

MEMO# 32551

June 24, 2020

EU ESG: Taxonomy Developments (Official Publication, FAQs, and Platform on Sustainable Finance)

[32551]

June 24, 2020 TO: ICI Global Members

ESG Task Force

EU ESG Disclosure Regulation Working Group

EU Sustainable Finance Strategy Working Group

ICI Global Regulated Funds Committee SUBJECTS: Disclosure

ESG

International/Global

Investment Advisers

MiFID, EMIR, AIFMD, UCITS V RE: EU ESG: Taxonomy Developments (Official Publication, FAQs, and Platform on Sustainable Finance)

This memo summarizes three recent developments with respect to the EU Taxonomy legislation: 1) publication of the final legislative text in the Official Journal, 2) publication of FAQs, and 3) the Commission's call for applications to be a member of the Platform on Sustainable Finance.

Publication of final legislative text in the Official Journal

The final text of the Taxonomy Regulation (level 1 legislation) has been published in the Official Journal of the European Union on 18 June 2020.[\[1\]](#) No substantive changes were made to the final text. We have previously provided a summary of the Taxonomy Regulation and its financial product disclosure requirements that apply to funds (including compliance dates).[\[2\]](#)

Publication of FAQs

The European Commission recently published Frequently Asked Questions (FAQs) related to the Taxonomy.[\[3\]](#) We note several answers that may be of interest.

In responding to the question about who is responsible for assessing the alignment of activities with the Taxonomy, the Commission stated that the Taxonomy Regulation does not explicitly require any formal compliance verification. Nevertheless, the Commission notes that (1) national supervisors will monitor compliance by financial market participants with the Taxonomy disclosure obligations, and (2) it will evaluate the need for setting up

mechanisms for verifying compliance with the Taxonomy criteria by autumn 2022.

In responding to the question about how financial product issuers can meet their disclosure obligations before corporate disclosures are available,[4] the Commission acknowledged that the timeline presents challenges, but it nevertheless observed that the delegated act establishing the activities and technical screening criteria for the first two climate objectives will be accessible by the end of 2020.[5]

Regarding whether there will be specific targets for Taxonomy-aligned investments (% in the portfolio), the Commission notes the EU Taxonomy only requires disclosure of the aggregate alignment of a product's underlying investments, but it notes that the targets are being considered as part of the work to develop an EU Ecolabel for retail investment products.

Call for application to be a member of the Platform on Sustainable Finance

The EC has launched its call[6] for members of the Platform on Sustainable Finance, which is established by the Taxonomy Regulation to play a central role in operationalising the Taxonomy, reviewing the Regulation, and improving data availability and quality. The mandate will last from Q3 2020 to Q3 2022. The deadline for applications is 16 July 2020.

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endnotes

[1] The final text is *available at* https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2020.198.01.0013.01.ENG&toc=OJ:L:2020:198:TOC.

[2] See ICI Global Memorandum No. 32229, *available at* <https://www.iciglobal.org/esg/international/Policy-Developments/memo32229>. The compliance date for the financial product disclosure requirements for those first two environmental objectives is 31 December 2021.

[3] See https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200610-sustainable-finance-teg-taxonomy-green-bond-standard-faq_en.pdf.

[4] Note that the 31 December 2021 compliance date for financial product disclosure is the same for the Taxonomy Regulation requirement for large listed companies (subject to the Non-Financial Reporting Directive) to disclose how and to what extent their revenue can be attributed to environmentally sustainable economic activities (for the first two environmental objectives) as defined by the Taxonomy Regulation.

[5] As a reminder, the Commission is expected to come forward with delegated acts (level 2 legislation) setting forth technical screening criteria for the Taxonomy's first two environmental objectives – climate change adaptation and mitigation – by the end of 2020. For more information on the technical screening criteria, see ICI Global Memorandum No. 32294, *available at* <https://www.iciglobal.org/esg/international/Policy-Developments/memo32294>.

[6] See <https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3731>.

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