Taking stock ...

Vision
"A low-carbon, resource-efficient and increasingly circular economy characterised by high employment, technological innovation and sustainable growth."

Required yearly investments:

**Climate and Energy**
Maintaining current trajectory
Upgrade to 2030 targets

**Circular economy**

**Transport** (upgrade to e-transport and connected vehicles)

**Digital Agenda** (includes smart/decarbonised energy systems)

**Water treatment and supply**

**Implementing SDGs**

<table>
<thead>
<tr>
<th>Category</th>
<th>Required Yearly Investments</th>
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</thead>
<tbody>
<tr>
<td>Climate and Energy</td>
<td>€ 940 billion</td>
</tr>
<tr>
<td>Upgrade to 2030 targets</td>
<td>€ 180 billion</td>
</tr>
<tr>
<td>Circular economy</td>
<td>€ 98 billion</td>
</tr>
<tr>
<td>Transport</td>
<td>€ 50 billion</td>
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<tr>
<td>Digital Agenda</td>
<td>€ 65 billion</td>
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<tr>
<td>Water treatment and supply</td>
<td>€ 90 billion</td>
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<tr>
<td>Implementing SDGs</td>
<td>?</td>
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</table>
Why is finance failing sustainability?

- Weak or inconsistent policy signals
- "Tragedy of the horizon"
- Weak risk assessment and management
- Incomplete sustainability toolkit
- Low level of sustainability literacy
A sustainable financial system ...

1. Considers the **full value** of financial assets, incorporating sustainability factors into valuation and product design.

2. Is **productive**, serving households, firms and governments in their projects and needs.

3. Is **resilient**, withstanding and recovering from a wide range of external and internal shocks.

4. Demonstrates alignment with the **sustainability preferences** of its users ensuring **accountability and transparency**.

5. Takes a **long-term perspective**
What we have done so far...

- Over 6000 large listed companies are required to assess and disclose sustainability risks from this year *(Non-Financial Reporting Directive)*.
- Certain types of pension funds must include environmental and social factors in their risk management systems and disclose whether and how they include them in their investment policies *(Institutions for Occupational Retirement Provision Directive)*.
- Some pension funds and insurance companies have to establish and disclose their environmental and social governance engagement policy *(Shareholder's rights Directive II)*.
- Public investments in certain energy efficiency schemes can be done off-balance sheet *(Revision of EU accounting standards)*.
- Lower capital requirements for certain infrastructure investments by insurance companies *(Revision of Solvency II directive)*.
- Retail investors to be informed about environmental or social objectives targeted by investment products *(Package Retail and Insurance-based Investments Products Regulation)*.
Priority actions recommended by the HLG

Providing trust in green financial products

- A common sustainable finance **taxonomy** to ensure market consistency and clarity on what is ‘green’, 'low-carbon' or ‘sustainable’ etc...

- Creation of official European sustainable finance **standards and labels**, starting with one on **green bonds**

- To improve investors **access to information** on sustainability performance and promote **financial literacy**
Priority actions recommended by the HLG

Providing better finance and more finance for sustainable development

- EU omnibus legislation across entire investment chain to clarify investor duties, to link their time horizons to the institutions or individuals they serve and to require informed consent on sustainability issues.
- To upgrade Europe’s disclosure rules to cover financial products, financial assets, financial institutions and authorities.
- To expand the EU pipeline of sustainable projects/assets.
- To strengthen director duties and stewardship principles as a way to reform governance and leadership of companies.
- To include the promotion of sustainable finance in the mandate of European Financial Supervisory Authorities.