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European Banking Authority
Tour Europlaza
20 avenue André Prothin
CS 30154
92927 Paris La Défense CEDEX
France

Dear Sir or Madam,

Deloitte welcomes the opportunity to provide comments on the European Supervisory Authorities' consultation papers on technical advice on selected KPIs under the Taxonomy Disclosures Delegated Act. We support the ESAs' objective to improve the effectiveness, consistency and proportionality of taxonomy-related disclosures and we appreciate the efforts made to gather stakeholder feedback on areas where application challenges continue to arise. We have submitted separate responses to all three consultations conducted by the ESAs, covering both matters that are common to all our letters as well as matters specific to each ESA.

We acknowledge that the call for technical advice to the ESAs is limited to providing comments on a defined set of issues identified by the European Commission (the EC). We agree that the topics included in the consultation represent important areas where improvements are warranted. However, we are concerned that some of the most significant remaining opportunities for simplification and most persistent implementation challenges experienced by preparers, users and assurance providers on Taxonomy disclosures are not included in the scope of this exercise. We therefore encourage the ESAs to take the opportunity in their advice to the EC to highlight these broader matters, therefore making an important contribution to a wider simplification agenda for enhancing the relevance, usability, proportionality and legal certainty of the Taxonomy framework through the revision of the Disclosure Delegated Act.

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

Executive Summary

We strongly support efforts to simplify Taxonomy reporting requirements and enhance the decision-usefulness of reported information. However, based on Deloitte's experience supporting undertakings across a wide range of industries and jurisdictions, we believe that meaningful simplification requires addressing several structural issues that continue to create disproportionate reporting burdens.

Our overall recommendations are as follows. They are consistent with the recommendations we have made in response to prior consultations on the EU Taxonomy.

- Group reporting requirements should be aligned with the consolidation principles used in financial reporting and in the Corporate Sustainability Reporting Directive (CSRD).
- An overarching materiality principle should be introduced and applied consistently across eligibility assessments, alignment assessments and reporting requirements.
- Significant interpretative positions should be incorporated into legislative instruments following appropriate due process rather than being introduced through non-binding FAQs.
- The forthcoming review of the Disclosures Delegated Act should be used as an opportunity to provide legal certainty and allow sufficient time for initial implementation of the revised reporting requirements.

ESAs – Horizontal issues

Voluntary use of OpEx by financial undertakings

We do not believe that extending, refining or otherwise promoting the use of the OpEx KPI for financial institutions would provide meaningful benefits to users of the Taxonomy reporting, even on a voluntary basis.

Turnover and CapEx KPIs are most used by financial institutions currently, as they provide information on existing sustainable activities and transition-related investments. By contrast, the OpEx KPI provides limited additional insight and does not appear to be actively used by market participants in practice. As a result, the availability and comparability of the underlying information may be more limited than for the Turnover KPI and the CapEx KPI.

Moreover, financial institutions generally have limited ability to influence counterparties' operational expenditure. As a consequence, introducing additional reporting requirements relating to OpEx would increase complexity without generating a commensurate increase in decision-useful information.

For these reasons, we believe that any future revisions of Taxonomy KPIs related to the financial sector should prioritise simplification rather than expansion and therefore, we do not support the introduction of voluntary use of OpEx by financial undertakings.

Group Taxonomy Reporting

We support the ESAs' objective of simplifying Taxonomy reporting for groups and improving the consistency of disclosures across different group structures. However, we believe that the revised Disclosures Delegated Act should continue to be firmly rooted in established consolidation principles, and avoid introducing additional reporting layers that are significantly costly to prepare yet provide limited decision-useful information, with the same approach applicable to both EU and non-EU groups. The framework should provide greater clarity regarding the appropriate level of consolidation at which Taxonomy disclosures are expected to be prepared.

Beyond these general considerations, we believe that further clarification is required for groups operating across different sectors or combining financial and non-financial activities, particularly regarding the appropriate level of consolidation for Taxonomy reporting. In addition, the revised framework should avoid creating unnecessary differences between prudential, accounting and sustainability reporting perimeters.

In this context, we agree with the ESAs' proposal to remove the weighted average KPI. Combining Taxonomy KPIs that are derived using different calculation methodologies does not result in relevant, reliable or comparable information and may instead create KPIs that are difficult for users of the disclosures to understand and interpret.

Furthermore, we do not support the proposed 10% materiality threshold in the context of subsidiary-level disclosures. In our view, introducing such a threshold risks creating additional reporting layers and reintroducing disclosure obligations that are difficult to reconcile with established exemption principles. Rather than introducing additional materiality concepts for specific aspects of the framework, we believe instead that the EU Taxonomy should incorporate and place at its centre the application of a robust and transparent materiality assessment at group level.

Overall, we strongly believe that greater clarity regarding the appropriate level of consolidation, the treatment of mixed groups and the interaction with existing exemption regimes would significantly enhance the consistency and usability of Taxonomy disclosures while reducing implementation burden.

EBA – Discussion Paper on certain Taxonomy key performance indicators and other aspects of the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation

Fees and Commissions KPI

We agree that the case for the disclosure of the Fees and Commissions KPI has not been established. In our view, it is not a key indicator of a credit institution's exposure to or support for environmentally sustainable activities.

Fees and commissions arise from a wide range of services, and the link to the Taxonomy alignment of the underlying economic activities is often indirect. As a result, the KPI may provide limited insight while relying on significant assumptions and potentially incomplete data.

In addition, the revised methodology is likely to require complex and resource-intensive processes, raising concerns about proportionality and whether the implementation effort is justified by the usefulness of the KPI. We therefore support removing the KPI and believe this should be done without introducing qualitative disclosures considering the 10% materiality threshold.

Trading book KPI

As the trading book is characterised by short-term positions, we see this KPI as offering no meaningful insights into an institution's long-term strategy on Taxonomy relevant exposure. In our view, assessing sustainability over such short time horizons is of limited effectiveness. As a result, the KPI is not justified from a cost-benefit perspective, given the effort required to calculate and disclose it compared to the value of the information provided. We therefore consider that the option to replace the Trading book KPI with qualitative disclosure requirements relating to the trading portfolio is appropriate. In addition, clarification is needed regarding the type of qualitative information that should be disclosed regarding the trading portfolios' alignment with the Taxonomy Regulation.

"Other services" KPI for investment firms

The wide range of investment services offered by providers makes it difficult to establish a KPI that is both practical to implement and meaningful for market participants. A single metric applied across many diverse services is unlikely to produce comparable or decision-useful information. Furthermore, any assessment of Taxonomy alignment would often rely on client-specific data that may not be available to firms.

We therefore recommend removing this KPI unless its scope could be narrowed and its usefulness clearly evidenced. If disclosures on investment services are considered necessary, they would be better addressed through targeted narrative reporting or service-specific indicators.

Additional possible simplifications

Overarching materiality principle

We strongly support the introduction of an overarching materiality principle applicable to Taxonomy reporting.

Such a principle should apply to eligibility assessments, alignment assessments and reporting requirements as a whole. It should allow undertakings to consider both quantitative and qualitative factors and should not rely on fixed thresholds. This approach would be consistent with established financial reporting practices and would support more decision-useful disclosures while reducing unnecessary reporting effort.

Legal uncertainty arising from FAQs

We believe that interpretative positions should not be established through non-binding FAQs when they effectively change reporting obligations, introduce additional reporting layers or create new operational expectations. A further complication is that in the past, new FAQs have been issued without rescinding existing ones on a similar matter. Such approaches can create legal uncertainty and contribute to diverging practice among preparers, users and assurance providers.

Where substantive interpretative matters are identified, they should be addressed through formal legislative instruments following appropriate consultation and due process. Clear requirements remain one of the most important preconditions for reducing the reporting burden. Simplification should therefore focus not only on reducing disclosure requirements but also on improving clarity and legal certainty. As a result, we strongly recommend the need for a review of the existing FAQs to assess those that should be revised, withdrawn, or incorporated into the regulation, including in consideration of recent and forthcoming regulatory changes.

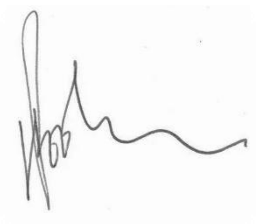
Need for sufficient implementation time

We emphasise the importance of providing undertakings with sufficient implementation time for revised Taxonomy reporting requirements as an essential aspect of a robust due process. Changes to reporting obligations have direct implications across multiple functions within an organisation. It is therefore essential that any amendments are accompanied by adequate lead time between finalisation and mandatory application. Sufficient implementation time helps to ensure that undertakings can appropriately embed new requirements, maintain the quality and consistency of reported information and avoid unnecessary operational disruption. This is particularly important when legislative proposals remain subject to a scrutiny period, when preparers should be provided with certainty on the final requirements before being expected to apply them in practice.

Closing remarks

We would welcome the opportunity to discuss our observations further and remain available to contribute to future stakeholder outreach activities undertaken by EBA. Should you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884 or Jens Berger in Munich at +49 (0) 89 29036 1551.

Yours faithfully



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