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## EBF Comments on the EP Draft Report on the proposal for a regulation on the establishment of a framework to facilitate sustainable investment

### General comments

We support the holistic and harmonized approach of the European Parliament to the sustainability agenda. To mobilize the capital for sustainable activities, we recognize the need to identify in a clear and operational manner what constitutes sustainable characteristics, improve transparency, data collection as well as step up the educational efforts.

While recognizing the challenge of the tasks, it is important to find a balance between i) clear and unambiguous definitions that adequately identify all the risks and opportunities depending on the economic sectors considered, ii) greenwashing, iii) transparency on one hand and the operational feasibility to allow its usage by companies to improve their sustainable actions and reach the objectives set out in the Paris agreement on the other hand. It needs to be kept in mind that only "easy to understand" and "ready to use" tools will enable the mobilization of all actors in the required scale and timeframe.

A taxonomy that would be too burdensome to implement would not achieve the objectives. Consequently, we would advocate for a well-formulated, operationally feasible system with a forward-looking perspective, that would pave the way for a gradual shift towards increased sustainability of activities, companies and assets.

The extension of the scope of the Regulation to cover other sustainability objectives from the earliest possible stage, subject to the availability of reliable data would be welcome as it would ensure avoiding risks of efficiency losses, as banks' internal models need to be adapted every time a change is introduced. However, we also recognize the urgency to accelerate the environmental and climate issues, including the support to those not-yet sustainable activities in their transition and greater emphasis on the environmental issues.

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We see the taxonomy as a common language that could be applied by all market participants to all their activities. The commonly accepted framework or classification system should be designed in a way that will enable an unambiguous identification of all sustainable activities, companies and assets.

It is however important to make a clear distinction between:

- (1) the establishment of a common comprehensive framework or classification system that can be applied by all market participants to all activities, products and services on a voluntary basis while required for those marketed as sustainable, followed by gradual and proportional enlargement of the scope to all activities, products and services.
- (2) the disclosure requirements and other measures applicable for specific actors and products that are marketed as sustainable.

The scope of this Regulation should therefore be adjusted accordingly. The application of the taxonomy should commence with established categories of activities, companies, assets, products and services presented as sustainable in order to ensure its broad acceptance while allowing voluntary application to all activities. A gradual enlargement to all activities, products and services should be envisaged. The scope of the application of disclosure requirements and other measures should however be limited to the products and services marketed as sustainable.

The European banking sector supports the shift towards a sustainable social and economic model. Most companies are at different stages in their transition journey towards low-carbon activities. Banks have a particular role to play in supporting corporates in this journey. This is especially important when considering the role that stewardship plays in investment management through engagement with companies, or when banks financing of bridging activities help those companies building progressively their sustainability strategy. As a result, we recommend concentrating efforts in building a taxonomy for sustainable activities which can help those companies build their low-carbon strategy progressively. We see the purpose of this regulation proposal as to facilitate sustainable finance and, as such, its focus should be on the positive and not the negative environmental impact. Focusing on the negative impact could lead to an abrupt and disorderly transition. Consequently, we advocate for a gradual approach, to achieve a solid and generally accepted framework on sustainable activities first.

Furthermore, requiring credit institutions to disclose their corporate lending that funds environmentally sustainable activities, should not be in the scope of this regulation. We do believe that such disclosures should be discussed in the context of the review of the Non-Financial Disclosure Regulation as envisaged in action 9 of the European Commission's Action Plan. A good taxonomy will facilitate future disclosure but this requires co-operation between all market participants.

Finally, while we see the indicators as facilitators for establishing sustainable activities, the eventual links to other economic, regulatory and prudential measures must be carefully assessed to avoid any unintended consequences.