

Feedback to the Commission's consultation on amending the Taxonomy Delegated Acts to make reporting simpler and more cost-effective for companies

BVI¹ highly appreciates and supports the EU Commission's commitment to strengthen the competitiveness of the European industry and to reduce the administrative burden for companies. We are keen to actively engage in the debates on how to achieve these goals in the context of the Omnibus I initiative and the proposed amendments to the Taxonomy Delegated Acts.

Our comments at hand focus on the envisaged amendments to the Disclosures Delegated Regulation. As asset managers, BVI members are affected by Taxonomy-related disclosures in twofold ways: as companies subject to disclosure obligations under Article 8 Taxonomy Regulation, but even more as primary users of Taxonomy data reported by investee companies. Against this background, our key messages for the upcoming reform are as follows:

- The proposed **reduction in scope** in terms of Taxonomy reporting is a **significant blowback for the usability of Taxonomy** as the anchor point of the EU sustainability definition and the basis for channelling investments. Instead of being expanded, the Taxonomy reporting shall be reduced compared with the status quo and remain mandatory only for around 1,600 large companies. It is hardly imaginable that the future definition of "sustainable" products under SFDR could build up upon the Taxonomy criteria in such circumstances.
- It is **preferable to reduce the administrative burden** for companies by **radical simplification of Taxonomy reporting**. Therefore, we welcome the proposed significant reductions of the data points and simplifications of the templates, but **request to drop the optionality of reporting for CSRD companies with net turnover below EUR 450 million** foreseen in draft Articles 19b, 29aa CSRD. The proposed limitation of CSRD scope to undertakings with over 1,000 employees already eliminates disproportionate treatment of small and mid-sized companies. The possibility of reporting on partial Taxonomy alignment (either positive contribution or DNSH compliance) could be useful for assessing the transitioning status of an undertaking but should be then extended to all companies reporting under CSRD.
- **Asset managers and other financial market participants must not be expected to compensate for the loss of reported data by companies**. Should the relevance of EU Taxonomy for company reporting be diminished in line with the Omnibus I proposal, then product-related transparency rules under Articles 5 and 6 Taxonomy Regulation and SFDR must not require financial market participants to obtain additional data on EU Taxonomy from third-party providers or to make reasonable assumptions in this regard.

¹ BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 115 members manage assets of EUR 4.5 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.



- **Separate reporting on exposures to the fossil gas and nuclear activities should be simultaneously deleted from the product-level disclosures in the ESG annexes under SFDR** in order to warrant consistency with company-level reporting.

Detailed comments on the draft amendments to the Disclosures Delegated Act

Reference	Content	BVI suggestions
Articles 2(1a), 3(1a), 4(1a)-(1f), 5(1a)-(1b), 6(1a)-(1b)	Introduction of a 10% de minimis threshold for assessing alignment with the EU Taxonomy	<p>We do not object to introducing a 10% de minimis threshold for reducing the reporting burden. However, the threshold should apply only if cumulative revenues or CapEx from certain economic activities are in total below 10% and the Taxonomy KPIs should be still calculated with reference to all economic activities in the denominator.</p> <p>For financial groups, it needs to be <u>clarified how to apply the 10% threshold in case of different KPIs</u>, e.g. for banking and asset management activities, being reported at the group level. Our suggestion is to apply the 10% with reference to the group-level total revenues or CapEx (e.g. a financial group may be allowed to omit reporting on its non-life insurance business if the revenues from that activity are below 10% of the group total revenues).</p>
Article 7(3)	Exclusion of exposures to undertakings other than large undertakings with >1,000 employees from the denominator of Taxonomy KPIs	<p><u>This amendment is of no added value</u> for the following reasons:</p> <ul style="list-style-type: none"> - The exclusion considers only the situation of EU companies; for non-EU investments data will not be available in general. Given that EU asset managers invest widely outside the EU, ensuring accuracy of the reported KPIs is largely in vain. - Asset managers would need to monitor the number of employees of their investee companies (EU and non-EU) and to set up review mechanisms for detecting possible changes (falling below or exceeding the 1,000 employee threshold). This would make the calculations overly complex and contradict the simplification objective. <p><u>Our suggestion is (1) keeping the approach to the denominator as it is</u>, i.e. including all investments in companies. In terms of the <u>numerator</u>, we recommend (2) <u>allowing financial undertakings to account also for Taxonomy-aligned activities of non-reporting companies in</u></p>



		<p><u>case they have obtained all information from the company they finance or invest in that allows them for direct assessment of the Taxonomy criteria.</u> To this effect, the <u>intended amendment to Article 7(3) should be withdrawn and the current wording complemented as follows:</u> “<i>Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU or for which financial undertakings have no available information to assess Taxonomy-alignment of their exposures shall be excluded from the numerator of key performance indicators of financial undertakings.</i>”</p>
<p>Annexes II and IV</p>	<p>Simplification of reporting templates for non-financial undertakings and asset managers</p>	<p>We welcome the proposed reduction of the reporting templates and a clearer focus on decision-useful information. The <u>template for asset managers</u> in Annex II could be <u>further streamlined by deleting lines 17 to 24</u> that pertain to a breakdown of covered assets without relevance for assessing Taxonomy eligibility or alignment.</p>
<p>Annex XII</p>	<p>Deletion of tables 2, 3 and 4 for separate reporting on fossil gas and nuclear activities</p>	<p><u>Annex XII should be deleted altogether.</u> Retaining table 1 only with yes/no indications with regard to Taxonomy-aligned activities in fossil gas and/or nuclear is of no added value for investors.</p> <p>In parallel, <u>specifications on Taxonomy-aligned investments in fossil gas and/or nuclear activities should be removed from the pre-contractual and periodic ESG annexes under SFDR.</u> Provision of separate information on these activities makes Taxonomy disclosures at the product level overly complex and is not justifiable in view of the very limited market relevance. <u>At the very least,</u> the intention to remove these disclosures from SFDR templates should be <u>clearly manifested in a recital to the draft Delegated Regulation</u> at hand.</p>