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Dear Ambassador,

BusinessEurope supports the objective of the EU Sustainable Finance Action Plan to further mobilise investments in the EU in view of achieving sustainable growth aligned with the Paris Agreement and EU climate goals. We welcome initiatives, such as the Commission's taxonomy proposal¹, which aim to foster transparency and provide more clarity to the markets through a common understanding of sustainable investments, solidified by a more coordinated EU approach.

To get broad support of the European business community and in order to effectively contribute to the common objectives, it is essential that these initiatives on sustainable finance and climate-related reporting are proportionate, practicable and accommodate the needs of both the financial markets as well as the real economy.

In view of the on-going Council's work on the taxonomy proposal, the following points should be carefully addressed:

General

- The taxonomy should
 - support the climate change mitigation in a clear, coherent and effective manner while supporting innovation and the competitiveness of EU industries,
 - be practical, fit for purpose and avoid additional and duplicative bureaucratic burdens for corporates, in particular SMEs,
 - allow all sectors and industries to form part of the transition and not be misused as a "punitive" instrument that would hamper firms' access to finance,
 - be underpinned by credible scientific evidence and reflect the latest, relevant technological developments as well as the complexity and functioning of industrial value-chains.

Eligible activities and screening criteria

- All activities that contribute to or enable the transition, demonstrate a credible path towards long-term sustainability goals or lead to notable emission reductions should be eligible under the taxonomy.
- Screening criteria should be consistent with existing EU policies, technology neutral and properly impact assessed in line with the better regulation principles.

¹ See our [2018 position paper](#)



Disclosure requirements

- The taxonomy proposal should not add further disclosures' obligations already settled by the Disclosure Regulation, such as a requirement for financial market participants to disclose a share of investments funding environmentally sustainable economic activity. There is an ongoing fitness check on corporate reporting and a dedicated EFRAG (European Financial Reporting Advising Group) Lab is currently assessing climate related disclosure requirements for companies. The taxonomy proposal should therefore be focused on the tools of the technical criteria needed to comply with the disclosure requirements and not duplicate requirements or prejudge outcomes of ongoing and planned assessments.
- Furthermore, work already conducted on taxonomy by the Technical Experts Group (TEG) shows how difficult it is to establish the environmental sustainability of each activity on a standardized level. Additionally, since the taxonomy will not provide screening criteria for all economic activities that are possibly conducted by a company - which are often multiple and intertwined - it would be misleading to draw conclusions about the sustainability of a company or investment based on the share of revenues or turnover stemming from taxonomy compliant activities. In order to avoid the markets being driven by data with partial factual foundations, we clearly suggest to refrain from reporting obligations which are likely not to be very informative.

Platform on Sustainable Finance

- Given that the screening criteria will equally impact financial market participants and investee companies from real economy, the future Platform on Sustainable Finance will need a much better balance between representatives from the real economy, in particular from the manufacturing and energy sector, financial sector, civil society and public authorities than the current composition of the TEG.
- Based on the initial experiences, it seems that in its current set-up it is difficult for the TEG to properly cover the very wide variety of expertise needed to fulfil its mandate. In order to develop meaningful and practicable criteria, the platform should be composed of a wide range of industries and representatives from manufacturing industries, accounting for one quarter of the full membership.

We count on you to consider these important matters in your deliberations on the taxonomy proposal. And remain at your disposal should you require further information.

Yours sincerely,



Alexandre Affre
Director Industrial Affairs and Entrepreneurship