



FOCUS

# FRAMEWORK OR TAXONOMY REGULATION

Version 2 – Updated in May 2022

BUILDING TEAM SPIRIT TOGETHER

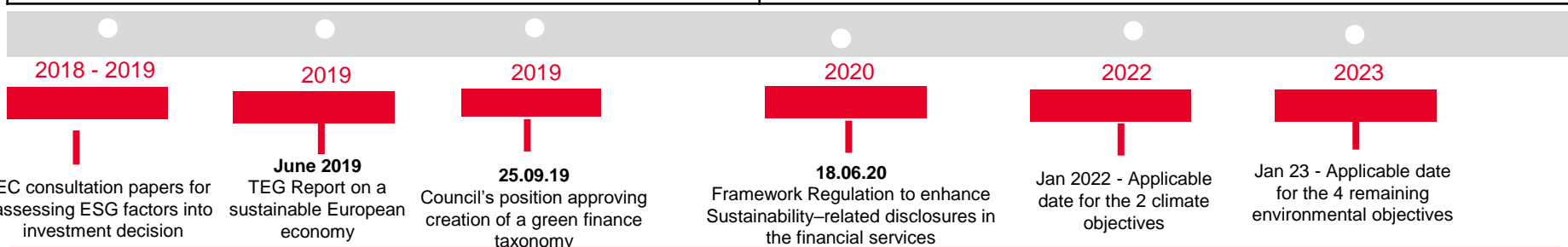


**SOCIETE GENERALE**  
Corporate & Investment Banking

# TAXONOMY

## TO CREATE A TAXONOMY FOR THE SUSTAINABLE FINANCE IN ORDER TO LIST ECONOMIC ACTIVITIES ELIGIBLE TO THIS TAXONOMY

REGULATORY INITIATIVE	FOCAL POINTS
<p>This regulation (EU) 2020/852 of 18 June, 2020 (hereinafter Taxonomy) aims to encourage sustainable finance by establishing a legal and technical framework. <b>This framework taxonomy regulation also aims to help international investors to identify investments that genuinely meet the environmental goals of saving the planet.</b></p> <p><b>The six objectives</b> included in the taxonomy by the Council are:</p> <ol style="list-style-type: none"> <li>1. climate change mitigation</li> <li>2. climate change adaptation</li> <li>3. sustainable use and protection of water and marine resources</li> <li>4. transition to a circular economy, including waste prevention and recycling</li> <li>5. pollution prevention and control</li> <li>6. and prevention and restoration of biodiversity and ecosystems</li> </ol>	<p>Sustainable investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.</p> <p>In practical terms, European Taxonomy defines a <b>list of economic activities</b> and <b>performance thresholds</b> that measure these activities' contribution to these <b>6 environmental objectives</b>. It includes 7 macro-sectors and 72 sub-activities. Each economic activity must provide a substantial contribution to one of the six environmental objectives without significantly impairing any of the others.</p> <p><b>For example, an activity can be eligible for Taxonomy for these three reasons:</b></p> <ul style="list-style-type: none"> <li>It is already a low carbon activity,</li> <li>It contributes to the transition towards a net zero emission economy by 2050,</li> <li>It enables other activities to reduce their CO<sub>2</sub> emissions.</li> </ul>
<p><b>Delegated acts</b> with the objectives 1 and 2 are applicable since Jan 2022.</p> <p><b>Delegated acts</b> with the objectives 3 to 6 will apply as from Jan 2023.</p>	<p><b>Current issue:</b></p> <ul style="list-style-type: none"> <li>✓ Taxonomy needs to include the S for social in the ESG criteria.</li> <li>✓ Proposition of the EC to include gas and nuclear as eligible economic activities to the Taxonomy Regulation.</li> </ul>



Updated on 11 May 2022

STATEMENT

- ❑ 7 Feb. 2020, EU Council published a legislative proposal on the establishment of a framework to facilitate sustainable investment ('Taxonomy or Framework Regulation'). 22 June 2020 - Publication of [Regulation \(EU\) 2020/852](#) (the taxonomy) in the OJ of the EU. It enters into force on 12 July 2020. .
- ❑ On 22 Oct ESAs published new RTS of SFDR with taxonomy alignment. **SFDR RTS apply in Jan 2023** ~~July 2022~~ instead of Jan 2022.
- ❑ 31 Dec 2021, after 2 years of negotiation the EC proposed to integrate gas and nuclear in the list of 72 eligible economic activities.
- ❑ 2 Feb 2022 - The European Commission proposed a green label text for some gas and nuclear investments. This text should be submitted to the European Parliament and Council in order to be analyzed? They will have four months to object.
- ❑ The EC endorsed SFDR RTS with taxonomy alignment on 6 April 2022. Waiting for approval from EU Parliament and Council. First Reporting under SFDR by June 2023.

FOR YOUR  
CONSIDERATION

- ❑ EU taxonomy is a complex system to classify which parts of the economy can be marketed as sustainable investments.
- ❑ Taxonomy does not ban investments in activities not labelled "green", but it limits which companies and investors can claim being climate-friendly.
- ❑ As of today, there is no common classification system in the EU in order to define precisely environmentally sustainable and/or green finance.
- ❑ Providers of financial products in the EU must disclose which investments comply with the criteria of the taxonomy's climate.
- ❑ Companies and listed firms must also disclose what share of their turnover and capital expenditure complies with green taxonomy.
- ❑ Feb 2020, 2 interesting documents, one [published](#) by AFME "State of Play: Status of European Regulatory developments on Sustainable Finance", summarizing developments in ESG and one [published](#) by EFRAG on "How to improve climate-related reporting".
- ❑ 9 March 2020, the Technical Expert Group (TEG) on financing a sustainable European economy published its final report.
- ❑ 13 March 2020, the AMF published a first policy on investor information.

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