

Ensuring the Usability of the EU Taxonomy

Originally designed as a classification system to identify sustainable economic activities, the role of the EU Taxonomy has been expanded by legislation to serve both as a metric for sustainable reporting and as a benchmark for sustainable financial products, as well as a way to measure progress towards the policy objective of a sustainable financial and economic system in the EU.

Usability challenges

- Requirement for highly granular data
- Reliance on EU legislation and criteria in an international market
- Inconsistency in the use of estimates and third-party data
- Absence of a proportionality lens for smaller companies and projects
- Dynamic Technical Screening Criteria (TSC) and the need for grandfathering
- The use of an economic activity-based classification system (NACE)



Existing and emerging initiatives and solutions

- The recommendations of the European Commission's Technical Expert Group (TEG) on TSC flexibility
- Proposed flexibility on Do No Significant Harm (DNSH) under the EU Sustainable Finance (SF) regulations
- Future issuer and company reporting under Corporate Sustainability Reporting Directive (CSRD)
- The Next Generation EU (NGEU) Green Bonds and other market practice to date
- The approach under the Common Ground Taxonomy
- The work of the EU Platform on Sustainable Finance



ICMA Recommendations

- 1 Allow flexibility on alignment with the DNSH and Minimum Safeguards (MS) in all cases
- 2 Enable TSC adaptation to non-EU jurisdictions
- 3 Allow estimates and third-party data based on a common methodology
- 4 Simplify NACE classification of complex green and sustainability projects
- 5 Grandfather the legacy green bond market

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