

We are concerned with the implementation timeline of the Taxonomy disclosure information. We understand from the draft DA that information in relation to the level of alignment with the taxonomy under art 8 would not be available before 23 (in relation to 22 reporting period).

At the same time, under taxonomy art 5/6 (and draft RTS in JC 2021 22), financial products falling under art 5/6 would be required to disclose their taxonomy alignment commitment from Jan 22 as well as actual portfolio alignment in their 22 periodic reports. Pending adequate taxonomy alignment data reported by investee companies, FMPs will not be able to make relevant taxonomy alignment assumptions and estimation, supporting realistic and informed alignment commitment as of Jan 22 and disclose actual portfolio alignment in reports issued in 22.

We therefore strongly advocate that timeline of disclosure be aligned to ensure that disclosure requirement under art 5/6 of the taxonomy be only implemented after investee companies are required to disclose their taxonomy alignment so that managers will dispose of relevant data before committing to a certain portion of their portfolios to be aligned with the taxonomy.

Similarly, we are concerned about the provision of art 8.3 and 11.5. We understand that these would prevent financial undertakings from taking into consideration voluntarily reported taxonomy alignment by companies which are not (yet) required to report under NFRD.

We believe that this is counterproductive and could defeat the entire purpose of the taxonomy, reorienting capital flows towards sustainable investments. It would also introduce a market bias, favouring larger listed companies to the detriment of smaller ones.

Take 2 companies in the same sector:

- Company A has 90% of its turnover taxonomy-aligned. It does not meet the current NFRD threshold (450 staff) but has voluntarily decided to produce a CSR report and to include taxonomy alignment KPI as sustainability is a key to its strategy.
- Company B is less focussed on GHG emissions with 5% of its activities taxonomy-aligned but exceeds the NFRD reporting threshold of 500 staff.

Under the current proposal, an investment in A is considered as 0% aligned with the taxonomy whereas an investment in B is considered as 5% aligned.

An asset manager having set taxonomy alignment ambitions would have no choice but to invest in B in order to increase its alignment ratio. Just because of its size, B will have easier and cheaper access to financing than A although the activities of A are more sustainable.

Moreover, A would be disincentivized to issue taxonomy alignment reporting as, due to its size, such report would not bring easier access to financing. As a result, sustainability information as well as taxonomy alignment reporting could be really limited. This will further deter managers from setting up taxonomy aligned products, given the resulting scarcity of taxonomy alignment data and could hamper the success of the taxonomy as a universally recognized classification framework for sustainable activities.



We therefore strongly recommend to remove this exclusion for companies below NFRD threshold and authorize the consideration of any aligned activities in the numerator, whatever the size of the investee company.

As per JC 2021 22 investments of a financial product investments in real estate assets which qualify as environmentally sustainable activities may be taken into account when calculating the taxonomy alignment. However none of the categories of investee companies set out in Annex III 1.1. (a) - (e) mention real estate products as being eligible when calculating the KPI. We further fail to understand how investments in real assets qualifying as sustainable economic activities, might be captured.

ALFI would welcome clarification on the methodology to be used as per Annex IV in the calculation of the value of derivatives (commitment approach, gross vs. net exposure) to ensure consistency.

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