

# European Scrutiny Committee

House of Commons London SW1A 0AA

Tel (020) 7219 3292 Email [escom@parliament.uk](mailto:escom@parliament.uk) Website [www.parliament.uk/escom](http://www.parliament.uk/escom)

From: Sir William Cash MP

30 April 2020

John Glen MP  
Economic Secretary to the Treasury  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

## **The EU's Taxonomy for sustainable investment**

Thank you for your update of 7 January 2020 on the negotiations to establish an EU-wide Sustainability Taxonomy to assess the environmental impact of economic activity, as an aid to investors.<sup>1</sup> The Committee has taken note of the subsequent formal adoption of the Regulation establishing the Taxonomy by the European Parliament and the 27 remaining Member States.

The practical impact of this new framework for classifying investments by sustainability is untested and uncertain, and those with an interest in “green finance” will take a close interest in the European Commission’s upcoming review of this novel approach in 2022. However, in the absence of binding ‘green’ label criteria for investment products, it appears that firms offering bonds can in practice appear to meet the new ‘sustainability’ criteria with little effort, because the firms themselves decide which information on compliance with the criteria of the Taxonomy to include in their pre-contractual and periodic disclosures.

The Committee notes that the Regulation is not expected to apply in and to the UK given that even before the coronavirus crisis it was due to become applicable only at the end of 2021, well beyond the scheduled end of the post-Brexit transition period in December this year. However, the UK remains of course Europe’s largest financial centre and a hub for investment activity, and in your latest letter you stated the Government attaches considerable importance to “the taxonomy and [to] sustainable finance as a whole”. We therefore ask you to write to us by the end of May to clarify whether the Government is considering

---

<sup>1</sup> EU Document 39806, 9355/18, COM(2018) 353.

establishing a similar legally-binding Sustainability Taxonomy domestically for investment products.

I am copying this letter to Philip Dunne MP, Chair of the Environmental Audit Committee and Lloyd Owen, Clerk of that Committee; the Rt Hon Mel Stride MP, Chair of the Treasury Committee and Gosia McBride, Clerk of that Committee; Lord Kinnoull and Christopher Johnson in the Lords; to Les Saunders at the Cabinet Office; and to Joe Livesay at your Department.

**CHAIR**