



## Joint comments on the Taxonomy Draft Report

AECM and SMEUnited appreciate efforts at the European level to develop a common understanding of what can be defined and advertised as sustainable. Also in the area of finance, it is crucial to set up a comprehensive and simple-to-use framework that ensures common standards and comparability. That is why AECM and SMEUnited welcome the Commission regulation proposal.

In the current step of the legislative procedure it is of utmost importance that the design and the scope of the taxonomy continue to **respect the principle of proportionality**. That is why we object to amendments within the draft report of the European Parliament that ask for **generalised sustainability disclosure requirements**. Up to now, it was foreseen that only financial products that are advertised as being sustainable would need to disclose the information justifying that the corresponding criteria are respected. However, some of the tabled amendments now foresee an obligation for financial market participants to disclose information on whether their products qualify as environmentally sustainable investments or as investments having a negative environmental impact (amendment 50, compromise amendment D of 5<sup>th</sup> March 2019). Credit institutions shall even disclose the share of their corporate lending contributing to these two classifications (amendment 51, compromise amendment D of 5<sup>th</sup> March 2019).<sup>1</sup> This requirement violates the principle of proportionality since small financial institutions would struggle to comply with this requirement due to limited resources. **Disclosure requirements should remain limited to those products that are advertised as environmentally sustainable.**

Furthermore, AECM and SMEUnited are of the opinion that an **extension of the scope** of the regulation to credit institutions (amendment 32) is not expedient. This would create significant additional bureaucratic burden weighing especially on small institutions that do not dispose of the necessary resources to comply with disclosure requirements set out in the regulation proposal. A rise in bank fees for loans and a **deterioration of access to finance** would be the consequence, with **micro, small and medium-sized companies being the most affected** because they often rely on loans as their main source of financing.

Finally and in order to allow financial institutions to fulfil these additional requirements amendment 53 requests from companies an **annual disclosure of activities that qualify as environmentally as well as activities having a negative environmental impact (both in % of turnover)**. This disclosure has to be done by all companies with a legal statute (Amendment 36) and requires a certificate from national supervisor, both will lead to unacceptable additional administrative burdens and costs, especially for SMEs.

AECM and SMEUnited encourage the legislators to further progress on the regulation proposal. This shall be done, however, taking into due account the principle of proportionality.

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<sup>1</sup> Amendment 49 contains a similar change to the disclosure requirement.

**About AECM and SMEunited:**

The 48 members of the **European Association of Guarantee Institutions (AECM)** are operating in 29 countries in Europe. They are either private sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. AECM's members operate with counter-guarantees from regional, national and European level. At the end of 2017 AECM's members had over EUR 126 billion of guarantee volume in portfolio, thereby granting guarantees to more than EUR 3 million SMEs. AECM's members are by far the most important counterparts of the EIF concerning EU counter-guarantees, handling EU guarantees from the very beginning in 1998.

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**SMEunited** (formerly UEAPME) is the association of Crafts and SMEs in Europe with around 70 member organisations from over 30 European countries. SMEunited reassembles national cross-sectoral Craft and SME federations, European SME branch organisations and other associate members, which support the SME family. Combined, SMEunited represents more than 12 million enterprises with around 55 million employees across Europe. SMEunited is also a recognised employers' organisation and European Social Partner. We are a not-for-profit and non-partisan organisation.

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