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Commissionner Albuquerque
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European Commission
Rue de la Loi 200
1049 Brussels

26 March 2025

Dear Commissioner,

Proposed Commission Delegated Regulation amending Commission Delegated Regulation (EU) 2021/2178 on the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 on simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives

We are pleased to respond to the European Commission's proposed amendments to the Disclosure Delegated Act (DDA), the Climate Delegated Act (CDA) and the Environmental Delegated Acts (EDA) ('the proposals'). We welcome proposals to simplify application of the EU Taxonomy that can reduce the burden for undertakings in scope of the regulation, and can enhance the understandability and usefulness of the disclosures for users of the information. While, in general, we support the proposals, we think that, overall, they would not lead to decreasing the workload greatly for undertakings when preparing information for disclosure; and we think some of them may not enhance the usefulness of information disclosed to users. There is also a risk that some of the proposals could lead to further lack of clarity in application.

In addition, easing the burden for undertakings is dependent on amendments to other EU regulations. For example, we note that proposals have not currently been brought forward to make amendments to the Transparency Directive in relation to the 'opt-in' provisions for undertakings with more than 1000 employees but less than EUR 450m turnover, which raises the question as to whether non-EU undertakings listed on an EU-regulated market would benefit from the same changes with respect to the EU Taxonomy reporting requirements as EU undertakings. Furthermore, amendments consistent with the proposals would also need to be reflected in other European legislation, notably as it relates to financial institutions. In particular, if the European Banking Authority (EBA) were not to align its requirements under Pillar 3 with the proposed definition of covered assets, credit institutions would have to publish two different sets of KPIs on their taxonomy-aligned funding.

Our overall comments and observations on the proposals are set out below.

Materiality
We strongly support the introduction of a materiality concept to the EU Taxonomy. However, we do not support the proposal for a defined *de minimis* percentage or for its use in relation only to some aspects of the requirements. We recommend that materiality is introduced for both non-financial undertakings and for financial services undertakings as an over-arching general principle applicable

to the EU Taxonomy regulation and its delegated acts, individually and as a whole (i.e. in aggregate). We believe this concept should be aligned to the approach used by undertakings in preparing their financial statements – that is, applying an entity-specific, quantitative and qualitative approach, both to the preparation of the information and its disclosure. We emphasise that we believe the principle of materiality should be applicable to both the assessment of eligibility and the assessment of alignment (noting in particular that the amendments currently proposed to Delegated Regulation 2020/2178 appear only to address the assessment of alignment). For clarity, we consider the OpEx KPI should also be subject to such an over-arching consideration of materiality, rather than a *de minimis* threshold (if it is retained – see below).

We further believe that the proposal (in recital (6)) for an undertaking to **report separately non-material activities at aggregated and individual levels (with the intent of avoiding the inclusion of harmful activities in non-material activities) should not be taken forward as it would negate the simplification that could be achieved by applying materiality across the regulation as a whole.**

We believe the introduction of a materiality principle would support more cost-effective and proportionate application of the requirements, consistent with reducing the burden of preparation, and could enhance the disclosure of decision-useful information (in particular by aligning the materiality principle and approach with that of financial reporting, which is a concept that is well understood by both undertakings and users). We believe that without adopting this approach, meaningful simplification is unlikely to be achieved.

However, if the proposed approach is retained, we believe that some of the proposed text in relation to assessing thresholds for materiality is not clear (particularly for financial institutions) and is likely to raise matters of interpretation and diversity in practice. These matters would need to be clarified by the Commission.

OpEx KPI

We observe that the OpEx KPI is generally not used by the financial sector/investors and OpEx itself can be difficult to define on a consistent and comparable basis. Indeed, the Commission states that 'information on operational expenditure is of lesser significance and decision usefulness to assessment of the sustainability of company activities than that on turnover or capital expenditure'. In practice, the complex definition of the KPI itself increases the burden of complying with the regulation and leads to divergence of practice. We recommend that reporting of the OpEx KPI is removed altogether from the regulation and its delegated acts. We think this would contribute to simplification of the regulation as a whole.

In making this recommendation, we observe that there is already useful information, for example on research and development expenditure, in financial statements that are subject to robust preparation and disclosure. An undertaking could therefore reference relevant disclosures in the financial statements, or disclose other information, such as on leased assets, within the sustainability statement (as entity-specific information under the requirements of the European Sustainability Reporting Standards (ESRS)).

We considered whether to recommend making the disclosure of the OpEx KPI optional. However, retaining the underlying criteria would still require undertakings to make an assessment as to whether the disclosure would be material. This would not lead to a reduction in the burden. Furthermore, we caution that if the KPI were to be optional, the Commission would need to provide and maintain a clear and unambiguous framework for its determination to mitigate the risk of an undertaking being selective and inconsistent in the items of expenditure reported year on year.

Simplification of reporting templates
We welcome the proposals to simplify the reporting templates, which would lead to a reduction in the number of data points that need to be reported as a whole. However, undertakings would still need to prepare detailed information and conduct extensive analysis in order to disclose the information and, as a result, we do not think that the proposals would lead to an overall reduction in the workload, and certainly not if our recommendations elsewhere in this letter were not addressed.

We think the proposed provision for summary information that provides an overview of the KPIs disclosed and a reduction in the data points required in 'per activity' templates is useful. This should enhance the usefulness of the disclosures to users.

However, we do not support the proposal to remove information from the templates that enables users to reconcile, where appropriate, the totals disclosed on eligibility and alignment with related information in the financial statements (e.g. turnover, CapEx, OpEx denominators and/or total assets).

We support the proposed amendment to Article 10 regarding Annex XII, removing templates 2, 3 and 4. However, we observe that template 5 (regarding non-eligible economic activities linked to the gas and nuclear sectors) is not part of the proposed simplification measures. Because the proposed amendments to the general templates no longer require non-financial undertakings to provide information related to their non-eligible economic activities, we consider this template should be removed for consistency. In that case, template 1 would no longer be required as all information relating to gas and nuclear activities would be included in the other templates.

For the templates for financial institutions, we note that there are inconsistencies between templates and the text of the delegated act itself and ambiguity in how these templates are to be completed. For example, several templates still refer to undertakings not subject to Article 19a and 29a of Directive 2013/34/EU, although the new proposed definition of covered assets would explicitly exclude such undertakings; and there is no row/column for disclosing the T-1 KPIs in several new templates for financial institutions, such as is already included in the summary templates for non-financial undertakings.

Green Asset Ratio
For the calculation of the Green Asset Ratio, we support not including "*Exposures to undertakings other than large undertakings which, on their balance sheet dates, exceed the average number of 1000 employees*". Furthermore, we recommend that the denominator should also exclude cash, derivatives, and all other assets/products that cannot be considered in the numerator (since these could never be aligned and, hence, the relevance of the information provided is questionable).

Generic criteria for Do No Significant Harm (DNSH) to pollution prevention and control regarding use and presence of chemicals
We support the intent of the proposals to align Do No Significant Harm (DNSH) criteria with other EU legislation, as well as future developments that would make the DNSH criteria easier to implement. In particular, we support the proposed option 1, i.e. deletion of the requirements after criterion (f). However, we note that other criteria for the DNSH relating to Pollution (Appendix C) preclude the ability for activities that employ certain substances that are not banned or are not restricted for

certain industries (e.g. under REACH and ROHS) ever to be considered as aligned (such as, where they exist, exemptions and derogations for some critical applications in the pharmaceutical, chemical industries or firefighting industries). This is the case, for example, in criterion (c); or in criterion (f), which goes beyond the REACH Regulation on Substances of Very High Concern that are not subject to ban or restriction. Full alignment of the DNSH Appendix C criteria is needed to reflect what is acceptable under other EU legislation and to help make the application of the regulation more proportionate and less complex.

As a general point, we believe that the requirements of the EU Taxonomy regulation should not extend beyond what is required or permitted by EU environmental or social regulations or other matters relating to business conduct. While undertakings likely already have systems and controls in place to monitor and ensure compliance with relevant laws and business practices, we observe that making an assessment of alignment on matters that go beyond these is very difficult for them.

Other matters to be addressed
Based on our own experience of working with undertakings that are in scope of the regulation, we draw the Commission's attention to areas that we believe need to be addressed urgently in planned delegated acts, as the lack of clarity can and, as it applies to current requirements that are not addressed in the proposals, already leads to divergence in practice. Addressing these matters effectively will support the objective of simplification.

Optional taxonomy reporting
Although the proposals to amend the Accounting Directive 2013/34/EU are not part of this consultation[1], we draw the Commission's attention to aspects of the proposals on optional taxonomy reporting for certain undertakings that we consider will need further clarification.

- First, we believe that further guidance would be needed on the type or nature of 'claims' that would trigger mandatory disclosure, if an undertaking intended to claim alignment or partial alignment with the EU Taxonomy regulation. For example, we think the obligation could be linked to claims made in a regulated report such as the financial statements, management report or sustainability statement as required by the CSRD, or a document associated with a green bonds issue.

- Secondly, we think that the scope of undertakings that could benefit from the ability to report partial alignment, what partial alignment means, how to prepare the information to be reported, or how it would be used and by whom are not clear.

Subsidiary exemption and group consolidated information
It should be clarified that the application of the EU subsidiary exemption from the disclosure requirements is permitted as long as consolidated information is disclosed by groups, applying group-level materiality, following the principle of consolidation used in financial reporting and aligned with the principles set out in the CSRD. That is, when consolidated taxonomy reporting is presented at the group level, subsidiaries that are in the scope of the EU Taxonomy regulation should be exempted from having to prepare and report (at their level or within the group consolidated taxonomy reporting) any taxonomy reporting. We believe this approach should be adopted regardless of whether the subsidiaries belong to an EU group, a non-EU undertaking that is required to make

[1] i.e. Commission's proposed changes to the Accounting Directive 2013/34/EU and the introduction of new paragraphs 19b and 29aa, published in the Omnibus package proposals on 26 February 2025

taxonomy disclosures or a non-EU group that voluntarily chooses to comply, or they are included in Article 48(i) deemed consolidation prepared by a non-EU group for its EU subsidiaries under Accounting Directive 2013/34/EU.

Requirements for groups with multiple activities
Further consideration should be given to the determination of consolidated KPIs, as well as the templates to be used, by groups reporting multiple activities, to achieve a practicable approach. For example, the preparation of the KPIs should be based on the consolidated financial information (consolidated prudential information for credit institutions); the templates to be used should reflect the predominant activities of the group without a requirement to use a complete set of templates covering all the sectors and activities of the group (supported by the application of materiality).

KPIs for financial undertakings
Financial undertakings would still be required, even under the proposals for simplification, to publish many KPIs. For example, a credit institution would still have to calculate and publish 16 KPIs in 18 corresponding templates. We recommend that certain KPIs are no longer required and should be removed, such as KPIs relating to fees and commissions, trading book, and assets under management flow for credit institutions. This would lead to credit institutions reporting 7 KPIs in 9 corresponding templates.

Implementation guidance and stakeholder input
We think that clarity of requirements is an essential part of the simplification agenda, at least in part because it should reduce the need for clarification through FAQs on matters of application. When clarification of significant matters is needed, we believe it is essential that time is allowed for stakeholder input and technical consideration of feedback before FAQs are finalised, to support the development of practicable implementation guidance. This approach would also be in line with the commitment in the *EU Compass to regain competitiveness* to hold regular implementation dialogues with stakeholders and carry out reality checks, and would allow the Commission to obtain feedback on the extent to which revisions lead to simplification and a reduction in the reporting burden in practice. Given the authority attached to such guidance issued by the Commission, we consider that FAQs should be considered as candidates for future inclusion in delegated acts to enable consistent application by undertakings.

Please note that we have made best endeavours in the time available to respond and therefore make no representation as to the completeness of our considerations. Should you have any questions concerning our comments, please contact Pablo Zalba in Madrid on +34 91 438 108.

Yours sincerely,

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