

Consultation Response

Commission Calls for Evidence for the review of the EU Taxonomy Climate and Environmental Delegated Acts

5 December 2025

The Association for Financial Markets in Europe (AFME)¹ welcomes the opportunity to comment on the European Commission's calls for evidence for the review of the EU Taxonomy Climate and Environmental Delegated Acts. AFME is pleased to contribute to the European Commission's efforts to improve the usability of assessing and reporting EU Taxonomy alignment. We strongly support the Commission's Omnibus commitment to "carry out a systematic and thorough review of all the technical screening criteria, in particular of all the DNSH criteria, with the aim of assessing ways to make them simpler, more usable and more aligned with EU legislation."² While the Omnibus I package focused on much-needed reduction of reporting burdens and providing rapid relief to reporters, AFME members agree on the need for comprehensive solutions which will improve the usability of the Taxonomy in the long term.³

We welcome the recognition by the Commission and the Platform on Sustainable Finance that it is necessary to address challenges with the Do-No-Significant-Harm ("DNSH") assessment⁴. The review of the Disclosures Delegated Act ("DDA") and Climate and Environmental Delegated Acts should work together to relieve unnecessary burdens associated with assessing DNSH and allow banks to leverage their clients' DNSH assessments in reporting. Simplification across the Taxonomy delegated acts will improve banks' ability to assess Taxonomy alignment, prepare accurate reporting and steer capital flows for the sustainable transition.

The Commission's substantive review of the Climate and Environmental Delegated Acts should be informed by how financial institutions use the Taxonomy to provide finance to companies transitioning their activities. AFME's December 2024 industry study "[A Review of the DNSH Assessment in the EU Taxonomy](#)"⁵ (enclosed in the Annex) analysed how financial institutions, corporates and sovereign/supranational entities use the DNSH technical screening criteria ("TSC") in their business. The report sets out challenges financial institutions face when performing the DNSH assessment and recommendations for policymakers to simplify the DNSH assessment and support broader uptake of the EU Taxonomy. The recommendations are based on two forms of primary research: a quantitative survey of 18 large institutions in Europe and 19 expert interviews with financial institutions, corporates, sovereigns, supranational organisations and agencies ("SSAs"), and investors. Our industry research has identified opportunities for simplifying the DNSH approach which will impact

¹AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

² Commission Explanatory Memorandum, [Commission Draft Delegated Regulation](#) on Taxonomy Delegated Acts, pg 4.

³ [AFME response to the European Commission consultation on amendments to the Taxonomy Delegated Acts](#), 26 March 2025.

⁴ Commission [Staff Working Document accompanying omnibus proposal and specifying further steps](#), pg 47.

⁵ See AFME, "[A Review of the DNSH Assessment in the EU Taxonomy](#)" (AFME DNSH report), December 2024, pg 26.

Association for Financial Markets in Europe

London Office: Level 10, 20 Churchill Place, London E14 5HJ, United Kingdom T: +44 (0)20 3828 2700

Brussels Office: Rue de la Loi 82, 1040 Brussels, Belgium T: +32 (0)2 883 5540

Frankfurt Office: c/o SPACES – Regus, First Floor Reception, Große Gallusstraße 16-18, 60312, Frankfurt am Main, Germany T: +49 (0)69 710 456 660

www.afme.eu

three large segments of banks' lending portfolios: corporate lending, retail lending and commercial real estate.

Our key recommendations are set out below by business segment. AFME's study includes recommendations for revising the DDA and Climate and Environmental Delegated Acts; we set out the relevant recommendations for the Climate and Environmental Delegated Acts below.

Recommendations for corporate lending

Recommendation: Embed the “the licence to operate in the EU” approach into the DNSH assessment process by mapping the DNSH and MSS criteria to the corresponding EU member states' legislation. We support integrating the “licence to operate” principle into the DNSH assessment by recognising where binding EU and national legislation already ensures compliance with specific environmental requirements.

Recommendation: As a second step, extend the mapping of DNSH and MSS criteria to legislation in key non-EU jurisdictions. Consult with industry to explore potential approaches for setting DNSH criteria for activities outside of the EU based on the materiality of risk involved. Extending the analysis to major non-EU jurisdictions would provide greater clarity on DNSH assessments for international financing, leveraging existing international ESG standards (e.g. Equator Principles, IFC Performance Standards, World Bank Environmental and Social Framework, OECD Common Approaches) where appropriate. Such guidance would avoid fragmentation and support a more consistent treatment of non-EU exposures under the Taxonomy.

Recommendations for retail lending and residential real estate financing

Recommendation: For retail finance (mortgages, renovation, vehicle loans, etc.), allow a simplified approach for assessing Taxonomy alignment based on substantial contribution alone. Information required to assess DNSH under the Climate Delegated Act is not accessible for retail clients or banks.

Recommendation: Align DNSH criteria for vehicle leasing/financing with legislation on product specifications of motorbikes, passenger cars and light commercial vehicles.

Recommendations for commercial real estate financing and specialised lending

Recommendation: Work towards improved interoperability of the EU Taxonomy criteria and market certifications and other recognised standards such as BREEAM and Equator Principles and develop a clear view of gaps between certifications and DNSH. Market certifications that are comparable to Taxonomy criteria and demonstrate compliance with them, or that would support the analysis to a certain degree, should be included, for example, LEED and BREEAM in real estate.

Recommendation: Provide guidance on whether and which member states' local planning laws are in alignment with DNSH criteria, identify gaps and work towards achieving full alignment.

Our report includes detailed analysis on all these recommendations. AFME's recommendations for improving the overall usability of the DNSH criteria align closely with the Platform recommendations regarding DNSH usability in its [February 2025 report on simplifying the EU Taxonomy](#)⁶. In particular, AFME supports the Platform's recommendations for financial companies to simplify DNSH assessment and reporting.⁷

Our recommendations above relate to the simplification of DNSH TSC, but simplification should also be applied to the substantial contribution TSC. Substantial contribution criteria should be clear, concise and indicate what types of evidence would constitute compliance.

⁶ Platform on Sustainable Finance, [Simplifying the EU taxonomy to foster sustainable finance](#), pg 39.

⁷Ibid pg 17.

Beyond the Commission's review of the Taxonomy delegated acts, AFME members stand ready to provide input on the application of the DNSH principle across EU sustainable finance regulation and the forthcoming review of the DDA. As part of the Commission's review of the Taxonomy delegated acts, we recommend systematising and updating the various sets of FAQs across the Taxonomy delegated acts, in consultation with the industry and the financial sector, to increase legal certainty and facilitate application.

Oliver Moullin

Managing Director, Sustainable Finance
General Counsel and Company Secretary
Oliver.Moullin@afme.eu

Rachel Sumption

Associate Director, Sustainable Finance
Rachel.Sumption@afme.eu

Carolina Cazzarolli

Manager, Advocacy
Carolina.Cazzarolli@afme.eu

Jack Chapman

Associate, Sustainable Finance
Jack.Chapman@afme.eu

Annex

A Review of the DNSH Assessment in the EU Taxonomy

A Review of the DNSH Assessment in the EU Taxonomy

Progress, Gaps and Pathways Forward

December 2024

Disclaimer

This report (the "Report") is intended for general information only, and is not intended to be and should not be relied upon as being legal, financial, investment, tax, regulatory, business or other professional advice. AFME doesn't represent or warrant that the Report is accurate, suitable or complete and none of AFME or its respective employees shall have any liability arising from, or relating to, the use of this Report or its contents.

Your receipt of this document is subject to paragraphs 3, 4, 5, 9, 10, 11 and 13 of the Terms of Use which are applicable to AFME's website (available at <https://www.afme.eu/About-Us/Terms-of-use>) and, for the purposes of such Terms of Use, this document shall be considered a "Material" (regardless of whether you have received or accessed it via AFME's website or otherwise).

December 2024

Qualifications, assumptions, and limiting conditions

There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client decision-taking party (and are not the responsibility of Oliver Wyman). This report does not represent investment advice, nor does it provide an opinion regarding the fairness of any transaction to any and all parties. In addition, this report does not represent legal, medical, accounting, safety, or other specialised advice. For any such advice, Oliver Wyman recommends seeking and obtaining advice from a qualified professional.

Contents

Foreword	4
-----------------	----------

01. Introduction	6
-------------------------	----------

02. EU Taxonomy Uptake	10
-------------------------------	-----------

03. Challenges Financial Institutions Face When Performing the DNSH Assessment	17
---	-----------

04. Recommendations for Policymakers	25
---	-----------

05. Observed Practices and Recommendations for EU Taxonomy Users	35
---	-----------

List of Participants	43
-----------------------------	-----------

References	44
-------------------	-----------

Foreword

/ Foreword by AFME

AFME welcomes the European Commission's emphasis on enhancing the usability of the EU sustainable finance framework and the work of the EU Platform on Sustainable Finance in supporting this. We also welcome efforts to enhance competitiveness and reduce the burdens on companies under the regulatory framework, including the EU Taxonomy Regulation.

In November 2023, AFME published a report, [Sustainable finance in the EU: Priorities to unlock financing and investment](#) which reflected upon our members' practical experiences with applying the EU regulatory framework for sustainable finance. The report identifies several areas where banks are facing implementation challenges and formulates policy recommendations to address them and enhance the overall effectiveness of the framework. One of the areas identified for review was the approach to Do-No-Significant-Harm (DNSH) under the EU Taxonomy.

This report elaborates upon the challenges which financial institutions face in applying the DNSH assessment based upon research conducted by Oliver Wyman, including detailed interviews with practitioners at financial institutions, corporates, sovereigns and supranational organisations and investors. The report explores specifically how the DNSH assessment could be simplified across credit institutions' lending portfolios with a mixture of short-, medium- and long-term policy actions.

I would like to thank our members for sharing their experiences with applying the DNSH "on the ground" and the Oliver Wyman team. We hope that this report provides a valuable contribution as policymakers take forward work to enhance the usability of the EU Taxonomy in support of the mobilisation of capital to finance the transition.



Oliver Moullin

Managing Director, Sustainable Finance and General Counsel
Association for Financial Markets in Europe

/ Foreword by Oliver Wyman

As we stand at a critical juncture in our collective response to climate change, the role of financial services in driving sustainable practices has never been more vital. At Oliver Wyman, we recognize that the path to a sustainable future requires not only commitment but also a robust framework that guides and measures our progress. This report on the “Do No Significant Harm” (DNSH) assessment within the EU Taxonomy delves into the current challenges that contribute to low alignment, particularly among financial institutions, and offers actionable recommendations for policymakers and industry leaders alike. Oliver Wyman is proud to collaborate with the Association for Financial Markets in Europe on this report.

The EU Taxonomy represents a groundbreaking effort to create a common language for environmental sustainability, yet its implementation has revealed significant challenges. As this report highlights, the alignment rates are not merely numbers; they reflect the complexities and nuances of transitioning to a greener economy. Our analysis identifies key areas where the taxonomy can be strengthened, ensuring it serves as an effective tool for investors and businesses striving for genuine sustainability.

At Oliver Wyman, we have a long-standing commitment to advancing climate action and sustainability within the financial services sector. Our expertise stems from years of working alongside leading financial institutions, providing insights that bridge the gap between regulatory frameworks and practical implementation. This positions us uniquely to speak on behalf of the industry, as we understand both the aspirations and the operational realities faced by our clients.

Moreover, we believe that collaboration is essential in overcoming the barriers to effective implementation of the EU Taxonomy. By sharing best practices from across the industry, we can foster a more cohesive approach to sustainability that aligns with the overarching goals of the European Green Deal. Our recommendations aim not only to enhance the EU Taxonomy itself but also to empower financial institutions to take proactive steps in their sustainability journeys.

As we present this report, we invite policymakers, industry leaders, and stakeholders to engage with our findings and consider the pathways we outline. Together, we can enhance the efficacy of the EU Taxonomy and, in doing so, propel the financial services industry toward a more sustainable and resilient future.



Élie Farah

Head of Financial Services, Europe
Oliver Wyman

01. Introduction

/ Chapter Summary

The Do No Significant Harm (DNSH) principle is featured in several pieces of legislation in the EU and is an important constituent of the EU Taxonomy. It was developed to help companies ensure efforts to become more sustainable would not inadvertently cause harm to other environmental objectives.

The DNSH assessment is set to become significantly more relevant and necessary due to the 2025 implementation of the Corporate Sustainable Reporting Disclosure (CSRD) for large companies, which requires companies to report on alignment with the EU Taxonomy.

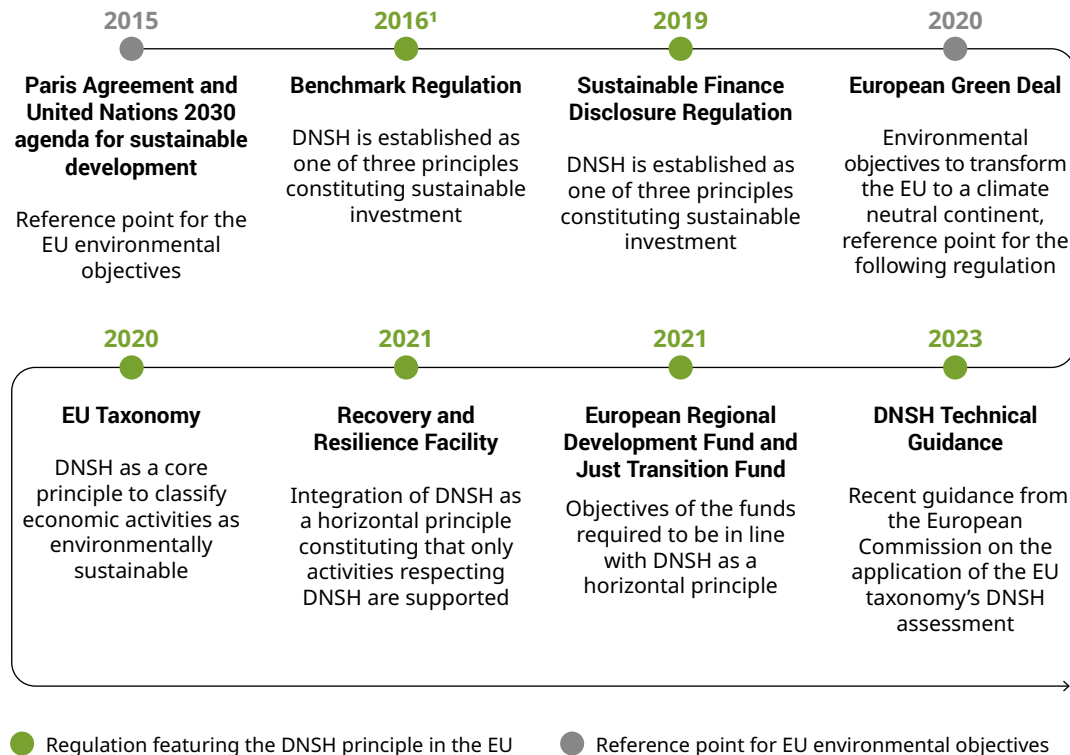
This report provides recommendations for policymakers to help ease the implementation of the DNSH component of the EU Taxonomy in a comparably short timeframe. It aggregates industry best practices to help users cope with challenges and contributes to a repository of effective strategies, policies, and frameworks for EU Taxonomy users in the financial and non-financial sectors.

Methodology

The project team has used both primary and secondary research methodologies, capturing information from the most relevant available third-party sources, the most recent information from the European Commission, and academia. The recommendations are based on two forms of primary research: a quantitative survey of 18 large institutions in Europe and 19 expert interviews with financial institutions, corporates, sovereigns, supranational organizations, and agencies (SSAs), and investors. We have interviewed 10 financial institutions, 4 corporates, 3 investors, and 2 SSAs. The research cohort represents a diverse mix of countries across Europe.

/ The DNSH Principle in EU Sustainable Finance Regulation

Exhibit 1: Evolution of the DNSH principle



1. Adoption of the core regulation in 2016, date effective: 2019

Source: Oliver Wyman analysis

Do No Significant Harm (DNSH) is a fundamental principle within sustainable finance taxonomies worldwide which tries to resolve the problem of externalities — while an activity may contribute positively to one or more sustainability objectives, it should not simultaneously undermine other sustainability objectives.

The roots of the DNSH Principle started with the idea of Do No Harm (DNH) — which in the EU context, is the precautionary principle. The DNSH principle in relation to DNH is a precautionary principle with more specific criteria.

The DNSH Principle is featured in several EU regulations in addition to the EU Taxonomy, such as the Sustainable Finance Disclosure Regulation (SFDR), the Benchmarks Regulation, and the Recovery and Resilience Facility (see Exhibit 1).

However, the underpinning definitions of DNSH highly differ across European legislation posing the risk of inconsistency.

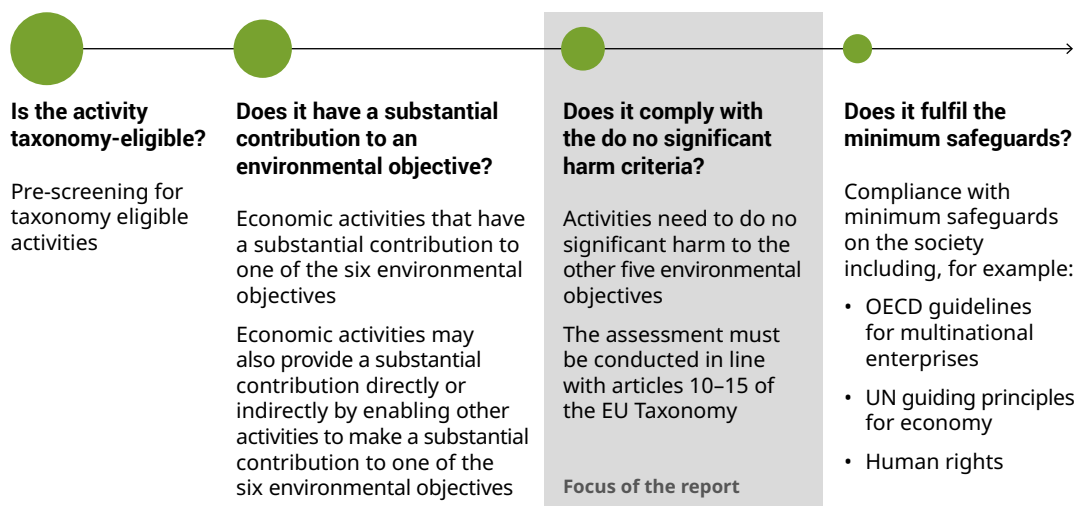
In the Benchmarks Regulation and SFDR, DNSH refers to activities which do not harm other environmental, social and governance (ESG) objectives, which contrasts with the approach taken in the EU Taxonomy which defines DNSH solely in relation to environmental harm.

/ The DNSH Principle in the EU Taxonomy

The EU Taxonomy Regulation (Regulation EU 2020/852) was published in the Official Journal of the European Union on 22 June 2020 and became effective on 12 July 2020. The regulation establishes a comprehensive classification system designed to identify environmentally sustainable economic activities. Its primary objective is to provide a common framework to classify and assess whether economic activities contribute to the EU's environmental sustainability objectives and meet social safeguards.

The primary purpose of the EU Taxonomy is not centred around disclosure; rather, it is designed to assist companies in evaluating the compatibility of their activities with EU sustainability objectives and to facilitate financing for sustainable initiatives. The EU Taxonomy establishes criteria to determine whether an economic activity substantially contributes to one or more of the environmental objectives set out in the regulation. However, an economic activity should not qualify as environmentally sustainable if it causes harm to any other environmental objective. An economic activity can only be considered aligned to the EU Taxonomy if it complies with all criteria displayed in Exhibit 2 (see also [EC EU Taxonomy User Guide 2023](#)).

Exhibit 2: EU Taxonomy criteria to constitute a sustainable economic activity



● Illustrative subset of activities fulfilling all criteria of the stage (and previous stages)

Source: Oliver Wyman analysis

The EU Taxonomy defines six environmental objectives that are used for the substantial contribution and the do no significant harm assessment (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems).

Moreover, it requires an assessment on activity level and provides specific criteria for a range of sectors. There is specific guidance for sectors such as energy, forestry, the construction of buildings and infrastructure, and transportation.

The DNSH assessment necessitates a thorough evaluation of potential trade-offs and interdependencies between various environmental impacts, as actions beneficial for one objective may inadvertently harm another. For instance, in the case of a project for residential real estate development in the construction industry, the DNSH assessment would require comprehensive data collection, including:

- **Environmental Impact Assessments (EIA):** Detailed evaluations of potential impacts on local biodiversity and ecosystems, specifically assessing the presence of protected species and habitats on the site.
- **Carbon Footprint Analysis:** Quantitative assessments of greenhouse gas emissions during construction, utilizing data on energy consumption from machinery, transportation emissions, and emissions from materials (for example, the carbon intensity of concrete and steel).
- **Resource Use Reports:** Analysis of raw materials sourcing, detailing the sustainability certifications of timber used in construction, water usage for site operations, and energy consumption for heating and cooling in the retail space.
- **Waste Management Plans:** Comprehensive strategies for managing construction waste, including targets for recycling rates, disposal methods, and plans for minimizing waste generation during the operational phase.
- **Community Impact Studies:** Engagement with local stakeholders to assess socio-economic implications, including potential displacement of existing businesses and changes in local traffic patterns.

This example illustrates the potentially complex data availability requirements to perform a DNSH assessment.

Since 2023, the large public interest companies (PIE) under the Non-Financial Reporting Directive (NFRD) have been required to publicly disclose EU Taxonomy alignment KPIs such as turnover, capital expenditure (Capex), and operating expenses (Opex). Additionally, large public interest financial institutions are subject to specific KPI reporting requirements, such as the Green Asset Ratio for banks and the Green Investment Ratios for asset managers and asset owners as of January 2024 (see also [AFME Gar Recs](#)).

From 2025 onwards the EU Taxonomy disclosure scope will progressively increase to smaller and private companies.

02. EU Taxonomy Uptake

/ Chapter Summary

Based on 2023 reporting, the highest level of alignment can be found in sectors with high investment needs related to the energy transition, such as power and utilities, real estate, and technology, with alignment rates of 33%, 21%, and 21%, respectively (see Exhibit 3).

Financial institutions currently report lower Green Asset Ratios (GAR) based on Capex with an average of only 2.3% compared to non-financial institutions at 12% alignment (see Exhibit 3 and Exhibit 5). While this is partially because reporting for financial institutions started later, there are also broader issues with the calculation of the GAR.

Financial institutions can directly provide or arrange long-term debt in the capital markets, and in these roles can align the sustainability criteria used to the EU Taxonomy criteria.

If financial institutions act as equity investors in case of asset management activities, they can leverage the EU Taxonomy criteria when designing and marketing investment products, for instance in the case of Article 8 and Article 9 investment funds.

For most investors, the number of non-financial institutions reporting high EU Taxonomy alignment rates is still too small to be relevant for portfolio steering or developing sustainable investment products based on alignment with the EU Taxonomy (see also Morningstar 2024).

Green bonds with EU-Taxonomy aligned use of proceeds criteria account for only €159 billion of a total of €1,306 billion in green bonds issued in Europe, according to a 2024 Bloomberg analysis.

/ Uptake Among Non-Financial Institutions

Non-financial institutions use the EU Taxonomy for reporting purposes and raising transition financing, either via banks or bond markets (see also [AFME ESG Premia 2024](#), p. 35). In 2024, the Platform on Sustainable Finance published a set of market practices illustrating emerging EU Taxonomy use cases for the non-financial corporate sector (for specific examples please refer to [PSF Compendium 2024](#)).

The legislation is still evolving as Delegated and Implementing Acts continue to be issued along with non-binding guidance such as FAQs. Currently, Technical Screening Criteria (TSC) are available for some sectors via activities covered in the EU Taxonomy's Climate Delegated Act, Complementary Climate Delegated Act and Environmental Delegated Act but remain unavailable for other sectors (see also [PSF Compendium 2024](#)).

Since 2022, companies within the scope of the CSRD/NFRD have been required by the EU Taxonomy Regulation to disclose the proportion of their EU Taxonomy-eligible and aligned turnover, Capex, and Opex (see also Chapter 1.2). Therefore, the corporates within the scope of CSRD/NFRD only have two years' worth of experience of preparing EU taxonomy disclosures.

However, for companies operating in some sectors with high transition investment needs, such as power and utilities, real estate and transportation, the EU Taxonomy already appears relevant with alignment rates of 25%, 21% and 17% respectively. The technology sector also displays alignment rates of 21% (all Exhibits based on Capex).

An analysis of company disclosures reveals a gap between EU Taxonomy-eligible and EU Taxonomy-aligned economic activities for non-financial institutions. Based on Capex, the average reported EU Taxonomy eligibility amounts to 37%, compared to an alignment ratio of 12% (see Exhibit 3).

/ This isn't just a reporting exercise for us. We use the EU Taxonomy to define what is eligible for green financing. More than 50% of our assets are currently financed via green financing, so this is a major lever for our cost of capital

Energy company

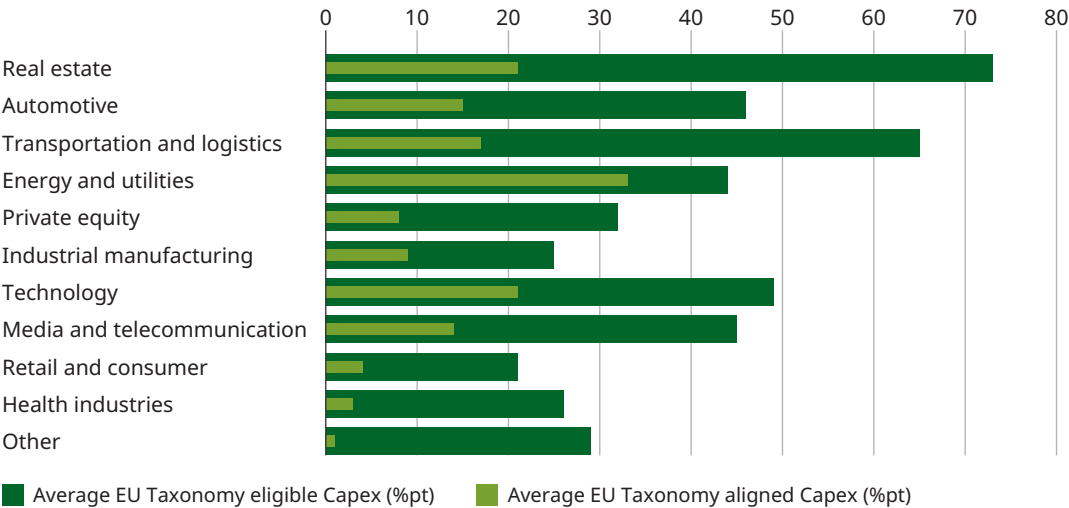
/ The EU Taxonomy is valuable for us and we absolutely understand and support the idea of creating transparency for investors and setting incentives for investment in the energy transition

Energy company

The gap between eligibility and alignment ratios is relatively small for the energy and utilities sector (see Exhibit 3). This is likely due to a combination of factors, and lower complexity of the TSC, as well as the high investment needs for the energy transition.

This effect can also be observed in green bond markets. As highlighted in Exhibit 4, issuances by energy and utilities companies make up 53% of EU Taxonomy aligned bonds, compared to 15% in the remainder of the sustainable bond market.

Exhibit 3: Average EU Taxonomy alignment and eligibility rates by industry



Source: PWC 2024

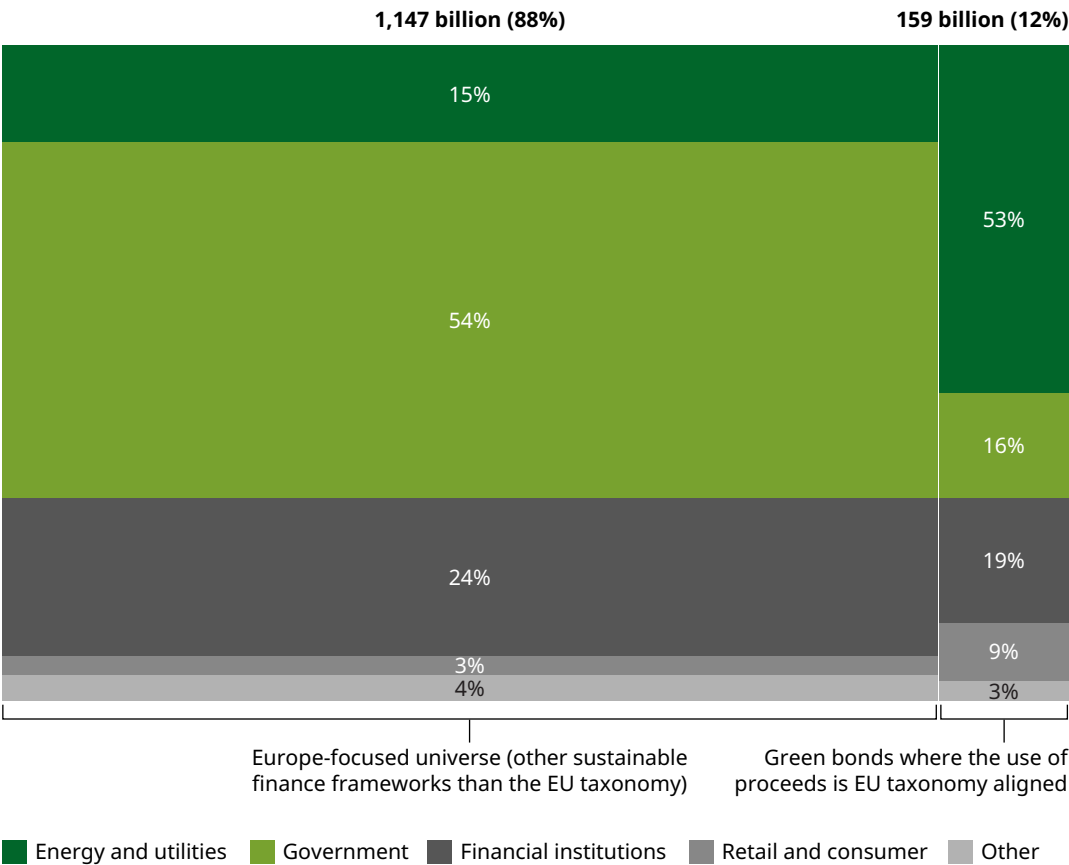
/ The EU Taxonomy is quite valuable. We still run some coal power plants which are by now a very small percentage of our portfolio. However, our Capex already displays very high alignment rates with the EU Taxonomy. The EU Taxonomy helps us objectively prove to our stakeholders that we are committed to a low carbon transition

Energy company

/ The EU Taxonomy is for sure already practical in certain sectors. If you look at automotive and utility companies, data is readily available. However, I haven't heard from any cement company for example that is happy about the EU Taxonomy

Investor

Exhibit 4: Sector breakdown of green bonds where the use of proceeds are EU Taxonomy aligned by volume (2024)



Source: Oliver Wyman analysis, BloombergNEF 2023

The same research shows that green bonds where the use of proceeds criteria are completely EU Taxonomy aligned account for only €159 billion (12%) of a total of €1,306 billion green bonds issued in Europe [BloombergNEF 2024]. The uptake of the EU Taxonomy as a sustainable finance framework is increasing which makes sense given the short time since effectuation. As explained above, a material share of the growth comes from issuances by energy and utilities companies.

While government bonds make up 54% of the broader sustainable bond market, their share among EU Taxonomy aligned bonds is only 16%. This is the most significant difference across all types of issuers between the broad and EU-Taxonomy-aligned sustainable bond market.

/ We started reporting to the EU Taxonomy already in 2020, ahead of mandatory reporting, and are thus now in our 4th year. For us, EU Taxonomy reporting is very useful for bond financing

Energy company

/ Uptake Among Financial Institutions

Financial institutions use the EU Taxonomy in their role as financiers, arrangers for corporate debt issuances and asset managers. The EU Taxonomy can support the financial services industry in aligning capital with the EU environmental objectives (see also [PSF Compendium 2024](#) and [UNEP FI Practical approaches 2022](#)). The most common use case for banks is the use of the Substantial Contribution Criteria to inform sustainable finance criteria. Moreover, financial institutions can develop products such as sustainable investment funds based on the EU Taxonomy.

However, the average Green Asset Ratio (GAR) based on Capex for financial institutions after one year of reporting is only 2.3% (see Exhibit 5).

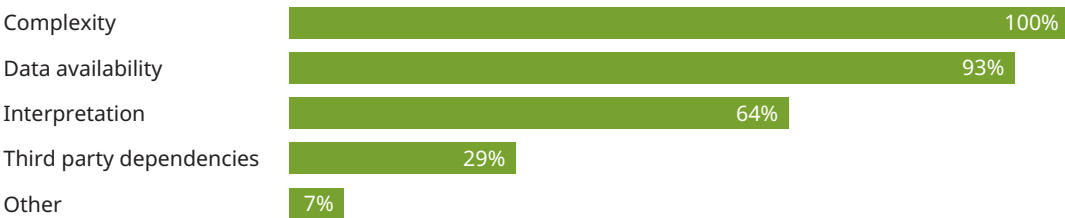
Additionally, investors currently may face a competitive disadvantage when demanding EU taxonomy criteria as part of their due diligence for investments.

As far as the GAR metric is concerned, there are pronounced imbalances between the activities included in the numerator and the denominator. As a result, the alignment ratios reported by financial institutions based on GAR are expected to remain rather low

More detailed information on the Green Asset Ratio and the difficulties surrounding it can be found in a recent paper from AFME, [AFME Gar Recs](#).

Exhibit 5: Greatest challenges for DNSH alignment

Share of AFME members naming the issue among the top three greatest challenges in DNSH assessment (% , 2024)



Source: AFME and Oliver Wyman 2024

/ We have set up our own green bond framework to be more comprehensive than the EU Taxonomy. Our framework uses the same DNSH criteria as the EU Taxonomy but allows for more flexibility regarding data requirements. So, while we unfortunately cannot fully align to the EU Taxonomy, we try to stay as close as possible with our own framework.

Financial institution

- / The high associated costs coupled with limited practical use result in an unappealing cost-benefit ratio. It has become evident that obligatory reporting can inadvertently lead to market confusion, impose additional financial burdens on businesses, and potentially impede the progress of transition finance.

Financial institution

- / We have started implementing a dedicated report on EU Taxonomy alignment for the few sectors that we can report on. Unfortunately, the numbers are so low that it is a pure compliance exercise, which is a shame.

Financial institution

- / Fully EU Taxonomy-aligned assets are a very small subset compared to our total sustainable finance volumes. It is a handful of transactions a year that are relevant for full EU Taxonomy alignment.

Financial institution

- / The benefits of using the EU Taxonomy are currently unclear, because many investors will also consider internal Sustainable Finance classifications rather than focusing only on EU Taxonomy-aligned assets.

Financial institution

- / For the GAR volumes, we see low numbers across the board.

Financial institution

- / We currently do not want to invest too many resources into aligning our portfolio to the EU Taxonomy as we would rather invest into aligning our portfolio to Net Zero

Financial institution

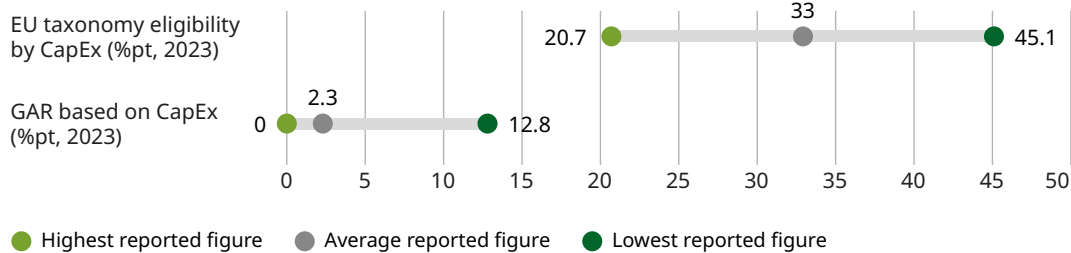
- / We are in competition with other providers of capital that do not require the EU Taxonomy assessment in their Due Diligence. We need to provide them with incentives such as cheaper interest rates if they provide the information required by the EU Taxonomy.

Investor

- / The asymmetry leads to a lack of comparability of disclosures amongst banks... while the numerator comprises EU Taxonomy-aligned activities in the scope of CSRD, the denominator counts instead the total assets independently from the scope of CSRD, including, therefore, assets that cannot be eligible for the EU Taxonomy and will never be EU Taxonomy-aligned, and many assets where it is extremely challenging to assess EU Taxonomy alignment.

P.4 AFME GAR Recs

Exhibit 6: GAR and EU Taxonomy eligibility of financial institutions based on Capex (2023)



Source: PWC 2024

Asset managers currently find it difficult to develop investment products based on the EU Taxonomy as the low number of companies reporting high alignment with the EU Taxonomy prevents effective diversification. However, our research indicates that investor interest could increase with the broader availability of EU Taxonomy-aligned assets and companies.

/ There is not a single asset manager in the market that can build a product based on GAR. There are just too few companies aligning to it so you cannot build a diversified product.

Investor

/ You can have the best written regulation ever. But you need demand for it. If asset owners decide to invest their money in Article 6 funds, there is no market for sustainable funds.

Investor

/ At this stage it could be premature to select companies for our sustainable investment funds based on the Green Asset Ratio as there might be a lot of uncertainty, especially, regarding DNSH. Maybe lower alignment rates are just a matter of a more prudent approach. However, it is our out-spoken target to develop EU Taxonomy based investment products in the upcoming years.

Investor

03. Challenges Financial Institutions Face When Performing the DNSH Assessment

/ Chapter Summary

Financial institutions face significant challenges in applying the EU Taxonomy in practice and are not yet using it as a strategic tool to guide their financing.

The EU Taxonomy is perceived by the surveyed banks as complex, ambiguous and data intensive. While Commission FAQs have clarified some aspects of the EU Taxonomy delegated acts, they still do not address all issues pertaining to the EU Taxonomy.

Not all EU Taxonomy criteria are quantitative, and as such, qualitative criteria create high levels of uncertainty which discourages institutions from proclaiming alignment.

Banks often lack the technical expertise for DNSH assessments, especially, in case of specialised lending, and believe policymakers should allow banks to rely on information provided by the borrowers, including on compliance with the DNSH criteria. Furthermore, policymakers should provide the borrowers with practical guidance on how to demonstrate EU Taxonomy alignment efficiently.

Data availability and data definition vary across EU Member States because of differences in national legislation and appear to be inconsistent on many occasions. Furthermore, because of missing legislative mapping and too narrow definitions focusing on EU-laws only, the EU Taxonomy can often be applied only to exposures inside the EU, excluding all non-EU exposures per default.

In specialised lending including commercial real estate, sustainability certifications are often available, but there is unresolved uncertainty in the absence of policymaker guidance around whether the certificates meet EU Taxonomy requirements.

/ Overarching Challenges Associated with the DNSH Assessment

Our research and conducted interviews indicate that the DNSH assessment is a major factor in the low alignment Exhibits for financial institutions, with banks identifying regulatory complexity as a key issue (see Exhibit 6).

The top three challenges in the DNSH assessment are complexity, data availability and interpretation of the DNSH criteria (see Exhibit 8).

The DNSH framework as part of the EU Taxonomy comes with a high level of complexity as for each type of economic activity a different set of requirements must be verified (see also Chapter 1.2 The DNSH principle in the EU Taxonomy). The complexity poses a significant challenge for financial institutions trying to align their portfolio with the EU Taxonomy, especially, for use of proceeds loans and retail financing.

Moreover, there is significant inconsistency and duplication across DNSH criteria.

Additionally, the challenges associated with data collection are significant, with 60% of surveyed banks citing data inconsistencies and unavailability as major obstacles (see Exhibit 13).

Moreover, the surveyed financial institutions often find it difficult to interpret the DNSH criteria that are frequently perceived as vague, particularly regarding the required data to collect.

Even when assessments are completed, the uncertainty about meeting requirements and the vulnerability to greenwashing risks disincentivize financial institutions from using the EU Taxonomy. For instance, as the use of proxies is not permitted, banks fear regulatory rebuke and opt rather not to conduct the assessment than to use proxies in parts of the assessment.

While the DNSH framework aims to provide standardised definitions across Europe by referring to other EU regulation, this approach inadvertently leads to disadvantages for non-EU exposures, which adds an additional dimension of complexity. While the research cohort supports unified technical standards across the EU, they call for clearer priorities, simplifications in selected standards, and more guidance for the applicability to exposures outside the EU.

88%

of measures are not quantitative, leading to reliance on estimates and proxies. Of the criteria that are quantitative, 72% do not reference European standards, making measurement more difficult reducing end user trust in the criteria.

GTAG DNSH 2023

75% of the DNSH criteria have similarities to other criteria, yet are expressed differently, leading to confusion. This variability reduces the usability of criteria, as users lack a consistent structure to follow.

GTAG DNSH

/ When the DNSH climate change adaptation requirements were written, they were extremely general with the expectation that additional guidance will be published on how to address these extremely general requirements. So, the interpretation is very difficult at this point.

Financial institution

/ We were able to do DNSH with proxies both for mortgages and car leasing portfolios, but we were unable to claim any specific use of proceeds financing no matter if they fulfilled the six objectives just because we were not confident enough that we are allowed to use proxies in this case.

Financial institution

/ For some of the activities, it's not even possible to know what documentation we should ask for. I think before this is clarified it's unclear what the process should look like.

Financial institution

/ The EU Taxonomy is at a standstill because everyone is afraid to interpret and take steps because there are a lot of questions remaining.

Financial institution

/ Challenges Associated with the Corporate Lending Portfolio

Key characteristics of a financial institution's corporate lending portfolio that present challenges during the DNSH assessment:

- The borrowers cover a wide (often, the full) spectrum of sustainable activities all of which have different Substantial Contribution and DNSH criteria.
- Accordingly, financial institutions can rely on the information provided by the corporate clients which employ the required subject matter experts and must anyway report their EU Taxonomy alignment in their integrated reporting as required in the Disclosures Delegated Act (for those companies that are within the scope of CSRD/NFRD).
- In line with our recommendations (see Chapter 4), the role of financial institutions for this portfolio segment should be limited to embedding DNSH in their sustainable finance criteria and obtaining confirmation from borrowers that the DNSH criteria are met and monitored through an efficient process. While a certificate provided by the borrower may be sufficient to confirm compliance with the DNSH criteria, the [final version of the FAQs published on November 8, 2024](#) by the European Commission contradict this approach.
- FAQ 33 requires banks to review the evidence provided by clients that each DNSH criterion has been met in the case of use-of-proceeds financing. This interpretation prevents financial institutions from relying on clients' own substantial contribution, DNSH and minimum safeguards assessments and prompts a "second" DNSH assessment of the economic activity being financed. Clients' assessments have always been subject to due diligence and assurance, but the FAQs appear to shift the burden of proving DNSH alignment from borrowers to banks in some cases.

While the DNSH assessment works today already for some non-financial companies operating in certain sectors (notably highly focused in the energy and utility sector, followed by automotive), our research has identified areas for simplifying the DNSH regime for all reporting companies. As the core obligation for the DNSH test lies with corporate borrowers, our recommendations are addressed at corporates.

Corporate EU Taxonomy reporting requires improvements, i.e. not all corporates are yet able to provide the necessary information. Consequently, data availability remains a significant challenge, with 93% of the surveyed banks viewing it as one of the greatest hurdles in the DNSH assessment (see Exhibit 6). While the issue is partially a temporary challenge, as the upcoming CSRD will require more companies to report structured data, some companies, for instance unlisted SMEs or companies outside the EU, will likely never be covered by CSRD. Further solutions are, therefore, needed for companies outside the scope of CSRD.

Some criteria are also difficult to verify for corporates. Part of the issue is the lack of quantitative criteria in the DNSH assessment leading to a variability of interpretations. For example, an update of a power grid usually consists of many small projects. An assessment of each project on a standalone basis is not feasible. Unlike data availability, this is not a temporary problem, and therefore requires attention by policymakers.

While this report focuses on the challenges financial institutions face, we recognise that corporates also face challenges when assessing DNSH and support improvements to the EU Taxonomy for non-financial institutions which should — in turn — also foster data availability for financial institutions.

Additionally, the EU Taxonomy is still in development and does not cover all economic sectors. While this may be a temporary problem that will be fixed as more guidance becomes available, it currently prevents the alignment of activities for which no TSC are available.

Cross-referencing back to EU legislation is not seen as an issue for corporate lending exposure within the EU. However, the cross-referencing back to EU legislation prevents non-financial institutions to establish compliance with DNSH for their activities outside the EU, leading to exclusion of these exposures.

While other jurisdictions have begun incorporating DNSH into their legislative framework, these regulations are often significantly less rigorous than the EU Taxonomy. Surveyed EU Taxonomy users express a desire for convergence in regulation across different jurisdictions, or at least a mapping overview on convergence of regulation across different jurisdictions.

/ One question that lies remaining is on which party lies the burden of proof? The draft commission notice in December 2023 put this up in the air because they put a lot of the burden of proof on banks to collect the documentation.

Financial institution

/ In my opinion, the EU Taxonomy represents a very, very niche type of activity at this moment in Europe. Imagine applying a comparable framework in developing economies for our client's activities outside the EU — this is science fiction.

Financial institution

/ If something is in proximity of a biodiversity area, even if you knew it was 10 meters or one kilometre away, we wouldn't know if the criterion was fulfilled as the regulation proclaims the qualitative requirement 'near'. We don't know what constitutes the term 'near'. We can never be on the safe side, even more data wouldn't help us.

SSA institution

/ EU Taxonomy alignment is a very, very low Exhibit because there's no proper data when it comes to financing activities.

Financial institution

/ Challenges Associated with the Retail Lending and the Residential Real Estate Portfolio

Key characteristics of a financial institution's retail lending portfolio that present challenges during the DNSH assessment:

- The borrowers are individuals (sometimes small companies) who typically use the loans to purchase homes or motorbikes, passenger cars and light commercial vehicles.
- The borrowers obtain standardised information about the asset they are purchasing, such as the specifications of the car provided by the manufacturer and the available building specifications of the property.
- The borrowers do not have EU Taxonomy reporting obligations and cannot be expected to conduct a DNSH test themselves — at most, they can provide the information available to them.
- The confirmation of alignment with EU Taxonomy, including DNSH, must therefore be conducted by financial institutions themselves, based on data collected from retail customers, third party data sources and their own research.

Key characteristics of a financial institution's residential real estate portfolio that present challenges during the DNSH assessment:

- For residential real estate, the borrowers are either retail clients or residential real estate developers which have the sole access to detailed information about the development, the planning process and the conditions of the permitting.
- For real estate, the EU Member States have detailed area planning guidelines which need to be adhered to.
- Sustainable building certifications are becoming more widely adopted in the market, with criteria similar to the TSC in the DNSH assessment.
- The EU Taxonomy appears to focus more on the construction/development phase rather than financing already existing residential real estate.

While banks cannot rely on publicly available reporting for retail exposures, they must collect the required data for the DNSH assessment themselves. However, data for mortgages and car loans — the two most important portfolios for European banks — is especially difficult to obtain as banks do not have the capacity to reach out to each individual client.

Data availability for the retail assets and real estate being financed is inconsistent and varies by Member State. While data availability is in part a temporary problem, more harmonized standards and data definitions are needed to ensure a level playing field and fulfil the EU Taxonomy's objectives.

/ You can remove the word financing from paragraphs 7.1 to 7.7. in the description of activities of the EU Taxonomy regulation delegated act. The paragraphs were designed for developers, not banks.

Financial institution

/ There is a specific requirement for tyres to be confirmed when doing the DNSH assessment for a car leasing company. However, neither the bank nor the car leasing company are responsible for the tyre selection. The only party that can verify this requirement would be the car manufacturer. We as a bank must provide proof for the tyres which we apparently can't.

Financial institution

/ The issue arises when the bank is left alone with the retail customer Mr. and Mrs. Smith.

Financial institution

/ We can't know if the door to the plant room in the basement is sealed to protect it from flooding when financing real estate. The borrower needs to provide us with that information.

Investor

/ The DNSH assessment for retail car financing often feels like a huge amount of work for limited value add... it is a tick exercise.

Financial institution

/ Challenges Associated with the Specialised Lending Including Commercial Real Estate Portfolio

Key characteristics of a financial institution's specialised lending portfolio that present challenges during the DNSH assessment:

- In specialised lending, a wealth of information is typically available for a specific project. However, this information may not always come from corporates with established EU Taxonomy reporting capabilities and standards.
- Therefore, the information provided by the borrower is often less standardized, making the comparison of information difficult.
- Sustainable building certifications are becoming widely adopted in the market, with criteria typically covering similar points to the DNSH (see also Exhibit 12). For instance, BREEAM assesses the sustainability of a building based on categories such as energy, water, waste and pollution.

- In line with our recommendations (see Chapter 4), the role of financial institutions for this portfolio segment should be limited to obtain confirmation from borrowers that the DNSH criteria are met (see Chapter 4) through an efficient process. While a certificate provided by the borrower may be sufficient to confirm compliance with the DNSH criteria, the [Commission FAQs](#) contradict this approach.

In specialised lending, there are often different standards for reporting employed leading to potential misalignment with the EU Taxonomy in the way data is analysed and presented.

Most prominently, there is a misalignment — or at least imperfect alignment — of many EU Taxonomy requirements with the Equator Principles, which are an already widely adopted sustainability framework. Clarity is needed on how these two sets of criteria can reconcile to facilitate smoother navigation across different frameworks. Similar issues exist with other asset specific certificates, for example, Commercial Real Estate certifications such as BREEAM. None of these certificates are verified to constitute EU Taxonomy alignment creating unresolved uncertainty around their usage (see also Recommendation 5).

04. Recommendations for Policymakers

/ Chapter Summary

A key policy objective of the European Green Deal is to stimulate the flow of capital towards the sustainable activities defined through the EU Taxonomy classification system. Financial institutions play a critical role in facilitating these capital flows, thereby supporting the sustainable transition.

Our research shows that financial institutions struggle with applying the EU Taxonomy. Many institutions use simplified sustainable finance criteria in making capital allocation decisions, often with limited reference to the EU Taxonomy's DNSH criteria.

We recommend a simplification of the DNSH assessment within the EU Taxonomy. We encourage the European Commission to work alongside non-financial and financial institutions to identify and test potential solutions to enhance the usability of the DNSH assessment. AFME members offer their support in developing practical solutions.

Simplifying and clarifying the DNSH approach will help standardize sustainable finance definitions, thereby increasing market transparency and stimulating the flow of capital towards activities which are fully EU Taxonomy aligned.

Our research has identified six recommendations for policymakers to simplify the DNSH assessment and support broader uptake of the EU Taxonomy. The recommendations are structured by business line and include an implementation effort estimate (potential quick wins, medium-, and longer-term ambitions).




The recommendations are suggestions which need to be detailed out further by policymakers in collaboration with the European Commission, Platform on Sustainable Finance and EU Taxonomy users, for instance financial institutions including AFME members.

AFME welcomes the European Commission's emphasis on enhancing the usability of the EU sustainable finance framework and the work of the Platform on Sustainable Finance. AFME also welcomes efforts to enhance competitiveness and reduce burdens on companies under the EU regulatory framework, including the EU Taxonomy.

Financial institutions play a crucial role in the transition to a sustainable economy, arranging and providing financing to companies for transitioning their economic activities to achieve the EU sustainability objectives.

Our industry research has identified opportunities for simplifying the DNSH approach for three large segments of banks' lending portfolios: corporate lending, retail lending and commercial real estate. Additional guidance from policymakers must consider the specificities of these business line, the corresponding activities and the available information.

Exhibit 7: Recommendations for policymakers by business line

 Recommendations for corporate lending	Recommendation 1a: Embed the “the licence to operate in the EU” approach into the DNSH assessment process by mapping the DNSH criteria to the corresponding EU member states’ legislation	●
	Recommendation 1b: As a second step, extend the mapping of DNSH criteria to legislation in key non-EU jurisdictions. Consult with industry to explore potential approaches for setting DNSH criteria for activities outside of the EU based on the materiality of risk involved	●
 Recommendations for retail lending and residential real estate financing	Recommendation 2: Reassess whether the DNSH assessment for retail lending activities of banks adds value. Apply the simplified approach established by the EBA for Pillar 3 ESG risk reporting for real estate portfolios, the financing of motorbikes, passenger cars and light commercial vehicles	●
	Recommendation 3: Align legislation on product specifications of motorbikes, passenger cars and light commercial vehicles with the information required for a DNSH assessment	●
 Recommendations for commercial real estate financing and specialised lending	Recommendation 4: Confirm that banks may rely on certifications by borrowers to constitute DNSH compliance for use of proceeds financing. The contemplated certification should follow an agreed template	●
	Recommendation 5: Work towards improved interoperability of the EU Taxonomy criteria and market certifications such as BREEAM and develop a clear view of gaps between certifications and DNSH	●
	Recommendation 6: Provide guidance on whether and which member states’ local planning laws are in alignment with DNSH criteria, identify gaps and work towards achieving full alignment	●

● Medium-term ambition ● Longer-term ambition ● Quick win

Source: Oliver Wyman analysis

We acknowledge the recent publication of the European Commission's November 2024 draft FAQs on the EU Taxonomy. However, the FAQs only clarify existing DNSH assessment methodology and don't introduce policy amendments which would meaningfully simplify DNSH assessment. The Commission states in the November FAQ that it is aiming to facilitate reporting by "working on possible adjustments to improve the usability of certain TSC (including DNSH criteria)", and these recommendations reflect our contribution to this effort. Furthermore, the number of companies which must report their alignment with the EU Taxonomy will significantly increase with the roll-out of the Corporate Sustainability Reporting Directive (CSRD), which will also introduce a limited assurance requirement.

/ Recommendations for Corporate Lending

Recommendation 1a: Embed the "the licence to operate in the EU" approach into the DNSH assessment process by mapping the DNSH criteria to the corresponding EU Member States' legislation (medium-term ambition)

Many DNSH criteria reference existing EU legislation and regulatory standards which companies operating in the EU must be expected to comply with. This "license to operate" principle, which refers to the fact that operating in a specific EU Member State requires compliance with all national legislation, is recognized by many market participants as being widely used as pragmatic evidence of DNSH compliance.

However, navigating EU legislative acts and all implementing legislation across all Member States is time-consuming and inefficient for individual companies to do.

We call on policymakers to provide an official mapping table to show, for each individual DNSH criteria, which EU/EEA countries' permit regimes meet the respective DNSH criteria (and since when). Corporates operating in line with all local regulation in these EU markets would then be relieved from providing additional evidence for compliance with the DNSH criteria (unless national legislation does not fulfil all DNSH criteria), significantly reducing the effort for corporates.

/ We have been working with a large car leasing company. They did some studies on the DNSH criteria. They found out that some DNSH criteria can be already deemed fulfilled solely based on compliance with existing law in Europe.

Financial institution

Clearly, some DNSH criteria go beyond the requirements of EU and national legislation, making it impossible to rely solely on the “license to operate” approach. Even in these situations, it would be helpful for companies to understand the specific points of divergence. In this case, the DNSH test could focus on the additional criteria of DNSH only.

For example, in the context of Activity 7.2 (Renovation of existing buildings), certain national construction legislation, such as that in Norway, establishes a threshold of only 60% for resource recovery¹, which does not align with the EU Taxonomy’s requirement of 70%. Although Norway is not part of the EU, it has adopted the EU Taxonomy. In contrast, Spain has passed legislation that sets the threshold at 40%^{1, 2} whereas Germany and Italy have explicitly embedded the 70% requirement into their legislation. These examples underscore the need for a comprehensive mapping of EU legislation against EU Taxonomy requirements.

Additionally, a financial institution interviewee raised concerns regarding Activity 6.3 (Urban and suburban transport, road passenger transport), noting that assessing financing against EU Taxonomy criteria becomes implausible for smaller entities lacking the necessary manpower, expertise, and budget. They emphasized that while measures are in place to manage waste according to the waste hierarchy during the use phase and end-of-life of fleets, significant regulatory gaps exist vs. the DNSH criteria. Notably, there are no EU regulations governing the recycling of rolling stock manufacturing, hindering organizations from evidencing compliance with DNSH criteria. This illustrates how some DNSH criteria may be overly aspirational and impractical for financial institutions and their borrowers.

Financial institutions are seeking clearer guidance for the cases where compliance with national laws is enough to meet DNSH requirements or if they need to conduct additional due diligence.

Furthermore, achieving consistency in the application of DNSH criteria is crucial to avoid market distortion and inconsistent incentives. This inconsistency can lead to a misalignment of investment flows and hinder the overall effectiveness of the EU Taxonomy in promoting sustainable finance. A comprehensive mapping table would help clarify these requirements and support a level playing field for all market participants. In the long-term, the mapping table could potentially be used to amend existing EU and national legislation to improve consistency.

/ The EU Taxonomy is a European regulation. While it can cover activities outside the EU, in certain cases the criteria are too much based on European regulation and can’t be applied to non-European exposures.

Energy company

¹ Please see also further [information on Norwegian Legislation](#)

² Please see also further [information on Spanish Legislation](#)

The mapping table should clearly identify any gaps between the DNSH criteria and local environmental laws and standards in key non-EU countries. AFME encourages policymakers to take a materiality-based view when deciding which gaps reporting companies must assess to meet DNSH criteria outside the EU. This adaptation should consider regional environmental priorities and regulatory contexts while ensuring that the core principles of the EU Taxonomy are upheld.

Understanding how the technical screening criteria have been derived is crucial because it informs the development of a materiality-based mechanism for assessing non-EU exposures.

The Joint Research Centre (JRC) has been instrumental in developing the technical screening criteria. Their work is supported by the impact assessment accompanying the Climate Delegated Act, which emphasizes the need for criteria that reflect both EU standards and the realities of non-EU jurisdictions (see also [JRC Substantial Contribution 2021](#) and [EC Impact Assessment Report 2021](#)).

By providing clear guidance and support for adapting DNSH criteria to non-EU contexts, the European Commission can facilitate sustainable investment practices that align with the EU's environmental goals while recognizing the complexities of the international operations for global companies and financial institutions. This initiative will enhance the credibility of sustainability assessments and promote responsible investment practices for non-EU exposures of European market participants.

Alongside this, AFME supports the European Commission continuing to engage with other jurisdictions including through the International Platform on Sustainable Finance.

/ Our largest chunk of nuclear power outside the EU is in the UK, which, when the EU Taxonomy was debated, had just left the European Union. Our fleet is from a technical perspective highly comparable to the one we operate in France, which is 100% aligned to the EU Taxonomy. However, just the fact that they are geographically outside the EU means that we can't report alignment for these exposures.

Energy company

/ Recommendations for Retail Lending and Residential Real Estate Financing

Financial institutions' Green Asset Ratios today are predominantly driven by retail exposures. Furthermore, as explained in a preceding section, banks currently have to perform the DNSH assessment for their clients. However, our research has identified a wide range of approaches and a high level of uncertainty about how financial institutions can confirm the DNSH criteria are met for their mortgage and auto loan portfolios. The participating institutions raised questions about the insight gained from conducting DNSH assessments for the acquisition of existing residential properties (requiring the climate change adaptation criterion) or for trying to prove alignment with tyre specifications for second-hand car loans (requiring the climate change adaptation, transition to a circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems criteria).

Recommendation 2: Reassess whether the DNSH assessment for retail lending activities of banks adds value. Apply the simplified approach established by the EBA for Pillar 3 ESG risk reporting for real estate portfolios, the financing of motorbikes, passenger cars and light commercial vehicles (quick win)

It is important to provide a simplified, workable approach to the assessment of EU Taxonomy alignment for retail financing. For example, this could involve limiting the EU Taxonomy assessment to substantial contribution criteria.

For mortgages and building renovations, we propose following the simplified approach provided by the EBA in its Pillar 3 ESG risk disclosures. In this set-up, EU Taxonomy alignment would be based upon the substantial contribution criteria for the energy performance of the underlying collateral/asset and the energy performance certificate label (EPC) specifically. We would recommend extending this approach to the EU Taxonomy assessment of motorbikes, passenger cars and light commercial vehicles based on the energy performance label of the asset (for further details see also [EBA simplified approach](#)).

For mortgages, building renovations, motorbikes, passenger cars and light commercial vehicles, we propose following the simplified approach provided by the EBA in its Pillar 3 ESG risk disclosures. In this set-up, EU Taxonomy alignment would be based upon the substantial contribution criteria for the energy performance of the underlying collateral/asset and the energy performance certificate label (EPC) specifically [[AFME GAR Recs 2024](#)]. The approach is also shared by the Platform on Sustainable Finance that recommends the usage of equivalent information and estimates to overcome data challenges [[PSF Data Usability Report 2022](#)].

In case Recommendation 2 turns out to not be feasible, we alternatively recommend implementing a simplified assessment of the climate adaptation DNSH criterion.

Financial institutions in the EU, UK and globally have made significant investments over recent years in building physical climate risk capabilities. Typically, the mortgage portfolio has been one of the first portfolios for which a detailed physical risk analysis has been conducted, given its materiality for most institutions and the vulnerability to physical risk.

Financial institutions' physical climate risk analysis is conducted at portfolio level, using geolocation data of the properties financed. However, reconciling the individual property-level outcomes of the physical climate risk analysis of the DNSH assessment with other EU Taxonomy criteria such as the EPC (the substantial contribution criterion) remains a challenge. Some institutions have built the capability to combine the data points at individual property level. While many banks have the capabilities to adopt portfolio-level approaches, this is not currently sufficient for a DNSH test.

Robust physical climate risk management could be determined based on full compliance with the ECB expectations on managing Climate and Environmental risks or by reporting all required information under CSRD E1 (climate adaptation standard). For instance, the ECB requires an assessment on how climate-related and environmental risks affect the borrower's default risk that can be leveraged in the DNSH assessment.

As part of our research on retail lending activities, financial institutions also highlighted that the European Commission should allow the usage of third-party data sources and proxies and the circumstances under which financial institutions are allowed to use them.

/ The DNSH assessment for retail mortgages is redundant. For a house that was built recently, physical risks were already assessed. Once it's done, it's done. We feel double and triple-checking is pointless [note: this comment refers to recently constructed buildings only].

Financial institution

/ While we were able to do DNSH with proxies for mortgages, we were unable to claim EU Taxonomy alignment just because we are not confident enough that we are allowed to use proxies under these circumstances

Financial institution

Exhibit 8: Promising policy amendments to resolve DNSH challenges

Share of AFME members deeming the policy amendment to be effective, multiple selections possible (% , 2024)



Source: AFME and Oliver Wyman 2024

Harmonization of EU regulation across the EU sustainable finance regulation is with 67% frequency the most referred to solution to increase EU Taxonomy alignment according to the banks surveyed (see Exhibit 8). Leveraging compliance with ECB expectations or CSRD reporting is a good example of the regulatory harmonisation which would simplify DNSH assessment for financial institutions

Recommendation 3: Align legislation on product specifications of motorbikes, passenger cars and light commercial vehicles with the information required for a DNSH assessment (longer-term ambition)

The European Commission should amend existing legislation for motorbikes, passenger cars and light commercial vehicles to ensure the manufacturers publish the required information for a DNSH test by default. Likewise, the European Commission may also consider explicitly referring to existing EU legislation for motorbikes, passenger cars and light commercial vehicles in the description of activities and technical screening criteria.

As part of the DNSH check, banks currently need to confirm that a a car financed by a leasing company operates EU Taxonomy acceptable tyres. However, neither the bank nor the leasing company are responsible for tyre selection: tyres are selected by the car manufacturer unless they are replaced afterwards. Tyres recommended by the car manufacturer should automatically constitute compliance with the DNSH criteria. Alternatively, DNSH compliance should also be constituted if the tyre is certified to comply with the rolling noise requirements. A quick win on this recommendation could be to remove certain DNSH criteria that industry participants find particularly difficult to meet, such as the requirements for tyres (see also chapter 3.3).

/ There is a specific requirement for tyres to be confirmed when doing the DNSH assessment for a car leasing company. However, neither the bank nor the car leasing company are responsible for the tyre selection. The only party that can verify this requirement would be the car manufacturer. We as a bank must provide proof for the tyres which we cannot.

Financial institution

Moreover, the EU Taxonomy should explicitly affirm that DNSH compliance of such retail exposures can be constituted by certificates of the manufacturing company. For instance, if a car manufacturing company provides a certificate of compliance with EU and national regulations, this should be considered as sufficient proof for Taxonomy alignment.

/ Recommendations for Commercial Real Estate Financing and Specialised Lending

Recommendation 4: Confirm that banks may rely on certifications by borrowers to constitute DNSH compliance for use of proceeds financing. The contemplated certification should follow an agreed template (quick win)

Banks should be authorized to accept certifications from borrowers as valid evidence of compliance with DNSH criteria. This approach not only simplifies the verification process for banks but also enhances the efficiency of financing sustainable projects. For example, an energy company engaged in the development of offshore wind farms could issue an audited statement confirming that their project aligns with DNSH criteria. This certification would explicitly indicate that the project does not cause significant harm to any of the environmental objectives delineated by the EU Taxonomy.

Policymakers should establish a standardized template for these certifications to ensure consistency and clarity between the borrowers and the banks. This template should detail the specific information required from borrowers, thus enabling banks to assess DNSH compliance without necessitating extensive additional verification efforts. It should specify essential details to be included in the certification. We suggest that the policymakers work with the relevant banking associations to design the template.

Potentially, the EU Taxonomy alignment certifications could also be used for/leverage work done for corporate borrowers' annual corporate sustainability reporting (CSRD). This approach is already used in the Disclosures Delegated Act pertaining to general corporate loans. For these reasons, AFME welcomes the European Commission's emphasis on enhancing the usability of the regulation, learning from practical experiences. We also look forward to engaging with the Commission on its initiative to streamline reporting requirements and enhance competitiveness.

Recommendation 5: Work towards improved interoperability of the EU Taxonomy criteria and market certifications such as BREEAM and develop a clear view of gaps between certifications and DNSH (medium-term ambition)

While the EU Taxonomy should, of course, reference existing regulation and public sector certifications, there is also considerable value to be captured by working towards improved interoperability with industry certifications.

The European Commission should confirm that selected certifications, such as BREEAM for Commercial Real Estate are equivalent to a DNSH test (see chapter 5.4). In case the certificates do not constitute full compliance, the European Commission should lay out what additional assessments are required. This would also support the EU Taxonomy uptake for the activities in scope. If required, the European Commission should work with certificate standard setters to amend the market standards to achieve practical equivalence.

/ We found certifications most helpful in verifying EU Taxonomy alignment. BREEAM is a great example for properties. On commercial real estate, policymakers should provide clarity which certificates are equivalent to a DNSH assessment.

Financial institution

Recommendation 6: Provide guidance on whether and which Member States' local planning laws are in alignment with DNSH criteria, identify gaps and work towards achieving full alignment (longer-term ambition)

Many DNSH criteria refer to considerations which are already embedded in local planning and environmental law in many EU Member States. Many financial institutions believe that local planning and zoning experts are the most competent authority to make these decisions when a new building project is approved. Financial institutions should therefore be able to rely on local planning and building guidelines' considerations to meet DNSH criteria.

Of course, the approach will only work if local planning laws in a market are genuinely aligned with the DNSH criteria. We call on national policymakers and National Competent Authorities to confirm where and as of when this alignment exists and set an ambition to achieve full alignment between local planning law and DNSH. Financial institutions will be best able to support the transition and promote sustainable economic activities if the DNSH criteria are embedded in the planning and permitting process.

/ We always conduct a project assessment for commercial real estate. Depending on the location and category of the project, we do have a mapping table on what DNSH criteria are already guaranteed by the location of the project.

Financial institution

/ For commercial real estate finance, we do have information on local permits. Accordingly, this route will work.

Financial institution

05. Observed Practices and Recommendations for EU Taxonomy Users

/ Chapter Summary

A clear organizational set up for the DNSH assessment is recommended: 67% of financial institutions integrate the DNSH assessment in sustainability offices, often sharing the responsibilities across departments. We expect to see a shift towards the finance function as the scope of CSRD reporting requirements increases.

Internal collaboration to achieve efficiency gains: Effective internal collaboration is essential for connecting EU regulatory disclosures, requiring upskilling and resource allocation.

Role of auditing firms in providing stringent guidance: Auditing firms establish minimum standards and assurance levels for EU Taxonomy compliance, with increasing demand for reliable methodologies.

Utilization of external capabilities including proximity tests: Institutions leverage certifications, AI, and third-party providers for sustainability assessments, addressing data challenges despite consistency issues.

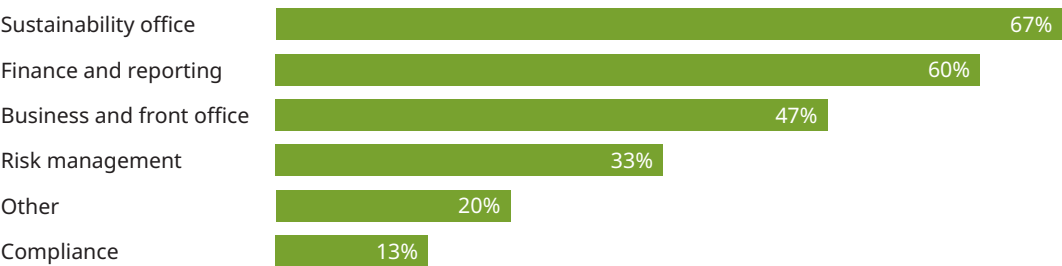
/ Embedding the EU Taxonomy in the Organization

Among surveyed financial institutions, 67% handle the DNSH assessment at least partially within the sustainability office as illustrated in Exhibit 9. In addition, the responsibilities are often shared across various organisational functions. The business and front office functions participate in the DNSH assessment in 47% of surveyed banks. Finance and reporting are involved in even 60% of the institutions. This distribution indicates an evolving recognition that DNSH assessments require a collaborative and multi-departmental approach to be effective.

The observed diversity in how DNSH responsibilities are allocated across banks indicates that there is no single established best practice. Many institutions distribute these responsibilities across various functions dependent on the portfolio in question, which underscores the need for a more coherent approach.

Exhibit 9: DNSH ownership by function

Share of AFME members that assign ownership of the DNSH assessment to the function, multiple selection possible (% , 2024)



Source: AFME and Oliver Wyman 2024

/ Fostering Collaboration for Data and Methodology Integration

Financial institutions recognize the importance of internal collaboration across departments to effectively connect EU regulatory disclosures, such as the CSRD, CSDDD and SFDR to ensure that these disclosures reinforce or support one another, specifically when it comes to integration of financial and sustainability data. This integration involves significant collaboration among various departments, necessitating upskilling and the allocation of resources.

By fostering this collaboration, institutions streamline their processes and enhance the coherence, quality and effectiveness of their regulatory reporting to be used for steering purposes.

/ The link between financial and sustainability data in the EU Taxonomy calls for an integrated implementation process. Experts from several departments such as Finance and Accounting/Controlling, Sustainability, and business units, including product experts, work towards combining all the relevant expertise. This knowledge exchange between different departments is often organized in dedicated project groups.

P.26 [Econsense]

/ Role of Auditing Firms in Providing Minimum Standards and Assurance Levels

Auditing firms play a crucial role in establishing minimum standards and assurance levels that ensure compliance and effectiveness in the implementation of the EU Taxonomy. The growing relevance of the EU Taxonomy within the CSRD framework will require a robust auditing process to ensure compliance and accuracy in sustainability reporting. As regulatory requirements become more stringent, the demand for consistent and reliable assurance methodologies will increase. Auditing firms play a pivotal role in this transition by establishing minimum standards and assurance levels that facilitate compliance with both the CSRD and the EU Taxonomy.

The embedding of CSRD — including disclosure on EU Taxonomy KPIs — into the regular reporting framework highlights the need for a unified approach to assurance.

/ Ensuring adequate verification, auditing, or both is particularly challenging at a national level when requiring audit firms and verifiers to adjust to the nuances of a national alignment approach. This risk is partially addressed by minimum auditing standards, or by allowing for a minimum level of assurance amid the verification of this principle (for example, assurance and auditing standards, as those found in ISAE 3000). This verification is key considering the growing role of ESG rating providers in developing taxonomy-aligned products involving an assessment of “do no significant harm” that is often based on controversy screening or backward-looking information

P. 98 [PWC]

/ Capabilities and Activities Involving External Parties

Observations indicate that, alongside the industry, auditing firms and policymakers, professional service providers, third-party providers, and advancements in technology — including artificial intelligence — could potentially play a crucial role in addressing the DNSH challenges. However, the usage of proximity tests, also based on AI, require the explicit approval by policymakers to be considered a sustainable solution to the DNSH challenges (see also Recommendation 5).

These external capabilities can significantly enhance the effectiveness of sustainability assessments and compliance efforts. By leveraging these resources, financial institutions better navigate the complexities of the EU Taxonomy, ensuring that their practices align with regulatory expectations while driving meaningful progress.

Leverage existing certifications

Many surveyed banks have claimed that existing certifications by public and private institutions have proven beneficial in assessing DNSH compliance as they can overcome data availability challenges and significantly reduce the effort for verifying EU Taxonomy alignment.

There are many certificates that could potentially constitute DNSH compliance for some activities listed in Exhibit 10. However, none of these certificates are verified by policymakers to be equivalent to a DNSH assessment yet. Therefore, we recommend developing a list of acceptable certifications in a broad working group consisting of auditing firms, financial and non-financial institutions, valuation associations, the certificate providers and policymakers (see also Recommendation 5).

Furthermore, collaborating with leading rating agencies and (real estate) valuers associations (RICS) to integrate DNSH criteria into valuation certification processes is a noteworthy practice. While there is no evidence yet that these institutions would be willing to include DNSH assessments in their reports, there is an incentive to do so as including information on DNSH presents a convincing sales argument. This integration would make the use of such certificates a mandatory component of valuation reports. The Equator Principles, cited by 78% of surveyed banks, stand out as a de-facto standard in this area. Furthermore, the World Bank's Environmental Health and Safety Guidelines and the IFC Performance Standards — while presenting the foundation for the Equator Principles — are also used as a standalone framework, as noted by 67% of banks (see Exhibit 12, for further information please refer to [IFC's current Best Practice Report](#)).

While this approach is perceived to be helpful, some challenges remain: DNSH equivalent certifications do not exist for all activities, and the uncertainty regarding compliance with regulations poses significant issues.

Exhibit 10: Certificates potentially constituting DNSH compliance

Applicable activities	Certificates potentially constituting DNSH compliance (other EU Ecolabels to be considered in addition)
Commercial real estate and mortgages	<ul style="list-style-type: none"> • German Sustainable Building Council ESG Verification (DGNB) • Building Research Establishment Environmental Assessment Methodology (BREEAM) • Leadership in Energy and Environmental Design (LEED)
Commercial and private real estate and infrastructure funds	<ul style="list-style-type: none"> • Global Real Estate Sustainability Benchmark (GRESB)
Corporate lending activities related to the forestry and paper industry	<ul style="list-style-type: none"> • Forest Stewardship Council (FSC) • Program for the Endorsement of Forest Certification (PEFC)
Corporate lending activities related to coffee, cocoa and tea production	<ul style="list-style-type: none"> • Rainforest Alliance (RA)

Source: AFME and Oliver Wyman 2024

/ The issue is that the auditors often don't accept industry certificates to be equivalent to EU Taxonomy alignment. It would largely help the real economy if some official authority confirmed the equivalence of the certificates.

Investor

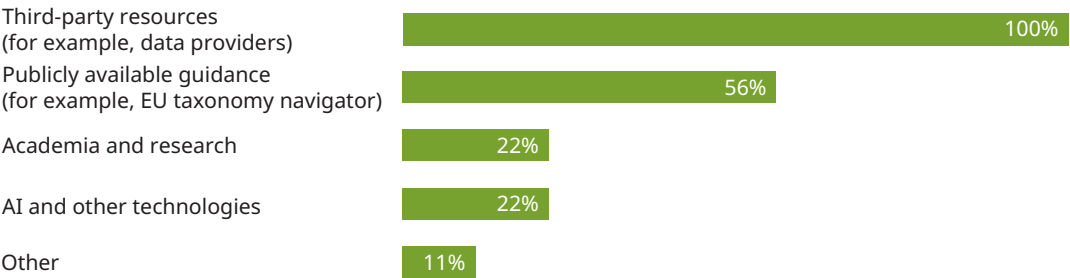
Adopt AI and other technologies

Even though only 22% of surveyed banks currently use AI for EU Taxonomy reporting (see Exhibit 11), those that do report positive outcomes regarding its potential in assessing the substantial contribution criterion. AI and other technologies can effectively address data availability and quality issues, as indicated by participants during interviews and surveys, for instance by automatically analysing satellite data of retail properties to assess their energy efficiency rating. However, some banks remain sceptical about their revolutionary impact.

While these technologies can aid in overcoming data challenges, their implementation often entails considerable costs that may not be feasible for all banks.

Exhibit 11: Resources and tools overcoming DNSH Challenges

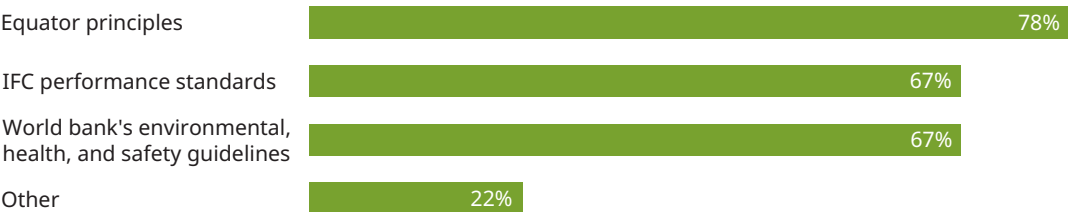
Share of AFME members relying on the tool to overcome DNSH challenges, multiple selection possible (% , 2024)



Source: AFME and Oliver Wyman 2024

Exhibit 12: Helpful due diligence standards for DNSH assessment

Share of AFME members deeming the standard to be useful, multiple selection possible (% , 2024)



Source: AFME and Oliver Wyman 2024

/ The elephant in the room is how to make EU Taxonomy alignment more affordable. If we need models, data, providers, and partnerships for the DNSH assessment, it's going to be an expensive and cumbersome exercise.

Financial institution

/ It is a mechanism, but I don't know whether this is revolutionary. It's essentially Google 2.0 with very advanced algorithms that we feed information to gain insights... it's not perfect, but something to investigate.

Financial institution

/ We use AI to analyse satellite pictures of our financed real estate. That way we can have an estimate of the EPC of existing estates as solar panels are visible in satellite images.

Financial institution

Leverage third party providers

Third-party providers are extensively used by all surveyed banks to navigate challenges related to EU Taxonomy alignment, making them the most common solution currently employed.

Banks often engage clients to confirm compliance and provide evidence through internal analyses or by utilizing SPO providers.

This is currently the only approach by which banks feel confident enough to report use-of-proceeds assets as EU Taxonomy-aligned. For retail exposures and especially mortgages, banks perform portfolio analyses on an asset-by-asset base using climate risk tools (for example, by third-party providers like MSCI or country specific like Sprengnetter in Germany) and rely on EPCs (for substantial contribution criteria).

Additionally, insurance companies provide valuable information on hazard rates and frequency, serving as evidence for mitigating and addressing physical risks as part of the substantial contribution to climate change adaptation criterion. Many re-insurance companies typically offer services, where they grant access to their extensive datasets, which include resources such as flood maps and other relevant information.

/ We use external data to determine eligibility and alignment for assets on the balance sheet. For our main category of EU Taxonomy-aligned assets, residential mortgages, the most important external data relates to energy usage and energy labels. The availability of this data and the related methodologies differ per country and are subject to change. Limitations on data availability impede our assessment on EU Taxonomy alignment of our mortgage portfolio.

Survey respondent

Furthermore, it is worth noting the current approaches developed by banks to meet criteria for the DNSH assessment on climate change adaptation, as well as other DNSH criteria for activities 7.1 (Construction of new buildings), 7.2 (Renovation of existing buildings), and 7.7 (Acquisition and ownership of buildings). According to research conducted by one financial institution, a limited number of banks have successfully passed SPO providers' EU Taxonomy assessments for "green buildings." Those that have achieved 'full marks' typically rely on a mix of EU and national legislative requirements and comprehensive ESG policies, such as:

- **Climate change adaptation:** i) TCFD-aligned scenario analysis of mortgage books, ii) external risk assessments of potential physical climate risks, iii) conducting location-specific climate risk analyses and implementing adaptation measures.
- **Water and marine resources:** i) requesting relevant information on specific water appliances from borrowers, through product datasheets, building certifications, or existing EU product labels, ii) compliance with relevant EU or national laws such as the EU Water Framework Directive and Environmental Impact Assessment (EIA) Directive.
- **Circular economy:** Following relevant EU law, for example, the Waste Framework Directive, and/or national and regional legislation.
- **Pollution prevention and control:** i) abiding by relevant EU laws such as the EIA Directive and REACH, ii) sample testing according to international certification standards (CEN/EN 16516, ISO 16000-3:2011, ISO 18400).
- **Biodiversity and ecosystems:** Respecting the EU LUCAS survey, European Red List, and IUCN Red List, and conducting EIAs where required.

The variability of approaches among banks also indicates differing interpretations of the requirements.

Nevertheless, significant challenges remain in data collection, including inconsistency and unavailability. Many banks engage clients to confirm compliance and provide necessary evidence, underscoring the importance of collaboration in this process. While third-party data offers valuable insights, concerns regarding its granularity and compliance with taxonomy requirements persist.

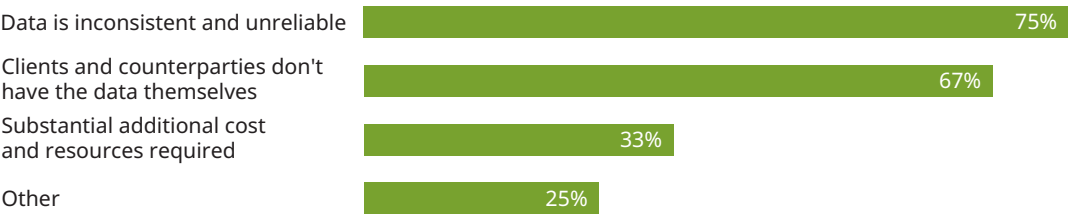
/ For loans and advances to financial and non-financial corporates, we use KPIs on turnover and capex from Bloomberg collected based on public disclosure from our counterparties. We recognize the limitations of the data provided Bloomberg and have complemented it with other data sources where possible.

Survey respondent

/ We as an asset manager can't gather primary data at all. However, we buy data from MSCI and use their reports on an aggregated level. We currently have the approach of completely relying on validated third party information.

Investor

Exhibit 13: Main challenges in data collection



Source: AFME and Oliver Wyman 2024

Proximity tests

Currently, proximity tests, i.e. methodology that provides an estimate of a data point required by the EU Taxonomy in absence of precise data, are not officially recognized. However, there are observations regarding their potential utility. If regulators were to permit proximity tests, including accompanying guidance on the methodology to be used to make it comparable, for certain low-risk activities — defined as activities with limited or no exposure to environmental risks as identified in the bank’s materiality assessment — proxies could assist EU Taxonomy users in overcoming data availability challenges.

Several third-party tools for conducting proximity tests are available, with further information provided by the [Climate Risk Dashboard by the UNEPFI initiative](#)

However, the use of proxies raises concerns regarding compliance and the risk of inaccurately estimating real-world scenarios. Therefore, any recommendation for employing proximity tests is closely tied to the need for policy amendments that clarify the conditions under which proxies can be used and how the comparability of different approaches can be ensured.

Contacts

AFME



Oliver Moullin

Managing Director,
Sustainable Finance,
General Counsel and Comp
+44 (0)7785 623 441
oliver.moullin@afme.eu



Caroline Liesegang

Managing Director,
Head of Capital & Risk
Management, Sustainable
Finance and Research
+44 (0)7917 763 720
caroline.liesegang@afme.eu



Rachel Sumption

Manager, Sustainable Finance
+44 (0) 7501 366 127
rachel.sumption@afme.eu



Carolina Cazzarolli

Manager, Advocacy
+32 479 26 98 91
carolina.cazzarolli@afme.eu



Jack Chapman

Graduate, Sustainable Finance
+44 20 3828 2762
jack.chapman@afme.eu

Oliver Wyman



Elie Farah

Partner, Corporate &
Institutional Banking
+33 (6) 28783296
elie.farah@oliverwyman.com



Simon Cooper

Partner, Finance & Risk
+44 (7711) 763936
simon.cooper@oliverwyman.com



Cornelia Neumann

Partner, Finance & Risk
+31 (6) 34050857
cornelia.neumann@oliverwyman.com



Radka Margitova

Partner, Finance & Risk
+49 (1525) 4559912
radka.margitova@oliverwyman.com



Hendrik Just

Senior Consultant
hendrik.just@oliverwyman.com
+49 (89) 93949257

List of Participants

AFME and Oliver Wyman are grateful for the efforts of the AFME project working group made up of 23 leading global and European banks, including ING and Intesa Sanpaolo. We would especially like to thank the AFME members comprising the core steering group for this project: BNP Paribas, Deutsche Bank, Natwest Markets for their insights and support. In addition to AFME's membership, AFME and Oliver Wyman would like to thank Allianz Lebensversicherung, the Dutch Ministry of Finance, EDF and ENBW for contributing their expertise and insights.



References

- [AFME ESG Premia 2024] ESG Finance Report, European Sustainable Finance, 2024, [https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME%20ESG%20Finance%20Report%20Q2%202024%20\(1\).pdf](https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME%20ESG%20Finance%20Report%20Q2%202024%20(1).pdf)
- [AFME GAR Recs 2024] Recommendations for the review of the Green Asset Ratio, 2024, https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME%20Recommendations%20for%20the%20review%20of%20the%20GAR_July%202024.pdf
- [AFME SF in EU 2023] Priorities to unlock financing and investment, 2023, <https://www.afme.eu/publications/reports/details/sustainable-finance-in-the-eu-priorities-to-unlock-financing-and-investment>
- [AFME Feedback on FAQs] Feedback on EC December 2023 Draft FAQs on the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation, 2024, https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME%20Comments_EC%20December%202023%20FAQs%20on%20DDA%20under%20Taxonomy%20Art%208.pdf
- [Bloomberg 2022] What does it mean to “Do No Significant Harm”?, 2022, <https://www.bloomberg.com/professional/insights/financial-services/what-does-it-mean-to-do-no-significant-harm/>
- [BloombergNEF 2024] Complexity of Green Bond Standard Will Limit Uptake, 2024, Not Publicly Available
- [EBF GAR 2024] Green Asset Ratio cannot be to sustainability what CET1 is to capital, 2024, <https://www.ebf.eu/ebf-media-centre/green-asset-ratio-cannot-be-to-sustainability-what-cet1-is-to-capital/>
- [EC EU Taxonomy User Guide 2023] A user guide to navigate the EU Taxonomy for sustainable activities, 2023, <https://ec.europa.eu/sustainable-finance-taxonomy/assets/documents/Taxonomy%20User%20Guide.pdf>
- [EC Impact Assessment Report 2021] Commission staff working document: Impact assessment report, 2021, [taxonomy-regulation-delegated-act-2021-2800-impact-assessment_en.pdf](https://ec.europa.eu/economy_finance/assets/documents/taxonomy-regulation-delegated-act-2021-2800-impact-assessment_en.pdf)
- [Econsense 2023] Let’s talk numbers: EU Taxonomy reporting by German companies, 2023, https://econsense.2023.de/wp-content/uploads/2023/07/Lets-talk-numbers_EU-Taxonomy-reporting-by-German-companies.pdf
- [ESMA DNSH 2023] ‘Do No Significant Harm’ definitions and criteria across the EU Sustainable Finance framework, 2023, https://www.esma.europa.eu/sites/default/files/2023-11/ESMA30-379-2281_Note_DNSH_definitions_and_criteria_across_the_EU_Sustainable_Finance_framework.pdf
- [EY 2024] How to navigate EU Taxonomy’s complex rules, 2024, https://www.ey.com/en_gl/insights/assurance/eu-taxonomy-report
- [GTAG DNSH 2023] Green Technical Advisory Group: Streamlining and increasing the usability of the Do No Significant Harm (DNSH) criteria within the UK Green Taxonomy, 2023, https://www.greenfinanceinstitute.com/wp-content/uploads/2024/07/GTAG-Final-Report-on-DNSH-vF-Publication_vF.pdf
- [IFC Best Practice Report 2024] Promoting Interoperability Across Environmental and Social Risk Management Frameworks, 2024, <https://www.ifc.org/content/dam/ifc/doc/2023-delta/ifc-epa-research-promoting-interoperability-across-es-risk-management-frameworks.pdf>
- [JRC DNSH principle 2023] The implementation of the ‘Do No Significant Harm’ principle in selected EU instruments, 2023, <https://publications.jrc.ec.europa.eu/repository/handle/JRC135691>
- [JRC Substantial Contribution 2021] Substantial contribution to climate change mitigation — a framework to define technical screening criteria for the EU Taxonomy, 2021, JRC Publications Repository - Substantial contribution to climate change mitigation – a framework to define technical screening criteria for the EU Taxonomy
- [Morningstar 2024] Article 8 funds register highest inflows since late 2021, but investors continue to favor Article 6 funds, 2024, https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blt5b899697ada05f74/672114e2b52d874b0e33f893/SFDR_Article_8_and_Article_9_Funds_Q3_2024.pdf
- [PSF Compendium 2024] A compendium of Market Practices, 2024, https://finance.ec.europa.eu/system/files/2024-01/240129-sf-platform-report-market-practices-compendium-report_en.pdf
- [PSF Data Usability Report 2022] Platform recommendations on Data and Usability as part of Taxonomy reporting, 2022, https://finance.ec.europa.eu/document/download/a16d1111-dbf6-4316-a05f-3cb76d86d407_en?filename=221011-sustainable-finance-platform-finance-report-usability_en_1.pdf
- [PWC 2024] EU Taxonomy Reporting 2024, 2024, https://images.content.pwc.com/Web/PwCGlobal/%7Bf3dccc6c7-5e32-4425-929d-d8e33e5d5b24%7D_EU_Taxonomie_2024_Survey.pdf
- [UNEP FI Practical approaches 2022] Practical approaches to applying the EU Taxonomy to bank lending, 2022, <https://www.unepfi.org/wordpress/wp-content/uploads/2022/02/Practical-Approaches-to-Applying-the-EU-Taxonomy-to-Bank-Lending-2022.pdf>

/ ABOUT OLIVER WYMAN

Oliver Wyman, a business of Marsh McLennan (NYSE: MMC), is a management consulting firm combining deep industry knowledge with specialised expertise to help clients optimise their business, improve operations and accelerate performance. Marsh McLennan is a global leader in risk, strategy and people, advising clients in 130 countries across four businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. With annual revenue of \$23 billion and more than 85,000 colleagues, Marsh McLennan helps build the confidence to thrive through the power of perspective.

For more information, visit oliverwyman.com, or follow on LinkedIn and X.

Europe
+44 20 7333 8333

Americas
+1 212 541 8100

Asia Pacific
+65 6510 9700

India, Middle East & Africa
+971 (0) 4 425 7000

/ ABOUT AFME

The Association for Financial Markets in Europe (AFME) is the voice of Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues.

We represent the leading global and European banks and other significant capital market players.

We advocate for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society.

We aim to act as a bridge between market participants and policy makers across Europe, drawing on our strong and long-standing relationships, our technical knowledge and fact-based work.

AFME is registered on the EU Transparency Register, registration number 65110063986-76

Follow AFME on Twitter @AFME_EU

London office

Level 10
20 Churchill Place
London, E14 5HJ
United Kingdom
+44 (0)20 3828 2700

Press enquiries

Rebecca O'Neill
rebecca.oneill@afme.eu
+44 (0)20 3828 2753

Brussels office

Rue de la Loi, 82
1040 Brussels
Belgium
+32 (0) 2 883 5540

Membership

Elena Travaglini
Head of Membership
elena.travaglini@afme.eu
+44 (0)20 3828 2733

Frankfurt office

Große Gallusstraße 16-18
60312 Frankfurt am Main
Germany
+49 (0)69 710 456 660