



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**



Allow flexibility on alignment with the DNSH and Minimum Safeguards (MS) in all cases



Enable TSC adaptation to non-EU jurisdictions



Allow estimates and third-party data based on a common methodology



Simplify NACE classification of complex green and sustainability projects



Grandfather the legacy green bond market

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