Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

DRSC

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Consultation Paper on the Review of insurance disclosures under the Taxonomy Disclosures Delegated Act

Dear Sir or Madam,

We would like to thank you for the opportunity to participate on the consultation to improve the reporting under the Taxonomy Regulation (Regulation (EU) 2020/852). The Accounting Standards Committee of Germany (DRSC) is the national standard setter in the area of group financial reporting in Germany. The organisation was established on 17 March 1998 as an independent and registered not-for-profit association by German Industry and is domiciled in Berlin. The DRSC had been formally acknowledged by the Ministry of Justice as the private standardisation organisation pursuant sec. 342q of the German Commercial Code.

We generally welcome the initiative to improve the clarity, usability, legal certainty and cost-effectiveness of the Taxonomy Regulation. Currently, we see a great need for further simplification, clarification and a more consistent and efficient application across sectors. The publication of Delegated Regulation (EU) 2026/73 was a step in the right direction, even though the improvements fell short of expectations.

Please find our detailed proposals for improvements of Delegated Regulation (EU) 2021/2178 in the appendix.

In addition, we have the following general comments:

- The reporting requirements for financial undertakings are linked to those for non-financial undertakings. **Please read our comment letter here in conjunction with our comment letter to ESMA.**
- Further amendments to the delegated acts should be avoided in the coming years in order to establish a stable regulatory framework. Subsequently, following a **quiet period of several years**, an empirically based review of the provisions should be carried out to identify potential improvements and examine possible interactions with other regulations for sustainable finance, such as the SFDR or the ESRS. In doing so, the needs of both the users and the preparers of taxonomy disclosures should be analysed in greater depth, and the recommendations of the Platform for Sustainable Finance should be taken into account.
- The ongoing approach of resolving questions of clarification regarding the provisions through **non-binding interpretations and implementation guidance** should be critically examined. Where such interpretations and guidance are highly relevant, they should preferably be incorporated into the provisions themselves; in other cases, they should not be

published at all, as otherwise a confusing patchwork of diverse documents (recitals of the delegated acts, staff documents, commission notices) will arise alongside the actual provisions themselves, which undermines legal clarity.

- The review of the SFDR should be used **to assess whether the Taxonomy Regulation has achieved the intended steering effect of channelling capital flows towards sustainable investments**; that is, whether investors are able to make informed decisions by gaining access to decision useful information on the sustainability of investments.

If you want to discuss these issues further, please do not hesitate to contact us.

Kind regards

Georg Lanfermann
President

Question 1	Do you agree that the proposed revisions improve the decision-usefulness of Taxonomy disclosures while reducing reporting burden for insurance undertakings? Please explain.
Partially	We welcome EIOPA's efforts to review the underwriting KPI with the objective of improving the comparability and interpretability of taxonomy disclosures while reducing unnecessary complexity and reporting burden. The proposals appear to represent a pragmatic and targeted approach to achieving these objectives while building on the existing framework. We support refinements that clarify the reporting perimeter, improve consistency in calculation methodologies and remain operationally feasible for preparers. Such refinements can enhance comparability and understandability for users without requiring a fundamental redesign of existing reporting systems. At the same time, we note that the proposed revisions are not expected to materially reduce current reporting efforts. Preparers will largely continue to rely on methodologies, processes and systems that have already been implemented under the current framework. The main benefit of the proposals therefore lies in improving consistency and avoiding further complexity rather than in reducing existing reporting processes. We consider it important that any (additional) reporting requirements are assessed against a clear cost-benefit rationale. Where a KPI does not provide sufficient additional decision-useful information despite targeted methodological refinements, voluntary reporting or non-introduction should be considered. In this context, we are not convinced that the introduction of a Green Insured Activities KPI would provide benefits that justify the expected implementation and ongoing reporting effort. Such a KPI would require extensive new data collection, governance, reporting and assurance processes while its decision-usefulness remains uncertain. We also observe that the limitations of the current underwriting KPI are partly linked to the design and scope of the EU Taxonomy framework itself. The KPI should therefore be interpreted as one element of a broader sustainability information set rather than as a comprehensive measure of an undertaking's overall sustainability performance. To enhance comparability across sectors, we see merit in further exploring whether Taxonomy KPIs could be consistently presented as the ratio of taxonomy-aligned activities to taxonomy-eligible activities. This could improve transparency regarding the extent to which eligible activities are converted into aligned activities, while relying on data points already reported under the Taxonomy framework.

Question 2	Do you agree with renaming the current underwriting KPI to "Adaptation Underwriting KPI" to better reflect its scope? Please explain.
Partially	We support the proposed renaming, as it improves transparency regarding the specific scope of the KPI. The change is suitable to clarify that the

	indicator is limited to adaptation-related underwriting activities as currently defined under the EU Taxonomy framework. As the KPI is related to climate change we suggest to further specify the KPI as "Climate Change Adaptation Underwriting KPI" which might be abbreviated to "CCA Underwriting KPI".

Question 3	Do you support to keep the "split premium" approach for the Adaptation Underwriting KPI? Please provide reasons.
Yes	We support EIOPA's proposal to keep the "split premium" approach and not fundamentally change the calculation methodology. This is in line with the overall objective of simplification and avoidance of unnecessary additional implementation burden for the insurance industry.

Question 4	Do you agree with the proposal to limit the denominator of the alignment and eligibility ratios to the 8 Eligible Lines of Business (LOB)? Explain why.
Partially	We support the objective of refining the denominator of the taxonomy-eligibility and taxonomy-alignment ratios by focusing on the activities that are relevant to the KPI. A more targeted denominator can improve interpretability by reducing the inclusion of activities that cannot reasonably contribute to the climate adaptation objective reflected in the numerator. However, we are not convinced that limiting the denominator to the eight eligible lines of business fully addresses the issue. From a reporting perspective, the denominator should, as far as possible, reflect the same underlying activity basis as the numerator. This would improve internal consistency and enhance comparability of the resulting ratio. In particular, where eligibility is defined by reference to climate-related activities, the denominator should follow the same conceptual logic. We therefore see merit in limiting the denominator to lines of business for which at least one policy covering a climate-related peril has been identified. This would better align the denominator with the activities that can contribute to the EU Taxonomy's climate adaptation objective. A common baseline of relevant lines of business could support comparability across undertakings. At the same time, preparers should be able to include additional lines of business where climate-related premiums are material, provided that the approach is clearly disclosed and applied consistently. Such an approach would be a targeted and proportionate refinement of the current framework, improving usefulness, transparency and comparability while avoiding unnecessary complexity.

Question 5	For the numerator of the eligibility ratio, do you agree with the proposed standardisation of determination of eligibility?
Yes	As noted under Question 3 we support EIOPA's proposal to retain current practices and not fundamentally change the calculation methodology. This is in line with the overall objective of simplification and avoidance of unnecessary additional implementation burden for the insurance industry.

	In addition, the proposed clarification supports the application of a consistent methodology within the insurance industry improving comparability of EU Taxonomy disclosures.

Question 6	Do you support the introduction of a "Green Insured Activities KPI" measuring exposure to Taxonomy-aligned counterparties or assets? If so: a) Do you consider that the KPI should be applied on a voluntary or mandatory basis? b) Do you consider that the introduction of such a KPI should be deferred to the longer term? Please provide reasons for your answer.
No	We do not support the introduction of a Green Insured Activities KPI at this stage or at a later stage, either on a mandatory or voluntary basis. The proposed KPI would primarily reflect the taxonomy-alignment of insured counterparties or assets rather than characteristics of the reporting undertaking's own activities. This raises questions regarding the conceptual relevance and decision-usefulness of the indicator for assessing the reporting undertaking. In addition, the KPI would appear to cover only a limited subset of business for which reliable taxonomy information is available. This may reduce representativeness and comparability. We also note significant practical challenges. The KPI would require new data collection, governance, reporting and assurance processes and would rely heavily on external information that may be unavailable, incomplete or outside the control of the reporting undertaking. Based on the information currently available, we are not convinced that the expected benefits would justify the implementation and ongoing reporting costs. Introducing such a KPI would therefore not appear consistent with the objective of simplifying sustainability reporting and reducing unnecessary reporting burden.

Question 7	Should this KPI complement or replace the current KPI over time? Please explain.
No	We do not support the introduction of a Green Insured Activities KPI (GIA KPI). See also our answer to question 6.

Question 8	Do you support the methodology for the Green Insured Activities KPI? If not, what alternative calculation approaches would work better to identify the Taxonomy-alignment of insured companies and objects?
No	As we do not support the introduction of a Green Insured Activities KPI, either as a complement to or replacement for the existing KPI, we do not support that alternative methodologies are developed at this stage. See also our answer to question 6 for limitations of the approach.

Question 9	Do you agree with simplifying the Investment KPI by removing the breakdowns for gas and nuclear activities?
Yes	We support the proposed simplification of the Investment KPI by removing the breakdowns for gas and nuclear activities completing the simplifications introduced last year with the adoption of the amended Delegated Regulation (EU) 2021/2178 reducing unnecessary reporting burden. As rightly acknowledged by EIOPA, the nuclear and gas breakdown is not applicable for the underwriting template. The removal of the breakdowns for gas and nuclear activities in the underwriting KPI reporting template is therefore also supported.

Question 10	Do you agree with removing the combined KPI (weighted average of underwriting and investment KPIs)?
Yes	We strongly support removing the combined KPI. The combined KPI aggregates underwriting and investment KPIs, representing two fundamentally different activities, from a content as well as a methodological perspective. They reflect different parts of insurers' business models, serve different purposes and the applied methodological approaches to derive the taxonomy KPIs differ substantially. The metrics used differ as they are based on premiums and investments respectively, which are not directly comparable lacking a common basis for weighting.

Question 11	Do you support the introduction of an executive summary (dashboard) containing key Taxonomy and ESRS indicators in the Annual Report?
No	We do not support the introduction of an executive summary (dashboard) containing key indicators. While we appreciate the aim of further alignment of the EU Taxonomy and sustainability reporting under the ESRS, the introduction of an executive summary would in fact result in an additional reporting requirement creating additional reporting and governance processes, contradicting the broader objective of reducing reporting complexity and administrative burden. Given the broad scope and variety of topics covered in a sustainability report, identifying and focusing on key metrics relevant for an overall dashboard to serve the interests of the different stakeholder groups is expected to be difficult. Also, especially for taxonomy disclosures, as the KPIs have to be reported in full accordance with the templates published by the regulator, identifying those is not expected to cause any significant issues.

Question 12	Bearing in mind that OpEx is not included in the current disclosure template for insurance undertakings' Investment KPI, could the OpEx KPI of investee companies become relevant for voluntary reporting by insurance undertakings, in combination with the CapEx KPI?
No	We support the assessment of EIOPA with regards to the use of the OpEx KPI by financial institutions.

Question 13	The ESAs are proposing to remove the weighted average for group reporting. Do you agree that, in cases where a single KPI figure is required (such as for

	investment KPIs or investments made by financial products disclosed under SFDR), the KPI of the main business of the group should be used? If not, what alternative methodology would you propose?
Yes	

Question 14	Do you agree that computing group level KPIs for mixed groups as currently described in the FAQs of the Third Commission Notice poses challenges? If not so, please explain how the identified issues could be solved in practice.
Yes	

Question 15	Do you have comments on the common principles based on which possible solutions have been developed by the ESAs?
Yes	We reject the Commission's non-binding clarifications in Notice C/2024/7494 on group reporting, as these impose new reporting requirements without there being any provisions to that effect in the Delegated Regulation (EU) 2021/2178. Furthermore, we view additional sub-group level reporting as an extra burden (rather than a simplification) for preparers, without providing users of taxonomy disclosures with information useful for decision-making. Reporting should be carried out at group level, regardless of the type of subsidiaries. If the Group's reporting follows the provisions for financial undertakings (e.g. insurance undertakings), no new reporting for other businesses should be introduced that follows the provisions for other financial or non-financial undertakings. Sub-group level reporting significantly increases the complexity and burden of reporting.

Question 16	Do you see specific challenges on how to determine the group main reporting regime or prevalent business of a mixed group or financial conglomerate? Please provide examples if relevant.
Yes	See our answer to question 15.

Question 17	Do you support introducing a 10% materiality threshold based on the turnover generated by the other businesses a mixed group engages in? If not, please explain why.
No	In principle, we oppose the introduction of new reporting requirements, as this does not represent a simplification. We therefore also reject the 10% materiality threshold for other businesses a mixed group engages. The introduction of a new threshold would require new documentation, monitoring and audit processes, and would further complicate reporting. If the 10% materiality threshold for other businesses a mixed group engages is to be retained, however, it should only be necessary to exceed or fall short of it in two consecutive financial years, in order to limit one-off effects. See also our answer to question 15.

Question 18	Do you think that the proposal regarding sub-group level disclosures would provide a sufficiently transparent depiction of the Taxonomy profile of a mixed group? Please explain your views on the different criteria identified.

Partially	See our answer to question 15.

Question 19	What are your views on the types of disclosures which should be required for the other activities businesses? Do you think that the full templates should be disclosed to enable easier comparability with undertakings engaging in similar activities or would you support lighter disclosures? Please explain.
No	See our answer to question 15.