On May 4, the House of Commons EU Scrutiny Committee (the Committee) published a letter to HM Treasury on the proposed regulation (the Taxonomy Regulation) on the establishment of a framework to facilitate sustainable investment (the Letter).

The Letter asks the UK government to consider possible consequences of the Taxonomy Regulation, particularly as classifying investments by sustainability is an untested and uncertain measure. The Committee claims that it is not yet clear how to meet this new sustainability criteria, and so firms may do so with little effort. For instance, when firms offer bonds, they can decide what disclosed information meets the sustainability taxonomy criteria.

In the Letter, the Committee also acknowledges that the Taxonomy Regulation is not expected to apply to the UK before Brexit, particularly as it is due to become applicable at the end of 2021. Nonetheless, the Committee would like to receive a response from HM Treasury by the end of May to clarify whether the government is considering establishing a similar legally binding domestic sustainability taxonomy.
for investment products.

For further information on the Taxonomy Regulation, please see the advisory prepared by Katten, available here.

The Letter is available here.

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