



# ESG

FOCUS

Version 06 – Updated in June 2020

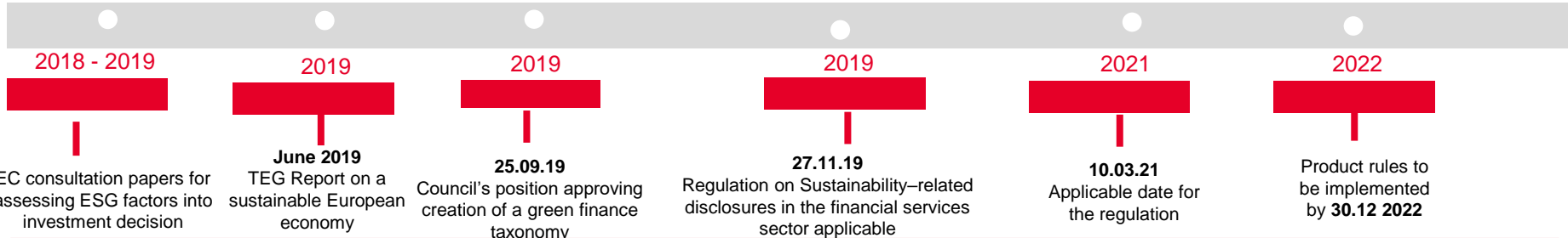
BUILDING TEAM SPIRIT TOGETHER



**SOCIETE GENERALE**  
Corporate & Investment Banking

## TO CREATE A TAXONOMY FOR THE SUSTAINABLE FINANCE IN ORDER TO INCLUDE ESG FACTORS WHEN MAKING INVESTMENT DECISION

REGULATORY INITIATIVE	FOCAL POINTS
<p>End of 2018 and beginning of 2019, the EC launched a number of consultations to assess the possibility for asset managers to include ESG factors in their investments/strategies in connection with MiFID II, UCITS and AIFMD (funds and financial trading operations) looking for a technical advice. One of the 3 consultations aims at guidelines to be followed by rating agencies.</p> <p><b>Sustainable investment in short:</b> An investment approach by considering and incorporating <b>ESG</b> factors into investment decision with the following criteria examples:</p> <ul style="list-style-type: none"> <li>✓ <u>specific environmental</u> : green cars and finance</li> <li>✓ <u>general social</u> : health and safety, working conditions and non-discriminations, local communities and human rights.</li> <li>✓ <u>specific social</u> : access to medicines, product safety and responsible marketing (pharmacy, chemistry, banking and financial services)</li> </ul>	<p>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.</p> <p><b>The six objectives</b> included in the taxonomy by the Council are:</p> <ol style="list-style-type: none"> <li>1. climate change mitigation</li> <li>2. climate change adaptation</li> <li>3. sustainable use and protection of water and marine resources</li> <li>4. transition to a circular economy, including waste prevention and recycling</li> <li>5. pollution prevention and control</li> <li>6. and prevention and restoration of biodiversity and ecosystems</li> </ol>
<p><b>Delegated acts</b> with the objectives 1 and 2 will be adopted by the end of 2020.</p> <p><b>Delegated acts</b> with the objectives 3 to 6 will be adopted by the end of 2021.</p>	<p><b>Current issue:</b></p> <ul style="list-style-type: none"> <li>✓ ESG definition is wide and complex.</li> <li>✓ Once agreed on a clear and precise definition with methodologies, the biggest challenge is to find appropriate data/information in particular in emerging countries where sustainability valuable index remains critical.</li> <li>✓ Sometimes E and S are not compatible.</li> </ul>



Updated on 26 June 2020

STATEMENT

- ❑ As of today there is no common classification system in the EU in order to define precisely the environmentally sustainable and/or green finance. A ESG taxonomy regulation including climate change is expected to be set up by the **end of 2021** with an application as from the end of 2022.
- ❑ EU Regulation 2019/2088 and 2019/2089 modifying EU regulation 2016/1011 as of 27 Nov. 2019 were published in the Official Journal of the EU on 9.12.19. It refers to sustainability–related disclosures in the financial services sector and shall apply as from 10 **March 2021**. Amendments of EU text 2016/1011 refer to EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.
- ❑ 6 Feb. 2020, ESMA published its Strategy on Sustainable Finance and on 7 Feb. 2020, EU Council published a legislative proposal on the establishment of a framework to facilitate sustainable investment ('Taxonomy Regulation').
- ❑ 15 April 2020, the European Council adopted, at first reading, the proposed **Taxonomy Regulation** and published the adopted text.
- ❑ 22 June 2020, Publication of the taxonomy [Regulation \(EU\) 2020/852](#) in the OJ of the EU. It enters into force on 12 July 2020. **By the end of 2021** this needs to be implemented.

FOR YOUR  
CONSIDERATION

- ❑ In Feb 2020, 2 interesting documents have been issued, 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. The Commission will use this report to develop Delegated Acts by the end of 2020.
- ❑ 13 March 2020, the AMF published a first policy on investor information.
- ❑ April 2020, EC published a CP on THE RENEWED SUSTAINABLE FINANCE STRATEGY. Replies are expected until 15 July 2020.

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