

Policy Options for a Belgian Sustainable Finance Strategy

Final Report

Technical Support Instrument

Supporting reforms in 27 Member States



Funded by
the European Union



This document was produced with the financial assistance of the European Union. Its content is the sole responsibility of the author(s).

The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

The project is funded by the European Union via the Technical Support Instrument, managed by the European Commission Directorate-General for Structural Reform Support (DG REFORM).

This report has been delivered in June 2023 under the EC Contract No. SRSS/2018/01/FWC/002. It has been produced as part of the project “Policy Options for a Belgian Sustainable Finance Strategy”.

© European Union, 2024



The Commission's reuse policy is implemented by Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents (OJ L 330, 14.12.2011, p. 39 – <https://eur-lex.europa.eu/eli/dec/2011/833/oj>).

Unless otherwise noted, the reuse of this document is authorised under the Creative Commons Attribution 4.0 International (CC BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>). This means that reuse is allowed, provided that appropriate credit is given and any changes are indicated.

Directorate-General for Structural Reform Support

REFORM@ec.europa.eu
+32 2 299 11 11 (Commission switchboard)
European Commission
Rue de la Loi 170 / Wetstraat 170
1049 Brussels, Belgium

Contract details

DG REFORM

Policy Options for a Belgian Sustainable Finance Strategy

REFORM/SC2021/095

Presented by

Trinomics B.V.

Westersingel 34

3014 GS Rotterdam

The Netherlands

Contact person

Mr. Frank Gerard

T: +32 496 38 92 78

E: Frank.gerard@trinomics.eu

Authors

Frank Gérard

Tessa Zell

Date

Rotterdam, 21 June 2023

Disclaimer

This Report was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

CONTENTS

Abbreviations	5
Glossary	7
1. Summary of all tasks	9
1.1. Inception phase	9
Deliverable 1: Inception report (see Annex 1)	10
1.2. Stakeholders mapping phase	10
Deliverable 2: Stakeholders mapping report (see annex 2)	10
1.3. Diagnostic phase	11
Deliverable 3: Diagnostic report (see Annex 3)	11
1.4. Gap analysis phase	12
Deliverable 4a: Policy gaps report from the perspective of financial market participants (see Annex 4a)	12
Deliverable 4b: Policy gaps report Federal Government as investor (see Annex 4b)	12
1.5. Policy options phase	13
Deliverable 5a: Policy options report from the perspective of financial market participants (See annex 5a)	13
Deliverable 5b: Policy options report from the perspective of the federal government as investor (See annex 5b)	
.....	13
1.6. Additional activities closely linked to the project	14
2. Lessons learned during the implementation of the project	15
3. Summary of the policy options & lessons learned	16
3.1. Summary of policy options	16
Policy options from the perspective of financial market participants (Deliverable 5a)	16
Policy options from the perspective of the federal government as investor (Deliverable 5b)	21
3.2. Key takeaways for the implementation of the recommendations by the Federal Belgian Government	24
4. Project summary	27
4.1. Project context	27
4.2. Project overview	27
5. Communication material	30
5.1 Project description	30
5.2 Social media text	30
5.3 Visual materials:	31
Annexes: Deliverable reports	32

Abbreviations

BDA	Belgian Debt Agency
BIO	Belgian Investment Company for Developing Countries
CCIEP	Coordination Committee for International Environmental Policy
CDA	Climate Delegated Act
CDP	Carbon Disclosure Project
CDSB	Climate Disclosures Standards Board
CESGA	Certified ESG Analyst
CFDD/FRDO	Federal Council for Sustainable Development
CNC/NKC	National Climate Commission
CRR	Capital Requirements Regulation
CSIPME - HRZKMO	Conseil Supérieur des Indépendants et des PME/Hoge Raad voor de Zelfstandigen en de KMO
CSRD	Corporate Sustainability Reporting Directive
CTB	Climate Transition Benchmarks
DLV2	Stakeholder Report
DLV3	Diagnostics Report
DLV4a	Policy Gaps Report - from the from the perspective of financial market participants
DNB	De Nederlandsche Bank
DNSH	Do no significant harm
EBA	European Banking Authority
EC	European Commission
EIB	European Investment Bank
FMO	Dutch Entrepreneurial Development Bank
EIOPA	European Insurance and Occupational Pensions Authority
EPBD	Energy Performance of Buildings Directive
EPC	Energy Performance Certificate
ESAP	European Single Access Point
ESG	Environmental Social Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
FPB	Federal Planning Bureau
FSMA	Financial Services and Markets Authority
FTE	Full time equivalent
FOD	Federale Overheidsdienst (Federal Public Service)
FPS	Federal Public Service
G20	The Group of Twenty
GCEL	Global Coal Exist List
GDPR	General Data Protection Regulation
GFANZ	Glasgow Financial Alliance for Net Zero
GOGEL	Global Oil & Gas Exit List
HCF	High Council of Finance
HFCSE	Health, Food Chain Safety and Environment
IBR/IRE	Instituut voor Bedrijfsrevisoren
IEC	Inter-ministerial Economic Commission

IFDD/FIDO	Federal Institute for Sustainable Development
ISSB	International Sustainability Standards Board
JTF	Just Transition Fund
KIID	Key Investor Information Document
KPI	Key Performance Indicator
LEnvl	Low Environmental Impact
MS	Member State
NAP	National Adaptation Plan
NBB	National Bank of Belgium
NECP	National Energy and Climate Plan
NGO	Non-Governmental Organization
NPBI	National Promotional Bank and Institution
NRRP	National Recovery and Resilience Plan
OECD	Organisation for Economic Co-operation and Development
PAB	Paris-Aligned Benchmark
PACTA	Paris Agreement Capital Transition Assessment Tool
PAI	Principle Adverse Impact
PMV	Participatie Maatschappij Vlaanderen
PRI	Principles for Responsible Investment
PSF	Platform on Sustainable Finance
RRF	Recovery and Resilience Fund
RVO	Dutch Enterprise Agency
SBT	Science-based targets
SC	Screening criteria
SDA	Sectoral Decarbonization Approach
SF	Sustainable Finance
SFDR	Sustainable Finance Disclosure Regulation
SFPIM	Federal Holding and Investment Company
SH	Significant Harm
SPF	Service Public Fédéral (Federal Public Service)
SME	Small or Medium sized Enterprise
SRIW	Regional Investment Company of Wallonia
TCFD	Taskforce on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TSC	Technical Screening Criteria
TSF	Taskforce Sustainable Finance
TSL	Towards Sustainability Label
UCM	European Point of Single Contact in Belgium
UNEP-FI	United Nations Environment Program - Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change
UNIZO	Union of Independent Entrepreneurs
UWE	Union Wallonne des Entreprises
VBO FEB	Federation of Enterprises in Belgium
VOKA	Flanders' Chamber of Commerce and Industry
VVSG	Association of Flemish Cities and Municipalities

Glossary

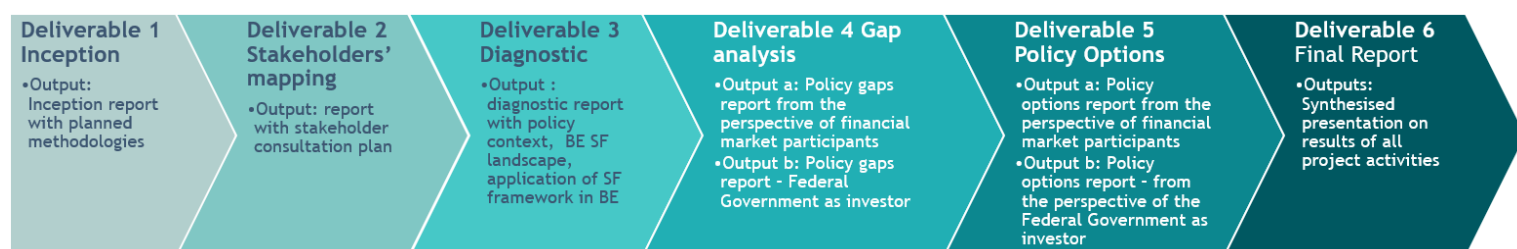
Double materiality	The double materiality perspective considers both financial materiality (e.g., ESG's/climate impact on the company) and Environmental and Social Materiality (company's impact on ESG/climate, typically of most interest to citizens, consumers, etc). (European Commission, 2019)
ESG pillars	Environmental, Social and Governance factors and objectives. These for instance include (BaFin, 2020): <ul style="list-style-type: none"> • Environmental pillar: climate change mitigation, protection of biodiversity, sustainable land use, transition to a circular economy; • Social pillar: compliance with recognised labour standards, with employment safety and health protection, trade union rights, inclusive projects and consideration of the interests of communities and social minorities; • Governance pillar: tax honesty, anti-corruption measures, facilitation of whistle blowing, sustainability management by the board.
ESG ratings	Aim to provide information to investors that make the extent to which firms' behaviour is responsible in terms of ESG issues transparent (FS-UNEP, 2020).
Financial vehicles	Public or private organisations making or enabling-investments. Financial vehicles can deploy different forms of debt and equity.
Federal financial vehicles	Federal investing public entities that have (in)direct public assets under their management.
Financial Instruments	A financial instrument is an asset or evidence of the ownership of an asset, or a contractual agreement between two parties to receive or deliver another financial instrument (MiFID definition).
Financial Instruments for social impact	Financial instruments are contracts involving monetary transfers through which, in the social impact ecosystem, investors for impact financially support social purpose organisations (EVPA, n.d.).
Fund	A fund is a vehicle created to enable pooled investment by a number of investors. It is usually managed by a dedicated organisation (EVPA, n.d.).
Greenwashing	Market practices whereby the publicly disclosed sustainability profile of an issue and the characteristics and/or objectives of a financial instrument or a financial product and the related processes do not properly reflect the underlying sustainability risks and impacts. These market practices can be both intentional and unintentional and occur either by action or omission, through misrepresentation, mislabeling, mis-selling and/or mis-pricing (ESMA, 2022).

Institutional Investor	Entities such as pension funds, insurance companies and sovereign wealth funds who manage large pools of long-term capital with the objective of meeting the long term needs of their clients. (Wilton, 2019).
Scenario analysis	Planning tool to inform strategic management in a structured, systematic, and analytical way. The purpose of scenario analysis is to consider and better understand how a business might perform under different future states (e.g., ability of an investment strategy to adapt to changes or uncertainties in the business environment that might affect the organisation's performance) (TCFD, 2020)
Sustainable and responsible investment (SRI)	SRI is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio (Eurosif, 2018).
Sustainability strategy	Set of methodologies and approaches applied to select investments under a financial instrument to reach ESG-linked objectives, based on extra-financial information. Sustainability strategies include best-in-class approaches, active ownership and engagement, integration strategies, negative screening, impact strategies, norms-based or inclusionary screening, and thematic strategies (ERSIS, 2021).

1. Summary of all tasks

The project activities consisted of six consecutive tasks. Figure 0-1 shows the overview of our approach, deliverables, activities, and sequence of tasks. The project includes six deliverables. Deliverable 1 is the inception phase during which the different steps were discussed with the client, and Deliverable 6 is the final report to conclude and close the project (i.e., this report). The other deliverables are explained in further detail in the following sections.

Figure 0-1 The project activities



1.1. Inception phase

The official project start date was the 21st of September 2021 (contract signing date), with the formal kick-off meeting held on the 1st of October 2021. This was followed by a submission of the inception report on the 19th of October 2021.

To support the project activities and ensure effective coordination and engagement, a Steering Committee (SC) was established. The role of the SC during the project was to review and to provide feedback and suggestions on project activities, workplans, and draft reports.

The core members of the SC were composed of representatives of the following stakeholders:

- European Commission (DG REFORM)
- Federal Public Services of Finance and of Health, Food Chain Safety and Environment (HFSCE)
- the Minister of Finance and of the Minister of Climate, Environment, Sustainable Development and Green Deal

A series of consultations were held between the SC members and the project team to clarify the scope and approach to specific tasks. The project team also consulted relevant data sources and undertook reviews of material and literature considered relevant to the work.

Catch-up meetings between the European Commission (DG REFORM), the Project Team (PM & Task Leads) and the two administrations (Finance and HFSCE), were held on a bi-weekly basis from the end of October 2021 until mid-July 2022 as this period required a lot of interactions, given the many activities. From July onwards, ad hoc meetings were organised to discuss the content of the final reports. There was less need to catch up about progress on a biweekly basis considering we were in the final stage of wrapping up the DLV5 report.

The official launch event of the project was held on **13th of January 2022**, with the first stakeholder workshop. The launch event was held virtually in Teams, with 63 participants from the public and private sector, representing all categories of stakeholders.

Deliverable 1: Inception report (see Annex 1)

The Inception report contains a description of the Inception Phase, the project context, the approach of the project and project tasks, the workplan and timetable for the project, as well as project management, governance and quality control procedures.

A draft of the inception report was submitted on 19 October 2021 and presented at the Steering Committee kick-off meeting on 22 October 2021. The inception report was accompanied by a scoping paper on sustainable finance for Belgium, considered as a prerequisite for the project. The Inception Report was finalised early November. **The Inception Report and the scoping paper were approved on 24 January 2022.**

1.2. Stakeholders mapping phase

Deliverable 2: Stakeholders mapping report (see annex 2)

Deliverable 2 consists of the establishment of a stakeholder mapping and the design of a stakeholder engagement plan. Having the right stakeholders on board was considered crucial to identify existing frameworks, initiatives and financing instruments, and to determine the gaps and relevant policy approaches. Stakeholders were involved in all phases of the project, from the mapping of stakeholders up to the design of policy options for a Belgian Sustainable Finance Strategy. A **stakeholder consultation** was conducted to ensure legitimacy and buy-in for the recommendations developed under the project.

The Deliverable 2 report presents the outcomes of the stakeholder mapping exercise (section 2), a proposal for the stakeholder engagement plan (section 3) throughout the whole assignment, and the full list of stakeholders (annex A of the stakeholder report).

A **core stakeholders' group** was composed of the Steering Committee (SC) and additional representatives of key public institutions, i.e., the Federal Services & Market Authority (FSMA), the Belgian Debt Agency (BDA), the National Bank of Belgium (NBB), Federal Council for Sustainable Development (FRDO/CFDD), Federal Institute for Sustainable Development (FIDO/CIDD) and the Federal Holding & Investment Company (FPIM/SFPI). One of the roles of this core stakeholders' group was to support establishing the complete list of stakeholders to be consulted during the project.

The following activities were conducted:

- The core stakeholders were consulted between the 3rd week of November 2021 - 1st week of January 2022 to comment on a preliminary list of stakeholders that was established by the Steering Committee;
- The stakeholders' list was discussed via several email exchanges, and during several bi-weekly catch up meetings held between January and March 2022. Additional meetings were held with the complete Steering Committee on the scoping on 22 October 2021, on the mapping of stakeholders on 22 November. An internal workshop was organized to exchange on the mapping of stakeholders on 9 December;
- The final list of 145 stakeholders was **approved with the Stakeholders Mapping report on 11 March 2022.**

1.3. Diagnostic phase

Deliverable 3: Diagnostic report (see Annex 3)

Deliverable 3 consists of the establishment of the current state-of-play of the Belgian landscape and the framework for sustainable finance:

- It analyses the Belgian vision for Sustainable Development, based primarily on the Sustainable Development Goals and on the European Green Deal. It explains the current Belgian policy context in relation to sustainable investments and identifies key sectors and investment gaps.
- It presents the current landscape of sustainable finance at the EU and Belgian levels. It presents the key developments of the sustainable finance landscape in Europe and globally, including the most relevant components of the European Sustainable Finance Framework, some sustainable finance strategies from other European countries, and an overview of relevant international initiatives. It thereafter presents an overview of the recent developments and trends of the sustainable finance landscape in Belgium, followed by an analysis of public financial vehicles and their practices towards sustainable finance (including a mapping of the characteristics of the main public financial vehicles and their sustainability strategies), and an analysis of sustainable finance instruments and strategies in the private market (including a mapping of the main private financial vehicles) in Belgium.
- It focuses on how stakeholders in Belgium are applying the EU sustainable finance framework and ESG strategies and methodologies, as well as what they perceive are the main gaps for the implementation of the European sustainable finance legislation. It presents an overview of the usage of ESG data and ratings, ESG labels, and other tools to assess ESG risks and opportunities. It thereafter analyses the main opportunities and challenges deriving from the sustainable transition of the Belgian financial sector, and reflects on the main knowledge and data gaps to apply the EU sustainable finance framework.

The following activities were conducted:

- Deliverable 3 was discussed with stakeholders during the following **consultation activities**:
 - An **online survey** available to all stakeholders between 20 December 2021 & 21 January 2022;
 - The project team organised a stakeholder **Workshop on Sustainable finance mainstreaming**: main barriers, opportunities and best practices held on 21 April 2022. A meeting with the Steering Committee was held on 4 April to prepare the workshop (purpose, set up, agenda, topics to address, venue, etc);
 - Several stakeholders were interviewed to better understand the Belgian sustainable finance context, consisting of Assuralia, CDP, Febelfin, Guberna, Pensioplus and Financité.
- The Deliverable 3 outline was discussed during a Steering Committee meeting held on 26 January 2022. The report was developed and further discussed with the Steering Committee during several bi-weekly catch-up meetings held between February and April;
- A draft of Deliverable 3 report was submitted on 18 February 2022, and, after having received written feedback, and conducted several additional discussions, the final report was **approved on 11 May 2022**.

1.4. Gap analysis phase

This phase consists of two deliverables:

Deliverable 4a: Policy gaps report from the perspective of financial market participants (see Annex 4a)

Deliverable 4a consists of identifying policy gaps and barriers for mainstreaming sustainable finance. It presents the results of the stakeholder consultation process, with an emphasis on their views on how the most pressing barriers to mainstream sustainable finance in Belgium can be overcome. It also zooms in on the main barriers SMEs are currently facing from the perspective of financial institutions. In addition, it presents a compilation of sustainable finance best practices in Belgium and other countries and looks into their relevance for the development of policy options for a Belgian Sustainable Finance Strategy.

Moreover, it describes the role of innovative financing instruments and their relevance for the development of policy options for a Belgian Sustainable Finance strategy. It also describes the state-of-play and provides an overview of sustainable financial instruments in Belgium, presenting best practices regarding their use and considering the potential role of innovative financial instruments in policy options for a Belgian Sustainable Finance Strategy.

Deliverable 4b: Policy gaps report Federal Government as investor (see Annex 4b)

Deliverable 4b consists of identifying policy gaps and barriers for mainstreaming sustainable finance for investments of the federal government. It presents the state of play, barriers and proposed interventions for the application of sustainability approaches for investments of the federal government; the technical instruments to screen and monitor investments; and stakeholders' views on the coordinated, sustainable and ambitious federal investment strategy as referred to in the Coalition Agreement. It also compiles good practices relevant for the policy options for the Belgian Sustainable Finance Strategy. It describes the role of innovative financing instruments and their relevance for the development of policy options for the Belgian Sustainable Finance Strategy. It describes the state of play and overview of sustainable financial instruments in Belgium; presents best practices regarding their use; and the considerations for the potential role of innovative financial instruments to play in the Belgian Sustainable Finance Strategy.

The following activities were conducted for both deliverables:

- Deliverable 4 was discussed with stakeholders during the following **consultation activities**:
 - An **online survey** available to all stakeholders, conducted between 21 March 2022 & 1 April 2022;
 - A set of **interviews** conducted between May and July, with private market participants (e.g. CBC/KBC, Belfius, ING, Febelfin, Triodos) and public stakeholders (e.g. Synatom, SFPIM, Belfius Insurance, NBB, FSMA);
 - Since the response from the public sector was relatively low compared to the responses from the private sector, we complemented the responses to the survey with several bilateral exchanges via short questionnaires (e.g. BDA, Credendo, Finexpo, National Lottery, NIRAS-ONDRAF).
- Deliverable 4a and 4b outlines were discussed during a Steering Committee meeting held in March 2022. The report was developed and further discussed with the Steering Committee during several bi-weekly catch-up meetings held between April and June;
- Draft of Deliverables 4a and 4b report were submitted on 14 June 2022, and, after having received written feedback, and conducted several additional discussions, the final report was **approved on 2 August 2022**.

1.5. Policy options phase

This phase consists of two deliverables:

Deliverable 5a: Policy options report from the perspective of financial market participants (See annex 5a)

Deliverable 5a consists of recommendations for policy options targeted at financial market participants to include in a Belgian Sustainable Finance Strategy. The report provides policy options for three different areas or building blocks: (1) Policy options to develop a clear long-term sustainable finance framework; (2) Policy options to increase the use of ESG disclosure frameworks, including enhancing the availability and quality ESG data; and (3) Policy options to build ESG capacity. These three policy areas address all identified difficulties focusing specifically a set of twelve policy options, which vary in terms of the perceived importance for decision-makers and stakeholders, urgency, as well as potential constraints for their implementation.

Deliverable 5b: Policy options report from the perspective of the federal government as investor (See annex 5b)

Deliverable 5b consists of recommendations for policy options targeted at the federal government as investor to be considered in a Belgian Sustainable Finance Strategy. The report provides policy options for three different areas or building blocks: (1) Policy options for an ambitious and coordinated sustainable finance policy framework; (2) Policy option to improve the monitoring and disclosure of sustainability in public financial flows; and (3) Policy option to build capacity for advancing sustainable finance objectives. The report provides recommendations for the federal government overall, as well as targeted recommendations for each of the federal institutions studied in this project. These three policy areas address all identified difficulties focusing specifically a set of five policy options, which vary in terms of the perceived importance for the government and the concerned federal public entities, with regard to their implementation, in the frame of the coalition agreement.

For both reports, we describe the objectives, governance, and timeframe, as well as the perceived effectiveness, potential risks and impact on stakeholders for each policy option. This assessment is based on stakeholders' views as expressed in the Policy Options survey and interviews, the workshop on policy options, desk review and the project team's analysis.

The following activities were conducted:

- Deliverable 5a and 5b were discussed with stakeholders during the following **consultation activities**:
 - An **online survey** available to all stakeholders, conducted between the 20 June until 8 July (with an extension until 15 July) 2022;
 - A stakeholders **Workshop on Sustainable finance mainstreaming**: Policy recommendations, held on 28 June 2022. A meeting with the Steering Committee was held on 4 April to prepare the workshop (purpose, set up, agenda, topics to address, venue, etc);
 - An in depth interview with the FSMA.
- Several additional meetings were held:
 - Meeting to discuss questionnaire on Policy options on 10 June 2022, ahead of the workshop;

- Meeting to debrief on the workshop on 7 July 2022.
- Deliverable 5a and 5b outlines were discussed during a Steering Committee meeting held on 20 July 2022. The report was developed and further discussed with the Steering Committee during several ad hoc meetings held in September and October 2022;
- Draft Deliverables 5a and 5b report were submitted on 9 September 2022, and, after having received written feedback (on 22 September), a revised version was submitted on 26 October 2022;
- The second version was also submitted to stakeholders to collect their feedback, between 26 October and 16 November;
- After several additional discussions and iterations, the final reports were submitted to DG Reform on 7 December (5b) and on 22 of December (5a);
- The final comments of DG Reform were addressed, and the final draft reports were submitted on 17 February 2023. Another round of comments was provided by DG Reform on 3 March. **The final reports were approved on 28 March 2023;**
- After the completion of Deliverable 6, which included a revised summary table of the policy options (ch 3 in D6), it was decided to update Deliverable 5a and 5b with the same table (ch 4 in D5a and 5b). In addition, given that D5a and D5b will be the only deliverables to be communicated to stakeholders, the D6 section on “Key takeaways for the implementation of the recommendations by the Federal Belgian Government” (section 3.2) was added to D5a and D5b (section 4.3). **The final updated reports were approved on 14 July 2023.**

1.6. Additional activities closely linked to the project

Beyond the scope of the ToR, the project team attended several additional meetings & events upon request of the beneficiary:

- Benelux event on sustainable Finance on 29 Nov 2021;
- FRDO seminary on sustainable Finance on 30 Nov & 1 Dec 2021 (with a preparatory meeting with FRDO on 17 November 2021);
- Benelux meeting on exchanging on Sustainable Finance practices on 14 June 2022.

2. Lessons learned during the implementation of the project

For this project, which builds upon a comprehensive understanding of the European financial market legislation and heavily relies on stakeholder consultation, we should have adopted a **more realistic timeline** in order to properly prepare, conduct and extract lessons from each step/activity and organise the next steps of the project. In this project we tried to compress the initial 18 months that the project should last to fit a 11 months' timeline upon request of the beneficiary. Sticking to the 18 months' timeline would have allowed more time for feedback from stakeholders.

Regular meetings were a crucial part of the project, to ensure the regular guidance from the SC, to progressively build capacity on complex topics, and to align with the expectations of the beneficiary. Also surveys, workshops and interviews were essential to build capacity within an emerging Sustainable Finance community. Although the Taskforce Sustainable Finance was already existing, it was including only the authorities to deal with the EU agenda. The project started from scratch to establish such community with a broader set of public and private stakeholders to analyse the implementation of the EU framework. Regular exchanges and iterations were crucial to guide this process.

The structure of the project as proposed in the Terms of Reference consisted in particular of 1) diagnostic analysis, 2) policy gap analysis and 3) policy recommendations, with each of these steps accompanied by stakeholder consultations. This set up did fit the purpose of providing policy recommendations to the Federal Authorities to develop a sustainable finance strategy. The consultation process - consisting of 3 phases - led to conclusions about priority setting for the policy options, but did not leave the opportunity to hold detailed discussions on the implementation steps for *all* of the policy options. Some policy options were concrete, while others remained at a higher level, for example because they depended on decision-making processes influencing the institutional arrangements at the federal and regional level. Therefore, **an additional round of stakeholder consultations would have been beneficial to deep dive into some recommendations considered priorities for a concrete action plan or roadmap**. Additional consultations and exchanges would have been necessary to fully integrate the recommendations in the Belgian institutional framework.

The level of **Sustainable Development ambition or vision for the federal government should have been clear from the beginning of the project**, as it will remain the overarching direction that Sustainable finance should take. If the federal government does not provide clear direction, it is complicated to engage the most appropriate stakeholders in the governance, to identify the appropriate capacity building activities (what is precisely required?), to design the data collection scheme (what are the concerned indicators and metrics to be collected and measured?), or to recommend the use of specific tools (beyond climate related impacts and risks). At the start of the project, the project team developed a scoping paper for the federal government for this purpose.

Stakeholder participation was good but the project was unable to reach more difficult groups.

Stakeholders' participation was mainly limited to representatives of business associations, rather than the businesses themselves. Academics were also involved, various public institutions, or representatives of the civil society. However, although several NGOs were invited to contribute, only a few ones did participate in consultation activities, possibly due to the lack of expertise, or due to an inappropriate timing (. Although we tried to involve their representatives, the consultation seriously lacked SMEs counterparts. This is partly due to

the fact that the assignment was conducted at a policy level and implications at the company levels were not crystallised yet. Therefore, the business associations seemed most appropriate to contact as they represent a large group of companies.

3. Summary of the policy options & lessons learned

3.1. Summary of policy options

Below, we summarise the policy options indicating the activities and instruments, governance and perceived timeframes. For the details on each policy option, we refer to the DLV5 reports.

Policy options from the perspective of financial market participants (Deliverable 5a)

Policy options to develop a clear long-term sustainable finance policy framework

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders
1.1 Strengthen the existing governance structure to ensure that long-term sustainable finance is sustained across legislative mandates.	Efficient communication and coordination	<ul style="list-style-type: none"> Confirm/strengthen TSF mandate, with 3 Boards; Validate membership; Establish operational framework (functions, workgroups, roundtables); Establish collaboration frameworks between the TSF and stakeholders 	The Taskforce Sustainable Finance (TSF) (see section 1.1. of DLV5a for more details of its composition).	<ul style="list-style-type: none"> Fully operational on the short term (incl. 4-8 FTE); Develop further partnerships with stakeholders on the mid term¹ 	<ul style="list-style-type: none"> Governance is essential, to implement the SF strategy and coordinate EU action; The approach is built on the existing framework, is as light as possible, and evolutionary, while bringing on board the critical players.
1.2 Developing a Sustainable Finance Ambition Statement for Belgium, including a timeline with targets and milestones for financial institutions and businesses to mainstream sustainability.	Long-term direction with clear targets, to orient ESG capital mobilisation priorities, and fix disclosure goals	<ul style="list-style-type: none"> Draft the Statement; Have it validated by the Government 	<ul style="list-style-type: none"> Directly with FIDO/IFDD; Consult FSMA, NBB, a few core stakeholders 	Before the publication of the Strategy	<ul style="list-style-type: none"> It is critical to set a direction towards sustainable priorities; The greatest risk is that an agreement on such a common ambition and principles is not reached, which would postpone communicating the direction to follow The resource burden for the TSF depends on the political process.
1.3 Communicating clear sectoral pathways to guide the financial sector in Belgium towards sustainable investments in line with EU targets	Communicate sectoral pathways, to reorientate financial flows	<ul style="list-style-type: none"> Developing sectoral pathways communication; Communicating sectoral pathways (incl. investment needs); 	<ul style="list-style-type: none"> Establish a workgroup (concerned administrations + Policy Board) to set targets and decide priorities; Run Roundtable to consult stakeholders 	According to priority: climate on the short term, after the governance has been set up, etc.	<ul style="list-style-type: none"> Allows Belgian actors to understand and translate sectoral pathways into sustainable investments; Risks of placing an excessive burden on the stakeholders involved (solved by setting priorities); time commitment of the different stakeholder groups via roundtables.

¹ Definitions used in the questionnaires and report for timeframe: short-term (<2 years), medium-term (2-5 years), long term (>5 years).

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders
1.4 Enabling the use of financial instruments that support sustainable investments	Remove barriers to ESG financial instruments or take measures to stimulate their development.	<ul style="list-style-type: none"> Develop & implement a concrete action plan, deciding on priorities, to continue or start new actions; Establish permanent track record of other policy areas influencing ESG financial instruments. 	<ul style="list-style-type: none"> Establish a workgroup (concerned administrations + Financial Board); Run Roundtable to consult financial stakeholders 	Develop a concrete action plan based on a preliminary diagnostic on the mid to long term;	<ul style="list-style-type: none"> this option is not the most urgent, nor the most critical; Effectiveness is driven by the identification of priorities (action plan) and the continuous track record; Mainly seek to support efforts already initiated by the private sector; Could require some resources to conduct an in-depth diagnostic and risk analysis.
1.5 Developing a list of harmful activities to guide public and private investments	Incentivise divestment from harmful activities, via an exclusion list and disclosure on harmful activities	<ul style="list-style-type: none"> Establish & publish the list with excluded and harmful activities; Establish rules for disclosure of harmful activities, either voluntary or mandatory 	<ul style="list-style-type: none"> Establish a workgroup (concerned administrations + Financial & Policy Boards) to establish the list of excluded and harmful activities; Run Roundtable to consult financial stakeholders 	Establish the lists on the short term, based on priorities (e.g. climate);	<ul style="list-style-type: none"> It is crucial, as the current Taxonomy is geared towards what is sustainable, rather than what is harmful, leaving a gap to divestment in harmful activities; Stakeholders fear that such a list is not in line with the EU framework; mandatory disclosure may negatively influence the competitiveness of market participants; could add a higher level of complexity to the reporting.

Policy options to increase the use of ESG disclosure frameworks, including enhancing the availability and quality ESG data

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders.
2.1 Improving the access to and usability of Energy Performance Certificates (EPCs) building on the information available already at national and regional level	Improve access & usability of EPCs to help market participants reporting on their client's carbon footprint	Establish a workgroup with a clear action plan to assess the possible adaptations of the regional frameworks regarding EPC availability, accessibility and comparability.	<ul style="list-style-type: none"> Establish a workgroup (concerned administrations including regions + Financial Board); Run Roundtable to consult financial stakeholders 	<ul style="list-style-type: none"> Urgent, launch workgroup on the very short term Move to ENOVER/CONCERE on the short to mid term 	<ul style="list-style-type: none"> Climate risk exposure is high for real estate, hence crucial to get the right footprint; EPCs and buildings fall under the competence of the regions, imposing strong coordination between 4 entities, with important changes (all topics will not be addressed at the same pace); Political risk to change the loan/mortgage paradigm by providing EPCs to banks; Alternatives are not easier to generate.
2.2 Improvement of the current content and scope of sustainable finance disclosure, reporting and monitoring in Belgium	Improve the current content and scope of ESG disclosure by defining a limited set of integrated, well-designed, and comparable KPIs.	<ul style="list-style-type: none"> Develop the set of sector-agnostic KPIs; Complementing sector agnostic KPIs with sector-specific KPIs; 	<ul style="list-style-type: none"> Establish a workgroup (concerned administrations + Financial & Policy Boards), with the supervisory authorities; 	<ul style="list-style-type: none"> Develop a draft set of KPI on the short to mid term; Consult stakeholders, to 	<ul style="list-style-type: none"> It would harmonise sustainability reporting, improving quality information; A set of core KPIs requires the political decision on the priorities for disclosure;

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders.
		<ul style="list-style-type: none"> Encourage SMEs to use the KPIs; Assess the opportunity to impose its use (requires legal framework) 	<ul style="list-style-type: none"> Run Roundtable to consult all stakeholders. 	validate the set of KPIs on the short to mid term.	<ul style="list-style-type: none"> High resource burden for stakeholders (will be requested to disclose additional KPIs); Data validation and monitoring of disclosed KPIs would increase burden.
2.3 Creation of a central data hub which is publicly available to ensure that the data is available for all, and to avoid data competition between financial market participants.	Avoid data competition between data users, through making ESG data made publicly available through a central hub.	<ul style="list-style-type: none"> Establish a workgroup with the aim of designing the central datahub (mainly deciding the KPIs and Metrics based on option 2.3 outcome); On the basis of the design, develop a pilot of the central datahub, together with the financial sector; After a successful demonstration phase, develop the ToRs, and launch the development of a complete datahub. 	Establish a workgroup (concerned administrations + Financial Board), with the supervisory authorities; Run Roundtable to consult investors and investees representatives.	Agree on the list of KPIs to decide whether such datahub should be developed (start on the short term);	<ul style="list-style-type: none"> More ESG reporting could lead to a better image of the transitional and physical risks, and the data hub could build capacity to monitor and control; Major risk : companies not using the database; Challenges expected to develop (IT) & operate (data not comparable) the database (risks mitigated by right expertise & focusing on critical KPIs).

Policy options to build ESG capacity

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders.
3.1 Setting up an ESG helpdesk to provide financial market participants with a basic understanding of ESG gaps, investment needs and reporting obligations, and to answer tailored questions related to unpacking the EU sustainable finance regulatory framework.	To assist financial market participants in understanding how to integrate ESG aspects in investment needs and reporting obligations, particularly targeted at requirements stemming from the EU sustainable finance regulatory framework.	<ul style="list-style-type: none"> Design the helpdesk (assessing the possibility to rely on the DNSH centre, purpose, organisation, priorities, targeted stakeholders, partner(s), action plan, hiring staff); Establish (or confirm) the helpdesk, with a concrete action plan; Implement the action plan comprising among others the following actions: (1) Enhance 	<ul style="list-style-type: none"> Establish a workgroup (concerned administrations + Financial & Policy Boards) to design the helpdesk; Run Roundtable to consult stakeholders able to provide support/training, and stakeholders 	<ul style="list-style-type: none"> Design helpdesk with a clear action plan on the short term; Establish / confirm the helpdesk and start implementing action plan on the mid term 	<ul style="list-style-type: none"> Basic understanding of EU SF framework and ESG gaps and investment needs, and reporting obligations can be realised; Give guidance to organisations tailored to specific needs and interest; A general feasibility risk is that the helpdesk would add a layer to the initiatives already existing Resource burden for stakeholders is considered substantial, as capacity building asks important involvement

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders.
		the role of experts, academics and other training providers; (2) build capacity for making sustainable investment need data more operational; (3) recommend the use of specific EU guidelines by type of actor for both mandatory and voluntary disclosure; (4) use of financial incentives for the private sector that could help increase ESG capacity; (5) raise awareness about the risks of using data by ESG rating providers.	requiring capacity building.		
3.2 Developing technical assistance programmes for SMEs that could help bring the necessary knowledge tailored to specific actors.	Building necessary knowledge tailored to SME actors to assist in gaining an understanding of and engaging in sustainable finance.	<ul style="list-style-type: none"> • Design the technical assistance programme (aim, activities and content, targeted stakeholders, partner(s)); • Implement the programmes (coordination by the helpdesk or by the Taskforce Sustainable Finance); 	<ul style="list-style-type: none"> • Establish a workgroup (concerned administrations + Financial Board) to design the programme; • Run Roundtable to consult stakeholders able to provide support/training, and umbrella organisations & SMEs representatives to develop the content 	Design assistance programme on the short to mid term;	<ul style="list-style-type: none"> • Essential to ensure SMEs have a good understanding of the reporting obligations and initiatives • Success factor: good cooperation between SMEs and those developing the technical assistance programmes • Consider specific needs of SMEs; • High risk: programmes, despite efforts focused on geographical and sectoral particularities, would not suffice in meeting the demands of every individual SME, depending on willingness to participate; • Resource burden for the development of technical assistance programmes for SMEs is expected to be substantial.
3.3 Improving the understanding and assessment of environmental and social risks (notably climate risks) within the financial sector	Improve the understanding and assessment of environmental and social risks within the financial sector, starting with a focus on climate risks.	<ul style="list-style-type: none"> • Establish the ESG risk workgroup (purpose, organisation, priorities, targeted stakeholders, partner(s), action plan); • The workgroup should address Climate risk as the most urgent, and would therefore rely on the Climate OCAM for the technical aspects 	<ul style="list-style-type: none"> • Establish a workgroup (concerned administrations + Financial & Policy Boards) to implement an action plan; • Run Roundtable to consult stakeholders able 	<ul style="list-style-type: none"> • Establish a workgroup on Sustainability risks on the very short term; • Coordinate with Climate OCAM on very short term, to agree on actions to take. 	<ul style="list-style-type: none"> • Sustainability Risks workgroup will allow the Belgian financial sector to have a single vision of sustainability risks; • For the effective implementation of the Sustainability Risks workgroup both the political level and private sector need to allocate financial and human resources; • Resource burden for stakeholders is considered high.

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders.
		<ul style="list-style-type: none"> Implement the action plan to tackle the following: (1) support financial actors to determine why and how sustainability risks should be embedded within risk management; (2) underline the link between sustainability risks assessment and monitoring and climate change mitigation and adaptation needs; (3) recommend the use of specific guidance and tools to assess and disclose sustainability risks; (4) clarify how components of the EU sustainable finance framework guide sustainability risks assessment and disclosure at the EU level and in Belgium; (5) serve as a platform to exchange knowledge products; (6) encourage the use of existing tools targeting smaller actors that facilitate ESG risk assessment, monitoring, and disclosure (including scenario analysis) in Belgium. 	<p>to provide expertise on the topics (academics).</p>		
3.4 Promoting platforms with pre-screened sustainable investment projects which are shovel-ready to be picked up by the financial sector	Promote existing platforms that contain sustainable projects, so investors can select sustainable investments more easily	<ul style="list-style-type: none"> Communicate to investors about the link with sustainable investment projects in existing matchmaking platforms at the Belgian and EU level (i.e., InvestEU Portal); Consider the Federal Government becoming a Shareholder in one of these Platforms. 	<ul style="list-style-type: none"> Establish a workgroup (concerned administrations + Financial & Policy Boards) to design a scheme for pre-screened projects identification; Run Roundtable to consult stakeholders (impact finance institute, investees, and investors, 	Start on the mid to long term	<ul style="list-style-type: none"> Better operational and better promoted matchmaking platforms will ensure that the demand for sustainable assets is linked to the supply; Potential risks : lack of a monitoring mechanism of what can be considered as a sustainable project ex-ante; The resource burden is considered variable, because several usable platforms are already up and running (rapid), but proofing them might require some time

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders.
			including public vehicles)		

Policy options from the perspective of the federal government as investor (Deliverable 5b)

Policy options for an ambitious and coordinated sustainable finance policy framework

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders
1.1 Establishing a governance structure to mainstream sustainability across all federal investment vehicles	Efficient collaboration framework; Support to the development of a coordinated, sustainable and ambitious investment strategy	<ul style="list-style-type: none"> In the frame of the Taskforce Sustainable Finance (DLV5a), establish a workgroup with SFPIM; The workgroup helps structuring the works towards the development of a coordinated, sustainable and ambitious investment strategy; Support the development of a common engagement strategy, in the context of the ownership policy. 	<ul style="list-style-type: none"> The workgroup consults the other federal public vehicles via a dedicated roundtable; Liaise with the other thematic workgroups of the Taskforce, to build capacities, set up a monitoring scheme 	<ul style="list-style-type: none"> Fully operational on the short to mid term (incl. clear action plan) 	<ul style="list-style-type: none"> Governance is essential, to support SFPIM streamlining the development of a coordinated, sustainable and ambitious investment strategy; It is key to coordinate the implementation of the measures across the federal public vehicles; The approach is built on the existing framework. It is as light as possible and evolutive, while bringing on board the critical players (i.e federal public vehicles).
1.2 General and vehicle-specific recommendations for mainstreaming sustainability approaches and frameworks	Setting a strategy for sustainable investment for the Federal Government as investor; Steering institutions' investments in a manner tailored to their specificities	<ul style="list-style-type: none"> Develop an all-encompassing investment vision with objectives, priorities and a definition of (non) sustainable investments; Develop and implement a procedure to screen investments and projects that are sensitive to 	<ul style="list-style-type: none"> Address the definitions via the roundtable²; Confirm the priority sectors and sustainability objectives in the workgroup. 	<ul style="list-style-type: none"> The definitions should be aligned with the harmful activities list on the short to mid term; Procedures to phase out investments and screen investments to be ready on the short to mid term. 	<ul style="list-style-type: none"> It should be highly effective by ensuring the concrete mainstreaming of all aspects of sustainability into institutions' operations (double-materiality, investment strategies, Belgian and vehicle levels); There is a risk that vehicle-specific definitions of adverse impacts/harmful and sustainable investments lead to a non-harmonised approach, making it

² These definitions could be prepared by either each federal public vehicle, either by the workgroup under the umbrella of the concerned administration (Main Board) and the SFPIM. In any case the definitions should be endorsed by each vehicle

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders
		<ul style="list-style-type: none"> sustainability risks and to mitigate these risks; Initiate “bilateral” dialogue between the workgroup and each federal public vehicle to develop vehicle-specific approaches to defining and selecting sustainable investments, and additional recommendations on all aspects of the investment cycle. 			<ul style="list-style-type: none"> necessary to build them on the basis of the government’s vision; Definition of sustainability priorities will probably be politically difficult in case of the explicit prioritization of technologies; Vehicle-specific approaches may be time consuming; This may require additional capacity or expertise in institutions (see policy option 3).
1.3 Developing a list of harmful activities to guide public investments common to all federal investment vehicles	Establish list(s) of harmful activities, to divest, to be used during the pre-screening process (possibly as an exclusion list), and to disclose on investments in harmful activities	<ul style="list-style-type: none"> Develop & publish an exclusion list of harmful activities, building on the Coalition Agreement (2020); Enhance and make mandatory the disclosure on investments in harmful activities. 	<ul style="list-style-type: none"> Link with the workgroup dedicated to harmful activities (DLV5a, option 1.5); Run Roundtable to consult federal public vehicles. 	<ul style="list-style-type: none"> Establish the exclusion list on the short term, based on priorities defined in Annex A of DLV1 (e.g., climate change mitigation); Establish the list of harmful activities on the short to mid term. 	<ul style="list-style-type: none"> The coalition agreement provides the political basis to divest from fossil fuels; It provides a long-term and stable framework for divesting federal assets from harmful activities; The government and the different federal investment vehicles should reach an agreement on the list and communicate it to all stakeholders; The mandatory implementation of the list should be gradual, and the strategy should provide for capacity building to mitigate the costs of this option.

Policy option to improve the monitoring and disclosure of sustainability in public financial flows

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders
2. Policy option to improve the monitoring and disclosure of sustainability in public financial flows	Develop a comprehensive framework around three themes to be monitored (strategies, investments, sustainability-linked risks), to ensure that the federal government can	<ul style="list-style-type: none"> Develop a common framework to report on the strategy and progress of each institution; Develop a common framework for 	<ul style="list-style-type: none"> Link with the workgroup dedicated to the improvement of the current content & scope of ESG disclosure 	Assuming a general political agreement is reached, it is advised to implement this policy option on the short to mid term.	<ul style="list-style-type: none"> The proposed framework will allow for a strong comparability between institutions; Regarding sustainability-linked risks, the effectiveness of the policy option will largely depend on the levels of

	follow-up -and, if needed, reorient- the actions of federal investment vehicles to implement the sustainable investment strategy	<ul style="list-style-type: none"> monitoring and disclosing data on the sustainability of investments; Develop a common framework for reporting the integration of sustainability-linked risks. 	(DLV5a, option 2.3).		<p>awareness and technical knowledge of institutions;</p> <ul style="list-style-type: none"> The effective implementation of this option could be jeopardized by the lack of political incentive from the Federal Government; Technical difficulties inherent to the gathering and analysis of data are to be expected.
--	--	--	----------------------	--	---

Policy option to build capacity for advancing sustainable finance objectives

Policy option	Objective	Activities & instruments	Governance	Timeframe	Perceived effectiveness, main risks and impact on stakeholders
3. Policy option to build capacity for advancing sustainable finance objectives	Provide technical support to institutions, to offer a contact point and external expertise, to allow institutions to share their practices more systematically, and to increase their knowledge in the key aspects of sustainability strategies	<ul style="list-style-type: none"> Build a help desk for providing technical knowledge to institutions on an ad hoc basis; Offer a forum where institutions can build a community of practices; Incentivize institutions to join the capacity building activities proposed in DLV5a. 	Link with the workgroup dedicated to Setting up a help desk (DLV5a, option 3.1).	<ul style="list-style-type: none"> <i>Building the help desk:</i> short-term, once the governance system is in place; <i>Building the forum:</i> short-term, to support the rapid implementation of the other policy options; <i>Capacity building with private entities:</i> short-term, in line with the timeframe of policy option 3.1 (DLV5a) 	<ul style="list-style-type: none"> The helpdesk will support institutions to implement their strategies and to screen their investments; Capacity building will strengthen the capacity to monitor (in particular in relation to the volumes of finance and to sustainability-linked risks); The construction of the online forum for the community of practices is not expected to entail any difficulties, and capacity building activities will not require additional efforts for the Federal Government, provided that policy option 3.1 of DLV5a is implemented.

3.2. Key takeaways for the implementation of the recommendations by the Federal Belgian Government

Ideally, it would be important for the implementation of the strategy to **bring all key stakeholders together** and get them “on the same page”, and jointly define a **longer-term vision** which is broadly supported. Such a long-term vision would help stakeholders identify the role they should play within the green transition and provide a mandate for mobilising SDG-aligned finance. However, in practice, it is challenging, and often not feasible to establish an agreed universal vision. This is because federal authorities, diverse stakeholders and market participants may hold diverging opinions not only on sustainability objectives but also on the operational considerations necessary for implementing a transparent disclosure system. The recommendations for the governance framework in the reports, include the engagement of public and private stakeholders in Workgroups and Roundtables could facilitate the bringing together of key actors.

Given the broadness of sustainable finance, and the **many potential interpretations** of wording, concepts, and terminology, there is need to ensure a common understanding of the conceptualisation for sustainable finance. Otherwise these discrepancies could lead to misunderstandings between parties, which may be exacerbated by an already highly complex European Sustainable Finance framework, which may also contain inconsistencies. This is also a lesson learned for this type of project, that interpretations should be clear when conducting consultation activities and producing the reports.

In order to help the Federal Authorities design and communicate their Ambition Statement and the Sectoral Pathways, an **appropriate governance structure and a political willingness of the government are a key prerequisite**. This should engage the most concerned, representative and contributing stakeholders, in order to create an assertive dynamic. A clear governance structure would also clarify the respective role of each stakeholder, help recognise opportunities for how it could contribute and be an active driver of required transformations. In the long-term, this should also contribute to building an active sustainable finance ecosystem.

For financial market participants to contribute to sustainability objectives, there is need to clearly explain what the federal government’s sustainability expectations are: where to invest (finance sustainable activities) and what to improve (make finance more sustainable). There is quite often confusion regarding the role of finance, and whether the financial system should be the main driver of change. There is need to **clarify what is expected from the financial market participants to comply with EU and Belgian specific requirements**, and what is the role of other market participants such as investees. Such clarifications are key to ensure the stakeholders buy-in, as the goal is to encourage the economic actors (i.e., investees) to improve the ESG impacts of their investments, and/or invest in more sustainable activities.

Given the broad variety of ESG practices and the lack of standardisation (e.g., different tools, different indicators and ways to assess them, variable thresholds, etc), the risks of greenwashing remain high. There is still a long way to go to ensure that the financial system becomes fully transparent, as it also relies on the information provided along the entire value chain. On the other side, frontrunners are already providing sustainable financial products. The market and regulatory frameworks should drive to increase the demand side’s attractiveness for sustainable finance, while limiting the attractiveness for greenwashing. This is feasible if a **step-by-step and pragmatic transparency is developed along the financial chain**. This means, amongst other steps, a focus on a limited number of KPIs to follow up on market players’ ESG performance, without discouraging the data providers by demanding too much at the same time. The government should

ideally focus on supporting the proper implementation of the EU regulatory framework, while ensuring an enabling more global framework for frontrunners to develop their activities.

As highlighted within the Diagnostic phase of the project, many market players are already active in impact finance in Belgium, or establishing their ESG framework ahead of the EU agenda, tackling the impacts and risks their investees may face. These market participants are proposing sustainable financial products requiring an enabling framework to deploy efficiently. This requires the Federal (and possibly regional) **government(s) to maintain the dialogue with these frontrunner players and carefully listen whether some measures should be taken to enable** the emergence and/or deployment of new sustainable finance products. There is no direct need for the government(s) to take proactive measures, but rather to be ready to address barriers when they arise.

The development of a list of harmful activities to guide public and private investments and divestments is the main policy recommendation and invites the federal government to go beyond the EU framework for Sustainable Finance. Frontrunners are keen to encourage the Belgian government to move faster and increase its ambition in financing green and making harmful activities more expensive, while the main market players/incumbents would recommend remaining cautious and ensure compliance with global and European initiatives on harmful activities. The **federal authorities should consult both types of stakeholders (frontrunners and incumbent market players) to establish a list of harmful activities**, and agree on the way to use it, in order to avoid major discrepancies and incoherences with global and European frameworks. The list should first be used for public vehicles, to mainstream their ESG action and clearly act as exemplary bodies to indicate domains of divestment on the medium-term.

Improving the access to and usability of EPCs will be highly complex as it requires close engagement with the three regions on their competence. Given the fact this option was considered as a priority by most market players (the inaccessibility & usability of EPCs are a possible bottleneck for the implementation of the CSRD, but also to provide a strong basis to build climate scenarios), it is recommended to **initiate the dialogue with the regions about EPCs accessibility and usability as soon as possible** to find the most appropriate solution.

ESG tools and practices are emerging globally and within the EU, to deal with the implementation of the various legislations (such as CSRD or SFDR), but also with the market trend, driven by frontrunners. Standards (e.g. the European Sustainability Reporting Standards) are currently discussed, with all the challenges to land on a set of mandatory and voluntary disclosure requirements. Developing a specific framework for the Belgian market(s) would probably conflict with the efforts made at European level, due to the amount of work required to define the priority topics and their related KPIs, unless efforts focus on a very limited number of KPIs in line with national commitment (such as climate related metrics). While acknowledging the shortcomings of the European framework and the need to evaluate if national policies can address these gaps while maintaining consistency with EU requirements and Belgian objectives, it is advisable to **thoroughly examine the necessity of establishing a harmonized monitoring and reporting framework at the Belgian level. Furthermore, it is recommended not to prioritize this matter at the present time.**

A harmonised reporting and monitoring sustainability reporting framework at the Belgian level may support comparability, and may help developing ESG KPIs benchmarks (e.g. carbon intensity to be followed by sector). From our analysis of the Belgian market and stakeholder consultations it was observed that financial market participants have a very diverse portfolio, meaning **a one size fits all approach for reporting at the Belgian level is not the way forward**. It is not straightforward to define the harmonised basis that can be applied to

all, as current practices are based on individual materiality matrices, company's diverse portfolios, their relationship with investees/clients, internal governance with roles and responsibilities, and also the culture of the enterprise. The Belgian government is advised to investigate how ESG capacity can be built.

The ESG helpdesk should be seen as a central pillar to provide support, and is needed as soon as possible to accompany market participants and all concerned undertakings to develop their ESG and sustainability practice(s) properly. However, **prior to addressing how market players perceive ESG practices, it is essential to establish a consensus among all relevant stakeholders on a consistent approach to implementing the EU sustainable finance framework within the Belgian context.** This requires a careful set up of the helpdesk, in order to avoid mistakes, and possibly contradictions, that may jeopardise its effectiveness. Its reinforcement is also required, with additional staff having the needed knowledge and willingness to support the sustainability transition, beyond the reporting obligations.

Developing technical assistance programmes for SMEs is highly needed. These should be designed to support companies mainstreaming sustainability practices into their core business, or allowing them to provide the data requested by their clients/providers having to comply with CSRD (e.g. GHG emissions scope 3 will be mandatory under CSRD following the ESRS reporting, while data collection is still an immature practice for companies³). The risk is high that programmes focusing on sustainable finance come as an additional burden for these companies, while they should be considered as transition opportunities. **The technical assistance approach for SMEs should be sector-specific and tailored to their capacities, to address concrete issues that these companies are facing.** Technical assistance programmes presenting general and conceptual aspects that apply to all would not be appropriate. Providing all SMEs an assistance framework to facilitate their transition and reporting is highly relevant and should be part of the assistance approach. This requires the government to decide in which sectors the first programmes should be deployed, as they would align and directly contribute to support the communication towards *sector-specific pathways* for which we proposed recommendations in the Policy Options Report.

Given that private actors are developing various financial products with pre-screened sustainable investment projects which are 'shovel-ready', **the promotion of platforms with pre-screened sustainable investments should not be considered as an urgent action.** We recommend implementing this policy option if it can be seen as a quick win, requiring limited efforts, for its development and operation. But this would require agreeing on specific objective criteria to make a thorough assessment of existing platforms, in order to promote them as objectively as possible.

Finally, as highlighted by some stakeholders, the global and EU frameworks for sustainable finance are already highly complex, and sometimes even difficult to comprehend. Therefore, the government must avoid making it more complex for Belgian market participants and all other concerned parties. **We therefore recommend an incremental approach concentrating efforts on policy measures that are critical and urgent to ensure the smooth implementation of the EU sustainable finance agenda, to facilitate frontrunners to deploy their products and services, and build a coherent Belgian Ecosystem for Sustainable Finance.** Trying to implement too many actions at the same time could lead to a loss of effectiveness, and to lose, or miss, the buy-in of stakeholders.

³ See for example AFM (2023). [Big steps needed to ensure compliant reporting of sustainability information in annual reports from 2024.](#)

4. Project summary

4.1. Project context

In line with the increasing efforts at the EU level to reorientate finance towards the transition to a sustainable economy, Belgium received support from the European Union for a scoping study to inform the development of a Belgian Sustainable Finance Strategy.

The purpose of the project was to support the Belgian federal authorities in developing policy options for a Belgian Sustainable Finance Strategy. The project had three key objectives:

1. Providing the main elements and tools to the Belgian federal authorities for setting up a Belgian Sustainable Finance Strategy, supporting the financial sector to align with the sustainability-related goals with a clear vision and overarching framework;
2. Strengthening the Belgian Federal Government and the institutions under its jurisdiction as an investor and enabler for ESG alignment in line with European and international obligations, and;
3. Aligning Belgian actors with the European Sustainable Finance Strategy by equipping them with adequate tools and understanding of the sustainable finance disclosure and reporting regulations.

The achievement of these objectives relied on existing initiatives, best practices and contributions of various actors in stakeholder consultations throughout the project.

4.2. Project overview

Prerequisite for a successful implementation

The successful implementation of the policy options is conditioned by the **sustainability vision** for the financial sector defined by the Federal Government, which should set the **direction** for financial market participants. This vision should entail (i) clear sectoral pathways that include targets for the financial sector, such that critical sectors are guided towards sustainable investments and alignment with European regulation; and, (ii) a coherent set of policies and measures that enhance sustainable investments. The vision should be concise and provide clear priorities and instructions for financial market participants on how to deliver on the vision and sectoral pathways. Experience of Trinomics and more globally with the development of sustainable finance strategies in other European countries clearly shows the need to communicate the link between broad national Sustainable Development Goal (SDG) ambitions with the transition required from private stakeholders.

Stakeholders mapping

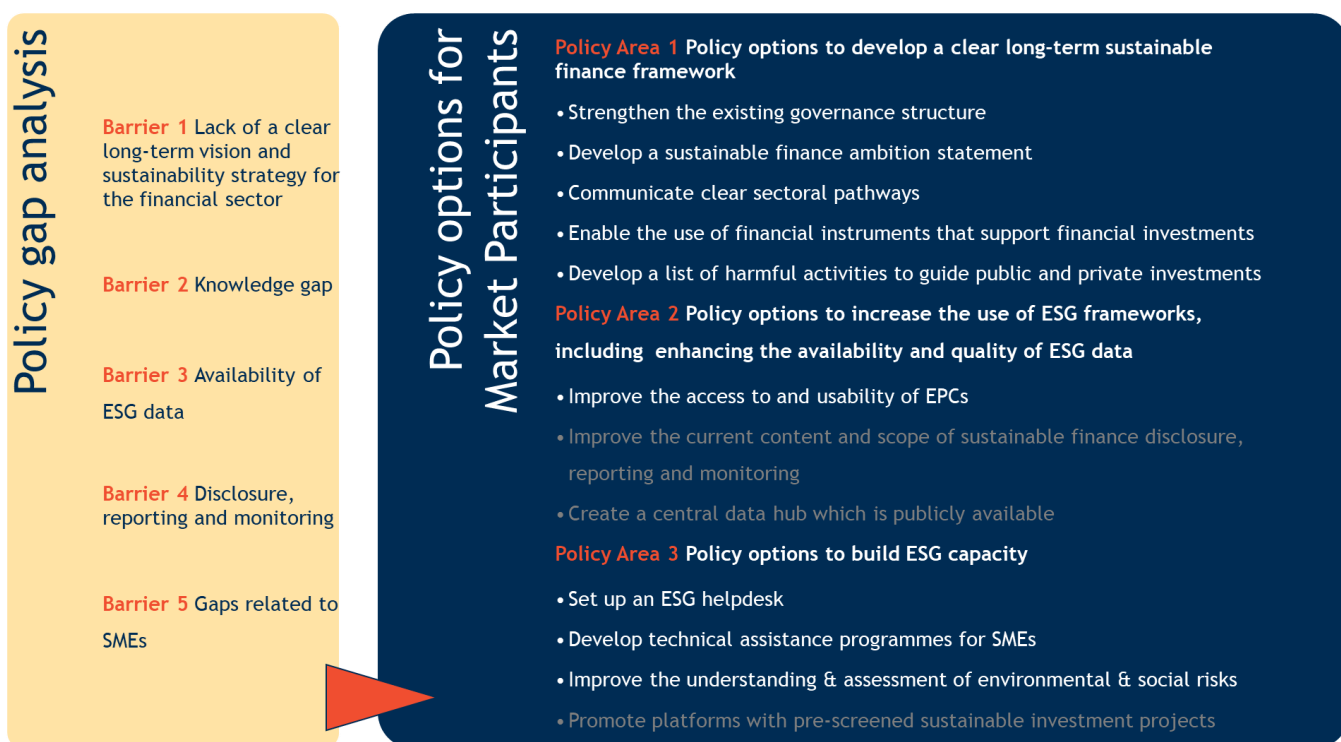
Stakeholders to consult in this project were selected in a way that ensured a balance between representativeness and functionality for the project. Financial market participants and public financial institutions were targeted (e.g., suppliers of finance, coordination bodies, regulatory bodies), as well as organisations that brought a broad coverage of stakeholders, opinions and expertise (e.g., large unions, federations of NGOs, academia). Stakeholders were categorised according to their role in the financial system. In total, 145 stakeholders were identified and involved in the project activities.

Diagnostic

The diagnostic phase provided insights into the current state-of-play of the Belgian landscape for sustainable development and investments, the European and Belgian frameworks for sustainable finance including a mapping of the most important public and private financial vehicles, and insights into the approaches, frameworks, tools and instruments used by the main financial sector stakeholders in Belgium.

Identifying policy gaps & proposing policy options to overcome them

The policy gaps identified and analysed from the **perspective of financial market participants** provided the following insights into the main areas where policy interventions are needed (options that we consider less urgent are in grey):



The policy gaps identified and analysed from the perspective of the **federal government of investor** provided the following insights into the main areas where policy interventions are needed:

Policy gap analysis

Barrier 1 lack of a clear-long term policy framework for Belgium from which investments needed to move towards net-zero follow

Barrier 2 lack of policy guidelines to identify sustainable activities

Barrier 3 lack of knowledge to screen, monitor and report sustainable activities

Barrier 4 limited of mandate of the federal authorities to support the transition through the allocation of their assets, given the important role of regions in environmental & SME-related investments policies

Policy options for the federal government as investor

Policy Area 1 Policy options for an ambitious and coordinated sustainable finance policy framework

- Establish a governance structure to ensure the sustainability mainstreaming across all federal investment vehicles
- General & vehicle-specific recommendations for mainstreaming sustainability approaches & frameworks
- Develop a list of harmful activities to guide public investments of all federal investment vehicles

Policy Area 2 Policy options to improve the monitoring and disclosure of sustainability in public financial flows

- Develop a common framework to report on the sustainability strategy and progress of each institution
- Develop a common framework for monitoring and disclosing data on the sustainability of investments
- Develop a common framework for reporting the integration of sustainability-linked risks

Policy Area 3 Policy options to build capacity for advancing sustainable finance objectives

- Build an ESG help desk
- Offer a forum where institutions can build a community of practices

5. Communication material

5.1 Project description

Title: Developing Policy Options for a Belgian Sustainable Finance Strategy

Summary: Following the increasing efforts at the EU level to reorientate finance towards the transition to a sustainable economy, Belgium received support from the European Commission for a scoping study to inform the development of a Belgian Sustainable Finance Strategy.

Context: Sustainable finance has a key role to play in delivering on the policy objectives under the European Green Deal (EGD) and Fit for 55 as well as the EU's international commitments on climate and sustainability objectives. Member States play a crucial role in guiding the financial sector to transition to a sustainable economy.

Support delivered: The project led to an overview of policy options for the federal government to support financial market participants, build capacity within the government to increase sustainable finance efforts and proposing requirements regarding harmful activities. Recommendations focus on making finance more sustainable and to increase sustainable investments by mainstreaming sustainable finance in policy frameworks and governance structures, improving disclosure, monitoring and reporting, and capacity building.

Results achieved: The project identified actions for financial market participants and the federal government, including timelines and responsibilities. This formed the knowledge base for the Belgian Sustainable Finance Strategy. The consultations brought public and private key stakeholders together, which can be considered as a first step towards a sustainable finance ecosystem in Belgium which will work collectively on the strategy implementation.

Mention of EU assistance: This project is funded by the European Union via the Technical Support Instrument and implemented by Trinomics, in cooperation with the European Commission.

5.2 Social media text

Post 1 (focus on stakeholder consultations):

Over the last 1.5 years, a broad range of Belgian stakeholders was consulted on policy options to shape sustainable finance in Belgium under a project carried out with funding by the European Union via the Technical Support Instrument. The results of two workshops, three questionnaires and several interviews have led to a set of recommendations for the Belgian Government on policy options to consider for their sustainable finance strategy [#sustainablefinance #sustainability #EuropeanCommission#EUReformSupport](#)

Post 2 (focus on political importance of the project):

As part of a project carried out with funding by the European Union via the Technical Support Instrument, DG REFORM assisted Belgium in the development of policy options to inform upcoming sustainable finance strategy.

Sustainable finance has a key role to play in delivering on the policy objectives under the European Green Deal (EGD) and Fit for 55 as well as Belgium's international commitments on climate and sustainability.

[#sustainablefinance](#) [#sustainability](#) [#EuropeanCommission](#) [#EUReformSupport](#)

5.3 Visual materials:

Photos from workshop on 28th June 2022. These photos have the approval of the participants from the workshop.



Annexes: Deliverable reports

All annexes are attached separately

Annex 1: Deliverable 1 report

Annex 2: Deliverable 2 report

Annex 3: Deliverable 3 report

Annex 4.a: Deliverable 4a report

Annex 4.b: Deliverable 4b report

Annex 5.a: Deliverable 5a report

Annex 5.b: Deliverable 5b report



Visit our website:



Find out more
about the Technical
Support Instrument:

