

Call for feedback on the Platform on Sustainable Finance's draft proposal for an extended taxonomy to support economic transition

Disclaimer:

This call for feedback is part of ongoing work by the [Platform on Sustainable Finance](#), which was set up by the Commission to provide advice on the further development of the EU taxonomy framework.

This feedback process is not an official Commission consultation. The draft report produced by the Platform is not an official Commission document. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

In March 2018 the Commission published its [action plan: financing sustainable growth](#), based on the advice of the [High Level Expert Group \(HLEG\)](#). Action 1 of the Commission's action plan calls for the establishment of an EU classification system for sustainable activities, or taxonomy. The Commission followed through on this action by proposing a regulation for such a taxonomy. The [Taxonomy Regulation](#) was adopted by the co-legislators in June 2020. It establishes the basis for the [EU taxonomy](#) by setting out 4 overarching conditions that an economic activity has to meet in order to qualify as making a substantial contribution to environmental objectives.

Development of the EU taxonomy relies on extensive input from experts from across the economy and civil society. The [Platform on Sustainable Finance](#) plays a key role in enabling such cooperation by bringing together the best expertise on sustainability from the corporate and public sector, from industry as well as academia, civil society and the financial industry join forces.

As a permanent expert group of the Commission that has been established under Article 20 of the [Taxonomy Regulation](#), the Platform has been tasked to advise the Commission on further developing the EU taxonomy, improving its usability and exploring its expansion to social objectives, activities that significantly harm environmental sustainability or activities that have no significant impact on environmental sustainability.

In October 2020, the Commission established the Platform with five working groups, including the [subgroup on negative and low impact activities](#). The subgroup has been tasked to advise the Commission on the development of the taxonomy with regard to economic activities that do not have a significant impact on environmental sustainability and economic activities that significantly harm environmental sustainability.

The environmental challenges we face put an immense task ahead of us: to transition to a low carbon, climate-resilient, and environmentally sustainable economy. The aim of sustainable finance policies is to help all economic actors navigate that transition with the urgency needed to avoid risks and meet climate and environmental goals.

The EU taxonomy creates a common definition and gives recognition to economic activities that make a substantial contribution to an environmental objective, while not doing significant harm to any other environmental objective and meeting minimum social safeguards. In this setting, the taxonomy

framework already defines levels of 'significant harm'. Co-legislators mandated the Commission to explore whether this framework could be extended to further categories of environmental performance: activities that do significant harm and activities with no significant impact.

There are many ways in which the taxonomy framework could be extended. Those that make a substantial contribution without undermining any of the goals and while ensuring they are socially sustainable, are already recognised, as the transition could not succeed without having a lot more of such green activities. But a successful transition also means that actors that do not make a substantial contribution can also start and continue their transition, including taking valid and robust interim steps towards sustainability. The objective of this analysis is to explore how an extended taxonomy could help economic actors on this urgent environmental transition pathway, irrespective of what level of environmental performance they start from.

On 12 July 2021, the Platform published its [first draft proposal for an extended taxonomy to support economic transition](#). The report explores the main considerations behind the questions of this consultation. You are kindly invited to read that report before filling in this questionnaire.

Call for feedback

The Platform is inviting stakeholders to provide feedback on the draft report through this online questionnaire.

The deadline for providing feedback is Friday 27 August close of business.

In the [online questionnaire](#), you will be asked to comment on certain aspects of the report and make suggestions.

Next steps

The Platform is still working on some important aspects of these questions and will proceed to develop its final report and final recommendations after considering the stakeholder input collected through this call for feedback.

The Platform will submit the final report with their advice to the Commission in autumn 2021. The Commission will analyse and consider the report in view of the continuous developing of the EU taxonomy, as anticipated in the new [sustainable finance strategy](#).

By the end of 2021, the Commission will publish a report on the provisions required for a social taxonomy, as required by the Taxonomy Regulation.

Please note: In order to ensure a fair and transparent feedback process, **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-platform-sf@ec.europa.eu.

QUESTIONNAIRE

Important notice on the publication of responses

*Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?

- 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

IDENTIFICATION FORM:

- **I am giving my contribution as**
 1. Academic/research institution
 2. Business association
 3. Company/business organisation
 4. Consumer organisation
 5. EU citizen
 6. Environmental organisation
 7. Non-EU citizen
 8. Non-governmental organisation (NGO)
 9. Public authority
 - a. 1. International or European organisation
 - b. 2. National or Local Government or Ministry
 - c. 3. Regulatory authority, Supervisory authority or Central bank
 - d. 4. Other public authority
 10. Trade union
 11. Other

→ **For everyone who answers 2 or 3 : Organisation size**

1. Micro (1 to 9 employees)
2. Small (10 to 49 employees)
3. Medium (50 to 249 employees)
4. Large (250 or more)

- **First name and last name**
- **Name of your organisation**
- **Email (this won't be published)**
- **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:

- **Where are you based and/or where do you carry out your activity?**
 - Austria
 - Belgium

- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Malta
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- The Netherlands
- United Kingdom
- Other country - Please specify your country:

- **Field of your activity?**

- **Financial Activity**
 - 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
- **Non-Financial Activity (NACE)**
 - Agriculture, forestry and fishing
 - Mining and quarrying
 - Manufacturing
 - Electricity, gas, steam and air conditioning supply
 - Water supply; sewerage, waste management and remediation activities
 - Construction
 - Transportation and storage
 - Accommodation and food service activities
 - Information and communication
 - Real estate activities
 - Professional, scientific and technical activities
 - Administrative and support service activities
 - Public administration and defence; compulsory social security
 - Education
 - Human health and social work activities
 - Other – please specify

Additional question for companies / business organisations (For everyone who answers 2 or 3 in the 1st question)

Does your company / business organisation have any activities covered by the Taxonomy Climate Delegated Act?

- Yes
- No
- Don't know
- Prefer not to say

If yes: what level do those activities of your company/business organisation that the Taxonomy Climate Delegated Act covers reach?

- Substantial contribution to climate change mitigation
- Doing no significant harm to climate change mitigation
- None of the above thresholds
- Don't know
- Prefer not to say

Questions on the draft report:

1. Which *environmental performance levels* should the taxonomy distinguish, with a view to help the environmental transition? Choose all of those that you would prioritise:

- a. Substantial contribution

- b. Intermediate performance
- c. Significantly harmful - but can improve to sustainability
- d. Significantly harmful – but can improve not to do significant harm
- e. Significantly harmful - but cannot improve sufficiently to avoid doing no significant harm
- f. No significant impact

2. How could policies ensure that recognising the transition from significantly harmful to intermediate performance will not slow down the transition to green activities (that evidence shows we need to accelerate)? Check all that you agree with.

- b. Not relevant
- c. Distinguish different levels of environmental performance clearly throughout the taxonomy and in other instruments
- d. Recognise only improvements from and to a well-defined level of environmental performance, rather than recognising activities sitting in a given level of performance below substantial contribution
- e. Require continued improvement beyond the relevant investment plan
- f. Require associated entity level transition strategy to understand the credibility of the intermediate transition.
- g. Recognise multiple ways of transition depending on type of Technical Screening Criteria.
- h. Other safeguards would be needed

3. Do you consider that recognising/naming the *significant harm performance level* would be important?

- Yes
- No

Follow-up question: If yes, please select the answer you agree with:

1. **voluntary disclosures** and guidance are sufficient
2. voluntary reporting is not effective, the **mandatory solution** is needed urgently
3. agree with the **staged approach** in the report to first work with voluntary disclosures/ guidance and in a later stage introduce mandatory reporting

4. In your view what would be the advantages and disadvantages of a ‘significantly harmful’ taxonomy as designed by the Platform (i.e. accompanied by an assessment of the existing and needed EU policy and legislative initiatives aimed at incentivising finance for urgent transition away from significantly harmful activities, for building climate-resilience and to support greening of the whole economy)? Check all that apply.

Advantages – a ‘significantly harmful’ taxonomy would:

- Increase the transparency of environmental performance levels of activities.
- Improve the communication of transitions and transition plans on activity level.
- Help companies to develop strategies and investment plans for moving away from significantly harmful performance levels and meeting environmental objectives.
- Help markets define and develop instruments for financing the transition.
- Enhance risk management frameworks.
- Help policymakers to provide subsidies for decommissioning.
- Other

Please, elaborate on your answer. Could advantages be further enhanced? If so how?

Disadvantages – a ‘significantly harmful’ taxonomy would:

- Be a departure from the positive spirit of the green taxonomy.
- Negatively impact the ability of companies to raise finance for transition.
- Accelerate transition risks and risks creating “stranded asset by legislation”.
- Negatively impact banks with high shares of lending to certain companies both among retail customers and on the wholesale markets.
- Disadvantage EU companies vs non-EU jurisdiction.
- Increase complexity, reporting burden and affect usability of the taxonomy.
- Other

Please, elaborate on your answer. How could disadvantages be addressed?

5. The report distinguishes two types of significantly harmful activities: those that are ‘always significantly harmful’ (no technical option to transition to an environmental performance not causing significant harm), and those that can transition out of causing significant harm.

Do you agree with the following statements? (Please check all boxes that you agree with)

- ***Always significantly harmful activities should be distinguished*** from those activities that have a potential to transition out of significant harm
- Criteria should be added under the green taxonomy to ***recognise as green the closure / decommissioning*** for such always significantly harmful activities
- ***Mandatory reporting*** on turnover from and capex/opex related to always significantly harmful activities should be introduced

6. Do you consider recognising/naming the *intermediate performance level* useful to encourage mitigating significant harm?

- Yes
- No

7. For activities that are in the *intermediate performance* space (in between significant harm and substantial contribution):

- a. Should all turnover from such activities be recognised as *intermediate turnover*, and all opex as *intermediate opex*?
 - Yes
 - No
- b. Should all capex be recognised as *'intermediate capex'* irrespective of whether or not it improves environmental performance of the activity and by how much?
 - Yes
 - No

8. The report recommends to recognise 'intermediate transition', differentiated from green transition. What do you think are the essential conditions for recognising such intermediate transitions for activities that can make a substantial contribution to the given environmental objective:

- A. that the activity reaches the intermediate performance level, in other words does not do significant harm to that particular environmental objective
- B. in addition, that the activity continues to improve its environmental performance in order to stay in that intermediate performance level and not to do significant harm even if in the future the criteria are tightened.

If this answer is selected, follow-up question: The criteria for ensuring that the activity will improve to reach substantial contribution should include to (check all boxes you think should apply):

- have a transition plan in place
- set a deadline for the transition
- have the transition plan validated by the Board
- publish the transition plan
- audit the transition plan
- disclose how the intermediate transition fits within the entity level transition strategy
- other
- C. in addition, that the activity continues to improve its environmental performance in order to reach substantial contribution (green) in the future

If this answer is selected, follow-up question: The criteria for ensuring that the activity will improve to reach substantial contribution should include (check all boxes you think should apply):

- have a transition plan in place
- set a deadline for the transition
- have the transition plan validated by the Board
- publish the transition plan
- audit the transition plan
- other
- D. in addition, that the activity does no significant harm to other environmental objectives

- E. in addition, that the activity does no significant harm to any of the other environmental objectives, with the exception of adaptation (because failing to meet the do no significant harm criteria to adaptation means only a harm on the activity itself)

9. Do you have other suggestions for extending the taxonomy framework for significantly harmful activities, intermediate performance, intermediate transition? [open answer]

10. In your view what would be the advantages and disadvantages of a ‘no significant (environmental) impact’ taxonomy? Check all that apply and add anything you think is missing.

Advantages – a ‘no significant environmental impact’ taxonomy would:

- a. help the ESG analysis
- b. be beneficial for SME’s to access finance
- c. be beneficial for SME’s to access green finance (if it can allow for / incentivise greening even within the NSI space, where there is such possibility)
- d. ensure banks can report green lending to SMEs and continue to develop these markets
- e. allow easier access to finance for larger companies in these sectors
- f. other (please specify)

Please, elaborate on your answer. Could advantages be further enhanced? If so how?

Disadvantages – a ‘no significant environmental impact’ taxonomy:

- a. be too complex to manage, as a framework
- b. imply burdensome reporting obligations
- c. risk disadvantaging ‘no significant impact activities’ vis-à-vis intermediate contribution activities that are likely to be more polluting
- d. other (please specify)

Please, elaborate on your answer. How could disadvantages be addressed?

11. Can you give examples of activities which you think would be considered as NSI?

12. If there was to be an extension of the taxonomy to address NSI activities, should it be a requirement for companies or investors wishing to report activities under the NSI taxonomy to first participate in an environmental labelling or certification scheme (such as [EMAS](#)) to validate minimum levels of environmental performance?

- Yes, reporting of activities should stay voluntary but conditional upon such a certification/labelling
- No, reporting of activities should stay voluntary but there should not be any certification/labelling as a condition

13. Do you consider it would be helpful if the Platform prepared non-binding guidance on NSI activities which could be published by the Commission for voluntary use by taxonomy users?

- Yes
- No

Follow-up question to those who select Yes: If you agree, what should be the scope of such guidance, for instance in relation to minimum standards of environmental performance? [open answer]

14. Are you in favour of a phased approach where NSI could be recognised as a generic category (through guidance) without L1 change?

- Yes, it is a priority
- Yes but it should be done in future only
- No

15. Prior to any L1 change (if at all), do you consider that the Platform should recommend to include some NSI activities in the taxonomy by e.g. creating a generic category for 'green' service providers under the adaptation or other objectives?

- Yes
- No