

FESE response to the Technical Expert Group's consultation on the taxonomy technical report

Brussels, 13th September 2019

3. Usability of the taxonomy

Q1: 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

Comments (2000 character(s) maximum)

FESE considers it important to ensure that all capital market raising activities adhere to sustainable financing so all companies can be part of the necessary transition towards a sustainable future for our planet. FESE supports the creation of a taxonomy as this will favour both comparability and transparency by providing clarity on the activities that can be considered sustainable and, based on this, facilitate the determination of the degree to which assets are sustainable.

FESE supports the ongoing work of the Technical Experts Group and the useful expertise they are providing to regulators. We welcome the endeavour to base the technical screening criteria on conclusive scientific evidence and the inclusiveness of this process.

Defining sustainable activities as opposed to basing the assessment on types of companies or assets is important as it will enable a differentiation based on activities carried out by companies and will not favour any asset class over another. Activities should include planned activities and respective achievements linked to those planned activities. In line with the Commission's objectives, the taxonomy should be applied only to financial products labelled or marketed as sustainable and to financial market participants offering these products.

Q2: 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

Q3: Can the Taxonomy be made more useful for your investment decisions in different asset classes?

Yes

No

Don't know/no opinion/ not relevant

Q4: 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

Q5: 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:

Comments (2000 character(s) maximum)

n/a

Q6: What practical tools or measures could be developed to help non-financial companies assess what share of their economic activities is taxonomy-eligible?

Comments (3000 character(s) maximum)

FESE considers that the assessment of the economic activities should be carried out by financial market participants that will be specialised in the eligibility criteria and application of the taxonomy. Companies subject to the Non-Financial Reporting Directive ("non-financial companies") should provide the information at the investors' request within the framework of the non-binding guidelines.

Following the implementation of the taxonomy, companies will be encouraged to further disclose how their taxonomy-eligible activities perform due to increasing investor interest. FESE considers that the Taxonomy Regulation should not oblige companies to have additional reporting requirements in place.

The Commission proposed that the taxonomy would apply to financial market participants that offer financial products marketed as environmentally sustainable investments and measures adopted by member states or the EU. TEG indicates that the report "primarily focuses on uses of the Taxonomy by financial market participants" but that the taxonomy "may be used on a voluntary basis by other financial actors" such as banks or companies.

FESE considers that companies should provide the information required for financial intermediaries to make assessments and decisions but should not themselves be required to make these assessments. We support the overall objective to strengthen sustainability-related disclosures by investee companies but not extending the scope of the taxonomy to issuers.

FESE therefore appreciates the distinction made by the TEG between entities conducting a taxonomy eligible activity and financial actors, where the former would be responsible for conducting the activity in a certain way if they would like for it to be taxonomy eligible but the assessment of whether the activity qualifies would be done by a specialised financial actor.

However, FESE is concerned that the TEG did not refer to the advantages of privately held companies reporting on green equity investments. We share the TEG's assessment that for

the taxonomy to be successfully implemented by financial firms, all companies must begin to provide transparency in their economic activities. Both listed and non-listed companies should be encouraged to voluntarily disclose their business activities and how they align with the Taxonomy.

Whilst we welcome the High-Level Guidance on Reporting for publicly listed companies in line with the Taxonomy (p.75 of the report), privately held companies should also be referred to in the equity segment since venture capitals and private equity funds also direct investments. Consequently, these companies should also refer to the NFRD guidelines and the taxonomy criteria, and be encouraged to specify the percentage of revenues, turnover or of investment in CAPEX and/or operating expenses (OPEX).