

# This is where we meet...

Compliance and Sustainability in Sustainable Finance

May 2022– Brenda Kramer

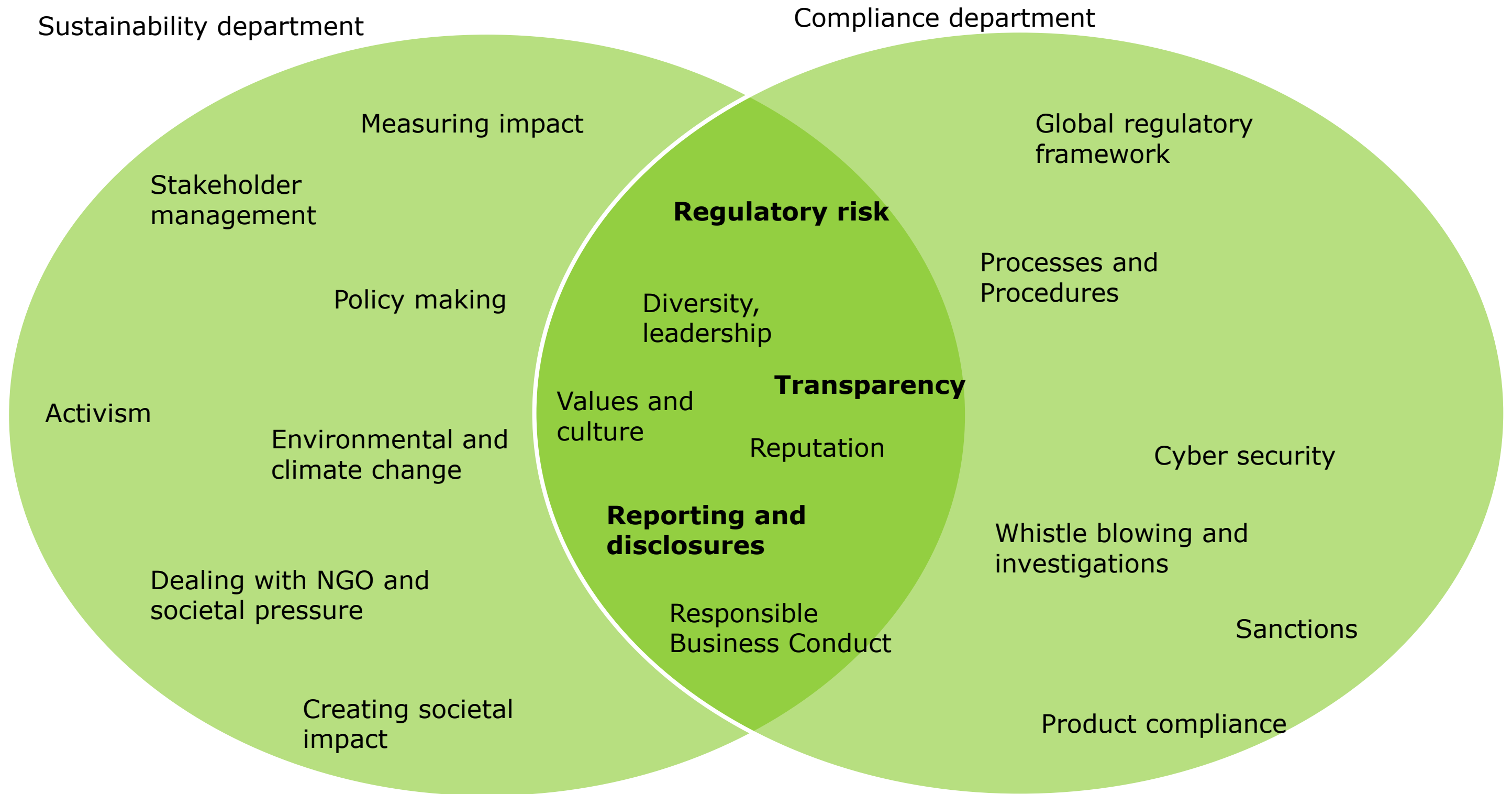
Senior Advisor Responsible Investment | Member of the EU Platform Sustainable Finance



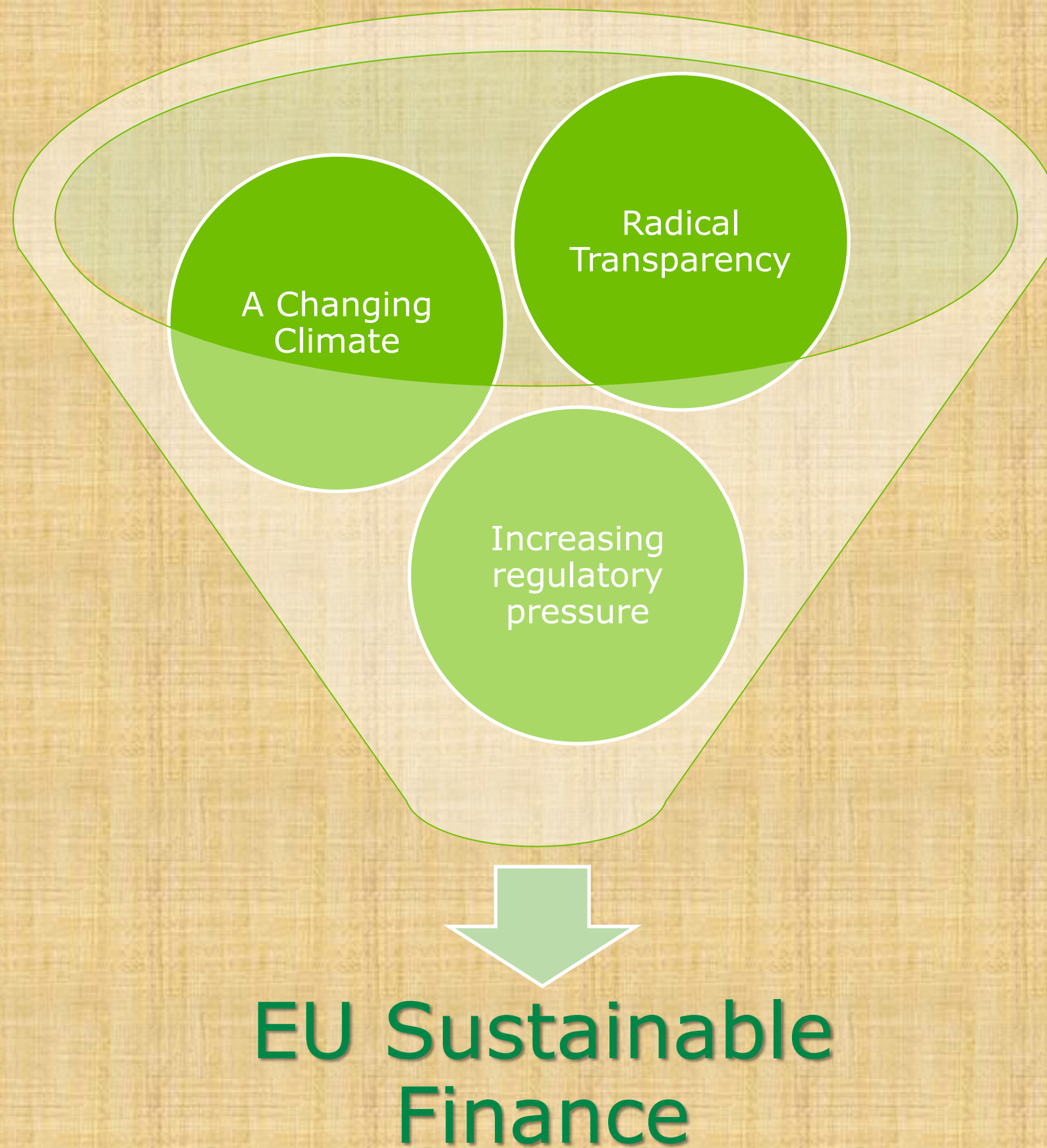
# Compliance meets sustainability



# This is where we meet...



# Three Essential Trends

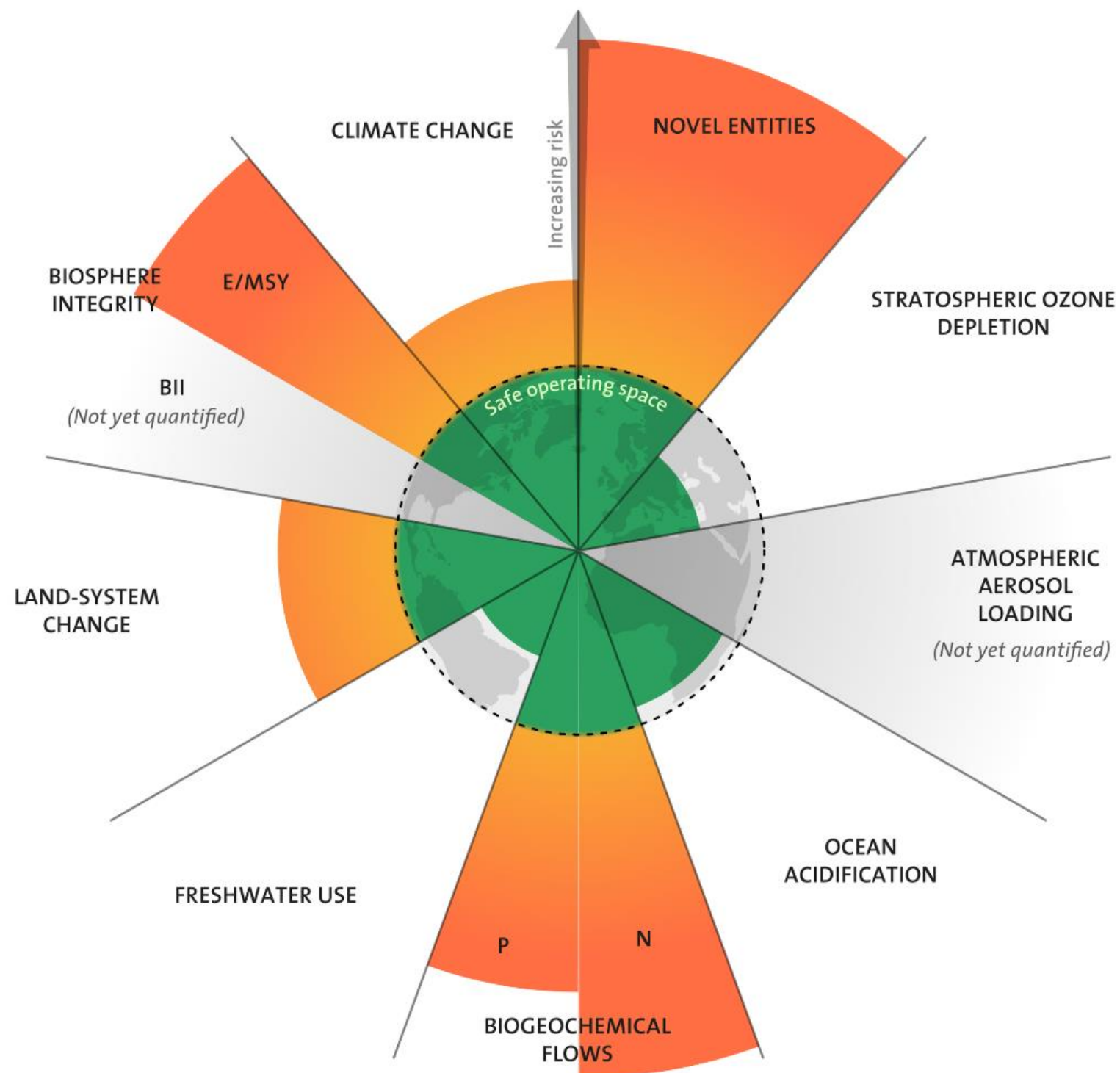


**EU Sustainable  
Finance**

Oops...



# A Changing Climate



# This is also what drives EU leadership...

*"[....]We do this so we can uphold our way of life and upgrade the well-being of our children and grandchildren when it comes to equality, a healthy natural environment, and a thriving, green and inclusive economy. Our task is nothing less than to secure our planet for all people. Europe can and should lead the way."*

*Frans Timmermans*

*Vice-President European Commission*

And for which finance is needed

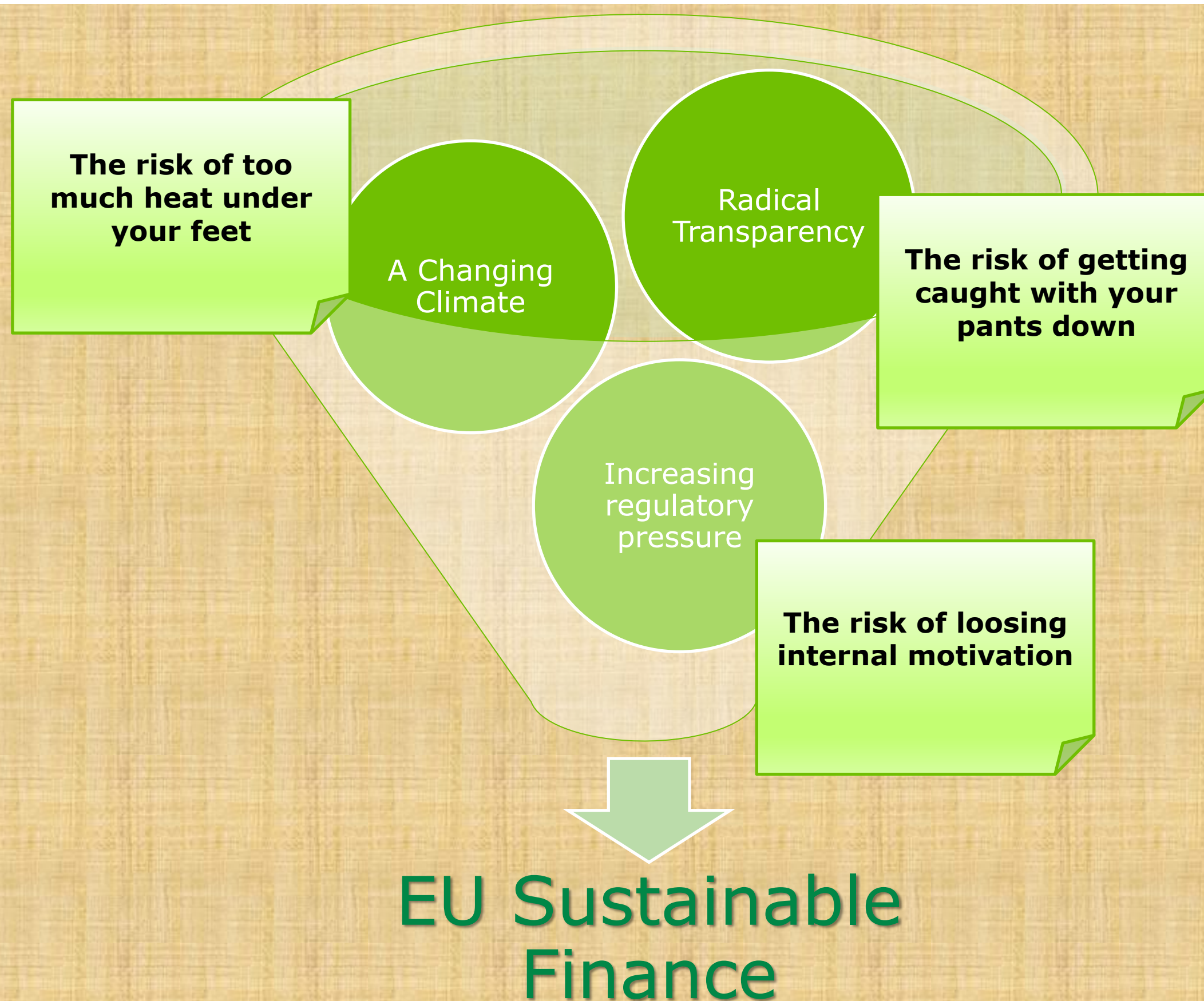




# Regulation vs. intrinsic motivation



# Three Essential Trends



# The EU sustainable Finance Framework.

## Objectives:

1. Increase transparency and long-termism
2. To reorient capital flows towards climate solutions
3. Mainstream sustainability risk into risk management



# The original EU sustainable Finance Framework.

## 2018: THE FOUNDATIONS OF THE EU SUSTAINABLE FINANCE FRAMEWORK

### 1. EU TAXONOMY



A common classification of economic activities substantially contributing to environmental objectives, using science-based criteria.

- Taxonomy Regulation: **adopted** on 18 June 2020

### 2. DISCLOSURES



Comprehensive disclosure regime for both non-financial and financial institutions to provide investors with the information necessary to make sustainable investment choices.

- Sustainable Finance Disclosure Regulation (SFDR) **applies** since March 2021
- Corporate Sustainability Reporting Directive (CSRD) **proposed** by the Commission in April 2021

### 3. TOOLS



Broad toolbox for companies, market participants and financial intermediaries to develop sustainable investment solutions, while preventing green washing.

- EU Climate Benchmarks Regulation **applies** since April 2020
- Standard for European green bonds (EuGB), **proposed** by the Commission today

# The renewed Sustainable Finance Strategy (2021)

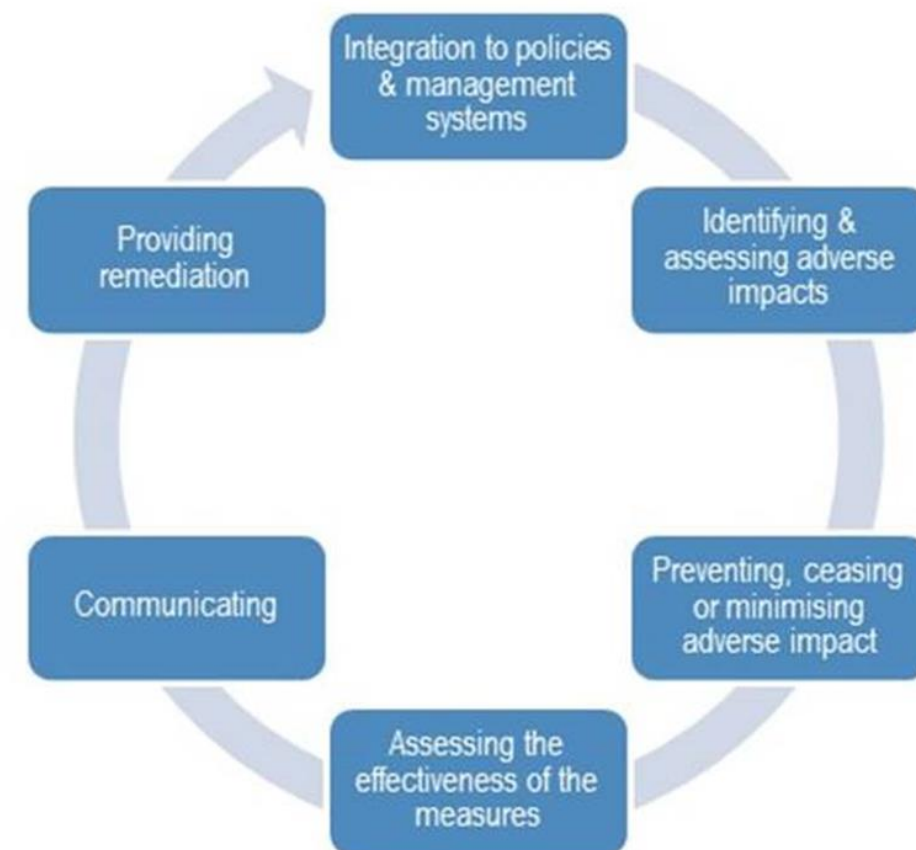


- Better access to standardized data – A European Single Access Point (**ESAP**)
- Obligatory Corporate disclosures - Corporate Sustainability Reporting Directive (**CSRD**)
- Corporate Sustainability Due Diligence Directive (**CSDDD**)

# Introducing Due Diligence obligations

**The CSDD establishes a 'due diligence duty to identify, bring to an end, prevent, mitigate and account for negative human rights and environmental impacts in [companies'] own operations, subsidiaries and value chains.'**

Figure 1: The due diligence process should cover the six steps defined by the OECD Due Diligence Guidance



Source: J.P. Morgan, based on the EC

# Timelines



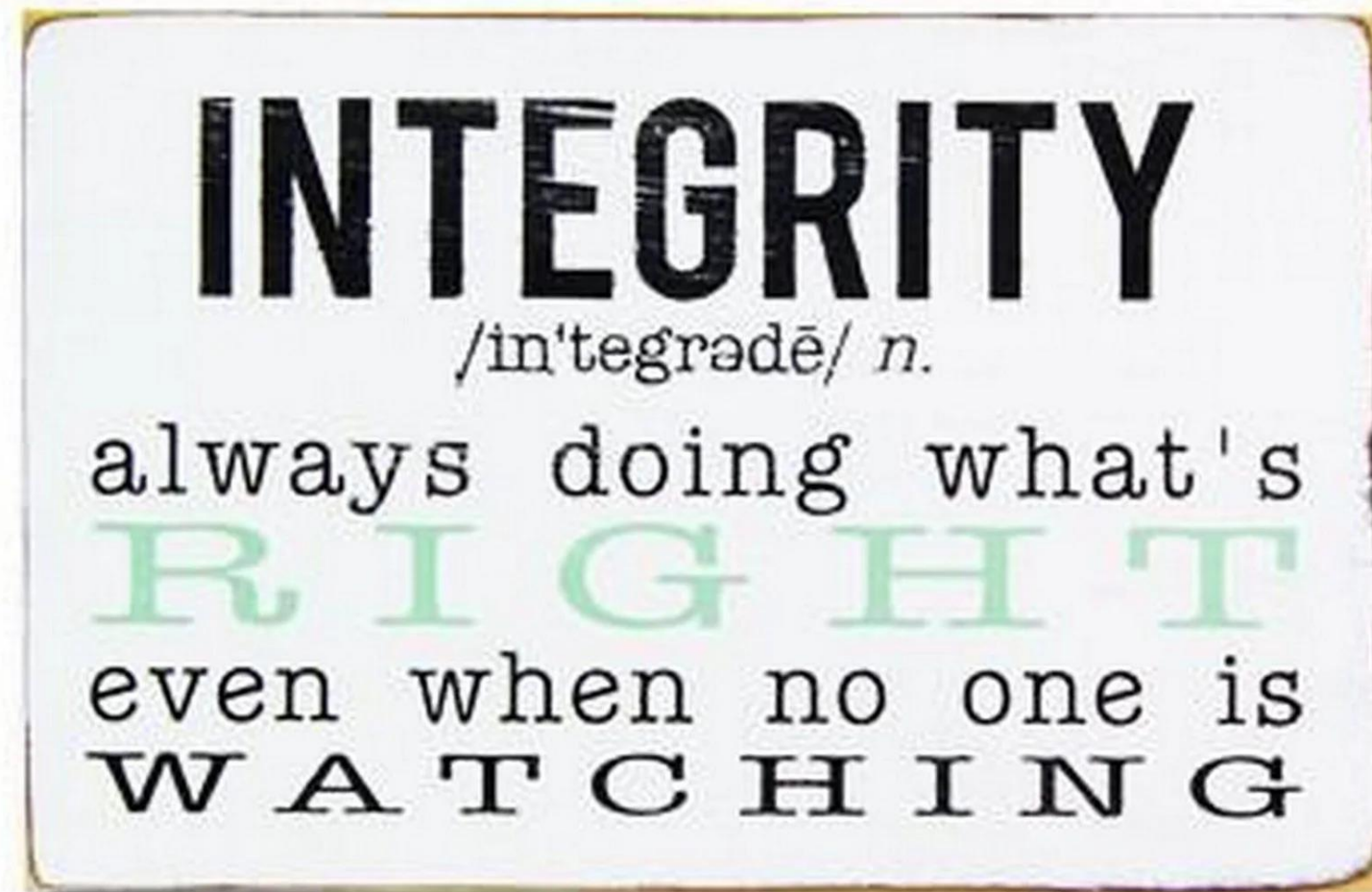
# My personal key insights



- Sustainability is never black-and-white
- Concepts and implementation require multi-disciplinary insights
- The transition we are in requires flexibility and accountability
- Keep an eye on the bigger picture



# Food for thought.



# Checklist to get started

- Get involved in SFDR implementation!
- Check your involvement with CSDDD
- Check involvement with CSRD
- Be aware of the organisations sustainability strategy and client preferences
- Develop a feeling for reporting and data processes
- Set up a dialogue on how to maintain integrity
- Find your own drive and way to contribute to a world in which it is worthwhile getting your pension. (even if it is close...)

# Because...



Thank you!



# Agenda

1. Sustainability meets Compliance
2. Three essential trends
  - Radical Transparency
  - A changing climate
  - From voluntary standards to regulation
3. The essence of EU regulation
4. Practical questions to get started with



# The EU taxonomy

IS	IS Not
A list of economically relevant criteria	A rating of good and bad companies
Flexible for different asset classes	An obligatory investment list
Science based	A judgement on financial characteristics
dynamic	static