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European Securities and Markets Authority
Brussels

August 12th, 2026

[705]

IDW's comments on ESMA's Consultation Paper on Technical Advice on selected KPIs under the Taxonomy Disclosures Delegated Act (ESMA32-846262651-5826)

Dear Madam or Sir,

We thank you for the opportunity to comment on ESMA's Consultation Paper on Technical Advice on selected KPIs under the Taxonomy Disclosures Delegated Act (hereafter: CP).

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 ESMA's efforts to reduce the reporting burden for non-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 CP.

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

Annex

1. Answers to the Questions included in ESMA's Consultation Paper

1.1. Topic 1: Revising the OpEx KPI

Q1. In your view, are the key issues identified with the current reporting of OpEx exhaustive? If not, what additional issues have you identified?

Yes, in a nutshell the key issues identified are:

- a lack of relevance for financial undertakings and their KPIs,
- the very limited relevance for all other users of Taxonomy disclosures, as turnover and CapEx capture the relevant aspects (outcome of current operations and future-looking investments) and
- the high level of complexity involved in calculating the OpEx KPI, since it cannot be directly derived from financial reporting, which also leads to a limited comparability.

Q2. Do you support the possible approaches identified by ESMA to address the key issues identified? If so, please explain why. If not, what do you propose alternatively? In providing feedback to this question, please note that the proposed approaches are not mutually exclusive and elements of different approaches can be combined to develop other alternatives.

Even though we understand ESMA's mandate from the European Commission is limited to provide targeted technical advice on the revision of the DDA, we are of the opinion that deletion of the OpEx KPI would be the best solution and we therefore suggest that ESMA's advice be to amend the Taxonomy Regulation accordingly.

We fully agree with ESMA (para. 33 of the CP) and the European Commission (Recital 8 of the Omnibus Delegated Act amending the DDA) who both acknowledge that the OpEx KPI is of limited use and should therefore be deleted. On this basis, we generally suggest not expanding this KPI and limiting the revision to simple improvements that allow preparers and assurers to build on their experience gathered in previous years of Taxonomy reporting. Accordingly, our response focuses on suggestions that follow such an approach.

Q3. Do you agree with ESMA's draft advice? If not, please explain why and what alternative approach(es) you propose.

If the deletion of the OpEx KPI (see our answer to question 2) is not an option – due to the necessity to amend Taxonomy Regulation – we agree with ESMA's draft advice to revise the OpEx KPI focusing on R&D (option d)).

We support the pro arguments identified by ESMA, i.e., that a revision of the OpEx KPI focusing on R&D gives the OpEx ratio a clearer objective and a simpler calculation that is directly linked to financial reporting data and furthermore limits the degree of change required, since R&D expenditure is already part of the OpEx calculation formula. Furthermore, we see the added benefit of a clearly defined KPI being more meaningful than a KPI consisting of serval different and very small line items. Focusing the OpEx KPI on R&D would also align its informative value with that intended for the CapEx KPI, namely investment in future environmentally sustainable economic activities.

We do not share ESMA's concern that the OpEx ratio would become a niche ratio applicable only to those selected industries for which R&D is material. Disclosure of OpEx as a complement to the CapEx KPI has always captured only very specific cost components. Limiting this to R&D retains the current conceptual approach and focus on the most relevant cost component. We see this as an advantage of this approach. OpEx has already proven not to have been material for all sectors/business models.

Q4. Do you support the introduction of a voluntary KPI as in the proposed 'OpEx+'? If so, please specify any additional cost items the voluntary KPI should include? If not, please explain why?

We doubt whether voluntary disclosure of contextual information creates a substantial benefit for preparers since financial undertakings will focus on their counterparties' KPIs as reported in the templates. We expect only a small number of companies to use a potential OpEx+ concept, which would lead to further heterogeneity in the reporting landscape. Therefore, we do not support the OpEx+ concept, even if it remains voluntary.

Q5. In your experience, what is the cost of reporting on OpEx based on the current requirements in the DDA?

N/a.

Q6. What is your estimate of the cost and benefits of reporting for the proposed OpEx approaches set out in this CP? Please clearly indicate the OpEx approach(es) you are providing an estimate for, the main drivers of cost/benefits and the related estimated amounts, where available.

N/a.

1.2. Topic 2: Voluntary use of OpEx by financial undertakings (horizontal issue)

Q7. Bearing in mind that OpEx is not included in the current disclosure template for asset managers', could the OpEx KPI become relevant for voluntary reporting by asset managers in combination with the CapEx KPI? If yes, would additional disclosure (listed in par. 65) need to be required to provide transparency about the share of OpEx combined with the CapEx figure? (paras. 64-67)

No, we do not think that the OpEx KPI could become relevant for voluntary reporting by asset managers in combination with the CapEx KPI.

We believe that the inclusion of the OpEx KPI of non-financial undertakings in the KPIs disclosed by financial undertakings will implicitly add complexity and cost but be of limited benefit. We agree with ESMA's assessment that asset managers' voluntary disclosures that build on the OpEx KPI provide little informative value to the Taxonomy reporting by financial undertakings (see also para. 55 and 65 of the CP). Inherently, voluntary disclosure within the Taxonomy reporting regime can general 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.

Q8. Do you have any other comments on the possible voluntary use of OpEx by financial undertakings?

No.

1.3. Topic 3: Group Taxonomy Reporting (horizontal issue)

Q9. In your experience, do users of Taxonomy disclosure demand or need a single KPI to summarise the Taxonomy profile of mixed groups or financial conglomerates (paras. 71-74)? Please explain the circumstances in which you have seen need or demand for such KPI.

No, in our experience, users of Taxonomy disclosure do not demand or need a single KPI to summarise the Taxonomy profile of mixed groups or financial conglomerates.

Combining Taxonomy ratios based on different calculation approaches does not lead to relevant and reliable information but creates KPIs that are difficult for recipients of the data to understand (also see para. 81 of the CP).

Q10. The ESAs are proposing to remove the weighted average for group reporting for the reasons explained in paras. 78-82. Do you agree that, if a single KPI figure from the parent undertaking of a group would be required (such as for computing investment KPIs or investments made by financial products disclosed under SFDR), the KPI of the main reporting regime of the group should be used? If not, what alternative methodology would you propose?

Yes, we agree with removing the weighted average KPI. We also 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 by the type of the parent undertaking that is preparing the disclosures (in line with para. 92 of the CP).

Regardless of how the new regulations regarding consolidated reporting for Taxonomy purposes are structured, 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.[1]

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[1] 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.

Q11. Do you have any comments on the ESAs' principles and ESMA's analysis as developed in Section 3.3.3 (paras. 83-112)? In particular, do you see specific challenges on how to determine the group main reporting regime or prevalent activity of a mixed group or financial conglomerate? Please provide examples if relevant.

We agree that the current rules presented in the binding legal texts have serious shortcomings regarding consolidated reporting for Taxonomy purposes. As noted above, we generally support the group being required to disclose the KPI(s) relevant for the type of the parent undertaking, following the rules set out in the Disclosures Delegated Act. Most of the time 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 the regulations to be established within a binding legal text rather than in non-binding FAQs.[2]

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

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2 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.

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 (in line with the conclusion reached in para. 108 of the CP for activities by the financial sub-group for which there is a Taxonomy-eligible economic activity).

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[3] and ESMA in the CP (para. 76 of the CP):[4]

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, since the Taxonomy Regulation merely refers to the provisions of Articles 19a and 29a of the Accounting Directive in its scope of application. We also note 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 respective subsidiary undertaking at an individual level.

<u>Q12. Do you support introducing a 10% materiality threshold based on the turnover generated by the other businesses a mixed group engages in (par. 103 and 117)? If not, please explain why.</u>

No. We do not support the 10% materiality threshold as we do not support the draft advice regarding the obligation to publish subsidiary level information (regardless of whether this is on the basis of a single undertaking basis or grouped

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3 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.

4 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.

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 would, instead, suggest only requiring undertakings to report the KPIs and templates based on the kind of parent undertaking (in line with FAQ 4 from the Commission's FAQ (December 2021)[5]). If a financial undertaking does need additional KPIs – which is only the case if the group level KPI cannot be seen as a best estimate (which is often the case nowadays) and the KPIs are actually needed (which is not the case for a use of proceeds known exposure) – the financial undertaking can encourage the parent undertaking to include further information regarding its subsidiaries. This would not only help reduce burden and hinder unnecessary reporting obligations; it would also not undermine the Accounting Directive's exemption regime.

<u>Q13. Do you agree that the proposal regarding sub-group level disclosures would provide an adequate depiction of the Taxonomy profile of a mixed group (paras. 115 - 117)? Please explain your views.</u>

As mentioned in our answer to question 12, disclosure should only be mandatory if it is actually useful to users. Requiring parent undertakings to provide subgroup level disclosures should therefore only be introduced if it is really needed by the users. As this will not always be the case, a possibility to voluntarily report such information would be reasonable.

<u>Q14. Do you think that the full templates should be disclosed for the other businesses to enable easier comparability with undertakings engaging in similar activities or would you support lighter disclosures (par. 115)? In case you would favor lighter disclosures, please explain which information should be disclosed.</u>

Please see our answer to questions 12 and 13.

We would like to add that, as stated in para. 82 of the CP, as far as the reporting of disaggregated information of individual groups' subsidiaries or groups of subsidiaries is concerned, many stakeholders perceive the requirement set out in

5 See "FAQs: How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act?", December 2021, available at: https://finance.ec.europa.eu/system/files/2022-01/sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en.pdf.

the Third Commission Notice to prepare multiple templates as burdensome and costly.

Q15. Do you have any other comment on ESMA's draft advice (paras. 113-117), including the part common to all ESAs? If yes, please explain.

No.

Q16. Do you consider that the proposals in Section 3.3 will result in a favourable cost-benefit balance? Please explain your answer by indicating the one-off and on-going costs as well as the benefits that you envisage from the introduction of these proposals.

N/a.

1.4. Topic 4: Additional possible simplifications

Q17. Do you agree with the proposed approach to further align Taxonomy reporting with the ESRS framework, including the possible introduction of selected ESRS reliefs, the use of cross-references to ESRS disclosures and incorporation by reference where appropriate? Please elaborate.

Yes, we agree with the proposed approach to further align Taxonomy reporting with the ESRS framework, including the possible introduction of selected ESRS reliefs, the use of cross-references to ESRS disclosures and incorporation by reference where appropriate.

Introducing certain reliefs into the Taxonomy Reporting Framework has the potential to reduce the reporting burden. As the Taxonomy Regulation, with its strong ties to financial reporting and the ESRS have different a different structure and different goals, before introducing these reliefs it should be carefully considered whether those have to be adjusted to be fitting for Taxonomy Reporting. Otherwise, the introduction could lead to unnecessary complexity or legal uncertainty.

Q18. Do you consider the introduction of a phased-in application rule and Taxonomy-specific relief for alignment reporting to be a proportionate way of alleviating reporting burdens? If not, please explain.

Yes, we consider the introduction of a phased-in application rule and Taxonomy-specific relief for alignment reporting to be a proportionate way of alleviating reporting burdens.

As explained in our answer to question 17, before introducing any new reliefs it should be carefully considered whether those have to be adjusted to be fitting for Taxonomy Reporting.

Q19. Do you agree that the interaction between IFRS 8 operating segments and the application of the Taxonomy materiality principle should be further clarified as per ESMA's suggestions to address practical implementation challenges? If yes, which aspects need clarification? Simplifications relating to Annex I, the templates and reporting of KPIs by non-financial undertakings (paras. 135-145)

We agree that the interaction between IFRS 8 operating segments and the application of the Taxonomy materiality principle should be further clarified. We do not agree that IFRS 8 should play any role in determining the 10% threshold for undertakings.

The materiality thresholds introduced by the Omnibus-I-Delegated Act contain only one criterion, which is the 10% threshold (e.g., Article 2 para. 1a of the DDA states "[…] turnover resulting from those economic activities is below 10 % of the denominator of that turnover KPI […]" (emphasis added)).

In the answer to question 7 of the fourth Commission Notice[6] the European Commission refers to the definition of the term "material" by the Accounting Directive to justify the further statements as to the role of IFRS 8 in context of the 10% threshold. As the term "material" is not used as a perquisite in the binding legal text to use the 10% threshold, referring to IFRS 8 is from our understanding not in line with the binding legal text.

Conceptually, we agree with ESMA's conclusion that the interaction with IFRS 8 is not straightforward as soon as Taxonomy activities do not map one-to-one to

6 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 7, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202602558.

IFRS 8 segments (see para. 133 of the CP) which will be the usual case rather than the exception for many sectors in which the 10% materiality threshold is likely to be applied.

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. We do not support the introduction of a reference to IFRS 8 in the binding legal text.

<u>Q20. Do you consider that the reporting requirements for enabling and transitional activities provide useful information to users of Taxonomy reporting and financial undertakings? Please explain whether, in your view, the benefits for users outweigh the cost of reporting for preparers.</u>

N/a.

<u>Q21. Do you agree with the proposals on:</u>

a) <u>the incorporation of clarifications provided in FAQ 5 in Annex I of the DDA;</u>
b) <u>making CapEx type C optional;</u>
c) <u>the further simplifications to Annex concerning the turnover KPI on internal consumption, the turnover KPI on internal consumption and the introduction of a general materiality filter;</u>
d) <u>the introduction a clearly defined list of contextual datapoints eligible for digital tagging?</u>

<u>Please explain your views and, in particular, whether they would meaningfully reduce reporting burden without undermining the usefulness of Taxonomy disclosures.</u>

Answer to Q21 a): Yes. From our point of view, it is of utmost importance for all relevant requirements regarding Taxonomy Reporting to be part of the binding legal text rather than being addressed in non-binding FAQ documents. We specifically support adding clarifications to the Disclosures Delegated Act regarding the treatment of the environmental objective of climate change adaptation. In this context, we believe the more recent FAQs 8, 18 and 19 from the Second

Commission Notice on the Disclosures Delegated Act[7] provide more concise and valuable information than FAQ 5 from the First Commission Notice[8].

Answer to Q21b): Yes. We also see the need for a clear distinction between CapEx a) and CapEx c) in the binding legal text. From our experience, there are several delimitation issues, since certain cost components may meet the definition of both CapEx a) and CapEx c). If category a) is made optional, it must be clear when category c) applies. In practice, different approaches are used when it comes to differentiation between economic activities in the sense of category a) and individual measures in the sense of category c).

Answer to Q21c): Yes, we agree that these simplifications would reduce reporting burdens.

Answer to Q21 d): Yes, we agree that such a form of guidance would reduce reporting burdens.

Q22. Do you see value in the reporting of enabling (row 13) and transitional economic activities (row 12), especially having in mind the potential introduction of a transition product category in future SFDR financial product categories?

N/a.

Q23. Beyond the simplifications already introduced in the Omnibus Delegated Act, are there any further simplifications of the Taxonomy DDA concerning the asset management reporting template (Annex IV) that should be introduced? If so, please specify what further simplifications you recommend.

N/a.

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[7] 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.

[8] 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), available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022XC1006(01)&from=DE.

<u>Q24. Do you have additional suggestions on how Taxonomy reporting under the DDA could be further simplified, including ways to reduce reporting burdens? Costs and benefits of the proposals in Section 3.4 (additional possible simplifications) Q25. Do you consider that the proposals in Section 3.4 will result in a favourable cost-benefit balance? Please explain your answer by indicating the one-off and on-going costs as well as the benefits associated with these proposals.</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 EBA and EIOPA consultation and therefore contains some comments not necessarily relevant to the ESMA 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.[9]

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)[10] 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)[11]). 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

9 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.

10 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.

11 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.[12]

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

[12] 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.[13]

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[13] 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[14] ("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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[14] 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).[15]

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[16] 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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[15] 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.

[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, 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[17] 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.[18]

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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[17] 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.

[18] 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[19] ("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.

[19] 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.