



FOCUS

FRAMEWORK REGULATION (GREEN TAXONOMY)

Updated in July 2024

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REGULATORY EVOLUTION

This regulation (EU) 2020/852 of 18 June 2020 (hereinafter Taxonomy) aims to encourage sustainable finance by establishing a legal and technical framework. This framework or taxonomy regulation also aims to help international investors to identify investments that genuinely meet the environmental goals of saving the planet.

Six objectives are included in this green taxonomy:

1. climate change mitigation
 2. climate change adaptation
 3. sustainable use and protection of water and marine resources
 4. transition to a circular economy, including waste prevention and recycling
 5. pollution prevention and control
 6. and prevention and restoration of biodiversity and ecosystems
- Delegated acts** with objectives 1 and 2 are applicable since January 2022.
Delegated acts with objectives 3 to 6 apply as from Jan 2023.

31 May 2022 - ESMA published a supervisory briefing on sustainability risks and disclosures in investment management area.

FOCAL POINTS

Sustainable investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

In practical terms, European Taxonomy defines **a list of economic activities** and **performance thresholds** that measure these activities' contribution to these **6 environmental objectives**. It includes 7 macro-sectors and 72 sub-activities. Each economic activity must provide a substantial contribution to one of the six environmental objectives without significantly impairing any of the others.

For example, **an activity can be eligible for Taxonomy for three reasons:**

- It is already a low carbon activity,
- It contributes to the transition towards a net zero emission economy by 2050,
- It enables other activities to reduce their CO₂ emissions.

Pending issue:

- ✓ **Taxonomy should take care the S - social criteria included in SFDR.**
- ✓ **EC decided to include gas and nuclear as eligible economic activities to Taxonomy Regulation.**

2018 - 2019

2019

2019

2020

2022

2023

2023

EC consultation papers for assessing ESG factors into investment decision

June 2019
TEG Report on a sustainable European economy

25.09.19
Council's position approving creation of a green finance taxonomy

18.06.20
Framework Regulation to enhance Sustainability-related disclosures in the financial services

Jan 2022 - Applicable date for 2 climate objectives

Jan 23 - Applicable date for 4 remaining environmental objectives

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STATEMENT

- ❑ 7 Feb. 2020 - EU Council published a legislative proposal on the establishment of a framework to facilitate sustainable investment ('Taxonomy or Framework Regulation'). 22 June 2020 - Publication of [Regulation \(EU\) 2020/852](#) in the OJ of the EU. Entry into force on 12 July 2020.
- ❑ 22 Oct. 2020- ESAs published new version of SFDR RTS of with alignment to the Taxonomy.
- ❑ 31 Dec. 2021 - After 2 years of negotiation EC proposed to integrate **gas** and **nuclear** in the list of 72 eligible economic activities.
- ❑ 2 Feb. 2022 - The European Commission (EC) proposed a green label text for some gas and nuclear investments. This text had to be submitted to the European Parliament and Council to be analyzed? They had four months to object.
- ❑ EC endorsed SFDR RTS with [taxonomy alignment](#) on 6 April 2022.
- ❑ **Sept. 2022 nuclear** and **gas** investment have been included as eligible economic activities under the scope of the Green Taxonomy.
- ❑ Beginning of April 2023 European Commission launched a consultation on the last 4 objectives of the Taxonomy.
- ❑ AFG responded to this consultation by commenting only the applicable calendar of those new criteria. In its reply, AFG highlights necessity of a delay of entry into force of those obligations to allow corporates to take note and integrate those new criteria. AFG supports this year of delay between the reporting of non-financial institutions and the one of financial institutions. Finally, AFG reminds the necessity to have a coherence between CSRD and Taxonomy calendar see in French [réponse à consultation](#).
- ❑ **5 June 2023** Q&A on EU's New Sustainable Finance Package including final Environmental Delegated Act defining technical screening criteria of the 4 other environmental objectives as well as amendments to Climate and Disclosures Delegated Act.
- ❑ According to recently approved Environmental Delegated Act, companies will only be required to report their taxonomy eligibility for the additional activities starting from 1 January 2024. Thus, starting from financial year 2025, both taxonomy eligibility and alignment will be required to be reported for companies within the scope of the regulation for all the six environmental objectives. On 13 December 2023, the Platform on Sustainable Finance issued a draft report including proposals for EU taxonomy-aligning benchmarks.

FOR YOUR CONSIDERATION

- ❑ EU taxonomy is a complex system to classify which parts of the economy can be marketed as sustainable investments.
- ❑ Taxonomy does not ban investments in activities not labelled "green", but it limits which companies and investors can claim being climate-friendly.
- ❑ As of today, there is no common classification system in the EU in order to define precisely environmentally sustainable and/or green finance.
- ❑ Providers of financial products in the EU must disclose which investments comply with the criteria of the taxonomy's climate.
- ❑ Companies and listed firms must also disclose what share of their turnover and capital expenditure complies with green taxonomy.
- ❑ Feb 2020 - 2 interesting documents: one [published](#) by AFME "State of Play: Status of European Regulatory developments on Sustainable Finance", summarizing developments in ESG and one [published](#) by EFRAG on "How to improve climate-related reporting".
- ❑ **9 March 2020** - the Technical Expert Group (TEG) on financing a sustainable European economy published its final report.
- ❑ There is no official definition of what is sustainability.
- ❑ **24 July 2024** ESMA document "Opinion on the Sustainable Finance Regulatory Framework" wishing this EU taxonomy being the only reference point to assess sustainability. [ESMA sets out its long-term vision on the functioning of the Sustainable Finance Framework \(europa.eu\)](#)

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