

# Call for feedback on TEG report on EU Taxonomy

Fields marked with \* are mandatory.

## Introduction

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### Disclaimer:

This call for feedback is part of ongoing work by Directorate-general for financial stability, financial services and capital markets union, Directorate-general for environment, Directorate-general for climate action and Directorate-general for energy on sustainable finance, for which the European Commission has set up a [dedicated Technical expert group \(TEG\)](#).

This feedback process is not an official Commission consultation or document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

In March 2018 the European Commission published its [action plan: financing sustainable growth](#). Action 1 of the Commission's action plan calls for the establishment of an EU classification system for sustainable activities, or Taxonomy. The European Commission followed through on this action in May 2018 with a [proposal for a regulation on the establishment of a framework to facilitate sustainable investment](#) (taxonomy regulation).

In addition, a [technical expert group on sustainable finance \(TEG\)](#) was set up by the European Commission in July 2018 to assist in with the implementation of four key actions of the action plan, including the development of an EU taxonomy.

Within the framework of the proposed taxonomy regulation, the TEG has been asked to develop recommendations for technical screening criteria for economic activities that can make a substantial contribution to climate change mitigation or adaptation, while avoiding significant harm to the four other environmental objectives:

1. sustainable use and protection of water and marine resources;
2. transition to a circular economy, waste prevention and recycling;
3. pollution prevention control; and (4) protection of healthy ecosystems.

On 18 June 2019, the TEG published its [technical report on EU taxonomy](#). The report sets out the basis for a future EU taxonomy in legislation. The report contains:

- technical screening criteria for 67 activities across 8 sectors that can make a substantial contribution to **climate change mitigation**;
- a methodology and worked examples for evaluating substantial contribution to **climate change adaptation**;
- guidance and case studies for **investors preparing to use the taxonomy**.

This report builds on the [work that the TEG published in December last year](#) together with a call for feedback on the proposed criteria for these “first round” activities. The TEG has also engaged with over 150 additional experts in the past months to develop technical screening criteria for the ‘second round’ of climate change mitigation activities and climate change adaptation activities.

In addition to its technical report, the TEG has also published a [supplementary report on using the taxonomy](#). This provides investors and companies with a concise and clear explanation of why the taxonomy is needed, what it looks like, and its ease of use.

### **Call for feedback**

The TEG is inviting stakeholders to provide feedback on (parts of) its technical report through the online [questionnaire](#).

Because of technical problems, the deadline for providing feedback is **extended at least until Monday 16 September 2019 23:59**. If the technical problems persist, a further extension will be considered.

In the online questionnaire, you will be able to select on which parts of the report you want to provide feedback to, including a selection of the 67 individual activities that make a substantial contribution to climate change mitigation and the different elements of each activity.

## Next steps

The TEG mandate has been extended until the end of this year. The TEG will use this time to:

- assess the feedback from stakeholders on its technical report;;
- refine and further develop some incomplete aspects of the proposed technical screening criteria for substantial contributions and avoidance of significant harm;
- develop further guidance on implementation and use of the taxonomy.

At the end of its mandate, the TEG will make further recommendations to the European Commission on the need to adjust and complement their work on an EU taxonomy.

The TEG's recommendations are designed to support the European Commission in the development of future delegated acts, as proposed in the taxonomy regulation.

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**Please note:** In order to ensure a fair and transparent feedback process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [ec-teg-sf@ec.europa.eu](mailto:ec-teg-sf@ec.europa.eu).

Useful documents and links:

- [More on EU taxonomy](#)
- [Technical report on EU taxonomy](#)
- [Supplementary report on using the taxonomy](#)
- [Specific privacy statement](#)

## 1. Information about you

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\* Are you replying as:

- a private individual
- a private organisation or a company
- a public authority or an international organisation

\* Name of your organisation:

BVI

Contact email address:

The information you provide here is for administrative purposes only and will not be published

magdalena.kuper@bvi.de

\* Is your organisation included in the Transparency Register?

(If your organisation is not registered, [we invite you to register here](#), although it is not compulsory to be registered to reply to this feedback process. [Why a transparency register?](#))

- Yes  
 No

\* If so, please indicate your Register ID number:

96816064173-47

\* Type of organisation:

- |   |   |
|---|---|
| <input type="radio"/> Academic institution                        | <input type="radio"/> Media                         |
| <input type="radio"/> Company, SME, micro-enterprise, sole trader | <input type="radio"/> Non-governmental organisation |
| <input type="radio"/> Consultancy, law firm                       | <input type="radio"/> Think tank                    |
| <input type="radio"/> Consumer organisation                       | <input type="radio"/> Trade union                   |
| <input type="radio"/> Industry association                        | <input checked="" type="radio"/> Other              |

\* Please specify the type of organisation:

BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Fund companies act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's more than 100 members manage assets of some 3 trillion euros for private investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 22% in the EU Germany represents the largest fund market as well as the second fastest growing market in the EU.

\* Where are you based and/or where do you carry out your activity?

Germany

\* Field of activity (*if applicable*):

*at least 1 choice(s)*

- Accounting  
 Auditing  
 Banking  
 Credit rating agencies  
 Insurance  
 Pension provision  
 Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)

- Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- Social entrepreneurship
- Other
- Not applicable

\* Sector (*if applicable*):

*at least 1 choice(s)*

- A Agriculture, forestry and fishing
- B Mining and quarrying
- C Manufacturing
- D Electricity, gas, steam and air conditioning supply
- E Water supply; sewerage, waste management and remediation activities
- F Construction
- H Transportation and storage
- I Accommodation and food service activities
- J Information and communication
- K Financial and insurance activities
- L Real estate activities
- M Professional, scientific and technical activities
- N Administrative and support service activities
- O Public administration and defence; compulsory social security
- P Education
- Q Human health and social work activities
- Not applicable

## Important notice on the publication of responses

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\* Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

([see specific privacy statement](#))

- Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- No, I do not want my response to be published

\* Contributions received through this survey will be reviewed by the TEG. Do you agree to be contacted by the TEG to clarify your response if necessary?

- Yes, I agree to be contacted by the TEG if necessary through the contact details I provided
- No, I do not want to be contacted by the TEG

## 2. Selection feedback

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**This call for feedback covers the following parts of the technical report:**

1. Climate change mitigation activities
2. Climate change adaptation
3. Usability of the taxonomy
4. Future development of the taxonomy

**Please tick the relevant topics and/or sectors and activities to which you would like to provide feedback :**  
(You will be able to answer questions for the selected topics and/or sectors and activities)

## 1. Climate change mitigation activities

### Agriculture and forestry

- Growing of perennial crops
- Growing of non-perennial crops
- Livestock production
- Afforestation
- Rehabilitation, Restoration
- Reforestation
- Existing forest management

### Manufacturing

- Manufacturing of low carbon technologies
- Manufacture of Cement
- Manufacture of Aluminium
- Manufacture of Iron and Steel
- Manufacture of hydrogen
- Manufacture of other inorganic basic chemicals
- Manufacture of other organic basic chemicals
- Manufacture of fertilizers and nitrogen compounds
- Manufacture of plastics in primary form

### Electricity, gas, steam and air conditioning supply

- Production of Electricity from Solar PV
- Production of Electricity from Concentrated Solar Power
- Production of Electricity from Wind Power
- Production of Electricity from Ocean Energy
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- Production of Electricity from Hydropower
- Production of Electricity from Geothermal
- Production of Electricity from Gas Combustion
- Production of Electricity from Bioenergy
- Transmission and Distribution of Electricity
- Storage of Energy
- Manufacture of Biomass, Biogas or Biofuels
- Retrofit of Gas Transmission and Distribution Networks
- District Heating/Cooling distribution
- Installation and operation of Electric Heat Pumps
- Cogeneration of Heat/Cool and power from Concentrated Solar Power
- Cogeneration of Heat/Cool and power from Geothermal Energy
- Cogeneration of Heat/Cool and power from Gas Combustion
- Cogeneration of Heat/Cool and power from Bioenergy
- Production of Heating and Cooling from Concentrated Solar Power
- Production of Heating and Cooling from Geothermal Energy
- Production of Heating and Cooling from Gas Combustion
- Production of heating and cooling from Bioenergy
- Production of Heating and Cooling using Waste Heat

## **Water, Waste and Sewerage remediation**

- Water collection, treatment and supply
- Centralized wastewater treatment systems
- Anaerobic digestion of sewage sludge
- Separate collection and transport of non-hazardous waste in source segregated fractions
- Anaerobic digestion of bio-waste
- Composting of bio-waste
- Material recovery from waste
- Landfill gas capture and energetic utilization
- Direct Air Capture of CO<sub>2</sub>
- Capture of anthropogenic emissions
- Transport of CO<sub>2</sub>
- Permanent Sequestration of captured CO<sub>2</sub>

## **Transport**

- Passenger Rail Transport (Interurban)
- Freight Rail Transport
- Public transport
- Infrastructure for low carbon transport
- Passenger cars and commercial vehicles
- Freight transport services by road
- Interurban scheduled road transport
- Inland passenger water transport
- Inland freight water transport
- Construction of water projects

## Information and Communication Technologies (ICT)

- Data processing, hosting and related activities
- Data-driven solutions for GHG emissions reductions

## Buildings

- Construction of new buildings
- Renovation of existing buildings
- Individual renovation measures, installation of renewable on-site and professional, scientific and technical activities
- Acquisition of buildings

## 2. Climate change adaptation

- I want to provide feedback for this topic

## 3. Usability of the taxonomy

- I want to provide feedback for this topic

## 4. Future development of the taxonomy

- I want to provide feedback for this topic

*When responding to these questions please refer to the requirements for technical screening criteria as outlined in Article 14 of the [proposed Taxonomy regulation](#) and the principles for developing criteria as used by TEG and explained in the [Technical report on Taxonomy](#).*

*Please note that if you propose new boundaries, metrics or thresholds for an activity, you are requested to also provide additional information on the Do No Significant Harm assessment that might be affected by your proposal.*

**Please select the elements of the activity to which you would like to provide feedback:**

- Boundary of the activity
- Metric for substantial contribution criteria
- Threshold for substantial contribution criteria
- Do no significant harm criteria
- International applicability of activity criteria

*When responding to these questions please refer to the requirements for technical screening criteria as outlined in Article 14 of the [proposed Taxonomy regulation](#) and the principles for developing criteria as used by TEG and explained in the Technical report on Taxonomy.*

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## **Buildings - Construction of new buildings**

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*When responding to these questions please refer to the requirements for technical screening criteria as outlined in Article 14 of the [proposed Taxonomy regulation](#) and the principles for developing criteria as used by TEG and explained in the Technical report on Taxonomy.*

*Please note that if you propose new boundaries, metrics or thresholds for an activity, you are requested to also provide additional information on the Do No Significant Harm assessment that might be affected by your proposal.*

**Please select the elements of the activity to which you would like to provide feedback:**

- Boundary of the activity
- Metric for substantial contribution criteria
- Threshold for substantial contribution criteria
- Do no significant harm criteria
- International applicability of activity criteria

**1. Should the boundaries, as set for the purposes of applying principles, metrics and thresholds of the activity, be different?**

- Yes
- No

**If yes, why and how?**  
**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

It should be clarified that the activity "construction of buildings" encompasses also adding annexes or new storeys to existing buildings in order to create additional living or working space. Such projects are becoming very popular in Germany and in other urban areas in the EU and should contribute to a sustainable exploration of the building stock.

**Links to evidence:**

*1000 character(s) maximum*

**2. Should a different metric be used?**

- Yes
- No

**I f                    y e s ,                    w h y                    a n d                    h o w ?**

**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

We have significant reservations with regard to the relative metric relying on comparisons of energy and resource efficiency of local properties. Such a metric is unsuitable for an adequate assessment of the sustainability of buildings. Given that robust and reliable data for measuring relative energy performance will not be available even in the longer term, relative benchmarks would not reflect actual circumstances and would therefore be completely arbitrary. It might also create incentives to invest preferably in markets with relatively low thresholds and hence, prove counterproductive to the overall level of ambition in terms of reducing GHG emissions. The taxonomy should thus provide objective quantitative criteria for determining the sustainability of buildings, at best built upon absolute limit values.

- Should the relative approach be retained, we urge the TEG to take into account the following suggestions:
- Better data availability through the establishment of a central database for energy performance certificates should be ensured while respecting data protection and the principle of proportionality: The Taxonomy demands an enormous granularity of data. For many property owners, it is difficult to measure GHG emissions or savings. For example, the real estate industry focuses on energy demand and consumption. Unfortunately, however, the necessary data has not yet been collected and made available in a targeted manner. One of the consequences of this is that energy certificates cannot be accessed systematically. As is already the case in some EU countries, a central database for energy performance certificates should be made available online, covering both residential and commercial real estate financing. Measuring actual energy consumption is even more problematic. Apart from the fact that data protection aspects play a role here, such data are virtually unavailable in Germany to date.
  - The metric should account for different types of property use in terms of energy demand: There are different approaches to determining EPC rating B in the EU. In Germany, the EPC rating only applies to residential buildings. For this reason, we consider an approach that takes into account the different types of use and different locations to be more effective. An office building in Seville is different from a hotel in Oslo. Objective country- and building-specific criteria are therefore necessary for assessing both significant contribution and “do not significant harm” aspects. These criteria should be determined by independent bodies in order to ensure sufficient legal certainty for users.
  - Existing market standards should be used whenever possible: Sustainable Finance will be upgraded, but not reinvented by the planned new EU standards. Some market participants have already developed standards and recommendations that are proving to be practicable and should be duly taken into regard.

**Links to evidence:**

*1000 character(s) maximum*

**3. Should the threshold be different?**

- Yes
- No

**I f                    y e s ,                    w h y                    a n d                    h o w ?**

**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

Taxonomy should create better incentives: We consider the target of 15% in terms of the local building stock to be too ambitious. The incentive effect for investing in energy efficient and low GHG emissions buildings would be improved if the percentage were increased, e.g. to 25%. By widening the scope of the Taxonomy, the real estate sector in general could be encouraged to invest in projects and measures reducing the GHG emissions.

Grandfathering arrangements should be provided for existing products: The placement of real estate funds - not only due to regulatory requirements - is a complex process that establishes contractual relationships between the parties involved that must be comprehensively documented. The subsequent implementation of new standards for existing products is practically impossible. At the very least, it should be ensured that the sustainability status of a product that meets the relevant Taxonomy requirements at a given point in time is maintained throughout the life of the product.

**Links to evidence:**

*1000 character(s) maximum*

**4. For the objectives where DNSH criteria have been identified, should these criteria be different?**

- Yes
- No

**I f                    y e s ,                    w h y                    a n d                    h o w ?**

**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

The DNSH assessment is too complex to be carried out in a meaningful manner. Some criteria require comparison with other local buildings (e.g. with relation to (3) water, it is required that the calculated water consumption in water scarce areas be no more than below 80% of the average for other buildings of the same typology and functionality). However, data for conducting such comparisons are simply not available. Such strict DNSH criteria will be difficult, sometimes impossible, to identify and might discourage companies from attempting to invest in line with the Taxonomy. Therefore, it is important to allow assessment of the DNSH criteria on a best-effort basis with reliance on generally available information. DNSH criteria should also be linked to local legislation and existing best in class approaches should be eligible in future (including practices like soil testing in an established due diligence process).

Furthermore, we disagree with the general exclusion of buildings from the scope of the Taxonomy if those buildings are occupied by companies that engage (among others) in fossil fuel activities. Currently, almost all energy sector companies are still involved in extraction or manufacturing of fossil fuel activities. However, these companies themselves are not generally excluded from the Taxonomy if they invest in or offer energy solutions based on renewable energies. It is therefore inconsequential to consider occupation of buildings by such companies undergoing a transitional process as generally harmful. Moreover, it is not clear what is meant by "occupation" (are rental arrangements included?) and whether such occupation is also harmful if it relates to a minor part of e.g. an administrative building with several renting parties.

### Links to evidence:

*1000 character(s) maximum*

### 5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?

- Yes
- No

### 6. Can the proposed criteria for substantial contribution and DNSH be used for activities outside the EU?

- Yes
- No

### If not, please propose alternative wording that could be considered and a brief rationale for the proposed change.

*2000 character(s) maximum*

A level playing field should be ensured within the EU and vis-à-vis other world regions:  
- Even though a large number of activities at the global level in recent years have contributed to making the term "sustainable finance" more tangible, there are still clear differences in the understanding of sustainability in an international context. German real estate funds invest in global portfolios of buildings. In order to determine suitable measured variables, comparability must be ensured in any case. It should

therefore be avoided at all costs that studies mix data relying on different definitions or compare very different real estate markets in an inappropriate way. The taxonomy should preferably define clear standards for investments outside of the EU.

- Moreover, it is necessary to allow for a reasonable, cost-efficient approach for applying the Taxonomy criteria to non-EU property markets. The suggested accreditation procedure for external certifiers is too expensive and burdensome. We suggest an approach that relies on the transparency of certification criteria for non-EU markets instead of accreditation. Without a practicable application to third-country properties, it must be clear that large proportions of real estate fund portfolios will not be able to qualify as Taxonomy-compliant.

## Buildings - Renovation of existing buildings

*When responding to these questions please refer to the requirements for technical screening criteria as outlined in Article 14 of the [proposed Taxonomy regulation](#) and the principles for developing criteria as used by TEG and explained in the [Technical report on Taxonomy](#).*

*Please note that if you propose new boundaries, metrics or thresholds for an activity, you are requested to also provide additional information on the Do No Significant Harm assessment that might be affected by your proposal.*

**Please select the elements of the activity to which you would like to provide feedback:**

- Boundary of the activity
- Metric for substantial contribution criteria
- Threshold for substantial contribution criteria
- Do no significant harm criteria
- International applicability of activity criteria

**1. Should the boundaries, as set for the purposes of applying principles, metrics and thresholds of the activity, be different?**

- Yes
- No

**I f                    y e s ,                    w h y                    a n d                    h o w ?**

**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

It is not clear to us how to distinguish the economic activities relating to “renovation of existing buildings” and to “individual renovation measures”. It appears that some renovation/installation measures could qualify as Taxonomy-compliant under both sets of criteria. Moreover, it needs to be clarified whether the Taxonomy

shall be relevant in terms of the value of the respective building or relate to the expenditures for renovation /installation. In any case, the only practicable solution for application at the portfolio level would be to use the real estate investment as a reference value and to assess the extent of its compliance with the Taxonomy. Buildings renovated in line with the Taxonomy criteria should qualify as Taxonomy-eligible during the entire period of an investment.

## Links to evidence:

*1000 character(s) maximum*

## 4. For the objectives where DNSH criteria have been identified, should these criteria be different?

- Yes  
 No

**If yes, why and how?**  
**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

## Explanation:

*3000 character(s) maximum*

The DNSH assessment is too complex to be carried out in a meaningful manner. Some criteria require comparison with other local buildings (e.g. with relation to (3) water, it is required that the calculated water consumption in water scarce areas be no more than below 80% of the average for other buildings of the same typology and functionality). However, data for conducting such comparisons are simply not available. Such strict DNSH criteria will be difficult, sometimes impossible, to identify and might discourage companies from attempting to invest in line with the Taxonomy. Therefore, it is important to allow assessment of the DNSH criteria on a best-effort basis with reliance on generally available information. DNSH criteria should also be linked to local legislation and existing best in class approaches should be eligible in future (including practices like soil testing in an established due diligence process).

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## Links to evidence:

*1000 character(s) maximum*

### 5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?

- Yes  
 No

### 6. Can the proposed criteria for substantial contribution and DNSH be used for activities outside the EU?

- Yes  
 No

**If not, please propose alternative wording that could be considered and a brief rationale for the proposed change.**

*2000 character(s) maximum*

A level playing field should be ensured within the EU and vis-à-vis other world regions:

- Even though a large number of activities at the global level in recent years have contributed to making the term "sustainable finance" more tangible, there are still clear differences in the understanding of sustainability in an international context. German real estate funds invest in global portfolios of buildings. In order to determine suitable measured variables, comparability must be ensured in any case. It should therefore be avoided at all costs that studies mix data relying on different definitions or compare very different real estate markets in an inappropriate way. The taxonomy should preferably define clear standards for investments outside of the EU.
- Moreover, it is necessary to allow for a reasonable, cost-efficient approach for applying the Taxonomy criteria to non-EU property markets. The suggested accreditation procedure for external certifiers is too expensive and burdensome. We suggest an approach that relies on the transparency of certification criteria for non-EU markets instead of accreditation. Without a practicable application to third-country properties, it must be clear that large proportions of real estate fund portfolios will not be able to qualify as Taxonomy-compliant.

## Buildings - Individual renovation measures, installation of renewable on-site and professional, scientific and technical activities

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- Metric for substantial contribution criteria
- Threshold for substantial contribution criteria
- Do no significant harm criteria
- International applicability of activity criteria

**1. Should the boundaries, as set for the purposes of applying principles, metrics and thresholds of the activity, be different?**

- Yes
- No

**If yes, why and how?**  
**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

It is not clear to us how to distinguish the economic activities relating to “renovation of existing buildings” and to “individual renovation measures”. It appears that some renovation/installation measures could qualify as Taxonomy-compliant under both sets of criteria. Moreover, it needs to be clarified whether the Taxonomy shall be relevant in terms of the value of the respective building or relate to the expenditures for renovation /installation. In any case, the only practicable solution for application at the portfolio level would be to use the real estate investment as a reference value and to assess the extent of its compliance with the Taxonomy. Buildings renovated in line with the Taxonomy criteria should qualify as Taxonomy-eligible during the entire period of an investment.

**Links to evidence:**

*1000 character(s) maximum*

**4. For the objectives where DNSH criteria have been identified, should these criteria be different?**

- Yes
- No

**If yes, why and how?**  
**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

The DNSH assessment is too complex to be carried out in a meaningful manner. Some criteria require comparison with other local buildings (e.g. with relation to (3) water, it is required that the calculated water consumption in water scarce areas be no more than below 80% of the average for other buildings of the same typology and functionality). However, data for conducting such comparisons are simply not available. Such strict DNSH criteria will be difficult, sometimes impossible, to identify and might discourage companies from attempting to invest in line with the Taxonomy. Therefore, it is important to allow assessment of the DNSH criteria on a best-effort basis with reliance on generally available information. DNSH criteria should also be linked to local legislation and existing best in class approaches should be eligible in future (including practices like soil testing in an established due diligence process).

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**Links to evidence:**

*1000 character(s) maximum*

**5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?**

- Yes
- No

## 6. Can the proposed criteria for substantial contribution and DNSH be used for activities outside the EU?

- Yes  
 No

**If not, please propose alternative wording that could be considered and a brief rationale for the proposed change.**

*2000 character(s) maximum*

A level playing field should be ensured within the EU and vis-à-vis other world regions:

- Even though a large number of activities at the global level in recent years have contributed to making the term "sustainable finance" more tangible, there are still clear differences in the understanding of sustainability in an international context. German real estate funds invest in global portfolios of buildings. In order to determine suitable measured variables, comparability must be ensured in any case. It should therefore be avoided at all costs that studies mix data relying on different definitions or compare very different real estate markets in an inappropriate way. The taxonomy should preferably define clear standards for investments outside of the EU.
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## Buildings - Acquisition of buildings

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*When responding to these questions please refer to the requirements for technical screening criteria as outlined in Article 14 of the [proposed Taxonomy regulation](#) and the principles for developing criteria as used by TEG and explained in the [Technical report on Taxonomy](#).*

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- Do no significant harm criteria
- International applicability of activity criteria

**1. Should the boundaries, as set for the purposes of applying principles, metrics and thresholds of the activity, be different?**

- Yes
- No

**I f                    y e s ,                    w h y                    a n d                    h o w ?**

**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

It should be clarified that the activity “acquisition of buildings” applies also to the holding of the acquired building in a financial product portfolio and that a building acquired in line with the Taxonomy criteria can qualify as Taxonomy-eligible during the entire period of an investment.

**Links to evidence:**

*1000 character(s) maximum*

**2. Should a different metric be used?**

- Yes
- No

**I f                    y e s ,                    w h y                    a n d                    h o w ?**

**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

**Explanation:**

*3000 character(s) maximum*

We have significant reservations with regard to the relative metric relying on comparisons of energy and resource efficiency of local properties. Such a metric is unsuitable for an adequate assessment of the sustainability of buildings. Given that robust and reliable data for measuring relative energy performance will not be available even in the longer term, relative benchmarks would not reflect actual circumstances and would therefore be completely arbitrary. It might also create incentives to invest preferably in markets with relatively low thresholds and hence, prove counterproductive to the overall level of ambition in terms of reducing GHG emissions. The taxonomy should thus provide objective quantitative criteria for determining the sustainability of buildings, at best built upon absolute limit values.

Should the relative approach be retained, we urge the TEG to take into account the following suggestions:

- Better data availability through the establishment of a central database for energy performance certificates should be ensured while respecting data protection and the principle of proportionality: The Taxonomy demands an enormous granularity of data. For many property owners, it is difficult to measure GHG emissions or savings. For example, the real estate industry focuses on energy demand and consumption. Unfortunately, however, the necessary data has not yet been collected and made available in a targeted manner. One of the consequences of this is that energy certificates cannot be accessed systematically. As is already the case in some EU countries, a central database for energy performance certificates should be made available online, covering both residential and commercial real estate financing. Measuring actual energy consumption is even more problematic. Apart from the fact that data protection aspects play a role here, such data are virtually unavailable in Germany to date.
- The metric should account for different types of property use in terms of energy demand: There are different approaches to determining EPC rating B in the EU. In Germany, the EPC rating only applies to residential buildings. For this reason, we consider an approach that takes into account the different types of use and different locations to be more effective. An office building in Sevilla is different from a hotel in Oslo. Objective country- and building-specific criteria are therefore necessary for assessing both significant contribution and “do not significant harm” aspects. These criteria should be determined by independent bodies in order to ensure sufficient legal certainty for users.
- Existing market standards should be used whenever possible: Sustainable Finance will be upgraded, but not reinvented by the planned new EU standards. Some market participants have already developed standards and recommendations that are proving to be practicable and should be duly taken into regard.

## Links to evidence:

*1000 character(s) maximum*

### 3. Should the threshold be different?

- Yes  
 No

**If yes, why and how?**  
**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

### Explanation:

*3000 character(s) maximum*

Taxonomy should create better incentives: We consider the target of 15% in terms of the local building stock to be too ambitious. The incentive effect for investing in energy efficient and low GHG emissions buildings would be improved if the percentage were increased, e.g. to 25%. By widening the scope of the Taxonomy, the real estate sector in general could be encouraged to invest in projects and measures reducing the GHG emissions.

Grandfathering arrangements should be provided for existing products: The placement of real estate funds - not only due to regulatory requirements - is a complex process that establishes contractual relationships between the parties involved that must be comprehensively documented. The subsequent implementation of new standards for existing products is practically impossible. At the very least, it should be ensured that the sustainability status of a product that meets the relevant Taxonomy requirements at a given point in time is maintained throughout the life of the product.

### Links to evidence:

*1000 character(s) maximum*

### 4. For the objectives where DNSH criteria have been identified, should these criteria be different?

- Yes
- No

**If yes, why and how?**  
**Please provide a brief rationale for the proposed change as well as links to published journals or articles as evidence.**

### Explanation:

*3000 character(s) maximum*

The DNSH assessment is too complex to be carried out in a meaningful manner. Some criteria require comparison with other local buildings (e.g. with relation to (3) water, it is required that the calculated water consumption in water scarce areas be no more than below 80% of the average for other buildings of the same typology and functionality). However, data for conducting such comparisons are simply not available. Such strict DNSH criteria will be difficult, sometimes impossible, to identify and might discourage companies from attempting to invest in line with the Taxonomy. Therefore, it is important to allow assessment of the DNSH criteria on a best-effort basis with reliance on generally available information. DNSH criteria should also be linked to local legislation and existing best in class approaches should be eligible in future (including practices like soil testing in an established due diligence process).

Furthermore, we disagree with the general exclusion of buildings from the scope of the Taxonomy if those buildings are occupied by companies that engage (among others) in fossil fuel activities. Currently, almost all energy sector companies are still involved in extraction or manufacturing of fossil fuel activities. However, these companies themselves are not generally excluded from the Taxonomy if they invest in or offer energy solutions based on renewable energies. It is therefore inconsequential to consider occupation of buildings by such companies undergoing a transitional process as generally harmful. Moreover, it is not clear what is meant by "occupation" (are rental arrangements included?) and whether such occupation is also harmful if it relates to a minor part of e.g. an administrative building with several renting parties.

## Links to evidence:

1000 character(s) maximum

### 5. Are there any additional objectives where DNSH criteria need to be identified to avoid significant harm?

- Yes  
 No

### 6. Can the proposed criteria for substantial contribution and DNSH be used for activities outside the EU?

- Yes  
 No

### If not, please propose alternative wording that could be considered and a brief rationale for the proposed change.

2000 character(s) maximum

A level playing field should be ensured within the EU and vis-à-vis other world regions:

- Even though a large number of activities at the global level in recent years have contributed to making the term "sustainable finance" more tangible, there are still clear differences in the understanding of sustainability in an international context. German real estate funds invest in global portfolios of buildings. In order to determine suitable measured variables, comparability must be ensured in any case. It should therefore be avoided at all costs that studies mix data relying on different definitions or compare very different real estate markets in an inappropriate way.
- Moreover, it is necessary to allow for a reasonable, cost-efficient approach for applying the Taxonomy criteria to non-EU property markets. The suggested accreditation procedure for external certifiers is too expensive and burdensome. We suggest an approach that relies on the transparency of certification criteria for non-EU markets instead of accreditation. Without a practicable application to third-country properties, it must be clear that large proportions of real estate fund portfolios will not be able to qualify as Taxonomy-compliant.

### 1. Do you consider that the qualitative criteria for adaptation apply equally to all sectors?

- Yes  
 No  
 Don't know / no opinion / not relevant

### Please explain your answer:

2000 character(s) maximum

**2. Should the qualitative criteria be different?**

- Yes
- No
- Don't know / no opinion / not relevant

**3. Are the illustrative templates provided in the Technical report useful for indicating the potential application of the criteria?**

- Yes
- No
- Don't know / no opinion / not relevant

**Please explain what other information would be useful:**

*3000 character(s) maximum*

**4. Would any additional data or tools would improve the usability of the Adaptation qualitative screening criteria?**

- Yes
- No
- Don't know / no opinion / not relevant

**Are there areas of potential harm that TEG should consider for DNSH criteria for the activities that make a substantial contribution to adaptation objectives?**

- Yes
- No
- Don't know / no opinion / not relevant

### **3. Usability of the taxonomy**

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**1. Do you expect to use the Taxonomy in your business activities in the short term (1-3 years) or long term (4 years or more)?**

- Yes
- No
- Don't know / no opinion / not relevant

**If yes, please indicate when (short term or long term) and specify the activities for which you will use the Taxonomy.**

*2000 character(s) maximum*

We understand the technical criteria for the Taxonomy as a “dictionary” for classifying environmentally sustainable economic activities. The Taxonomy could attain a broader relevance for asset managers and not only be used for defining criteria for sustainable investments. Further areas of relevance could include in particular investment due diligence, risk management, corporate engagement, impact and ESG reporting. However, whether the Taxonomy will be viable for these purposes in practice depends on (1) its relevance for different asset classes, (2) feasibility for the use at the portfolio level and ultimately on (3) the availability of the relevant data from issuers. The last aspect is crucial for the market success of the Taxonomy. Since the technical criteria are based on specific quantitative thresholds i.e. in terms of GHG emissions, compliance with these criteria can only be assessed by the individual companies. Without reliable reporting by companies, it will not be possible for asset managers or even ESG rating agencies to consider the alignment of an investment with the Taxonomy. The lack of reporting by issuers is in our view the biggest obstacle to implementing investment solutions based on the Taxonomy or taking into account the Taxonomy criteria as part of broader ESG concepts. Moreover, data on Taxonomy-eligible activities would need to be of sufficient quality and generated in a comparable manner in order to become relevant for asset management purposes. In view of these challenges, we doubt whether the Taxonomy will take effect in the short-term. Presuming that the data gaps will be closed and EU issuers will be subject to an obligation to regularly report on their Taxonomy-compliant activities, we could envisage practical application of the Taxonomy in the next five years.

**2. Can the Taxonomy be made more useful for disclosures related to your specific financial product? This question covers only financial products where disclosure obligations are foreseen by the Taxonomy proposal.**

- Yes
- No
- Don't know / no opinion / not relevant

**Which specific financial product(s) did you have in mind?**

- Portfolio management
- UCITS funds
- Alternative investment funds
- Insurance-based Investment Products
- Pension products and pension schemes

**How could the Taxonomy be made more useful for Portfolio management?**

*2000 character(s) maximum*

Assuming that the final disclosure requirements will be close to the Commission's initial proposal under Article 4, we see significant need for improvement in the following areas:  
 - Facilitating application for major asset classes: Due to the granularity of the proposed technical criteria, the

Taxonomy will be easier to apply for direct investments in projects or assets overall qualifying as environmentally sustainable, such as green bonds, real estate or direct project financing. Generally, such investments are not considered as core elements of a diversified portfolio.

- Introducing reporting obligations for large undertakings: Taxonomy alignment of public equity instruments cannot be assessed without dedicated reporting by issuers. Especially for large companies with multiple business lines, evaluation of the technical criteria at the activity level can be reasonably conducted by the issuer only. Without reporting by issuers, the Taxonomy will not work for public equity investments. The same applies to investments in bonds which without further disclosures will generally not qualify as environmentally sustainable.

- Reducing overburdening complexity of application: The current TEG proposal includes a requirement for product manufacturers to engage in “preventing or mitigating adverse impacts” as part of due diligence on the DNSH criteria. This is a substantive requirement which is not compatible with the general approach of the Taxonomy aiming at identifying environmentally sustainable activities.

In view of these challenges, it is absolutely critical that the application of the Taxonomy for assessing environmentally sustainable investments remains voluntary. Enforcement of the Taxonomy without corresponding disclosure requirements by issuers would entail high liability risks for product providers and might hamper further development of the currently very dynamic market for sustainable investments.

## How could the Taxonomy be made more useful for UCITS funds?

*2000 character(s) maximum*

Our proposals:

- Facilitating application for major asset classes: Due to the granularity of the proposed technical criteria, the Taxonomy will be easier to apply for direct investments in projects or assets overall qualifying as environmentally sustainable such as green bonds, real estate or direct project financing, neither of which is common or even allowed in UCITS. UCITS are set up as investment vehicles dedicated to the mass retail market, i.e. offering broad diversification of risk and daily liquidity. Eligible investments by UCITS include in particular public equity, sovereign and corporate bonds.

- Introducing reporting obligations for large undertakings: Taxonomy alignment of public equity instruments cannot be assessed without dedicated reporting by issuers. Especially for large companies with multiple business lines, evaluation of the technical criteria at the activity level can be reasonably conducted by the issuer only. Without reporting by issuers, it is quite clear that the Taxonomy will not work for public equity or bond investments. This would effectively exclude practical application of the Taxonomy for environmentally sustainable strategies offered in a UCITS wrapper.

- Reducing overburdening complexity of application: The current TEG proposal includes a requirement for product manufacturers to engage in “preventing or mitigating adverse impacts” as part of due diligence on the DNSH criteria. This is a substantive requirement which is not compatible with the general approach of the Taxonomy aiming at identifying environmentally sustainable activities.

In view of these challenges, it is critical that the application of the Taxonomy for assessing environmentally sustainable investments remains voluntary. Enforcement of the Taxonomy without corresponding disclosure requirements by issuers would entail liability risks for product providers and might hamper further development of the market for sustainable investments.

## How could the Taxonomy be made more useful for Alternative investment funds?

*2000 character(s) maximum*

We see the need for the following improvements:

- Facilitating application for major asset classes: Due to the granularity of the proposed technical criteria, the Taxonomy will be easier to apply for direct investments in projects or assets overall qualifying as

environmentally sustainable. This pertains in particular to investments in green bonds, real estate or direct project financing. Even though AIFs are entitled to invest in such assets, they are generally used as additions to risk-diversified AIF solutions, e.g. in multi-asset funds (except for real estate). Similar to UCITS, the core investments of most AIFs consist mostly of public equity, sovereign and corporate bonds.

- Introducing reporting obligations for large undertakings: Taxonomy alignment of public equity instruments cannot be assessed without dedicated reporting by issuers. Especially for large companies with multiple business lines, evaluation of the technical criteria at the activity level can be reasonably conducted by the issuer only. Without reporting by issuers, it is quite clear that the Taxonomy will not work for public equity or bond investments

- Reducing overburdening complexity of application: The TEG proposal includes a requirement for product manufactures to engage in “preventing or mitigating adverse impacts” as part of due diligence on the DNSH criteria. This is a substantive requirement which is not compatible with the general approach of the Taxonomy aiming at identifying environmentally sustainable activities.

In view of these challenges, it is critical that the application of the Taxonomy for assessing environmentally sustainable investments remains voluntary. Enforcement of the without corresponding disclosure requirements by issuers would entail liability risks for product providers and might hamper further development of the market for sustainable investments.

### 3. Can the Taxonomy be made more useful for your investment decisions in different asset classes?

- Yes  
 No  
 Don't know/no opinion/not relevant

#### Which asset class(es) did you have in mind?

- Public equity  
 Corporate bonds  
 Green bonds  
 Private equity  
 Real estate  
 Project finance  
 Green loans  
 Other assets

#### How could the Taxonomy be made more useful for public equity?

*2000 character(s) maximum*

Application of the Taxonomy for public equity is very challenging. Since public equity is the major asset class for retail and institutional funds, feasibility of the Taxonomy for public equity investments is key for its market success. The following measures should be considered:

- Introducing reporting obligations at least for large undertakings under the Non-Financial Reporting Directive: Taxonomy alignment of public equity instruments cannot be assessed without dedicated reporting by issuers. Neither fund managers nor ESG rating agencies will be able to verify whether the relevant technical thresholds for certain economic activities have been met. This difficulty pertains in particular to large companies with multiple business lines which generally also qualify as large undertakings under the Non-Financial Reporting Directive. Without reporting by such entities, the Taxonomy will not work for public equity investments.

- Guidance on establishing Taxonomy compliance of equity investments: The TEG does not provide a clear

suggestion on how to determine the extent to which an equity investment is Taxonomy-aligned. Since the technical screening criteria are for some activities relevant in terms of revenues, for other in terms of investments enabling certain measures, it will be a major challenge to establish a percentage of Taxonomy-aligned activities for a large company. Further guidance is needed in order to facilitate a standardised approach.

- Allowing for a simplified approach in the initial phase: Given the complexity of application of the Taxonomy criteria for large cap issuers and the current lack of mandatory reporting for companies, a simplified approach should be envisaged for the introductory phase of Taxonomy. Product manufacturers could be allowed to consider the entire equity investment as environmentally sustainable if they were able to establish that a significant part of revenues by a given company results from Taxonomy-conform activities.

## How could the Taxonomy be made more useful for corporate bonds?

*2000 character(s) maximum*

In order to become fully effective as a green market standard, the Taxonomy should be applicable and work for all asset classes. This means that it should allow also for application to traditional corporate bonds, not only to those issued as green bonds and dedicated to financing of green projects. The degree of Taxonomy alignment for corporate bonds could refer to the issuer and be assessed based on the extent of its environmentally sustainable activities. In this regard, the same considerations as for public equity investments would apply, i.e. the following measures are needed:

- Introducing reporting obligations at least for large undertakings under the Non-Financial Reporting Directive: Taxonomy alignment of large undertakings cannot be assessed without dedicated reporting by issuers. Neither fund managers nor ESG rating agencies will be able to verify whether the relevant technical thresholds for certain economic activities have been met.
- Guidance on establishing Taxonomy compliance of investments: The TEG does not provide a clear suggestion on how to determine the extent to which economic activities by companies are Taxonomy-aligned. Further guidance is needed in order to facilitate a standardised approach.
- Allowing for a simplified approach in the initial phase: Product manufacturers could be allowed to consider the entire bond investment as environmentally sustainable if they were able to establish that a significant part of revenues by a given issuer results from Taxonomy-conform activities.

## How could the Taxonomy be made more useful for real estate?

*2000 character(s) maximum*

The following improvements are needed:

- Better data availability through the establishment of central databases: The Taxonomy demands an enormous granularity of data. For many property owners, it is difficult to measure GHG emissions and savings. It should be considered to make available online a central database for energy performance certificates covering both residential and commercial real estate financing as already the case in some EU countries. Calculation of primary energy also requires solid data that should be provided on a central platform.
- The metric should account for different types of property use in terms of energy demand: There are different approaches to determining EPC rating B in the EU. In Germany, the EPC rating only applies to residential buildings. An approach that takes into account different types of use and different locations of buildings would be more effective. An office building in San Francisco is different from a hotel in Oslo as regards energy demand. Objective country- and building-specific criteria, e.g. regional kWh/m<sup>2</sup> benchmarks, are therefore necessary for assessing both significant contribution and DNSH. These criteria should be determined by independent bodies in order to ensure sufficient legal certainty for users. In contrast, allowing national EPC standards which differ in terms of kWh/m<sup>2</sup> per score will lead to distortion of competition, i.e.

funds may choose to invest in those countries in which an EPC rating of A and B is easier to obtain. - Existing market standards should be used whenever possible: Some market participants have already developed standards and recommendations that are proving to be practicable. - Taxonomy should create better incentives: The incentive effect for investing in energy efficient and low GHG emissions buildings would be improved if the percentage were increased, e.g. to 25%.

## How could the Taxonomy be made more useful for other assets?

*2000 character(s) maximum*

In order to become fully effective as a green market standard, the Taxonomy should be applicable and work for all asset classes. This means that at least in a longer term it should also facilitate application to sovereign bonds beyond those issued specifically as green bonds and dedicated to the financing of green projects. We would thus encourage the TEG to work on possible approaches to assessing Taxonomy alignment of sovereign issuers.

### 4. Is it sufficiently clear when the entire activities of a company or other entity should be considered as Taxonomy eligible (revenues or turnover) and when only expenditures by companies or other entities should be considered Taxonomy eligible?

- Yes
- No
- Don't know / no opinion / not relevant

### If no, it is not sufficiently clear, please specify how this could be made clearer.

*2000 character(s) maximum*

In principle, we understand the rationale to acknowledge certain expenditures by companies in the scope of the Taxonomy if such expenditures contribute to one or more environmental objectives. However, this entails another layer of complexity for the application of the Taxonomy. If certain economic activities will be considered eligible on the basis of revenues (which we consider equivalent to turnover), others based on the related capital expenditures, it will be simply impossible to combine this information, especially for investments in large undertakings. This would once again create impediments for the application of the Taxonomy in relation to public equity. We encourage the TEG to work on pragmatic and as simple as possible solutions to this challenge.

Moreover, whether certain activities shall be assessed with reference to revenues or CAPEX is not at all discernible from the tables in the TEG report, but must be evaluated based on the explanations in terms of mitigation criteria. We suggest introducing a dedicated line in each table specifying the relevant base for reference.

### 5. What practical tools or measures could be developed to facilitate the implementation of the taxonomy by financial actors?

**Please specify what these tools would be used for and provide sufficient explanation on how they can help to implement the taxonomy:**

*2000 character(s) maximum*

Important improvements for facilitating application of the Taxonomy include:

- Reducing overburdening complexity of application: The current TEG proposal includes a requirement for product manufacturer to engage in “preventing or mitigating adverse impacts” as part of due diligence on the DNSH criteria. This is a substantive requirement which is not compatible with the general approach of the Taxonomy aiming at identifying environmentally sustainable activities. The duties of financial market participants in terms of dealing with adverse impact of their investments will be further specified under the Disclosure regime and must not be duplicated in order to avoid impracticably complex processes of application and unnecessary costs for investors.

- Guidance on establishing Taxonomy compliance of equity investments: Since the technical screening criteria are for some activities relevant in terms of revenues, for other in terms of expenditures, it will be a major challenge to establish a percentage of Taxonomy-aligned activities for a large company. Further guidance is needed in order to facilitate a standardised approach.

- Allowing for a simplified approach in the initial phase: Given the complexity of application of the Taxonomy criteria for large issuers and the current lack of mandatory reporting for companies, a simplified approach should be envisaged for the introductory phase of Taxonomy. For instance, product manufacturers could be allowed to consider the entire equity investment as environmentally sustainable if they were able to establish that a significant part of revenues by a given company results from Taxonomy-conform activities.

In regulatory terms, the lack of reporting by issuers is the biggest obstacle to implementing investment solutions based on the Taxonomy. Without reliable reporting by companies, it will not be possible for asset managers or even ESG rating agencies to consider the alignment of an investment with the Taxonomy.

## 6. What practical tools or measures could be developed to help non-financial companies assess what share of their economic activities is taxonomy-eligible?

*3000 character(s) maximum*

## 4. Future development of the taxonomy

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### 1. What economic activities that can make a substantial contribution to the climate change mitigation objective should next be considered for the Taxonomy?

*3000 character(s) maximum*

In order to enhance the relevance of the Taxonomy, the criteria for environmentally sustainable activities must account to a larger extent for transitional measures, investments and activities undertaken by companies. Transition to a net-zero emissions economy by 2050 can only be successful if substantial parts of the real economy are incentivised to pursue decarbonising strategies. The respective investments and measures should be eligible to count as Taxonomy-compliant if they are based on a dedicated investment

plan aimed at meeting certain emission thresholds. The general idea has already been recognised in section 20 of the TEG report with regard to manufacturing activities, but should be further expanded and translated into specific technical criteria for qualifying transitional measures.

**2. Should any of the economic activities included in the Technical report be reconsidered as regards their inclusion in the taxonomy?**

- Yes
- No
- Don't know / no opinion / not relevant

**3. For what economic activities should an illustrative template for substantial contribution to climate change adaptation be developed next?**

*3000 character(s) maximum*

Useful links

[More on EU taxonomy \(https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy\\_en\)](https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en)

[Technical report on EU taxonomy \(https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-taxonomy\\_en\)](https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-taxonomy_en)

[Supplementary report on using the taxonomy \(https://ec.europa.eu/info/files/190618-sustainable-finance-teg-repc-using-the-taxonomy\\_en\\_en\)](https://ec.europa.eu/info/files/190618-sustainable-finance-teg-repc-using-the-taxonomy_en_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/190705-sustainable-finance-teg-report-taxonomy-privac-statement\\_en\)](https://ec.europa.eu/info/files/190705-sustainable-finance-teg-report-taxonomy-privac-statement_en)

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