

EUROPEAN BANKING FEDERATION RESPONSE TO THE CONSULTATION – TAXONOMY DISCLOSURES DELEGATED ACT

The Green Asset Ratio (GAR) reporting obligation for banks under Taxonomy Article 8 (Disclosures Delegated Act) should be suspended until the comprehensive review is completed.

The GAR reporting should be removed from the EBA Implementing Technical Standard on Pillar 3 Disclosures (template 6-10). GAR should only be reported once, under the Disclosures Delegated Act.

Significant complexities remain: While the temporary solution proposed in this draft Disclosures Delegated Act (DDA) is a step in the right direction and brings some simplification for banks given the reduced scope of the CSRD, reduced number of templates as well as increased comparability (by removing exposures for certain companies not reporting under the CSRD from the denominator), **significant complexities remain:**

- **The Taxonomy Technical screening criteria and processes related to their assessment** [including assessment of Do No Significant Harm (DNSH) a minimum safeguards (MS) for known “use of proceeds loans” to corporates that banks need to evaluate on a case by case basis] **have not been simplified**
- While no reporting is going to be required from and on midcaps, **banks are still expected to collect EU Taxonomy data from retail clients (mortgage, car loans etc.), including on DNSH and MS which, in most instances are not available or cannot be documented** by the retail customers.

We understand these complexities should be further addressed as part of the envisaged comprehensive review of the GAR referenced in the Omnibus initiative by the European Commission.

Additional investments for temporary solution: In addition, to reduce the complexity for reporting entities, automatization of reporting is critical. Banks have already made significant

investments on IT and data management based on the current regulation. The **temporary solution proposed in this DDA would require additional investments in data management and processes that will have to be changed once again** in line with the final design of the Green Asset Ratio. The temporary solution, although well-intentioned, represents de facto and additional burdens and costs for banks.

Reporting under multiple frameworks: As it currently stands, credit institutions are required to report information on their financing towards activities that are taxonomy aligned twice: once under the Taxonomy Regulation Article 8 DDA and then under Art. 449a of the CRR (ITS on Pillar 3 Disclosures on ESG Risks). The disclosure requirements are similar but not identical and are becoming more divergent over time.

As proposed in this DDA, banks will be reporting the Green Asset Ratio for financial year 2024 based on the original (currently applicable) text of the Taxonomy Article 8 DDA, in mid-2025 based on the Pillar 3 ITS, in 2026 (for financial year 2025) probably based on this revised DDA (which is anyhow envisaged only as a temporary solution) and Pillar 3 ITS, and once the more comprehensive ongoing review announced with the Omnibus proposals is finalized, based on the final version of the Green Asset Ratio. This will not only be complex but also hinder comparability not only between reporting entities but also within reporting entity over different periods.

As an overall principle, information should be reported only once, in this case, only under the Taxonomy Article 8 DDA.

Stop the clock: Considering that:

- i. this DDA does not fully address the complexities of GAR reporting and will be followed by further revision through a second Delegated Act (resulting from the full review)
- ii. cost associated with the proposed temporary solution,
- iii. complexity and lack of comparability resulting from reporting GARs under multiple frameworks,

we kindly ask you to:

- 1) **Suspend the GAR reporting obligations for banks under Taxonomy Article 8 DDA until the full review is completed.**
- 2) **Remove GAR reporting from the ITS on Pillar 3 Disclosures on ESG Risks (template 6-10)**

If there is no suspension, we suggest that banks have the option to use the existing methodology for taxonomy reporting until the final comprehensive revision. Even though this will make comparability even more difficult, it will avoid banks having to adjust their processes and systems twice in a short time **without significant benefits.**

Proposals for the comprehensive (final) GAR revision

- **Scope:** In terms of companies, GAR should only cover companies that fall under the CSRD. These should be included both, in the numerator and the denominator (for general-purpose lending and use-of-proceeds lending).

Other assets (except retail exposures, SPVs and SPEs for which an EU Taxonomy alignment ratio has been identified, whatever their sponsor or parent company) should be removed from GAR – both the numerator and the denominator – including goodwill, interbank loans, cash/cash related, trade receivables, derivatives, SMEs, non-EU exposures and local governments.

- **GAR Asymmetry:** The temporary amendments do not fully address the GAR asymmetry problem. There are still assets that are excluded from the numerator but included in the denominator [Annex III – Template 1 – Rows 19-34 “Assets excluded from the numerator for GAR calculation (covered in the denominator)”]. **If something is deleted from the numerator, it should be deleted also from the denominator and vice-versa.**

- **GAR Simplification:**

- **Retail exposures:** The amendment does not address the complexities in the assessment of retail exposures. These exposures should only be assessed for Substantial Contribution, under a simplified assessment procedure – **DNSH and MS for retail exposures should not be required.**
- **No further validation:** Information on taxonomy **alignment should be usable by banks without further validation or plausibility checks.** Banks should not have to review verification documents provided by the counterparty to re-confirm Taxonomy alignment also for the use of proceeds lending. The validation/verification requirement is administratively burdensome with no value added.
- **Activity should remain Taxonomy aligned:** Credit institutions should assess the alignment of their exposures at the time of granting the use of proceeds loans only. An activity or asset deemed aligned should remain so until the maturity of the financing (as long as the financing is not renegotiated or transferred) without the bank having to conduct a new alignment analysis, in case of changes to the technical screening criteria.
- **Separate disclosure:** A separate disclosure of templates (e.g. in Annexes) should be allowed, as they can now take up >30% of management reports which is disproportionate.

- **GAR templates:** The draft DDA reduces data points which is very much welcomed. However, it does not lead to a significant reduction in reporting burden for banks as the main parts of the analysis still have to be done. Several templates (GAR Sector, GAR stock, GAR flow, FinGuar, F&C and TB KPIs) should be deleted: These KPIs should be deleted due to substantial

reporting burden, complexity and limited information value. These metrics are also not useful for business or investment decisions. Postponing F&C and TB KPIs is not sufficient – they should be deleted permanently.

Suggestions which would not only result in a different layout of data presentation but in significant effort reduction for financial institutions include deleting or removing:

- GAR sector reporting (template 2) or, at least, 4-digit NACE codes.
 - GAR stock (template 3).
 - GAR flow (template 4).
 - Off-balance sheet information (template 5).
 - F&C reporting (template 6).
 - Trading book reporting (template 7).
 - Columns “of which enabling” and “of which transitional” (templates 1, 3, 4, 6 and 6).
 - The exposure category / instrument split in templates (rows 5,6,8,9,10, 22-26, 28-30 of template 1 and the corresponding rows in templates 3 and 4).
 - Deletion of all Nuclear and Gas templates
- **Data Accessibility:** ensure that all data necessary for Taxonomy/GAR reporting are available in either national databases or ESAP as soon as possible.
 - **Materiality threshold:** We understand that both financial and non-financial undertakings must not assess Taxonomy eligibility or alignment before making a materiality judgment but disclose which asset classes are excluded from the assessment. Confirmation – and examples – would be appreciated. There is no need for detailed disclosures of immaterial information.
 - **Questions and Answers:** Q&As issued before Omnibus should be revisited to avoid misunderstandings – including Q&A 8 and 10 on KPIs to publish for subsidiaries and Q&A 4 and 7 on the financial conglomerate KPI that remains a significant source of reporting burden (in line with the simplification agenda).

The final revision of GAR should be finalised well ahead of the beginning of the reporting season, ideally in early summer, to allow sufficient time for preparers to adapt to the changes. **An adequate transition period should be provided to allow banks to adapt to new templates.**

Finally, given the revised scope of the CSRD, we would kindly request that the Commission issues annually a list of companies in the scope of CSRD for the next round of CSRD reporting.

Amendments to the Disclosures Delegated Act

Suspension of GAR until the comprehensive revision and removal of GAR from P3 requirements

Amendment	Problem	Suggestion
<i>Taxonomy disclosure obligations (including GAR)</i>	The DA does not fully deliver on the desired simplification. This is also recognized by the EC, as it will be followed by a fundamental revision. Reporting will be complicated in the transition period under a different framework.	Given the pending fundamental revision of the taxonomy disclosure rules as well as the technical screening criteria, we suggest suspending reporting of the GAR for credit institutions until the full review of the Taxonomy DA and Article 8.
<i>ITS on Pillar 3 disclosures on ESG risks</i>	GAR should be reported only once - under the Taxonomy Article 8 DA	GAR disclosure requirements should be removed from the ITS on Pillar 3 Disclosures on ESG Risks

Green Asset Ratio: Numerator, Denominator and Asymmetry

Amendment (text)	Problem	Suggestion
<p><i>Asymmetry of GAR</i></p> <p><i>Article 7(3): “Exposures to undertakings other than large undertakings which, on their balance sheet dates, exceed the average number of 1000 employees during the financial year, shall be excluded from the denominator of key performance indicators of financial undertakings.”</i></p>	<p>The amendments do not fully address the GAR asymmetry problem. There are still assets that are excluded from the numerator but included in the denominator [row 19-34 “Assets excluded from the nominator for GAR calculation (covered in the denominator)”].</p>	<p>Ensure consistency between the numerator and denominator – if something is excluded from the numerator it should be excluded from the denominator as well [delete rows 19-34 in the template 1 “GAR Covered Assets” so that these assets are not part of the GAR].</p>
<p><i>Exposures to non-CSRD undertakings</i></p> <p><i>Article 7(3)</i></p>	<p>The previous version provided that non-CSRD undertakings are excluded from the numerator, but the proposed version excludes such undertakings only from the denominator, leading to further asymmetry. To ensure symmetry, non-CSRD undertakings should be excluded from both the denominator and the numerator.</p>	<p>Instead of replacing the existing wording in Article 7(3), the proposal should be worded so that non-CSRD companies are excluded from both the numerator and the denominator.</p>
<p><i>Exposures to local governments</i></p> <p><i>Article 7(3)</i></p>	<p>Public sector counterparties (local government), who are also not in the scope of the CSRD, are not explicitly excluded from the denominator, leading to asymmetry.</p>	<p>Local governments should be excluded from the denominator, as they are not in the CSRD scope and procuring data on taxonomy alignment from those counterparties is exceptionally burdensome. Should be part of “Assets not covered for GAR calculation”.</p>

<p>CSRD companies with less than 450m EUR</p> <p>Article 7(3) and partial alignment reporting</p>	<p>The inclusion of reporting from CSRD companies with less than 450m EUR should be clarified as soon as possible. It is not clear whether these should be considered in GAR and if, how.</p>	<p>Clarification about the inclusion of data from <450m EUR companies is needed.</p>
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KPIs: Trading Book, Fees and Commissions and Other KPIs (also see below in template simplification)

Amendment (text)	Problem	Suggestion
<p><i>Deferral of the reporting of Trading book and Fees & Commissions</i></p> <p>Article 1(7) amending paragraph 10(5) of Regulation 2021/2178</p> <p>Article 10, paragraph 5-Sections 1.2.3 and 1.2.4 of Annex V shall apply from 1 January 2027.</p> <p>(8) Annex II to Regulation (EU) 2021/2178 is replaced by the text in Annex I to this Regulation;</p> <p>(9) Annex IV to Regulation (EU) 2021/2178 is replaced by the text in Annex II to this Regulation.</p>	<p>This paragraph postpones the entry into the application of KPIs trading book, fees, and commission to 2027. However, they should be permanently removed rather than delayed due to complexity and limited information value</p>	<p>Delete Trading Book and Fees & Commissions KPIs due to substantial reporting burden, complexity, and limited information value. These metrics are also not useful for business or investment decisions.</p> <p>If retained we suggest the commission should consider raising the de-minimus threshold to 25% (Similar to another P&L item – Opex for NFUs) and applying it against Total Assets / Revenue.</p>
<p>Not mentioned</p>	<p>FinGuar KPI has little added value</p>	<p>Delete FinGuar KPI as it has little added value.</p>
<p>Not mentioned</p>	<p>Financial conglomerate KPI was introduced by Q&A C/2024/6691 (08/11/2024), creating new reporting burden with limited value</p>	<p>Remove credit institutions' financial conglomerate KPI disclosure due to complexity and limited information value. Introduced by Q&A C/2024/6691 (08/11/2024).</p>

<p>Article 7(3)</p>	<p>Special Purpose Vehicles (SPVs) and SPEs (according to the criteria of Article 147 paragraph 8 of the CRR) are typically used for financing energy projects, commercial real estate, or transport financing. These are essential for the transformation of the economy and the fight against climate change, and thus a key component of the EU Taxonomy objectives. Not all SPVs are controlled by a CSRD-reporting company.</p>	<p>Financial institutions should have an option to include specialized financing through SPVs and SPEs for which EU Taxonomy alignment rate has been identified in the GAR.</p>
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Materiality Threshold (10%)

Amendment (text)	Problem	Suggestion
<p>Article 1 (1) Delegated Regulation (EU) 2021/2178, Articles 4(1a) - (1f).</p> <p>1a. By way of derogation from paragraph 1, credit institutions may omit assessing whether the on-balance sheet assets are Taxonomy-eligible and Taxonomy-aligned where the cumulative value of those assets is below 10% of the denominator of the Green Asset Ratio referred to in Section 1.1.2. of Annex V to this Regulation.</p> <p>The assets to which the first subparagraph is applied shall be reported separately as non-material assets.</p>		<ul style="list-style-type: none"> • Provide more examples for the calculation of thresholds. • We understand that banks can identify within each of their KPI 10 % of activities (10 % from the newly defined denominator – which is the on-balance sheet assets of the banking book) as immaterial. Each bank can decide what is not considered material as long as it is not cumulatively more than 10%, providing it discloses which activities are considered not material. It is not necessary to either assess eligibility or alignment of this

<p><i>1b. By way of derogation from paragraph 1, credit institutions may omit assessing whether the financial guarantees are Taxonomy-eligible and Taxonomy-aligned where the cumulative value of those financial guarantees associated with those activities is below 10% of the denominator of the FinGuar KPI referred to Section 1.2.2.1. of Annex V to this Regulation. The financial guarantees to which the first subparagraph is applied shall be reported separately as non-material financial guarantees.</i></p>	<p>The calculation of the materiality threshold is not clear</p> <p>It is unclear whether the idea is to omit specific asset classes or the full KPI.</p>	<p>cumulative 10% of the denominator. We would welcome confirmation and examples.</p> <ul style="list-style-type: none"> • De minimis thresholds should also be applied to group reporting. • Moreover, paragraph 1(f) is not clear as it refers to paragraph 1.2.4 on the trading book KPI although this KPI is already mentioned in paragraph 1(e).
<p><i>1c. By way of derogation from paragraph 1, credit institutions may omit assessing whether assets under management are Taxonomy-eligible and Taxonomy-aligned where the cumulative value of the assets under management associated with those activities is below 10% of the denominator of the AuM KPI referred to in Section 1.2.2.2. of Annex V to this Regulation. The assets under management to which the first subparagraph is applied shall be reported separately as non-material assets under management.</i></p>		
<p><i>1d. By way of derogation from paragraph 1, credit institutions may omit whether the fees and commission income are Taxonomy-eligible and Taxonomy-aligned where the cumulative value of that income is below 10% of the denominator of the F&C KPI referred to in Section 1.2.3. of Annex V to this Regulation. The fees and commission income to which the first subparagraph is applied shall be reported separately as non-material fees and commissions.</i></p>		

<p>1e. By way of derogation from paragraph 1, credit institutions may omit assessing whether financial assets held for trading are Taxonomy-eligible and Taxonomy-aligned where the cumulative value of those assets is below 10% of the denominator of the GAR for the trading portfolio referred to in Section 1.2.4. of Annex V to this Regulation.</p>		
<p>1f. By way of derogation from paragraph 1, and without prejudice to the third paragraph of section 1.2.4 of Annex V to this Regulation, a credit institution may omit reporting the KPIs referred to in Annex V where the cumulative value of the turnover generated by the activities covered by those KPIs is below 10% of the total turnover of the credit institution.</p>		

Partial Alignment

Amendment	Problem	Suggestion
<p><i>Simplification of Templates</i></p> <p><i>Annex II amending Annex II DDA All Templates</i></p>	<p>Whilst we support that a greater focus should be placed on transition finance and voluntary principles for credible transition plans, there is a need to carefully examine to what extent the Taxonomy can be used as a classification framework for transition activities. It can be questioned whether the European Commission's proposed reporting on "partial taxonomy alignment" can offer added value and whether this is proportionate to the extra work it will create.</p>	<p>As there are concerns that "partial alignment" might not represent simplification, but rather a methodological expansion and thus an additional reporting burden for financial institutions, we ask that it should be thoroughly examined whether a methodological expansion within the context of this overall simplification initiative is sensible.</p>

Annexes

Amendment	Problem	Suggestion
<p style="text-align: center;"><i>Simplification of Templates</i></p> <p><i>Annex III amending Annex VI DDA All Templates</i></p>	<p>The proposed reduction of the templates in terms of the data points to be reported primarily leads to a simplification of readability, but not a decrease in the process steps necessary for completion. As a result, banks are still required to run the burdensome underlying assessment processes.</p>	<p>Suggestions which would not just result in a different layout of data presentation but can result in significant effort reduction for financial institutions include:</p> <ul style="list-style-type: none"> • Deleting GAR sector reporting (template 2) or, at least, 4-digit NACE codes to simplify further. • Delete GAR stock (template 3). • Delete GAR flow (template 4), as stakeholders could easily identify new productions based on differences between two reporting periods. There are also misinterpretation possibilities (in particular, a positive flow KPI could result from negative flows both at the denominator and numerator). • Delete off-balance sheet information (template 5). • Deleting F&C reporting (template 6). • Deleting Trading book reporting (template 7) • Delete columns “of which enabling” and “of which transitional” (templates 1, 3, 4, 5 and 6). • Removing the exposure category/instrument split in templates (rows 5,6,8,9,10, 22-26, 28-30 of template 1 and the corresponding rows in templates 3 and 4).

<p><i>Annex III amending Annex VI DDA Template 0</i></p>	<p>The template notes that the trading book and F&C templates apply starting from 2026.</p>	<p>Remove or update note 2 to avoid any confusion about timelines.</p>
<p><i>Asymmetry of GAR</i> <i>Annex III amending Annex VI DDA Template 1</i></p>	<p>Asymmetry of GAR – assets excluded from the numerator but included in the denominator [row 19-34 “Assets excluded from the numerator for GAR calculation (covered in the denominator)”]</p>	<p>Ensure consistency between the numerator and denominator – if something is excluded from the numerator, exclude it from the denominator as well.</p>
<p><i>Exposures to non-CSR companies in the denominator</i> <i>Annex III amending Annex VI DDA Template 1</i></p>	<p>In the GAR template for credit institutions, non-CSR companies are still included in the denominator (row 21) despite the proposal which excludes non-CSR companies from the denominator.</p>	<p>Exclude non-CSR companies in the denominator in the template (row 21). They should be part of “Assets not covered for GAR calculation”.</p>
<p><i>Annex III amending Annex VI DDA Template 1</i></p>	<p>The headline for off-balance sheet exposures says stock. This is unclear since the template needs to be duplicated for the flow.</p>	<p>Please clarify or take out the reference to the stock.</p>

<p><i>Annex III amending Annex VI DDA Template 1</i></p>	<p>The headline for off-balance sheet exposures is “Undertakings subject to CSRD disclosure obligations and local governments”. However, the methodology in the DDA on AuM refers to the Asset Manager annex in the DDA (Annex III) which has no reference to local governments.</p>	<p>Please clarify or take out the reference to local governments.</p>
<p><i>Reporting non-material assets</i> <i>Annex - Annex III amending Annex VI – Template 1, 2 & 4</i></p>	<p>The new templates (1, 2 and 4) proposed by the EC in annex III are inconsistent with the revised regulation 2021/2178 text. For example, there is no row for reporting non-material assets, as envisaged by Article 4.</p>	<p>Insert a row for non-material assets so that credit institutions can report non-material assets (only column a carrying amount).</p>
<p><i>GAR sector information</i> <i>Annex - Annex III amending Annex VI – Template 2</i></p>	<p>There is no clarity on what the columns related to split by environmental objectives represent, given the changes in other Templates such as Template 1 that requires “Substantial contribution to environmental objectives”</p>	<p>Further clarification is required to complete template 2 for these columns if the template is not deleted.</p>
<p><i>Annex III amending Annex VI DDA Templates 3-7</i></p>	<p>In the templates where the numbers are presented as percentages (templates 3-7), a definition of the denominator is needed. Should the calculation be row by row or should there be a global denominator?</p>	<p>If not removed, clarification is needed as to whether it should be calculated row by row or whether there is a global denominator. Ideally, a set of templates including formulas shall be provided to avoid ambiguity around calculated cell values.</p>

<p><i>Annex III amending Annex VI DDA Templates 5</i></p>	<p>The header of the template required to provide % “compared to corresponding total off-balance sheet assets”. What are the total off-balance sheet assets? Using total assets contradicts the approach of using covered assets for on-balance sheet KPIs</p>	<p>In case the template is not removed, the header should be amended to refer to covered assets (as done in template 3). % should be calculated compared to respective total covered assets i.e. financial guaranteed over financial guarantees and assets under management over assets under management.</p>
<p><i>Fes and Commission and Trading Book KPIs Annex III amending Annex VI DDA Template 6-7</i></p>	<p>Insufficient guidance for the preparation of disclosures to prepare the Trading book KPI</p>	<p>Further clarity and guidance will be required to complete the Trading book and Fees and commission KPIs even if postponed although our view is to delete these KPIs.</p>
<p><i>Trading Book Annex III amending Annex VI DDA Template 7</i></p>	<p>The trading book KPI does not have eligibility information.</p>	<p>Include eligibility in the trading book KPI if Trading Book reporting is not deleted. This is important to be able to understand the nature of the alignment percentage.</p>
<p><i>Trading Book Annex III amending Annex VI DDA Template 7</i></p>	<p>Absolute purchases and sales of trading book instruments are not used in financial reporting or risk management</p>	<p>In case the template is not removed, a worked example should be provided to illustrate how purchases and sales should be reported at an instrument level</p>

<p><i>Nuclear Gas Templates</i></p> <p><i>Article 1(13) amending annex XII of Regulation 2021/2178</i></p>	<p>As only templates 2, 3 and 4 of Annex XII are deleted, no full deletion of Gas and Nuclear templates</p>	<p>Deletion of all templates (including 1 and 5) to Nuclear and Gas would result in simplification.</p>
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