



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.**

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More information:

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

## 1. Information about you

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\* Are you replying as:

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

\* Name of your organisation:

BETTER FINANCE - The European Federation of Investors and Financial Services Users

Contact email address:

The information you provide here is for administrative purposes only and will not be published

carlucci@betterfinance.eu

\* 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:

24633926420-79

\* Type of organisation:

- |   |  |
|---|--|
| <input type="radio"/> Academic institution                        | <input type="radio"/> Media                                    |
| <input type="radio"/> Company, SME, micro-enterprise, sole trader | <input checked="" 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 type="radio"/> Other                                    |

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

Belgium

\* 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

\* Please specify your activity field(s) or sector(s):

Financial sector- Policy and Research

\* 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

## 2. Questions

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**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 1<sup>st</sup> 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*

First, the example provided does not mention the critical information: the number of gCO<sub>2</sub>e/kWh. How will the EU source this information, and ensure it is comparable to the one obtained for other economic activities and energy sources? More generally, these critical data and statement such as the one on methane having a lesser impact on GHG must be referenced to scientific sources.

As for the ecolabels, BETTER FINANCE believes that an exclusion list needs to be included in the taxonomy in order to identify the economic activities which cannot be considered as “green” such as fossil fuel, coal mining, petroleum extraction and natural gas or shale gas extraction. We believe that in order to reduce compliance efforts and the effect of diverging interpretation, for the sake of clarity, a list of exclusions would be beneficial as the ground basis for the taxonomy. In addition to that, an exclusion list would prevent the “greenwashing” which entails the misleading of consumers about the environmental benefits of a financial product.

In addition, BETTER FINANCE believes that there should be a prominent warning to end investors that this Taxonomy cover only a very specific part of environmental issues (not mentioning “ESG” as a whole), even regarding climate change only, as, for example, there are other gases than carbon oxides – CO<sub>x</sub> - that impact climate and global warming (e.g. nitrogen oxides – NO<sub>x</sub> – in particular from cars).

## 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*

As mentioned in the BETTER FINANCE's feedback on the European Commission Proposal for a regulation on the establishment of a framework to facilitate sustainable investment, we agreed with the Regulatory Scrutiny Board (RSB) which proposed to introduce a delay between the first use of the taxonomy by “pioneers” participants for a period of six months to one year in order to give regulators the time to amend, adjust and calibrate properly the classification before the application of the taxonomy. We encourage the idea to introduce a “test period”, as we must make sure that financial market players (institutional investors and asset managers) are properly trained to provide adequate and correct advice on truly sustainable products to retail investors.

## 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*

We support Article 4(2) which provides that “financial market participants offering financial products as environmentally sustainable investments, or as investment having similar characteristics, shall disclose information on how and to what extent the criteria for environmentally sustainable economic activities”. As representative of financial services users and retail investors, we strongly support this measure. However, as we previously asked to the Commission, there should be a set of clear and compulsory guidelines (in the delegated acts to be adopted by the Commission) for market players to clearly disclose this information in order to allow investors to easily compare the products. We believe that this information shall be disclosed in a standardised way to ensure comparability. For this reason, it is extremely important that the application of the Taxonomy is compulsory as well. The Commission is empowered to enact delegated acts which will specify the minimum standards for harmonization. However, these delegated acts will not require providers of low carbon and positive carbon impact benchmarks to use the EU taxonomy when designing parameters of the methodology for selecting underlying assets. We strongly disagree with this approach: the application of the EU taxonomy should not be at the discretion of the index providers. With this proposed regulation, index providers won't even have to follow the EU taxonomy when selecting the underlying assets. As expressed in the purpose of the Taxonomy, one of the main objectives is to create a uniform and harmonised classification system, which determines the activities that can be regarded as environmentally sustainable for investment purposes across the EU. However, BETTER FINANCE strongly believes that a non-mandatory taxonomy cannot fulfil this objective in harmonising the existing market practices and strategies with regard of sustainable finance.

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

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

## 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

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

*2000 character(s) maximum*

BETTER FINANCE believes that the Commission should develop at the same time the criteria for the three components of the ESG (environment, social and governance) as all three of them should be considered in the assessment of the sustainability of a product.

We believe that this sequencing approach could lead to two negative consequences. First focusing on selective environmental aspects could lead to more investment in climate change sustainable projects, leaving investments for social and governance-oriented initiatives on the side. Secondly and consequently, it means that there will be no common criteria to classify activities as sustainable in terms of fulfilling social and governance criteria. This lack of common basis could lead to a development of products claiming to be sustainable, leaving the retail investor with no clear guidance as to whether they really incorporate environmental, social and corporate governance factors in their investment processes. Therefore, we believe that the “S” and “G” considerations should be developed at the same time as the “E”, or at least a prominent warning should be clearly provided to individual investors.

## 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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## Contact

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