

# Procedure file

| Basic information                                                                                                                                                                                                                                                                                                                                                              |                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| COD - Ordinary legislative procedure (ex-codecision procedure)<br>Regulation                                                                                                                                                                                                                                                                                                   | 2018/0178(COD)<br>Procedure completed |
| Framework to facilitate sustainable investment<br><br>See also <a href="#">2018/0179(COD)</a><br>See also <a href="#">2018/0180(COD)</a><br><br>Subject<br>2.50.03 Securities and financial markets, stock exchange, CIUTS, investments<br>2.50.05 Insurance, pension funds<br>2.50.08 Financial services, financial reporting and auditing<br>3.70.20 Sustainable development |                                       |

| Key players         |                                                                                                                                                |                                                                                                                       |                                               |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| European Parliament | Joint Committee Responsible                                                                                                                    | Rapporteur                                                                                                            | Appointed                                     |
|                     |  <a href="#">Environment, Public Health and Food Safety</a>   |                                                                                                                       | 14/10/2019                                    |
|                     | <a href="#">Economic and Monetary Affairs</a>                                                                                                  |  <a href="#">PIETIKÄINEN Sirpa</a> | 14/10/2019                                    |
|                     |                                                                                                                                                |  <a href="#">EICKHOUT Bas</a>     |                                               |
|                     |                                                                                                                                                | Shadow rapporteur                                                                                                     |                                               |
|                     |                                                                                                                                                |  <a href="#">BONAFÈ Simona</a>    |                                               |
|                     |                                                                                                                                                |  <a href="#">TANG Paul</a>        |                                               |
|                     |                                                                                                                                                |  <a href="#">BOYER Gilles</a>     |                                               |
|                     |                                                                                                                                                |  <a href="#">HOJSÍK Martin</a>    |                                               |
|                     |                                                                                                                                                |  <a href="#">BECK Gunnar</a>      |                                               |
|                     |  <a href="#">RZOŃCA Bogdan</a>                             |                                                                                                                       |                                               |
|                     |  <a href="#">VONDRA Alexandr</a>                           |                                                                                                                       |                                               |
|                     |  <a href="#">Environment, Public Health and Food Safety</a> |                                                                                                                       |                                               |
|                     | <a href="#">Economic and Monetary Affairs</a>                                                                                                  |                                                                                                                       |                                               |
|                     | Former committee for opinion                                                                                                                   |                                                                                                                       |                                               |
|                     |  <a href="#">Budgets</a>                                    |                                                                                                                       | The committee decided not to give an opinion. |

|                                                      |                                                                                                    |                                               |
|------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------|
|                                                      | <b>ITRE</b> Industry, Research and Energy                                                          | The committee decided not to give an opinion. |
|                                                      | <b>IMCO</b> Internal Market and Consumer Protection                                                | The committee decided not to give an opinion. |
| Council of the European Union<br>European Commission | Commission DG<br><a href="#">Financial Stability, Financial Services and Capital Markets Union</a> | Commissioner<br>DOMBROVSKIS Valdis            |
| European Economic and Social Committee               |                                                                                                    |                                               |

| Key events |                                                                                                 |                                                                                       |         |
|------------|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------|
| 24/05/2018 | Legislative proposal published                                                                  | <a href="#">COM(2018)0353</a>                                                         | Summary |
| 05/07/2018 | Committee referral announced in Parliament, 1st reading                                         |                                                                                       |         |
| 15/11/2018 | Referral to joint committee announced in Parliament                                             |                                                                                       |         |
| 11/03/2019 | Vote in committee, 1st reading                                                                  |                                                                                       |         |
| 13/03/2019 | Committee report tabled for plenary, 1st reading                                                | <a href="#">A8-0175/2019</a>                                                          | Summary |
| 28/03/2019 | Results of vote in Parliament                                                                   |  |         |
| 28/03/2019 | Debate in Parliament                                                                            |  |         |
| 28/03/2019 | Decision by Parliament, 1st reading                                                             | <a href="#">T8-0325/2019</a>                                                          | Summary |
| 21/10/2019 | Committee decision to open interinstitutional negotiations after 1st reading in Parliament      |                                                                                       |         |
| 22/10/2019 | Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72) |                                                                                       |         |
| 23/01/2020 | Approval in committee of the text agreed at early 2nd reading interinstitutional negotiations   | <a href="#">PE646.809</a>                                                             |         |
| 08/05/2020 | Council position published                                                                      | <a href="#">05639/2020</a>                                                            | Summary |
| 15/05/2020 | Committee referral announced in Parliament, 2nd reading                                         |                                                                                       |         |
| 28/05/2020 | Vote in committee, 2nd reading                                                                  |                                                                                       |         |
| 02/06/2020 | Committee recommendation tabled for plenary, 2nd reading                                        | <a href="#">A9-0107/2020</a>                                                          |         |
| 17/06/2020 | Decision by Parliament, 2nd reading                                                             | <a href="#">T9-0130/2020</a>                                                          | Summary |
| 17/06/2020 | End of procedure in Parliament                                                                  |                                                                                       |         |
| 18/06/2020 | Final act signed                                                                                |                                                                                       |         |
| 22/06/2020 | Final act published in Official Journal                                                         |                                                                                       |         |

| Technical information                        |                                                                                    |
|----------------------------------------------|------------------------------------------------------------------------------------|
| Procedure reference                          | 2018/0178(COD)                                                                     |
| Procedure type                               | COD - Ordinary legislative procedure (ex-codecision procedure)                     |
| Procedure subtype                            | Legislation                                                                        |
| Legislative instrument                       | Regulation                                                                         |
|                                              | See also <a href="#">2018/0179(COD)</a><br>See also <a href="#">2018/0180(COD)</a> |
| Legal basis                                  | Rules of Procedure EP 58; Treaty on the Functioning of the EU TFEU 114             |
| Mandatory consultation of other institutions | <a href="#">European Economic and Social Committee</a>                             |
| Stage reached in procedure                   | Procedure completed                                                                |
| Committee dossier                            | CJ36/9/01578                                                                       |

| Documentation gateway                                           |  |                                |            |     |         |
|-----------------------------------------------------------------|--|--------------------------------|------------|-----|---------|
| Legislative proposal                                            |  | <a href="#">COM(2018)0353</a>  | 24/05/2018 | EC  | Summary |
| Document attached to the procedure                              |  | <a href="#">SWD(2018)0264</a>  | 24/05/2018 | EC  |         |
| Document attached to the procedure                              |  | <a href="#">SWD(2018)0265</a>  | 24/05/2018 | EC  |         |
| Economic and Social Committee: opinion, report                  |  | <a href="#">CES2767/2018</a>   | 17/10/2018 | ESC |         |
| Committee report tabled for plenary, 1st reading/single reading |  | <a href="#">A8-0175/2019</a>   | 13/03/2019 | EP  | Summary |
| Text adopted by Parliament, 1st reading/single reading          |  | <a href="#">T8-0325/2019</a>   | 28/03/2019 | EP  | Summary |
| Commission response to text adopted in plenary                  |  | <a href="#">SP(2019)437</a>    | 30/07/2019 | EC  |         |
| Text agreed during interinstitutional negotiations              |  | <a href="#">PE646.809</a>      | 16/01/2020 | EP  |         |
| Council statement on its position                               |  | <a href="#">02023/2020</a>     | 15/04/2020 | CSL |         |
| Commission communication on Council's position                  |  | <a href="#">COM(2020)0155</a>  | 23/04/2020 | EC  |         |
| Council position                                                |  | <a href="#">05639/2/2020</a>   | 08/05/2020 | CSL | Summary |
| Committee recommendation tabled for plenary, 2nd reading        |  | <a href="#">A9-0107/2020</a>   | 02/06/2020 | EP  |         |
| Text adopted by Parliament, 1st reading/single reading          |  | <a href="#">T9-0130/2020</a>   | 17/06/2020 | EP  | Summary |
| Draft final act                                                 |  | <a href="#">00020/2020/LEX</a> | 18/06/2020 | CSL |         |

| Additional information |                          |            |
|------------------------|--------------------------|------------|
| Research document      | <a href="#">Briefing</a> | 27/07/2020 |

| Final act                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <a href="#">Regulation 2020/852</a><br><a href="#">OJ L 198 22.06.2020, p. 0013</a><br><br><a href="#">Corrigendum to final act 32020R0852R(05)</a><br><a href="#">OJ L 156 09.06.2022, p. 0159</a> |

| Delegated acts                 |                              |
|--------------------------------|------------------------------|
| <a href="#">2022/2594(DEA)</a> | Examination of delegated act |
| <a href="#">2021/2753(DEA)</a> | Examination of delegated act |
| <a href="#">2021/2796(DEA)</a> | Examination of delegated act |
| <a href="#">2023/2769(DEA)</a> | Examination of delegated act |
| <a href="#">2023/2770(DEA)</a> | Examination of delegated act |

## Framework to facilitate sustainable investment

**PURPOSE:** to establish a framework to facilitate sustainable investment.

**PROPOSED ACT:** Regulation of the European Parliament and of the Council.

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** 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 Unions economy.

In March 2018, the Commission published its [action plan](#) 'Financing Sustainable Growth' 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.

In line with the Paris Climate Change Agreement and the 2030 UN Sustainable Development Agenda, this proposal is part of a broader Commission initiative to facilitate investment in sustainable projects and assets across the European Union. In particular, it defines uniform criteria for determining whether an economic activity is environmentally sustainable.

The proposal is presented in parallel with:

- a [proposal](#) to bring institutional investors (management companies of undertakings for collective investment in transferable securities (UCITS), alternative investment fund managers (AIFs), insurance undertakings, institutions for occupational retirement provision (IORPs), European venture capital fund managers (EuVECA), European social entrepreneurship fund managers (EuSEF) and investment firms) to integrate environmental, social and governance (ESG) considerations into their internal processes and inform their clients in this respect;
- a [proposal](#) to help investors compare the carbon footprint of investments.

**IMPACT ASSESSMENT:** the option chosen is that of a unified EU classification system (or taxonomy). An EU uniform classification would help determine which activities can be considered sustainable and send the right signals to economic actors, as it would translate EU policy objectives into concrete guidelines for identifying relevant projects or investments. It could therefore help to direct more capital towards sustainable investments.

**CONTENT:** the proposed Regulation seeks to standardise the criteria for determining whether an economic activity is environmentally sustainable for the purposes of establishing the degree of environmental sustainability of an investment.

**Environmental sustainability criteria for economic activities:** the proposal provides for criteria and a procedure for identifying environmentally sustainable investments, in order to avoid distortions of the single market due to differences in the interpretation of this concept between Member States.

According to these criteria, the economic activity should contribute substantially to one or more environmental objectives without causing significant harm to any other. These environmental objectives are: (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.

In recognition of the principles enshrined in the European Pillar of Social Rights, economic activity should also be pursued in accordance with minimum international social and labour standards.

The Commission may adopt delegated acts specifying 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.

**Disclosure obligations:** the proposal 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.

**Sustainable Finance Platform:** the proposal provides for a process involving a multi-stakeholder Platform to establish at EU level a uniform classification system based on a set of clear criteria to determine which economic activities may be considered sustainable. This Platform will assist the Commission in the progressive development and the update of the EU classification system.

The European Supervisory Authorities (ESAs) will play a key role in developing the European sustainability taxonomy to ensure that it is

usable by financial institutions, applicable to financial products and compatible with EU financial legislation. The European Environmental Agency (EEA) will also be closely involved in the sustainable finance work.

**BUDGETARY IMPLICATIONS:** 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.

The total impact on expenditure is estimated at EUR 10.496 million for the period 2020-2023.

## Framework to facilitate sustainable investment

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The Committee on Economic and Monetary Affairs and the Committee on the Environment, Public Health and Food Safety adopted the joint report by Bas EICKHOUT (Greens/EFA, NL) and Sirpa PIETIKÄINEN (EPP, FI) on the proposal for a regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission's proposal as follows:

### Subject matter and scope

This Regulation establishes the criteria for determining the degree of environmental impact and sustainability of an economic activity for the purposes of establishing the degree of environmental sustainability of an investment made within the EU.

The proposed Regulation shall apply to the following:

- measures adopted by Member States or by the Union setting out any requirements on financial market participants in respect of financial products or corporate bonds that are marketed within the Union as environmentally sustainable;
- financial market participants offering within the Union financial products as environmentally sustainable investments or as investments having similar characteristics, and
- financial market participants offering other financial products except where: (i) the financial market participant provides explanations that the economic activities funded by its financial products do not have any significant sustainability impact; (ii) the financial market participant declares in its prospectus that the financial product in question does not pursue sustainability objectives and that the product is at an increased risk of supporting economic activities that are not considered sustainable under this regulation.

### Criteria for economic activities with a significant negative environmental impact

By 31 December 2021, the Commission shall conduct an impact assessment on the consequences of revising this Regulation to expand the framework for sustainable investments with a framework that is used to define criteria for when and how an economic activity has a significant negative impact on sustainability. This expansion shall be conditional to an outcome of the impact assessment that states that such an expansion is proportionate, feasible and desirable.

### Application of and compliance with the criteria for determining the degree of environmental sustainability of economic activities

Member States and the Union shall apply the criteria for determining the degree of environmental sustainability of economic activities for the purposes of any measures setting out sustainability requirements on market actors in respect of financial products or corporate bonds

Financial market participants offering financial products or corporate bonds shall disclose the relevant information allowing them to establish whether the products they offer qualify as environmentally sustainable investments. Where financial market participants consider that an economic activity for which technical screening criteria have not been established yet, should be considered environmentally sustainable, they shall inform the Commission.

Financial market participants shall not offer financial products as environmentally sustainable investments, or as investments having similar characteristics, if those products do not qualify as environmentally sustainable.

Member States, in close cooperation with the relevant European Supervisory Authority (ESA), shall monitor the information. Financial market participants shall report it to the relevant national competent authority which shall communicate it to the relevant ESA without delay.

### Market monitoring

The relevant ESA shall monitor the market for financial products, which are marketed, distributed or sold in the Union. Competent authorities shall monitor the market for financial products which are marketed, distributed or sold in or from their Member State.

The relevant ESA may, where there is a breach of this Regulation, temporarily prohibit or restrict in the Union the marketing, distribution or sale of the financial products.

### Platform on sustainable finance

The Commission shall establish a Platform on sustainable finance whose composition shall ensure balance, a wide range of views, and gender equality. It shall be composed, in balanced manner, of representatives from the following groups:

- the European Union Agency for Fundamental Rights;
- the European Financial Reporting Advisory Group (EFRAG);
- experts representing relevant private stakeholders, including the financial and non-financial market actors and business sectors, representing relevant industries;
- experts representing civil society, including with expertise in the field of environmental, social, labour and governance issues.

The European Parliament and the Council shall be duly informed in a timely manner of the selection procedure of experts for the Platform.

## Minimum safeguards

By 31 December 2021, the Commission shall conduct an impact assessment on the consequences and appropriateness of revising this Regulation to include compliance with other minimum safeguards that the undertaking that is carrying out an economic activity has to observe in order to establish that economic activity as environmentally sustainable.

## Review

By 31 December 2021, and subsequently every three years thereafter, the Commission shall:

- publish a report on the application and impact of this Regulation;
- review the scope of this Regulation if it creates excessive administrative burden or if the necessary data for financial market participants is insufficiently available. The reports shall be sent to the European Parliament and to the Council. The Commission shall make accompanying legislative proposals where appropriate.

## Framework to facilitate sustainable investment

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The European Parliament adopted by 316 votes to 93, with 192 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on establishing a framework to facilitate sustainable investment.

The European Parliaments position adopted at first reading under the ordinary legislative procedure amended the Commission proposal as follows:

### Criteria for determining the degree of sustainability of economic activities

This Regulation establishes the criteria for determining the degree of environmental impact and sustainability of an economic activity for the purposes of establishing the degree of environmental sustainability of an investment made within the EU.

According to these criteria, the economic activity in question shall contribute to the following environmental objectives:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy, including waste prevention and increasing the uptake of secondary raw materials;
- pollution prevention and control;
- protection of biodiversity and healthy ecosystems and restoration of degraded ecosystems.

These objectives shall be measured by harmonised indicators, life cycle analysis and scientific criteria, and be fulfilled ensuring they are up to scale to the upcoming environmental challenges.

### Scope

The proposed Regulation shall apply to the following:

- measures adopted by Member States or by the Union setting out any requirements on financial market participants in respect of financial products or corporate bonds that are marketed within the Union as environmentally sustainable;
- financial market participants offering within the Union financial products as environmentally sustainable investments or as investments having similar characteristics, and
- financial market participants offering other financial products except where: (i) the financial market participant provides explanations that the economic activities funded by its financial products do not have any significant sustainability impact; (ii) the financial market participant declares in its prospectus that the financial product in question does not pursue sustainability objectives and that the product is at an increased risk of supporting economic activities that are not considered sustainable under this regulation.

### Criteria for economic activities with a significant negative environmental impact

By 31 December 2021, the Commission shall conduct an impact assessment on the consequences of revising this Regulation to expand the framework for sustainable investments with a framework that is used to define criteria for when and how an economic activity has a significant negative impact on sustainability. This expansion shall be conditional to an outcome of the impact assessment that states that such an expansion is proportionate, feasible and desirable.

### Application of and compliance with the criteria for determining the degree of environmental sustainability of economic activities

Member States and the Union shall apply the criteria for determining the degree of environmental sustainability of economic activities for the purposes of any measures setting out sustainability requirements on market actors in respect of financial products or corporate bonds.

Financial market participants offering financial products or corporate bonds shall disclose the relevant information allowing them to establish whether the products they offer qualify as environmentally sustainable investments. Where financial market participants consider that an economic activity for which technical screening criteria have not been established yet, should be considered environmentally sustainable, they shall inform the Commission.

Financial market participants shall not offer financial products as environmentally sustainable investments, or as investments having similar characteristics, if those products do not qualify as environmentally sustainable.

Member States, in close cooperation with the relevant European Supervisory Authority (ESA), shall monitor the information. Financial market participants shall report it to the relevant national competent authority which shall communicate it to the relevant ESA without delay.

## Market monitoring

The relevant ESA shall monitor the market for financial products, which are marketed, distributed or sold in the Union. Competent authorities shall monitor the market for financial products which are marketed, distributed or sold in or from their Member State.

The relevant ESA may, where there is a breach of this Regulation, temporarily prohibit or restrict in the Union the marketing, distribution or sale of the financial products.

## Platform on sustainable finance

The Commission shall establish a Platform on sustainable finance whose composition shall ensure balance, a wide range of views, and gender equality. It shall be composed, in balanced manner, of representatives from the following groups:

- the European Union Agency for Fundamental Rights;
- the European Financial Reporting Advisory Group (EFRAG);
- experts representing relevant private stakeholders, including the financial and non-financial market actors and business sectors, representing relevant industries;
- experts representing civil society, including with expertise in the field of environmental, social, labour and governance issues.

The European Parliament and the Council shall be duly informed in a timely manner of the selection procedure of experts for the Platform.

## Minimum safeguards

By 31 December 2021, the Commission shall conduct an impact assessment on the consequences and appropriateness of revising this Regulation to include compliance with other minimum safeguards that the undertaking that is carrying out an economic activity has to observe in order to establish that economic activity as environmentally sustainable.

## Review

By 31 December 2021, and subsequently every three years thereafter, the Commission shall:

- publish a report on the application and impact of this Regulation;
- review the scope of this Regulation if it creates excessive administrative burden or if the necessary data for financial market participants is insufficiently available. The reports shall be sent to the European Parliament and to the Council. The Commission shall make accompanying legislative proposals where appropriate.

## Framework to facilitate sustainable investment

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The Council adopted its position at first reading with a view to the adoption of a regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment and amending regulation (EU) 2019/2088 (also known as the taxonomy regulation).

The proposed Regulation is part of the action plan Financing Sustainable Growth, which aims to channel capital flows towards sustainable investment in order to achieve sustainable and inclusive growth. It aims to establish the criteria for determining at EU level which activities should be considered green.

The EU taxonomy should provide a common language that investors and companies could use to identify opportunities to invest in projects and economic activities that make a substantial contribution to climate and environmental objectives.

The Council's position at first reading reflects the compromise reached in negotiations between the Council and the European Parliament. It includes the following main elements:

### Scope of application

The Council's position provides for the application of the taxonomy to all adopted public measures, standards or labels that set out requirements on financial market participants or issuers in the area of financial products or corporate bonds that are marketed as environmentally sustainable.

According to the Council position:

- all financial market participants, within the meaning of [Regulation \(EU\) 2019/2088](#) on disclosure of information, should be required to declare how and to what extent the investments underlying their financial products support economic activities that comply with the taxonomy ;
- financial market participants who do not wish to publish information on how they comply with the taxonomy and who therefore do not wish to market their products as environmentally sustainable, should make a statement explaining their position;
- large financial and non-financial companies that are already required to disclose non-financial information should report in their non-financial statements or consolidated non-financial statements certain key climate-related performance indicators, which are based on the framework established by the taxonomy Regulation.

The Commission shall publish, by 31 December 2021 at the latest, a report describing the provisions that would be necessary to extend the scope of the Regulation to cover environmentally sustainable economic activities that significantly harm the environment, as well as other sustainability objectives, including social objectives.

### Environmental objectives

In order to determine whether a given economic activity is environmentally sustainable, the Council's position sets out an exhaustive list of six environmental objectives to which the activity should contribute substantially, namely: (1) climate change mitigation; (2) climate change adaptation; (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy; (5) pollution prevention and

control; and (6) protection and restoration of biodiversity and ecosystems.

#### Technical screening criteria

For each environmental objective, uniform technical screening criteria for determining whether economic activities contribute substantially to the objective concerned should be laid down by the Commission in delegated acts. An essential element of those uniform criteria is the absence of significant prejudice to the environmental objectives.

#### Climate neutrality

The Council position sets out clear requirements for technical examination criteria, which the Commission should respect when developing these criteria by means of delegated acts. These requirements take into account the principle of technological neutrality and provide that the technical review criteria shall ensure that power generation activities using solid fossil fuels are not considered to be environmentally sustainable economic activities.

#### Minimum safeguards

Compliance with minimum safeguards should also be a condition for an economic activity to be considered environmentally sustainable. Thus, an economic activity may only be considered environmentally sustainable when it is carried out in the framework of the OECD Guidelines for Multinational Enterprises and the UN Guidelines on Business and Human Rights, including the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, the eight ILO fundamental conventions and the International Bill of Human Rights.

#### Eligible environmentally sustainable economic activities

The Council position introduced two sub-categories of environmentally sustainable economic activities: (i) enabling activities (applicable to all six environmental objectives) and (ii) transition activities (applicable only to the climate change mitigation objective):

- enabling activities directly enable other activities to make a substantial contribution to one or more of the environmental objectives. Safeguards have been put in place to prevent greenwashing. The first of these safeguards is that enabling activities cannot lead to a lock-in in assets that undermine long-term environmental goals, considering the economic lifetime of those assets. The second of these safeguards is that enabling activities must have a substantial positive environmental impact on the basis of lifecycle considerations;

- transition activities are activities: (i) for which there are currently no technologically and economically feasible low-carbon alternatives available; (ii) and that support the transition to a climate-neutral economy in a manner that is consistent with a pathway to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels.

#### Governance

The process for the establishment and update of the technical screening criteria should involve relevant stakeholders and should build on the advice of experts who have proven knowledge and experience in the relevant areas. For that purpose, the Commission should set up a Platform on Sustainable Finance. The Platform should be composed of experts representing both the public and private sectors.

The Platform should advise the Commission on developing further measures to improve data availability and quality, taking into account the objective of avoiding undue administrative burden, on addressing other sustainability objectives, including social objectives.

#### Timeframe for implementation

The Council's position provides that the Commission should give priority to delegated acts which pursue climate-related objectives by adopting them by 31 December 2020 at the latest, in order to ensure their application as from 1 January 2022. Delegated acts pursuing the other objectives under the taxonomy regulation should be adopted by 31 December 2021 at the latest in order to ensure their application as from 1 January 2023.

## Framework to facilitate sustainable investment

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The European Parliament approved, in accordance with the ordinary legislative procedure, the Council's position at first reading with a view to the adoption of a regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

The Council's position at first reading reflects the agreement reached between Parliament and the Council in the context of inter-institutional negotiations at early second reading stage.

The proposed Regulation is part of the action plan Financing sustainable growth, which is aimed at redirecting capital flows towards sustainable investment with a view to achieving sustainable and inclusive growth. It establishes criteria for determining at EU level which activities should be considered green.

The Regulation aims to:

- provide companies and investors with appropriate definitions to help them determine which economic activities can be considered environmentally sustainable;

- empower final investors, in particular retail investors, to direct their capital towards environmentally sustainable activities by limiting, through these definitions, the risks of greenwashing;

- avoid market fragmentation by providing investors, companies and Member States with a single reference point for defining environmental sustainability for investment purposes.