

CONSULTATION ON THE RENEWED SUSTAINABLE FINANCE STRATEGY- additional information

Question 09 : The Real Estate, through CRREM, has provided this for that industry. It has taken time and investment and now it exists. Use this and develop this for other industries. <https://www.crrem.org/pathways/>. In Real Estate, these decarbonization pathways are what buildings and funds will be measured on. In some geographies, fines are now payable where compliance is not met. The asset level performance currently gets lost in the aggregated entity level reporting. Granular, asset level mandatory reporting is a first step, and critical step towards making change. For Debt and Infrastructure these pathways are less clear, and data is less visible at a granular level, but indicators such as alignment with SDGs, Climate Bond Initiative or other indicators are useful.

Question 10: We responded Yes, both institutional investors and credit institutions to the question 10. Nevertheless, this is conditioned to the fact that it should also be extended and required to corporates. However, at this stage, this should be an obligation of means rather than an obligation of results. This is essentially because at this stage there is not a robust, stabilised and recognised methodology. Furthermore, the lack of standardised data remains a key challenge.

AXA has been working over the past years on a warming potential metric as further detailed in its annual Climate report. This metric could be used as a metric to evaluate the degree of “Paris-alignment” of companies, entire sectors and portfolios –and hence their contribution to a sustainable recover, and ultimately monitor progress over time. However, it is worth mentioning that while methodologies to calculate temperature can already provide a useful tool to assess the progress of an issuer, they are still in the works.. This requires an agreed common methodology setting the necessary framework at EU level and ideally at global level.

AXA stands ready to share with EC services knowledge & experience about the use of warming potential metric.

Question 11: We are very aware of the importance of the biodiversity loss. However, we should continue to develop methodologies around climate, which partially covers biodiversity topics (notably through the question of short supply chain, or the question of climate change.

However, it will be important to increase academics research efforts on how to better assess and reflect biodiversity loss impact

Question 15: As insurance company, our non-life insurance activity directly contributes to the environmental objectives defined in the Taxonomy Regulation and in particular to the climate change adaptation objective given the insurance coverage we provide against climate risk and the prevention measure / resilience we promote.

In addition & more generally, insurance activity also constitutes an enabling activity in the sense it can support through its insurance cover other activities which contribute to the environmental objectives

We see the Taxonomy regulation as a very important step in the EU Sustainable strategy, helping to set a common standard to be used by a large number of stakeholders.

However, it appears that the use of the taxonomy in its current form is rather limited. If the taxonomy can be used for specifically marketed (as green) investment product, its usability in its current form raises key questions as reg. its implementation: availability & reliability of data, liability concerns, dialogue and climate of confidence, cross-border & cross legislatures. These constitute fundamental prerequisites to be addressed prior to any use. For large investors it is necessary to assess mainly significant market capitalized companies with world-wide footprints holistically and to focus on a forward-looking perspective in the analysis (taking into account science-based targets and uncertainty in the development policy). Alternative approach to the current proposal should be developed in that sense to actually enable the transition and the shift towards sustainable economy.

We believe the scope of the Taxonomy needs to be reviewed in order to better cover enabling activities which will be critical to support the transition of most companies, as well as companies which are engaged in a transition strategy, with a clear and measurable transition plan.

We believe the thresholds and criteria defined in the Taxonomy regulation may be challenging to use, especially when assessing non-EU issuers, and might not properly address the challenges. Our view is that more forward-looking and science-based referential should be considered as well, such as SBTi and IPCC: they would make it easier to measure and monitor progress of companies over time.

We also believe that a mapping with global standards is necessary in order to allow an assessment of non-EU issuers by investors. The NACE framework is very rarely used by investors.

Finally, and this is an essential criterion for the Taxonomy to be effectively considered in investment decisions, we lack sufficient data at issuer level. The five-step taxonomy process requires investors to assess individual company activities in combination with a 'do no significant harm' assessment on the basis of single operating sites. In order to conduct such an assessment, investors need ready-to-use data about the company or issuer performance on taxonomy eligible activities. However, due to the current lack of relevant sustainability data and the absence of reliable / mandatory reporting by investee companies, investors would have to carry the burden of the required assessments alone. For financial market participants who invest in hundreds of different assets with thousands of different activities operated at millions of operating sites throughout the world such an approach is hardly feasible. In addition, this would entail material costs which would have to be borne ultimately by consumers thereby adversely impacting the return profile of such investments.

For Real Assets, we have the ability to contribute directly and meaningfully given our scale, to the environmental objectives of the Taxonomy (Paris Aligned). In addition, we have the ability to tangibly contribute to both social and environmental indicators and improvement, directly. In relation to the EU Taxonomy, per se, we would only measure a % of alignment because our funds are not dedicated 'green' investments. We seek to deliver performance in line with global goals when creating and managing institutional investment grade assets.

Question 91 We do not see merits in adapting rules on fiduciary duties, best interest of investors, prudent person rule, risk management and internal structures and processes in sectorial rules to directly require them to consider and integrate adverse impact of investment decisions on sustainability.

As asset managers, we consider that considerations of adverse impacts of investment decisions on sustainability should only reflect those investment strategies where asset managers have a clear duty and mandate from investors to reflect ESG considerations. We fully see the relevance of integrating the portfolio's adverse impact and relevant considerations in those cases. To the contrary, we consider

that such integration where this mandate doesn't exist contradicts the manager's fiduciary duty and disregards that the final decision as to the design of the investment strategy, its main considerations and its impacts remains a key investor's choice.

Question 101 First, risk analysis and the necessary changes (location of building, culture shift,..) are areas where we as insurer can help with our expertise. However, it must be clear that public authorities are essential too: only they can refuse building permits for instance.

Ultimately, the issue of insurability is a payer issue: the insurance can only take almost certain claims. It is therefore necessary to establish a national or international pooling mechanism (like the CCR in France). The key question is: what do the projections say in terms of losses and will it be bearable by the insurers and the existing mechanisms? If it is not, let's think on the one hand about the additional mechanisms to put in place and on the other hand about public policies to reduce these risks (example of building permits).

Finally, we believe EU should first focus on an enhanced availability, usability, and comparability of climate related loss and physical risk data base. The access to a standardized and robust data will enable a better understanding of such risks as well as to facilitate risk transfer with appropriate offer of products or public/private partnership and contribute to the resilience.