



Brussels, 21 February 2019

**Final EACB Answers
TEG taxonomy survey for feedback usability**

USABILITY OF THE TAXONOMY

Question1. Referring to the Activity Sheets do you believe the Taxonomy will provide a clear indication of what economic activities should be considered environmentally sustainable?

Answer 1.

EACB Members do not believe the Taxonomy will provide a clear indication of what economic activities should be considered environmentally sustainable.

Overall, the taxonomy provides a useful starting point. The progressive approach chosen by the TEG – the identification of macro-sectors for climate mitigation based on GHG emissions, followed by the selection of economic activities expected to make a substantial contribution to climate mitigation under the EU Commission’s Taxonomy proposal, on different stages of selection (“1st Round climate mitigation activities”, “2nd Round climate mitigation activities”, “Other rounds conducted by the Platform on Sustainable Finance”) – is adequate.

We welcome the preference for a modular approach applicable to each of the selected sustainable activities, with the same fields and type of information and focused on some measurable objectives, metrics, principles and rationale.

The classification of economic activities based on NACE only – as the Taxonomy suggests - is too simplistic. The list of activities is also not consistent; it is in fact not a list of activities but a mix of sectors, products, goods (in 10.2 renewable energy equipment and 10.4 building materials) and services and even environmental purposes (10.1) without classifying them in the right way. For example, light passenger cars are put in the macro sector transport (NACE H49), but cars are not an activity at all; cars belong in C29 when seen as a product (manufacturing) or when they are seen as a service in G45 (car sales, repair, wash etc.), H49 (taxi) or N77 (car leasing). Also, the acquisition and financing of existing buildings that are already energy-efficient under point 13.2. is missing.



We are also concerned on the potential consequences if the taxonomy requirements are perceived too complicated or burdensome. If the required data is not efficiently available, the expenses for the collection of data and verification may lead to increase the expenses of the investment higher than anticipated with the taxonomy objectives.

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

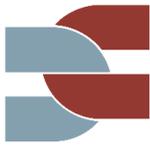
Answer 2.

There are significant challenges to be able to classify an economic activity according to the taxonomy, as indicated in the previous question, since the classification is not aligned with other classifications. Even though the taxonomy provides modular information with metrics, objectives and principles, there is significant room for interpretation and the need for an individual assessment and monitoring process of activities.

The applicability of such taxonomy -if possible at all- will require significant investments, in both - quantitative and qualitative assessment process, and information and communication systems (ICT) to identify if an economic activity is sustainable or not. Several tasks will be involved in implementing the taxonomy and integrating it with other systems used by credit institutions. Continuous maintenance will also be necessary, both updating the taxonomy, and classifying new information on activities, as it is added.

It is essential for financial markets participants to have sufficient time or systems to verify that the proposed metrics (see part D) are known at national level by their counterparties. The easiest way to achieve this is when the EU does not set new thresholds for the sustainable finance plan but when market participants must indicate which existing sustainability standards (including certifications, claims and declarations) or EU regulation they use. This work should be facilitated by EU/national institutions providing a mapping of already required metrics for other EU or national derivation purposes / regulations.

It may be both challenging and costly for retail customers (e.g. individual building owners) and SMEs to provide data/input for assessments as competences/knowledge. Therefore we propose to simplify this. The TEG should verify not only the fit for purpose of the metrics but also their simplicity to avoid creating unjustified competitive disadvantage for SMEs or burdensome costs for retail customers.



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

Answer 3.

As stated before, the modular and objective approach applicable to each of the sustainable selected activities is welcomed. The need to disclose what the investments portfolio proportion of sustainable investments is, or the degree of sustainability of individual products, will depend however on the ability to actually apply the taxonomy in an automated way and justify why such an activity is sustainable.

Moreover it should also be noted that as some of the criteria seem more subjective than others, investors might interpret the criteria differently. It is necessary to get comparable information from companies to be able to comply with the proposed disclosure obligations.

Another concern is the highly qualitative conditions in the “do no harm significant assessment” for all activities, and also in the “mitigation criteria” for certain activities, where no quantitative threshold is presented. For sustainable finance disclosure we think it is sufficient when the companies demonstrate that they have the relevant policies in place to manage all projects in a responsible way.

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

Answer 4.

First of all, it is important to highlight that according to the “Taxonomy regulation proposal” the taxonomy is not a mandatory list of activities in which to invest and, even funds targeting environmental objectives will not be limited to investing only in taxonomy-compliant activities. Therefore, the voluntary use, by investment firms and credit institutions, of a clear and usable taxonomy will be crucial to mobilize finance for sustainable growth.

We have some concerns that even if the taxonomy can provide a clear indication of what economic activities can be considered as environmentally sustainable, different approaches within different financial market participants regarding the same investment/activity may continue to exist. Making use of existing standards and frameworks, e.g. appropriate ISO standards, is important to ensure uniform application across markets and types of financial institutions.

The classification of the economic activities under the Taxonomy approach shall foster the disclosure of reliable, comparable and easy-to-use information by the economic actors, providing quantitative and qualitative elements which have to be certified by external experts/auditors in advance and can then be used and integrate by banks in their decision-making process. The whole process should be as simple as possible and not too much complex.



Industry-wide understanding and adhesion to the activity classification criteria will be a key factor and a condition-precedent for the intended change within the banks decision-making process and business models towards a committed and effective engagement of the banking sector in the promotion of an environmentally sustainable banking model.

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

Answer 5.

We expect that the use of the taxonomy will demand additional resources (human resources, information technology, third party providers).

We are not able to objectively estimate cost increases, since it involves too many variables and it is a progressively adaptation process. The cost impact will depend upon the quality and comparability of the information disclosed by companies or available from private individuals and statistics within each of the economic activities/sectors identified in the taxonomy. Completeness and precision of the information disclosed by the economic agents to whom banks provide financing services and other banking services will have a direct impact on the activities financed and investment solutions offered by banks.

Even in cases when information is easily available, significant investments in training as well as IT solutions are envisaged in the initial phase in order to carry out mapping of existing operations as well as integrating new operations to be assessed according with the taxonomy.

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

Answer 6.

Taxonomy data must be accessible in internal systems or easily available through external sources. We consider that the same investment/activity may have different sustainable categorizations by users, which may translate into duplicate resources spent in the assessment.