

Sustainability & EU taxonomy

Brief description and main aims:

Since 2017/2018, the European Commission has been keen to encourage sustainable investments. It is in the framework of its 2018 Action Plan on Sustainable Finance that 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 a "sustainable" economic activity in the EU. By creating this harmonised classification system, the Commission aims to help investors, companies, issuers etc. channel investments into "environmentally friendly" 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. In the framework of the Taxonomy Regulation, a dedicated Platform on Sustainable Finance (PSF) was set up in October 2020. Its main objective was to advise the European Commission in drafting the so-called technical screening and Do-No-Significant Harm criteria of the taxonomy for environmentally sustainable economic activities, including for activities carried out by construction companies. Pekka Vuorinen (RT/FIN) represented FIEC in the Platform on Sustainable Finance's Technical Working Group (TWG) from October 2020 to October 2022.

In order to raise awareness about the general importance of sustainability aspects and to provide support and guidance to those construction companies that are still considering how to implement these aspects in their structure and/or processes, as well as to others which would like to go further, FIEC set up a dedicated Working Group, chaired by FIEC Vice-President Piero Petrucco, which published the FIEC "Strategic vision – Driving and supporting sustainability in construction".

Why FIEC is dealing with this topic:

In light of the EU's ambitious environmental and sustainability policies, such as, for example, the EU taxonomy and the Fit for 55 package, and considering the attitude of clients 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 the EU's sustainability and sustainable finance policies. It establishes the basis for the EU taxonomy by setting out overarching conditions (six environmental objectives, so-called Do-No-Significant-Harm criteria, and minimum social safeguards) that an economic activity must meet to qualify as environmentally sustainable. Under this Regulation, the Commission had to come up with 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 applicable since January 2022. Several construction activities having the potential to mitigate climate change are covered by this Climate Delegated Act.

A second delegated act ("Environmental Delegated Act") that will contain technical criteria for the remaining four environmental objectives will be published in early 2023. To ensure that the criteria for construction activities are realistic and usable, it was of crucial importance that FIEC was represented in the Technical Working Group of the PSF. FIEC will continue to follow the work of "Platform 2.0" that will be mandated to advise the Commission from Q1 2023 until Q4 2024.

Under the taxonomy, all undertakings within the scope of the Non-Financial Reporting Directive (NFRD) must report on their share of their taxonomy-eligible activities (since 1st January 2022). From January 2023, companies in scope will also have to report on their taxonomy alignment. The NFRD will soon be amended by the Corporate Sustainability Reporting Directive (CSRD). This means that more companies, even listed small and medium-sized companies, will soon have to report detailed sustainability information according to new European sustainability reporting standards (ESRS) that are developed by the European Financial Reporting Advisory Group (EFRAG).

Actions and key dates:

12/07/2020 – Entry into force of Taxonomy Regulation

October 2020 – Beginning of mandate of Platform on Sustainable Finance

21/04/2021 – Proposals for Climate Delegated Act (environmental objectives 1-2) and for Corporate Sustainability Reporting Directive (CSRD) published

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 of Sustainable Finance on technical screening criteria for environmental objectives 3-6 (Environmental Delegated Act)

30/03/2022 – FIEC press release on recommendations of Platform of Sustainable Finance on technical screening criteria for environmental objectives 3-6

June 2022 – Provisional agreement on Corporate Sustainability Reporting Directive under French Council Presidency

23/06/2022 – FIEC reaction to the recommendations of the Platform for objectives 3-6

18/10/2022 – Construction 2050 Alliance webinar on “Sustainable Finance”

12/10/2022 – Launch of call for applications for “Platform 2.0”

January 2023 – Reporting on Taxonomy alignment with environmental objectives 1-2, draft Environmental Delegated Act expected

June 2023 – Adoption of first set of European sustainability reporting standards expected

