



Sustainable Finance

EU TAXONOMY WORKSHOP SERIES

30 June – 1 July 2021

Overall Context and Purpose

The EU has been at the forefront of global efforts to build a robust framework for sustainable finance. Sustainable finance is a main pillar of the European Green Deal, with the European Commission increasingly underlining the importance of the private sector in financing the green transition.

Work on developing the European Commission's flagship EU Taxonomy framework is forging ahead. This aims to provide financial market participants with a tool to help guide their investments towards more environmentally sustainable activities. While the ultimate purpose of the framework is to further the bloc's climate objectives by scaling up sustainable investments, it has also made the EU a global rules-setter on climate action.

The EU is on the verge of adopting its first Climate Taxonomies on climate change mitigation and adaptation. In addition, the Platform on Sustainable Finance is expected to finalise soon its recommendations on the taxonomies for the remaining four environmental objectives. The role of the EU Taxonomy, in general, has been much discussed, with debates naturally tilting to the more apparent contentious issues at hand, such as transition financing; green vs greening; the treatment of natural gas; and the classification of nuclear energy. But the next batch of taxonomies will be just as instrumental for businesses and investors as the first.

How will the proposed criteria for a Circular Economy Taxonomy enhance biodiversity and circularity in the EU? What are the implications for businesses of classifying activities as environmentally 'brown' or 'neutral'? How will they affect investment? Overall, how will be the role of the EU Taxonomy framework in fostering inclusive and sustainable transition financing?

Investors and businesses are also concerned about **how the EU Taxonomies are applied**. What steps will the European Commission take to ensure consistency and standardised application? Will the later taxonomies differ from the Climate Mitigation and Adaptation Taxonomies?

Another key issue is the global scope of the EU Taxonomy. The current proliferation of different labels and standards across jurisdictions hinders standardisation and comparability. Without a common, comparable and reliable set of rules, global efforts to mobilise capital towards environmentally sustainable investment will be jeopardised. As such, can we expect global harmonisation of Taxonomies and sustainability standards? If so, will the EU continue to lead this effort and seek to export its taxonomies to other jurisdictions?



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In the run-up to COP26, many other international work streams have become more prominent, such as the work of the International Platform on Sustainable Finance, the Network for Greening the Financial System, the International Accounting Standards Board, and the IFRS Foundation, among others.

The two-day workshop covers five themes:

- **The usability of the taxonomies and access to data** taking stock of the progress already achieved in the EU taxonomy design from the perspective of usability and next steps forward. This will also look at remaining challenges and how these could be addressed.
- **The circular economy and biodiversity** exploring how these policies interact with the Climate Change Adaptation and Mitigation Taxonomies. It will look at the design of the upcoming Taxonomies covering circular economy and biodiversity and ecosystems, as well as the implications for businesses and impacts on investors.
- **Brown and neutral activities** assessing how these interrelate with the existing and planned taxonomies, the implications for future economic development, transition and possible legacy assets. It will also look at the interaction with EU public funding, the impact on investment and R&D in different economic sectors.
- **The supervisory perspective** focussing on the role of the European Supervisory Authorities (ESAs), national supervisors as well as central banks in ensuring compliance with the EU Taxonomy and in avoiding fragmentation and greenwashing.
- **The international dimension** exploring some of the international work streams on standardisation and disclosure. It will explore how the EU work on taxonomies interacts with the various international initiatives currently being developed.

Building on the *Afore Consulting in discussion with* series as well as the previous Afore Consulting sustainable finance workshops that explored the design of the EU Taxonomy, **this event brings together experts, policy-makers, and industry representatives to draw out the implications of the EU's ongoing work regarding the development of Taxonomies, whilst highlighting the role that both the EU and European businesses can play in helping to adapt the activities and investments of today towards tomorrow's more sustainable economy.**



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Programme

Wednesday, 30 June 2021

Morning session

09.00 – 09.05: Welcome

Nickolas Reinhardt, Director, Afore Consulting

09.05 – 09.25: Opening speech & Q&A

Martin Spolc, Head of Sustainable Finance Unit, DG FISMA, European Commission

09.25 – 09.50: Opening Presentation & Q&A – The Work of the Platform on Sustainable Finance

Nathan Fabian, Chair of the Platform on Sustainable Finance and Chief Responsible Investment Officer, Principles for Responsible Investment

09.50 – 10.50: Putting taxonomy into practice - Use cases for the EU Taxonomy & the need for reliable data

This session will focus on the usability of the EU taxonomy framework. While the merits and intentions of the EU taxonomy are generally well understood and supported, concerns remain about the complexity in implementing the taxonomy framework. This complexity relates both to capturing the possible unintended consequences (“the do no significant harm principle”), as well as the interrelationships and value chains that characterise modern economic activities. Even if the final economic activity can contribute to the objectives of a taxonomy, the various steps in the production chain might not necessarily meet these conditions. How can we capture the ‘through the life cycle’ principle? Moreover, the EU is now developing at least four new taxonomies that complement the Climate Change Adaptation and Mitigation Taxonomies. How will these slot into the current process? How do we cater additionally to future reviews and changes to the taxonomies? The second set of challenges is around the collection, standardisation and use of non-personal data, which feeds the analysis of the screening criteria under the Taxonomies. Can the upcoming EU proposal on European data spaces solve this problem? How do we ensure the usability of the data?



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Panellists:

- **Helena Viñes Fiestas**, co-Rapporteur of the Platform on Sustainable Finance, Subgroup on Data and Usability and Commissioner of the Spanish Financial Markets Authority
- **Nadia Humphreys**, co-Rapporteur of the Platform on Sustainable Finance's Subgroup on Data and Usability and Business Manager for Sustainable Finance Solutions, Bloomberg
- **Sabine Lochmann**, Global Head of ESG Measures, Moody's ESG Solutions
- **Stefan Marx**, Global Head of Public Affairs and Regulatory Strategy, DWS Group

Moderator: **Nickolas Reinhardt**, Director, Afore Consulting

10.50 – 11.00: Coffee Break

11.00 – 11.40: Promoting the circular economy and protecting biodiversity and ecosystems

Introductory remarks by:

- **Marzia Traverso**, Rapporteur for the Platform on Sustainable Finance, Technical Working Group and Head of Institute of Sustainability in Civil Engineering, RWTH Aachen University
- **Ben Allen**, co-Rapporteur of the Platform on Sustainable Finance, Technical Working Group and Research Director, Institute for European Environmental Policy

11.40 – 12.40: The role of the EU Taxonomy in fostering recycling and protecting biodiversity and ecosystems

In this session, speakers will explore how the promotion of a circular economy and the protection of biodiversity and ecosystems sit with the wider obligations of companies to meet their climate change adaptation and mitigation targets. What are the main features of these upcoming Taxonomies and how does this relate to the EU's wider existing policy objectives and sectoral policies? **How can the concept of recycling be built into the concept of a 'through-the-life-cycle' assessment under the Climate Change Adaptation and Mitigation Taxonomies?** How does the proposed Taxonomy on Transition to a Circular Economy sit with the separate work done on waste management? **What can stakeholders expect from a Taxonomy covering aspects related to the protection and restoration of biodiversity and ecosystems?** Which sectors will be most impacted?

Panellists:

- **Jelena Macura**, Member of the Platform on Sustainable Finance, Technical Working Group and Head of Sustainable Finance, European Chemical Industry Council (Cefic)
- **Carolin Schenuit**, Managing Director, Forum Ökologisch-Soziale Marktwirtschaft
- **Lee Clements**, Head of Sustainable Investment Solutions, FTSE Russell, LSEG
- **Edgar Galrão**, Product Sustainability Lead, GE Renewable Energy

Moderator: **Sir Jonathan Taylor**, Senior Advisor, Afore Consulting



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12.40 – 13.00: Keynote speech and Q&A

Paul Tang, Member of the European Parliament

13.00 – 13.10: Closing remarks

Nickolas Reinhardt, Director, Afore Consulting



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Thursday, 01 July 2021

Morning session

09.00 – 09.05: Welcome

Nickolas Reinhardt, Director, Afore Consulting

09.05 – 09.25: Keynote speech and Q&A

Eila Kreivi, Director for Capital Markets, European Investment Bank

09.25 – 09.50: An EU Taxonomy for ‘brown’ and ‘neutral’ activities: where we are and what to expect

Introductory remarks by **Nancy Saich**, Rapporteur of the Platform on Sustainable Finance, Subgroup on negative and low-impact activities and Chief Climate Change Expert, European Investment Bank

09.50 – 10.50: Panel discussion An EU Taxonomy for ‘brown’ and ‘neutral’ activities: where we are and what to expect

In the session, panellists will focus on the particular issues arising from brown and neutral activities. The EU is considering whether, as part of its transition strategy, the EU should develop a brown and/or neutral taxonomy that sits next to the other taxonomies. How would such a set of taxonomies be designed and how would they relate to the ongoing work on green taxonomies? What would be the policy implications of developing and using such brown and neutral taxonomies? Would this for example lead to higher regulatory capital charges for financing these activities? How should brown activities be treated that otherwise might benefit society? Most importantly, will a brown taxonomy accelerate the emergence of legacy issues and what would be the implications for asset class prices and the long-term re-shifting of portfolios? What could be the implications for future public funding of projects, the impact on investment and R&D in different economic sectors?

Panellists:

- **Andreas Barkman**, Member of the Platform on Sustainable Finance, Subgroup on negative and low-impact activities and Senior Expert on Sustainable Finance, European Environment Agency
- **Nathalie Dogniez**, Partner, Asset and Wealth Management EMEA, PwC
- **Kevin Bourne**, Managing Director and Head of Sustainable Finance, IHS Markit
- **Sir Jonathan Taylor**, Senior Advisor, Afore Consulting

Moderator: **Nickolas Reinhardt**, Director, Afore Consulting



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10.50 – 11.00: Coffee Break

11.00 – 12.00: The Supervisory Perspective

Panellists:

- **Alessandro d'Eri**, Senior Policy Expert, ESMA
- **Pamela Schuermans**, Principal Expert on Insurance Policy, EIOPA
- **Fabien Le Tennier**, Policy Expert on Sustainable Finance, Economic and Risk Analysis, EBA
- **Charlotte Gardes**, Deputy Head of Unit, Sustainable Finance, Corporate Law, Accounting Standards and Corporate Governance, French Treasury

Moderator: **Daniel Trinder**, Senior Policy Advisor, Afore Consulting

12.00 – 12.20: Keynote speech

Sébastien Raspiller, Assistant Secretary, Head of the Financial Sector Department, French Treasury

12.20 – 12.50: Fireside chat

Sean Kidney, Member of the Platform on Sustainable Finance Subgroup on Data and Usability and Co-founder and CEO, Climate Bonds Initiative

Moderator: **Daniel Trinder**, Senior Policy Advisor, Afore Consulting

12.50 – 12.55: Closing remarks

Daniel Trinder, Senior Policy Advisor, Afore Consulting



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Afternoon session

15.10 – 15.15: Welcome

Nickolas Reinhardt, Director, Afore Consulting

15.15 – 15.30: Keynote speech

Diego Rios, Chief Risk Officer EMEA, AIG

15.30 – 16.40: The international dimension of the EU sustainable finance agenda: ahead of the curve or too complex to replicate?

This concluding session on the international dimension will set the EU's work on taxonomies into its international context. It will explore how the EU's initiatives fit into the wider international context and complement these actions. Is the EU running ahead of international consensus or leading the way in the run-up to COP26? What is the role of the EU's International Platform on Sustainable Finance? How do we ensure comparability and convergence across the globe, while recognising regional specificities and different levels of economic development? How can international cooperation contribute to supply chain management?

Panellists:

- **Eric Pan**, President & CEO, ICI Global
- **Jarek Olszówka**, International Head of Sustainable Finance, Nomura, representing the Global Financial Markets Association
- **Tomo Ishikawa**, Managing Director, Head of Government & Regulatory Affairs, Corporate Planning Division, MUFG
- **Philippe Richard**, Executive Director, International Affairs, Financial Services Regulatory Authority, Abu Dhabi Global Markets
- **Ingrid Holmes**, Executive Director, Green Finance Institute and co-Chair of the UK's Green Technical Advisory Group

Moderator: Nickolas Reinhardt, Director, Afore Consulting

16.40 – 16.55: Keynote speeches: The Investors' Perspective

Eric Pan, President & CEO, ICI Global

16.55 – 17.00: Closing remarks

Nickolas Reinhardt, Director, Afore Consulting