

From: [REDACTED] (FISMA)
To: GUERSENT Olivier (FISMA); NAVA Mario (FISMA); FISMA SF PROJECT TEAM
Cc: FISMA LIST B2; [REDACTED] (FISMA); [REDACTED] (FISMA)
Subject: [TEG] Flash report, stakeholder dialogue
Date: mercredi 26 juin 2019 16:32:50

Dear Olivier, dear Mario,
Dear SF-colleagues,

As many of you know, on Monday 24 June, the Commission organised a Stakeholder Dialogue to present and discuss the Commission guidelines and three TEG reports: taxonomy, green bonds, and benchmarks. You can find all the reports [here](#).

On both **content** and **outreach** the event was quite a success. On **content**, the preliminary feedback received at the event showed quite an overarching support from a number of stakeholders for the TEG work. While there of course remains a need to have a debate, the direction of travel is good and there is a lot of praise for the quality of the TEG work. In terms of **outreach**, the venue was completely 'sold out' (**450+**), and we had almost **8000 people** watching the event live online (this statistic unfortunately includes people 'refreshing' the webpage.) Much interest came also from outside the EU – notably US (232 connections), Japan (195), or Switzerland (154). On Twitter, #SustainableFinanceEU was mentioned 1409 times during the day, a large increase. According to a rough estimate by Communication, around 3 million people saw a post related to #SustainableFinanceEU.

Below please find the **main questions** that were asked about the Guidelines, the 3 TEG reports, and the panel on the future of SF.

Many thanks to [REDACTED] for their input.

And many thanks to Olivier and Mario for their contributions to the day, which helped make it a success!

Best,

[REDACTED]

Commission Guidelines

- Questions were asked about whether companies should be obliged to disclose the materiality perspective used (financial or environmental/social), and on the link to taxonomy.

Taxonomy

- In the Q&A session on the **content of the taxonomy**, a number of industry stakeholders raised sensitive issues like the exclusion of nuclear and waste-to-energy and the criteria for bio-energy. Other notable issues raised by stakeholders were: how to ensure that the taxonomy also works for SMEs, how the taxonomy can support the transition from brown to green, and the use of NACE-codes in the taxonomy.
- During the Q&A session on the **usability of the taxonomy**, stakeholders asked a wide variety of questions. One stakeholder asked how to avoid that investors only focus on climate, given that the taxonomy only covers this objective for now. Other stakeholders

asked how much of the market would qualify under the taxonomy and whether the taxonomy would raise transactions costs, whether sovereign bonds should be assessed against the taxonomy and how companies can be incentivised to disclose data on the taxonomy.

Green Bonds

- Questions were asked about whether companies should be required to have a carbon transition strategy before issuing a green bond, as in the proposed standard companies are only required to 'disclose' how the green bond programme fits with their overall business strategy. Stakeholders also wanted to know whether local governments and unlisted issuers could use the standard (yes), and some stakeholders worried about the Do-no-significant-harm requirements and the minimum social safeguards, as the green bond market is less used to taking those factors into account.

Benchmarks

- Questions were asked about the different baselines for the Paris-aligned and the Climate-transition benchmarks. There was also a question about whether benchmark providers would choose to reweight companies in order to fulfil the minimum requirements of decarbonisation rather than choosing companies that actually manage to reduce their own emissions. The TEG hopes that index providers will be incentivised to choose these companies, but at present this could not be translated into a minimum requirement given the current state of these methodologies.
- Stakeholders wanted to know about the risk of double counting in calculating overall GHG emissions when including Scope 2 and 3 emissions, as 'your' Scope 2 or 3 emissions are *de facto* 'someone else's' Scope 1 emissions. The TEG recommends, when looking at diversified investments, to look at carbon intensity without adjusting for double counting, or if adjusted to be consistent year on year. There were also some concerns about the fact that the industry will not have enough time to comply with the new rules.

Future of SF

- Questions were asked about the need for a system approach of sustainability mobilizing finance, but also other areas of policies (such as taxation, subsidies, etc.) were pointed out. On the question of whether changes in the regulation framework are needed or if risk management and supervision have a predominant role, the ESA representatives felt that current risk based framework is sufficient at this stage.