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Brussels

August 12th, 2026

[705]

IDW's comments on EBA's Discussion Paper on certain Taxonomy key performance indicators and other aspects of the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation (EBA/DP/2026/03)

Dear Madam or Sir,

We thank you for the opportunity to comment on EBA's Discussion Paper on certain Taxonomy key performance indicators and other aspects of the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation (hereafter: DP).

The Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW) is a privately run organisation established to serve the interests of its members who comprise both individual Wirtschaftsprüfer [German Public Auditors] and Wirtschaftsprüfungsgesellschaften [German Public Audit firms]. The IDW represents approximately 80% of all German Public Auditors. The auditing profession contributes to the green transformation, e.g. through providing high-quality assurance services on sustainability reporting. Therefore, the auditing profession has an interest in closely following ongoing developments in this regard.

Overall, we appreciate EBA's efforts to reduce the reporting burden for financial undertakings stemming from the Taxonomy Regulation and the accompanying Delegated Regulations. In the annex to this letter, we have included detailed answers to your questions regarding the specific proposals put forward in the DP.

We are aware that the ESA's mandate is limited to providing targeted technical advice regarding the main issues relating to the Delegated Regulation (EU) 2021/2178 (hereafter "DDA") named by the European Commission in its call for technical advice. From our perspective, the issues raised in this call for technical advice represent significant areas which need improvement but are not an exhaustive list of all major issues with the Taxonomy Regulation and its accompanying delegated acts. We have therefore included a list of further issues not included in the ESA's questions in section 2 of the Annex to this letter.

Even though not specifically raised as questions by the ESAs, we believe that solving these further issues will be of the utmost importance in order to transform Taxonomy reporting into a meaningful reporting framework, improve the usability, relevance and proportionality of the Taxonomy framework and to reach the Taxonomy Regulation's intended goals.

We trust that you will find our detailed comments in the annex to this letter helpful. We would be happy to answer any questions you may have and would welcome the opportunity to meet with you to discuss our views.

Yours sincerely

Sack Siegel

Annex

<u>**Annex**</u>

1. Answers to the Questions included in EBA's Discussion Paper

1.1. Information about the IDW

<u>Q1: Please identify your organisation (if applicable) and indicate the capacity in which you are responding to this consultation</u>

The Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW) is a privately run organisation established to serve the interests of its members who comprise both individual Wirtschaftsprüfer [German Public Auditors] and Wirtschaftsprüfungsgesellschaften [German Public Audit firms]. The IDW represents approximately 80% of all German Public Auditors. The auditing profession contributes to the green transformation, e.g. through providing high-quality assurance services on sustainability reporting. Therefore, the auditing profession has an interest in closely following ongoing developments in this regard.

1.2. Issue 1: Fees and Commissions KPI

<u>Q2. Do you agree with the analysis presented?</u>

Yes, we agree with the analysis presented.

<u>Q3. In your view, which of the options presented in the analysis (paragraph 36) is the most viable? Please explain your rationale.</u>

a) <u>removing the Fees and Commissions KPI from the Taxonomy disclosure requirements or replacing it with qualitative disclosure requirements considering 10% materiality threshold;</u>
b) <u>narrowing down the scope of the KPI to following four activities identified in this analysis and adjust the disclosure requirements accordingly also introducing the 10% materiality threshold to be applied in relation to total operating income.</u>
   - <u>issuance or other services related to third party securities,</u>
   - <u>mergers and acquisition undertakings advisory services,</u>
   - <u>undertakings finance services related to capital market advisory for undertakings, clients or other, and</u>

- distribution of products issued by entities outside the prudential group to its current customers.

In your response, where applicable, please assess whether voluntary disclosure of this KPI would be meaningful and feasible, and hence should be considered.

In our view, option a) – removing the Fees and Commissions KPI from the Taxonomy disclosure requirements or replacing it with qualitative disclosure requirements considering 10% materiality threshold – is the most viable of the options presented.

Given the limitations of this particular KPI as an indicator for the purpose of Taxonomy disclosures from user's point of view, the materiality of the KPI and costs associated with its computation with respect to its benefits, from the preparer's point of view and the overall objective of simplifying the regulatory framework and improving its usability, we support removing the Fees and Commissions KPI, without replacing it with qualitative disclosure requirements.

The introduction of qualitative requirements would lead to less comparability – due to the lack of standardization – and would also need to be accompanied by the introduction of rules for omitting sensitive information to cover the cases mentioned in para. 32 of the DP (disclosures may reveal the fees and commissions charged by a credit institution for a single service provided to a client). As this would further complicate reporting requirements, we do not think a requirement to report qualitatively would be reasonable from a cost-benefit-perspective.

Regarding the last part of this question, concerning whether voluntary disclosure of this KPI would be meaningful and feasible, we support permitting voluntary disclosure.

Q4. Should additional items from FINREP Template 22.1 also be included in the revised KPI? Please consider in particular that (i) have been assessed as unrelated to capital market activities, e.g. 'custody and other related services', and (ii) those that have not been mapped to the Fees and Commissions KPI, such as 'structured finance', 'loans granted', 'commodities'.

As stated in our answer to question 3, we are in favor of removing the Fees and Commissions KPI from the Taxonomy disclosure requirements and therefore not in favor of including additional items from FINREP Template 22.1.

Q5. Do you have evidence and/or arguments on potential costs and benefits associated with disclosing the Fees and Commissions KPI?

N/a.

1.3. Issue 2: Trading Book KPI

Q6. Do you agree with the analysis presented?

Yes, we agree with the analysis presented.

Q7. In your view, which of the options presented in the analysis (paragraph 68) is the most viable? Please explain your rationale.

a) removing the Trading Book KPI or replacing it with qualitative disclosure requirements on the trading portfolio also considering the 10% materiality threshold;
b) narrowing down the scope of the KPI to providing market liquidity through market making, with a clear focus on providing liquid markets for green (Taxonomy aligned) securities.

In your response, where applicable, please assess whether voluntary disclosure of this KPI would be meaningful and feasible, and hence should be considered.

In our view, option a) –removing the Trading Book KPI or replacing it with qualitative disclosure requirements on the trading portfolio also considering the 10% materiality threshold – is the most viable of the options presented.

Given the limitations of this particular KPI as an indicator for the purpose of Taxonomy disclosures from user's point of view, the materiality of the KPI and costs associated with its computation with respect to its benefits, from the preparer's point of view and the overall objective of simplifying the regulatory framework and improving its usability, we support removing the Trading Book KPI, without replacing it with qualitative disclosure requirements. Alternatively, consideration could be given to limiting the mandatory reporting of the Trading Book KPI to financial undertakings with specialized business models.[1]

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[1] Please also see IDW's comments on the Commissions Draft Delegated Regulation amending Commission Delegated Regulation (EU) 2021/2178, (EU) 2021/2139 and (EU) 2023/2486 (Ares(2025)1546172), available at: https://www.idw.de/IDW/Medien/IDW-Schreiben/2025/IDW-Comments-On-Draft-Delegated-Regulation-Taxonomy.pdf.

The introduction of qualitative requirements is not reasonable from our point of view, given that the introduction of qualitative requirements would lead to less comparability – due to the lack of standardization. Furthermore, the Trading Book KPI mainly reflects short term secondary market activity and may not accurately indicate how credit institutions finance or allocate capital to Taxonomy-aligned activities (para. 57 of the DP) and may not reflect institution's long-term strategy in the context of sustainable finance (para. 59 of the DP).

Regarding the last part of this question, concerning whether voluntary disclosure of this KPI would be meaningful and feasible, we support permitting voluntary disclosure.

Q8. Do you have evidence and/or arguments on potential costs and benefits associated with disclosing the Trading Book KPI?

N/a.

1.4. Issue 3: Other services' KPI for investment firms

Q9. Do you agree with the analysis presented and the conclusion to narrow down the investment firms' KPI?

Yes, we agree with the analysis presented and the conclusion to narrow down the investment firms' KPI.

Q10. Do you agree with limiting the KPI to the following four elements for the purpose of Taxonomy disclosures?

a) Portfolio management;
b) Investment advice;
c) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; and
d) Placing of financial instruments without a firm commitment basis.

Please explain if you think that other services, e.g. execution of orders on behalf of clients, should be included in the revised KPI.

Yes, we agree with limiting the KPI to the following four elements for the purpose of Taxonomy disclosures.

Q11. Do you consider it more appropriate for the KPI to reflect the value of assets under management covered by the investment services rather than the monetary benefits generated?

N/a.

1.5. Issue 4: Grandfathering period for financial exposures

Q12. Do you agree with the analysis presented and the conclusion to align the grandfathering rules with the approach set out in EU Green Bond Regulation?

Yes, agree with the analysis presented and the conclusion to align the grandfathering rules with the approach set out in EU Green Bond Regulation.

Our understanding is that the grandfathering rules set out in the EU Green Bond Regulation only cover *unallocated proceeds* related to financial products financing Taxonomy-aligned economic activities and exclude *allocated proceeds* from scope, thus allowing unlimited grandfathering for proceeds that have already been allocated before the change in the rules (para. 88 of the DP). Therefore, aligning the Taxonomy Regulation’s grandfathering rules with those of the EU Green Bond Regulation would essentially mean that no grandfathering rules would be needed for Taxonomy Reporting of use of proceeds known exposures as they are *fully allocated*. We welcome this approach because in case of use of proceeds known exposures, the Taxonomy assessment has to be performed upon conclusion of the contract and will remain stable thereafter. The need for subsequent reassessment – even though the financial undertaking no longer has any influence on the terms of the transaction – would be non-sensical, as it would run counter to the Taxonomy Regulation’s intended steering effect.

If this understanding is incorrect and a further assessment is envisaged for use of proceeds known exposures after alignment of the grandfathering rules, we would like to draw attention to the following: Article 7 para. 5 of the DDA in the Omnibus-I-Package version only allows for grandfathering in situations “where the technical screening criteria laid down in the delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852 are amended”. It therefore does not (explicitly) refer to those situations in which the text of the Taxonomy Delegated Acts is unchanged, but other (national) regulations, circumstances or conditions that are referred to by dynamic reference do change. In these cases, even though the Taxonomy Delegated Acts remain unchanged, the European Commission is of the opinion that a new assessment must be carried out, to consider the new regulations without applying the grandfathering rules.[2] We suggest serious thought be given to revising this approach.

Regarding the issue presented in EBA's analysis, we would also like to provide further input: Unlike non-financial undertakings, whose reporting under Article 8 of the Taxonomy Regulation is based on flow variables – revenue, capital expenditures, and operating expenditures for the reporting period – financial undertakings report partly on the basis of flow variables and partly on the basis of cut-off date values (as for example the Green Asset Ratio (GAR)). Reporting on cut-off date values automatically raises the question of when and how often a new taxonomy assessment must be conducted after the initial assessment (i.e., either upon initial taxonomy reporting or upon completion of a new transaction) has been performed.

So far, the DDA does not contain clear rules on whether, when and how often a new taxonomy assessment must be conducted after the initial assessment. We therefore see a need to introduce clear rules in the DDA so as to distinguish between use of proceeds known and use of proceeds unknown exposures. The new grandfathering rules for use of proceeds known exposures could be based on these new rules.

1.6. Issue 5 (horizontal): Group-level reporting

<u>Q13. Do you agree with the analysis presented and proposed conclusions?</u>

We agree that the current rules presented in the binding legal texts have serious shortcomings regarding consolidated reporting for Taxonomy purposes. We support as a general rule, a requirement for the group to disclose the KPI(s) relevant for the type of the parent undertaking, following the rules set out in the Disclosures Delegated Act (para. 111 a) of the DP). In most cases this approach would be appropriate for determining the group main reporting regime.

Regardless of how the new regulations regarding consolidated reporting for Taxonomy purposes are structured, we believe it is of the utmost importance for

2 European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice), (C/2024/6691), answer to question 19, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202406691.

the regulations to be established within a binding legal text rather than in non-binding FAQs.[3]

We are of the following opinion regarding the reference to Article 29a (4) of Directive 2013/34/EU ("Accounting Directive") proposed by the European Commission in its FAQs[4] and EBA in the DP (para. 103 of the DP):[5]

The Taxonomy Regulation does not contain an analogous provision to Article 29a (4) of the Accounting Directive as amended by the Directive (EU) 2022/2464 ("CSRD"). There is also no direct application requirement for Article 29a (4) of the Accounting Directive as amended by the CSRD, as Taxonomy Regulation merely refers to the provisions of Articles 19a and 29a of the Accounting Directive in its scope of application. It should also be noted that Article 29a (4) of the Accounting Directive as amended by the CSRD requires the reporting parent undertaking to "provide an adequate understanding of, as appropriate, the risks for, and impacts of, the subsidiary undertaking or subsidiary undertakings concerned" and does not require the reporting parent undertaking to include the disclosures of the included subsidiary undertaking at an individual level.

Q14. Where a single KPI is required for the parent undertaking of a group, (e.g. for the calculation of investment KPIs or the GAR arising from the exposures to the parent undertaking or investments held by financial products disclosed under the SFDR):

a) Should the KPI disclosed by the parent undertaking, reflecting the group's main or prevalent activity, be used? If not, what alternative methodology should be applied?
b) In the case of a credit institution-led group, such as a financial conglomerate, should the consolidated KPI disclosed by the parent undertaking also incorporate the assets of the insurance (and non-financial) undertaking, rather than accounting for the insurance (and non-financial) undertaking solely through the equity method?

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3 Please also see IDW's letter regarding Taxonomy FAQs, available at: https://www.idw.de/IDW/Medien/IDW-Schreiben/2025/IDW-Simplifications-Taxonomy-Reporting-Schreiben-250109.pdf.

4 European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice), (C/2023/305), Answer to question 12, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202300305.

5 Please also see IDW's letter regarding Taxonomy FAQs, available at: https://www.idw.de/IDW/Medien/IDW-Schreiben/2025/IDW-Simplifications-Taxonomy-Reporting-Schreiben-250109.pdf.

Please justify your answer in terms of feasibility, usability and transparency of sustainability information.

We support removing the requirement to disclose a weighted average KPI and agree that only a single KPI or single set of KPIs should be required to be disclosed. We believe the reporting regime should be determined according to the type of parent undertaking that is required to prepare the disclosures.

Q15. Which KPIs you do think are necessary and should be required for groups with mixed activities where the credit institution is the parent company such as credit institution-led financial conglomerates, credit institution-led financial holding companies and relevant mixed financial holding companies?

We do not support an obligation to publish subsidiary level information (regardless of whether this is on the basis of the single undertaking or as grouped together with other subsidiaries). Such a requirement would undermine the Accounting Directive's exemption regime, which is also applicable to Taxonomy Reporting. Furthermore, it is still unclear whether any of this additional information would actually be used by financial undertakings.

We believe that, with regard to potential subsidiary- or subgroup-level reporting, any additional disclosure requirement for mixed groups or groups in general should be carefully assessed in terms of its benefits against the additional cost associated with preparation, assurance and users' understanding of such disclosures. The mere fact that information (for instance on intercompany revenue) is not reported following consolidation principles does not justify the disclosure of additional sets of KPIs or even contextual information. We are not convinced that any such information needs to be disclosed, until its informative value has been proven. Therefore, we suggest taking financial undertakings' informational needs as the basis for further assessment. We would argue that, in most cases, group-level KPIs ought to be sufficient and appropriate to inform financial undertakings' lending decisions for unknown use of proceeds cases. We doubt that specific counterparty disclosures (on an entity-instead of group-level) add value or are conceptually more relevant. When this is not the case, we believe that voluntary additional information can suffice to cover these information gaps. In our view, if a financial undertaking needs more granular information, including cases where the use of proceeds is known, other forms of (bilateral) communication between the financial undertaking and the counterparty should be considered, rather than having the counterparty rely on the publicly available annual Taxonomy disclosures that will typically be published too late to allow financial undertakings to consider them on a timely basis.

These considerations generally apply to all forms of group reporting. For mixed groups specifically, the information gaps may be more pronounced due to the conceptually different reporting regimes between non-financial and the different types of financial undertakings. However, we question whether separate disclosures on the financial undertakings' activities are typically relevant.

1.7. Issue 6 (horizontal): Use of OpEx in financial KPIs

<u>Q16. Do you agree with the analysis presented and the conclusion that OpEx financing should not be explicitly incorporated in the methodology for calculating financial undertakings' KPIs? Please provide your rationale for supporting the explicit inclusion of provisions allowing financial undertakings, on a voluntary basis, to use the OpEx KPI disclosed by their counterparties when calculating their own KPIs.</u>

Yes, we agree with the analysis presented and the conclusion that OpEx financing should not be explicitly incorporated in the methodology for calculating financial undertakings' KPIs.

We also are of the opinion that the inclusion of the OpEx KPI of non-financial undertakings in the KPIs disclosed by financial undertakings, even on a voluntary basis, would likely add complexity and cost, with little impact on the informative value of Taxonomy reporting by financial undertakings (para. 120 of the DP). Inherently voluntary disclosure within the Taxonomy reporting regime can generally only yield very limited benefits for non-financial undertakings since financial undertakings need to adhere to the mandatory KPIs in preparing their own Taxonomy KPI disclosures. If OpEx remains a non-factor for financial undertakings' (mandatory) KPIs, expanding the OpEx KPI seems rather pointless.

1.8. Issue 7: Other issues

<u>Q17. Should the credit institution's AuM KPI (Annex V) and the KPI for asset managers (Annex II) be merged? Please explain why and how, including the content of the information that should be retained in a potential merged KPI.</u>

N/a.

<u>Q18. What are your views on the design of off-balance sheet item reflecting financial guarantees to financial and non-financial undertakings in a potential merging of the asset management activities as presented?</u>

N/a.

<u>Q19. Do you have any additional comments or suggestions to improve, simplify or clarify the disclosure requirements within the scope of this Call for Advice, including through redrafting of instructions, and clarification of definitions, or the streamlining of terminology?</u>

As mentioned in our cover letter, this annex contains a subsequent section, in which we discuss some specific issues not addressed by the ESA's CPs/DPs. We refer to this section.

2. Issues not included in ESA's Discussion/ Consultation Papers

2.1. Content of this section

This annex is also contained in our replies to the ESMA and EIOPA consultation and therefore contains some comments not necessarily relevant to the EBA consultation.

2.2. Introduction of overarching principles

We suggest that the revision of the DDA be used as an opportunity to introduce fundamental principles into Taxonomy reporting. Introducing such fundamental principles will facilitate application and assist in the interpretation of the various detailed rules governing the Taxonomy and thus contribute to reducing bureaucratic burdens.[6]

Neither the Taxonomy Regulation nor the accompanying Delegated Acts provide a clear definition of "unit of account". This lack of definition leads to uncertainty as to the level at which undertakings are required to perform their assessment of the technical screening criteria.

For example, the answer to question 80 of the Commission Notice (C/2025/1373)[7] appears to imply that when certain elements/components that are part of a broader revenue-generating project are described in an economic activity (here: CE 1.2), these components need to be reported separately under CE 1.2 and they need to be assessed against the technical screening criteria of CE 1.2. Bifurcating revenue streams on such a granular level regularly conflicts with financial accounting requirements (and the answer to question 22 of Commission Notice (C/2023/305)[8]). Such mandatory additional alignment assessments are burdensome for undertakings and arguably have limited value for stakeholders whose focus might be more on the Taxonomy-alignment of the

6 Please also see IDW's comments on the Commissions Draft Delegated Regulations amending Commission Delegated Regulation (EU) 2021/2139 (Ares(2026)2879622 and Annexes) and (EU) 2023/2486 (Ares(2026)2879562 and Annexes), available at: https://www.idw.de/IDW/Medien/IDW-Schreiben/2026/IDW-Schreiben-Draft-Delegated-Regulations-Taxonomy-260414.pdf.

7 European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Environmental Delegated Act, the EU Taxonomy Climate Delegated Act and the EU Taxonomy Disclosures Delegated Act, (C/2025/1373), available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202501373.

8 European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice), (C/2023/305), available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202300305.

broader project as a whole rather than on the Taxonomy-alignment of individual components.

As Taxonomy reporting is based on financial reporting data (such as turnover) it should be clarified that the term "unit of account" used for Taxonomy reporting is synonymous with that used for financial reporting. Therefore, where different components have a uniform use and function and are therefore considered part of a single "unit of account" in financial reporting, this equally be the case for Taxonomy reporting. This would not only lead to significantly more clarity within the rules, but also to a burden reduction, since the same conceptual approach (relying on similar data) can be applied in financial und Taxonomy reporting.

Furthermore, we suggest the adoption of a general materiality principle – similar to that used in financial reporting. The newly introduced 10% materiality thresholds pose challenges for reporting undertakings and do not take into account whether omitted information is actually material to users or not. The introduction of a general materiality principle would help reporting undertakings in providing relevant and meaningful information.

2.3. European Commission's FAQ

We have seen an overwhelming number of FAQs published by the European Commission regarding Taxonomy reporting in the last years.[9]

The CSRD and the Taxonomy are new and very comprehensive sets of rules. Their implementation is particularly challenging because the legal texts are subject to considerable interpretation uncertainty. Thus, we welcome the development of Questions and Answers (FAQs) by the European Commission and EFRAG to support undertakings in implementing the new regulations. Many of these FAQs are helpful; however, some of them portray views that appear to go beyond the legal texts or even create inconsistencies with earlier FAQs. These particular FAQs are problematic for reporting undertakings not only because they can lead to significant administrative effort in themselves, but also because undertakings have already adjusted their reporting systems on the basis of the binding legal texts or earlier sets of FAQs. Given the current efforts to reduce reporting burdens this seems contradictory.

We see an urgent need for the legislator to adjust the Taxonomy Regulation and the complementary Delegated Acts, respectively if either the understanding of

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9 Please also see IDW's letter regarding Taxonomy FAQs, available at: https://www.idw.de/IDW/Medien/IDW-Schreiben/2025/IDW-Simplifications-Taxonomy-Reporting-Schreiben-250109.pdf.

certain provisions presented in recent FAQs is of essential importance or the FAQs are aimed towards addressing shortcomings identified in the legal texts. This would not only bring legal certainty for reporting undertakings but would also ensure those requirements are subject to the ordinary legislative procedure. Both legal certainty and the democratic due process are, in our view, essential elements for substantially reducing the administrative burden.

2.4. Reporting Templates

The current versions of the reporting templates do not fully correspond to the reporting requirements in the descriptive annexes of the DDA. This can be seen in the requirements of Article 8 para. 3 of the DDA that undertakings shall provide the key performance indicators covering the previous annual reporting period. Some templates (i.e., template 1 for non-financial undertakings) contain a column to present prior year information, others (i.e., all templates in Annex VI) do not contain such columns. Another example is the requirement of Article 7 para. 6 to provide a breakdown in the numerator and denominator of the key performance indicators for several categories of assets for which the investment-KPI template does not provide space for all categories. There are also columns in the templates that require information not required from the relevant descriptive annexes. One example is template 2 of Annex II requiring information on “Proportion of Taxonomy- aligned in Taxonomy- eligible” which is not based on the descriptive requirements in Annex I.

We therefore see the urgent need for the templates to be fully aligned with the disclosure requirements.

2.5. Minimum Safeguards for financial undertakings

Neither the Taxonomy Regulation nor the accompanying delegated acts contain specific rules for the application of the minimum safeguard requirements for financial undertakings. When a financial undertaking does not report on its own activities but rather the activities of other undertakings, the question arises as to whether and how that financial undertaking has to assess the minimum safeguards.[10]

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[10] Please also see IDW’s letter regarding Taxonomy FAQs, available at: https://www.idw.de/IDW/Medien/IDW-Schreiben/2025/IDW-Simplifications-Taxonomy-Reporting-Schreiben-250109.pdf.

In the answer to question 37 of the third Commission Notice[11] ("Do financial undertakings have to comply with minimum safeguards in conducting their activities or is compliance with minimum safeguards only relevant at the level of the investee company?") the European Commission states: “The specific requirement to comply with the minimum safeguards under Article 18 of the Taxonomy Regulation applies to the entity that performs an economic activity and which claims that its activity is Taxonomy-aligned. […] Financial undertakings should comply with the minimum safeguards only if the financial services they provide are Taxonomy-eligible and they claim that those services are Taxonomy-aligned. This concerns a small number of activities in Section 6 of Annex I to the Climate Delegated Act on transport, which refers to ‘financing’ as part of the activity description, and non-life insurance and reinsurance underwriting activities in Sections 10.1. and 10.2. of Annex II to the Climate Delegated Act.”

Non-life insurance and reinsurance underwriting activities in Sections 10.1. and 10.2. of Annex II to the Climate Delegated Act are the only activities carried out by financial undertakings themselves that are relevant for Taxonomy reporting. In other cases, the financial undertaking reports on activities carried out by other undertakings. For instance, according to section 1.2.1 of Annex V of the Disclosure Delegated Act the Green Asset Ratio (GAR) shall show the proportion of the credit institution’s assets financing and invested in taxonomy-aligned economic activities as a proportion of total covered assets in accordance with point 1.1.2 of the same Annex. Therefore, our understanding, based on the binding legal text, is that – with the exemption of non-life insurance and reinsurance underwriting activities in Sections 10.1. and 10.2. of Annex II – financial undertakings do not claim that their financing activities are taxonomy-aligned. This is because they do not report on their own activities but rather on the activities of other undertakings. Therefore – with the exception of non-life insurance and reinsurance underwriting activities in Sections 10.1. and 10.2. of Annex II – based on the binding legal text there is no obligation for financial undertakings to comply with minimum safeguards in conducting their activities for reporting taxonomy alignment.

In the answer to question 37, the third Commission Notice also states: “As for credit institutions’ GAR for known use of proceeds exposures, such as the exposures referred to in Sections 1.2.1.3. and 1.2.1.4. of Annex IV DDA regarding retail clients and public authorities, credit institutions do not need to verify

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11 European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice), (C/2024/6691), available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202406691.

compliance with minimum safeguards by those retail clients and public authorities. However, for those exposures, credit institutions should obtain adequate documentary evidence, such as Taxonomy-disclosures under the Disclosures Delegated Act by the respective producers of goods and service providers, ascertaining that undertakings producing goods and providing services that are purchased by retail clients and public authorities comply with the relevant TSC and with minimum safeguards to compute their exposures as Taxonomy-aligned. This situation concerns for instance a loan provided to a retail client or public authority for the purchase of electric cars or solar panels where the credit institution needs to ascertain the compliance with the relevant TSC and the minimum safeguards by the manufacturer of those goods to assess such a loan as Taxonomy-aligned."

According to Section 1.2.1.3, the GAR for retail exposures to residential real estate or house renovation loans shall be calculated as a proportion of loans to households collateralised by residential immovable property or granted for house renovation purposes that are Taxonomy- aligned in accordance with the relevant technical screening criteria for buildings, in particular renovation and acquisition and ownership in accordance with Sections 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, and 7.7 respectively of Annex I or Annex II to Delegated Regulation (EU) 2021/2139 or Sections 3.1 and 3.2 of Annex II to Delegated Regulation (EU) 2023/2486, compared to total loans to households collateralised by residential immovable property or granted for house renovation purposes. This text therefore refers only to the technical screening criteria and not the minimum safeguard requirements.

Regardless of how the rules of the current binding legal texts are interpreted, we believe it is of the utmost importance for the regulations to be established within a binding legal text rather than in non-binding FAQs.

2.6. Financial undertakings: Exposures to SPVs

Article 7 para. 3 subpara. 2 of the DDA in the Omnibus-I-Package version obliges financial undertakings to include exposures to Special Purpose Vehicles (SPVs) in the denominator of key performance indicators. Even though we welcome this clarification compared to the version of the DDA before the Omnibus-I-Package, significant legal uncertainties arise due to the wording of the new rules.

We therefore see the urgent need for clarification within the binding legal text regarding the following aspects of these rules:

Neither the Taxonomy Regulation, the DDA nor the Accounting Directive provide a definition of SPVs. It is therefore unclear whether the exposures to all SPVs as defined according to the applicable GAAP are subject to this rule or if it is only applicable to certain kinds of SPVs (e.g. UCITS and AIFs).[12]

The financial undertaking has to apply the rules regarding exposures to SPV that finance certain entities (a) and/or assets (b). The legal text is unclear regarding the relationship between (a) and (b) and whether these are alternative requirements or cumulative requirements.

Furthermore, it is unclear whether the “entities” financed by an SPV are the ones who have a contract with the SPV or are the ultimate beneficiaries or the financing. Regarding “entities” it is also unclear, which kind of entities have to be taken into account: Article 7 para. 3 subpara. 2 names “entities subject to Article 19a or 29a of Directive 2013/34/EU or entities that belong to a group where the parent of the SPV is subject to Article 29a of that Directive”. It is questionable whether the parent of the SPV is relevant in this regard or if the reference should be to the “parent of the entity” instead.

Regarding “assets” it remains unclear which party is the one “operating” the asset. The answer to question 16 of the fourth Commission Notice[13] seems to imply that the ownership of a building can be seen as an “operation”, which does not necessarily reflect common practice. Furthermore, the question arises as to whether all “assets” financed by an SPV can be taken into account, as the new Article 7 para. 2 states that “other categories of assets that are not referred to in Article 7(6), including goodwill and commodities, shall be excluded from the denominator of key performance indicators of financial undertakings”. If this provision also applies to assets financed via an SPV, the list of “assets” to take into account will be very short.

In addition, whether all exposures to SPVs in accordance with Article 7 para. 3 subpara. 2 have to be included in the denominator, if the SPV only partly finances “entities” or “assets” in accordance with a) or b) also needs clarification.

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[12] European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice), (C/2024/6691), Answer to Question 43, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202406691.

[13] European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation, as amended by the Omnibus Delegated Act, on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (fourth notice), (C/2026/2558), answer to question 16, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202602558.

Regardless of how the rules of the current binding legal texts are interpreted, we believe it is of the utmost importance for the regulations to be established within a binding legal text rather than in non-binding FAQs.

2.7. Reporting of Leasing undertakings

The DDA includes an exhaustive list of undertakings that are regarded as "financial undertakings". This list ignores the fact that there are undertakings that do not meet the definition criteria of "financial undertakings" (e.g. that are not a credit institution as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013), but that can use the same financial reporting rules according to the relevant national legislation. In Germany this applies, for example, to certain leasing undertakings, who then have to report the non-fitting KPIs for non-financial undertakings. The European Commission states in one of its first FAQs[14] that those undertakings are encouraged to disclose voluntarily under Annex VI if they consider this Annex to be more relevant and also if they submit supervisory reporting in accordance with Commission Implementing Regulation (EU) 2021/451 to their National Competent Authority.

We encourage the ESAs and the European Commission to find a suitable solution to this problem, without the necessity of reporting not-fitting KPIs and reporting the relevant KPI voluntarily. One way to solve this would be to introduce a general "follow the accounting" approach, that extends the definitions of financial undertakings by those that use the same financial reporting rules according to national GAAP.

2.8. Scope of consolidation for insurance undertakings

The scope of consolidation (financial vs. prudential) for insurance undertakings remains unclear.[15]

According to Section 1.1.1 of Annex V of the Disclosure Delegated Act credit institutions shall disclose relevant KPIs on the basis of the scope of their prudential consolidation determined in accordance with Regulation (EU) No 575/2013,

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[14] European Commission, Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets, (2022/C 385/01), answer to question 26, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022XC1006(01)&from=DE.

[15] Please also see IDW's letter regarding Taxonomy FAQs, available at: https://www.idw.de/IDW/Medien/IDW-Schreiben/2025/IDW-Simplifications-Taxonomy-Reporting-Schreiben-250109.pdf.

Title II, Chapter 2, Section 2. There is no reference to prudential consolidation for undertakings other than credit institutions in the Disclosure Delegated Act.

In response to question 2 of the third Commission Notice[16] ("Should reporting financial undertakings that own other financial undertakings provide their Taxonomy disclosures based on regulatory or accounting level of group consolidation? What is the level of group consolidation of the reporting entity for the purpose of the Taxonomy disclosures?") the European Commission states: “In accordance with Annex V DDA, point 1.1.1. concerning the consolidation of the relevant KPIs for credit institutions, those institutions ‘shall disclose relevant KPIs on the basis of the scope of their prudential consolidation determined in accordance with Regulation (EU) No 575/2013, Title II, Chapter 2, Section 2’. Similarly, where parent undertakings and their subsidiaries are both financial undertakings other than credit institutions and that are subject to prudential regulation (16), they should make their disclosures based on the prudential consolidation.”

Regardless of how the rules of the current binding legal texts are interpreted, we believe it is of the utmost importance for the regulations to be established within a binding legal text rather than in non-binding FAQs.

16 European Commission, Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice), (C/2024/6691), available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202406691.