

## Making finance work for a sustainable future

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, contributes to the transition towards a more sustainable economy in line with the [European Green Deal](#) and global efforts to address the climate crisis.

Verena Ross, ESMA Chair, attended COP28 and spoke about ESMA's sustainable finance work. In her role as co-Chair of the International Organization of Securities Commission's (IOSCO) Sustainable Finance Carbon Markets Workstream, she also promoted ESMA's and IOSCO's contribution to the global sustainability agenda.

### **Verena Ross, Chair:**

*“Addressing climate change requires us to act now and ESMA is playing its part in contributing to the ambitious goals agreed internationally. There is an urgent need to support the financial sector in channelling the necessary resources towards sustainable investment and doing so in a way that preserves investors’ trust.*”

*“At COP28, I continue to convey ESMA's and IOSCO's role in supporting the financial sector's effort to aid the transition to a climate neutral and sustainable economy. In particular, as co-Chair of IOSCO's carbon markets workstream, I am advocating for enhancing the integrity and orderly functioning of Voluntary Carbon Markets (VCMs), on the back of the launch of IOSCO's consultation paper on good practices for VCMs.”*




*International cooperation* is key to ensuring that consistent measures are taken to protect investors and support financial stability, as the demand for sustainability-related financial products continues to grow. Building an internationally comparable set of rules and principles that are applicable across the entire sustainable investment value chain will help to address the global challenges facing us.

ESMA's *mandate* and determination to integrate environmental, social, and governance (ESG) factors across all its activities is reflected in ESMA's [Strategy](#) and the [Sustainable Finance Roadmap](#). Given our core investor protection role, ESMA focuses on building and maintaining a trusted environment for sustainable investing. The ultimate objective is to support channelling the necessary capital flows to meet the EU's decarbonization targets as well as its wider environmental and social objectives.

ESMA has been engaging extensively with stakeholders to provide guidance around the sustainable finance regulatory framework. Working with the national supervisors to ensure consistent implementation and effective and convergent supervision and enforcement of the ESG framework is equally important. In this context, ESG disclosures became one of our two Union-wide strategic supervisory priorities.

To better understand ESMA's contribution to the sustainable finance agenda in 2023 and our future work in 2024, check Annex 1 or [this set of visuals](#).

## Annex 1 – ESMA contributions to sustainable finance 2023-2024

GREENWASHING	
	<ul style="list-style-type: none"> <li>• <a href="#">Progress Report on Greenwashing</a> – identified high-risk areas and underlying drivers across the sustainability investment value chain, a set of preliminary remediation actions. Together with the ESAs (European Supervisory Authorities); it also put forward a common high-level understanding of 'greenwashing'</li> </ul>
<p><i>What's next?</i></p>	<ul style="list-style-type: none"> <li>• Final Report on Greenwashing – will provide a stocktake on the supervision of sustainability information and greenwashing and remediation actions</li> </ul>
INVESTMENT MANAGEMENT	
	<ul style="list-style-type: none"> <li>• <a href="#">Joint Report</a> on voluntary disclosures of principal adverse impacts (PAI) – published under Article 18 of the Sustainable Financial Disclosure Regulation (SFDR) – elaborated with the ESAs</li> <li>• <a href="#">Final Report</a> amending draft RTS to the Delegated Regulation supplementing the SFDR – proposes additional social PAI indicators with new product disclosures for GHG targets – elaborated with the ESAs</li> </ul>
<p><i>What's next?</i></p>	<ul style="list-style-type: none"> <li>• Guidelines on funds' names with ESG or sustainability-related terms</li> <li>• Common Supervisory Action (CSA) on the integration of sustainability risks and disclosures in the investment management sector</li> </ul>
SECURITISATION	
	<ul style="list-style-type: none"> <li>• <a href="#">Technical standards</a> in the context of the extension of the SFDR requirements to securitisation products – elaborated with the ESAs</li> </ul>

## ISSUERS' DISCLOSURES



- [Opinion](#) on the draft European Sustainability Reporting Standards
- Technical work in relation to the implementation of the Corporate Sustainability Reporting Directive
- [Statement](#) on sustainability disclosure in prospectuses
- [Statement](#) with recommendations to improve climate-related corporate disclosures
- [Report](#) on disclosures of climate-related matters in IFRS financial statements; [video](#)
- [Fact-finding exercise](#) on disclosure practices under Article 8 of the Taxonomy Regulation

### What's next?

- Contribution to the EU mechanism for responding to stakeholder questions regarding the implementation of European Sustainability Reporting Standards
- Guidelines on the enforcement of sustainability information
- Technical standards on European Single Electronic Format for the taxonomy on sustainability information

## BENCHMARKS

### What's next?

- CSA on benchmark ESG disclosures

## CREDIT RATING AGENCIES

### What's next?

- Will provide technical advice to the European Commission that will identify how to improve the documentation of ESG factors in credit rating methodologies and the consistency of the disclosure of ESG factors in credit rating press releases

## CENTRAL COUNTERPARTIES



- ESMA introduced – for the first time – climate risk in its [EU-wide CCP Stress Test exercise](#). This will provide an overview of how CCPs could be exposed to the risks arising from climate change and from the transition to a carbon-neutral economy

## EU GREEN BOND REGULATION

### What's next?

- Will deliver the first batch of technical standards under the EU Green Bond Regulation and prepare to assume its supervisory responsibilities vis-a-vis external reviewers

## ESG RATINGS REGULATION



- ESMA supports the introduction of regulatory safeguards for ESG ratings and looks forward to the conclusion of the legislative process for a regulation of ESG ratings

### What's next?

- Will support a smooth and effective implementation of the regulation, including supervision of ESG rating providers

## ESG RISK ASSESSMENT AND MARKET MONITORING ACTIVITIES



- [Trends, Risks and Vulnerabilities report](#) – monitoring ESG-related trends and risks in EU markets and reports – bi-annual basis
- Research publications on the [pricing of ESG bonds](#) and on the [use of ESG-related language](#) in investment fund names and documents

### What's next?

- Will monitor and assess ESG-related market developments and risks with a particular focus on potential greenwashing risks – ongoing
- Will develop reporting on trends and risks in EU carbon markets in line with the new mandate in the EU ETS Directive
- Will contribute to a joint climate scenario analysis with the European Central Bank and the ESAs to assess the resilience of the EU financial system under the Fit-for-55 package

## BUILDING NCAS' AND ESMA CAPACITIES



- Trainings on sustainability and sustainable finance to staff identified as target audience
- Sustainable Finance Knowledge Hub set-up – in support of regulators

### What's next?

- Will continue deliver training modules and complement with additional ones as needed

## Notes for editors

1. At EU level, ESMA cooperates closely with the European Commission, the European Supervisory Authorities, the European Systemic Risk Board, as well as other European agencies as necessary, in contributing to the EU sustainable finance agenda.
2. At international level, ESMA is a member of the Network for Greening the Financial System and participates in the sustainable finance work of the Financial Stability Board and the International Organisation of Securities Commissions, contributing on topics of international importance such as climate-related financial risks, global carbon markets, greenwashing, corporate disclosures and transition planning.
3. ESMA is the European Union's securities markets regulator. Its mission is to enhance investor protection and promote stable and orderly financial markets.

It achieves these objectives through four activities:

- i. assessing risks to investors, markets and financial stability;
  - ii. completing a single rulebook for EU financial markets;
  - iii. promoting supervisory convergence; and
  - iv. directly supervising specific financial entities.
4. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

## Further information:



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