



Version 06 – Updated in September 2020

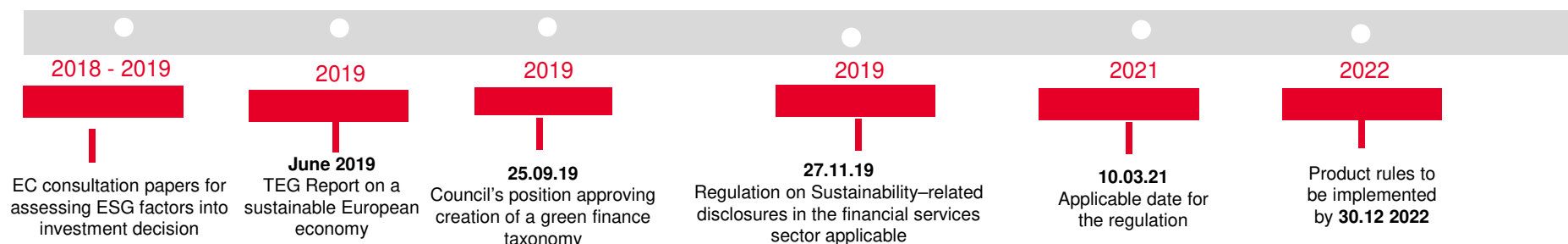
BUILDING TEAM SPIRIT TOGETHER



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>Sustainable investment in short: An investment approach by considering and incorporating ESG factors into investment decision with the following criteria examples:</p> <ul style="list-style-type: none"> ✓ <u>specific environmental</u> : green cars and finance ✓ <u>general social</u> : health and safety, working conditions and non-discriminations, local communities and human rights. ✓ <u>specific social</u> : access to medicines, product safety and responsible marketing (pharmacy, chemistry, banking and financial services) 	<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>The six objectives included in the taxonomy by the Council are:</p> <ol style="list-style-type: none"> 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
<p>Delegated acts with the objectives 1 and 2 will be adopted by the end of 2020.</p> <p>Delegated acts with the objectives 3 to 6 will be adopted by the end of 2021.</p>	<p>Current issue:</p> <ul style="list-style-type: none"> ✓ ESG definition is wide and complex. ✓ 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. ✓ Sometimes E and S are not compatible.



Updated on 16 September 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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Fiche ESG Climate action taxonomy -
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