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Financing
the Green Transition

DELIVERABLE D2.3

Report on the Desk research on the European regulatory framework to identify the role of finance sector in the green economy

Project acronym GreenFin | Grant Agreement 101052465

#GreenFin

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ABBREVIATION

COP	Conference of Parties
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
DNSH	Do no significant harm
EFRAG	European Financial Reporting Advisory Group
EIB	European Investment Bank
ELTIF	European long-term investment funds
EPAP	Pension and Provident Institution for Multisectoral Assistance
ESG	Environment, Social, Governance
EU	European Union
EuSEF	European funds for social entrepreneurship
EuVECA	European venture capital
EWC	European Works Council
EWC	European Works Council
GEFIA	Alternative Investment Fund Managers
GRI	Global Reporting Initiative
HLEG	High-Level Expert Group
ILO	International Labour Organization
NFRD	Non-Financial Reporting Directive
OECD	Organization for Economic Cooperation and Development
OICVM	Bodies for Collective Investment in Transferable Securities
SDGs	Sustainable Development Goals

SFWG	Working Group on Sustainable Finance
SMEs	Small and Medium Enterprises
TEG	Technical Expert Group on Sustainable Finance
UN	United Nations Organization
UNCSD	United Nations Commission for Social Development

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INTRODUCTION TO THE REPORT

1. Objectives

The purpose of this report is to present the results of research on the European regulatory framework aimed at identifying the role of the financial sector in supporting green and just transition. The research was conducted by ADAPT and the ADAPT Foundation as part of the European GreenFIN project (Proj. No.101052465 - SOCPL-2021-INFO-REPR).

The objective is to develop the information and consultation rights of European works councils and to strengthen the synergies between different levels of representation and collective bargaining, to promote a real transnational negotiation for the development in the sector of professional figures inserted in companies, banking groups and at the European level to manage the new role of finance in the green transition. It is noted that the transition requires the adoption of new methodologies and procedures to ensure the provision of the necessary finance. The project has, therefore, three macro-objectives: the first is educational, aimed at spreading knowledge about European regulations on the green economy and their impact on the world of work and business. The second aims to define the new job profiles and skills needed to strengthen the role of the financial sector in Europe's green revolution. The third aims to increase the negotiating skills of workers' representatives in the financial sector through the development of awareness, skills and tools needed to strengthen social dialogue, including at the transnational level, as well as synergies between different levels of collective bargaining, which can find their synthesis in the European Works Council (EWC).

This report sets out the results of a desk research aimed at examining the European regulatory framework in order to identify the role of the financial sector in the green economy. The main objective of the research is to analyse European Union policies, laws and regulations that promote the integration of environmental sustainability into financial policies and support for green business. The research highlights the growing importance of the financial sector as a key player in the transition to a sustainable economy, particularly through financing green projects, promoting low-impact investments, and facilitating transition processes to sustainable business models.

Through an in-depth analysis of the European regulatory framework, then, key legislative and regulatory initiatives to encourage financial sector support for the transition to a green economy are identified. These initiatives include, but are not limited to, the promotion of sustainable finance projects, the introduction of environmental reporting standards, the creation of financial instruments dedicated to sustainability, and the encouragement of responsible investment.

The report also highlights the importance of close cooperation between regulators, financial institutions, representative associations and businesses to ensure effective implementation of the regulatory framework and to foster a green, resilient and sustainable economy. Finally, the research aims to clarify some of the main concepts related to the green transition and finance to promote an in-depth understanding of the economic and financial dynamics related to the adoption of sustainable policies and the integration of environmental considerations in the financial sector.

2. Structure

The report is structured into three chapters that address key issues related to the green transition and the role of the financial sector. The first chapter, titled “The Green Transition and the Role of Finance”, explores the fundamental concept of the transition to a sustainable economy. Its key aspects are analysed, highlighting the importance of adopting financial policies and practices consistent with this goal from scholarly works.

In the second chapter, titled “The Role of Finance in the Green Transition: the European Framework”, the specific role of finance in the green transition is explored, offering a brief focus on the actions and instruments promoted by the European Union. The chapter includes analysis of the role of Taxonomy in green finance, the European Taxonomy Regulation, the duty to disclose and the transparency principle, and corporate sustainability due diligence.

Finally, the third chapter, titled “Green Finance-A Reconnaissance of Key Definitions”, explores key definitions and concepts related to sustainable finance. Key concepts based on the Taxonomy developed by European institutions, the principle of “risk for sustainability”, sustainable investments, the do-no-harm principle, the relationship between green finance and the due diligence approach, and the role of Corporate Social Responsibility (CSR) are examined.

Through this examination, the report aims to provide an overview of the topics concerning the green transition and the role of finance, enabling a better understanding of the green transition and the crucial role of finance in this context, while also providing readers with a survey of the main terminology.

Finally, the report is accompanied by two appendices. Appendix I, the Reporting Framework, aims to provide an overview of the main reporting standards and guidelines adopted at the international and community levels, outlining the methodologies and procedures that organizations can follow to transparently and accurately communicate their environmental and social performance and impacts. The appendix also outlines the key indicators and metrics used in the reporting process to measure progress toward sustainability goals. Appendix II, The Green Transition in the Finance Sector: a Selection of Practices and Initiatives, aims, on the other hand, to illustrate good practices of social dialogue at the European and national levels and legislative initiatives on the topic of the finance sector supporting the green transition, as collected with the collaboration of the Associate Organizations within the GreenFIN project and from ten Member States and one candidate state (Montenegro).

3. Methodology

The methodology used to produce this report is based on a combination of desk research and analysis of European legislative sources. In addition, the methodology of the review of the relevant literature and reports was used in order to define the characteristics of the role of the financial sector in the context of the green transition.

An initial phase of reconnaissance of material regarding the topic of green transition and the role of finance was carried out. It was developed in such a way that relevant information could be systematically recorded and organized. The documents under analysis (33 documents) were sorted according to chronological criteria and taking into account the type of resource (academic articles, reports, studies and other relevant sources). For each of them, the content was summarized and its key elements of interest to the present report and the Project, more generally, were highlighted.

In the process of searching and selecting documents and literature, a rigorous approach based on the exclusive use of open-source documents and sources was adopted. This criterion was adopted to make contributions freely accessible and searchable, as well as to ensure high-quality content.

The topics explored are the green transition, the role of finance in the green transition, green finance in international agreements, and key definitions related to sustainable finance. Research and analysis were carried out especially on European Union policies and interventions related to green finance, with a focus on Taxonomy, which is the classification system promoted by the EU to establish a list of environmentally sustainable economic activities, and related regulations. Corporate social responsibility practices and initiatives in the context of green finance were also considered.

The information gathered was summarized and organized logically within the corresponding chapters, following the structure of the report.

Chapter 1.
THE GREEN TRANSITION AND THE ROLE OF THE FINANCIAL SECTOR

1. The Green Transition: The National and European Framework

In recent years, environmental change has been a major issue on international, EU and national agendas. As early as the 1990s, the United Nations began to address the issue, promoting the "Earth Summit", held in Rio de Janeiro in June 1992. The meeting led to the adoption of the "United Nations Framework Convention on Climate Change." The Convention, also known as the "Rio Accords", explicitly set for the first time the goal of reducing emissions of greenhouse gases, considered a central cause of global warming (United Nations, 1993).

This first initiative was followed by numerous agreements and projects aimed at combating climate change, eliminating climate-changing gas emissions and, at the same time, promoting the use of energy from renewable sources and thus a transition to more sustainable economies.

Relatedly, in 1997 the Kyoto Protocol was concluded, introducing for the first time legally binding emission reduction targets for developed countries (United Nations, 1998). Again, nearly two decades later, the parties renewed their commitment to action on behalf of the environment and combating climate change climate with the Paris Agreement, agreeing on new targets to accelerate efforts to limit global warming. The Paris Agreement, still among the leading international climate change policies adopted by the United Nations (UN) in Paris in December 2015 and signed by more than 190 countries, with the aim of keeping the global average temperature increase below a general increase of 2°C above pre-industrial levels and continuing efforts to limit, in general, the temperature increase to 1.5°C so as to contain the global effects of climate change (United Nations, 2015, a). To make this commitment a reality, the Agreement calls for the drafting and submission of national climate action plans from 2023, to be designed by all parties to the Agreement; reporting every five years on the actual implementation of these plans; and the promotion of progressively more ambitious targets. Also in the Agreement, it is made explicit that the principle of solidarity among states and stakeholders should be pursued in the transition to climate-neutral economies. Thus, the principle obliges EU member states and other developed countries to commit to provide developing countries with funding aimed at adopting environmentally friendly policies and projects, so as to accompany and assist them both in emission reduction processes and in building more resilient economies in countering the effects of climate change. So, the Paris Agreement charts a clear and ambitious first path toward low-carbon and therefore greener sectors and production.

In the same year that the Paris Agreement was adopted, the international community promoted the 2030 Agenda for Sustainable Development, signed in September 2015 by the governments of all 193 UN member countries. In the Agenda, 17 goals for sustainable development contained in an overarching and all-encompassing action agenda are shared, with a total of 169 targets (milestones) to be achieved, precisely, by 2030 (United Nations, 2015, b).

At COP26 in Glasgow, the parties revised the contents of the Paris Agreement, updating them in the Glasgow Pact (United Nations, 2021) signed in November 2021, which finalizes and concretizes the predictions of the Paris Agreement through the definition of a reference program to concretize the goals and objectives of the Agreement. A number of key elements for the pathway to green economies are, therefore, outlined: the achievement of "*net-zero emissions*" by 2050, but eliminating the commitment of total fossil fuel divestment and including an intermediate target of cutting net carbon dioxide emissions by 45 percent by 2030; the containment of the rise in average temperatures to 1.5° C, thus further challenging the 2° C target set earlier; the establishment of the net-zero standard as a top priority for companies; the establishment of pathways for energy transition by each state; and the consideration of the social impacts of conversion processes, introducing the concept of green transition into that of just transition.

The Glasgow Compact also enunciates and recognizes for the first time the role of finance in the sustainable development path. It emphasizes, in particular, how investors and banks can and should support and promote the implementation of transformational business projects and/or sustainable value creation projects. The development of "*innovative approaches and tools*" in mobilizing private finance is also encouraged.

Alongside international institutions, the EU has also long been committed to defining the path to decarbonization and tackling climate change in numerous policies, regulations, directives and soft law instruments. Not only the EU itself is among the signatories to the Paris Agreement. In addition to the objectives of the numerous international agreements, issues concerning the green transition are further addressed and regulated in the Green Deal, the European program adopted in 2019 that represents the EU's new growth strategy and aims to transform the EU's territory and production into modern, resource-efficient and competitive economies (European Commission, 2019).

The Green Deal is, therefore, Europe's response to the need to counter the earth's steadily rising temperature and, more generally, climate change and environmental degradation in the community. In this sense, the plan sets numerous goals: clean air and water, healthy soil and biodiversity; renovated and energy-efficient buildings; healthy and affordable food; the increase of public transport; cleaner energy from green energy sources and cutting-edge technological innovation, such as to smoothly accompany the transition paths and limit the impact of conversion processes on the economy; greater durability of products, so that they can be repaired, recycled and reused, according to the principle and purpose of the c. d. circular economy; jobs adapted to future needs, thus, paying attention to issues such as training the skills needed for transition and accompanying the worker in the newly emerging professions, ensuring, at the same time, globally competitive and resilient industries.

To realize these goals, the European Green Deal, again, emphasizes the central role of "*green finance*", primarily through the provision of an investment plan consisting of three main key points: scaling up transition finance and mobilizing at least €1 trillion to support sustainable investments over the next decade through the EU budget and associated instruments, particularly InvestUE; creating a favourable framework for private actors and the public sector to facilitate sustainable investments; and supporting public administrations and transition project proponents in identifying, structuring and executing sustainable projects.

2. The Role of the Financial Sector in the Green Transition

"*Achieving climate goals requires a far-reaching economic transformation that entails extensive employment and socioeconomic implications. Ensuring a just transition is a crucial enabler of ambitious climate action and an engine of sustainable development. (...) Financial systems and their actors have a key role to play in a just transition. They complement conducive policy measures, and in turn these policy measures facilitate the efforts of financial systems and their actors towards a just transition*" (ILO, 2022).

As international and European agreements on green transition already point out, the topic of green finance is becoming increasingly central looking at the need to find an ever-greater agreement between the environment, economy and society in terms of sustainable development.

The literature defines green finance as all forms of investment or lending that take into account environmental effects and improve environmental sustainability, thus creating a bridge between global environmental priorities and the financial system. The European Commission's definition for green finance states that it is the process of taking due account of environmental and social considerations in making investment decisions, leading to increased investment in long-term, sustainable assets. In other words, green finance represents that credit intermediary for the movement of capital in environmental protection and such as to raise and allocate funds as well as meet the capital shortage of businesses and residents.

They also emphasize how green finance represents an innovative financial model aimed at protecting the environment and achieving sustainable use of resources, thus able to guide the flow of funds and achieve effective management of environmental risk, as well as optimal allocation of environmental and social resources (A.I. Popescu, A. Dorean, 2020).

In addition, green finance enables companies, savers, and investors to contribute to the fight against pollution and climate change while ensuring long-term profitability. Green finance includes so-called climate finance (clean energy, low-carbon transport, energy efficiency and climate resilience), as well as broader environmental and conservation finance to finance green growth, protect and restore the natural environment, forest and water resources, biodiversity and ecosystems. Green finance is the environmental pillar of sustainable finance, or the integration of environmental, social and governance (ESG) dimensions into financial decisions.

In addition, the management of public and private institutions, including management structures, employee dynamics, and executive compensation, play a crucial role in ensuring the integration of social and environmental considerations into decision making. There is no doubt that all three elements of ESG are essential components of sustainable economic and financial development (M.Tofan, I. Bilan, E. Cigu, 2020).

3. Dealing with The Green and Just Transition: The Financial Sector as a Key Player

"*Achieving climate goals requires a far-reaching economic transformation with broad employment and socio-economic implications. Ensuring an equitable transition is an essential element of ambitious climate action and a driver of sustainable development. Achieving an equitable transition means maximizing positive impacts on employment and socio-economic conditions while avoiding and mitigating any negative impacts. Financial systems and their actors play a key role in an equitable transition. They integrate appropriate policy measures and, in turn, these policy measures facilitate the efforts of financial systems and their actors toward an equitable transition*." So opens the International Labour Organization's paper on Finance for a Just Transition and the Role of Transition Finance, published in 2022. The paper, provided by the G20 Sustainable Finance Working Group (SFWG), focuses on the importance of finance for a just transition and the role that finance can play in such a green transition context (ILO, 2022).

The report states that in order to meet the challenge of climate change and achieve the Sustainable Development Goals, profound economic change is needed that significantly impacts employment and socio-economic conditions. In implementing ambitious climate actions and promoting sustainable development, it is necessary to take into account initiatives and legislative proposals dedicated to finance and just transition.

The paper also emphasizes the centrality of financial systems and financial actors in promoting a just transition, acting in a complementary way to legal disciplines, working in synergy to facilitate transition processes. The report points out that a just transition must maximize positive impacts on employment and socio-economic conditions, while avoiding and mitigating negative impacts, and to do so, the report stresses, there is a need to complement provisions regarding transition finance in order to support projects and initiatives that promote a just transition.

The paper also provides an overview of available transition financial instruments, including green bonds and sustainable investment instruments. The importance of green bonds as financial instruments to finance projects with a low environmental impact is emphasized, highlighting the growing investor interest in such instruments that can contribute to the transition to a sustainable economy. It also discusses the need for standardization and transparency in the green bonds market to ensure investor confidence. The report similarly addresses other various sustainable investment instruments, such as funds indexed to sustainability indexes, impact investing funds. Again, the key role of such instruments in promoting investments that can generate positive environmental and social impacts is emphasized. In addition, the need for integration of environmental, social and governance (ESG) factors into investment decisions is highlighted.

The report draws attention to the importance of aligning sustainable investment instruments with sustainable development goals, such as those set by the United Nations 2030 Agenda. It also highlights the need to channel investments to key sectors and themes, such as renewable energy, energy efficiency and sustainable mobility, in order to address environmental challenges and promote social justice. Also emphasized is the need for standardization, transparency and alignment of investment instruments with sustainable development goals to maximize the positive impacts of investments in the context of a just transition. The obstacles and challenges that may arise in financing transition processes are also examined and solutions are suggested to address them.

Finally, the report stresses the importance of collaboration among different actors, including governments, financial institutions, international organizations and social partners, to promote green finance in support of an equitable and sustainable transition. International cooperation and coordination are essential to successfully addressing the challenges of equitable transition and ensuring a sustainable future.

Chapter 2.
THE ROLE OF FINANCE IN THE GREEN TRANSITION: THE EUROPEAN FRAMEWORK

Numerous international agreements emphasize the close connection between finance and green transition. The United Nations in 2012 devotes an in-depth study to the centrality of the issue of finance, and thus the related sector, in the transition to green economies in the broader context of sustainable development and consequent poverty eradication (UNCSD Secretariat, 2012).

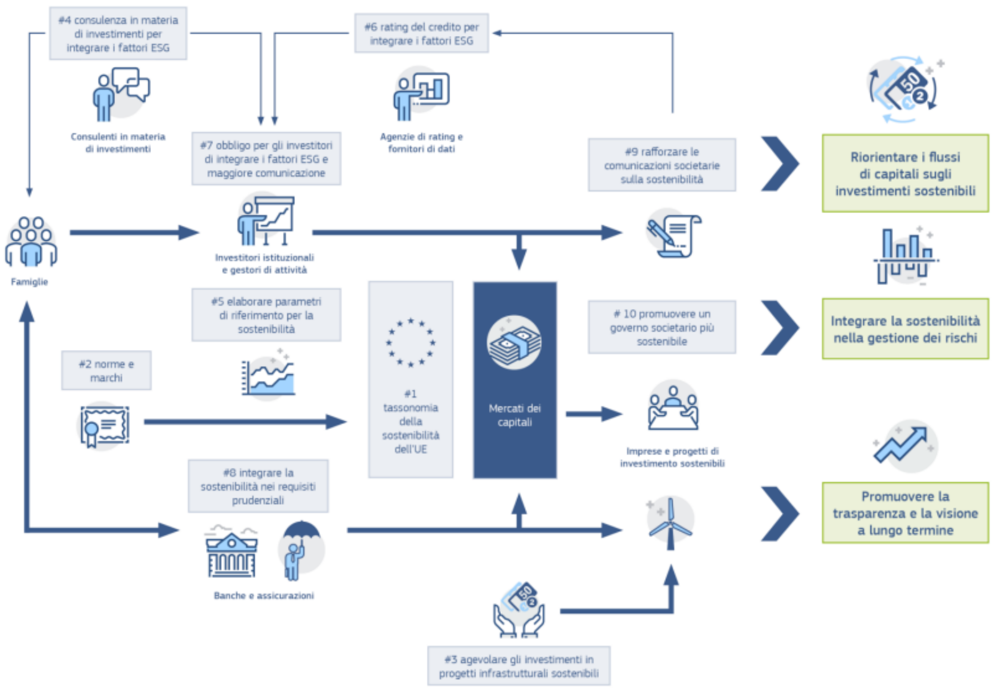
The UN's first in-depth study on the subject focuses on the analysis of what were then considered to be the financial flows and instruments required for the transition, analysing, therefore, such issues as: sources of financing (public, private or mixed); the channels, main and otherwise, through which public and private funds flow; the instruments, i.e., the financial products, policies and mechanisms through which financing is provided; and the main sectors that require financing for sustainable development.

It is emphasized that the transition requires the identification of new sources and flows of financing, including through the rationalization of existing channels and the design and effective use of instruments such as to be able to leverage private, as well as public, investment in the processes of green conversion of economic-productive sectors.

Similarly, the European Union also pays attention to the issue in numerous reports and soft-law acts. The role of finance in accompanying the green transition is highlighted in the European Commission's 2018 Communication, Action Plan for Financing Sustainable Growth (European Commission, 2018). The Action Plan on Sustainable Finance is, therefore, part of the efforts put in place at the EU level with reference to the management of markets and capital in green conversion processes, according to the broader goal of implementing the Paris Agreement and the EU agenda for sustainable development. The program aims to link finance to the specific needs of the European economy for the benefit of the planet and society.

In the action plan, it is therefore emphasized that "*the financial sector is called upon to play a leading role. The financial system is in the process of reforming itself to incorporate what has been learned from the experience of the financial crisis and in this context can be part of the solution towards a greener and more sustainable economy*." More specifically, the Action Plan presented by the European Commission aims to: establish a unified EU-wide sustainable asset classification system, i.e., create a common language for sustainable finance, a unified EU classification system or "Taxonomy" to define what is sustainable and identify areas where sustainable investments can have the greatest impact; create standards and labels for sustainable financial products, create EU labels for green financial products based on the EU classification system, such that investors can easily identify investments that meet environmental or low-carbon criteria; promote investments in sustainable projects; integrate sustainability into the provision of investment advice, i.e., require insurance and investment firms to advise clients based on their sustainability preferences; develop sustainability indices; more efficiently and comprehensively integrate sustainability into ratings and research; clarify the objectives and obligations of institutional investors and asset managers to take sustainability factors into account in the investment process and tighten disclosure requirements; integrate sustainability into prudential requirements, i.e., assess the feasibility of readjusting banks' capital requirements (the so-called "*green support factor*") for sustainable investments when it is justified from a risk perspective, while at the same time ensuring that financial stability is maintained; strengthening sustainability disclosure and accounting standard setting by, among other things, proposing to revise the guidelines on non-financial disclosures to bring them more in line with the recommendations of the Financial Stability Board Task Force on Climate-Related Financial Reporting; promoting sustainable corporate governance; and mitigating short-termism in capital markets.

Figure 1. Sustainable Finance and its Possible Scope of Application



EUROPEAN COMMISSION, *Communication from the Commission to the European Parliament, the European Council, the Council, the European central bank, the European Economic and Social Committee and the Committee of the Regions - Action plan: financing sustainable growth*, COM(2018) 97 final, 8 March 2019

1. The Role of Taxonomy in Green Finance

At the end of 2016, the European Commission appoints the High-Level Expert Group (HLEG) on Sustainable Finance with a mandate to recommend financial reforms on which to base the EU Sustainable Finance Strategy. The group, composed of members and observers from banking, insurance, asset management, stock exchanges, financial industry associations, international institutions, and civil society, begins work in January 2017 and presents its final report in January 2018, which includes eight key recommendations and several cross-cutting and sectoral recommendations to align the financial system with sustainability goals.

Based on the HLEG's recommendations, on March 8, 2018, the European Commission publishes its Action Plan: Financing Sustainable Growth, affirming the need for a thorough reconsideration of the European financial framework. The Action Plan describes the EU's strategy for sustainable finance and is part of the plan to implement Article 2(1)(c) of the Paris Agreement on aligning financial flows with global climate goals and the UN 2030 Agenda for Sustainable Development. Specifically, the Action Plan aims to: redirect capital flows toward sustainable investments in order to achieve sustainable and inclusive growth; manage financial risks arising from climate change, resource depletion, environmental degradation, and social issues; and promote transparency and long-termism in financial and economic activity.

In order to achieve the goals of the plan, the Commission is establishing a High-Level Expert Group on Sustainable Finance (TEG) in 2018, composed of 35 members from civil society, academia, business, and the financial sector, as well as 10 additional members and observers from European and international public bodies, with the aim of reflecting on how to change and update the finance sector in accordance with the Sustainable Development Goals.

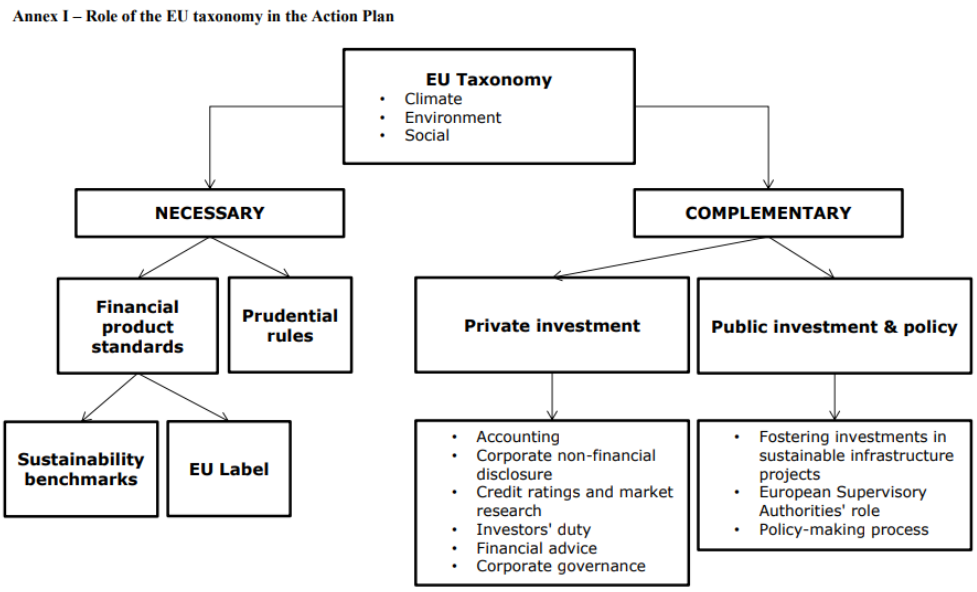
The Technical Expert Group on Sustainable Finance is specifically called upon to assist in four key areas of the action plan. Thus, it is proposed to develop: a unified classification system for sustainable economic activities; a European standard for green bonds; benchmarks for low-carbon investment strategies; and guidelines for improving corporate disclosure of climate-related information.

TEG's mandate, first for one year only then extended until the end of 2019, thus takes the form of producing an interim report on the consideration and drafting of a standard for European Green Bonds.

Specifically, the report defines a European standard for green bonds, financial instruments issued to finance projects with low environmental and climate impact. This European standard, termed "Taxonomy", aims to help investors assess the sustainability of the investments themselves, and thus consequently increase the flow of sustainable investments and foster economic growth with a low environmental impact (EU Technical Expert Group on Sustainable Finance, 2019, a).

Against this backdrop, in June 2018, the technical group prepared a report in which it presented for the first time what are identified and recognized as eight priority actions that are considered key building blocks for achieving meaningful action on sustainable finance (EU Technical Expert Group on Sustainable Finance, 2019, b).

Figure 2. The role of Taxonomy



EUROPEAN COMMISSION, *Communication from the Commission to the European Parliament, the European Council, the Council, the European central bank, the European Economic and Social Committee and the Committee of the Regions - Action plan: financing sustainable growth*, COM(2018) 97 final, 8 March 2019, 14

It is important to mention how the HLEG's first recommendation in the first Sustainable Finance Report of 2018 is to "*establish and maintain a common Taxonomy on Sustainability at the EU level*." The Readiness Taxonomy aims to identify under which conditions or criteria a particular investment or financial product can contribute to the EU's sustainability goals. The Taxonomy thus aims to enable market growth by redirecting capital flows to assets that contribute to sustainable development; creating the necessary comparability between standards, labels, products and jurisdictions; and enabling participants to invest in sustainability with greater confidence and ease.

Against this backdrop, therefore, in May 2018 the European Commission presents its proposal for a regulation to establish a framework to facilitate sustainable investments (the so-called Taxonomy Regulation). In July 2018, in support of this new regulation, the European Commission establishes a group of technical experts in order to develop an EU classification system for determining whether an economic activity is environmentally sustainable, namely the "Taxonomy"; an EU Green Bonds standard; a benchmark for low-carbon investment strategies; and guidelines for improving companies' reporting of climate-related information. In 2019, the Commission tasks the technical group to draw up an initial list of economic activities that are likely to contribute significantly to climate change mitigation and adaptation goals (without causing significant harm to other environmental goals).

In the report, published the same year, the TEG then addresses new demands on the issue of green finance. The report deals with the establishment of a European Taxonomy for Sustainable Business: the proposal establishes performance thresholds (referred to as "*technical selection criteria*") for business activities that can make a substantial contribution to one of the six recalled environmental objectives; that do not cause significant harm (DNSH); and that comply with minimum safeguards (e.g., OECD Guidelines on Multinational Enterprises and UN Guiding Principles for Business and Human Rights) (EU Technical Expert Group on Sustainable Finance, 2019, b). According to the technical working group, performance thresholds are useful for companies, project developers and issuers to obtain green finance to improve their environmental performance, as well as to identify which activities are actually environmentally sustainable.

This taxonomy definition is accompanied by a roadmap for its implementation, through the provision and definition of technical criteria and the scheduling of stakeholder consultation processes for the validation and adoption of the Taxonomy itself and eventually its implementation. In addition, the report stresses the importance of consistency of the Taxonomy with other international standards: in this regard, the need to ensure transparency and effective communication with reference to the implementation of the Taxonomy is highlighted. In this regard, the technical group is in charge of providing real practical guidance for the implementation of the European Taxonomy in order to promote sustainable economic activities.

Interestingly, the group highlights, among other things, the possible impact of the European Taxonomy for Sustainable Economic Activities on the financial market and the economy in general. While, the report states, the Taxonomy could help direct investment flows to sustainable projects and reduce the environmental and climate impacts of economic activities, it is nevertheless acknowledged that its implementation could entail some costs for companies (e.g., for collecting the data needed to prove the eligibility of economic activities). To this end, the technical group also makes some recommendations to minimize these costs and maximize the benefits of implementing the Taxonomy, including harmonization with other international standards and adopting a phased approach to implementation.

In addition, the report is concerned with defining for the six environmental objectives outlined (climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollutant sources, and protection of biodiversity and ecosystems) the criteria for establishing the eligibility of economic activities. The report stresses the importance of stakeholder involvement, including industry and labour representatives, investors, environmental organizations, and civil society, in the definition and implementation of the Taxonomy.

In the same year, the European Investment Bank (EIB) publishes its new climate strategy and energy lending policy, stipulating in particular that the EIB Group should align all of its lending activities with the goals of the Paris Agreement from the end of 2020. The strategy emphasizes that the new energy lending policy should follow five governing principles, namely: prioritize energy efficiency in order to support the new European target on the topic, as set by the EU Energy Efficiency Directive (2012/27/EU) itself; enable energy decarbonization through increased support for low- or zero-carbon technologies, with the goal of achieving a 32 percent share of renewable energy across the EU by 2030; increase funding for decentralized power generation, innovative energy storage, and electric mobility; ensure investment in essential networks for new intermittent energy sources such as wind and solar, as well as strengthen cross-border interconnections in support of a single, democratic energy market; increase the impact of investments in support of energy transformation and transition, including outside the territory of the union (European Bank, 2020).

The EIB's strategy also includes, among other measures, the discontinuation of financing for energy-related projects if they involve the use of energy from a non-renewable source (in particular, from fossil fuels) as of the end of 2021. It is also expected to eliminate any future disbursement of funds for energy projects based on fossil fuels, including gas, from the end of 2021.

The new strategy is based on a concrete operational plan to address the challenges of climate change and environmental sustainability. This plan has three key components: a commitment to invest €1 trillion in climate action and environmental sustainability over the crucial decade from 2021 to 2030, a gradual increase in the percentage of financing dedicated to these goals to 50 percent of operations by 2025, and the alignment of all EIB financing activities with the principles and objectives of the Paris Agreement by the end of 2020. In addition, the strategy proposes to complement these instruments with specific measures to ensure an equitable transition in the most affected regions and territories so that "*no one is left behind*."

In parallel with these projects and the new guidelines regarding the transition to a sustainable economy, the European Investment Bank has issued guidelines concerning equitable transition. To this end, it was stipulated that the EIB should work closely with the European Commission to support investments through the Fund for an Equitable Transition.

The developed plan was further implemented with the Renewed Strategy for Sustainable Finance, issued in 2021, after preparatory work by the High Level Expert Group (HLEG) on Sustainable Finance, the Technical Expert Group on Sustainable Finance (TEG), and based on the results of a public consultation. The renewed strategy aims to contribute to the goals of the European Green Deal, in particular by creating an enabling environment for private investors and the public sector to facilitate sustainable investments (European Commission, 2021, B).

The strategy is therefore based on the ten measures suggested in the European Commission's initial 2018 Action Plan for Financing Sustainable Growth, which laid the groundwork for directing private capital toward sustainability-friendly investments. The strategy aims to support the financing of the transition to a sustainable economy, focusing mainly on three key areas: strengthening and supporting sustainable investments by creating an enabling framework, equipped with the right tools and structures. It is observed that many financial and non-financial institutions and companies still place excessive emphasis on short-term financial performance, neglecting long-term development and sustainability-related challenges and opportunities. Therefore, the expansion of opportunities and activities with positive sustainability impacts for citizens, financial institutions and businesses is promoted; the management and integration of climate and environmental risks into financial institutions and the financial system as a whole, while ensuring adequate consideration of social risks where relevant.

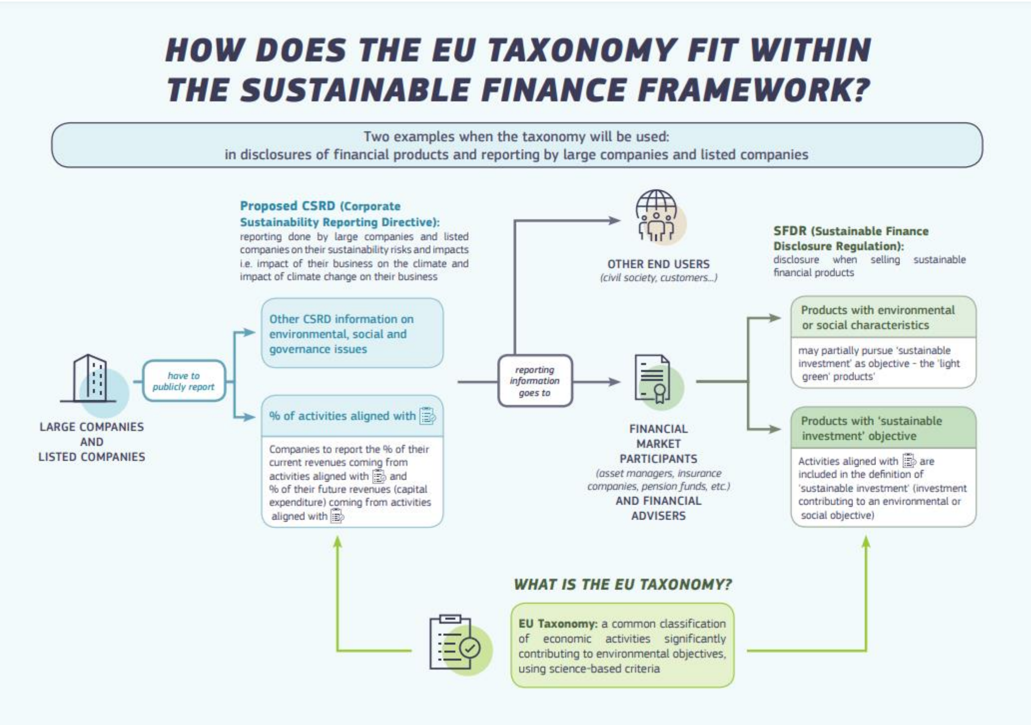
Even more specifically, the strategy includes six sets of actions: expanding existing tools for sustainable finance to facilitate access to transition finance; improving the inclusiveness of small and medium-sized enterprises (SMEs) and consumers by providing them with the right tools and incentives to access transition finance; strengthening the resilience of the economic and financial system to sustainability risks; increasing the financial sector's contribution to sustainability; ensuring the integrity of the EU financial system and monitoring its orderly transition to sustainability; and developing international sustainable finance initiatives and standards and supporting EU partner countries.

2. The Taxonomy Regulation

"*The EU Taxonomy is a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy*" (EU Technical expert group on sustainable finance, 2020).

Alongside the soft laws and the recommendations of the technical groups, in December 2019 the European Council and the European Parliament also reached a political agreement on the text of the Taxonomy Regulation. On June 22, 2020, Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment (Taxonomy Regulation) was published in the Official Journal (European Parliament, 2020). The Regulation amends Regulation (EU) 2019/2088, which establishes harmonized rules on transparency regarding the integration of sustainability risks, (i.e., environmental, social, or governance events or conditions that, if they occur, could cause a significant actual or potential negative impact on the value of the investment) and the assessment of adverse sustainability effects in investment advice and portfolio management decision-making processes, thus regarding sustainability disclosure in the financial services industry (European Commission, 2019).

Figure 3. How does Taxonomy Fit into the Framework on Sustainable Finance?



EUROPEAN COMMISSION, *Factsheet: How does the EU taxonomy fit within the sustainable finance framework?*, 2022

The proposed Taxonomy Regulation establishes an EU-wide classification system or "*framework*" designed to provide businesses and investors with a common language for identifying the extent to which economic activities can be considered environmentally sustainable. Even more specifically, the Taxonomy Regulation imposes three key obligations: on member states and at the EU level, to apply the Taxonomy in regulating how environmental financial products or corporate bonds are made available; on financial market participants, who are required to make statements on the alignment of investments with the Taxonomy when financial products are made available; and on large public interest entities, how their activities align with the Taxonomy with reference to the non-financial information section of their financial statements.

In particular, the Taxonomy Regulation introduces new disclosure requirements for large listed companies that are already required to provide a non-financial statement under the Non-Financial Disclosure Directive (NFRD). In particular, it is emphasized that companies must begin disclosing information on how their business activities align with two of the objectives defined in the Regulation, namely the climate objectives (adaptation and mitigation) under the EU Taxonomy Regulation during 2022 (thus covering the 2021 fiscal year) and all six environmental objectives during 2023 (covering the 2022 fiscal year), namely climate change mitigation and adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy, including waste prevention and increased use of secondary raw materials; and pollution prevention and control; the protection and restoration of biodiversity and ecosystems; the promotion of green investment.

This requirement was introduced in order to prospectively fill the gap in data delivered to investors who in turn will be required to disclose the degree to which their financial products align with the objectives of the Taxonomy.

Article 8 of the Taxonomy Regulations requires financial and non-financial organizations covered by the NFRD to include non-financial information in their disclosures, particularly on how and to what extent their activities are or may be associated with "*environmentally sustainable economic activities*."

In April 2021, to complement the Taxonomy Regulation, the European Commission adopts a package of measures, including the Delegated Act for the EU Climate Taxonomy, which provides the first set of technical criteria for defining activities that contribute substantially to climate change mitigation and adaptation. The delegated act for the EU Climate Taxonomy aims, therefore, to support sustainable investments by clarifying which economic activities contribute most to achieving the EU's environmental objectives.

The delegated act on Taxonomy introduces performance criteria to determine, within each relevant sector, which economic activities contribute substantially to the goals of the Green Deal. These criteria aim to create a common basis for businesses and investors, enabling credible reporting on green activities and accompanying actors in the transition to sustainability. It emphasizes how the criteria cover the economic activities of about 40 percent of EU-domiciled listed companies in sectors responsible for nearly 80 percent of Europe's direct greenhouse gas emissions. In addition to a common classification system, the EU Taxonomy framework is also designed to improve the transparency of corporate information itself regarding green transition pathways, as well as the tools and targets adopted in this regard.

On this point, in June 2021 the Commission adopted Delegated Regulation (EU) 2021/21394, Delegated Regulation on Climate Taxonomy, which establishes the technical selection criteria under which certain economic activities can be considered to contribute significantly to climate change mitigation or adaptation, without causing significant harm to other relevant environmental objectives.

This specifies the content, methodology, and presentation of the information that both non-financial and financial enterprises are required to report, thereby reporting on the eligibility and alignment of their activities with the Delegated Regulation on Taxonomy Reporting.

The Commission's latest action on the issue is still the adoption on March 9, 2022 of Delegated Regulation (EU) 2022/12146 amending the Delegated Regulation on Climate Taxonomy and the Delegated Regulation on Taxonomy-related Disclosures. These amendments include certain activities in the EU Taxonomy related to nuclear and natural gas energy production and establish specific reporting requirements for these activities.

Specifically, financial enterprises and non-financial enterprises must report the amount and percentage of economic activities aligned with the Taxonomy in relation to their respective key performance indicators and must report the amount of nuclear energy-related activities, which are not eligible for the Taxonomy, in the denominator of their key performance indicators.

The Regulations also specify the technical selection criteria under which certain economic activities in the areas of manufacturing, water supply, wastewater treatment, waste management and remediation, construction, civil engineering, disaster risk management, information and communication, environmental protection and restoration, and hotel activities are considered to contribute significantly to the sustainable use and protection of water and marine resources; to the transition to a circular economy; to the prevention and control of pollution; or to the protection and restoration of biodiversity and ecosystems.

It similarly specifies criteria for determining whether such economic activities cause significant harm to other environmental objectives, prioritizing those economic activities and sectors identified as having the potential to make a substantial contribution to one or more of the four environmental objectives and for which it was possible to develop or refine the recommended criteria without further delay. For some sectors and activities, such as agriculture, forestry or fisheries, as well as some manufacturing activities, further evaluation and calibration of the criteria is emphasized as necessary.

While, therefore, the Delegated Regulation on Climate Taxonomy establishes technical selection criteria for adaptation to climate change for all economic sectors and activities covered by the technical selection criteria for climate change mitigation, with this Regulation the Commission aims to develop technical selection criteria for relevant activities in order to make them suitable for climate change, thus dealing with determining the technical selection criteria related to the sustainable use and protection of water and marine resources; technical selection criteria related to the transition to a circular economy; technical selection criteria related to the prevention and control of pollution; technical selection criteria related to the protection and restoration of biodiversity and ecosystems;

Specifically, the technical selection criteria related to the sustainable use and protection of water and marine resources are either technical selection criteria for determining the conditions under which an economic activity qualifies as a substantial contribution to the sustainable use and protection of water and marine resources and for determining whether that economic activity causes significant harm to any of the other environmental objectives set forth in Article 9 of Regulation (EU) 2020/852. Again, the technical selection criteria related to the transition to a circular economy are the technical selection criteria for determining the conditions under which an economic activity qualifies as a substantial contribution to the transition to a circular economy and for determining whether that economic activity causes significant harm to one of the other environmental objectives established in the Taxonomy Regulation. The technical selection criteria related to pollution prevention and control are the technical selection criteria for determining the conditions under which an economic activity qualifies as a substantial contribution to pollution prevention and control. Finally, the technical selection criteria related to the protection and restoration of biodiversity and ecosystems are the technical selection criteria for determining the conditions under which an economic activity qualifies as a substantial contribution to the protection and restoration of biodiversity and ecosystems, and again for determining whether such an economic activity causes significant harm to any of the other environmental objectives set forth in the Taxonomy Regulations.

Finally, the aforementioned Delegated Regulation also amends the Delegated Regulation on Taxonomy Reporting to ensure that the reporting requirements therein are consistent with the provisions of the Delegated Environmental Regulation on Taxonomy and to correct any technical errors and inconsistencies.

3. Transparency and Disclosure: The Duty of Disclosure in Green Finance

While it is now well known and agreed that the transition to a low-carbon, more sustainable, resource-efficient and circular economy, in line with the Sustainable Development Goals (SDGs), is key to ensuring the long-term competitiveness of the Union's economy, it is still a matter of discussion at the EU level how to ensure that the financial system can truly accompany the transition to increasingly green economies.

First, numerous directives have therefore been issued to ensure more uniform protection for end investors and, in this sense, facilitate their access to a wide range of financial products, while providing rules that enable them to make informed investment decisions. Especially recently, provisions have been enacted regarding disclosures to end investors on the integration of sustainability risks, in consideration of adverse sustainability effects, sustainable investment objectives, i.e., looking at the promotion of environmental or social factors, into decision-making and advisory processes.

Prior to the Green Deal framework, later implemented in various pieces of binding legislation, Directive 2013/34/EU of the European Parliament and of the Council called for mandatory disclosure of information regarding environmental, social and corporate governance aspects in non-financial reports. Similarly, in its resolutions of February 6, 2013 on *Corporate Social Responsibility: transparent and accountable business behaviour and sustainable growth and on Corporate Social Responsibility: promoting society's interests and a path to sustainable and inclusive recovery*, the European Parliament recognizes the importance of disclosure by companies of information regarding, for example, social and environmental factors in order to identify sustainability risks and increase investor and consumer confidence. It is emphasized that the disclosure of non-financial information is critical to managing the transition to a sustainable global economy by combining long-term profitability, social justice and environmental protection.

It is noted that the disclosure of non-financial information can help measure, monitor and manage the performance of companies and its impact on society. Therefore, the European Parliament called on the Commission to submit a legislative proposal on the disclosure of non-financial information by companies, such that at the same time it provides for a high degree of flexibility of action, taking into account the multidimensional nature of corporate social responsibility (CSR) and the diversity of CSR policies applied by companies.

At the same time, it is intended to ensure a sufficient level of comparability to meet the needs of investors and other stakeholders, as well as the need to ensure that consumers have easy access to information about the impact of companies on society. Thus, the EU has been moving in this direction through additional regulations and directives, which set out increasingly important commitments and guidelines for finance and the related sector in the specific topic of green transition.

The first major legally binding act is the European Union's Non-Financial Reporting Directive (2014/95/EU). The Directive requires companies to include non-financial statements in their annual reports or in a separately filed document starting in 2018, including information on environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery procedures, and diversity on boards of directors. Addressees of this Directive are public interest companies with more than 500 employers in the EU. The use of international standards such as the UN Global Compact, OECD Guidelines, ISO 2600 or the Global Reporting Initiative (GRI) is also recommended in order to consolidate the objectives of this Directive.

Complementing the guidance of the Nonfinancial Disclosure Directive, in June 2017, the European Commission provides guidelines on nonfinancial reporting. The document aims to help relevant companies disclose nonfinancial information in a relevant, useful, consistent, and more comparable way. The communication provides non-binding guidance and therefore does not create any new legal obligations, highlighting once again the centrality of the issue.

In addition, in June 2019 as a complement to the 2017 guidelines, the European Commission is publishing the Guidelines on Climate Reporting, which complement the recommendations of the communication.

Also in 2019, among other regulations and directives on the topic, it is worth mentioning Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability reporting in financial services in the Official Journal of the European Union (the Disclosure Regulation). The purpose of the Disclosure Regulation, issued on December 9, 2019 as part of the European Commission's Action Plan on Financing Sustainable Growth published in March 2018, is to achieve greater transparency on how financial market participants and advisors should consider sustainability risks in their insurance or investment decisions and advice.

It is first reiterated how a sustainability risk is defined in terms of an environmental, social or governance event or condition that, if it were to occur, could have a material adverse impact on the value of an investment. Thus, the Disclosure Regulation establishes harmonized standards applicable as of March 2021 for financial market participants and advisors on matters relating to the integration and consideration of sustainability risks and negative sustainability impacts in their investment decision-making or advisory processes; and the provision of sustainability-related information regarding financial products.

Addressees of these disclosure requirements under the Regulations are all financial market participants, including alternative investment fund managers, management companies, particularly Undertakings for Collective Investment in Transferable Securities (UCITS), investment firms, credit and insurance institutions providing portfolio management, and financial advisors providing investment and/or insurance advice.

The Disclosure Regulation requires, among other things, that stakeholders share in their pre-agreement documents: how sustainability risks are integrated into investment decisions or insurance advice; the potential impacts of sustainable risks on financial product returns; and information on how financial products consider key negative impacts on sustainability factors. Similarly, a website disclosure requirement is included for recipients of the Regulations regarding information on the remuneration policies implemented regarding the integration of sustainability risks; information on their strategies such that they consider the negative impacts of investment decisions on sustainability.

Financial market participants and advisors, according to the Regulations, are also subject to additional disclosure requirements where the financial product promotes environmental and social characteristics or has sustainable investments as objectives.

In its December 11, 2019 Communication on the European Green Deal, the Commission introduced additional provisions on the subject, through which it committed to revise the Nonfinancial Reporting Directive as part of the strategy to enhance sustainable investment. In accordance with this commitment, on February 20, 2020, the Commission launched a public consultation on the revision of the Non-Financial Reporting Directive.

Following this consultation process, the Commission presented the Corporate Sustainability Reporting Directive (CSRD) in late 2022. The proposal regarding corporate sustainability reporting is one of the key components of the European Union’s sustainable finance package, which includes a number of measures aimed at encouraging a flow of capital into sustainable activities throughout the EU. In addition, it is important to mention the changes made to the Accounting Directive, the Transparency Directive, the Audit Directive, and related audit legislation. It should be emphasized that all of these initiatives can play an essential role in the transformation process toward environmentally focused corporate reporting, thereby helping to improve the quality and consistency of sustainability information.

The underlying goal of the proposal submitted by the European Commission is to improve sustainability reporting in order to maximize the opportunities offered by the European Single Market and promote a transition to a fully sustainable and inclusive economic and financial system. This intent aligns with the goals outlined by the European Green Deal and the United Nations Sustainable Development Goals.

The Directive is primarily concerned with clarifying why “*non-financial information*” actually relates directly to green finance, so much so that many organizations, initiatives and practitioners in the field of sustainability reporting refer to such information as "*sustainability information*" instead of "*non-financial information.*"

In addition, the Commission points out, access to sustainability information in company reports benefits citizens, savers, trade unions and employee representatives, enabling them to participate more effectively in social dialogue. At the same time, savers have a greater level of information to make sustainable investments. Similarly, investors and asset managers, with this information, have the ability to assess the risks and opportunities related to the sustainability of investments and their social and environmental impact. Finally, communities, territories, and nongovernmental organizations, as well as other parts of civil society, can collaborate in corporate transitions to a socially and environmentally sustainable path.

Corporate reporting on sustainability issues can directly benefit companies by improving access to financial capital, given the growing number of sustainability-oriented investment products, i.e., by assisting companies in identifying and managing related risks and opportunities. Importantly, such reporting also fosters dialogue and communication with stakeholders, helping to improve corporate reputation.

The subject of the new Directive is the inclusion in the management report of information necessary for understanding the company's impact on sustainability issues, as well as information necessary for understanding how sustainability issues affect the company's performance, results and position.

CSRD applies to all large companies in the EU, including business units of non-EU parent companies, that meet at least two of the following criteria: employment of more than 250 employees, a turnover of more than €40 million, or total assets of €20 million. Companies listed on an EU regulated market, regardless of whether they are based in the EU or a non-EU country, are also subject to the CSRD. The Directive also includes listed small and medium-sized companies, for which, however, the use of support and assistance measures in managing their obligations under the Directive is envisaged, with the exception of some listed micro-enterprises.

In general, the new EU legislation deals with the following issues: with regard to environmental aspects, there is evidence of alignment with the environmental objectives set out in the EU Taxonomy Regulation. These objectives include climate change mitigation and adaptation, sustainable use of water and marine resources, circular economy, pollution reduction, and protection of biodiversity and ecosystems.

Similarly for social aspects, with reference to which the legislation highlights issues such as equal opportunities for all, including gender equality and equal pay for equal work, training and skills development, employment and inclusion of people with disabilities. Attention is also given to the creation of decent working conditions for all, including aspects such as safety at work, wages, social dialogue, collective bargaining, and work-life balance. Emphasis is also placed on human rights, fundamental freedoms, and labour principles and rights established by the International Labour Organization's Declaration and its fundamental conventions, as well as the Charter of Fundamental Rights of the European Union.

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Finally, the legislation addresses governance factors, including equality of opportunity for all, including gender equality and equal pay for equal work, training and skills development, and employment and inclusion of people with disabilities. Attention is given to the role of companies' administrative, management and supervisory bodies regarding sustainability factors and the composition of those bodies. Appropriate business ethics and corporate culture are promoted. In addition, the promotion of relationships and collaborations with government and business partners is encouraged. Finally, internal control and risk management systems are introduced, including those related to the reporting process.

The required information includes several essential elements. First, a brief description of the company's business model and strategy is required. In particular, it is intended to assess the resilience of these models and strategies to the risks associated with sustainability issues.

In addition, it is required that the company provide information on opportunities related to sustainability issues, highlighting how the company's business model and strategy fit to ensure compatibility with the sustainable economy and achievement of the goal of limiting global temperature increase to 1.5°C. An important aspect concerns the company's exposure to coal-, oil-, and gas-related activities: it is requested to indicate the extent to which the company is involved in these sectors and how it is addressing the challenges associated with the transition to more sustainable energy sources.

In addition, it is required that the business model and strategy take into account the interests of stakeholders and the company's impact on sustainability issues. This requires a detailed analysis of how the enterprise confronts the concerns of various stakeholders and how it acts to mitigate negative impacts and maximize positive impacts on the sustainability front. Finally, it is necessary for the company to describe how it implements its corporate strategy related to sustainability issues, providing information on how actions are implemented, and the results achieved evaluated.

The required information also includes a description of time-bound targets related to sustainability issues identified by the company, including any GHG emission reduction targets by the Green Deal dates, 2030 and 2050. Also required is an assessment of progress towards these goals and a statement as well as scientific explanation of the company's environmental objectives. In addition, a description of the role of the administrative, management and supervisory bodies with regard to sustainability issues is required, including an analysis of the competencies and capabilities of these bodies in carrying out this role or accessing these competencies and capabilities.

In addition, the Directive takes care to highlight how the company's policies in relation to sustainability issues must be described, in this sense including a requirement to provide information on the presence of incentive systems related to environmental, social and economic issues intended for members of the company's administrative, management and supervisory bodies.

Again, a description of the diligence procedures adopted by the company regarding sustainability issues is required, including any compliance with European Union obligations in this regard. It is then necessary to provide a description of the main actual or potential negative impacts related to the

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company's activities and its value chain, including products, services, business relationships and supply chain. Also required is an indication of actions taken to identify and monitor these impacts, as well as other negative externalities that the enterprise is required to identify under other community obligations. Finally, a description of any actions taken by the enterprise to prevent, mitigate, or resolve these impacts, including the results obtained, is required, or a description of the main risks related to sustainability issues for the enterprise, including the enterprise's main dependencies on these issues, as well as how the enterprise has managed these risks.

It is important to note that the Directive does not only address individual companies, but also emphasizes the importance of such due diligence rules covering corporate groups. In this sense, the text states how parent companies of large groups must include in the consolidated management report the information necessary to understand the group's impact on sustainability issues of its production activities by looking at the entire value chain. In addition, the companies themselves are required to provide essential information to understand how sustainability issues affect the group's performance, results and overall situation.

The proposed CSR Directive will, therefore, introduce mandatory sustainability reporting standards for EU companies, aligned with the ambition of the European Green Deal and the EU's goal of climate neutrality by 2050. The standards, the Commission says, will be proposed and developed by the European Financial Reporting Advisory Group (EFRAG).

Added to these predictions are those contained in Annex I of this report, which aims to provide guidance on reporting tools used in the financial sector to facilitate the transition to a green economy. While it is clear that this transition is requiring the accurate measurement and reporting of financial and non-financial performance of financial institutions and companies that aim to integrate environmental and social considerations into their strategy and operations, it is equally clear that reporting standards play a central role. Reporting standards, or reporting standards, are guidelines and principles established for the preparation, presentation, and disclosure of financial and nonfinancial information by organizations and provide a common framework for ensuring consistency, transparency, and comparability of reported information.

So, reporting standards define the rules and requirements for the presentation of financial data, environmental, social and governance (ESG) sustainability indicators, and other information relevant to stakeholders.

The goal of the reporting standards is thus to provide a reliable and consistent template for corporate reporting, enabling investors, analysts, regulators, and other stakeholders to assess organizations' performance, impacts, and sustainability in a more effective and comparable way. As noted, "*the guidance is relevant to: (i) policymakers and regulators seeking to develop or revise relevant policy frameworks or regulations; (ii) companies developing transition plans and seeking to identify the most salient elements of existing initiatives; and (iii) financial market participants planning to provide funding to implement net-zero strategies. The guidelines emphasize greater transparency, comparability and granularity of companies' transition plans and the need for* *appropriate environmental and social safeguards. In light of the difficulties faced by some firms, especially in emerging markets and developing economies, and the risk of excluding key players from transition financing, the guidelines highlight the need for policymakers to take stronger actions to strengthen domestic environments conducive to transformative investment*" (OECD, 2022).

Given its importance, therefore, the table presented in Annex I aims to present reporting tools that offer guidelines and criteria for transparently assessing and communicating the environmental and social impacts of financial activities. The table also illustrates the importance of scoring as a rating system for measuring environmental performance, promoting transparency, and guiding investment and consumption decisions toward more sustainable options. Finally, the entities called upon to adopt this guidance in reporting tools are indicated.

4. Corporate Sustainability *Due Diligence*

In recent years, there has been a growing awareness that businesses, as actors in society, have a duty to consider their activities and their implications in relation to sustainable development principles and environmental, social and governance issues. In parallel, there has been a trend such that specific European Union (EU) regulations and general mandatory standards have progressively outlined the ways in which businesses should address issues related to sustainability and the environment.

Against this backdrop, the February 2022 Proposal for a Directive on Corporate Sustainability Due Diligence is a central component of the European Green Deal toward a sustainable future.

Specifically, this directive proposes to complement the current Non-Financial Reporting Directive (NFRD) and its proposed amendments, known as the proposed Corporate Sustainability Reporting Directive (CSRD) by adding a substantive obligation for certain companies to exercise due diligence to detect, prevent, mitigate, and account for external harms resulting from adverse human rights and environmental impacts in the company's own operations in its subsidiaries and in the global value chain, and to terminate actual violations.

The proposal also complements other initiatives such as the Commission's proposal for a Directive on Corporate Sustainability Reporting, the Regulation on Sustainable Finance Disclosure, and the Regulation on Taxonomy. It also aligns with the United Nations Guiding Principles and the OECD Guidelines for Multinational Enterprises. It will also support the recently enacted Sustainable Financial Reporting Regulation (SFDR). Similarly, it will complement the recently adopted Taxonomy Regulation, with the aim of creating a harmonized legal framework in the European Union for promoting sustainable and responsible corporate behaviour and incorporating human rights and environmental considerations into companies' operations and governance.

Through this project, the Commission has emphasized how companies play a key role in building a sustainable economy and society. Notably, it highlights how they will be required to identify and, if necessary, prevent, end or mitigate the negative impacts of their activities on human rights and the environment, for example pollution and loss of biodiversity.

Thus, the objective of this Directive is to promote sustainable and responsible corporate behaviour and to integrate human rights and environmental considerations into the operations and corporate governance of companies: consequently, the proposal applies to the totality of the company's value chain operations, i.e., to the company's own actions, the operations of its subsidiaries, and entities with which the company has a stable business relationship, regardless of whether the operations are conducted within the EU territory or outside.

The new due diligence rules are proposed to apply, therefore, to the following companies and sectors: as far as EU companies are concerned, subject to the Directive are all limited liability companies of substantial size and economic power (with 500 or more employees and a net turnover of more than 150 million euros worldwide), or other limited liability companies operating in defined high-impact sectors, which do not meet both thresholds of the previous group, but employ more than 250 employees and have a net turnover of 40 million euros worldwide or more.

Specifically, Article 2(1)(b) of the Directive requires companies with more than 250 employees and a worldwide net turnover of more than €40 million operating in high-impact sectors to join parts of the proposal. These sectors include the production of textiles, leather and related products (including footwear), and wholesale trade in textiles, clothing and footwear; agriculture, forestry, fisheries (including aquaculture), food production and wholesale trade in agricultural raw materials, live animals, wood, food and beverages; extraction of mineral resources regardless of their origin, production of basic metal products, other non-metallic mineral products and processed metal products, and wholesale trade in mineral resources, basic and intermediate mineral products.

For non-EU limited liability companies active in the EU, the proposal provides that non-EU limited liability companies active in the territory of the EU with a net turnover exceeding 150 million euros in the EU in the last preceding financial year, as well as non-EU limited liability companies active in the territory of the EU that do not fall into the previous group, will be subject but with a net turnover exceeding 40 million euros, but not exceeding 150 million euros invoiced in the EU territory in the last previous financial year, provided that at least 50 percent of this worldwide net turnover was generated in one or more of the high-risk sectors.

They highlight the numerous statements and communications on the proposal as the nominal exclusion of SMEs from the direct scope does not mean the general exemption from the provisions of the proposed Directive. SMEs will be indirectly affected as suppliers in the supply chain, i.e., as potential subjects of contractual sanctions by business partners. For these reasons, the proposal also includes accompanying measures and support for all businesses directly or indirectly affected.

Due diligence from the enterprise detects in identifying problems and risks in order to initiate a process of identifying solutions. Therefore, the proposal focuses on process requirements rather than performance requirements.

To comply with the corporate due diligence requirement, companies are required to integrate due diligence into corporate policies; identify actual or potential adverse impacts on human rights and the environment; prevent or mitigate potential impacts; end or minimize actual adverse impacts; establish and maintain a complaints procedure; monitor the effectiveness of the due diligence policy and measures taken; and communicate publicly about due diligence.

To ensure that due diligence becomes an integral part of the overall operation of companies, the proposed Directive also calls out the centrality of directors to establish and oversee the implementation of due diligence and fully integrate it into corporate strategy. The Directive states that in fulfilling their duty to act in the best interests of society, directors should take into account the human rights, climate change and environmental consequences of their decisions.

National administrative authorities designated by member states are designated as the entities responsible for overseeing these new rules, with the power to impose sanctions for non-compliance. In deciding whether to impose sanctions and, if so, in determining their nature and level, the Directive states how due account should be taken of the legal framework applicable in the country where the adverse impact occurred, the efforts made by the company to comply with any corrective action required by a supervisory authority, the investments made and targeted support provided, the cumulative effects of the various measures and sanctions already imposed on the company as well as cooperation with other entities to address adverse impacts in its supply chains, where appropriate.

In this sense, there is no doubt that the proposal provides for various measures and sanctions that, taken together, can significantly affect businesses, namely financial compensation to be paid to the persons concerned (Article 8(3), item (a)), the obligation to comply with measures imposed by the supervisory authority (Article 18), the obligation to make investments (Article 7. 2(c) and Article 8.3(d)), financial penalties (Article 20(3)), suspension or termination of the business relationship that may result in loss of revenue (Article 7(5) and 8(6)) and/or the need to pay more to replace a partner (e.g., a supplier), forfeiture of public support (Article 24) if one violates any of the obligations of the Proposed Directive.

To this end, in exercising their powers and deciding to impose sanctions, supervisory authorities will have to take due account of the cumulative effects of the above measures and sanctions imposed on companies.

Chapter 3. GREEN FINANCE: AN OVERVIEW OF THE MAIN DEFINITIONS

As pointed out in the section on methodology, the debate on defining key terms in the context of green finance is still ongoing, and different actors have different perspectives. "*The issue of clearly defining green finance is not secondary. On the contrary, it is central to the debate surrounding the future of the market*", as it requires further analysis regarding the main approaches currently used in the finance industry to determine which sectors are suitable for financing; what can be defined as green bonds and green loans; that is, the different options for external review and the risk of greenwashing (R. Berrou, P. Dessertine, M. Migliorelli, 2019). As the analysis pointed out, "*when properly designed, sustainable finance definitions and taxonomies can bring potential benefits that include improving market clarity. More precise and consistent definitions of what investments are considered 'green' and 'sustainable' could facilitate investment by providing confidence and security to investors. Other potential benefits include easier tracking of sustainable finance flows in order to measure them and/or take policy actions such as implementing incentives*" (OECD, 2020).

Therefore, it was deemed useful to research and collect the main definitions related to green finance and related concepts. Therefore, a reasoned review of relevant literature was conducted, including scientific articles, official documents, reports and publications by experts in the field in the analysis.

First, it is important to note how the definition of concepts such as "*green finance*" and related terms such as "*sustainable investment*" can vary depending on the sources consulted. This has certainly contributed to the complexity of arriving at an unambiguous definitional consensus.

The analysis of the collected resources showed that "*to date, there is no single, universal and commonly accepted definition of green finance. The same is true for different categories of green financial securities, products or services. In the best cases, industry guidelines have emerged that are consolidated over time for only a few key categories of securities (e.g., green bonds) and are considered as effective but non-binding market references*" (R. Berrou, P. Dessertine, M. Migliorelli, 2019). The results of numerous research studies, while highlighting that green finance holds significant potential in making a substantial impact on the environment, society, and climate change mitigation; however, highlight that there are numerous challenges to be addressed, starting with the definitional problem and the resulting lack of awareness on the topic of green finance (K. Ozili, 2022).

So, while the context is still undefined with reference to definitions, taxonomies and classifications, some reflections reconstruct the concept of green finance as the set of financial investments that are directed toward sustainable development projects and initiatives, environmental products and policies that foster the development of a more sustainable economy. It is clear that green finance is not limited to climate finance (i.e., the set of financial instruments specifically aimed at mitigating greenhouse gas emissions and adapting to climate change), but includes all financial products and services aimed at a broader range of environmental goals, such as industrial pollution control and the protection of water, sanitation and biodiversity (P.M. Falcone, E. Sica, 2019).

In addition, depending on what is considered "*green*" in the financial market, specific policies could be adopted to promote environmentally friendly investments.

Given these critical issues, in the following paragraphs the report aims to present a selection of relevant definitions and common interpretations in the context of green finance, starting with definitions contained in institutional sources. This choice was made in order to provide as complete and shared a picture of key concepts as possible, so as to facilitate, albeit without claiming to be exhaustive, an understanding of the role of finance in the transition to a sustainable economy.

1. Sustainable Finance

The European Commission clarifies that "*'sustainable finance' is generally understood to be the process of giving due consideration to environmental and social factors when making investment decisions in order to achieve greater investment in sustainable and longer-term assets*."

More specifically, it highlights how finance should increasingly consider environmental and social issues in green transition processes, thus referring to issues such as tackling and mitigating climate change and adapting to transition and reconversion processes; similarly paying attention, according to the just transition paradigm, to issues such as combating inequality, promoting inclusiveness and democracy in the world of work, through investments in human capital. (EUR Lex, Finanza Sostenibile; E.Cigu, 2020).

2. Taxonomy and the European Union Taxonomy Regulation

The Taxonomy is a list of economic activities considered environmentally sustainable for investment purposes. The Taxonomy is important for providing clarity and transparency on environmental sustainability to investors, financial institutions, companies, and issuers, thus enabling an informed decision in order to encourage investment in environmentally sustainable activities. Instead, it should be emphasized that it is not a mandatory list of assets to invest in, nor a standard, nor a list of exclusions. It does not harmonize existing market practices and strategies on sustainable finance.

The Taxonomy Regulation establishes four conditions for an asset to be considered eligible. Specifically, an activity must: contribute significantly to at least one of the six environmental objectives defined in the Regulation; not cause significant harm to other environmental objectives; meet minimum social security requirements; and meet technical selection criteria. The Regulation sets out numerous requirements for technical selection criteria, qualitative and/or quantitative (and contain thresholds when possible), based on existing market practices and EU legislation.

The Regulation also provides the framework for the further development of the Taxonomy through delegated acts. These delegated acts specify which economic activities can be considered environmentally sustainable in line with their technical selection criteria.

(EU Technical Expert Group on Sustainable Finance, 2018)

3. Risks for Sustainability

"*Sustainability risk*" means an environmental, social, or governance event or condition that, if it occurs, could cause a significant negative impact on the value of the 'investment, as specified in sectoral legislation, in particular in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, or in delegated acts and regulatory technical standards adopted pursuant to the above directives.

(European Parliament, Council of the European Union, 2019)

4. Sustainable Investment

Sustainable investment is defined as that investment in an economic activity that contributes to an environmental objective measured, for example, by resource efficiency key indicators concerning energy use, use of renewable energy, use of raw materials and water resources and land use, waste generation, greenhouse gas emissions as well as impact on biodiversity and the circular economy; sustainable investment is also defined as that investment in an economic activity that contributes to a social objective, in particular an investment that contributes to the fight against inequality, or that promotes social cohesion, social integration and industrial relations; or, again, an investment in human capital or in economically or socially disadvantaged communities provided that such investments do not significantly harm any of these objectives and that the enterprises benefiting from such investments comply with good governance practices, in particular with regard to sound management structures, staff relations, staff remuneration and compliance with tax obligations.

(European Parliament, Council of the European Union, 2019)

Co-funded by the European Union

5. Do-not-harm principle

The do-not-harm principle states that in assessing an economic activity, the environmental impact of the activity itself and the environmental impact of the products and services it provides throughout their life cycle should be taken into account, in particular by considering production, use, and end-of-life of those products and services.

Taking into account the life cycle of the products and services provided by an economic activity, including evidence from existing life cycle assessments, an economic activity does significant harm to climate change mitigation, if the activity leads to significant greenhouse gas emissions; to climate change adaptation, if the activity leads to a worsening of the adverse effects of current climate and projected future climate on itself or on people, nature, or assets; to the sustainable use and protection of water and marine resources, if the activity harms: the good status or good ecological potential of water bodies, including surface and groundwater; or the good ecological status of marine waters.

Again, from the circular economy, including waste prevention and recycling, if: the activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable energy sources, raw materials, water resources, and land, at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradeability, reusability, or recyclability of products; the activity results in a significant increase in waste generation, incineration, or disposal, except for the incineration of non-recyclable hazardous waste; or the long-term disposal of waste could cause significant, long-term damage to the environment.

To the prevention and reduction of pollution, if the activity results in a significant increase in emissions of pollutants into the air, water, or soil compared to the situation prior to its initiation; or to the protection and restoration of biodiversity and ecosystems, if the activity: significantly impairs the good condition and resilience of ecosystems; or impairs the conservation status of habitats and species, including those of Union interest.

(Article 17, European Parliament, Council of the European Union, 2020)

6. Due diligence

The concept of due diligence describes the actions taken by a company to identify and address actual and potential risks to people and the environment. Such efforts extend not only to internal operations, but involve the entire supply chain. While due diligence is related to corporate risk management, it is based first and foremost on understanding the possible impacts on people and the environment. The propriety of corporate behaviour depends on the severity of the impact, the extent of corporate involvement in the impact, and the company's ability to address it, following the principle of proportionality. In addition, due diligence is guided by principles established in international standards, such as the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines). (European Commission, *Due diligence explained*).

7. Corporate Social Responsibility (CSR)

Corporate social responsibility refers to the assumption of responsibility by companies for their behaviour and its consequent impact on society. This can include contractual conditions and labour standards, freedom of association, workplace welfare, non-discrimination and gender balance, stakeholder engagement, human rights, prevention of environmental damage, including reduction of emissions and pollution, and elimination of extortion and corruption.

Corporate social responsibility is considered important for competitiveness and in terms of risk management, cost savings, access to capital, customer relations, human resource management, and innovation capacity.

The European Commission's 2011 CSR strategy urges companies to establish procedures to "*integrate social, environmental and ethical human rights and consumer concerns into their business operations and core strategies, in close cooperation with their stakeholders*." These goals are again reemphasized in the United Nations (UN) 2030 Agenda for Sustainable Development and the UN Sustainable Development Goals, including through the publication of documents; the adoption of hard-law documents, including Directive 2014/95/EU on the disclosure of non-financial and diversity information by companies and large groups and its subsequent actions; support for international initiatives, including the International Labour Organization's Principles concerning Multinational Enterprises and Social Policy, and the work of the Organization for Economic Cooperation and Development on due diligence.

(EUR Lex, Corporate Social Responsibility (CSR))

Annex I.
REPORTING FRAMEWORK

The following annex is a compendium on the reporting tools adopted in the financial sector to facilitate the transition to a green economy. The idea of including the following appendix was inspired by the reconstruction proposed by Olaf Weber and Amr Elalfy in the paper devoted to the development of green finance (Weber O., Elalfy A., 2019). The resources indicated in the paper have been enriched in this appendix with additional and recent reporting tools in order to provide a complete and up-to-date picture. It is evident that the transition to a green economy requires accurate measurement and appropriate reporting of the financial and non-financial performance of financial institutions and companies that intend to integrate environmental and social considerations into their operating strategies. It is also recognized that since the economic crisis of 2008, an increasing number of companies and sectors have begun to publish annual reports aimed at describing the actions they have taken to address environmental issues, thus demonstrating corporate accountability to relevant stakeholders.

Sectors and companies have increasingly highlighted how communicating progress in environmental and social terms can affect long-term profitability. This is because voluntary reporting and disclosure of information regarding attention to environmental and social factors affects the ability of organizations to manage future risks, at the same time contributing to green and just transition goals. Again, disclosure of information related to sustainability metrics contributes to operational efficiency by generating cost savings or sales gains from improved corporate reputation. Finally, it is emphasized that effective communication is an essential tool for external stakeholders and to investors in order to understand the company’s vision, mission and level of performance, thus directing and supporting financing that sets worker protection and green transition among its goals.

In this sense, it is evident how the communication of environmental and social performance is a key element in companies’ Corporate Social Responsibility (CSR) reporting, which is demanded by various stakeholders today.

In the following table, we therefore present reporting tools that offer guidelines and criteria for transparently assessing and communicating the environmental and social impacts of financial activities. These tools enable organizations to demonstrate their commitment to sustainability and make informed decisions to facilitate a transition to a greener economy.

The table highlights the standards to be included in disclosures, the scope of these standards, and the main reasons why companies and financial institutions are encouraged to use reporting tools. It also highlights the importance of scoring as a rating system for measuring the environmental performance of organizations and products, allowing comparison and scoring that reflects relative environmental impact. This scoring helps monitor and improve environmental performance, promotes transparency, and guides investment and consumption decisions toward more sustainable options. Finally, it is indicated who are the parties called upon to adopt this guidance in reporting tools.

Standard	Focus	Why Report	Scoring	Who reports
CDP	Primarily GHG emissions but has grown to address water and forestry issues as well.	CDP holds the largest repository of corporate GHG emissions and energy use data in the world and is backed by nearly 800 institutional investors representing more than USD 90 trillion in assets. Its transparent scoring methodology helps respondents understand the steps expected from them.	Companies receive two separate scores for disclosure and performance using 100-point scale. CDP recognizes top scoring companies in the Carbon Disclosure Leadership Index (CDLI).	Public and private companies, cities, government agencies, NGOs, supply chains.
Sustainability Accounting Standards Board (SASB)	Public companies only. Industry-specific issues deemed material to investors.	SASB standards enable comparison of peer performance and benchmarking within an industry.	No scoring system. Instead SASB is a standardized methodology for reporting sustainability performance through the form 10-K.	Corporations and companies.
ISO	Systemization and improvement of institutions' environmental management practices.	Quality assurance purposes.	No scoring system.	Public and private companies, and NGOS.
Integrated reporting (IR)	The IR framework provides guiding principles and content elements to assist companies (and other organizations) in the preparation and presentation of integrated reports.	Unlike the 3BL, integrating reporting focuses on the interaction between the economic, social, and environmental pillars.	No scoring system.	Public and private institutions.
Global reporting initiative (GRI)	Corporate social responsibility (CSR) with an equal weight on environmental. Social and governance factors. Heavy on stakeholder engagement to determine materiality.	GRI is the most renowned reporting platform. With the launch of the standards in 2018, GRI continues to be	Focus on economic, environment al, social, governance aspects of	Public and private companies, cities, government agencies, and NGOs.

		the oldest and widely respected reporting methodology globally.	corporate performance.	
Corporate Sustainability Reporting Directive	EU law requires all large companies and all listed companies (except listed micro-enterprises) to disclose information on their risks and opportunities arising from social and environmental issues, and on the impacts of their activities on people and the environment. It also makes it mandatory for companies to have an audit of the sustainability information that they report. In addition, it provides for the digitalisation of sustainability information.	This helps investors, civil society organisations, consumers and other stakeholders to evaluate the sustainability performance of companies, as part of the European green deal	Focus on economic, environment al, social, governance aspects of corporate performance.	These reporting rules apply to large public-interest companies with more than 500 employees. This covers approximately 11 700 large companies and groups across the EU, including: listed companies, banks, insurance companies, other companies designated by national authorities as public-interest entities
Proposal for a Directive on Corporate Sustainability due diligence	The aim of this Directive is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance.	The new rules will ensure that businesses address adverse impacts of their actions, including in their value chains inside and outside Europe.	Focus on economic, environment al, social, governance aspects of corporate performance.	Large EU limited liability companies: Group 1: +/- 9,400 companies - 500+ employees and net EUR 150 million+ turnover worldwide. Group 2: +/- 3,400 companies in high-impact sectors. - 250+ employees and net EUR 40+ million turnover worldwide, and operating in defined high impact sectors, e.g. textiles, agriculture, extraction of minerals. For this group, the rules start to apply two years later than for group 1. Non–EU companies: +/- 2,600 companies in Group 1 and +/- 1,400 in Group 2 Third country companies active in

				the EU with turnover threshold aligned with Group 1 and 2, generated in the EU.
Responsible Business Conduct (OECD)	RBC sets out an expectation that all businesses – regardless of their legal status, size, ownership or sector – avoid and address negative impacts of their operations, while contributing to sustainable development in the countries where they operate. They cover all key areas of business responsibility, including human rights, labour rights, environment, bribery, consumer interests, as well as information disclosure, science and technology, competition, and taxation. On June 2023 the guidelines were updated. Key changes include: • Recommendations for enterprises to align with internationally agreed goals on climate change and biodiversity. • Introduction of due diligence expectations on technology, including gathering and using data. • Recommendations on how enterprises are expected to conduct due diligence on impacts and business relationships related to the use of their products and services. • Better protection for at-risk persons and groups, including those who raise concerns regarding the conduct of businesses. • Updated recommendations on disclosure of responsible business conduct information. • Strengthened procedures to ensure the visibility, effectiveness, and functional equivalence of National Contact Points on Responsible Business Conduct.	Avoiding and addressing negative impacts of their operations, while contributing to sustainable development in the countries where they operate.	It underscores shared values and commitment to RBC standards as a baseline for a global level-playing filed and as a cornerstone of the international rules-based trading and investment system	All businesses – regardless of their legal status, size, ownership or sector, of the countries involved

Annex II.
GOOD PRACTICES IN THE GREEN TRANSITION IN THE FINANCIAL SECTOR

#GreenFin

1. Introduction and Methodological Note

This Annex illustrates some good practices of social dialogue at the European and national levels and a number of legislative initiatives concerning the finance sector support to ecological transition, collected in collaboration with the organizations participating in the GreenFIN project from ten Member States and one candidate state (Montenegro). Specifically, the practices described in this paper were collected from: Fist-Cisl (Finance Italy), Cfdt-Cadres (France), FSLCPR (Romania), NFU (Finance Scandinavia), Fesmc-Ugt (Finance Spain), Bbdsz (Finance Hungary), SBS-SBU (Finance Slovenia), OZBP (Finance Slovakia), Sindacatulupa (Finance Romania), and SSCG (Montenegro). Several European works councils such as EWC Unicredit, Generali, Crédit Agricole, and BNP PARIBAS[1] also joined the project. Specifically, two European Works Council (EWC) agreements and three joint statements concerning the green transition of the financial sector and the role of European Works Councils were considered. In addition, the following were collected, shared, and analyzed: legislation at the national level on the topic of green transition; documents, declarations, and position papers on the green transition of the financial sector at the European and national levels; seven national collective agreements in the sector, specifically related to the banking and insurance sector; and ten company collective agreements entered into by companies belonging to the banking and insurance sector that emphasize the role of social dialogue and collective bargaining in the green transition of the sector covered in the project. The good practices are organized, in chronological order, by topic. They consider relevant legislation; documents and position papers; national industry collective bargaining agreements; and corporate collective bargaining good practices. The practices reported here, along with additional cases, will be analyzed in detail and made available in the "*Unitary report on the social partners activity*"[2].

In summary, the analysis of EWC agreements, joint declarations and various documents related to the ecological and digital transition of the financial sector highlights the promotion of collaboration between business and social partners made it possible to identify a common pattern of collaboration between businesses and workers' representatives, underlying the importance of promoting production models that respect human rights and promote social and environmental sustainability. In this regard, it is confirmed that organisational practices, including but not limited to the strengthening of trade unions and social dialogue, play a significant role in facilitating a smooth and fair transition towards a greener and more digital future.

The use of remote working practices emerged as a key organisational tool in promoting sustainable working patterns. This includes creating a work environment based on trust, empowerment, work-life balance and improved team performances. The transition to digital technologies and processes is recognised as being closely linked to the green transition, which requires the

[1] Details about the practices and initiatives under analysis have been made available to project partners in the Virtual Agora dedicated to the GreenFIN project (Project: 101052465 – GreenFin – SOCPL-2021-INFO-REPR).

[2] D2.2. Lead Beneficiary 1. FIRST CISL. The report, classified as "Sensitive" for the purposes of the project, can be accessed upon request by contacting the Coordinator (FIRST-CISL).

continuous development of skills and qualifications for employees. In this respect, the analysis of the collected practices points in the direction of so-called "*twin transitions*". Moreover, the importance of supporting employees in updating competences and acquiring new skills through quality training patterns, adopting flexibility and adapting to the changing needs of the green economy emerges as a topic of central importance to the actors involved in the mapped initiatives.

2. The green transition in the finance sector and the role of European Works Councils

BNP PARIBAS
Title: BNP Paribas agreement on fundamental rights and global social framework **Year:** 2018 **Content of the agreement:** The agreement, signed by the management and the European Council of Group Companies, promotes internationally recognized human rights standards and related rights, confirming the Group's support for the United Nations Guiding Principles on Business and Human Rights in accordance with the "*Protect, Respect and Remedy*" framework. The parties agreed to establish a shared comprehensive social plan through social dialogue, with concrete and measurable commitments focused on the following issues: human rights, social dialogue and trade union rights; social and environmental responsibility; employment management and change management; gender equality in the workplace; promotion of diversity and inclusion; prevention of and response to psychological and sexual violence and harassment; and health and quality of life at work **Source:** BNP Paribas agreement on fundamental rights and global social framework [3]

CRÉDIT AGRICOLE SA GROUP
Titolo: Global Framework Agreement, Crédit Agricole SA Group **Year:** 2021 **Content of the agreement:** In November 2021, UNI Global Union and the management of Crédit Agricole SA concluded the first global framework agreement, applied to all

[3] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).

employees of the CA.SA group. The agreement deals with issues such as strengthening the role of trade unions and social dialogue; promoting working conditions in compliance with the principles of non-discrimination and inclusion; and driving improvements in occupational health. With respect to the topics of the Project, it is emphasized that the Agreement pays special attention to Corporate Social Responsibility, highlighting the need to promote policies of collaboration between social partners in order to support the sustainable growth of enterprises and working conditions, combining economic objectives with social and environmental objectives

Source: Global Framework Agreement between UNI Global Union and Crédit Agricole S.A.

GENERALI

Title: Joint statement on promoting inclusion and diversity at work

Year: 2019

Content of the agreement:
Representatives of Generali and the Group's European Works Council (EWC) commit to concretely promote at different levels and territories and in line with the HR strategy "*Gpeople*" 2021, certain key elements, including diversity as a source of enrichment, innovation and creativity; a more balanced organization between professional and personal life (work-life balance); an inclusive environment; and total support for people with disabilities. Specifically, the agreement deals with promoting diversity and inclusion as a corporate culture, facilitating work-life balance, providing support for people with disabilities, ensuring equal opportunities, valuing differences and encouraging innovation, and excluding any form of discrimination. With respect to the Project, it emerges that the promotion of diversity and inclusion policies is an important element for the Generali 2021 three-year strategy, both when facilitating equal opportunities among employees and understanding the innovation needed for business development in industry transitions

Source: Joint Declaration: Generali is committed to inclusion and diversity

GENERALI

Title: Joint statement on the new form of sustainable work in a 'Next Normal' scenario

Year: 2023

Content of the agreement:
Representatives of Generali and the Group's European Works Council (EWC), a body representing European workers, signed the Joint Declaration

on the new sustainable way of working in the "*Next Normal*" scenario. Considering the theme of the GreenFIN project, it is noteworthy to point out that a sustainable working model, based on trust and empowerment as well as work-life balance and improved group performance, is promoted in the declaration through the following priority areas: innovation, i.e., accelerating the development of a sustainable and meritocratic culture that is open to innovation and customer-focused; hybrid work, i.e., enabling the adoption of a sustainable hybrid work model, based on digital, for a more effective and efficient organization; upskilling and reskilling, understood as equipping people with the skills needed to enable the strategy, with a focus on digital, customers and sustainability; and diversity, equity and inclusion, providing a work environment that values diversity, ensures equity and fosters inclusion

Source: Dichiarazione congiunta sulla nuova modalità di lavoro sostenibile in uno scenario *next normal*

UNICREDIT

Title: Joint statement on remote work

Year: 2020

Content of the agreement:
The UniCredit Group and the European Works Council signed a joint statement regarding remote work. In order to progressively adopt a common approach and establish minimum quality standards in all countries and companies in which the Group operates, the parties have identified the main areas for action in regulating remote work. In particular, the parties are concerned with describing and making explicit the distinctive and clear characteristics of remote work, with the aim of inspiring and guiding local initiatives and promoting the spread of a new way of working. The right of employees to disconnect from work in order to ensure a healthy work-life balance is also recognized. In this sense, then, sustainability is addressed from the perspective of the overall quality of working conditions and organizational arrangements in the dual transition (ecological and digital) that the group is facing

Source: Dichiarazione congiunta sul lavoro da remoto

3. The ecological transition of the finance sector and the role of social partners

3.1. European experiences

European Union
Title: EU Finance Sector Social Dialogue Joint Declarations on Telework and Digitalization 2015-2021 **Year:** 2015-2020 **Content:** The joint declarations, signed by the social partners at the European level for the banking or insurance sector, aim to promote dialogue at the European and national levels and stimulate public debate on the social effects of digitalization. The promotion of the digital transition is emphasized, despite major challenges with reference to the tools, skills and competencies of employees. In this sense, companies and employees emphasize the need for the promotion of continuous development of skills and qualifications, i.e., how digitization will also lead to a greater need for flexibility, open-mindedness, agility and resilience in the workplace and increased specialization. In particular, reference is made to the following documents, which, considering the timeframe in which they were drafted, highlight how the social partners in the insurance and financial sectors have been paying attention to twin-transitions since 2015, reflecting the particularly significant impact of digital and "*green*" changes in the two industries under consideration. - EU Insurance Social Dialogue, Joint Declaration on Telework, 2015 - EU Insurance Social Dialogue, Joint Declaration on Digitalization, 2016 - EU Bank Social Dialogue, Joint Declaration on Telework, 2017 - EU Bank Social Dialogue, Joint Declaration on Digitalization, 2018 - EU Social Partners Framework Agreement on Digitalisation, 2020 With respect to the environmental issue, it is emphasized that the parties, in managing the digital transition of the sector, must also take into consideration all aspects on climate and environment, in this sense again highlighting the close connection between the transitions **Source:** EU Finance Sector Social Dialogue Joint Declarations on Telework and Digitalization 2015-2021

3.2. National experiences

a. The law and the ecological transition

DENMARK
Title: Danish law on climate **Year:** 2021 **Content:** The purpose of the Danish Climate Act, as stated in the preamble, is to reduce greenhouse gas emissions in 2030 by 70 percent compared to 1990 levels and to achieve a climate-neutral society by 2050 at the latest, keeping in mind the Paris Agreement's goal of limiting global temperature rise to 1.5 degrees Celsius. The law also proposes a set of guiding principles that should guide Denmark's ecological transition. To make the goals concrete and effective, the plan stipulates how, at least every five years, the Minister for Climate, Energy and Utilities must set a national climate target with a 10-year outlook **Source:** Bekendtgørelse af lov om klima

b. Papers and position papers on the green transition of the finance sector

DENMARK
Title: Workers' climate panel - 8 recommendations for green transition **Year:** 2023 **Content:** The Danish Expert Panel on Climate Change has developed eight recommendations to help workers and employers begin or continue the green transition in the workplace, among which it is important to mention supporting the development of knowledge and understanding of transition processes; prioritizing training pathways; strengthening projects on innovation; and sharing examples and best practices **Source:** 8 anbefalinger skal høste lønmodtagernes klima-guldkorn

DENMARK
Title: Code of conduct on good 'outplacement' of the financial sector **Year:** 2020 **Content**: In the code, there is a focus on the transition/worker retraining dichotomy. In particular, the centrality of continuing education on the issue of sustainability is emphasized. The project started in 2021 as a pilot project, the year in

which Finansforbundet and Finanssektorens Arbejdsgiverforening (the Danish Financial Sector Employers' Association) allocated DKK 1 million for training in relation to advising companies on sustainable transformation, specifically by promoting sustainable finance courses in the Finanskompetencepuljen (Financial Skills Fund), or Finanskompetencepuljen, established through the industry collective agreement. It is also pointed out that employees in the financial sector can apply for continuing education support if they wish to develop their skills, up to a maximum of three courses per year. Among the many existing courses, those dedicated to: IT and sustainability; sustainable development management

Source: Code of conduct on good outplacement in finance [4]

FRANCE

Title: Banks leading the way for a sustainable and responsible world

Year: 2022

Content:
This synthesis document, prepared by the Fédération Bancaire Française, can be understood as a manifesto that aims to outline the main actions that the banking sector can take to support the green transition and the collective contribution that the banking profession as a whole can bring to the goals of sustainable development around eight themes: financing a sustainable economy, combating climate change, protecting biodiversity, innovation, banking inclusion, reducing inequality, education and training, and, finally, gender equality

Source: La banque, acteur d'un monde durable et responsable

SLOVAKIA

Title: Annual reports by banks, in particular, the agreements of: VUB (Intesa Group; SLSP (Erste Group); Unicredit Bank

Content:
Annual reports contain information regarding how banks implement environmental, social and governance (ESG) principles. They provide insights into the main areas of focus for each bank. Notable among the many reports are the VUB (Intesa Group) reports: the report emphasizes promoting the issuance of green bonds to finance green transition projects; direct support for such projects; and the prioritization of financial and environmental education for children and youth; the SLSP (Erste Group)

[4] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).

report, which similarly includes the issuance of green bonds to promote sustainable investments and the prioritization of financial and environmental education for children and youth. Also, the UniCredit Bank report that promotes support for green projects to contribute to environmental sustainability, as well as support for the use of renewable resources for energy production

Source: Risk Inclusion Policy - UniCredit Bank; Statement of adverse impacts on sustainability - UniCredit Bank; ESG documents UniCredit Bank, VUB; Gruppo Erste [5]

SWEDEN

Title: Position paper FSU Sweden on sustainable finance

Year: 2023

Content:
The purpose of the paper is to present FSU Sweden's (Finansförbundet) position on sustainable finance. It emphasizes how banks have an important role to play in the transition to sustainability, which implies consideration of the social aspects of this transition. In particular, it is emphasized that internally, it is necessary to work on social responsibility and social sustainability, with special attention to workers' rights and conditions. Externally, the need for action on social responsibility and sustainable investment is emphasized, a matter in which banks have a responsibility to contribute to a sustainable economy that takes into account the environment and society

Source: Finansförbundets position i Hållbar finans

c. National collective bargaining in the sector

BELGIUM

Title: Finance industry collective agreement on the right to disconnect

Content:
PULS-ACV, CNE, Febelfin, BBTK-ABVV, SETCa-FGTB, ACLVB, and CGSLB, social partners in the finance sector, have signed a supplementary collective agreement that applies to companies that do not have company agreements. The main subject of the agreement is the employee's right not to log on to their professional digital tools outside agreed working hours.

[5] The reports can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).

The agreement, in particular, provides: how the right to disconnect will be enforced; guidelines for the use of professional digital tools; and training and awareness projects put in place to prevent the unreasonable use of these tools and the risks that may result. To be examined by the agreement, then, is primarily the issue of digital transition in broader terms, that is, in its impact on the working conditions of financial sector professionals and the effects of this mode of performance on work-life balance and impact in environmental terms

Source: Agreement on Digitalisation and Right to Disconnect [6]

DENMARK

Title: FSU Denmark - Framework Agreement on Remote Work

Year: 2021

Content:
In light of the experiences of working from home during the pandemic, Finansforbundet and FA have agreed to suspend certain requirements of the Remote Work Framework Agreement in order to allow employees and companies greater flexibility in organizing remote work. The requirements are suspended until March 31, 2023

Source: Framework agreement on remote work [7]

FRANCE

Title: Accord Mixité-diversité et Égalité professionnelle entre les femmes et les hommes dans les sociétés d'assurances – insurance sector

Year: 2020

Content:
The collective agreement between the Fédération Française de l'Assurance (FFA), and the Fédération CFDT Banques et Assurances, CFE-CGC Fédération de l'Assurance, Fédération des Syndicats CFTC "Commerce, Services et Force de Vente"(CSFV), Fédération des Employés et Cadres Force Ouvrière (section fédérale des assurances), Union Nationale des Syndicats Autonomes (UNSA) Fédération Banques-Assurances is concerned with: the fight against discrimination in the workplace; the promotion of equal conditions between women and men in the workplace including through the promotion of training courses and professional

[6] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).
[7] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).

development paths; the prevention of acts of violence or harassment in the workplace; and the promotion of inclusive policies with reference to the aging processes of the working population, disability and youth. It is therefore on Just Transition that the Agreement focuses, thus highlighting all those commitments to be pursued for just economic, social and environmental development

Source: Accord Mixité-diversité et Égalité professionnelle entre les femmes et les hommes dans les
sociétés d'assurances

FRANCE

Title: Agreement on remote work in the insurance sector

Year: 2021

Content:
The collective agreement concluded between Fédération Française de l'Assurance (FFA), and Fédération CFDT Banques et Assurances, CFE-CGC Fédération de l'Assurance, Fédération des Syndicats CFTC "Commerce, Services et Force de Vente"(CSFV), Union Nationale des Syndicats Autonomes (UNSA) Fédération Banques-Assurances deals with regulating issues such as: the design of a regulatory framework and general principles; disciplines regarding the organization of telework: environment, rights and duties, functioning of employee representatives; support for employees and managers; health and safety: work-life balance, including through maintaining social ties, individual follow-up interviews

Source: Accord relative au télétravail dans les sociétés d'assurances

FRANCE

Title: Agreement on quality of life and working conditions - insurance industry

Year: 2022

Content:
The collective agreement signed by the Fédération Française de l'Assurance (FFA), and the Fédération CFDT Banques et Assurances, CFE-CGC Fédération de l'Assurance, Fédération des Syndicats CFTC "Commerce, Services et Force de Vente"(CSFV), Union Nationale des Syndicats Autonomes (UNSA) Fédération Banques-Assurances deals with regulating issues such as: the prevention of risks to workers in the sector through the promotion of prevention processes that identify social and psychosocial risks as well as tools suitable for risk prevention itself and elimination. The agreement also highlights the connection and need to

promote work-life balance. It is therefore noteworthy to emphasize that the agreement is of interest with respect to the topics covered by the project since telework is recognized as a tool to support change management in the context of the multiple and rapid transitions resulting mainly from the digitization of the sector's activities, but also of the sector's activities and other factors such as the evolution of standards, customer expectations increasingly declined and specified also in terms of socio-environmental transition

Source: Accord relatif à la qualité de vie et des conditions de travail

ITALY

Title: Collective agreement in the banking sector

Year: 2019

Content:
This collective agreement contains provisions to regulate remote working arrangements and the right to disconnect specifically with the aim of incentivizing work-life balance and, at the same time, in order to determine a positive impact on the environment and worker mobility. In this perspective, a maximum limit of 10 days of remote work per month is provided, albeit with a clear reference to official working hours to determine the concrete right to disconnection

Source: Contratto collettivo nazionale di lavoro per i quadri direttivi e per il personale delle aree professionali dipendenti dalle imprese creditizie, finanziarie e strumentali

ITALY

Title: Agreement on guidelines for remote work in the insurance and insurance industry

Year: 2021

Content:
As part of the banking sector's national collective agreement on smart working, provisions have been introduced to regulate remote working arrangements and the right to disconnect. These measures, concluded by the National Association of Insurance Companies ANIA and FIRST-CISL, FISAC-CGIL, FNA, SNFIA AND UILCA, are aimed at promoting a work-life balance, as well as bringing about a positive impact on the environment and worker mobility. Full flexibility is ensured with regard to working hours and locations, with no limits regarding remote work days. The agreement is of interest because it highlights the close link between the digital transition and the ecological transition in an evolving context of the sector in which growing

attention has emerged to the needs for work-life balance, the use of resources that respect environmental sustainability and collective well-being, through the reduction of home-work travel and, consequently, the use of public and personal transportation, while promoting the containment of emissions of pollutants

Source: Accordo sulle linee guida per il lavoro a distanza nel settore assicurativo e di assicurazione/assistenza

SPAIN

Title: Collective agreement in the banking sector

Year: 2019

Content:
Article 79 et seq. of the national collective bargaining agreement for the banking sector signed by the parties Asociación Española de Banca (AEB) and CC.OO.-Servicios, FeSMC-UGT and Federación de Banca de FINE, highlights, in the need for digital transition, the urgency of regulating issues such as the right to disconnect, as well as the right to training to allow for an easier transition of professions and skills in the workplace. To this end, the centrality of the involvement of workers and social partners in defining the relevant provisions is emphasized

Source: Resolución de 17 de marzo de 2021, de la Dirección General de Trabajo, por la que se registra y publica el XXIV Convenio colectivo del sector de la banca

SWEDEN

Title: Collective bargaining agreement on pay and general conditions of employment

Year: 2015

Content:
The agreement, signed by Bankinstitutens Arbetsgivarorganisation (BAO) and Finansförbundet for Finansförbundet members employed at BAO-affiliated banks, deals with regulating, among many issues, remote work, providing provisions on the working environment, working hours and performance modes. It emerges how the green transition and the digital transition are two interconnected processes that are transforming the global economy, precisely because of the role that new technologies or new ways of performing work play in pursuing the goals of reducing emissions, combating climate change, and worker well-being

Source: Collective agreement concerning salary and general terms and conditions of employment[8]

d. Best practices in corporate collective bargaining

FRANCE

Title: Sustainable Development Goals – La Banque Postale

Year: 2019

Content:
The objective of this document, which can be classified as a company policy document, is to define the priorities, mechanisms of action and actors involved in implementing sustainable development. La Banque Postale, through its mission and activities, aligns itself with the national roadmap and commits to achieving the transition goals through internal and external actions and projects, such as banking accessibility and financial inclusion, social housing financing, and the availability of accessible products and services. The document is part of the framework of commitment to the Sustainable Development Goals, concretized with the signing in 2019 of the Principles for Responsible Banking (PRB) through which Banque Postale commits to align its strategy with international and national frameworks, particularly the Sustainable Development Goals and the Paris Climate Agreement

Source: Les objectifs de développement durable – La Banque Postale

FRANCE

Title: Collective agreement on workers' interest and participation - Generali

Year: 2020

Content:
The July 2020 Generali Group collective agreement aims to intervene in wages, making them increasingly connected to elements related to the ecological transition. In particular, the agreement promotes the calculation of the total amount in relation to criteria incentivizing sustainable development and, in particular, waste reduction and collection

Source: Intéressement et participation[9]

[8] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).
[9] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).

FRANCE
Title: Collective agreement for green mobility – Allianz **Year:** 2021 **Content:** In accordance with Law 2019-1428 of Dec. 24, 2019 on more sustainable forms of mobility, the Allianz collective agreement, signed with the trade unions CFDT, SNEPSSI-CFE-CGC, orients home-to-work travel toward more sustainable modes of transportation than the individual car. Contributions of 400 euros per worker are therefore provided, with the possibility of cumulation with lump sums for common transport (up to 500 euros) to support green means of transport, such as bicycles with or without a motor, car-sharing, and electric scooters **Source:** Avenant à l'accord relatif à l'accompagnement de la mobilité durable

FRANCE
Title: Agreement to launch a sustainable mobility package trial in 2022 - BNP Paribas **Year:** 2021 **Content:** In pursuit of the actions already initiated by BNP Paribas' Green Company for Employees program and in accordance with the commitments made in 2020, the parties (BNP Paribas SA, on the employer side, and La Confédération Française Démocratique du Travail (CFDT) and Le Syndicat National de la Banque / Confédération Française de l'Encadrement - Confédération Générale des Cadres (SNB / CFE-CGC) on the union side) have formed a joint working group in order to further explore the sustainable mobility package arrangement provided for in Article L. 3261-3-1 of the Labor Code. By this agreement, the parties agree to initiate a trial of this device in order to promote the use of more sustainable means of transportation as an alternative to the individual car for home-to-work commutes, as defined below **Source:** Accord relatif à la mise en place d'une expérimentation d'un forfait mobilité durable en 2022 [10]

[10] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).

FRANCE
Title: Agreement on the organization and duration of working hours and remote work– Generali **Year:** 2021 **Content:** As part of the Generali corporate collective agreement, several elements have been defined for the management of remote work in the company. These include the conditions of eligibility, i.e., the nature of the activities, specific situations, employee autonomy, place and conditions of execution; the organization of remote work: different formulas, organizational flexibility, formalization arrangements, adaptation period and reversibility are provided for; work equipment; financial participation; support for specific situations; attention to issues such as health, safety and quality of life; and the regulation of occasional and exceptional remote work. This fits in with the theme of ecological transition as remote work, or telework, is defined as an effective option to reduce the environmental impact related to the mode of work performance **Source:** Accord sur l’organisation, la durée du temps de travail et sur le télétravail [11]

FRANCE
Title: Agreement on forecast management of employment and skills and promotion of career development – Generali **Year:** 2022 **Content:** As part of the Generali corporate collective bargaining agreement, several elements for managing remote work at the company level have been defined by GENERALI VIE and the unions CFE-CGC et CFDT et UNSA. These include the provision of an occupation observatory, occupation mapping, and employment analysis and management. Still, the centrality of training for job retention and skill development; measures for internal and external mobility; and attention to the issue of intergenerational balance including through the transition from working life to retirement are emphasized **Source:** Accord relatif à la Gestion Prévisionnelle des Emplois et des Compétences et à la promotion des parcours professionnels [12]

[11] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).
[12] The agreement can be found in the Virtual Agora of the #GreenFIN project and accessed upon request by contacting the Coordinator (FIRST-CISL).

ITALY
Title: Collective agreement - Generali **Year:** 2021 **Content:** As part of the Generali corporate collective agreement signed by Generali Group and RSA Coordinators First-Cisl, Fisac-Cgil, Uilca, Fna, and Snfia, key provisions have been defined to regulate remote working arrangements. Although maximum flexibility is allowed, it is not possible to work completely remotely. In addition, a lump-sum reimbursement of 300 euros is provided for domestic costs incurred by the worker, as well as a meal voucher on a daily basis. The right to disconnection is also guaranteed, with a clear reference to official daily working hours. Therefore, the close connection between digital transition and ecological transition is again confirmed, highlighting how remote work can be a tool to support the fight against climate change, reduction of emissions and a better work-life balance **Source:** Contratto collettivo aziendale Generali sul lavoro a distanza

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