



BANKING AND FINANCE

Feedback on the usability of the taxonomy

Fields marked with * are mandatory.

Introduction

Disclaimer:

This invitation for feedback is part of DG FISMA, DG ENV, DG CLIMA and DG ENER ongoing work to develop the taxonomy, for which the Commission has set up the TEG. The [action plan on financing sustainable growth](#) – action 1 – requests the group to develop the taxonomy on the basis of broad consultation of all relevant stakeholders. This feedback process is not an official Commission document nor an official Commission position. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

The proposed regulation (in Article 4 on use of the criteria for environmentally sustainable economic activities) envisages two specific uses of the taxonomy:

1. **Member States** when setting out “requirements on market actors in respect of financial products or corporate bonds that are marketed as 'environmentally sustainable'”;
2. **Financial market participants** “when marketing financial products as environmentally sustainable investments, or as investments having similar

characteristics, will have to disclose how and to what extent the criteria have been used to determine the sustainability of the product.” To comply with the regulation, the information disclosed by financial market participants should enable investors to identify:

- “the percentage of holdings pertaining to companies carrying out environmentally sustainable economic activities”; and
- “the share of the investment funding environmentally sustainable economic activities as a percentage of all economic activities”.

For financial market participants, these are disclosure requirements. The taxonomy is not a mandatory list of activities in which to invest. Funds targeting environmental objectives are not limited to investing in taxonomy-compliant activities. Moreover, the taxonomy can also be used on a voluntary basis by any financial institution. The taxonomy should also encourage companies to raise funds for projects that meet the criteria of the taxonomy.

Considering the above, and also the wider aims and objectives of the taxonomy ([see taxonomy approach explained](#)), potential users of the taxonomy are invited to respond to the feedback questions.

The deadline for providing feedback is 22 February 2019 cob.

More information:

- [on this feedback process](#)
- [on the protection of personal data regime for this workshop registration form](#)

1. Information about you

* Are you replying as:

- a private individual
- an 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

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* 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:

- Academic institution
- Company, SME, micro-enterprise, sole trader
- Consultancy, law firm
- Consumer organisation
- Industry association
- Media
- Non-governmental organisation
- Think tank
- Trade union
- Other

* 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

* 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

2. Questions

1. Do you believe the taxonomy will provide a clear indication of what economic activities should be considered environmentally sustainable?

Please refer to:

- [example sheet: Energy production \(geothermal\)](#)
 - [full list of 1st round climate mitigation activities, screening criteria and questions](#)
- Yes
 - No
 - Don't know / no opinion / not relevant

Please explain your answer to question 1:

2000 character(s) maximum

The following aspects make it difficult to assess the effect of the taxonomy:

- it is unclear what duties will be linked with the taxonomy
 - it is still unclear if the taxonomy is designed as a binary system, not allowing for different levels of sustainability. If yes, the level of the thresholds are crucial in order to find the right balance between incentivising sustainable activities and setting standards high enough in order to achieve an impact.
 - By limiting the scope to certain economic activities, the taxonomy addresses only a limited part of investments such as green bonds. In order to recognise the many sustainability and responsible investment approaches that are offered to - and in demand by - investors, a concept is required to identify the level of sustainability of an investment if it only partly accounts for a sustainable activity.
- In addition to environmental parameters, the taxonomy should include a social dimension as well in order to capture "sustainability".

2. Do you expect any practical challenges within your organisation to classify an economic activity according to the taxonomy?

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

Please explain your answer to question 2:

2000 character(s) maximum

Currently, it is difficult to assess whether fund managers will be able to use the taxonomy. Today, ESG research is focused on industry sector and corporate entity levels. Basing such research on the taxonomy will be a practical challenge. In addition, globally active asset managers need to comply also with global sustainability standards such as UN Sustainable Development Goals. The usability of taxonomy would be facilitated by full alignment with such standards. Further, asset managers need information relevant for all asset classes also beyond the private sector. Ultimately, feasibility of the analysis and mapping process will depend on the availability of the relevant data. Therefore, a new type of disclosure is needed that focuses more on the picture of a company's green activity at a certain point in time. The same applies to governments and projects. Investors are keen to know the forward looking, strategic assessment of sustainability considerations in order to make sustainable investment decisions.

3. For financial market participants: will the proposed structure and format of the Taxonomy enable you to comply with potential future disclosure obligations?

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

What changes would you propose?

2000 character(s) maximum

As pointed out in our answer to questions 2. and 4., a clear understanding to what extent a sustainable economic activity of e.g. a corporation will make the investment in the corporation's shares sustainable is decisive. Such understanding will be required for all asset classes. It is important, however, that the percentage of economic activities defined as environmentally sustainable must not be the sole determinant used to assess the sustainability of a company. When looking at sustainability factors, also processes and business practices adopted by the company to become more sustainable need to be considered in order to facilitate transition. Furthermore, it might be a challenge to obtain such information for investments outside Europe. Also, data protection laws might limit availability of data (e.g. data relating to tenants). We note that the EU is now establishing a complete new system/approach for the assessment of sustainability. It is unclear why the EU Commission did not base its approach on existing understandings such as the UN Sustainable Development Goals which are clearly defined, easy to communicate to end investors, and increasingly relevant for the financial industry. Therefore, the taxonomy should not be disconnected from these goals, but needs to ensure consistency or even a mapping.

4. Is the proposed taxonomy approach sufficiently clear and usable for investment purposes?

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

What changes would you propose?

2000 character(s) maximum

Asset managers will only be able to use the taxonomy for their asset analyses under the following conditions:

1. Issuers (including public issuers) would need to disclose to what extent they conduct economic activities in compliance with the taxonomy. For this, a clear understanding how to calculate the ratio between such economic activities and e.g. a share, corporate or sovereign bond is decisive. Similarly, there needs to be a clear understanding to what extent the investment in real assets can be considered as sustainable, e.g. if the building is already in compliance with the technical criteria in the taxonomy.
2. Data providers would need to accumulate such understanding in order for asset managers being able to process the information.
3. Based on such information, asset managers would need to assess the degree of sustainability for their investment.
4. In order to be able to disclose themselves the degree of sustainability of a fund, they would then need to be able to aggregate the degree of sustainability of the fund's assets.

5. Would the use of the taxonomy require any additional resources (for example in human resources or information technology)?

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

Please specify what additional resources and if possible, give an indication of the expected costs (e.g. as a % of turnover or operating costs):

2000 character(s) maximum

The assessment of the degree of sustainability at an investment level will likely require use of data providers. The costs are difficult to assess at that stage since this very much depends on whether the information available from the issuers and regarding all other assets will be clear and easy to process or whether there will further assessments/ratings/accumulations required.

6. Please provide any additional comments on the design and/or usability of the taxonomy, including proposals for improvement:

2000 character(s) maximum

The following considerations should be taken into account:

- A clear understanding how sustainable activities can be considered at an investment level is decisive. This includes finding the right balance between setting incentives for sustainable investments and determining thresholds in a way that results in an impact. If the thresholds are too ambitious, they will likely not attract much sustainable activity.
- Finding the right balance is also relevant for the "do not significant harm" criterion. It needs to be determined in a way that still allows activities to be considered as sustainable in practice.
- Several levels could facilitate such balance, e.g. metrics/thresholds for "light, medium and dark green" activities.
- Activities that already fulfill a high standard (e.g. operation of a green building) should also be considered as sustainable activity. Otherwise this might set an incentive to change towards another activity which is recognised as sustainable even if this might not be in the investors' best economic interest.
- Taxonomy should provide for a flexible framework in order to ensure the continuous evolution in line with market innovation and technological and scientific developments as well as investors' demands.
- Compatibility/mapping with international standards / understandings (e.g. SDGs) will facilitate the purpose of the taxonomy.
- It is essential that the taxonomy is built on science-based criteria developed and monitored by a broad representation of experts in order to avoid dysfunctionality due to certain political or ethical beliefs.

Useful links

[More on the Transparency register \(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en\)](http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

[Feedback process details \(https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-feedback-and-workshops_en.pdf#usability\)](https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-feedback-and-workshops_en.pdf#usability)

[Specific privacy statement \(https://ec.europa.eu/info/files/sustainable-finance-taxonomy-feedback-and-workshops-privacy-statement_en\)](https://ec.europa.eu/info/files/sustainable-finance-taxonomy-feedback-and-workshops-privacy-statement_en)

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