

Swiss Sustainable Finance consultation response to EU Commission's TEG report on EU Taxonomy

1. Introduction and background

On 18 June 2019, the EU Commission published its [technical report on EU taxonomy](#). The report sets out the basis for a future EU taxonomy in legislation. The report contains:

- technical screening criteria for 67 activities across 8 sectors that can make a substantial contribution to climate change mitigation;
- a methodology and worked examples for evaluating substantial contribution to climate change adaptation;
- guidance and case studies for investors preparing to use the taxonomy.

This is one of the elements outlined within the Commission's legislative proposals of May 2018¹.

The current feedback round is based on the work of the Technical Expert Group on Sustainable Finance (TEG), made up of representatives of organisations, individuals appointed in a personal capacity or representatives of European entities.²

In addition to its technical report, the TEG has also published a [supplementary report on using the taxonomy](#). This provides investors and companies with a concise and clear explanation of why the taxonomy is needed, what it looks like, and its ease of use.

The current consultation asks specifically for feedback on:

1. Climate change mitigation activities
2. Climate change adaptation
3. Usability of the taxonomy
4. Future development of the taxonomy

SSF has drafted a response to the 3rd point and is asking for feedback from its members by **Tuesday, 3 September** in order to be able to incorporate your feedback and meet the EU's deadline of 13 September 2019 cob.

2. SSF feedback on Climate change mitigation activities

SSF refrains from giving feedback to this point as the feedback must be specific to the various selected NACE Macro sectors chosen within the first sub-set of "economic activities expected to make a substantial contribution to climate mitigation under the EU Commission's Taxonomy proposal". SSF does not represent the listed Macro Sectors and therefore does not have any expertise on individual

¹ https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en

² <http://ec.europa.eu/transparency/regexpert/index.cfm?do=faq.faq&aide=2>

sectors and associated rationales. Instead, it has the expertise to judge if the taxonomy can be utilized by the financial industry.


We encourage those members with expertise in the individual activities to directly provide feedback to the EU Commission.

3. SSF feedback on Climate change adaptation

SSF refrains from giving feedback to this point, as we are not industry experts on climate change adaptation activities.

4. SSF feedback on usability of the taxonomy

1. Do you expect to use the Taxonomy in your business activities in the short term (1-3 years) or long term (4 years or more)?


| Yes | No | Don't know / no opinion / not relevant |
|---|----|--|
|  | | |

If yes, please indicate when (short term or long term) and specify the activities for which you will use the Taxonomy.

SSF represents over 130 institutions in Switzerland, many of which expect to use the taxonomy in the future to monitor the green share of portfolios (SSF member profiles can be found at: <http://www.sustainablefinance.ch/en/membersandpartners.html>)


We have received feedback that due to current data availability, expected use of the taxonomy will be delayed for a few years until the level of detail and information required is met.

2. Can the Taxonomy be made more useful for disclosures related to your specific financial product? This question covers only financial products where disclosure obligations are foreseen by the Taxonomy proposal.


| Yes | No | Don't know / no opinion / not relevant |
|---|----|--|
|  | | |

| Which specific financial products(s) did you have in mind? | Yes/ NO | How could the Taxonomy be made more useful for: |
|--|---------|--|
| Portfolio management | YES | Overall, showing the green share of a product is interesting and good information for investors; however, it would be challenging to invest in companies with only green shares due to data availability. The review process of such green shares will be work intensive as long as no public available database is available. |
| UCITS funds | | |
| Alternative investment funds | YES | It might be challenging to get information on underlying companies and the various revenue streams, especially for products investing in non-stock exchange listed companies as they do not have the same reporting requirements. That might have an impact on the product offering. |
| Insurance-based Investment Products | | |
| Pension products and pension schemes | | |

3. Can the Taxonomy be made more useful for your investment decisions in different asset classes?

| Yes | No | Don't know / no opinion / not relevant |
|-----|----|---|
| | |  |

4. Is it sufficiently clear when the entire activities of a company or other entity should be considered as Taxonomy eligible (revenues or turnover) and when only expenditures by companies or other entities should be considered Taxonomy eligible?

| Yes | No | Don't know / no opinion / not relevant |
|-----|---|--|
| |  | |

If no, it is not sufficiently clear, please specify how this could be made clearer.

The term “expenditures” is only mentioned 4 times in the usability guide and it is not defined when exactly expenditures vs revenues should be used.

The statements made in the full report must also be in the usability guide. “That percentage could be calculated as the weighted sum of the percentage of revenues generated by Taxonomy-eligible activities per company in the fund, in the case of equities or corporate bonds. For loans or project financing, the percentage will be determined by the expenditures made in those activities.” (page 62 of taxonomy)

This statement is hard enough to find in the full report. For users of the taxonomy it should be quite visible.

5. What practical tools or measures could be developed to facilitate the implementation of the taxonomy by financial actors? Please specify what these tools would be used for and provide sufficient explanation on how they can help to implement the taxonomy:

NA

6. What practical tools or measures could be developed to help non-financial companies assess what share of their economic activities is taxonomy-eligible?

NA

5. SSF feedback on future development of the taxonomy

SSF refrains from giving feedback to this point, as we are not industry experts on climate change mitigation and adaptation activities.

6. Further information

Links to important documents

Documents linked to the consultation can be found at:

https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en

- [Technical report on EU taxonomy](#)
- [Supplementary TEG report on using the taxonomy](#)
- [Call for feedback document](#)

Zurich, 13 September 2019