UK TAXONOMY CONSULTATION

Respondents details

1. In what capacity are you responding to this consultation?

> A business
> An individual
> A representative body

2. Please enter details of the business or body you represent

WeeFin is a French impact fintech founded in 2018 with a clear mission: to raise the standards of sustainable finance and make it the norm.

Convinced that sustainability should be at the heart of every investment decision, we developed the first SaaS technology fully dedicated to sustainable finance. By combining deep financial expertise with innovative technology, we address one of the biggest challenges in the industry today: making sustainable finance both actionable and impactful for our clients (Asset Managers, Asset Owners, Wealth Managers, Asset Servicers, Pension Funds...).

At WeeFin, we are more than just a technology provider - we are partners of the sustainability journey of our clients. We help financial institutions not only meet regulatory demands but lead in the transition to a fairer, more resilient global economy. Through our work, we aspire to create a future where financial decision-making is aligned with the long-term well-being of both society and the planet. WeeFin stands for innovation, transparency, and responsibility, values that guide everything we do—from the solutions we create, to the relationships we build with our clients, and the internal culture of our company.

After two rounds of fundraising and with over 50 clients (7530bn€) and more than 50 connected data sources, WeeFin was named Fintech of the Year 2023 in France and awarded Best ESG Technology Initiative. The company is now expanding across Europe, with a new office opening in London.

Taxonomy Purposes

3. To what extent, within the wider context of government policy, including sustainability disclosures, transition planning, transition finance and market practices, is a UK Taxonomy distinctly valuable in supporting the goals of channelling capital and preventing greenwashing?

With most of our clients having to comply with the EU Taxonomy, we have been taking part in conversations around it for years. Incorporating EU Taxonomy metrics as a new aspect of portfolio/entity analysis and transparent communication have presented challenges and even obstacles for financial players.

WeeFin then standing in the midst of financial clients and data providers concerns, we understand what is at stake when introducing a UK Taxonomy. Given that unique point of view, we believe that a UK Taxonomy would be valuable in supporting both goals of channelling capital and preventing greenwashing because of the following points:

For the past few years, we have seen financial actors struggle with ESG data finding themselves helpless when it comes to using these for decision-making. What they need is objective, neutral indicators, used by many and validated by governing bodies as well to gain trust in the system.

A Taxonomy, by definition, is a scientific and technical classification system answering these prerequisites. It allows for an easy categorisation of sustainable/transition activities, both at corporate level and for financial actors. Thus, companies will be able to easily identify the elements to implement for their activities to be aligned. Overall these shared definitions could provide the much-needed consistency and comparability.

Financial players then wish for ready-to-use figures helping decision-making. A Taxonomy provides what is sustainable / in transition (or not) at an economic-activity level. Rather than issuer-level, it grants a wider granularity and ensures that it reflects at a given moment the share of revenue, CAPEX, and OPEX dedicated to transition or sustainability.

In the particular context of SDR which changed the UK regulatory landscape, we assume that a robust, science-based, activity-level regulation could complement it.

We believe that a UK Taxonomy could as well be the ultimate tool against greenwashing because all technical criteria would be public and these figures should be validated by third parties (e.g., auditors). Leaving no room for interpretation, these figures are deemed comparable.

4. Are there other existing or alternative government policies which would better meet these objectives or the needs of stakeholders?

No, there are no other tools such as a Taxonomy. It could then be an instrument complementing the existing ones, namely:

- The work from various task forces (TCFD, TNFD or TPT); or
- Reporting frameworks like ISSB (SRS in the UK).

The first three task forces are dedicated to specific themes such as: TPT with transition planning matters, TCFD on climate risks and opportunities and TNFD on nature/biodiversity risks and opportunities when the concepts of a Taxonomy could encompass most of it. The mentioned initiatives such as SRS (ISSB) do not go down to such a granular level.

Other existing frameworks are mostly based on declarative or prospective elements on firms' strategies when a Taxonomy would be science-based and relying on technical industry-specific criteria, capturing at a particular point in time where the firm stands. A Taxonomy provides a common definition, establishes a methodological framework, and sets thresholds whereas the existing initiatives are thus more focused on providing essential reporting standards. Moreover, Taxonomy figures allowing for verifying whether the set constraints and ambitions are being met, could then be integrated into these reports, facilitating the *Metrics & Targets* sections of it.

All the above initiatives will need to coexist in the UK.

In the European context, the EU Taxonomy covering 6 environmental objectives and over 150 economic activities, has proven its strong position by enriching many other regulatory frameworks. We can mention reports most of our clients are subject to such as at fund-level SFDR precontractual and periodic disclosures where taxonomy figures are mandatory and add quantitative data to illustrate the funds' ambitions. At entity-level, the Article 29 ECL (Energy Climate Law) annual report has a full section dedicated to Taxonomy alignment figures and the strategy around it. There is also a market standard, widely used by financial actors, centralising information among others related to the European Taxonomy: the European ESG Template (EET). This exchange model document filled with these data answers the institutional investors' demand for objective environmental indicators.

5. How can activity-level standards or data support decision making and complement other government sustainable finance policies and the use of entity-level data?

Activity-level standards or data offer:

- More granularity to entity-level ones as they limit the "black box" effect. Financial actors we work with commonly fight against that effect when striving for transparency. For instance, when assessing biodiversity risks and impacts, financial actors are asked by regulatory frameworks to measure their biodiversity footprint. We observed that most players report the data but do not use it to inform decision-making as a single indicator to embrace these matters is not telling. We noticed the same phenomenon when actors are estimating the potential financial impacts of ESG risks in general, one aggregated indicator does not help to mitigate the quantitative impact of these risks. A Taxonomy allows for a better understanding of the specific performance of a company's particular areas offering a more detailed and actionable view than overall indicators. One entity can have "green" and "brown" activities and everything is between;

- More adaptation to sector-specific characteristics as depending on the industry, some overall indicators may not capture all the nuances of specific challenges and opportunities. Especially for firms operating in various industries, it brings precision and specificity. Technical criteria from a Taxonomy being sector-based would add necessary layers;

- More clarity to identify trends over time. Financial actors we work with seek for more historic analysis to monitor improvements and make the most of when making decisions. Some selectivity approaches are based on metric improvements. By focusing on specific activities, it's easier to identify progress or areas that need improvement (it could also apply with the case of engaging with investee companies). Moreover,this thorough examination of activities allows to highlight the ones truly transitioning.

6. How could the success of a UK Taxonomy be evaluated? What measurable key performance indicators could show that a UK Taxonomy is achieving its goals? (Optional)

The success of a Taxonomy can be measured by its adoption and use by financial institutions. We would suggest the following insightful KPI: the number of funds reporting by using the taxonomy.

For instance, WeeFin has been assessing the current status of sustainability policies such as the European Taxonomy by analysing whether or not financial products were reporting on Taxonomy figures and taking any engagement concerning it. Knowing to what extent the regulation is adopted by players would make room for suggesting practical solutions for enhancement.

The following three KPIs go more in-depth into where financial actors stand, it could help on going further on the Taxonomy's enhancement when the regulation is well adopted:

- Corporate growth of Taxonomy eligibility/alignment levels through years of adoption showing that firms' activities are "greener" with time (focus on very emitting sectors);

- Financial growth of Taxonomy eligibility/alignment levels through years showing that financial actors are investing more in Taxonomy eligible/aligned activities and are embracing it (by size and types of financial actors could be telling);

- Coverage Growth of Taxonomy eligibility/alignment levels of coverage: more coverage can be a sign of better understanding of the matter by the actors.

Use cases

7. What are the specific use cases for a UK Taxonomy which would contribute to the stated goals? The ones listed are : > Acting as an input to project and business finance decision, providing consistent standards to allow meaningful comparisons over time; > Supporting investor stewardship and engagement; > Informing the development of sustainability-focused financial products; > Application to investment fund and investment portfolio product disclosures; > Use as part of the government's wider climate and environment strategy. This could include through voluntary use cases or through links to government policy and regulation.

In our opinion, the 5 use cases could contribute to both the stated goals:
> Acting as an input to project and business finance decision, providing consistent standards to allow meaningful comparisons over time;

> Supporting investor stewardship and engagement;

> Informing the development of sustainability-focused financial products;
The third use case must be thought only for reportings intended for professional investors. Taxonomy is to be used essentially by corporations and financial actors, not to create false debates about complexity that could encourage financial actors not to use it correctly.

> Application to investment fund and investment portfolio product disclosures;

> Use as part of the government's wider climate and environment strategy

8. What are respondents' views on the benefits of the proposed use cases? (Optional)

> Acting as an input to project and business finance decision, providing consistent standards to allow meaningful comparisons over time:
In this particular case, a Taxonomy could first bring clear and consistent standards as it defines what qualifies as "green" or more generally "sustainable", this enables investors to ensure they are consistent with a standard. With that clear framework in place, financial players can make more informed decisions about channeling capital. Over time, when data will be available, it would facilitate comparisons, not just within a single time frame but also across different periods to track progress.

On a daily basis, when financial actors are working towards containing risks, we believe a Taxonomy can play a crucial role in that context of risk assessment. Overall, the tool could strengthen risk assessment by providing a structured approach to identifying, measuring, and mitigating environmental and sustainability-related risks.

Moreover, investors and stakeholders can more easily assess whether a project truly meets the environmental standards, and companies can be held accountable for their environmental claims. From a longer-term perspective, with reports showing taxonomy eligibility and alignment figures, it ensures that sustainability is not just a secondary concern but a central factor in financial decisions.

For that objective to be met, our clients asked for retrospective data insights (at least on a yearly basis). To meet this need, WeeFin has developed historic views of data within its technical tool answering this necessity.

> Supporting investor stewardship and engagement:
At every stage of dialogue with companies, Taxonomy KPIs can bring much benefits to investors:

1. Identifying companies to engage with:
    - The activity-level based taxonomy KPIs provides investors an access to granular indicators which is a prerequisite to identify companies to focus on;
    - Furthermore, financial companies can prioritise investments that are consistent with their long-term sustainability objectives.

2. Effectively engaging with companies: The access to accurate data and figures is essential to foster constructive dialogue and set up measurable objectives;

3. Monitoring progress: Investors can use Taxonomy KPIs, notably in terms of CAPEX, to drive further progress and identify any gaps in the trajectory to reach the objectives;

4. Working on collaborative engagements: The Taxonomy system encourages collaborative engagement as the indicators allow collaborative actions to identify the actors/themes they wish to engage with;

5. In the escalation process as well, this can be useful to monitor trends and thus identify those who are not doing much, allowing the escalation process to be triggered.

> Informing the development of sustainability-focused financial products:
The enforcement of a UK Taxonomy could contribute to monitor financial products deemed sustainable, understand trends as it provides clear criteria for sustainability and build customer trust while meeting investor demands for alignment with these robust standards.

Yet, these indicators should not be interpreted on their own; they must be corroborated with quantitative and qualitative indicators to provide a more in-depth and refined analysis.

Nevertheless, the Taxonomy is first and foremost a tool for corporations and financial actors. For its use to go beyond (for instance, for end-users), it should first be used efficiently by these two types of actors. Otherwise, it could lead to a false debate on complexity, which encourages financial actors not to use it correctly.

Based on our experience with SFDR (EU Sustainable Finance Disclosure Regulation), this use case could be answered, in the context of SDR, by a “text box” to be filled when redacting the *Consumer-Facing Document* for labeled funds and funds having sustainable characteristics (as well as precontractual and on-going disclosures).

> Application to investment fund and investment portfolio product disclosures:
As sustainability-related disclosures are increasingly required by regulators, especially now in the UK, within the Sustainable Disclosure Requirements (SDR) framework, a green

Taxonomy helps ensure that investment fund and portfolio disclosures meet the same regulatory standards. In other words, it would provide a possible comparison between all products (including those without any SDR label). A field/question/part of the fund-level disclosures (such as Sustainable Finance Disclosure Regulation or SFDR) disclosures must concern taxonomy requirements.

In that particular context of SDR and its labeling regime, it is safe to say that the taxonomy standards could constitute a robust, evidence-based standard which is an absolute measure of sustainability. It is clearly emphasised in the November 2023 SDR Policy Statement: *"There are different types of standards that may be used. Non-exhaustive examples include: [...], Taxonomy-based [...] the standard may directly reference an authoritative taxonomy relevant to the sustainability objective of the product such as the EU taxonomy for sustainable activities, or the forthcoming UK Green Taxonomy".*

With a standardised, widely accepted framework like a green taxonomy, fund investors would gain greater confidence as it could bring a clearer communication about how investments contribute to sustainability objectives. Moreover, investors can easily compare the sustainability performance of different funds or portfolios based on the same criteria, improving transparency and helping them to make informed decisions.

To take it further, *WeeFin Sustainable Finance Barometer* has shown that although weak commitments on Taxonomy alignment are made by the 50 funds of the study, it is observed that SFDR Article 9 funds (33% of them) use the taxonomy as a binding element of their strategy. WeeFin then believes all funds should report on taxonomy alignment regardless of their label or classification.

> Use as part of the government's wider climate and environment strategy:
The UK government has unveiled an ambitious plan to position itself as a sustainable finance and industrial growth leader. Within this context, a Taxonomy could be used as part of the government's wider climate and environment strategy to:

- Help align financial flows with the government's long-term climate goals, such as achieving net-zero carbon emissions by 2050, meeting climate adaptation goals, and addressing biodiversity loss thanks to:
    - Directing public investment towards sustainable sectors or activities;
    - Encouraging private sector investment in activities that align with the UK's climate goals or environmental goals;
    - Creating green bonds or funds that finance projects qualifying under the taxonomy, enabling the UK to mobilise capital for its climate and more largely environmental initiatives (cf. *European Green Bonds Standards Q.14*).
- Guide the UK's economic transition by identifying sectors and activities that are either already low-carbon or have the potential to reduce emissions significantly and vice-versa, support the decarbonisation of high-emission industries and provide clarity on "transitional activities";
- Shift corporate behavior and in the meantime improve Corporate Accountability and Reporting;

- High levels of sustainable activities could, more broadly, attract international investment.

9. Are there any other use cases respondents have identified? (Optional)

Drawing on our experience with the European Taxonomy, we have identified the following two other use cases:

- WeeFin believes that a UK Taxonomy could potentially set a framework on the concept of transition. For that to be efficient, it is much needed to ensure coherency with definitions provided within the Transition Plan Taskforce (TPT) Disclosure Framework;

- Additionally, one of the challenges we spotted with sustainability-focused financial products is measuring and reporting on the environmental impact of investments. A green taxonomy can provide a consistent framework for measuring and tracking sustainability metrics.

10. How does each use case identified link to the stated goals? (Optional)

11. Under these or other use cases, which types of organisations could benefit from a UK taxonomy? (Optional)

It is safe to state that all businesses, financial & non-financial ones, could gain from a UK Taxonomy.

Focusing on financial actors, a benefit lies first in its prominent goal of channeling capital. In addition, ESG Strategies such as Exclusion or Selection, Shareholder engagement, Ratings, ... could be backed up with more indicators. As we've seen in practice, the EU Taxonomy has been able to fill some gaps throughout the years, across the Channel. For example, an issuer's taxonomy alignment can constitute a telling metric part of the Environmental (E) pillar. Taxonomy alignment metrics are very insightful and transparent as part of a common and science-based approach so that it pushes back greenwashing.

Regardless the size of the mentioned actors, even if at first, only "big" firms will have to report, small ones will acculturate more easily and all business would derive benefits from it.

12. For each use case identified, do respondents have any concerns or views on the practical challenges? (Optional)

The following challenges have emerged throughout the implementation of the EU Taxonomy and constitute lessons we learned from:

- Covering all sectors;

- Addressing all E, S, and G issues (at least in the DNSH part);

- Agreeing on technical thresholds (easy to calculate), data, KPIs, and sector-by-sector contributions to the taxonomy;

- Emphasising on the grey areas concerning the different "shades of green": when examining certain green activities in detail, analysis reveals various shades of green. Some activities are explicitly green (considered as "dark green"), but not being "dark green" doesn't automatically mean they are harmful (or "brown"). Some activities

can as well contribute to an objective in an indirect way (called “enabling” for the EU Taxonomy). Intermediate levels help to identify where investment, adjustment, transformation, or divestment is required;

- Implementing a rule that applies first to corporations so they can report, and then require financial actors to report (aggregating available data). Right now in Europe, financial actors are still hesitant, so the adoption rate is not progressing because they need to commit, but they lack the data. Efforts have to be made when looking at how we can address the fact that actors are “afraid” to commit;

- Ensuring investors use it effectively. In practice, in the same way as many other indicators, they use taxonomy KPIs for reporting instead of as part of their sustainability strategy.

13. What is the role for government within each use case identified, if any (i.e. to provide oversight, responsible for ongoing maintenance, implement legislation, including disclosure requirements)? (Optional)

For every use case identified, the UK government must:

- provide oversight;

- be responsible for ongoing maintenance,

- implement legislation, including disclosure requirements; &

- ensure coherency and acknowledge links with other existing regulations or frameworks in the UK.

Transition Finance

14. Is a UK Taxonomy a useful tool in supporting the allocation of transition finance alongside transition planning? If so, explain how, with reference to any specific design features which can facilitate this? (Optional)

A taxonomy turns out to be a useful tool in supporting the allocation of transition finance alongside transition planning because it can provide a structured framework that (among others):

- Helps identifying areas where resources can be allocated more strategically;
- Helps defining and classifying transition objectives;
- Can be used as a tracking tool to assess progress in the transition;
- Can also serve to simplify communication of transition goals to various stakeholders.

In order for that tool to be efficient, a Taxonomy must measure alignment not only on revenues but also on CAPEX to challenge transition plans. It would highlight the percentage of a firm's capital expenditures considered as "green" or "sustainable".

Furthermore, in the UK Transition Plan Taskforce framework and in particular the Disclosure Framework, firms are advised to disclose *metrics & targets* in the 4th part of their transition plan, we believe taxonomy alignment could be a good metric to track progress on transitional activities.

An example of how taxonomy alignment can be used in other standards is the European Green Bonds Standard (EUGBS). To comply with this European framework, at least 85% of a fund must be allocated to assets, CAPEX, or OPEX aligned with the European Taxonomy. The remaining 15% corresponds to projects or assets eligible for the European Taxonomy but for which the technical selection criteria are not yet published.

International interoperability

15. There are already several sustainable taxonomies in operation in other jurisdictions that UK based companies may interact with. How do respondents currently use different taxonomies (both jurisdictional and internal/market-led) to inform decision making? (Optional)

WeeFin works with financial actors having to comply with the European Taxonomy. Within the European context, Taxonomy figures are disclosed on multiple regulatory reportings such as SFDR pre-contractual/periodic annexes and French Article 29 ECL (Energy & Climate Law) annual reporting so that most of our clients use taxonomy data.

Within the data platform, *ESG Connect*, after sourcing their data from different private providers (Trucost, Sustainalytics, ...), taxonomy figures are used mostly for reporting matters and from time to time in ESG scoring (part of the E pillar). What we observe is that coverage levels are still low and a great percentage of the data is estimated (through proxies). These data are accessible for all portfolios, allowing for daily management and tracking of their progress. By getting into the habit of monitoring it, we believe it will become more widely used over time.

Moreover, WeeFin analyses financial practices to provide insights to its clients and more broadly all financial players. In that context, the Taxonomy results have been analysed as part of:

- An annual *Barometer on Sustainable Finance*, based on SFDR disclosures of 50 funds (2024 analysis on 2023 SFDR periodic annexes);

- A study based on 50 entities' Article 29 LEC 2023 reports (on the 2022 exercise) in which a section is dedicated to T*axonomy and Fossil Fuels* (the 5th).

Find below some figures illustrating (i) how the European Taxonomy is not yet a key pillar in the transition and (ii) as for now investors make weak commitments to align their portfolios with the taxonomy at this stage:

- On the a sample of 50 funds' SFDR disclosures:
    - On average, the funds committed to align only 0.29% of their investment with the EU Taxonomy. If those results seem negligible, it is important to point out that this percentage has grown in a year with a result of 0.41% in our 2024 analysis. A slight progression can be noted showing that as the data becomes available, stakeholders embrace this concept;

    - On average, the funds have 1.56% of their investment with the EU Taxonomy;

    - Only 14% of the funds have a Taxonomy alignment rate superior to 5%.

- On our sample of 50 2023 Article 29 LEC reports, less than half entities disclosed an alignment percentage and on average, 5.96% of assets of an entity are aligned with the EU Taxonomy (the range spans from 0.20% to 19.70%).

The pitfalls mentioned above have led to a EU Taxonomy whose potential has not yet been fully exploited (although some improvement is noticeable). However, despite the challenges, stakeholders continue to request a Social Taxonomy, which shows that it is a tool being considered and is likely to be used.

16. In which areas of the design of a UK Taxonomy would interoperability with these existing taxonomies be most helpful? These could include format, structure and naming, or thresholds and metrics? (Optional)

On one hand, we recommend guaranteeing similarities on Taxonomy classic features such as securing similar objectives (larger than just focusing on climate), assuring the concept of DNSH to ensure no prejudice on other objectives, the concepts of eligibility & alignment are necessary as well to ensure comparability/interoperability.

On the other hand, conserving similar thresholds seems unattainable, as each sector has different approaches in each geography.

Furthermore, the use of very different taxonomies in parallel can prove to be very difficult in practice, we have seen the case with other very similar frameworks in various geographies where financial players always try to stick to what they know and can be lost in complying with corresponding yet different regulations.

In brief, having similar thresholds seems unrealistic, but seeking coherency with its format, structure & naming and metrics would be essential.

17. Are there any lessons learned, or best practice from other jurisdictional taxonomies that a potential UK Taxonomy could be informed by? (Optional)

Here are the lessons learned from the European Taxonomy:

- Secure the criteria to gain an unanimous agreement of a quorum of stakeholders (corporates, investors, etc.) in order for them to endorse it and for the Taxonomy to be used properly avoiding slow processes (on the inclusion of certain sectors and activities and on thresholds). We also suggest that all objectives should be "published" at the same time;

- Ensure corporate reportings first, leading to higher coverage levels for investors when aggregating data. In Europe, the Taxonomy use is still limited (see figures Q.15) and is not yet a binding criterion enforced by actors due to data lacking;

- Guarantee that financial actors would be able to calculate these figures using credible sources and have the ability to ensure data quality. To do so, investors must equip themselves with technological tools and establish a clear and transparent operational framework for data to ensure the quality and traceability of the information used. The best way to achieve this is by using a specialised external tool, ensuring greater speed and scalability, such as WeeFin's platform.

- Push the inclusion of all E, S & G pillars (via the DNSH mostly), especially putting more emphasis on the Social (S) one when in Europe, the development of this criteria is lacking;

- Guarantee more pedagogy as the integration of EU Taxonomy into MIFID II for non professional end clients is still impractical; educational tools such as Taxonomy Compass are necessary).

Environmental objectives and sectoral scope

18. What is the preferred scope of a UK Taxonomy in terms of sectors? (Optional)

19. What environmental objectives should a UK Taxonomy focus on (examples listed above)? How should these be prioritised? (Optional)

It is fair to say and the EU Taxonomy has set a good example on this topic with each objective connected to the others. The narrative behind it is that if one protects ecosystems (marine or other), one curbs climate change. Then, the four other objectives mentioned (biodiversity and ecosystems, circular economy, pollution prevention and control, and sustainable use and protection of water and marine resources) are to incorporate as well to address not just climate change as is but also a broader range of interconnected environmental and sustainability issues in order to create a more comprehensive framework for sustainable investments.

For instance, the nature-positive conversation has become louder yet money has flown in the wrong direction. We believe the Taxonomy must recognise that economic activities must avoid harming natural habitats and species, and ideally contribute to their restoration.

In brief, the UK Taxonomy should create a balanced approach to sustainability that addresses the interconnected challenges of our time.

20. When developing these objectives, what are the key metrics which could be used for companies to demonstrate alignment with a UK Taxonomy? (Optional)

21. What are the key design features and characteristics which would maximise the potential of a UK Taxonomy to contribute to the stated goals? Please consider usability both for investors and those seeking investment. This may include but not be limited to the level of detail in the criteria and the type of threshold (e.g. quantitative, qualitative, legislative)? (Optional)

For both investors and those seeking investment, to answer both the goals of channeling capital and combat greenwashing the key design features and characteristics which would maximise the potential of a UK Taxonomy would be the following:

- Covering the entire set of ESG dimensions;
- Using the most quantitative, tangible and precise elements within technical criteria;
- Ensuring pedagogy especially with the links with the already existing regulatory framework.

Do no significant harm

22. What are respondents' views on how to incorporate a Do No Significant Harm principle, and how this could work? (Optional)

As mentioned, when incorporating the Do No Significant Harm principle into the UK Taxonomy, it can be ensured that "sustainable" activities do not inadvertently cause negative consequences elsewhere, fostering a more holistic approach.

In practice, DNSH thresholds would be set for other environmental/social objectives. However, DNSH should come with associated thresholds that should not be exceeded (or that should be excluded depending on each).

As financial actors will need objective guidelines to assess this DNSH process, these thresholds must be quantitative. When it comes to the EU Taxonomy, concerns have been raised that most indicators are qualitative. The EU Sustainable Platform released this week (February, 5) a report called *Simplifying the EU Taxonomy to foster sustainable finance* stating: "*TSC in the Climate and Environmental Delegated Acts are predominantly qualitative (88% of DNSH criteria), and for the 12% that are quantitative, 72% of those do not reference any standards. That means only 3% of the criteria are quantitative and linked to a standard. In other words, only 3% of the criteria can have data that can be consistently collected and transformed to build an accurate assessment*".

A major area of attention would be to ensure the use of KPIs for which data will be available in advance and not the opposite (where we have a Taxonomy but without the data being available to use).

Furthermore, companies would have to specify the methodology used. In other words, companies would need to report on how they ensure compliance with the DNSH principle.

Another area of concern would be that the DNSH thresholds may evolve as new scientific evidence, technological advancements, or global sustainability goals emerge. As more data on environmental impacts becomes available, thresholds could become stricter.

Ultimately, regulatory platforms put in place or other pedagogy bodies could as well provide oversight on DNSH criteria, ensuring that taxonomy participants understand better the standard by also providing guidance documents on this matter.

In the report mentioned above, the usability concerns with DNSH criteria can be characterised in 4 themes: asymmetry between the different users and uses, and between stock and flow applications of DNSH, consistency and usability of testing criteria, control over the verified outcome (assurance) and international applicability. These pitfalls could be avoided if anticipated.

Updates over time

23. It is likely a UK Taxonomy would need regular updates, potentially as often as every three years. Do you agree with this regularity? (Optional)

Should the framework undergo excessive changes, stakeholders will not have sufficient time to implement it properly from the outset. It is then reasonable to say that sectorial updates should be faster, supposedly every year while updates on the general framework should be adjusted every 3 to 5 years.

24. Would this pose any practical challenges to users of a UK Taxonomy? (Optional)

If the environmental objectives are established at different times, it could pose practical challenges. Data might be more available over time, coverage rates would be necessary to explain significant changes. As mentioned, lots of guidelines are necessary to avoid long interpretation times.

25. Would this timeframe be appropriate for transition plans? (Optional)

Regular updates to the UK Taxonomy would allow for the integration of developments in ESG criteria, and ensure that transition plans remain relevant in light of new data and sustainability goals. As of today, the UK TPT Disclosure framework even states: *"The TPT recommends that entities update their standalone transition plan periodically, either when there are significant changes to the plan or, at the latest, every three years".*

Governance & oversight

26. What governance and oversight arrangements should be put in place for ongoing maintenance and updates to accompany a UK Taxonomy? (Optional)

First, a dedicated organism could be put in place, ensuring the interoperability between the existing regulations and frameworks in the UK but also with other existing taxonomies. The organism could as well carry out the much needed function of pedagogy. To perform this role, it would need to publish Q&A once in a while, organise webinars before and after the launching and if any update as it proved to be a great way to put together players and answer the most prominent questions.

For a concrete example, there is a Platform for Sustainable Finance composed of a group of experts in Europe, having pages dedicated to the European Taxonomy with detailed explanations, frequently asked questions and more. It would be convenient to set up something similar with experts from various fields, especially practitioners.