Sustainable finance is about financing both what is already environment-friendly today (green finance) and the transition to environment-friendly performance levels over time (transition finance).

This package is a major step towards completing the EU sustainable finance framework, while ensuring that its elements are easier to use with minimum costs and help finance the transition.

The priority is helping market participants implement the EU Taxonomy and the overall framework, and to enhance its usability.

INVESTING IN THE TRANSITION

Sustainable finance is about financing both what is already environment-friendly today (green finance) and the transition to environment-friendly performance levels over time (transition finance).

### Short Term
- **Finance**
  - **Transition Finance**
  - **Green Finance**

### Medium Term
- **Finance**
  - **Transition Finance**
  - **Green Finance**

### Long Term
- **Finance**
  - **Green Finance**

General finance without sustainability objectives
Finance to transition to EU objectives and become green in the future
Financing of investments that are green
Voluntary tools that companies can use to finance their transition towards sustainability over time include:

- EU Taxonomy
- EU climate benchmarks
- European Green Bond standard
- Science-based targets
- Transition plans

Amendments to existing Climate Delegated Act

New: Environmental Delegated Act
(including amendments to the Disclosures Delegated Act)
We are taking further steps to make it easier to invest in a more sustainable economy by bringing more transparency to the Environmental, Social and Governance (ESG) ratings market and introducing rules on ESG rating agencies’ operations.

ESG ratings assess the **environmental, social, and governance** characteristics, exposures to ESG risks or the impact on the environment and society in general of an entity, a financial instrument or a financial product.
### How ESG Ratings Work

**Company data disclosures**
(mandatory: e.g. CSRD, Taxonomy and voluntary)

**Company responses to information requests**

**Alternative company data sources**
(e.g. satellite images, public databases)

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### What is Changing with Today’s ESG Ratings Proposal?

**BEFORE**

- Lack of clarity on ESG ratings methodologies and data sources
- Investors do not trust quality of ESG ratings
- Investors and rated companies cannot take informed decisions
- Single Market potential to contribute to European Green Deal and UN Sustainable Development goals is not fully exploited

**AFTER**

- More transparency
- More integrity
- Clearer objectives and methodologies
- Requirement to be authorised and ongoing supervision
- Better clarity on data sources
- Investors and rated companies can take informed decisions

**Better functioning Single Market**
contributing to the EU’s green deal and the UN Sustainable Development Goals