

**Unburdened Solutions – UK Green Taxonomy Consultation Response**

**Q1. 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?**

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

**b. How can activity-level standards or data support decision making and complement other government sustainable finance policies and the use of entity-level data (e.g. as provided by ISSB disclosures or transition plans)?**

A UK Green Taxonomy has potential to be seen as having compelling authority and clear relevance as a framework or roadmap for sustainable finance. We must however ensure that it is not influenced by vested commercial or political interests: Climate, nature and the needs of the public must be the priority stakeholders that drive its content. It should drive money to where it is most needed and not solely to where the quickest return or profit can be made. It should seek to communicate that the transition and climate and nature action will be far more effective if it is done with a collective approach and not person by person, fund by fund, business by business - as a necessary change rather than as a choice.

To address greenwashing however, there will need to be absolute honesty and transparency, avoidance of smoke and mirrors and adherence to science. The areas of current Net Zero policy and global carbon emission reduction plans that are weak spots – such as burning of wood for biomass, carbon capture, utilisation and storage (CCUS) and the exclusion of certain emissions, including Scope 3, need to be robustly addressed. Only then can the taxonomy have the wide acceptance that really achieves buy-in and steers funds to the desired areas.

- a) There are no existing government policies that I am aware of that currently serve the purpose of an all-encompassing guide to what is authentically sustainable and to



which financial flows will help address the relevant problems and challenges. The Climate Change Committee plans are useful but focus mainly on climate issues and not wider sustainability challenges such as nature degradation, planetary boundaries and social equality and stability.

- b) Activity-level data and standards are crucial to the sustainability ecosystem. If we relate this to guidance for the population regarding a healthy diet, then the more important information is whether bananas are healthier than beefburgers, not whether one brand of beefburger is better than another. A large part of existing “rechannelling” of finance under an environmental and social banner is based on “best in class” decisions led by ESG ratings. This activity does not generate actual change in the direction of truly green and sustainable activities and allows investors to think they are making more difference than the reality, as it does not focus on double materiality.

**What are the specific use cases for a UK Taxonomy which would contribute to the stated goals? This could include through voluntary use cases or through links to government policy and regulation.**

- a. **What are respondents’ views on the benefits of the proposed use case (paragraph 2.2)?**

We agree that a Taxonomy would be extremely valuable in each of the identified use cases.

As professionals who regularly assess and train others in the assessment of stewardship and engagement activity and the suitability of sustainable investment products, we can vouch from experience for the need for clear, unambiguous and robust frameworks.

Stewardship and engagement are frequently cited by investment managers, academics and the Financial Conduct Authority (FCA), as one of the key ways in which investment can have a sustainable impact or effect. However, much of the existing information offered by investment managers does not deliver a clear picture about the motivation, integrity or effectiveness of such activity. Collaborative activities naturally seem more powerful and a taxonomy that underpins and backs-up key areas for campaigning should add weight to investment manager efforts. With most investment manager led stewardship and engagement activity, there is always a natural two way pull between the growth / financial returns and the non-financial benefit; the taxonomy should make it clearer how the investment may align with both motivations.



One thing that the FCA SDR regulation has not introduced is any restriction or explicit guidance on what can be considered sustainable or not sustainable. The four sustainability fund labels group funds into types of strategy but do not dictate what types of activity a fund can or cannot invest in. While the consumer-facing disclosures will be helpful in aiding investor understanding of individual investments which have applied and been approved for labels, the limited number of funds likely to apply for labels initially, and the two-tier market created by only requiring labelled funds to provide additional disclosure, means that fair and wide comparison and understanding will remain beyond the grasp of the most able and committed professionals, let alone consumers. A statement that a collective / investment is 100% or 50% or 20% aligned with the Taxonomy, alongside a concise and citizen friendly summary of the taxonomy would be extremely helpful.

Taxonomy alignment would not just demonstrate environmental and or social benefits but also an economic case for the investment.

**b. Are there any other use cases respondents have identified?**

1. A taxonomy could be an excellent starting point and foundation for **education on sustainability issues and the transition** - both of the public (saving and investing through cash, pensions and investments) and the finance professionals who serve them. This could establish an essential common awareness, interest and language that is one of the greatest barriers to wide take up of sustainable investment.
2. **The role and power of finance.** The taxonomy could also help to communicate another missing link in the sustainable finance ecosystem – which is a concrete **answer to how does investment or indeed exclusion on secondary stock exchanges impact** environmental and social outcomes, if at all? These questions are best answered at system level and the taxonomy can help shape a new system – identifying areas that need to be addressed and how various types of capital/areas of finance might seek to address them.

**c. How does each use case identified link to the stated goals?**

Educating stakeholders and building a common understanding and language of what is needed will be a powerful mechanism for channelling capital. It will also make greenwashing much more difficult to “pull off” and conceal.

Communicating and clarifying the role and impact of finance economically, socially and environmentally will have a huge role on directing financial flows.



“Do you want to invest in line with the official future direction of the economy?” is a question that may be easier for investors to answer than “do you have any sustainable investment preferences”. It takes away the individual pressure of knowing what is sustainable and the worry that this might be a decision that the investor makes as a minority, while the majority makes money from the unsustainable.

**d. Under these or other use cases, which types of organisations could benefit from a UK Taxonomy?**

- Investment product providers.
- Businesses offering sustainable goods and services.
- Communities benefiting from clean energy, air, water etcetera.
- Financial advice firms and their staff
- Providers of education – at school, higher education and professional level
- Regulators and compliance functions

**e. For each use case identified, do respondents have any concerns or views on the practical challenges?**

The greatest challenge for the creation and delivery of the taxonomy is to de-politicise it and keep it as free as possible from the stain of vested interests. The taxonomy must achieve credibility and acceptance through cross-party formulation and the backing of credible, verifiable research.

If we achieve consensus, even if a degree of compromise is necessary and accepted, the taxonomy should be relatively easy to deliver, as its benefits will be clear. So much time and effort can be saved on debate and dithering about the whys and the hows, facilitating earlier and wider action.

The next challenge is in developing and delivering clear and accessible communication, so that members of society, on a personal and professional level, can participate in and benefit from the sustainable economy that the Taxonomy seeks to deliver. This must include people working in industries that need to transition or wind down.

Also, given that the taxonomy can govern how investors place their capital, there is a responsibility on government to be clear regarding what types of capital and investor profile a taxonomy-aligned activity might be appropriate for.



**f. 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)?**

Government must deliver a taxonomy that is scientifically credible and can capture consensus. To do this, it must call on individuals and groups to want to support, contribute and connect with government bodies. Involvement of a citizen's assembly in the initial creation of the Taxonomy would greatly help with its credibility.

No one voice or interest should have a disproportionate influence on decision making, no matter their wealth or power or lobbying ability.

Government needs to lead on the creation of the Taxonomy and its periodic review in line with technological, social, environmental, economic and geopolitical developments. Government should also consult with the finance industry, not just large banks and investment corporates but smaller firms, advisers, regulators and professional bodies regarding the risk, returns and suitability implications of the Taxonomy.

Once the Taxonomy is established, its roll out through various sectors, professions and parts of society can be passed to industry bodies, regulators and local government.

**3. 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.**

Yes, as indicated in previous responses, the taxonomy would be a useful tool in supporting the allocation of transition finance.

We have indicated below how this would be the case and, where relevant, any specific design features we think would be relevant.

- **Consistency and consensus** – Agreement on what is and is not sustainable increases confidence in investing sustainably. To achieve this, you need the taxonomy to be nonpartisan, reflecting the views of multiple stakeholders, science based and well communicated.
- **Evidence** – Being transparent about the data and sources that inform the taxonomy will avoid greenwashing and increase confidence. It will support those advising on and recommending sustainable products.



- **Common interest** – A national taxonomy will emphasise the fact that there is national governmental and economic momentum towards a low carbon, nature positive economy and that this is beneficial to all in society. This will encourage individual investors, large and small to align their finances with the taxonomy. The key to achieving this goal is in the language used. Inclusion of a citizen’s assembly in shaping the taxonomy would be beneficial, including various ages, professions, regions, levels of education etcetera.
- **Common language** – The mis-use, misinterpretation and misunderstanding of terms used in relation to climate and sustainability, sometimes wilfully and with the intention of creating division, is a significant barrier to the progress and popularity of sustainable finance and investment solutions. They may be the cause of greenwashing, the selection of unsuitable products for consumers (whether self-selection or via advice channels) and a lot of energy is wasted on the perpetual debate of such issues, at a time when action, not discussion, is warranted.
- **Collective action** – Not only are flows of money to the green economy more effective when they are a torrent and not a trickle, but the owners of that capital will also have more conviction about transition activities if they feel this is not a minority course of action. This message should be emphasized as part of the communication provided with the Taxonomy.
- **Economic case** – Investors, large and small, want some degree of certainty that there is a long-term plan that creates the potential for favourable long term investment conditions for developing areas of the economy, such as green infrastructure and new social programmes. Wider government policy and taxation should align with the taxonomy.
- **Access for all** – There is a perception, whether or not justified, that individuals who are vocal about climate and environmental issues are largely white, middle class, well educated, of a left of centre political persuasion. It is necessary that Government should ensure a broad base of support. The creation, communication and delivery of the Taxonomy should take this into account. Government may wish to consider the



value of high profile, apolitical, Taxonomy ambassadors who represent underrepresented groups.

- **Need over preference** – The taxonomy can highlight the non-financial and systemic benefits of investment in certain areas - highlighting that there may be alternative sources of return rather than x% per quarter or year. It can also highlight that a thriving green, sustainable economy may provide an uplift to returns to many types of investment, not just the most obviously green. It can also highlight those areas of the economy that are at risk of not navigating the transition or that do harm to the other businesses and activities an investor wishes to support or cares about.
- **Investment and economic diversity** – Avoiding over-reliance on too narrow a range of activities is healthy for both the portfolios of investors and the UK economy. This spreads risk, widens opportunity, and may reduce the potential for overheating prices in any one area. The taxonomy may direct flows to economic and business activities that are less well known or well favoured than others.

#### **4. 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?**

Measurement could most obviously and readily be made of the additional flows of money from various sources flowing into areas deemed to support transition.

Types of asset management strategy should also be measured – i.e. private equity or green bonds, blended finance, deferred or submarket return, tax incentivised etc. The following could also be measured:

- Financial returns generated.
- Investment term
- Level of repeat investment
- Retail or institutional, public or private, UK or overseas capital
- Economic, social and environmental outcomes
- Public perception of the purpose of the Taxonomy and its progress.
- Comparison to other countries

### **Section 3 - Specific Design**



**Q5. 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?**

As a professional business in the financial services sector, operating within UK borders, we are mainly driven by UK regulation. However, sustainability related policy and regulation around the world does have an impact on investment decisions, product selection and appetite for sustainable investments. For overseas funds, particularly those offered by European investment managers, the EU's taxonomy and SFDR regime has been helpful to the understanding of the level of sustainability ambition that investments have and their suitability for various investors' needs and preferences, in a way the current iteration of the FCA SDR does not, given its elective nature.

**Q6. 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.**

This is mainly in reference to the EU taxonomy. We believe the UK should echo its inclusion of the "Do No Harm" principle and its commitment to ruling out biomass derived from forests. Such principles could be extended to include CCUS when used primarily for the benefit of the extractor.

The taxonomy should take into account the make-up of the UK economy but also seek to work with other countries to align as well as possible for the benefit of global corporations who operate across multiple jurisdictions. Consideration should be given to the value drawing on supranational approaches to regulation which already exist in accountancy for the benefit of cross border reporting as developed by the OECD.

Given the social challenges faced by the UK, there is an opportunity to tackle social investments in the Taxonomy, in order to achieve a just and inclusive economic transition. Evidence suggests that environmental sustainability considerations are easily suppressed by individuals if they are facing social situations which they perceive to be more pressing and immediately personally impactful. Any approach taken should reflect that social and environmental sustainability are intrinsically linked.

We might also see situations where a UK investor or fund selector could select a fund that is aligned with the UK or the EU taxonomy and it may confuse if these include different things.



Any technical criteria that underpin the Taxonomy must be founded in environmental science.

Government should reflect that it claims to be a “leader” in Green Finance, which implies high standards must be set. To this end, an elective approach, as has been pursued by the financial regulator, would not be adequate to deliver change. Participation must be mandatory and monitored.

**Q7. Are there any lessons learned, or best practice from other jurisdictional taxonomies that a potential UK Taxonomy could be informed by?**

The EU challenges have been well documented and are the most relevant for us to be guided by. There have been claims that some of the provisions are unclear and vague. The UK has the opportunity to learn from this and ensure that the taxonomy is clear and unambiguous.

**Q.8. What is the preferred scope of a UK Taxonomy in terms of sectors?**

Firstly, the typical taxonomy sectors referenced in section 3.3 of the consultation document are very high level and broad – it is difficult to comment on their suitability without knowing what comes under each, for example “climate mitigation”.

It is important that areas such as land use, food production and distribution are covered, as well as buildings and construction. Issues with a social factor we would suggest are key to managing the environmental challenges, in particular human health and resilience, regenerative and fair economic practices and education. As the UK is a largely service based economy, and also because the channelling of capital is a key objective of the taxonomy, delivery of services that enable and do no harm to the environment should also be featured. Care should be taken not to rely on each sector to offer up its own “self-marked” version of what “good” , “possible” or “reasonable” looks like.

We do not believe that the available evidence suggests the UK “has existing robust requirements to safeguard against human rights abuses and labour exploitation by UK-based business.”

**Q.9. What environmental objectives should a UK taxonomy focus on (examples listed in paragraph 3.3)? How should these be prioritised?**

It appears the main environmental issues have been covered in 3.3. In deciding priorities, there is perhaps some difference between climate mitigation and the other areas, in that



climate mitigation needs to be tackled on a global front, whereas other areas such as adaptation, biodiversity and pollution can be addressed locally, as well as globally and/ or systemically.

All of these areas can lead to widespread human cost and suffering if not addressed. Many of the issues will get significantly worse, more expensive or impossible to fix if not tackled sooner rather than later.

We would suggest that some priority is given to activities that can tick more than one box, particularly activities that have both environmental and social benefits – for example: tree planting in cities which will absorb carbon and cool the living environment, the use of community renewable energy projects to tackle both fuel poverty and atmospheric pollution and subsidised (free) public transport.

Other priorities might be activities to which the UK landscape, economy and skill set lends itself, such as the preservation of our unique natural landscape.

**Q.10. When developing these objectives, what are the key metrics which could be used for companies to demonstrate alignment with a UK Taxonomy?**

These should be science based, transparent and clearly explained. Mapping these to other taxonomies would make sense. This must be looked at from the perspective of minimising greenwashing, opacity and dubiety.

**Q.11. 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)**

We would simply advocate for clarity, and the need for this will dictate the level of detail required. With transitioning activities in particular, there needs to be clear explanation of what is an acceptable scale and pace of transition. Transition plans must be credible and have clear non-financial benefits: Building a new office building or shopping centre in line with ecologically sound principles may have some positive value, yet this is meaningless if it is not served by effective public transport links. The interoperability of

**Q.12. What are respondents' views on how to incorporate a Do No Significant Harm principle, and how this could work?**



We are strongly in favour of a DNSH principle. This should extend to social outcomes, to ensure a just transition. Concerns about “user friendliness” are business as usual concerns and it must be taken seriously that the consequences of climate change and biodiversity loss, for example, are not user friendly.

**Q.13. It is likely a UK Taxonomy would need regular updates, potentially as often as every three years.**

**a. Do you agree with this regularity?**

We would agree that the pace of change in this space dictates regular review. This is vouched for by the breaching of additional planetary boundaries (see Stockholm Institute) over the last few years and the fact that the planet is more sensitive to climate change than anticipated. As financial services professionals involved in the regular review of client circumstances and needs, we would comment that “arbitrary” reviews are less effective and meaningful than event driven ones.

We believe that updates of the existing criteria should be at least triennially, with the scope to make extraordinary changes annually.

Any changes that might remove an activity from the Taxonomy should come with a notice period.

**b. Would this pose any practical challenges to users of a UK Taxonomy? c. Would this timeframe be appropriate for transition plans?**

As above, there should be notice of changes. Transition plans should be robust enough for the individual company activity to be feasible, even if there were a change in the Taxonomy. The possibility of this should be incorporated into the plan.

**14. What governance and oversight arrangements should be put in place for ongoing maintenance and updates to accompany a UK Taxonomy?**

There needs to be a non-politically partisan and diverse group creating and reviewing the Taxonomy, with scientific expertise and policy, business, finance and the public represented. Measures need to be taken for continuity and longevity beyond political terms.

Unburdened Solutions

5<sup>th</sup> February 2025