DEVELOPING AND IMPLEMENTING SUSTAINABLE FINANCE TAXONOMIES – THE CASE OF THE EU TAXONOMY FOR SUSTAINABLE ACTIVITIES

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The FC4S Network is structured as a partnership between financial centres and the United Nations Environment Programme, which acts as its Convenor and Secretariat.

Working to align FC’s with the Paris Agreement, high-level strategic objectives include:

- **Rapid** growth of green and sustainable finance across the world’s financial centres, supported by strengthened international connectivity and an evolving framework for common approaches;

- **Convergence** of financial centres around emerging issues relevant to the growth of green and sustainable finance, such as standards, data, disclosure, and methodologies;

- **Strong and dedicated FC4S membership**, comprising the world’s leading financial centres, which are pursuing strategic initiatives to support further expansion of sustainable finance; and

- **Better** connectivity between financial centres and hinterland economies, with awareness of and trust in the role of financial centres in supporting a just transition to climate-resilient, sustainable development.
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UNEP has compiled a global database of green finance policy & regulatory action. Launched December 2019 - 380+ national-level measures now in place globally. 25% are disclosure-related.

The Five ‘Rs’ of Green Finance

- Reporting & Disclosure
- Reallocation & Raising
- Responsibilities
- Risk Management
- Reset
- Multiple
Main value for creating a sustainable finance taxonomy

To ensure we meet UN SDGs and the Paris Agreement targets, a “shared language” for green and sustainable finance is critical for:

- the growth of new markets; and
- for compatibility and coherence between jurisdictions
Key principles to guide the development of a sustainable finance taxonomy
Who should lead the effort?

- Clarify the scope of the taxonomy with respect to sustainability themes, frameworks, and definitions.
- Taxonomies should be designed with clear end-objectives.
- There is evolving international practice which should be drawn upon in the development of taxonomies.
- Taxonomies must be based on rigorous empirical evidence relating to sustainability risks, impacts, performance, and other factors.
- Taxonomies should consider levels of development and sophistication of sustainable finance products, services, and practices within a given market.
- The design of taxonomies – and the labels and standards that may follow – need to balance the use of voluntary versus mandatory mechanisms for implementation.
- Taxonomies should be dynamic to allow for refinement and adaptation to changing market environments, and should include review processes.
- Taxonomies need to be carefully designed so that they do not result in unintended consequences, such as disproportionately increasing transaction costs for green and sustainable finance products.
- Taxonomies for green and sustainable finance should be closely coordinated with other frameworks for market transparency and disclosure, including those already in place, such as the Task Force on Climate-related Financial Disclosures.
- Procedures for the development of taxonomies should be as transparent as possible, to allow market participants to determine whether taxonomy instruments are implementable, fit for purpose, and aligned with both market and policy objectives.
How to ensure different taxonomies speak to each other?

*International collaboration*
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