (per FTE)	1	0.066	1	0.066	1	0.066	1	0.066								1	0.263	
Subtotal for specific objective No 1				0.066		0.066		0.066		0.066									0.263	
TOTAL COST				0.066		0.066		0.066		0.066									0.263	

⁷⁶ Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

⁷⁷ As described in point 1.4.2. ‘Specific objective(s)...’

EEA																			
Indicate objectives and outputs ↓			Year 2020		Year 2021		Year 2022		Year 2023		Enter as many years as necessary to show the duration of the impact (see point 1.6)						TOTAL		
	OUTPUTS																		
	Type ⁷⁸	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost	
SPECIFIC OBJECTIVE No 1 ⁷⁹ Support the Platform in its work on taxonomy, standards and labels, as well as provide input for the SF Observatory and advice to Member States on developing their low-carbon and sustainable investment strategies																			
Provide analysis, guidance, reports, data and advice	Analysis, guidance, reports, data and advice	0.145	2	0.291	2	0.291	2	0.291	2	0.291								2	1.164
Subtotal for specific objective No 1				0.291		0.291		0.291		0.291									1.164
TOTAL COST				0.291		0.291		0.291		0.291									1.164

FISMA

⁷⁸

Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

⁷⁹

As described in point 1.4.2. 'Specific objective(s)...'

Indicate objectives and outputs ↓			Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)										TOTAL		
	OUTPUTS																		
	Type ⁸⁰	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost	
SPECIFIC OBJECTIVE No 1 ⁸¹ Use of an IT system for communication by the Platform members/observers																			
- Add-ins for the Confluence collaborative platform	Add-ins	0.025	2	0.050	2	0.050	2	0.050	2	0.050							8	0.200	
TOTAL COST				0.050		0.050		0.050		0.050								0.200	

DG ENV			Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)										TOTAL		
Indicate objectives and outputs ↓	OUTPUTS																		
	Type ⁸²	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost	

⁸⁰ Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

⁸¹ As described in point 1.4.2. 'Specific objective(s)...'

⁸² Outputs are products and services to be supplied (e.g. number of student exchanges financed, number of km of roads built, etc.).

SPECIFIC OBJECTIVE No 1 Use of research/surveys/studies to support the work of the Platform																			
- Conduct of research/survey/studies	Research/survey/studies	0.250	2	0.500	2	0.500	2	0.500	2	0.500								8	2.000
TOTAL COST				0.500		0.500		0.500		0.500									2.000

3.2.3. Estimated impact on human resources

3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

EBA (1 Contract staff)	Year 2020	Year 2021⁸³	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)⁸⁴			TOTAL
Officials (AD Grades)								
Officials (AST grades)								
Contract staff	0.034	0.034	0.034	0.034				0.136
Temporary staff								
Seconded National Experts								
TOTAL	0.034	0.034	0.034	0.034				0.136

It is assumed that the planned recruitment date is 01 January 2020.

EIOPA (1 Contract staff)	Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
Officials (AD Grades)								
Officials (AST grades)								
Contract staff	0.029	0.029	0.029	0.029				0.116
Temporary staff								
Seconded National Experts								
TOTAL	0.029	0.029	0.029	0.029				0.116

⁸³ The expenditure for the period after 2020 is compatible with the Commission proposals for the next Multiannual Financial Framework (2021-2027) published on 2 May 2018.

⁸⁴ The number of years to complete the work of the Platform cannot be estimated at this time; therefore, the table shows the impact on expenditure only for the first four years of existence of the Platform. It is expected that the Platform will exist at least during the period of the next MFF (i.e. up to 2027).

It is assumed that the planned recruitment date is 01 January 2020.

ESMA (1 Temporary staff)	Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
Officials (AD Grades)								
Officials (AST grades)								
Contract staff								
Temporary staff	0.066	0.066	0.066	0.066				0.264
Seconded National Experts								
TOTAL	0.066	0.066	0.066	0.066				0.264

It is assumed that the planned recruitment date is 01 January 2020.

EEA (1 Temporary staff and 1 Contract staff)	Year 2020	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
Officials (AD Grades)								
Officials (AST grades)								
Contract staff	0.099	0.099	0.099	0.099				0.396
Temporary staff	0.191	0.191	0.191	0.191				0.764
Seconded National Experts								
TOTAL	0.291	0.291	0.291	0.291				1.164

It is assumed that the planned recruitment date is 01 January 2020.

European Commission (10 Officials)⁸⁵	Year 2020⁸⁶	Year 2021	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
Officials (AD Grades)	1.144	1.144	1.144	1.144				4.576

⁸⁵ The human resources required will be met by staff from the DGs who are already assigned to management of the action and/or have been redeployed within the DGs, together if necessary with any additional allocation, which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

⁸⁶

Officials (AST grades)	0.286	0.286	0.286	0.286				1.144
Contract staff								
Temporary staff								
Seconded National Experts								
TOTAL	1.430	1.430	1.430	1.430				5.720

3.2.3.2. Estimated requirements of human resources for the parent DG and associated DGs/Services

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	Year 2020	Year 2021 ⁸⁷	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6) ⁸⁸		
• Establishment plan posts (officials and temporary staff)⁸⁹							
12 01 01 01 FISMA	5	5	5	5			
07 01 01 01 ENV	2	2	2	2			
34 01 01 01 CLIMA	2	2	2	2			
29 01 01 01 EUROSTAT	1	1	1	1			
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External staff (in Full Time Equivalent unit: FTE)⁹⁰							
XX 01 02 01 (AC, END, INT from the 'global envelope')							
XX 01 02 02 (AC, AL, END, INT and JPD in the Delegations)							
XX 01 04 yy ⁹¹	- at Headquarters ⁹²						
	- in Delegations						
XX 01 05 02 (AC, END, INT –							

⁸⁷ The expenditure for the period after 2020 is compatible with the Commission proposals for the next Multiannual Financial Framework (2021-2027) published on 2 May 2018.

⁸⁸ The number of years to complete the work of the Platform cannot be estimated at this time; therefore, the table shows the impact on expenditure only for the first four years of existence of the Platform. It is expected that the Platform will exist at least during the period of the next MFF (i.e. up to 2027).

⁸⁹ The human resources required will be met by staff from the DGs who are already assigned to management of the action and/or have been redeployed within the DGs, together if necessary with any additional allocation, which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

⁹⁰ AC = Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD = Junior Professionals in Delegations.

⁹¹ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

⁹² Mainly for the Structural Funds, the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF).

Indirect research)							
10 01 05 02 (AC, END, INT – Direct research)							
Other budget lines (specify)							
TOTAL	10	10	10	10			

XX is the policy area or budget title concerned.

Description of tasks to be carried out:

Officials and temporary staff	The Commission will be involved in all of the targeted actions mentioned under point 1.4.2, and in particular with the management of the aforementioned public/private platform (e.g. organisation of meetings for the Platform and any sub-groups, reporting on the outcome, consulting stakeholders, preparing legislative proposals, supporting the observatory/advisory, liaising with the ESAs and the EEA, maintaining the IT collaborative tool, reimbursement of experts and other secretarial tasks, etc.).
External staff	

Description of the calculation of cost for FTE units should be included in the Annex V, section 3.

3.2.4. Compatibility with the current multiannual financial framework

- The proposal/initiative is compatible with the current multiannual financial framework and the post-2020 MFF proposal.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework⁹³.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. Third-party contributions

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

EUR million (to three decimal places)

NCAs ⁹⁴	Year 2020	Year 2021 ⁹⁵	Year 2022	Year 2023	Enter as many years as necessary to show the duration of the impact (see point 1.6) ⁹⁶			Total (due to co- financing arrangemen t 60/40, only 60% is mentioned here)
EBA	0.051	0.051	0.051	0.051				0.204
EIOPA	0.043	0.043	0.043	0.043				0.173
ESMA	0.098	0.098	0.098	0.098				0.394
TOTAL appropriations co-financed	0.193	0.193	0.193	0.193				0.771

⁹³ See Articles 11 and 17 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020.

⁹⁴ Based upon the current governance and funding modalities (i.e. 60% co-financing by Member States' national competent authorities and 40% EU contribution) which do not take into account the proposal of the Commission on the ESAs' review that is not yet adopted.

⁹⁵ The expenditure for the period after 2020 is compatible with the Commission proposals for the next Multiannual Financial Framework (2021-2027) published on 2 May 2018.

⁹⁶ The number of years to complete the work of the Platform cannot be estimated at this time; therefore, the table shows the impact on expenditure only for the first four years of existence of the Platform. It is expected that the Platform will exist at least during the period of the next MFF (i.e. up to 2027).

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ⁹⁷					Enter as many years as necessary to show the duration of the impact (see point 1.6)		
		Year 2020	Year 2021	Year 2022	Year 2023				
Article									

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

⁹⁷ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.