

Renewed sustainable finance strategy – Finance Norway comments

EU taxonomy

- Finance Norway supports the introduction of three categories of activities in the taxonomy; green activities, transition activities and enabling activities. We believe that the definition of transition activities and enabling activities should be broad enough to give brown and grey activities enough incentives to move in a greener direction.
- It is important that the taxonomy criteria are updated regularly and in a transparent and predictable way.
- We call for further clarification to address issues related to sectors not yet defined by the taxonomy. It is also important to ensure grandfathering for existing, outstanding bonds related to such sectors. Failing to do so would lead to uncertainty for investors, borrowers and the issuer which again may have a detrimental impact on these sectors contribution to sustainable development.
- Taxonomy reporting will be extensive and complicated. We urge EU authorities to set up training schemes in this reporting area.

EU Green bond standard og EU Ecolabel

- Finance Norway supports the development of standards and labels to increase transparency for consumers on sustainability. It is important that such labels and standards also underpin an effective transition of the economy to a carbon-neutral society and sustainable development. Therefore, they should not only apply to products, that are strictly low-carbon, but also underpin transition and enabling activities to promote a faster, broader and more effective transition. Both low carbon activities, transition and enabling activities should be included in the scope of the EU ecolabel.
- EU authorities should ensure that subsequent changes to the EU taxonomy will not apply to outstanding EU Green Bonds, i.e. grandfathering, as proposed by the TEG in June 2019.
- We support the amendments in the scope of the EU Ecolabel to include also deposits offering. This will enable more retail savers to channel significant funds towards green projects.

NFRD

- We welcome the European initiative to improve the disclosure of non-financial information (NFRD) and believe the NFRD disclosure requirements should be harmonised to ensure transparency in this area. This will make companies able to

meaningfully and credibly demonstrate the progress they are making on sustainability, including their contribution to the SDGs (Sustainable Development Goals).

- The NFRD should be made into a regulation instead of a directive.
- The requirements should rely on already developed systems and initiatives, i.e. the Global Reporting Initiative, TCFD and UN Principles for Responsible Investment, like the IBC/WEF proposal. The requirements should also align with the EC Non-Binding Guidelines on Climate Reporting, the EU taxonomy, CRR2 Pillar 3 requirements and the ESG disclosure regulation.
- A key principle of materiality should be introduced.
- The scope of the NFRD should be extended to companies with more than 250 employees.
- EU authorities should consider introducing a simplified reporting requirement for SMEs.
- EU authorities should create a central “EU ESG data register”. This would ensure access to relevant and reliable data at the EU level.

ESG risk and prudential requirements

- It is essential that prudential requirements reflect the inherent risk in banks exposures. Supporting and/or penalizing factors that are not based on a risk assessment (that shows lower or increased risk) should not be introduced. This would undermine the EU prudential framework and the efforts to safeguard financial stability.
- Finance Norway supports that EBA investigates whether there are groups of assets/activities under the EU taxonomy that show a lower financial risk, and, specifically, a lower credit risk profile by virtue of their sustainability.

Other topics

- The Commission should set up a task force to develop a common model for measuring carbon footprint on investments and bank lending at EU level. The task force should draw on experience and expertise from the financial sector (e.g. PCAF).
- The EU authorities should ensure harmonization of and transparency in the methodologies used by the rating providers, incl. the use of uniform ESG-rating scales and objectives.
- To further accelerate the funding of transition activities, we believe that the EU Commission should consider suggesting the adoption of common “EU Sustainability Linked Loan Principles”. This will bring transparency to this area of sustainable finance. With established “EU Sustainability Linked Loan Principles”, these loans

could be labeled, and the bonds could be included in the scope of the EU Ecolabel for bond funds, thus further accelerating the financing of these activities

- The efforts of the financial sector must be underpinned by the necessary fiscal and economic frameworks. Taxes, subsidies and guarantee funds should help promote sustainable production methods and investments and limit activities that are not compatible with a sustainable future.