**Assessing environmentally sustainable investments**

**WHAT IS THE AIM OF THE REGULATION?**

* It aims to inform investors on whether an economic activity is environmentally sustainable by setting common EU-wide criteria.
* Provide financial institutions with criteria and guidelines for moving towards a more sustainability focussed business model.

**KEY POINTS**

**Action plan on sustainable growth**

This **‘taxonomy’ regulation** is one of a number of actions designed to help achieve the three objectives of the action plan, which are:

* to reorient capital flows towards sustainable investments to achieve sustainable and inclusive growth.
* to manage financial risks stemming from climate change, natural disasters, environmental degradation and social issues.
* to foster transparency and a long-term outlook for financial and economic activity.

**Criteria**

The regulation sets out the following criteria to be applied by the EU and EU member states to decide whether an economic activity is environmentally sustainable.

* It contributes substantially to one or more of the **environmental objectives** set out in the regulation.
* It does **not significantly harm** any of these environmental objectives.
* It is carried out **in compliance with the minimum safeguards** set out in the regulation.

**Environmental objectives**

For the purpose of the regulation, the environmental objectives are:

* Climate change mitigation.
* Climate change adaptation.
* The sustainable use and protection of water and marine resources.

**Numerical requirements**

For the purpose of the regulation, from a data perspective the following requirements need to be met where the 2020 portfolio is used as the baseline and all numbers are calculated per million euro invested:

* ESG score of 50.
* Carbon footprint reduction of 50%.
* Water consumption of at most 25 cubic meters.

**When do these criteria come into effect?**

The first evaluation of the institution’s portfolio will be on the 1st of Jan 2024. Progress towards the objectives and requirements must be demonstrated and show that the criteria will be met before 1st of Jan 2026.