

# A framework to facilitate sustainable investment

In May 2018, the Commission submitted a proposal to establish a common framework to facilitate sustainable investment. The proposal would launch a unified EU classification system to help determine whether an economic activity is environmentally sustainable. Under the Parliament's joint committee procedure, the ECON and ENVI committees have jointly adopted a report, expected to be voted in plenary in March.

## Background

[Sustainable finance](#) broadly refers to the process of taking due account of environmental, social and governance considerations in investment decision-making. There is currently no clear, standard international framework that defines what is 'sustainable' and what is 'green', even though a number of market initiatives have emerged. The existing lack of clarity could be exacerbated if Member States were to take action in this area individually, with no coordination. Diverse classification systems would increase market fragmentation and raise competition problems, making it more difficult and costly for investors to understand what is and what is not accepted as sustainable.

## European Commission proposal

On 24 May 2018, the Commission put forward a [proposal](#) to establish a standard EU-level definition of what qualifies as an environmentally sustainable economic activity for investment purposes, by introducing a clear, unified EU taxonomy and the related concept of environmentally sustainable investment. A taxonomy set through EU legislation would aim to positively impact the financing of sustainable activities: just as energy labelling guides consumer choices towards energy-efficient products, such a taxonomy would aim to guide investor choices towards investments in environmentally sustainable activities.

## European Parliament position

Initially assigned to the ECON committee, Parliament subsequently re-assigned the dossier to a joint committee composed of ECON and the ENVI committee (under Rule 55 of the Rules of Procedure). On 11 March 2019, the joint committee adopted its [report](#) on the proposal, welcoming the legislative proposal, while calling for a number of changes. The criteria and indicators for determining the degree of environmental sustainability of an economic activity should be gradually harmonised at EU level. Such harmonised criteria and indicators should be reasonable and proportionate, as well as ensuring coherence with existing EU legislation. Furthermore, they should take into account the environmental impact on the entire industrial value chain and the life-cycle of technologies. The report proposes that the relevant European supervisory authorities monitor the markets for financial products covered by the regulation. The report also reinforces the role of the Platform on Sustainable Finance, by including experts from different backgrounds, and tasking it with advising the Commission on possible amendments needed.

The calls for regular reviews of the regulation, by 31 December 2021 and subsequently every three years thereafter. The Commission should review whether the regulation creates excessive administrative burden or if the data needed by financial market participants are not sufficiently available. The Commission proposal is still under review in the Council. The joint report has been scheduled to be voted upon during the Parliament's March II plenary session.

First-reading report: [2018/0178\(COD\)](#); Committee responsible: ECON and ENVI (jointly under Rule 55); Rapporteurs: Sirpa Pietikäinen (EPP, Finland) and Bas Eickhout (Greens/EFA, the Netherlands). See also our '[EU Legislation in progress](#)' Briefing.



EPRS | European Parliamentary Research Service

Author: Stefano Spinaci, Members' Research Service  
PE 635.596 – March 2019



This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. © European Union, 2019.

[eprs@ep.europa.eu](mailto:eprs@ep.europa.eu) (contact) <http://www.eprs.ep.parl.union.eu> (intranet) <http://www.europarl.europa.eu/thinktank> (internet) <http://epthinktank.eu> (blog)