



Finance Watch response to the public consultation on the proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment

Brussels, 3rd August 2018

Finance Watch is an independent non-profit Members' association set up in 2011 to act as a public interest counterweight to the powerful financial lobby. Our mission is to strengthen the voice of society in the reform of financial regulation by conducting advocacy and presenting public interest arguments to lawmakers and citizens. Our Members are civil society organisations and expert individuals, supported by a full-time secretariat.

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We agree to the publication of this response.

Finance Watch welcomes the proposal for a Regulation on the establishment of a framework to facilitate sustainable investment.

We would like to point out that the message in the recital number 28 should be further clarified. It is important for the Commission to clarify how the consideration of stranded asset risk is going to impact the choice of the criteria for environmentally sustainable activities.

Recital 9 states that: *“offering financial products which pursue environmentally sustainable objectives is an effective way of channelling private investments into sustainable activities”*. We believe that the effectiveness of the taxonomy should be empirically assessed over time and therefore, we suggest that the Commission conducts an ex-post assessment of the effectiveness of the taxonomy under article 17.

We believe that the following article on the use of the criteria needs to be further clarified.

“The Commission shall adopt delegated acts in accordance with Article 16 to supplement paragraph 2 to specify the information required to comply with that paragraph, taking into account the technical screening criteria set out in accordance with this Regulation. That information shall enable investors to identify:

(a) the percentage of holdings pertaining to companies carrying out environmentally sustainable economic activities; (b) the share of the investment funding environmentally sustainable economic activities as a percentage of all economic activities.”

In particular, we note that only by looking at the sustainability profile of the entire balance sheet of the investee entity it is possible to assess the sustainability profile of the financial products. Unfortunately, in the current framing there is lack of a classification for *“brown”* activities. This raises the risk that, as a result of the taxonomy, green assets will be added onto the generally brown economy, without promoting the needed capital *shift* from unsustainable to sustainable investments.

With regard to article 15, we would suggest that representatives from civil society are included among the members of the platform on sustainable finance in order to have a balanced representation of interests of different stakeholders.