EU HIGH-LEVEL EXPERT GROUP ON
SUSTAINABLE FINANCE

Q&A with Julie BECKER

On the launch of the final report by the European Commission's High-Level Expert Group (HLEG) on Sustainable Finance

Will the HLEG report revolutionise the EU's approach to sustainability?

The HLEG's task to help develop a comprehensive EU roadmap on sustainable finance was not an easy one. The financial system, with its policy and regulatory framework, is so complex that there is no silver bullet to turn it towards sustainability overnight. The merits of the HLEG's report are that it identifies areas that urgently need action and gives concrete recommendations for the way forward.

The report suggests the introduction of an EU Green Bond Standard. What will that bring to the green bond market?

The standard will take the EU market one step further compared to other standards, raising the bar. External reviews and post-issuance reporting will become mandatory. Any green bond issuer will be able to apply for the EU Green Bond Standard (EU GBS), provided it complies fully with the criteria and have an external review by an accredited provider. EU GBS are intended to provide a framework of key components to European green bonds, in particular, enhance transparency, integrity, consistency and comparability of the instruments. This is precisely what we have introduced, already two years ago, with the launch of the Luxembourg Green Exchange (LGX). I am proud to say that all our issuers comply with the set rules, which leads me to believe that they will be equally eager to comply with the EU GBS.

The EU GBS is a great place to start, and sets out firm foundations for the development of standards applicable to other instruments, such as social bonds and green loans.

What other recommendations are likely to drive change?

Definitions and taxonomy are key to ensure market consistency and clarity. If we want to mobilise capital and channel it efficiently towards assets that contribute to sustainable development, we need a technically robust classification system.

Clarifying the fiduciary duty is also an important step to take. It will help raise interest at board level of companies and thus lead to increased consideration of ESG issues in organisations. Extending the traditional focus on investment risk and return so that it also encompasses ESG values and their appropriate embedding in investing mandates will be yet another driver of change.

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Julie Becker is Member of the Executive Committee of the Luxembourg Stock Exchange and Member of the European Commission's High-Level Expert Group (HLEG) on Sustainable Finance.