

Sustainability

Brief description and main aims:

Since 2017/2018, the European Commission has been keen to promote sustainable investment. As part of its 2018 *Action Plan on Financing Sustainable Growth*, it launched the "EU Taxonomy", a classification system that provides all economic and financial actors with a common understanding of what should be considered as "sustainable" economic activity in the EU. By creating this harmonised classification system, the Commission aims to help investors, companies, issuers, etc. to channel investment into 'green' activities.

The *Taxonomy Regulation* was published in the *Official Journal of the European Union* on 22 June 2020 and entered into force on 12 July 2020. Since July 2020, the EU has adopted several legislative acts setting out technical criteria that economic operators must meet in order for an activity or service they offer to be considered 'sustainable'.

As part of the *Taxonomy Regulation*, a dedicated *Platform for Sustainable Finance* (PSF) was established in October 2020. Its main objective was to advise the European Commission on the drafting of the so-called technical screening and "do-no-significant-harm" criteria of the Taxonomy for environmentally sustainable economic activities, including those carried out by construction companies. Pekka Vuorinen (RT/FIN) represented FIEC in the Technical Working Group (TWG) of the *Sustainable Finance Platform* from October 2020 to October 2022.

Why FIEC is dealing with this topic:

Given the EU's ambitious environmental and sustainability policies, such as the EU Taxonomy and the *Fit for 55* package, and clients' attitudes towards sustainability, construction companies cannot continue with 'business as usual'. Sustainability will not just be an "added value" or a "nice-to-have"; FIEC expects that it will soon become a "licence to operate" for contractors.

The *Taxonomy Regulation* is one of the cornerstones of EU sustainability and sustainable finance policy. It lays the foundation for the EU Taxonomy by setting out the overarching conditions (six environmental objectives, so-called "no significant harm" criteria and minimum social safeguards) that an economic activity must meet in order to be considered environmentally sustainable. Under this Regulation, the European Commission had to establish the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through so-called delegated acts, the first of which, defining criteria for the first two environmental objectives, was published in the Official Journal on 9 December 2021 and is applied in the EU since January 2022. Several construction activities - with potential to mitigate climate change - are covered by the Climate Delegated Act.

A second delegated act ("*Environmental Delegated Act*", containing technical criteria for the remaining four environmental objectives) entered into force in 2024. It includes new technical criteria for the transition to a circular economy. FIEC will continue to follow the work of the "*Platform 2.0*", which is mandated to advise the European Commission from Q1 2023 to Q4 2024.

Under the Taxonomy, all companies within the scope of the *Non-Financial Reporting Directive* (NFRD) have to report on their share of taxonomy-eligible activities (since 1 January 2022). Since January 2023, companies in scope have to report on their alignment with the Taxonomy.

The NFRD has been amended by the Corporate Sustainability Reporting Directive (CSRD). The CSRD requires more companies, including listed SMEs, to report detailed sustainability information according to the new European Sustainability Reporting Standards (ESRS) and to apply the principle of 'double materiality' to sustainability reporting.

FIEC is concerned that the CSRD will have a trickle-down effect on SMEs.

Actions and key dates:

12/07/2020 → Entry into force of the *Taxonomy Regulation*.

October 2020 → Beginning of mandate of the *Platform on Sustainable Finance*.

November 2021 → Publication of the FIEC "[Strategic Vision – Driving and supporting Sustainability in Construction](#)".

January 2022 → Entry into force of Climate Delegated Act, reporting on Taxonomy eligibility for companies within scope of Non-Financial Reporting Directive.

30/03/2022 → Recommendations of *Platform on Sustainable Finance* on technical screening criteria for environmental objectives 3-6 (Environmental Delegated Act).

23/06/2022 → [FIEC's reaction](#) to the recommendations of the Platform for objectives 3-6.

January 2023 → Entry into force of *Corporate Sustainability Reporting Directive*. Reporting on taxonomy alignment with environmental objectives 1-2.

05/04/2023 → Publication of draft Environmental Delegated Act.

03/05/2023 → FIEC provides [feedback](#) on the Environmental Delegated Act.

June 2023 → *New Sustainable Finance package*, adoption of Environmental Delegated Act and publication of first set of European sustainability reporting standards. [FIEC observations](#) on sustainable finance package.

27/11/2023 → [Updated FIEC Position Paper](#) on the EU Taxonomy and new circular economy criteria.

December 2023 → Conference on Sustainable Finance during FIEC Conference in Paris.

January 2024 → Entry into force of Environmental Delegated Act.