EVALUATION | AS OF NOVEMBER 2019

EUROPEAN UNION

TRANSPARENCY (Dimension)
Common disclosure framework (Sub-dimension)

1. Disclosure on governance SCORE 7/10

Climate change related governance aspects in mandatory reporting is not explicitly mentioned in Directive 2014/95/EU on non-financial reporting. Additionally, general governance aspects are mentioned. The same applies for the guidelines on non-financial information.

The European Commission has tasked the Technical Expert Group on Sustainable Finance (TEG) with integrating disclosure requirements in revised non-binding guidelines on disclosure of non-financial information. The revised guidelines will provide further guidance to companies on how to disclose climate change related information, in line with the Financial Stability Board' s Task Force on Climate-related Financial Disclosure (TCFD) and the climate change related metrics developed under the new green taxonomy. The TEG working group on disclosure has published a draft report on climate-related disclosure in January 2019 and a subsequent feedback report in February 2019. Based on a consultation by the European Commission, publication of the update to the non-binding guidelines on disclosure of non-financial information is expected soon. In line with the draft report, will divide its recommendations into Type 1-3 (should, should consider and may) of which Type 1 recommendations on governance include: 1. Describe the role of the board in overseeing climate-related risks, opportunities and impacts. 2. Describe the role of the top management in assessing and managing climate-related risks, opportunities and impacts. 3. Describe the degree of climate competency that exists at board and top management level.

2. Disclosure on strategy SCORE 7/10

A non-financial statement on performance, position and impact of activities and business model, relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters is binding by Directive 2014/95/EU on non-financial reporting. Climate-related aspects are vaguely covered.

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The definition of short, medium and long term will depend on the company's business model and the life cycle of its assets and liabilities. 2. Impact of the company's activities on climate change and natural capital dependencies also including those related to water consumption, deforestation, biodiversity loss, pollution, land use, etc., where relevant. Disclosure on resilience of a company's strategy against a 2° scenario remains in Type 2 & 3 recommendations.

3. Disclosure on risk management SCORE 7/10

Directive 2014/95/EU on non-financial reporting does not outline in detail what aspects and how should be reported concerning climate change related risks, even though the description of potential risks and mitigation strategies are required. The long-term perspective of climate risks is not addressed.

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4. Disclosure on metrics and targets SCORE 7/10

The Guidelines on non-financial information or Directive 2014/95/EU do not require companies to report on targets or describe metrics used, nor defines standard metrics to be used.

Some targets are set (e.g. Horizon 2020 targets: 20% cut in greenhouse gas emissions (from 1990 levels); 20% of EU energy from renewables; 20% improvement in energy efficiency) and some policy propositions have been made to achieve the targets (effort sharing decision, reformation of the ETS etc.). However, there is no general explanation how to transfer these high-level targets to individual actors. There are no targets for the financial sector.

The European Corporate Reporting Lab has been established in 2018 as part of the European Financial Reporting Advisory Group (EFRAG), to promote innovation and the development of best practices in corporate reporting, such as environmental accounting. In this forum, companies and investors can share best practices on sustainability reporting, such as the climate change related disclosure in line with the TCFD's recommendations. The Lab has just appointed its steering group.

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5. Adapt accounting standards SCORE 3/10

Even though the European Commission considers a revision of the accounting standards reflection on introducing guidelines to account for environmental impact have not been expressed so far. Current regulation (Guidelines on non-financial information, Directive 2014/95/EU, IFRS) do also not implicitly cover environmental accounting.

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6. Accounting for stranded assets risk SCORE 3/10

Currently IFRS 6 (Exploration for and Evaluation of Mineral Resources) and IFRS 36 (Impairment of assets) generally regulate the accounting for impairments with specifications for the mineral, oil and gas sector. The current standard makes impairment of stranded assets not mandatory. The European Commission will request European Financial Reporting Advisory Group (EFRAG), where appropriate, to assess the impact of new or revised IFRSs on sustainable investments. The Commission has will asked EFRAG to explore potential alternative accounting treatments to fair value measurement for long-term investment portfolios of equity and equity-type instruments. In Q4 2018, EFRAG reported on the impact of IFRS 9 on long-term investments and potential improvements to the standard for the treatment of equity instruments. The European Corporate Reporting Lab has been established in 2018 as part of the European Financial Reporting Advisory Group (EFRAG), to promote innovation and the development of best practices in corporate reporting, such as environmental accounting. In this forum, companies and investors can share best practices on sustainability reporting, such as the climate change related disclosure in line with the TCFD's recommendations. The Lab has just appointed its steering group. The Lab might further investigate stranded asset risks.

1. Investment evaluation transparency SCORE 7/10

The Shareholder Rights Directive II requires institutional investors and asset managers to draw up and publish a Shareholder Engagement Policy. This policy must comply with transparency requirements with respect to ESG and includes information obligations on climate change related aspects. The directive does not specify exactly what information the policy must contain in this context and to what extent.

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2. Shareholder responsibility for governance and strategy SCORE 6/10

The Shareholder Rights Directive II outlines the shareholder's responsibility and includes the concept of shareholder activism. It makes reference to the UN Principles for Responsible Investment and clearly outlines the necessity from a shift from short termism to a long term investment horizon. However, its framing is rather vague and leaves much space for country regulation design. This may signify a risk that national regulation will be implemented rather loosely.

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3. Asset manager responsibility SCORE 7/10

The Shareholder Rights Directive II outlines the duties of asset managers to cover non-financial aspects, and introduces a mid to long-term perspective. However, it is not stipulated on which time horizon non-financial aspects have to be taken into account (longer than the investment horizon of the investor?). Climate change related aspects are not outlined in detail.

Pension: Institutions for occupational retirement provision (IORPs): IORP II/ Directive 2016/2341 allows IORPs to take into account the potential long-term impact of investment decisions on climate change related factors. IORP II explicitly states the reflection of climate change related aspects in multiple areas such as risk management, governance, potential member information.

4. Executive remuneration policy SCORE 5/10

The Shareholder Rights Directive II requires companies to disclose the principles of executive remuneration and indicate the impact climate change related performance aspects have on remuneration. It does not require that these aspects form part of the factors to be included in the remuneration.

5. ESG risk management SCORE 7/10

Pension: IORP II makes climate change related risk assessment mandatory for pension funds and related products. Insurance: Solvency II: Requires insurers to take future developments into account including new business plans or the possibility of catastrophic events which might affect their financial standing. The Own Risk and Solvency Assessment (ORSA) is a new tool designed to assist with this. However, it does not outline climate change related factors in explicitly.

Other assets: UCITS/AIFMD doe currently not include related considerations.

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1. Packaged Retail and Insurance-based Investment Products (PRIIPs) SCORE 3/10

The European Supervisory Authorities ESMA, EBA and EIOPA (the ESAs) are mandated to develop design proposals for relevant information for PRIIPs investors.

New information standard for all „packaged investment products" (PRIIPs), in particular investment funds, endowment life insurance and certificates is enacted though EU Regulation 2016/2340. In line with the Action Plan on financing sustainable growth, prospectus requirements will be adjusted in Q2 2019.

2. Investment advisor duties SCORE 7/10

ESMA is in the process of updating MIFID II to integrate sustainability risks into risk assessment and management as well as governance structures and consumer preferences. A consultation report was published in December 2018, which shows that ESG risks should be considered where relevant. The final report has been published on 30 April 2019.

3. Retail fund transparency SCORE 2/10

ESMA is in the process of updating MIFID II to integrate sustainability risks into risk assessment and management as well as governance structures and consumer preferences. A consultation report was published in December 2018, which shows that ESG risks should be considered where relevant. The final report has been published on 30 April 2019.

Mandatory reporting on climate change related risk assessment and measurement is not explicitly required. Neither the Regulation 809/2004 nor EU prospectus directive 2017/1129 does not foresee changes in this regard.

The Commission plans to create low-carbon and positive-carbon impact benchmarks for all relevant products in order to increase also retail product transparency. The report on green benchmarks is expected for June 2019.

4. Green labels/standards SCORE 4/10

The Action Plan on financing sustainable growth foresees that the Commission will explore the use of the EU Ecolabel framework for certain financial products, to be applied once the EU sustainability taxonomy is adopted by the end of 2019.

The European Commission's Technical Expert Group (TEG) on sustainable finance has further prepared a report on an EU green bond standard. A draft version of green taxonomy developed by the TEG is expected for June 2019.

1. Awareness creation to climate change related risk incl. systemic risk SCORE 9/10

The EU Commission and its financial supervisory bodies (ESRB, EBA, EIOPA, and ESMA) raise awareness on climate change related risk in a comprehensive way, first and foremost in the context of implementing the Commission's „Action plan on financing sustainable growth" and with a dedicated website sections on the topic (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/green-finance_de#overview, but also dedicated websites by EIOPA, EBA and ESMA). ECB is likewise actively addressing climate change related risks in a publicly available manner (e.g. https://www.ecb.europa.eu/ecb/orga/climate/html/index.en.html).

The European System Risk board ESRB provides a publicly available knowledge base on climate change related risks and their potential systemic implication. Building on its 2016 publication "Too late too sudden: Transition to a low-carbon economy and systemic risk", ESRB continues its work on the implications of climate related risk, with the goal of "designing and conducting a stress test concerning physical and transition risks and their implications for financial stability in the EU" (Annual Report 2018).

The political agreement on the review of the European supervisory authorities of April 2019 further anchors ESG integration into ESA's overall supervisory role and priorities.

2. Provision of data, standard scenarios and methods: SCORE 6/10

Methodological guidance by European supervisory authorities for integrating climate change related risk into financial risk management under way in the context of the implementation of the European Commission's Action Plan on Financing Sustainable Growth.

The Network for Greening the Financial Systems (NGFS), the network across central banks and supervisory authorities, has published first methodological guidance with its report "First comprehensive report « A call for action »" which is amended by a technical supplement report, "Macroeconomic and financial stability - Implications of climate change" (July 2019) . In the technical supplement there is first guidance with an in-depth overview on current analytical tools with their strengths and limitations. The report also provides a preliminary list of key risk indicators (physical and transition risk, as well as regarding impact channels on the real economy). The NGFS will further work on these aspects and provide additional methods and data support.

ESRB continues its work on the implications of climate related risk, with the goal of "designing and conducting a stress test concerning physical and transition risks and their implications for financial stability in the EU" (ESRB Annual Report 2018).

1. Requirements for bank governance/strategy SCORE 4/10

Directive 2013/36/EU (CRD IV Directive), the 2018 revised EBA Guidelines on the SREP (Supervisory Review and Evaluation Process) and ECB SREP guidance include the need for a sustainable strategy and governance structure with effective processes for reflecting all risks and covering at least a time horizon of 3 years.

With the new Banking package (CRD V and CRR II) there is no direct specific additional guidance on integrating climate change related factors into banks' governance, additional guidance is limited to risk management (see following indicator).

2. Minimum requirements for bank risk management SCORE 6/10

Based on the Directive 2013/36/EU (CRD IV Directive) and EBA Guidelines, there is a comprehensive perspective on all material risks to be considered by banks' risk management, while not explicitly referencing climate change related risk. Thus, there is implicit coverage in principle to climate change related risks if material.

With the new Banking package (CRD V and CRR II) there is additional guidance on integrating climate change related factors into prudential supervision of banks' risk management. CRD V article 98 (technical criteria for the supervisory review) adds the requirement for EBA to "assess the potential inclusion in the review and evaluation performed by competent authorities of environmental, social and governance risks (ESG risks)", referring to an ESG risk definition including physical risks and transition risks, a definition of impact criteria in the short- and long term including stress testing and scenario analysis, and methods to be implemented by institutions. For this purpose, EBA is requested to submit a report to the Commission by 28 June 2022.

3. Bank stress tests SCORE 4/10

Directive 2013/36/EU and EBA guidelines take a comprehensive perspective on risk and assumptions to be considered, while not explicitly referencing climate change related risk.

There is neither reference to climate change related risk in EBA EU-wide stress test 2018 nor in the methodology published for the 2020 stress test (which covers 2020-2022)

Climate change is again included in ECB's "single supervisory mechanism" risk map 2020 as one risk driver (with the note that its relevance rather refers to the longer term beyond the 3-year perspective taken).

4. Bank capital requirements SCORE 5/10

Capital requirements for banks, based on the Banking Package (CRD V and CRR II) currently do not include an explicit reference to climate change related risks and thus a distinction of „brown" or „green" assets. An appropriate long-term perspective is not encouraged.

There are discussions in the context of implementing action item 8 (prudential requirements) of the Commission's action plan with regard to „calibration of banks' capital requirements in the CRR and Directive to take into account climate change-related risks while safeguarding financial stability and ensuring coherence with the EU taxonomy."

CRR ii in fact introduces a specific "green supporting factor" with new Art. 501a ("Adjustment to own funds requirements for credit risk for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services"). Art. 501a introduces a reference of contribution to the six environmental targets of the recently (proposed) EU taxonomy, including climate change mitigation and adaptation. An assessment of contribution to one of the six targets is included as one of the conditions to be met regarding 0,75-adjustment to own funds requirements for credit risk for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services.

SYSTEM STABILITY (Dimension)
Regulation/Supervision of insurance companies (Sub-dimension)

1. Requirements for insurance governance/strategy SCORE 6/10

Based on Solvency II Directive 2009/138/EC , Delegated Regulation (EU) 2015/35 (Art. 269) takes a comprehensive perspective on the role of the risk management function, including identification and monitoring of emerging risks . EIOPA Guidelines on the governance system include the responsibility of the management for the overall risk management system. That implicitly covers climate change related risks if material.

Upon request by the EU Commission, the Supervisory Authority EIOPA has contributed to implementation of the action plan, amongst others, by providing (1) "Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD" and by providing an (2) "Opinion on Sustainability within Solvency II" (September 2019).

In its technical advice, EIOPA proposes to explicitly add sustainability risks next to emerging risks in Art. 269.

In its opinion paper, EIOPA suggests that scenario analysis should help insurance undertakings to consider the impact of sustainability risks in the long-term and that scenario analysis should be embedded in undertakings' risk management, governance and ORSA. And that by using scenario analysis, insurance undertakings should be helped in identifying and assessing climate change-related risks in a forward-looking manner and by that inform business planning and strategy.

2. Minimum requirements for insurance risk management SCORE 6/10

Based on Solvency II, Delegated Regulation (EU) 2015/35 takes a comprehensive risk management perspective, (cf. Art. 259, 260, 269). This does in principle include climate change related risks if material, but is not explicitly guided by regulation.

Upon request by the EU Commission, the Supervisory Authority EIOPA has contributed to implementation of the action plan, amongst others, by providing (1) "Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD" and by providing an (2) "Opinion on Sustainability within Solvency II" (September 2019).

In its technical advice, EIOPA proposes to explicitly add sustainability risks next to emerging risks in Art. 260 and Art.269.

In its opinion paper, EIOPA suggests that scenario analysis should help insurance undertakings to consider the impact of sustainability risks in the long-term and that scenario analysis should be embedded in undertakings' risk management, governance and ORSA. EIOPA adds that by using scenario analysis, insurance undertakings should be helped in identifying and assessing climate change-related risks in a forward-looking manner.

3. Insurance company stress-tests SCORE 8/10

The EIOPA insurance stress test 2018 framework included a scenario that referred to climate change related risk (physical risks) as a driver for more frequent of natural disasters.

The EIOPA Financial Stability Report 12/2018 refers to climate change related risk as an emerging risk and describes it comprehensively. ESG risks will be part of upcoming stress tests 2019 (occupational pension funds).

5. Insurance capital requirements SCORE 4/10

There is currently neither an explicit reference to brown or green assets in Solvency II, nor in Delegated Regulation 2015/35/EU.

This is further clarified by EIOPA's "Opinion on Sustainability within Solvency II" where it is stated that "the general valuation principles of Solvency II are neutral to different types of risks, including sustainability risks which materialise through existing risk categories." At the same time EIOPA acknowledges that market prices could in fact better reflect all sustainability risks and factors.

EIOPA further "acknowledges that the medium to long-term impacts of climate change cannot fully be captured in the Solvency II capital requirements which are designed to reflect the risks that undertakings are exposed to over a one-year time horizon. However, EIOPA does not consider that this time horizon should be changed, but rather complementary tools such as scenario analysis and stress testing would be more appropriate to capture impacts of climate change."

1. Requirements for pension fund governance/strategy SCORE 8/10

Directive 2016/2341/EU (IORP II Directive), Art. 21, requires Institutions for Occupational Retirement Provision (IORPs) to consider ESG factors in their system of governance related to investment assets/investment decisions. This includes climate change related risk.

According to Art. 19 (Investment rules) this is implicitly optional. The Commission's proposal for a regulation amending Directive 2016/2341 (May 2018) includes an amendment of Art. 19 to ensure ESG factors will in fact be included in investment decisions and risk management processes.

EIOPA's "Opinion on the supervision of the management of environmental, social and governance risks faced by IORPs" (July 2019), directed at the competent authorities at national level, confirms that the system of governance needs to take into account ESG factors.

2. Minimum requirements for pension fund risk management SCORE 9/10

IORP II Directive 2016/2341/EU (Preface 57, Art. 25 and Art. 28) explicitly refer to ESG risk and to climate change and stranded assets respectively, to be covered by IORPs' risk management where relevant. There is no guidance on methods.

According to Art. 19, Art. 28 may be implicitly optional. In combination with preface 57, we understand Art. 28, however, as a binding approach. The Commission's proposal for a regulation amending Directive 2016/2341 (May 2018) furthermore includes an amendment of Art. 19 to ensure ESG risks will be included in investment decisions and risk management processes.

EIOPA's "Opinion on the supervision of the management of environmental, social and governance risks faced by IORPs" (July 2019), directed at the competent authorities at national level, confirms that the risk management needs to take into account ESG factors and provides some methodological guidance how assessment of ESG risks and integration of ESG risks into risk management systems could be reviewed by competent authorities.

3. Pension fund stress-tests SCORE 7/10

‚EIOPA's Pensions stress test 2019 (launched in April 2019) includes an assessment of ESG exposures for the first time. This includes climate change related risks in the sector. Results are due in December 2019.

4. Pension fund capital requirements SCORE -/10

not applicable

SYSTEM STABILITY (Dimension)

Regulation/Supervision of asset managers and investment funds (Sub-dimension)

1. Requirements for governance SCORE 5/10

EU regulation regarding investment funds (UCITS and AIF directives) refer to a comprehensive governance approach without explicit reference to climate change related risks or an appropriate long-term perspective.

Commission's proposal for a regulation amending Directive 2016/2341 (May 2018) includes a reference to AIF and UCITS. It proposes that sustainability risk procedures and impacts expectation will be included in pre-contractual disclosures. This implies no requirement on comprehensiveness and time horizon of these procedures.

ESMA has been running a formal consultation on sustainability risks and factors in the UCITS and AIF directives as requested by the EU Commission. Its final report has been published on 3 May 2019. Its technical advice includes explicit reference to sustainability risks in the governance requirements and proposes amending respective articles by the responsibility for sustainability (risks and factors).

2. Requirements for risk management SCORE 5/10

EU regulation regarding investment funds (UCITS and AIF directives) refer to a comprehensive risk management perspective without explicit reference to climate change related risks or an appropriate long-term perspective.

ESMA has been running a formal consultation on sustainability risks and factors in the UCITS and AIF directives as requested by the EU Commission. Its final report has been published on 3 May 2019. Its technical advice includes explicit reference to sustainability risks in the risk management requirements and proposes the inclusion of a dedicated risk category for sustainability risk.

SYSTEM STABILITY (Dimension)

Regulation/Supervision of rating agencies (Sub-dimension)

1. Requirements for organisation and risk management include ESG/climate risks and a long-term perspective SCORE 5/10

EU regulation 1060/2009 on credit rating agencies (CRA), Annex 1, requests that CRA have effective procedures for risk management. There is no explicit reference to climate change related risk but implicitly it should be covered if material.

The EU Commission's Action Plan on Financing Sustainable growth includes action item 6 on „Better integrating sustainability in ratings and market research". Regulator ESMA has run a formal consultation on how to integrate ESG into CRA regulation in 2019. In its final report "ESMA Technical Advice to the European Commission on Sustainability Considerations in the credit rating market" of July 2019, ESMA concludes that CRAs are considering ESG factors in their ratings but with significant variation in the extent of their consideration. ESMA concludes not to propose an amendment of CRA regulation to explicitly mandate the consideration of sustainability characteristics (due to the specific purpose of credit ratings) but rather proposes (1) an update of the CRA Regulation's disclosure provisions, to provide a more consistent level of transparency around how CRAs are considering ESG factors in their ratings and (2) points at legislative processes underway towards generally integrating sustainability assessments in the operational and decision-making processes of financial market participants, and points at "non-credit rating products that will fill the need for such sustainability considerations."

1. Provision of a clear transition pathway SCORE 8/10

The European Union has a clear ambition to develop a political framework conducive to a transition towards a green and sustainable economy. Established in 2014 and revised upwards in 2018, its key targets are to achieve a 40% cut in greenhouse gas emissions (from 1990 levels), 32% share of renewable energy and 32,5% improvement in energy efficiency by 2030. The EU has adopted several policies to support these objectives. In 2018, the Council approved a directive for the reform of the EU Emission Trading System which aim to implement an annual reduction of 2.2% of the total volume of emissions from 2021 onwards. The European Commission developed numerous action plans to shape a pattern for a low-carbon and climate-resilient economy - including an EU Action Plan on Financing Sustainable Growth. Transition towards a low-carbon economy is on the agenda of nearly all European institutions and the sensibility of European leaders on environmental issues leads us to expect further efforts in the coming years. Member countries were also requested to elaborate national plans to implement their nationally determined contribution. These plans are expected by the end 2019. From 2020, Member States will be asked to develop their long-term strategies.

2. Risk reduction support for green finance SCORE 9/10

Risk reduction mechanisms are offered in the European Union through several financing programs to foster investments in green and sustainable projects, this includes:

- The „Private Finance for Energy Efficiency" (PF4EE) program, for instance, is a joint agreement between the European Investment Bank (EIB) and the European Commission to address the limited access to adequate and affordable commercial financing for energy efficiency investments. Beyond technical assistance, PF4EE offers risk sharing facilities covering potential losses of loans for energy efficiency project to its partner banks.

- Under the European Funds for Strategic Investments (EFSI), EIB and the European Commission provide support to private and public sector entities of all sizes, banks, funds and investment platforms by providing guarantees in case of losses. EFSI is dedicated to higher-risk profile investments in different sectors, including energy infrastructures, renewable energy and energy efficiency.

Further instruments have been developed at the European level:

- The European Local Energy Assistance (ELENA) offers grants to support the cost of technical assistance (feasibility and market studies, programme structuring, energy audits, financial structuring) and therefore improve the risk-profile of energy-related projects.

- The Joint Assistance to Support Projects in European Regions (JASPERS) aims at improving the quality of investment supported by EU Funds through project preparation, capacity building and implementation support.

- InnovFin is a programme designed for innovative small and medium sized enterprises, large companies and research institutions which covers a portion of the losses incurred by the financial intermediaries on loans.

3. Government incentives for green finance SCORE 6/10

Different incentives for green finance exist within the European Union. On the one hand, a carbon emission trading scheme has been implemented since 2005 and reforms have been constantly carried out to increase the price per tonne of carbon and to make the market more efficient. On the other hand, several directives have been adopted (such as the directive 2009/28/EC on the promotion of the use of energy from renewable sources or the directive 2012/27/EU on energy efficiency obligation schemes) encouraging Member States to adopt financial incentives although the adoption of such mechanisms isn't mandatory. Additionally, several financing programs subsidize and/or bear part of the risk of sustainable investments (losses coverage, use of instruments like mezzanine financing and subordinated loans). We find among them the Private Finance for Energy Efficiency and the European Funds for Strategic Investments of the EIB, ELENA (European local Energy Assistance), and FSF (Facility for Structured Finance).

ENABLING ENVIRONMENT (Dimension)
2-Degree Consistency of Public sector acting (Sub-dimension)

1. Government investment strategy SCORE 6/10

In the European Union, the positioning of the public sector towards sustainable finance is mitigated. The European Investment Bank and the European Bank for Reconstruction and Development, together with several multilateral development banks, announced a joint framework for aligning their activities with the goals of the Paris Agreement. EIB aims to lead the way by cutting all fossil fuels financing by 2020. However, research could not identify any generally formulated investment strategy that is binding for all European institutions nor a clear line in practice of all public entities. It is although interesting to signal that the ECB undertook an internal investigation to integrate ESG criteria into their investment policy. The European Central Bank has also, for the pension fund, delegated proxy voting for equity investment to investment managers that have signed up to the United Nations Principles for Responsible Investment

2. Government agencies issue Green Bonds SCORE 6/10

The European Investment Bank (EIB) was the first financial institution to issue, in 2007, a bond labelled Climate Awareness Bond (CAB) comparable to a green bond. Since then, EIB has become the biggest issuer of green bonds worldwide (as of December 2018). Until end 2018, EIB has issued bonds with a volume of more than EUR 23 billion.

The European Bank of Reconstruction and Development (EBRD) is also a pioneer of the green bond market. Having issued its first Green Bond in 2010, its Green Project Portfolio worth 4.1 bn euros. The development bank also issued the first ever dedicated climate resilience bond following the adoption of Climate Resilience Principles by Climate Bonds Initiative.

European Institutions are also enhancing the investor demand for green bonds since the European Central Bank (ECB) purchases for instance green bonds under its Eurosystem's asset purchase programme.

3. Green public financial institution SCORE 7/10

Even though EIB is not a „green bank", it has greening the economy as a core value. 26% of EIBs total financing flows into climate change adaptation and mitigation projects. Therefore, it is the largest multilateral provider of climate finance worldwide. EIB is furthermore in the process of greening its activities under its updated lending policies.

4.Central banks disclosure on climate-related risks SCORE 3/10

Since May 2018, the European Central Bank (ECB) is involved in the Network for Greening the Financial System (NGFS). ECB is getting acquainted with the management of climate-related risks as a part of its mandate to maintain financial stability and monitor and supervise European systemically-relevant banks. Climate-related risks are identified as one of the 2019 key risk drivers affecting the euro area banking system in the Financial Stability Review May 2019 and in the ECB Banking Supervision's risk assessment for 2019. With rising awareness OF its leaders as shown by numerous speeches on the ECB and climate change as well as the recent nomination of Christine Lagarde as president of the ECB, it could be expected that the ECB maintains its efforts on developing sustainable finance.

ENABLING ENVIRONMENT (Dimension)
Public capacity building and awareness raising on green finance (Sub-dimension)

1. Consumer education on green finance SCORE 4/10

The Joint Research Center (JRC) is partly covering sustainable finance in its research activities.

In January 2019, JRC held a conference called „Promoting sustainable finance". The European Investment Bank (EIB) is also publishing research papers with focus on sustainable finance.

2. Curriculae on green finance (schools, universities, general public education) SCORE -/10

ENABLING ENVIRONMENT (Dimension)
Common green taxonomy (Sub-dimension)

1. Common green taxonomy SCORE 6/10

Under the EU Action Plan on Financing Sustainable Growth a taxonomy, which considers the six environmental objects, is under development by the Technical Expert Group on Sustainable Finance (TEG). The first full taxonomy report will be published in June 2019, subject to further consultation.
The aim is to embed the future EU sustainability taxonomy in EU law and provide the basis for using such a classification system in different areas (e.g. standards, labels, green-supporting factor for prudential requirements, sustainability benchmarks).

ENABLING ENVIRONMENT (Dimension)
Green public-private initiatives of financial centres (Sub-dimension)

1. Green public-private initiatives of financial centres: SCORE -/10

Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

As of November 2019
Note for interpreting this evaluation : Given current state of methodology development, data availabilities and market experiences, the ideal total score (10) might not be realistically achievable in some categories today, best practices today score significantly lower.