Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

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ESMA Consultation Paper on Technical Advice on selected KPIs 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 EIOPA.**
- **We are in favour of removing the requirement to report the OpEx KPI**. Should removal not be possible due to the wording in article 8 paragraph 2 of the Taxonomy Regulation, the OpEx KPI should only remain mandatory for R&D expenditures.
- 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 3	Do you agree with ESMA's draft advice?
No	We support the advice on the R&D OpEx. This advice will simplify the reporting of OpEx data. 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 significantly. We consider it important that any 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 practice, with the advice the OpEx ratio will become a niche ratio applicable only to selected industries for which R&D is material. This development is to be welcomed, as the effort involved in compiling OpEx data is considerable, whilst the added value for users of the taxonomy data is minimal. A complete removal of OpEx disclosures would be preferable, but is not possible, as OpEx disclosures are still required under Article 8 of the Taxonomy Regulation and the Commission merely intends to amend Delegated Regulation (EU) 2021/2178. ESMA has linked its proposal to limit OpEx KPIs to R&D expenditures with a proposal to further regulate voluntary OpEx disclosures (OpEx+). We reject this linked proposal, as, on the one hand, voluntary taxonomy disclosures are already possible and the conditions for reporting them are sufficiently clear. Furthermore, voluntary taxonomy disclosures should not be subject to further regulation in order to allow reporting undertakings sufficient flexibility. This is particularly so as regulating voluntary disclosures can hardly be regarded as a simplification, which is, after all, the overarching aim of the proposals.

Question 4	Do you support the introduction of a voluntary KPI as in the proposed 'OpEx+'?
No	See our answer to question 3.

Question 8	Do you have any other comments on the possible voluntary use of OpEx by financial undertakings?
Yes	We support the assessment of EIOPA with regards to the use of the OpEx KPI by financial institutions.

Question 10	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 would be required (such as for investment KPIs or investments made by financial products disclosed under SFDR), the KPI of the main reporting regime should be used?
Yes	

Question 11	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.
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 non-financial undertakings, no new reporting for other businesses should be introduced that follows the provisions for financial undertakings. Sub-group level reporting significantly increases the complexity and burden of reporting.

Question 12	Do you support introducing a 10% materiality threshold based on the turnover generated by the other businesses a mixed group engages in (paras. 103 and 117)?
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 11.

Question 13	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.
No	See our answer to question 11.

Question 14	Do you think that the full templates should be disclosed for the other businesses so as to enable easier comparability with undertakings engaging in similar activities or would you support lighter disclosures (par. 115)?
No	See our answer to question 11.

Question 17	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?
Partially agree	We welcome the proposed approach to further align Taxonomy reporting with the ESRS framework and agree in principle with the advice.

	Regarding the exemption from revising comparatives for new information: the proposed simplifications are welcomed. However, there should always be the right to choose whether to report comparatives or (under certain conditions) not. Such a right is necessary because, under certain circumstances, it is necessary to revise comparatives for the purposes of financial reporting, whilst the same figures are also used for sustainability reporting. It is therefore important to avoid a situation in which an undertaking is required to revise comparatives for the purposes of financial reporting but is not permitted to do so for the purposes of sustainability reporting. The decision to use cross-references should be voluntary. Undertakings should have the option to apply the cross-reference options in whole or in part, at their own discretion. With regard to the proposed transitional provision relating to acquisitions, a transitional provision should also be included for disposals, in line with the amended ESRS 1.74 (Annex I of Delegated Regulation C(2026) 5010 final). In the interests of simplification and greater consistency with the amended ESRS 1.93, the inclusion (possibly on a temporary basis) of an undue cost or effort principle should be supported. This is particularly so as it is hinted at in Recital 47 of the Taxonomy Regulation itself.

Question 18	Do you consider the introduction of a phased-in application rule to be a proportionate way of alleviating reporting burdens?
No	According to the advice, where undertakings become subject to reporting requirements for the first time, or when new economic activities are included in the EU taxonomy, undertakings should, in the first year of reporting, initially provide information only on taxonomy-eligibility, and then, in the following year, also on taxonomy-alignment. A greater relief would be a transitional period under which no reporting is required at all in the first year, with full reporting requirements taking effect in the following year. An argument in favour of this greater relief is the assumption that information on taxonomy-eligibility in the first year offers only limited added value to users of the data and could therefore be omitted entirely. An alternative approach would be to require the application of new provisions only from the financial year beginning x months after the provisions are published in the Official Journal of the EU. This transitional provision could apply to both new and amended economic activities, as well as to undertakings that become subject to reporting requirements for the first time. This would give undertakings sufficient time to establish or adapt their reporting processes. Example: a delegated act amending existing technical screening criteria is published in the Official Journal of the EU in March 2027. The new provisions could then apply to financial years beginning 12 months after publication in the Official Journal of the EU. This would mean that the new provisions would apply to financial years beginning in March 2028 (or later). Where financial years coincide with the calendar year, the new

	provisions would then apply to the 2029 financial year, with reporting taking place in 2030. Moreover, the introduction of new transitional provisions for the assessment of taxonomy-alignment would also provide significant relief. At present, when new and stricter technical screening criteria are introduced, it appears that all economic activities reported to date will have to be reassessed for taxonomy-alignment, which could lead to a reduction in the proportion of taxonomy-aligned KPIs. It would be worth considering a transitional provision – at least for a limited period – to grant grandfathering status to economic activities that have already been assessed. Under this grandfathering provision, only those activities newly allocated to an already reported economic activity would then need to be assessed against the new technical screening criteria.

Question 19	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?
No	We reject this proposal. Even the clarifications issued by the Commission itself are non-binding, yet went beyond the actual provisions (no compliance with IFRS 8 is explicitly mentioned). The provisions on the materiality principle should therefore remain unchanged and, if anything, it should be clarified that consistency between disclosures under IFRS 8 and taxonomy disclosures is merely voluntary.

Question 20	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 your views also as regards the costs incurred by users and whether these outweigh the incremental alleviation for preparers.
Yes	

Question 21	Do you agree with the below proposals? Please explain your views and, in particular, whether they would meaningfully reduce reporting burden without undermining the usefulness of Taxonomy disclosures. a) the incorporation of clarifications provided in FAQ 5 in Annex I of the DDA; b) making CapEx type C optional; c) 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; d) the introduction a clearly defined list of contextual datapoints eligible for digital tagging?
a. Yes b. Yes c. Yes d. No	A list of contextual datapoints could lead to a greater need for discussion with auditors of the sustainability report if the reporting undertaking defines datapoints differently from how they are defined in the list. For this reason, the drafting of such a list should be rejected, as it has the potential to cause further burdens. Furthermore, we recommend that EU regulations and initiatives relating to the digitisation of reporting be critically reviewed in terms of their effectiveness from the perspective of the intended users. Of particular note in this context

	is the obligation on issuers to prepare their annual financial report in accordance with Article 4 (7) of Directive 2004/109/EC (in conjunction with Delegated Regulation (EU) 2019/815) in the European Single Electronic Format (ESEF), as well as the establishment of a European Single Access Point (ESAP) in accordance with Regulation (EU) 2023/2859. We believe that the objectives of ESEF – namely to simplify reporting and to facilitate access and improve the analysis and comparability of annual financial reports – have not been met. ESEF is scarcely used by investors and analysts (with the exception of specific users, such as data aggregators) and, from the preparer's perspective, XBRL tagging involves a considerable amount of effort. Given the growing range of applications for artificial intelligence in the analysis and extraction of data, and in the absence of any discernible use of the current ESEF reporting format by the intended users of the financial statements, we therefore propose that structured reporting based on XBRL tagging be abolished. Should ESEF not be abolished, we deem it necessary to conduct a field test and a comprehensive Cost/Benefit Analysis before tagging rules for sustainability disclosures are issued. Undertakings should not be required to apply granular tagging rules if the associated costs do not justify the benefits for users of sustainability reports. We are sceptical that the likely costs of the ESMA proposals of 2025 are justified.

Question 24	Do you have additional suggestions on how Taxonomy reporting under the DDA could be further simplified, including ways to reduce reporting burdens?
Yes	Further amendments to all delegated acts (at least Delegated Regulation (EU) 2021/2178) 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. It is difficult for undertakings, auditors and consultants to keep track of the various documents. Today, there are five main notices (Notice 2022/C 385/01, C/2023/305, C/2024/6691, C/2025/1373 and C/2026/2691) and several other notices to consider (in particular Notice 2023/C 211/01 and C/2024/6792). Where such interpretations and guidances 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 major disadvantage of these clarifications is that, although they are not-binding, they are repeatedly

	regarded as de facto binding by auditors of the sustainability report and supervisory authorities. This leads to numerous discussions with the auditors and supervisory authorities, which in turn ties up a great deal of resources. If the Commission decides to retain this instrument, all interpretations and guidance should be consolidated in a single commission notice, and new interpretations and guidance should be subject to public consultation beforehand in order to improve their quality. New interpretations and guidance in a single document should also be visible in track changes mode. Furthermore, interpretations and guidance should not be published at the end or beginning of a calendar year. A significant proportion of undertakings adopt a calendar-based reporting year and typically prepare their sustainability reports between the last quarter of the year and the first quarter of the following year. Additionally, several time-intensive procedures (like an audit of the disclosure) fall within this period. The publication of new notices at the end or beginning of a calendar year could there disrupt the preparation of taxonomy disclosures. 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. We recommend amending the technical screening criteria to provide clear "yes" or "no" requirements that are easier to test. Additionally, we propose including the contents of references directly within the technical screening criteria, as this would reduce the need to switch between different regulations, frameworks, and standards. Furthermore, we suggest internationalising the requirements in the technical screening criteria, similar to the IFRS Foundation's project to internationalise the sector-specific SASB standards. Alternatively, a process for the recognition of other regulations and frameworks should be implemented, similar to the process for the recognition of other standards under the ESRS for third-country firms (Article 40a (2) of Directive 2013/34/EU). This will enhance the consistency of the EU Taxonomy with other global taxonomies. The technical screening criteria have so far been too closely aligned with EU regulations, which complicates taxonomy-alignment assessments. Drafts of new delegated acts should be subject to public consultation for more than a month. In particular, consultation on technical screening criteria is a time-consuming process that requires additional time. Longer consultation periods would therefore improve the quality of responses in future. Consolidating Delegated Regulation (EU) 2021/2139 and (EU) 2023/2486 into a single delegated act (with the same activity numbers, (e.g. Construction of new buildings: CCM 7.1., CCA 7.1., CE 3.1) would improve user-friendliness. Delegated acts usually span many pages, and it is difficult to see which amendments have been made. The Commission should provide side-by-side versions. In track changes mode, these side-by-side versions should clearly show which amendments to the current provisions are being proposed as part

	of a consultation. Furthermore, when new delegated acts are adopted, side-by-side versions should be provided that clearly show which amendments have been adopted in comparison with the current provisions and in comparison with the consultation documents. We would like to point out that the "Table of Contents" in the consolidated version of Delegated Regulation (EU) 2021/2139 does not include the new economic activities in Delegated Regulation (EU) 2023/2485. This should be rectified as soon as possible in order to improve user-friendliness. The Stakeholder Request Mechanism should be expanded to become a central entry point for all requests regarding the taxonomy regulation.