21 December 2023

DRAFT COMMISSION NOTICE

on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (third Commission Notice)

This draft has been approved in principle by the European Commission on 21 December 2023 and its formal adoption in all the official languages of the European Union will take place later on, as soon as the language versions are available.

The Regulation on the establishment of a framework to facilitate sustainable investment ('Taxonomy Regulation') has created a unified EU classification system for environmentally sustainable economic activities (referred to as 'Taxonomy-aligned activities') and imposed transparency obligations on certain non-financial and financial undertakings with respect to those activities[1].

1. Context

In June 2021, the Commission adopted the EU Taxonomy Climate Delegated Act ('Climate Delegated Act')[2] to implement the Taxonomy Regulation with respect to economic activities contributing substantially to climate change mitigation and adaptation objectives. In March 2022, the Commission amended the Climate Delegated Act by adding criteria for certain new energy activities[3]. In June 2023, the Commission adopted the EU Taxonomy Environmental Delegated Act ('Environmental Delegated Act') for the remaining environmental objectives[4] and amended

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13–43).

[2] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1–349).

[3] Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L 188, 15.7.2022, p. 1).

[4] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and

the Climate Delegated Act by adding criteria for new activities in the manufacturing and transport sectors[5].

In July 2021, the Commission adopted a Delegated Act that specifies the disclosure obligations of undertakings under Article 8 of the Taxonomy Regulation as regards those of their activities that are Taxonomy-eligibile and Taxonomy-aligned ('Disclosures Delegated Act')[6]. That Delegated Act was amended in June 2023 by the Environmental Delegated Act to ensure that the disclosure requirements are consistent with the Environmental Delegated Act.

The Commission has already published four sets of guidance on the content of the Disclosures Delegated Act, namely:

- a Commission staff document Frequently Asked Questions' (FAQs) on 'What is the EU Taxonomy Article 8 delegated act and how will it work in practice?'[7];
- a Commission staff document 'Frequently Asked Questions' (FAQs) on how financial and non-financial undertakings should report their Taxonomy-eligible economic activities and assets in accordance with the Disclosures Delegated Act[8];
- a Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act on the reporting of Taxonomy-eligible economic activities[9];
- a Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act on the reporting by non-financial undertakings of Taxonomy-eligible and Taxonomy-aligned economic activities[10].

protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L 2023/2486, 21.11.2023).

[5] Commission Delegated Regulation (EU) 2023/2485 of 27 June 2023 amending Delegated Regulation (EU) 2021/2139 establishing additional technical screening criteria for determining the conditions under which certain economic activities qualify as contributing substantially to climate change mitigation or climate change adaptation and for determining whether those activities cause no significant harm to any of the other environmental objectives (OJ L 2023/2485, 21.11.2023).

[6] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9).

[7] https://finance.ec.europa.eu/system/files/2021-07/sustainable-finance-taxonomy-article-8-faq_en.pdf.

[8] https://finance.ec.europa.eu/system/files/2022-01/sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en.pdf.

[9] Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01) (OJ C 385, 6.10.2022, p. 1–19).

[10] Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice) (C/2023/305) (OJ C305, 20.10.2023, p. 1-22).

Moreover, to facilitate the implementation of the EU Taxonomy, the Commission adopted a Commission notice concerning the legal interpretation and implementation of the provisions covering the technical screening criteria for Taxonomy-aligned economic activities set out in the Climate Delegated Act (Commission notice on the Climate Delegated Act[11]).

Non-financial undertakings started reporting their Taxonomy key performance indicators (KPIs)as of 1 January 2023. The Disclosures Delegated Act requires financial undertaking to use the KPIs disclosed by their counterparties when they calculate their own KPIs, including the Green Asset Ratio ('GAR')[12]. In addition, the Sustainable Finance Disclosure Regulation (SFDR)[13] requires financial market participants to use the KPIs disclosed by investee companies for assessing the level of environmental performance of financial products[14].

Financial undertakings start reporting their KPIs as of 1 January 2024[15]. Given that the computation of the KPIs of financial undertakings, including the GAR, depends on the flow of information and data from the financial and non-financial counterparties that they finance, the Commission expects that the robustness and accuracy of those KPIs will improve gradually with the uptake of the EU Taxonomy by the relevant undertakings as well as the increased data flow from non-financial undertakings towards financial undertakings.

It is expected that the level of Taxonomy-alignment of exposures financing economic activities and assets that precede the EU Taxonomy (i.e. legacy stock) will be lower than those financing economic activities and assets in the future (i.e. flow of new financing). This is consistent with the objective of the EU Taxonomy to facilitate the financing of new environmentally sustainable activities and projects.

Furthermore, the disclosures rules of the Disclosures Delegated Act for financial undertakings do not cover the specific exposures referred to in its Article 9, such as certain sovereign exposures, as well as exposures to non-listed small and medium-sized enterprises ('SMEs'), and certain non-EU undertakings . Article 9 of the Disclosures Delegated Act requires the Commission to review the treatment of these exposures on the basis of an impact assessment, in particular for SMEs, assessing the administrative burden, access to finance and other impacts resulting from any possible extension of the KPIs to cover these exposures.

Given this limited coverage under the current disclosure rules, the KPIs cannot currently reflect all the financing of Taxonomy-aligned economic activities by financial undertakings.

[11] Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective (C/2023/267) (OJ C 267, 20.10.2023, pp. 1-55).

[12] The relevant provisions of the Disclosures Delegated Act are quoted in footnotes 35-38.

[13] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1–16).

[14] Articles 8(2a) and 9(4a) SFDR

[15] Article 10(5) of the Disclosures Delegated Act

Neverethless, in the absence of sufficient data and adequate evidence, financial undertakings are encouraged to disclose on a voluntary basis and separately from their KPIs:

- any estimates of Taxonomy-alignment of their exposures that are currently excluded from their KPIs (e.g. exposures to non-listed SMEs);
- any estimates of Taxonomy-alignment of their exposures covered by the KPIs, but where financial undertakings lack sufficient data and adequate evidence specific to their exposures to prove Taxonomy-alignment, or
- any information in relation to a partial alignment of their exposures with the EU Taxonomy (i.e. where only certain Taxonomy criteria are met or are proved to be met).

While the KPIs of financial undertakings are intended to represent faithfully the extent to which a financial undertaking finances Taxonomy-aligned economic activities, they do not impose any limitations on the financing of any specific sector, including strategic sectors, or of any specific economic operators, including SMEs. Hence, those specific sectors and operators should also continue being financed. As such, the KPIs of financial undertakings, including the GAR, need to be put into a wider context of the financing and investment operations of financial undertakings since those undertakings finance not only Taxonomy-aligned economic activities, but all lawful economic activities and operators.

2. Purpose of the Commission notice

While the previous Commission notices and staff documents focussed mainly on non-financial undertakings, the purpose of this Notice is to provide further interpretative and implementation guidance to financial undertakings in the form of replies to Frequently Asked Questions (FAQs)on the reporting of their KPIs under the Disclosures Delegated Act. Those FAQs originate from the stakeholders subject to the reporting requirements, the Platform on Sustainable Finance and national and European supervisory authorities. Through this Notice, the Commission intends to facilitate the compliance of stakeholders with the regulatory requirements in a cost-effective way and to ensure the usability and comparability of the reported information for scaling up sustainable finance. The Commission may update these FAQs where appropriate.

The replies to FAQs provided in this Notice clarify the rules already contained in the applicable legislation. The replies neither extend the rights and obligations deriving from such legislation, nor introduce any additional requirements for the operators and competent authorities. The replies to FAQs are merely intended to help financial undertakings implement the relevant legal rules. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law. The views expressed in this Notice cannot prejudge the position that the Commission might take before the Union and national courts.

Glossary of relevant terms and applicable legislation

Term	Reference
Accounting Directive	Directive 2013/34/EU[16]
AIF	Alternative investment fund
Annex I DDA	Annex I to the Disclosures Delegated Act
Annex II DDA	Annex II to the Disclosures Delegated Act
Annex III DDA	Annex III to the Disclosures Delegated Act
Annex IV DDA	Annex IV to the Disclosures Delegated Act
Annex V DDA	Annex V to the Disclosures Delegated Act
Annex VI DDA	Annex VI to the Disclosures Delegated Act
Annex VII DDA	Annex VII to the Disclosures Delegated Act
Annex VIII DDA	Annex VIII to the Disclosures Delegated Act
Annex IX DDA	Annex IX to the Disclosures Delegated Act
Annex X DDA	Annex X to the Disclosures Delegated Act
Annex XI DDA	Annex XI to the Disclosures Delegated Act
Annex XII DDA	Annex XII to the Disclosures Delegated Act
CapEx	Capital expenditure
CapEx KPI	Key performance indicator related to capital expenditure referred to in Section 1.1.2. of Annex I DDA
CCP	Central counterparty
Climate change adaptation (CCA)	Climate change adaptation (CCA) referred to in point (b) of Article 9 of the Taxonomy Regulation

[16] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

Climate change mitigation (CCM)	Climate change mitigation (CCM) referred to in point (a) of Article 9 of the Taxonomy Regulation
Climate Delegated Act	Commission Delegated Regulation (EU) 2021/2139[17]
Commission Notice on the Climate Delegated Act	Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act[18]
CRR	Capital Requirements Regulation[19]
CRD	Capital Requirements Directive[20]
CSD	Central securities depository
CSDR	Central Securities Depositories Regulation (EU) No 909/2014[21]
CSRD	Directive on corporate sustainability reporting[22]
Disclosures Delegated Act (DDA)	Commission Delegated Regulation (EU) 2021/2178[23]
DNSH	Do no significant harm

[17] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1–349).

[18] Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objective (C/2023/267) (OJ C 267, 20.10.2023, pp. 1-55).

[19] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1–337).

[20] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338–436).

[21] Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1–72).

[22] Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).

[23] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9–67).

EMIR	European Market Infrastructure Regulation (EU) 648/2012[24]
Enabling activities	Economic activities referred to in Article 16 of the Taxonomy Regulation
EuGB	European Green Bond issued in accordance with Regulation (EU) 2023/263[25]
Environmental Delegated Act	Commission Delegated Regulation (EU) 2023/2486[26]
GAR DS	Green asset ratio for debt securities to non-financial undertakings referred to in Section 1.2.1.1.(ii) of Annex V
GAR EH	Green asset ratio for equity instruments of credit institutions in non-financial undertakings referred to in Section 1.2.1.1.(iii) of Annex V
GAR L&A	Green asset ratio for lending activities to non-financial undertakings (*loans and advances*) referred to in Section 1.2.1.1.(i) of Annex V
IFRS	International Financial Reporting Standards
Key performance indicators (KPIs)	Key Performance Indicators (KPIs) of non-financial undertakings or financial undertakings referred to in the relevant Annex to the Disclosures Delegated Act
MiFID	Directive 2014/65/EU on markets in financial instruments[27]
OpEx	Operational expenditure
OpEx KPI	The key performance indicator related to operational expenditure referred to in Section 1.1.3. of Annex I DDA
Reporting undertaking	A non-financial undertaking subject to a reporting obligation in accordance with Article 8(1) of the Taxonomy Regulation

[24] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (OJ L 201, 27.7.2012, p. 1–59).
[25] Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (OJ L 2023/2631, 30.11.2023, p. 1).
[26] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L, 2023/2486, 21.11.2023).
[27] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

Second Commission Notice	Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice)[28]
Second Commission staff document	Commission staff document *"FAQs: How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act?"*[29]
Substantial contribution	A substantial contribution to one or more of the environmental objectives set out in Article 9 in accordance with Articles 10 to 16 of the Taxonomy Regulation
Sustainable Finance Disclosure Regulation (SFDR)	Regulation (EU) 2019/2088[30]
Taxonomy-aligned economic activity	An economic activity as defined in point (2) of Article 1 of the Disclosures Delegated Act
Taxonomy-eligible economic activity	An economic activity as defined in point (5) of Article 1 of Disclosures Delegated Act
Taxonomy-non-eligible economic activity	An economic activity as defined in point (6) of Article 1 of Disclosures Delegated Act
Taxonomy Regulation	Regulation (EU) 2020/852[31]
Transitional activities	Economic activities referred to in Article 10(2) of the Taxonomy Regulation
TSC	Technical screening criteria
Turnover KPI	The key performance indicator related to turnover referred to in Section 1.1.1. of Annex I DDA

[28] Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice) (C/2023/305) (OJ C305, 20.10.2023, p. 1-22).

[29]https://finance.ec.europa.eu/system/files/2022-01/sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en.pdf.

[30] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainabilityrelated disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1–16). roups (OJ L 330, 15.11.2014, p. 1–9).

[31] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13–43).

UCITS	Undertakings for collective investment in transferable securities

Financial undertakings

1. General questions

A. Scope of covered entities

1. Which KPIs should undertakings such as central counterparties (CCPs), central securities depositories (CSDs), leasing companies and payment institutions report? Should exposures to those entities be treated as exposures to financial or non-financial undertakings?

Where undertakings are subject to sustainability reporting as referred to in Articles 19a and 29a of the Accounting Directive, those undertakings need to assess which KPIs are applicable to them.

Undertakings that meet the definition of financial undertakings in accordance with Article 1(8) of the Disclosures Delegated Act (i.e. asset managers, credit institutions, investment firms, insurance and reinsurance undertakings) should report the specific KPIs as provided in the Disclosures Delegated Act. Undertakings that do not meet the definition of financial undertakings in accordance with Article 1(8) of the Disclosures Delegated Act, but which provide financial services, should be considered to be non-financial undertakings. They should report the KPIs of non-financial undertakings in accordance with Annexes I and II DDA.

Nevertheless, in addition to disclosing the mandatory KPIs for non-financial undertakings, such undertakings are encouraged to voluntarily disclose the KPIs for financial undertakings given that those KPIs could be a more relevant indicator of the Taxonomy-alignment of financial services that they provide.

Where the reporting undertaking provides functionally the same activities as a specific financial undertaking defined in Article 1(8) of the Disclosures Delegated Act, it may also voluntarily apply the KPIs pertaining to that financial undertaking. For instance, a reporting undertaking that provides banking services such as loans and financing may apply on a voluntary basis the provisions of the Disclosures Delegated Act relevant for credit institutions for the purpose of Taxonomy disclosures.

Also, where Member State law requires CCPs, CSDs, leasing companies or payment institutions to carry out their specific activities an authorisation pertaining to a financial undertaking, those undertakings are encouraged to apply the KPIs applicable to that category of financial undertaking. For example, where an authorisation is required by a Member State under Article 8 CRD to perform those activities, the undertaking may voluntarily apply the KPIs applicable to credit institutions (Annexes V and VI DDA).

Further explanations on how the KPIs for financial undertakings could be applied by entities providing financial services are provided in Annex I to this Notice.

B. Scope of the consolidation of disclosures

2. Should reporting financial undertakings that own other financial undertakings provide their Taxonomy disclosures based on regulatory or accounting level of group consolidation? What is the level of group consolidation of the reporting entity for the purpose of the Taxonomy disclosures?

In accordance with Annex V DDA, point 1.1.1. concerning the consolidation of the relevant KPIs for credit institutions, those institutions *"shall disclose relevant KPIs on the basis of the scope of their prudential consolidation determined in accordance with Regulation (EU) No 575/2013, Title II, Chapter 2, Section 2"*. Similarly, where parent undertakings and their subsidiaries are both financial undertakings other than credit institutions and that are subject to prudential regulation[32], they should make their disclosures based on the prudential consolidation. Where parent undertakings and their subsidiaries are both financial undertakings, but are not subject to prudential regulation, they should make their disclosures based on the accounting consolidation in accordance with Chapter 6 of the Accounting Directive.

Responses to questions 9 to 12 of the second Commission Notice covering the level of consolidation of the KPIs of non-financial undertakings and to question 7 of this Notice are also relevant for financial undertakings.

C. Taxonomy-assessment of exposures to individual undertakings

3. Should financial undertakings calculate two KPIs for investments or exposures, one based on the turnover KPIs and one based on CapEx KPIs of investee companies or counterparties? Or should financial undertakings combine the values from the turnover and CapEx KPIs of investee companies or counterparties into a single KPI?

The Disclosures Delegated Act specifies the methodology for the assessment in the KPIs of exposures where the use of proceeds is known or unknown.

Article 7(4), subparagraph 2, of the Disclosures Delegated Act provides that exposures to financial instruments whose purpose is not to finance specific identified activities (unknown use of proceeds) should be included in the numerator of the relevant KPI weighted by the turnover KPI and CapEx KPI of the issuer, in accordance with the methodology laid down in Annexes III, V, VII, and IX DDA. For certain KPIs of credit institutions and investemnet firms, the methodology stipulates the use of KPI of the counterparty instead of the KPI of the issuer. In addition, in

[32] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1); Directive 2014/65/EU (MiFID); Regulation (EU) No 575/2013 (CRR).

accordance with paragraph (4) of Section 1.2.1. of Annex V DDA, exposures that are loans and advances, debt securities, equities and reposesed collateral financing Taxonomy-aligned economic activities should be included in the numerator of the relevant KPI based on turnover KPI and CapEx KPI of underlying assets.

Financial undertakings should therefore compute and disclose two separate sets of KPIs:

- a turnover-based KPI where the weighting of exposures with unknown use of proceeds is based on the turnover KPIs of the relevant issuers/counterparties; and
- a CapEx-based KPI where the weighting of exposures with unknown use of proceeds is based on the CapEx KPIs of the relevant issuers/counterparties.

Exposuresthat have the purpose of financing specific identified activities (known use of proceeds) should enter the numerators of both separate sets of KPIs of the financial undertaking, turnover-based and CapEx based, respectively, to the extent those exposures finance Taxonomy-aligned activities, without further weighting by the KPI of the issuer/counterparty.[33]

Therefore, for the calculation of the numerator of their KPIs financial undertakings should include exposures as follows:

- the numerator of turnover-based KPIs should equal (i) the amount of exposures with known use of proceeds financing Taxonomy-aligned activities plus (ii) the amount of exposures with unknown use of proceeds weighted with the turnover KPIs of the relevant issuers/counterparties;
- the numerator of CapEx-based KPIs should equal (i) the amount of exposures with known use of proceeds financing Taxonomy-aligned activities plus (ii) the amount of exposures with unknown use of proceeds weighted by the CapEx KPIs of the relevant issuers/counterparties.

More information per type of financial undertaking is provided below.

Asset managers

In accordance with the last subparagraph of section 1.2. of Annex III DDA, asset managers should disclose two separate KPIs based on the turnover and CapEx KPIs of investee companies. The calculations for these turnover-based and CapEx-based KPIs are specified per type of investee company in Section 1.1. of Annex III DDA, points (a) to (e).

This is reflected accordingly in the reporting template set out in Annex IV DDA, which requires reporting undertakings tocompleteKPI values based separately on the turnover and CapEx KPIs of investee companies (i.e. in the first row as well as in the sections "Additional complementary disclosures: breakdown of numerator of the KPI" and "Breakdown of the numerator of the KPI per environmental objective").

[33] For example, an exposure with known use of proceeds financing a Taxonomy-aligned activity of 100 million EUR should be included in both the numerator of the turnover-based and CapEx-based KPI - in the same amount - without weighting the KPI of the respective issuer/counterparty.

Insurance and reinsurance undertakings

In accordance with points (a) to (e) of the fifth paragraph of Section 1 of Annex IX DDA, insurance and reinsurance undertakings should disclose the KPI related to investments separately based on the turnover and CapEx KPIs of their investee companies. The calculations for the turnover-based and CapEx-based KPIs of investee companies are specified in those points per type of investee company.

This is reflected accordingly in the first row of the reporting template set out in Annex X DDA, which requires reporting undertakings to complete of KPI values based separately on turnover-based and CapEx-based KPIs (i.e. in the first row as well as in the sections "Additional complementary disclosures: breakdown of numerator of the KPI" and "Breakdown of the numerator of the KPI per environmental objective").

Investment firms

In accordance with section 2.4. of Annex VII DDA, investment firms should compute the GAR for their services and activities dealing on own account by relying on the turnover KPI and CapEx KPI of investee undertakings for each environmental objective.

The calculations for the turnover-based and CapEx-based KPIs of investee companies are specified per type of investee company in Annex VII DDA, section 2.4., third paragraph, points (a) to (e). The KPIs for investment firms' activities other than dealing on own accounts should be calculated *mutatis mutandis* using turnover-based and CapEx-based KPIs of counterparties of their clients (see Annex VII DDA, section 3.3.).

This is reflected accordingly in the disclosure templates for KPIs of investment firms. KPI values based on the turnover and CapEx KPIs of the counterparty should be disclosed, respectively, in the fourth and fifth columns of template 0 (*Summary of KPIs*) of Annex VIII DDA. In addition, investment firms should duplicate template 1 (*KPI IF – Dealing on own account services*) and template 2 (*KPI IF Other services*) for turnover-based and CapEx-based disclosures.

Credit institutions

For credit institutions, details of the calculations for the turnover-based and CapEx-based KPIs of underlying assets are set out in Annex V DDA for each component of the relevant KPI. For instance, with respect to the GAR for on-balance sheet exposures, Annex V DDA, Section 1.2.1., fourth paragraph, point (a), provides that the numerator of the KPI should cover the loans and advances, debt securities, equities and repossessed collaterals financing Taxonomy-aligned economic activities based on the turnover and CapEx KPIs of the underlying assets.

This is reflected accordingly in the disclosure templates for KPIs of credit institutions. KPI values based on turnover and CapEx KPIs of the counterparty should be disclosed, respectively, in the fourth and fifth columns of template 0 (*Summary of KPIs*) of Annex VI DDA. In addition, credit institutions should duplicate templates 3 (*GAR KPI stock*), 4 (*GAR KPI flow*), 5 (*KPI off-balance sheet exposures*), 6 (*KPI on fees and commissions income from services other than lending and* *asset management*) and 7 (*KPI Trading book portfolio*) for turnover-based and CapEx-based disclosures, as clarified in the footnotes to the relevant template.

4. What KPI should a financial undertaking use to assess its exposure to another financial undertaking that reports one or more KPIs? When computing exposures to an insurance or reinsurance undertaking, how should a financial undertaking combine investment and underwriting KPIs for the purpose of assessing that exposure?

As specified in question 3 of this Notice, financial undertakings should compute their turnover-based and CapEx-based KPIs using, respectively, the turnover-based and CapEx-based KPIs of the respective issuers/counterparties to assess the Taxonomy-alignment of their exposures[34] to them. This also applies if they are other financial undertakings, as further specified below.

Exposures to asset managers

In accordance with the respective provisions of the Disclosures Delegated Act[35], where reporting financial undertakings have exposures to an asset manager, those financial undertakings should use, respectively, the turnover-based and CapEx-based KPIs of the counterparty asset manager to assess the Taxonomy-alignment of their exposures to that counterparty asset manager.

Similarly, where the financial undertakings invest in or lend to an UCITS or AIF, the reporting financial undertakings should use, respectively, the turnover-based and CapEx-based KPIs of the asset manager that manages that UCITS or AIF to compute their own KPIs.

Exposures to credit institutions

In accordance with the respective provisions of the Disclosures Delegated Act[36], where reporting financial undertakings have exposures to a credit institution, those financial undertakings should use, respectively, the turnover-based and CapEx-based GAR of the counterparty credit institution (i.e. the Total GAR of the counterparty) to assess the Taxonomy-alignment of their exposures to that counterparty credit institution.

Reporting financial undertakings should use a weighted average of the respective counterparty credit institution's applicable turnover-based and CapEx-based KPIs, where financial undertakings have exposures to that counterparty credit institution whose total GAR (i.e. total GAR on loan/debt/equity instruments in the banking book) is not applicable because:

- the business model of that counterparty credit institution does not cover the activities that create loan/debt/equity exposures in a banking book (e.g. investment banking), or

[34] Where the use of proceeds is unknown.

[35] point (b) of Section 1.1. of Annex III DDA for asset managers; seventh paragraph of Section 1.2.1.2 of Annex V DDA for credit institutions; point (b) in Section 2.4 of Annex VII DDA for investment firms; for financial undertakings that point (b) of fifth paragraph of Section 1 of Annex IX DDA for insurance or reinsurance undertakings.

[36] point (c) of Section 1.1. of Annex III DDA for asset managers; fifth paragraph of Section 1.2.1.2 of Annex V DDA for credit institutions; point (c) in Section 2.4 of Annex VII DDA for investment firms; point (c) of fifth paragraph of Section 1 of Annex IX DDA for insurance and reinsurance undertakings.

- the total GAR of that counterparty credit institution is not material in the business model of that counterparty.

To comply with the the last indent of Annex XI DDA, the counterparty credit institution should compute and disclose in the accompanying contextual information both a turnover-based and CapEx-based weighted average of the applicable KPIs with the weightings in accordance with the proportion of the revenue derived from the activities covered by the corresponding KPIs in its total turnover.

For example, a counterparty credit institution active in investment banking could derive:

- 50% of its total revenue from activities referred to in Section 1.2.3. of Annex V (KPIs on services other than lending – Fees and Commissions (F&C KPI));
- 30% of its total revenue from activities referred to in Section 1.2.4. of Annex V (GAR for the trading portfolio); and
- 20% of its total revenue from activities referred to in Section 1.2.2.2. of Annex V (Green ratio for assets under management (AuM KPI)).

To assess their exposures to such a counterparty credit institution, reporting financial undertakings should use the turnover-based and CapEx-based weighted average of the applicable KPIs of the counterparty credit institution that the counterparty credit institution should compute as follows:

- Turnover-based weighted average of applicable KPIs = its Fees and Commissions KPI (turnover-based) multiplied by 50% + its GAR for trading portfolio (turnover-based) multiplied by 30% + its AuM KPI (turnover-based) multiplied with 20%;
- CapEx-based weighted average of applicable KPIs = its Fees and Commissions KPI (CapEx-based) multiplied by 50% + its GAR for trading portfolio (CapEx-based) multiplied with 30% + its AuM KPI (CapEx-based) multiplied by 20%.

Exposures to investment firms

In accordance with the relevant provisions of the Disclosures Delegated Act[37], where reporting financial undertakings have exposures to an investment firm, those financial undertakings should use, respectively, the turnover-based and CapEx-based KPIs of the counterparty investment firm to assess the Taxonomy-alignment of their exposures to that counterparty investment firm. The investment firm should publish in the accompanying contextual disclosures, referred to in the last indent of Annex XI DDA, the turnover-based KPI and a CapEx based KPI that should be computed as follows:

- the turnover-based KPI of the investment firm should be computed as a weighted average of the turnover-based KPI of the investment firm on activities of dealing on own account and turnover-based KPI of the investment firm on activities other than dealing on own

[37] point (d) of Section 1.1. of Annex III DDA for asset managers; sixth paragraph of Section 1.2.1.2 of Annex V DDA for credit institutions; point (d) in Section 2.4 of Annex VII DDA for investment firms; point (d) of fifth paragraph of Section 1 of Annex IX DDA for insurance and reinsurance undertakings.

account with weightings in accordance with the proportion of revenue from activities dealing on own account and the proportion of revenue from activities other than dealing on own account in the total revenue (income) of the investment firm;

- the CapEx-based KPI of the investment firm should be computed as a weighted average of the CapEx-based KPI of the investment firm on activities of dealing on own account and CapEx-based KPI of the investment firm on activities other than dealing on own account with weightings in accordance with the proportion of revenue from activities dealing on own account and the proportion of revenue from activities other than dealing on own account in the total revenue (income) of the investment firm.

Exposures to insurance and reinsurance undertakings

In accordance with the relevant provisions of the Disclosures Delegated Act[38], where reporting financial undertakings have exposures to an insurance or a reinsurance undertaking pursuing only activities of life-insurance or reinsurance provisioning, to assess the Taxonomy-alignment of their exposures to that insurance or reinsurance undertaking the reporting financial undertakings should use, respectively, the turnover-based and CapEx-based KPI on investments of the counterparty insurance or reinsurance undertaking.

Where financial undertakings have exposures to an insurance or a reinsurance undertaking pursuing activities of non-life insurance provisioning (or providing both life and non-life services), the reporting financial undertakings should use, respectively, the turnover-based and CapEx-based KPIs of the counterparty insurance or reinsurance undertaking to assess the Taxonomy-alignement of their exposures to that counterparty insurance or reinsurance undertaking.

To comply with the the last indent of Annex XI DDA, the insurance or reinsurance undertaking should disclose in its contextual information, a turnover-based KPI and CapEx-based KPI that should be computed as follows:

- the turnover-based KPI of the insurance or reinsurance undertaking should be computed as the weighted average of the turnover-based KPI on investments of the insurance or reinsurance undertaking and the KPI on non-life underwriting of the insurance or reinsurance underwriting with weightings in accordance with the proportion of revenue that the insurance or reinsurance undertaking derives from its investing activities and the proportion of revenue the insurance or reinsurance undertaking derives from its non-life underwriting activities in the total revenue of the insurance or reinsurance undertaking;
- the CapEx-based KPI of the insurance or reinsurance undertaking should be computed as weighted average of the CapEx-based KPI on investments of the insurance or reinsurance undertaking and of the KPI on non-life underwriting of the insurance or reinsurance underwriting with weightings in accordance with the proportion of revenue that the insurance or reinsurance undertaking derives from its investing activities and the

[38] point (e) of Section 1.1. of Annex III DDA for asset managers; eighth paragraph of Section 1.2.1.2 of Annex V DDA for credit institutions; point (e) in Section 2.4 of Annex VII DDA for investment firms; point (e) of fifth paragraph of Section 1 of Annex IX DDA for insurance or reinsurance undertakings.

proportion of revenue that the insurance or reinsurance undertaking derives from its non-life underwriting activities in the total revenue of the insurance or reinsurance undertaking.

5. What should financial undertakings report if counterparty entities' KPIs are not publicly available or are inaccurate? For instance, how should financial undertakings report in their KPIs disclosed in 2024 their exposures to other counterparty financial undertakings, which will need to report their respective KPIs only as of 2024?

In accordance with Article 8(4) of the Disclosures Delegated Act, financial undertakings must use the most recently available information and KPIs of their counterparties for their Taxonomy-alignment reporting. There may be circumstances where KPIs of underlying entities or counterparties are not readily or publicly available. For example, where KPIs of reporting financial undertakings are calculated based on exposures to other financial undertakings, those reporting financial undertakings may not have all the information publicly available to enable them to make their own Taxonomy-alignment disclosures in the first reporting cycle (in 2024).

Where the most recent KPIs of counterparties that are required to report Taxonomy KPIs as part of their sustainability reporting under Articles 19a and 29a of the Accounting Directive are not publicly or readily available, financial undertakings that rely on those KPIs for their own reporting are encouraged to contact those counterparties. Any exchanges of information should comply with the Union competition rules.

If financial undertakings are nonetheless unable to obtain relevant KPIs from the counterparty in question or these remain unfit for the purpose of calculating their own KPIs, financial undertakings should use the most recently available KPIs disclosed in the previous year(s). Where such KPIs from previous years are also unavailable[39] , the exposure should be considered as non-eligible or not aligned, i.e. financial undertakings should enter a 'zero' value in the numerator of the relevant KPI without any further assessment. Such disclosure should be accompanied by contextual information as part of the financial undertaking's qualitative disclosures (which includes information on data sources and limitation) in accordance with Annex XI DDA. In addition to reporting a 'zero' value in this case as part of their mandatory disclosures, reporting financial undertakings could choose to estimate their Taxonomy-alignment and report that information voluntarily, separately from their mandatory disclosures[40].

6. How should financial undertakings treat restatements of KPIs (i.e. corrections of KPIs already published) by their counterparties? Do financial undertakings have to recalculate

[39] For instance, the KPIs of financial counterparty undertakings are not yet available for the first reporting cycle of financial undertakings in 2024, for which only the ratio of Taxonomy-eligibility, but not of Taxonomy-alignment is available as disclosed in the 2022 and in the 2023 reporting cycles by those counterparty undertakings.

[40] Voluntary reporting should not contradict or misrepresent mandatory information under the Disclosures Delegated Act. It should also not be more prominent than mandatory disclosures. If an undertaking includes voluntary reporting, it should add supporting detail to it setting out the basis for this disclosure, the methods used for its preparation, and a clear explanation of how it differs from mandatory reporting.

and restate their KPIs from the previous year whenever their counterparties restate their respective KPIs from the previous year?

The Disclosures Delegated Act requires financial undertakings to use the KPIs disclosed by their counterparties when they calculate their own KPIs, notably the GAR. Non-financial undertakings are required to explain why changes in calculations of their KPIs since the previous reporting period result in more reliable and relevant information and provide for restated comparative figures (cf. Section 1.2.1. of Annex I DDA).

In accordance with Article 8(4) of the Disclosures Delegated Act, financial undertakings must use the most recently available information provided by their counterparties for their alignment reporting. Where, for instance, counterparty non-financial undertakings are required to restate prior year information or KPIs in accordance with Section 1.2.1. of Annex I DDA, the latest available data for the reporting financial undertakings would need to include those restated figures or KPIs.

Reporting financial undertakings would need to restate their own KPIs only to the extent the restated figures or KPIs from the counterparty undertakings have a material impact on the calculation of the reporting financial undertakings' KPIs. Reporting financial undertakings should therefore assess on a case-by-case basis whether the restated figures or KPIs from counterparty undertakings have such a material impact on their own KPI(s), and provide for restated comparative figures and KPIs accordingly.

D. Taxonomy-assessment of groups

a. KPIs to be reported by parent undertakings

7. Which KPIs should be reported by parent undertakings of groups, such as financial conglomerates, that have several activities and business segments at group level such as asset management, investment firm, insurance, and banking activities?

Parent undertakings of large groups referred to in Article 3(7) of the Accounting Directive that need to prepare a consolidated sustainability reporting in accordance with Article 29a of that Directive should cover all the subsidiaries of their group in accordance with Chapter 6 of the Accounting Directive (see also the response to question 8). Those reporting parent undertakings should include consolidated Taxonomy disclosures in their consolidated sustainability reporting.

The parent entities of financial conglomerates should follow the prudential scope of consolidation for their activities that fall under prudential regulation and report at group level the consolidated KPIs of their respective business segments. For example, reporting parent undertakings of a financial conglomerate with business segments related to asset management, banking, investment firms or insurance activities carried out by their subsidiaries should report those activities at the consolidated level. Hence, they should report:

- KPIs referred to in Annexes III and IV DDA consolidated for their asset management activities performed by subsidiaries that are alternative investment fund managers (AIFMs) or UCITS management companies (asset managers);
- KPIs referred to in Annexes V and VI DDA consolidated for their banking activities performed by subsidiaries that are credit institutions;
- KPIs referred to in Annexes VII and VIII DDA consolidated for their investment firm activities, performed by subsidiaries that are investment firms; and
- KPIs referred to in Annexes IX and X DDA consolidated for their insurance and reinsurance undertaking activities performed by subsidiaries that are insurance or reinsurance undertakings.

Moreover, to fulfil their requirements of reporting at group consolidated level and facilitate the Taxonomy disclosures by their investors and creditors (see question 11 below), the reporting parent undertakings should compute, and publish in the contextual disclosures referred to in Annex XI DDA, a consolidated group-level KPI[41] in the form of a weighted average of the corresponding KPIs for, where applicable, asset management, banking, investment, and insurance and reinsurance activities with weightings in accordance with the proportion of turnover derived from the corresponding activities in the total consolidated turnover of the conglomerate[42].

A numerical example of how to compute a consolidated group-level KPI on Taxonomy-aligned activities in the form of a weighted average of KPIs is provided in Annex II to this Notice.

8. How should the reporting apply for a reporting parent undertaking with multiple subsidiaries of which (i) some are subject to Articles 19a or 29a of the Accounting Directive, but make use of the exemption from reporting sustainability information, and (ii) others are not subject to Articles 19a or 29a of the Accounting Directive?

As set out in question 7 of this Notice, reporting parent undertakings should include in their consolidated Taxonomy disclosures all subsidiaries from their group, including those that make use of the exemption from reporting sustainability information under Article 29a(8) of the Accounting Directive and those subsidiaries that are not subject to Articles 19a or 29a of the Accounting Directive.

In addition, responses to questions 11 and 12 of the second Commission Notice covering non-financial undertakings are also pertinent for financial undertakings. In particular, the response to question 11 states: *'Currently, undertakings that are exempt from publishing non-financial information pursuant to paragraph (3) of Article 19a and paragraph (3) of Article 29a of the*

[41] Those KPIs should cover turnover-based and CapEx-based KPIs on Taxonomy-aligned activities and their breakdown per environmental objective, Taxonomy-eligible but not Taxonomy-aligned activies, and Taxonomy non-eligible activities.

[42] The methodology is the same as that described in the response to question 9.

Accounting Directive[43] *are also exempted from making Taxonomy related disclosures under Article 8(1) of the Taxonomy Regulation, if the conditions in those provisions are met (i.e. the Taxonomy-related disclosure of the exempted undertaking is included in the consolidated non-financial statement, or a separate report, of another (parent) undertaking).'*

The response to question 12 states that: *"The parent undertakings must also indicate which subsidiaries included in the consolidation are exempted from individual or consolidated sustainability reporting pursuant to paragraph (9) of Article 19a or paragraph (8) of Article 29a respectively. In such situations, the consolidated sustainability reporting should also provide subsidiary level Taxonomy KPIs in the contextual information."*

9. What KPIs should be reported by a reporting parent undertaking which has different types of non-financial and financial subsidiaries?

A parent reporting undertaking which has financial and non-financial subsidiaries should:

- consolidate the activities of its financial subsidiaries and report the corresponding KPIs pertaining to financial undertakings as clarified in responses to questions 2, 7 and 9 of this Notice, and,
- separately, consolidate the activities of its non-financial subsidiaries and report corresponding KPIs pertaining to non-financial undertakings as clarified in responses to questions 9 to 12 of the second Commission Notice.

Moreover, to fulfil their requirements to report at group consolidated level and facilitate the Taxonomy disclosures by their investors and creditors (see question 8 of this Notice), the reporting parent undertakings should compute, and publish in the contextual disclosures referred to in Annex XI DDA a consolidated group-level KPI[44] in the form of a weighted average of:

- the KPIs, turnover-based and CapEx-based respectively, related to financial economic activities following the approach laid down in the response to question 3 of this Notice with weightings for those KPIs corresponding to the proportion of turnover derived from the financial economic activities in the total consolidated turnover of the group, where applicable, for asset management, banking, investment, and insurance and reinsurance activities[45]; and

- the consolidated turnover and CapEx KPIs, respectively, related to non-financial economic activities with weights corresponding to the proportion of turnover derived from those activities in the total consolidated turnover of the group.

[43] These provisions have been amended by the CSRD. Following the entry into application of the CSRD, the relevant references to these exemption rules will be Article 19a(9) and Article 29a(8) of the Accounting Directive.
[44] Those KPIs should cover turnover-based and CapEx-based KPIs on Taxonomy-aligned activities and their breakdown per environmental objective, Taxonomy-eligible but not Taxonomy-aligned activies, and Taxonomy non-eligible activities.
[45] The methodology is analogous to that described in question 9.

A numerical example of how to compute the consolidated group-level KPI on Taxonomy-aligned activities in the form of a weighted average of KPIs is provided in Annex II to this Notice.

10. How should reporting parent undertakings adjust Taxonomy disclosures where the activities of one or more subsidiaries differ from the overall business model of the group ?

The response provided to question 12 of the second Commission Notice covering non-financial undertakings is also relevant for financial undertakings: *"Under paragraph (4) of Article 29a of the Accounting Directive as amended by CSRD, if the parent undertaking identifies significant differences between the risks or impacts of the group and the risks or impacts of one or more of its subsidiaries, the parent must provide an adequate understanding of the risks and impacts of these subsidiaries. The parent undertakings must also indicate which subsidiaries included in the consolidation are exempted from annual or consolidated sustainability reporting pursuant to paragraph (9) of Article 19a or paragraph (8) of Article 29a respectively. In such situations, the consolidated sustainability reporting should also provide subsidiary level Taxonomy KPIs in the contextual information."*

b. _Taxonomy assessment of exposures to parent undertakings_

11. Which KPIs should be considered for exposures of financial undertakings to the parent undertaking of a group, such as a financial conglomerate, with subsidiaries providing insurance, banking, investment or asset management services or exposures to a subsidiary of that parent?

Financial undertakings should use (i) the consolidated group-level KPI in the form of a weighted average of KPIs of the parent undertaking referred to in Annex XI DDA (see also response to questions 7 and 9 of this Notice) and (ii) the amount of the exposures to that group to compute those exposures in their own respective KPIs.

Where the investment or exposure of a financial undertaking relates to a subsidiary of a financial conglomerate and not to the parent, the reporting undertakings should ensure that they use the KPIs providing the most representative view of the actual activities of their investee companies. This may lead reporting undertakings to use either the subsidiary-level KPIs as explained in the responses to questions 8 and 10 of this Notice (which refer to the response to question 12 of the second Commission Notice) or the group-level KPIs when those subsidiary-level KPIs are not available.

12. Which KPIs should be considered for exposures of financial undertakings to the parent undertaking of a mixed group with subsidiaries providing financial services, such as insurance, banking, investment or asset management services and non-financial activities?

Given that the consolidated group-level KPI in the form of aweighted average of KPIs referred to in Annex XI DDA represents the business activities of a group (see also the response to question

9 of this Notice), financial undertakings should use (i) that consolidated group-level KPI reported by the parent undertaking of the mixed group and (ii) the amount of the exposures to that mixed group to compute those exposures in their own respective KPIs.

Where the investment or exposure of reporting undertakings relates to a subsidiary of a mixed group, the reporting undertakings should ensure that they use the KPIs providing the most relevant and representative view of the actual activities of their investee companies. This may lead those undertakings to use either the subsidiary-level KPIs as explained in the responses to questions 8 and 10 of this Notice (which refer to the response to question 12 of the second Commission Notice) or the group-level KPI when those subsidiary-level KPIs are not available.

E. Taxonomy-assessment of specific exposures

a. Exposures to entities subject to Articles 19a or 29a of the Accounting Directive

13. How should financial undertakings assess their exposures towards:

- **an undertaking that is not subject to Articles 19a or 29a of the Accounting Directive on an individual basis, but which is the subsidiary of a parent undertaking that is subject to those provisions;**
- **a subsidiary subject to Article 19a of the Accounting Directive on an individual basis, but which is exempted from publishing sustainability reporting on grounds that its parent does so on a consolidated basis?**

The exclusion, laid down in Article 7(3) of the Disclosures Delegated Act, of exposures to undertakings that are not subject to publish sustainability reporting pursuant to Articles 19a or 29a of the Accounting Directive is justified by the unavailability of KPIs for a counterparty of a financial undertaking and the need to avoid undue reporting burdens from a counterparty to a financial undertaking.

The response to question 12 of the second Commission Notice covering non-financial undertakings is pertinent in the context of exposures to subsidiaries that do not report KPIs or where the activities of subsidiaries differ from the overall business model of the group: *"Under paragraph (4) of Article 29a of the Accounting Directive as amended by CSRD, if the parent undertaking identifies significant differences between the risks or impacts of the group and the risks or impacts of one or more of its subsidiaries, the parent must provide an adequate understanding of the risks and impacts of these subsidiaries. The parent undertakings must also indicate which subsidiaries included in the consolidation are exempted from annual or consolidated sustainability reporting pursuant to paragraph (9) of Article 19a or paragraph (8) of Article 29a respectively.* ***In such situations, the consolidated sustainability reporting should also provide subsidiary level Taxonomy KPIs in the contextual information (emphasis added).****"*

For assessing the exposures from financial instruments and lending where the use of proceeds is unknown, financial undertakings should ensure that they use the KPIs providing the most relevant and representative view of their investee companies' actual activities.

Where a subsidiary has a parent or an ultimate parent undertaking that reports KPIs under Article 8 of the Taxonomy Regulation and the Disclosures Delegated Act, the exposure of a financial undertaking to that subsidiary should be included in the numerator of the relevant KPIs of that financial undertaking. Therefore, financial undertakings should use the KPI of the subsidiary disclosed by its parent or ultimate parent or, where the KPI of the subsidiary is not available, the KPIs of the closest reporting parent undertaking to assess the exposures of a financial undertaking to that subsidiary in accordance with the relevant Annex to the Disclosures Delegate Act.

In case of exposures to a subsidiary of a parent undertaking that falls under the scope of Article 19a of the Accounting Directive, but where that subsidiary is exempted from sustainability reporting at individual level on grounds that its parent does so on a consolidated basis in accordance with Article 19a(9) of the Accounting Directive, financial undertakings should use the KPI of the subsidiary disclosed by its parent in the contextual information.

For the assessment of exposures from instruments and lending where the use of proceeds is known, the reporting financial undertaking should assess the extent of the Taxonomy-alignment of the economic activities and assets financed in accordance with the relevant provisions of the Disclosures Delegated Act.

b. Exposures to Special Purpose Vehicles

14. How should exposures to special purpose vehicles ('SPVs') be treated? Do financial undertakings have to assess specialised lending/project financing for the purpose of Taxonomy-alignment reporting?

Disclosure obligations of financial undertakings under the Disclosures Delegated Act are intended to provide information about the extent to which their investments or financing are funding Taxonomy-aligned activities. This means that, for the purpose of the disclosures required by the Disclosures Delegated Act, financial undertakings should look through their investments and assets to assess those investee undertakings that are the ultimate beneficiaries and their taxonomy-aligned activities.

Financial undertakings should include in their Taxonomy assessment exposures to SPVs that finance entities subject to Article 19a or 29a of the Accounting Directive or that belong to a group where the parent of the SPV is subject to Article 29a of that Directive on a consolidated group level[46].

This implies that for lending and investments, where the use of proceeds is unknown, financial undertakings should use the KPIs of the undertaking that is the ultimate beneficiary of the financing that controls a SPV or, where those KPIs are not available, the KPIs of its reporting parent undertaking to assess their exposure to that SPV. For financing and investments where the use of proceeds is known, financial undertakings should take into account the Taxonomy-

[46] If an SPV is financing several undertakings, the exposure towards the SPV should be included in the numerator of KPIs of financial undertakings if at least one financed undertaking consolidates the SPV and is subject to Article 19a or 29a of the Accounting Directive.

alignment of the economic activities financed through a SPV to assess their exposure to that SPV (see reply to question 3 of this Notice).

For the purpose of disclosures of the breakdowns of the numerator of their KPIs per type of issuer/counterparty, financial undertakings should include such exposures in the appropriate rows of their respective Taxonomy reporting templates. These should correspond to the type of entities whose KPIs the financial undertaking applies to that exposure, or whose assets are financed.

If the ultimate beneficiary is an undertaking that is not subject to Article 19a or 29a of the Accounting Directive or if its ultimate parent undertaking is not subject to these Articles, exposures toward SPVs should be excluded from the numerator of the KPIs of financial undertakings in accordance with Article 7(3) of the Disclosures Delegated Act with the exception of bonds and debt securities exposures referred to in Article 7(4) ofthat Delegated Act. However, the Taxonomy-alignment of those exposures could be reported on a voluntary basis.

c. ***Public authorities***

15. How should exposures of financial undertakings to regional governments and to entities controlled by States be treated?

Article 7(1) of the Disclosures Delegated Act only excludes exposures to central governments, central banks and supranational issuers from the calculation of the numerator and denominator of the KPIs of financial undertakings. The reference to central governments includes all administrative departments of the State and other central agencies whose competence extends normally over the whole economic territory of the given State. Consequently, exposures to regional governments, municipalities or undertakings whose owners or shareholders are those that are referred to in Article 7(1) of the Disclosures Delegated Act are not covered by that exclusion.

Therefore, financial instruments or lending, where the use of proceeds is known, financing regional and local public authorities should be included in the numerator of the KPIs of financial undertakings to the extent that the instruments or lending are Taxonomy-aligned. All instruments or lending, where the use of proceeds is known, financing those authorities should be included in the denominator of the KPIs of financial undertakings. However, lending or financing where the use of proceeds is unknown should be excluded from the numerator and the denominator of the KPIs of financial undertakings.

d. ***EU undertakings and non-EU undertakings not subject to Articles 19a or 29a of the Accounting Directive***

16. How should financial undertakings reflect in their KPIs exposures to EU and non-EU undertakings that are not subject to sustainability reporting in accordance with Articles 19a or 29a of the Accounting Directive?

Do bonds issued by undertakings not subject to sustainability reporting in accordance with Articles 19a or 29a of the Accounting Directive have to be issued as EuGB to be included in the numerator of the GAR (Section 1.2.1.1., point (ii), of Annex V DDA)?

How should financial instruments (loans) where the use of proceeds is known financing those undertakings be assessed?

In accordance with Article 7(3) of the Disclosures Delegated Act, exposures to undertakings (including non-EU undertakings) which do not fall under Articles 19a and 29a of the Accounting Directive are excluded from the numerator but included in the denominator of the KPIs of financial undertakings. This treatment will be reviewed in accordance with Article 9 of the Disclosures Delegated Act.

However, Article 7(4) of the Disclosures Delegated Act states: *"Without prejudice to paragraph 1, environmentally sustainable bonds or debt securities with the purpose of financing specific identified activities that are issued by an investee undertaking shall be included in the numerator of KPIs up to the full value of Taxonomy-aligned economic activities that the proceeds of those bonds and debt securities finance, on the basis of information provided by the investee undertaking."* Therefore, financial undertakings should include in the numerator of their KPIs the proceeds of environmentally sustainable bonds and debt securities whose purpose is to finance specific identified activities and assets regardless of whether or not the issuer is an undertaking subject to sustainability reporting in accordance with Articles 19a or 29a of the Accounting Directive. Such environmentally sustainable bonds may be issued as EuGB or in accordance with public or private standards and initiatives.

Moreover, the Disclosures Delegated Act does not prevent financial undertakings from including voluntary information or estimates as part of voluntary disclosures about the Taxonomy-alignment of their exposures to entities that are currently excluded from the scope of the numerator of KPIs in accordance with Article 7(3) of the Disclosures Delegated Act. Such information must always be reported separately from mandatory disclosures under the Disclosures Delegated Act. In addition, for environmentally sustainable bonds and debt instruments, financial undertakings may use estimates for assessing the Taxonomy-alignment of their exposures to undertakings established in a third country that are not subject to sustainability reporting pursuant to Articles 19a and 29a of the Accounting Directive, under the conditions specified in Article 7(7) of the Disclosures Delegated Act.

e. Real estate

17. How can real estate leases be treated in the calculation of KPIs?

Depending on the lease contract, accounting rules distinguish between finance lease and operating lease. Treatment of leasing in the Disclosures Delegated Act follows the accounting rules of IFRS 16. In the context of finance lease, the lessee recognises the leased asset as a right-of-use asset at the commencement of the lease contract[47]. Correspondingly, Section 1.1.2.1. of Annex I DDA includes additions to right-of-use assets in the CapEx denominator of the lessee since they represent additions to tangible and intangible assets.

[47] Lessee also recognises lease liability equal to the net present value of lease payments. During the course of the lease, lessee splits lease payments into reduction of the lease liability and interest expense on the lease liability. Interest expense on the lease liability and depreciation of leased asset are accounted for as costs by the lessee.

In accordance with IFRS 16, at the commencement date, a lessor should recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease, i.e. net present value of lease payments. Correspondingly, for the purpose of Taxonomy KPIs, financial undertakings providing finance leases should treat assets held under a finance lease as an exposure (loan & advance) where the use of proceeds is known, and include them in the denominator of their GAR. They should include them in the numerator of their GAR to the extent the leased assets are Taxonomy-aligned (see also response to question 1 of this Notice)[48].

For the purposes of their Taxonomy KPIs, parties to real estate leases should thus consider the way, in which they account for the asset in their financial statements. NACE code L68 quoted in Section 7.7. ("Acquisition and ownership of buildings") of the Climate Delegated Act also covers leased real estate.

18. How should financial undertakings report investments in real estate assets which are not collateralised by residential property?

The exposures of credit institutions to real estate assets which are collateralised by residential property are specified in Section 1.2.1.3. of Annex V DDA. Loans pertaining to construction and real estate activities referred to in Section 7 of Annex I to the Climate Delegated Act with equivalent arrangements to collateralisation by residential property (e.g. mortgage), such as loans with third-party guarantees should also be included in this calculation. Beside this, financial undertakings should report the following real estate exposures:

- Credit institutions: repossessed real estate collaterals (Annex V DDA, Section 1.2.1.5.);
- Asset managers, investment firms, insurance and reinsurance undertakings: investments in real estate to the extent and in the proportion in which they finance Taxonomy-aligned economic activities (see in particular Annex III DDA, Section 1.1., fourth paragraph; Annex VII DDA, Section 2.4., sixth paragraph; Annex IX DDA, Section 1, seventh paragraph)

The values recorded in the numerator and denominator should follow the accounting classification of such investments.

19. The criteria for substantial contribution to CCM in Section 7.1. ("Construction of new buildings") and Section 7.7. ("Acquisition and ownership of buildings") of the Climate Delegated Act refers to the nearly ezro emissions building (NZEB) criteria, which are defined at national level. When a Member State changes NZEB criteria, should financial

[48] A lessor should recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lessor aims to allocate finance income over the lease term on a systematic and rational basis. A lessor should apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income.

undertakings reassess the Taxonomy-alignment of the buildings that they finance by taking into account the new NZEB criteria?

Yes. The TSC laid down in Sections 7.1. and 7.7. of Annex I to the Climate Delegated Act refer to NZEB requirements, which are defined at national level. Therefore, the grandfathering treatment specified in Article 7(5) of the Disclosures Delegated Act for loans and instruments where the use of proceeds is known in cases where TSC are amended does not apply to the situation when a Member States changes the NZEB criteria in its jurisdiction. Hence, as of when changes to these NZEB criteria become applicable, exposures by financial undertakings to the relevant real estate assets should be reassessed for the purposes of claiming their Taxonomy-alignment (see also question 152 in the Commission Notice on the Climate Delegated Act).

20. For the purpose of assessing the Taxonomy-alignment under Section 7.7. ("Acquisition and ownership of buildings") of Annex I to the Climate Delegated Act, buildings built before 31 December 2020 must have at least an Energy Performance Certificate (EPC) class A label or be *"within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence"*. Similarly, the TSC for activity under Section 7.2. ('Renovation of existing buildings') of Annex I to the Climate Delegated Act, provide for two TSC for substantial contribution to CCM. Could these two criteria be used simultaneously for assessing the Taxonomy-alignment of the respective activities ?

Point (1) of Section 7.7 of Annex I to the Climate Delegated Act pertaining to the TSC for substantial contribution to CCM provide for two TSC to assess Taxonomy-alignment for buildings built before 31 December 2020. Similarly, Section 7.2 of Annex I to the Climate Delegated Act pertaining to the TSC for substantial contribution to CCM provide for two TSC to assess Taxonomy-alignment for buildings renovation. Financial undertakings may choose to apply any of the two TSC, but they should not double count the same exposures in the numerator of the relevant KPIs where a building meets both TSC. For instance, for activity 'Acquisition and ownership of buildings' in section 7.7 of Annex I to the Climate Delegated Act, this implies that:

- an exposure to a building without an EPC class A label can be counted in the numerator of the KPI on grounds that it meets the top 15% criterion, and
- an exposure to a building with an EPC class A label, cannot be counted twice in the numerator of the KPI on grounds that it also meets the top 15% criterion.

21. As regards the top 15% criterion concerning substantial contribution to CCM listed in Section 7.7. of Annex I to the Climate Delegated Act, would a conclusion that buildings built after a certain year are in the top 15% constitute an estimate which could only be used for voluntary reporting by credit institutions?

The TSC listed in point 1 of Section 7.7 of Annex I to the Climated Delegated Act require *'adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least* *distinguishes between residential and non-residential buildings'* if the option of the *'top 15 % of the national or regional building stock'* is used.

In this respect, the reply to question 149 of the Commission Notice on the Climate Delegated Act specifies that:

"There are no specific rules for defining the top 15 % or 30 % of the building stock, beyond the requirements of referring to the national or regional building stock expressed as operational Primary Energy Demand (PED), and distinguishing at least between residential and non-residential buildings.

In the absence of a relevant EPC, a technical study can be done to estimate the relevant threshold for the top 15 % of the national (or regional) building stock for that category of building. There may be information available from national databases or studies produced by certain organisations (e.g. World Green Building Council).

Whenever there is such a study publicly available, it can be used. When there is no study available, it has to be conducted."

The response to question 151 in the Commission Notice on the Climate Delegated Act as regards the use of information on the construction year of buildings and building regulations states that, *"it is not possible to use proxies, such as the year of the construction of the building."*

Therefore, the use of the year of construction of a building constitutes an estimate for assessing compliance with the TSC that may be used only for voluntary reporting. Estimates of Taxonomy-alignment may be disclosed on a voluntary basis separately from the mandatory KPIs together with the methodology used to calculate such estimates.

22. For the purpose of assessing Taxonomy-alignment under Section 7.7. ("Acquisition and ownership of buildings") of Annex I to the Climate Delegated Act, if a credit institution extrapolates the known national distribution of EPC A-labels to its own mortgage portfolio in a geographic area, and does not use its own mortgage information but fully relies on external data sources with no further assurance on the external data, would this constitute an estimate that could only be used for voluntary reporting?

An extrapolation of the EPC-composition of a mortgage portfolio based on national statistics alone would constitute an estimate for the purposes of assessing the Taxonomy-alignment of the mortgage portfolio that cannot be included in the KPIs of financial undertakings. For example, if national statistics show that a certain proportion of buildings built before 31 December 2020 have EPC class A, it does not imply that a mortgage portfolio automatically has the same proportion. However, estimates may be disclosed on a voluntary basis separately from the mandatory KPIs together with the methodology used to calculate such estimates.

23. If a credit institution assumes that buildings with an expired EPC class A which constitute collateral of residential mortgages in its portfolio are within the top 15% of the national or regional building stock expressed as operational primary energy demand (PED), would this constitute an estimate that could only be used for voluntary reporting?

Buildings with expired EPC class A label could still be assessed whether they meet the top 15% criterion listed in paragraph (1) of Section 7.7 of Annex I to the Climate Delegated Act, if substantiated with further "adequate evidence" as required by the TSC as further explained in the responses to questions 149 to151 of the Commission Notice on the Climate Delegated Act.

Assuming that buildings with expired EPC class A labels are automatically in the top 15% performance bracket alone would not on its own suffice to ascertain their Taxonomy-alignment and their inclusion into the numerator of relevant KPIs. Estimates of Taxonomy-alignment may, however, be disclosed on a voluntary basis separately from the mandatory KPIs together with the methodology used to calculate such estimates.

24. Should a credit institution which grants a mortgage loan for the construction of a building assess the Taxonomy-alignment of this loan against the criteria in Section 7.1. ("Construction of new buildings") or Section 7.7. ("Acquisition and ownership of buildings") of the relevant Annex to the Climate Delegated Act?

A credit institution should consider its client's contractual relationship underlying the building.

Where the contract of the client is for construction of a new building, the credit institutions should assess the exposure against the criteria in Section 7.1 of the relevant Annex to the Climate Delegated Act.

Where the contract of the client is a purchase contract, the credit institution should assess the exposure against the criteria in Section 7.7 of the relevant Annex to the Climate Delegated Act.

f. <u>Financial instruments (derivatives, securitisations, structured notes and covered bonds)</u>

25. How are derivatives treated in the total GAR for the banking book and in the GAR for the trading portfolio?

Under Article 7(2) of the Disclosures Delegated Act, financial undertakings must exclude derivatives from the numerator of their KPIs.

Under point 1.1.2. of Annex V DDA, derivatives in the banking book of credit institutions are excluded from the numerator but included in the denominator of the total GAR for the banking book.

Exposures in the trading book (including derivatives) are excluded from the coverage of the total GAR (i.e. from the numerator and the denominator) because they are assessed in a separate KPI, namely the GAR for the trading portfolio, in accordance with point 1.2.4. of Annex V DDA. Derivatives are excluded from the numerator but included in the denominator of the GAR for the trading portfolio in accordance with Article 7(2) of the Disclosures Delegated Act.

26. Should derivates in the denominator of the assets under management (AuM) KPI be computed as a net position (that is, derivative assets offset by derivative liabilities, or derivatives assets only)?

Section 1.2.2.2. of Annex V DDA on green ratio for assets under management (AuM KPI) lays down that the methodology for the computation of the AuM KPI is the same as the methodology for asset managers in accordance with Annex III DDA.

Section 1.2. of Annex III DDA, which applies to the computing of the denominator lays down no rules on netting. In accordance with Section 1.2. of Annex III DDA, the denominator should consist of the value of all assets under management (AuM) without exposures referred to in Article 7(1) of the Disclosures Delegated Act resulting from both collective and individual portfolio management activities of asset managers. Hence, financial undertakings should include all AuM in the denominator of their KPIs, including all derivatives asset positions without offsetting with any derivative liabilities, unless permitted under IFRS (see also the response to question 25 of this Notice)[49].

27. How should the Taxonomy-alignment of instruments such as securitisations, structured notes and covered bonds be reported and assessed? How does this approach interact with the requirements for EuGB?

In accordance with Section 1.1. of Annex III DDA a "look through" approach should be applied to securitisations[50]. In the case of securitisation, all payments from the underlying debtors flow through the securitisation SPV to the investors in SPV.

- *The originator/bank* should not include in its KPI the underlying assets (i.e. loans) sold to the securitisation SPVgiven that in the case of securitisation the originator/bank has no longer legal or economic ownership of these assets and does not carry those assets on its balance sheet. Only Taxonomy-aligned loans that are on the balance sheet of the originator should be included in the KPI of the originator.
- *The investor* in the securities issued by a securitisation SPV should look through its exposure to the SPV and assess the Taxonomy-alignment of the underlying assets, using as appropriate either the method concerning the exposures with known use of proceeds or the KPI of the debtor for general purpose financing. The investor should count its exposure to securitisations into the numerator of its GAR to the extent that the underlying assets of the securitisation SPV are financing Taxonomy-aligned assets.

In relation to other exposures to SPVs, such as joint ventures or property-related transactions for example, reference is made to the response to question 13 in the second Commission staff document; this provides further guidance on Taxonomy reporting in such cases.

<u>Structured notes</u>

The reporting of Taxonomy-alignment will depend on the structure of the note. Where the instrument can be classified as a bond or debt instrument where the use of proceeds is known, it will be reported as Taxonomy-aligned to the extent that the proceeds are financing Taxonomy-aligned economic activities or assets. Where the instrument is a bond or debt instrument where the

[49] Similarly for short positions, the denominator therefore covers all assets under management without offsetting with short position liabilities, except where permitted under IFRS.

[50] For further details, please see the response to question 13 of the Second Commission staff document.

use of proceeds is unknown, its Taxonomy-alignment will depend on the KPI of the issuer of the structured note.

Covered bonds

Covered bonds are bonds collateralised with specific assets on the balance sheet of the issuer of such bonds and which provide protection in the case of bankruptcy of that issuer. In contrast to securitisation, the issuer of covered bonds retains, until its bankruptcy, legal and economic ownership of the assets that serve as collateral for the covered bond and all payments by the underlying debtors flow to the issuer of covered bonds. The reporting of the Taxonomy-alignment of covered bonds should involve the following:

- *the issuer/originating bank* – given that the assets (e.g. loans) used as collateral for the covered bond are kept on the balance sheet of the covered bond issuer, the covered bond issuer should disclose the Taxonomy-alignment of these assets used as collateral in the same way as it does for all of its other on-balance sheet assets[51]; and
- *the investor* – for covered bonds where the use of proceeds in unknown, the investor should use the KPI of the covered bond issuer to compute the numerator of its own KPI and, for covered bonds where the use of proceeds is known, the investor should assess to what extent the proceeds are financing Taxonomy-aligned economic activities or assets.

g. ***Exposures to specific economic activities and economic activities contributing to multiple environmental objectives***

28. Do financial undertakings need to disclose all templates in Annex XII DDA where they do not carry out, fund or have exposures to activities referred to in Template 1 of that Annex?

Where financial or non-financial undertakings do not carry out, fund, or have exposures to an activity referred to in any of the rows 1 to 6 of Template 1 of Annex XII DDA, they should input 'No' in the corresponding rows of that template and may omit disclosing the corresponding rows in Templates 2 to 5 of that Annex, for their respective applicable KPIs. Therefore, undertakings that carry out, fund, or have exposures to, none of the activities referred to in rows 1 and 6 of Template 1 of Annex XII DDA may omit disclosing Templates 2 to 5 of that Annex, for their respective applicable KPIs.

29. What are the applicable KPIs of undertakings for which templates in Annex XII DDA should be provided?

For non-financial undertakings, the applicable KPIs are the turnover, CapEx, and OpEx KPIs referred to in Annexes I and II DDA.

For asset managers, the applicable KPIs are the KPIs referred to in Annex III and the first row of the template in Annex IV DDA.

[51] The assessment of Taxonomy-alignment in the KPIs of financial undertakings should include all covered assets regardless of weather such assets are or are not used as collateral by reporting undertakings.

For credit institutions, the applicable KPIs are Total GAR stock and flow, KPIs for off-balance sheet exposures, KPIs on services other than lending – Fees and Commissions (F&C KPI), and GAR for the trading portfolio referred to, respectively, in Sections 1.2.1., 1.2.2., 1.2.3. and 1.2.4. of Annex V DDA and in the fourth and fifth columns of template '0. Summary of KPIs' of Annex VI of DDA.

For investment firms, the applicable KPIs are the KPIs referred to in Sections 2 and 3 of Annex VII DDA and in columns four and five of template '0. Summary of KPIs' of Annex VIII of DDA.

For insurance and reinsurance undertakings, the applicable KPIs are the KPIs referred to in Section 1 and, where applicable, Section 2 of Annex IX DDA and the first row of template 'The proportion of the insurance or reinsurance undertaking's investments that are directed at funding, or are associated with, Taxonomy-aligned in relation to total investments' and, where applicable, row 'A.1. Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)' of template 'The underwriting KPI for non-life insurance and reinsurance undertakings' of Annex X DDA.

30. How should financial undertakings compute the information pursuant to Annex XII DDA where their counterparties carry out, fund or are exposed to the activities referred to in that Annex?

Financial undertakings should use the amounts of their exposures and the proportions disclosed by their counterparties pursuant Annex XII DDA to compute the information to be disclosed pursuant to that Annex.

31. How should financial undertakings compute the breakdowns of their KPIs per environmental objectives?

Exposures to non-financial undertakings

For exposures to non-financial undertakings, where the use of proceeds is not known, financial undertakings should use the per objective breakdown of:

- the turnover KPIs disclosed by the non-financial undertakings in row 'Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)' in 'Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year N' in Annex II DDA to compute the per objective breakdown of their turnover-based KPIs; and
- the CapEx KPIs disclosed by the non-financial undertakings in row 'CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)' in 'Template: Proportion of CapEx from products or services associated with Taxonomy-aligned

economic activities – disclosure covering year N' in Annex II DDA to compute the per objective breakdown of their CapEx-based KPIs.[52]

For exposures, where the use of proceeds is known, financial undertakings should allocate it the relevant environmental objective. Where the same exposure is relevant for two or more environmental objectives, financial undertakings should allocate it to the most relevant objective based on the information provided by the non-financial counterparty. Double counting is not allowed.

Exposures to financial undertakings

For exposures to financial undertakings, where the use of proceeds is not known, financial undertakings should use the per objective breakdown of:

- the turnover KPIs disclosed by their counterparties to compute the breakdown per objective of their turnover-based KPIs; and
- the CapEx KPIs disclosed by their counterparties to compute the breakdown per objective of their CapEx-based KPIs[53].

For exposures, where the use of proceeds is known, financial undertakings should allocate it the relevant environmental objective. Where the same exposure is relevant for two or more environmental objectives, financial undertakings should allocate it to the most relevant objective based on the information provided by the financial counterparty. Double counting is not allowed.

F. Verification/assurance/evidence of compliance with the TSC

32. Which input data and KPIs for which no externally reported information is available should be used for assessing the exposures of financial undertakings?

Under Article 8(4) of the Disclosures Delegated Act financial undertakings are required to use the most recently available data and KPIs of their counterparties to calculate their own KPIs. Therefore, if financial undertakings have no available data or KPIs from the counterparty or if these remain unfit for purpose to calculate their own KPIs, financial undertakings should use the most recently available data or KPIs disclosed in the previous year(s). Where such data and KPIs from previous years are also not available[54], the exposure should be considered as non-eligible or not Taxonomy-aligned, i.e. financial undertakings should enter a zero value in the numerator of the relevant KPI for those exposures without any further assessment.

[52] Financial undertakings should proceed in an analogous way to compute the per objective breakdown of 'Of which enabling' category of their turnover-based and CapEx-based KPIs by using the per objective breakdown in the 'Of which enabling' row in the respective turnover and CapEx templates of their non-financial counterparties.
[53] Financial undertakings should proceed in an analogous way to compute the per objective breakdown of 'Of which enabling' category of their turnover-based and CapEx-based KPIs by using the per objective breakdown of the 'Of which enabling' proportion of turnover-based and CapEx-based KPIs of their financial counterparties.
[54] In particular, this is the case when only the ratio of Taxonomy-eligibility, but not of Taxonomy-alignment of financial undertakings' assets is disclosed in the first reporting cycle in 2024.

Financial undertakings, while conducting adequate due diligence (see also response to question 33 of this Notice), may use data obtained bilaterally from a counterparty that is not subject to sustainability reporting in accordance with Articles 19a or 29a of the Accounting Directive, and thus is also not reporting Taxonomy KPIs. This approach is particularly relevant for the calculation of the GAR on retail exposures covering residential real estate or house renovation loans, motor vehicle loans or the GAR on exposures to local governments[55]. With respect to exposures where the use of proceeds is known, financial undertakings should obtain adequate documentary evidence showing that all TSC specified under the corresponding economic activity in the respective Delegated Acts are met to be able to count them as Taxonomy-aligned. For exposures to undertakings where the use of proceeds is known, financial undertakings should also verify that those undertakings meet the minimum social safeguards (see also the response to question 37 of this Notice).

Article 7(7) of the Disclosures Delegated Act only allows financial undertakings to use estimates for the regulatory reporting under the Disclosures Delegated Act of exposures to undertakings referred to in points (e) and (f) of Article 7(6) of that Act where those financial undertakings are able to demonstrate compliance with all criteria of Article 3 of Regulation (EU) 2020/852, except with the criteria laid down in Article 3, point (b) of that Regulation.. Financial undertakings could nonetheless choose to estimate their Taxonomy-alignment and report that information voluntarily, separately from their mandatory disclosures[56] (see also the responses to questions 16, 21, 22, 23, 36 and 50 of this Notice).

33. In cases of financing where the use of proceeds is known, should a financial undertaking be expected to review all the documents attesting compliance with the TSC or should it accept the assessment of that compliance, including verification or assurance, submitted by the counterparty?

Financial undertakings rely on the accuracy of data and evidence provided by their counterparties. However, financial undertakings are also required to conduct adequate due diligence provided for in Directives 2009/65/EC[57], 2009/138/EC[58], and 2011/61/EU[59], CRD, MiFID, and ensure their own compliance with the applicable law. Disclosures provided by financial undertakings in accordance with the Disclosures Delegated Act remain part of the sustainability reporting referred to in Articles 19a and 29a of the Accounting Directive, and therefore must, among other things, be reliable, comparable and relevant. For instance, point (i) of Section 1.2.1.1. of Annex V DDA, in

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[55] Calculation of the mentioned GARs however excludes undertakings not subject to Article 19a or 29a of the Accounting Directive.

[56] Voluntary reporting should not contradict or misrepresent mandatory information under the Disclosures Delegated Act. It should also not be more prominent than mandatory disclosures. If an undertaking includes voluntary reporting, it should add supporting detail to it setting out the basis for this disclosure, the methods used for its preparation, and a clear explanation of how it differs from mandatory reporting.

[57] Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

[58]Directive 2009/138/EC (Solvency II).

[59] Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (OJ L 174, 1.7.2011, p. 1).

relation to loans and advances where the use of proceeds is known states that "*For the purposes of point (1)(c)(1), credit institutions shall consider the gross carrying amount of the exposures where the use of proceeds is known, including specialised lending exposures, to the non-financial undertaking to the extent and proportion that they finance a taxonomy-aligned economic activity. The assessment of whether that requirement has been met shall be based on information provided by the counterparty on the project or activities to which the proceeds will be applied*."

Therefore, financial undertakings should check whether the information concerning Taxonomy-alignment of economic activities provided by their counterparties includes adequate documentary evidence that respective individual TSC are met. For example, if the exposure of a financial undertaking finances an activity set out in Section 7.7. of Annex I to the Climate Delegated Act, the credit institution should check whether the real estate has an EPC class A, on the basis of the (copy) of the EPC certificate provided by the client, and should receive the adequate documentary evidence that all DNSH criteria are met. A mere declaration by the client, without any supporting evidence, that the real estate in question meets the TSC set out in Section 7.7. of Annex I to the Climate Delegated Act would not suffice to conclude that the respective real estate and the underlying exposure are Taxonomy-aligned. Similarly, where the TSC require verification by an independent third party, the credit institution should receive a (copy of) the verification report issued by the independent third party. A mere declaration by the client to the financial undertaking that the verification was performed would not suffice to infer Taxonomy-alignment of the economic activity. In the case of use of proceeds from environmentally sustainable bonds where the Taxonomy-alignment of the use of proceeds is verified by an independent third party, the credit institution should receive a copy of such a verification report to ascertain for itself the extent to which its exposure is financing Taxonomy-aligned economic activities or assets. The same evidence can be used to demonstrate compliance with the TSC for several exposures to which it pertains.

34. Do financial undertakings need to annually review the Taxonomy-alignment of their exposures?

it is necessary that data on Taxonomy-alignment of exposures are reviewed, and, where necessary, revised annually to ensure that the sustainability statement includes a fair view of the development and performance of the undertaking's business, including its compliance with the TSC.

By virtue of the grandfathering clause in Article 7(5) of the Disclosures Delegated Act applicable to special purpose loans and certain environmentally sustainable bonds or debt securities, if the TSC are amended, financial undertakings could report the Taxonomy-alignment of such loans and instruments with the amended TSC up to five years after the date of application of the amended TSC. It is therefore not necessary to check compliance with the amended TSC during the 5-year grandfathering period. Nevertheless, financial institutions are encouraged to engage with their counterparties in view of aligning their economic activities with the amended TSC during that transitional period.

35. Where a credit institution offers, to a non-financial undertaking subject to Articles 19a or 29a of the Accounting Directive, a loan with a purpose of financing a project that is

planned to be compliant with the TSC, can the credit institution rely on information gathered from that counterparty specifically related to that project, regardless of the counterparty's overall Taxonomy disclosures?

Point (i) of Section 1.2.1.1. of Annex V DDA states in relation to loans and advances where the use of proceeds is known, that: "*For the purposes of point (1)(c)(1), credit institutions shall consider the gross carrying amount of the exposures where the use of proceeds is known, including specialised lending exposures, to the non-financial undertaking to the extent and proportion that they finance a taxonomy-aligned economic activity. The assessment of whether that requirement has been met shall be based on information provided by the counterparty on the project or activities to which the proceeds will be applied.*"

Therefore, the credit institution's assessment, of the extent to which a known use of proceeds loan to a non-financial undertaking subject to Articles 19a or 29a of the Accounting Directive is financing Taxonomy-aligned economic activities or assets, should be based on information concerning the relevant activities financed by the proceeds, regardless of the non-financial undertaking's reported KPIs. The credit institution, while conducting adequate due diligence, must collect all the data and information necessary to be able to evaluate all the TSCapplicable to those activities or assets. This information should include adequate documentary evidence that respective individual TSC are met (see also replies to questions 33 and 36 of this Notice).

36. In the case of retail clients, can credit institutions verify compliance with the TSC, in particular DNSH for adaptation, using specific evidence, e.g. domestic certifications or information in EPC)?

Section 1.2.1.3. of Annex V DDA prescribes two categories of disclosures on retail exposures, namely:

- residential real estate lending where compliance with the TSC as laid down in Sections 7.1., 7.2., 7.3., 7.4., 7.5., 7.6. and 7.7. of Annex I or Annex II to the Climate Delegated Act or Sections 3.1. and 3.2. of Annex II to the Environmental Delegated Act is required; and
- retail – credits/consumptions loans for cars, where compliance with the TSC as laid down in Section 6.5. of Annex I to the Climate Delegated Act is required.

With respect to such retail exposures, credit institutions should obtain adequate documentary evidence showing that all TSC specified under the corresponding economic activity in the respective Delegated Acts are met (see also responses to question 33 of this Notice). This applies equally to the assessment of DNSH criteria for the CCA objective. The evidence can be obtained directly from the client or can take the form of third-party independent and reliable verifications or external reviews, which could include domestic certifications by public authorities or information in EPCs. Evidence provided by third parties and public authorities could be relied upon to ascertain compliance with the TSC as long as it is specific and directly related to the underlying exposures of credit institutions. The same evidence can be used to demonstrate compliance with the TSC for several exposures to which it pertains.

However, in the absence of exposure-specific evidence, estimates of Taxonomy-alignment may be disclosed on a voluntary basis separately from the mandatory KPIs together with the methodology used to calculate such estimates.

G. Compliance with minimum safeguards

37. Do financial undertakings have to comply with minimum safeguards in conducting their activities or is compliance with minimum safeguards only relevant at the level of the investee company?

The specific requirement to comply with the minimum safeguards under Article 18 of the Taxonomy Regulation applies to the entity that performs an economic activity and which claims that its activity is Taxonomy-aligned.

For the purposes of computing in their KPIs the Taxonomy-alignment of exposures to other undertakings, financial undertakings themselves do not need to comply with the minimum safeguards given that financing activities are not as such Taxonomy-eligible. However, financial undertakings should obtain adequate documentary evidence, such as Taxonomy-disclosures by the non-financial undertakings under the Disclosures Delegated Act, ascertaining that undertakings to which they are exposed meet the minimum safeguards to be able to compute as Taxonomy-aligned the exposures to those undertakings. Compliance with minimum safeguards is an integral part of the non-financial undertakings' Taxonomy KPIs that financial undertakings apply to their exposures.

As for credit institutions' GAR for known use of proceeds exposures, such as the exposures referred to in Sections 1.2.1.3. and 1.2.1.4. of Annex IV DDA regarding retail clients and public authorities, credit institutions do not need to verify compliance with minimum safeguards by those retail clients and public authorities. However, for those exposures, credit institutions should obtain adequate documentary evidence, such as Taxonomy-disclosures under the Disclosures Delegated Act by the respective producers of goods and service providers, ascertaining that undertakings producing goods and providing services that are purchased by retail clients and public authorities comply with the relevant TSC and with minimum safeguards to compute their exposures as Taxonomy-aligned. This situation concerns for instance a loan provided to a retail client or public authority for the purchase of electric cars or solar panels where the credit institution needs to ascertain the compliance with the relevant TSC and the minimum safeguards by the manufacturer of those goods to assess such a loan as Taxonomy-aligned.

Financial undertakings should comply with the minimum safeguards only if the financial services they provide are Taxonomy-eligible and they claim that those services are Taxonomy-aligned. This concerns a small number of activities in Section 6 of Annex I to the Climate Delegated Act on transport, which refers to "financing" as part of the activity description, and to non-life insurance and reinsurance underwriting activities in Sections 10.1. and 10.2. of Annex II to the Climate Delegated Act.

For guidance, undertakings are nonetheless invited to consult the Commission Notice of 16 June 2023 on the interpretation and implementation of certain legal provisions of the EU Taxonomy

Regulation and links to the Sustainable Finance Disclosure Regulation[60].For further informal advice on best practices, they are invited to consult the Final Report on Minimum Safeguards of the Platform on Sustainable Finance published in October 2022[61], in particular Sections 6 and 7.

38. Where an insurance or a reinsurance undertaking computes the underwriting KPI, should procedures relevant for compliance with minimum safeguards be applied by the undertaking at the level of its policyholders, in addition to its own compliance with those safeguards?

Insurance and reinsurance undertakings that engage in Taxonomy-eligible activities referred to in Sections 10.1. and 10.2. of Annex II to the Climate Delegated Act and which are seeking to claim those activities as Taxonomy-aligned, should implement the appropriate due diligence procedures to ensure alignment with the minimum safeguards referred to in Article 18 of the Taxonomy Regulation. As part of carrying out the activity of insurance underwriting, this should also involve an appropriate screening, for potential breaches of these safeguards, of their business relationships with the clients to whom the products are offered.

For further guidance, see also the Commission Notice of 16 June 2023 referred to in the response to question 37 of this Notice.

2. Questions related to specific financial undertakings

A. Credit institutions

a. Entities covered

39. How should the Disclosures Delegated Act be applied by institutions that are excluded from the application of the CRD but which fall under the scope of Articles 19a or 29a of the Accounting Directive? Which templates should be used in such cases for reporting?

Undertakings that are obliged to provide sustainability reporting in accordance with Articles 19a or 29a of the Accounting Directive should also make disclosures under Article 8 of the Taxonomy Regulation[62]. In addition, entities that fall within the scope of the definition of credit institution, in accordance with point (1) of Article 4(1) of the CRR, should make Taxonomy disclosures in accordance with the provisions of the Disclosures Delegated Act applicable to credit institutions.

[60] Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation 2023/C 211/01 (C/2023/3719) OJ C 211, 16.6.2023, p. 1.

[61] https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

[62] This includes: (i) large undertakings; (ii) small and medium-sized undertakings, except micro undertakings, which are public-interest entities as defined in point (a) of point (1) of Article 2 of the Accounting Directive; (iii) parent undertakings of a large group as referred to in Article 3(7) of the Accounting Directive; and (iv) non-EU entities required to make sustainability disclosures in accordance with Article 4(5) of the Transparency Regulation.

Specifically, the entities referred to in points (3) to (24) of Article 5(5) of the CRD that are exempt from application of the CRD[63] should report the KPIs under both Article 8 of the Taxonomy Regulation and the Disclosures Delegated Act to the extent that they are obliged to provide sustainability reporting in accordance with Articles 19a or 29a of the Accounting Directive. When those entities are credit institutions in accordance with point (1) of Article 4(1) of the CRR, they should make their Taxonomy disclosures in accordance with the provisions of the Disclosures Delegated Act applicable to credit institutions. Notably, Annexes V, VI and XI DDA should be applicable to such entities for the reporting of Taxonomy-related information.

40. What is the threshold for a credit institution to be deemed to have a business model based *"to a great extent on the financing of public housing"* (Section 1.2.1.4. of Annex V DDA)?

The application of a pre-determined quantitative or qualitative threshold to assess whether a credit institution has a business model based *"to a great extent on the financing of public housing"* is not required under the first paragraph of Section 1.2.1.4. of Annex V DDA. Instead, credit institutions should disclose the methods and criteria adopted to determine whether the respective business model is or is not based to a great extent on the financing of public housing. These methods and criteria should be fit for the organisation and risk management of the credit institution. Relevant explanations should be provided that enable users to have a good understanding of the information being disclosed.

b. Scope of KPIs

41. Where a financial undertaking delegates portfolio management of assets to another financial undertaking, which financial undertaking includes such assets in the calculation of the KPI?

Where a financial undertaking delegates portfolio management of assets, in accordance with the sector specific provisions such as Article 13 of Directive 2009/65/EC or Article 20 of Directive 2011/61/EU, to another financial undertaking to carry out such portfolio management on their behalf, the assets are included in the respective KPIs to be disclosed by the delegating financial undertaking. The financial undertaking to which the portfolio management of those assets has been delegated should not include those assets in its KPI.

42. Are assets pertaining to the credit institution's portfolio management function, such as wealth management activities, included in the green ratio for assets under management (AuM) KPI?

With the exception of exposures referred to in Article 7(1) of the Disclosures Delegated Act, a credit institution should include in AuM KPI assets that it manages based on the individual investment mandates received from the asset owners.

[63] CRD provides exemptions from capital requirements, but not from the supervision in accordance with Article 2(6) CRD.

In the context of delegation of portfolio management of assets from another financial undertaking, assets where the delegatee provides portfolio management services should not be counted in the KPI of that delegatee but in the KPI of the delegator; this is to avoid double counting. Hence, as regards the AuM KPI in particular, credit institutions should not include assets for which portfolio management has been delegated to the credit institution by another financial undertaking (see also question 38 of this Notice).

Activities other than portfolio management that are performed in relation to third-party assets should be assessed for Taxonomy-alignment in the GAR on Fees and Commissions.

43. Fo the asset under management (AuM) KPI, who is responsible for assessing Taxonomy-alignment of a UCITS or AIF? Can credit institutions source the information from the asset manager or is the credit institution expected to do so?

In accordance with Section 1.2. of Annex III DDA, the denominator of the KPI of asset managers are "*all assets/exposures resulting from both collective and individual portfolio management activities of asset managers*".Asset managers are therefore responsible for assessing Taxonomy-alignment of UCITS and AIFs for which they act as management companies in accordance with Directive 2009/65/EC and Directive 2011/61/EU, respectively, and of portfolios for which they provide individual portfolio management activities. Asset managers are not responsible for assessing Taxonomy-alignment of assets for which the portfolio management has been delegated to them by another financial undertaking. As explained in question 37 of this Notice, assets where the delegatee provides portfolio management services should not be assessed in the KPI of the delegatee but in the KPI of the delegator.

44. Should repurchase agreement (repo) contracts be treated as "loans and advances" for EU Taxonomy purposes? In particular, can the alignment be assessed by inferring it from the counterparty's KPI, or by verifying compliance with the TSC of the underlying economic activity?

Repurchase agreements ('repos') that are recorded in the banking book should be considered as "loans and advances" for Taxonomy reporting purposes.

A repurchase transaction is a form of collateralised lending where a securities seller (a borrower) agrees to sell those securities to a securities buyer (a lender) temporarily and both parties simultaneously agree to reverse this transaction at a specified later date. The transacted securities received by the lender act as collateral to secure its credit exposure to the borrower.

A financial undertaking that is the borrower in the repurchase transaction should therefore account for the exposure to those securities in its own Taxonomy KPI during the term of the repurchase transaction. A financial undertaking that is the lender in the repurchase transaction should account for the repurchase transaction exposure as 'loans and advances' and use the KPI of the borrower to compute the numerator of its own Taxonomy KPI for the repo exposures in the banking book.

Since the borrower remains the economic owner of the securities subject to the repurchase transaction and the lender is financing the borrower through the repurchase transaction, it is appropriate for the lender to use the KPI of the borrower, and not the KPI of the issuer of the collateral securities subject to the repurchase transaction, to compute the numerator of its own KPI.

45. In which GAR KPI should credit institutions assess exposures from the underwriting of financial instruments on a firm commitment basis?

In accordance with point (b) of Article 4(1) CRR, the definition of a credit institution also covers certain entities that carry out any of the activities referred to in points (3) and (6) of Section A of Annex I to the MiFID, that is,dealing on own account and/or underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis.

Since those entities are credit institutions, they should comply with the provisions of the Disclosures Delegated Act pertaining to credit institutions. Such entities should treat assets acquired from dealing on their own account, and from the underwriting of financial instruments and/or from the placing financial instruments on a firm commitment basis, as follows:

- assets that are held in the banking book should be assessed in the GAR for banking book (Total GAR); and
- assets that are held in the trading book should be assessed in the GAR for trading portfolio; and
- fees and commissions derived from the underwriting activity should be assessed in the Fee and Commissions KPI.

46. What inputs are to be used for computing turnover based GAR and CapEx based GAR? What KPI are to be used where there is no corresponding KPI available?

In accordance with Section 1.2.1 of Annex V DDA, for turnover based GAR, credit institutions should use the turnover KPI of their counterparty to compute the numerator of the GAR for the following exposures: equity instruments, general purpose debt securities, and general purpose loans and advances . Exposures to debt securities and loans, and repossessed collateral where the use of proceeds is known should be included in the numerator of the turnover-based GAR up to the amount that such exposures finance Taxonomy-aligned activities/expenditures based on the information provided by the counterparty without further weighting by the KPI of the counterparty.

In accordance with Section 1.2.1 of Annex V DDA, for CapEx based GAR, credit institutions should use the CapEx KPI of their counterparty to compute the numerator of the GAR for the following exposures: equity instruments, general purpose debt securities, and general purpose loans and advances. Exposures to debt securities and loans, and repossessed collateral where the use of proceeds is known should be included in the numerator of the CapEx-based GAR up to the amount that such exposures finance Taxonomy-aligned activities/expenditures based on the information provided by the counterparty without further weighting by the KPI of the counterparty.

For example, the calculation (1)(c)(1) + (1)(c)(2)[64] referred to in Section 1.2.1.1. of Annex V DDA should be performed twice on the same exposures. In the first calculation, general purpose

[64] In Section 1.2.1.1. of Annex V DDA, 1(c)(1) represents loans and advances where the use of proceeds is known and 1(c)(2) represents loans and advances where the use of proceeds in uknown (general loans)

exposures in (1)(c)(2), are weighted with the turnover KPIs of the counterparties to compute the turnover based GAR. In the second calculation, the general purpose exposures in (1)(c)(2) are weighted with the CapEx KPI of the counterparties.

General purpose loans are therefore included in both the turnover-based and the CapEx-based GAR. The turnover-based GAR should be reported in column 4 and the CapEx-based GAR should be reported in column 5 of the reporting template "0. Summary of KPIs" provided in Annex VI.

Reference is made to the question 32 of this Notice for the situation where the KPIs of the counterparties are not available.

c. Reporting of specific exposures

47. How should credit institutions report exposures to public authorities (e.g. local governments) not related to public housing or project finance in the GAR? How should credit institutions report their exposures to regional governments?

Article 7(1) of the Disclosures Delegated Act excludes the following from the numerator and the denominator of the KPIs of financial undertakings: their exposures to central governments, central banks and supranational issuers.

The financing of public housing and other known use of proceeds lending to local or regional governments is to be included in the numerator of the GAR to the extent the activities and assets financed are Taxonomy-aligned. General purpose lending or financing should be excluded from the numerator and the denominator of the GAR (see also the response to question 15 of this Notice).

48. How should credit institutions treat cash deposits held at central banks?

Pursuant to Article 7(1) of the Disclosures Delegated Act, exposures to central banks should be excluded from the calculation of the numerator and denominator of KPIs of financial undertakings. As cash deposits at central banks are exposures to central banks, it follows that such cash deposits should be excluded from both the GAR numerator and denominator.

49. Should collateralised loans for renovation be reported as loans collateralised by residential immovable property or as building renovation loans in the GAR template?

The TSC for renovation referred to in Sections 7.2., 7.3., 7.4., 7.5. and 7.6. of Annex I or Annex II to the Climate Delegated Act or Section 3.2. of Annex II to the Environmental Delegated Act are different from the TSC for construction of new buildings and acquisition of old buildings referred to in Section 7.1. of Annex I or Annex II to the Climate Delegated Act or Section 3.1. of Annex II to the Environmental Delegated Act. Credit institutions should therefore distinguish between those exposures in the reporting template. Loans for renovation should be recorded in row 26 of templates 3 (*GAR KPI stock*) and 4 (*GAR KPI flow*) regardless of whether they are collateralised or not.

50. How should Taxonomy-alignment be disclosed for mortgage and motor vehicle loans when relevant data is not available?

As stated in the responses to questions 33 and 36 of this Notice, in case of retail exposures (such as mortgage and motor vehicle loans), financial undertakings may, whilst conducting adequate due diligence, use data obtained bilaterally from the client or taken in the form of third party independent and reliable verifications or external reviews[65]. Credit institutions should obtain adequate documentary evidence showing that all TSC specified under the corresponding economic activity in the respective Delegated Acts are met (see response to question 33 of this Notice for more information on the documentary evidence required). Where such data or evidence are unavailable, the exposure should be considered as non-eligible/non-aligned, i.e. financial undertakings should enter a 'zero' value in the numerator of the relevant KPI without any further assessment. In addition to reporting a 'zero' value as part of their mandatory disclosures, reporting financial undertakings could choose to estimate their Taxonomy-alignment and report that information voluntarily, separately from their mandatory disclosures[66].

51. For the purposes of the GAR for retail exposures, can mortgages be Taxonomy-eligible irrespective of whether they are located in the EU? Do loans not originatingfrom the EU fall under the exemption specified under Article 7(3) of the Disclosures Delegated Act?

Retail mortgages are Taxonomy-eligible irrespective of whether or not the real estate is located in the EU or whether or not the debtor is a national of an EU Member State. The exemption specified in Article 7(3) of the Disclosures Delegated Act concerns exposures to specific undertakings that are not subject to Articles 19a or 29a of the Accounting Directive, which may include third-country undertakings.

d. Calculation and valuation of exposures

52. Should credit exposures be considered at their gross value, i.e. before adjusting for expected credits losses ?

Yes. Consistently with the terminology used in FINREP[67] as well as accounting standards, the Annexes to the Disclosures Delegated Act refer to the gross carrying amount, which is defined, among others, in FINREP, Annex 5, Section 5.2. The FINREP definition is adjusted to the different applicable accounting principles. In the case of debt instruments at amortised cost under IFRS, the gross carrying amount is defined as the carrying amount before adjusting for any loss allowance. For debt instruments at fair value through other comprehensive income, the gross carrying amount is defined as the amortised cost before adjusting for any loss allowance.

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[65] Evidence provided by third parties and public authorities could be relied upon to ascertain compliance with the TSC as long as it is specific and directly related to the underlying exposures of credit institutions (see response to question 31 of this Notice).

[66] Voluntary reporting should not contradict or misrepresent mandatory information under the Disclosures Delegated Act. It should also not be more prominent than mandatory disclosures. If an undertaking includes voluntary reporting, it should add supporting detail to it setting out the basis for this disclosure, the methods used for its preparation, and a clear explanation of how it differs from mandatory reporting.

[67] Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (OJ L97, 19.3.2021, p. 1)

53. For investments, in addition to the assessment of taxonomy-alignment, a taxonomy ratio needs to be calculated that will be "applied" to the year-end book value of the investment (i.e. the "extent and proportion that the project funded finances a taxonomy-aligned economic activity"). The ratio is calculated based on a value that could potentially change over time (the value is not specified in the Disclosures Delegated Act, but could be the market value of the purchased asset or the turnover and CapEx that is generated within the project that is financed). Since this value may change over time, should the ratio applied to the year-end book value be updated regularly or should the initial value be used throughout the lifetime of the investment?

In accordance with Article 8(4) Disclosures Delegated Act,credit institutions should consider the most recently available information on the extent and proportion that the project is funding a Taxonomy-aligned activity. The most recent information should already take into account any possible changes either to theregulations or to the financed activity itself.

54. For fair value adjustments from hedge accounting, what is the proposed treatment of a fair value adjustment of a portfolio hedge on the interest rate risk? Should the fair value adjustment be on the derivatives line item in the reporting template or should the fair value adjustment affect the gross carrying amount of the hedged items (being the loans and advances)?

For the fair value adjustment of a portfolio hedge on the interest rate risk, the carrying amount of the hedged items should be reported on a gross basis. This would be in line with FINREP instructions to which the DDA refers to in several instance, which specify in Annex V, Part 2.152 the following: *'Hedged items in portfolio hedge of interest rate risk' shall include financial assets and financial liabilities included in a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities. Those financial instruments shall be reported at their carrying amount on a gross basis, before netting between instruments within the portfolio."* Given this, the fair value adjustments should then be reported on the derivatives line item.

55. The numerator of the GAR equity instruments is described as: *"the gross carrying amount of the equity instruments not held for trading weighted by the turnover and CapEx KPI related to taxonomy-aligned economic activities as disclosed by the non-financial undertaking to which the equity instruments belongs."* As the turnover and CapEx KPIs will be different numbers, and the gross carrying amount of the equity instruments will be a single number, how should this calculation be performed?

In accordance with Section 1.2.1.1 of Annex V DDA, the GAR KPIs for equity exposures should be reported in two versions: the first version based on the turnover KPI of counterparties, and the second based on the CapEx KPI of counterparties.

56. Should total assets in Annex VI templates equal total assets as defined in FINREP?

Yes, the total assets in Annex VI templates should be computed based on the gross carrying amount of these assets reported under FINREP. FINREP templates are designed on the basis of the financial instruments accounting categories (financial assets at amortised cost, financial assets at fair value through other comprehensive income, etc.). On the other hand, templates listed in Annex VI DDA are to be filled by applying the prudential concepts of banking and trading book which translate into two different KPIs – the GAR in Section 1.2.1. of Annex V DDA and the GAR for the trading portfolio in Section 1.2.4. of Annex V DDA. Given this difference, there might be differences when comparing the respective total amount of assets under FINREP and under Annex VI DDA. However, the gross carrying amount of each reported instrument should perfectly match the one reported in FINREP to which the DDA refers in several instances.

57. How should intra-group lending be defined for Taxonomy-alignment purposes?

Intra-group transactions should be eliminated during the process of prudential consolidation in accordance with Section 1.1.1. of Annex V DDA. Intragroup transactions within the accounting scope of consolidation (but not intra-group when considering the prudential scope of consolidation) should be treated as external transactions.

58. How should the time-limits of transitional activities be considered in the Taxonomy-assessment when maturities of the financing are longer than those time-limits?

Every year, institutions should assess the outstanding amount of the loan in their balance sheet against the TSC in force in that year. Where the TSC have a time limit for their application, the exposure is no longer aligned after the expiry of that time limit. If the criteria are amended by a delegated act and the financed activity or asset no longer complies with the new amended criteria, the underlying exposure will still be considered as Taxonomy-aligned for 5 years after the date of the application of the amending Delegated Act (grandfathering) in accordance with Article 7(5) Disclosures Delegated Act.

59. What auditing timelines should apply to loan collateral acquired by a credit institution as a repossession?

The Disclosures Delegated Act does not provide for additional auditing requirements different from those laid down in the Accounting Directive.

e. Filling in the templates

60. How should credit institutions be defined when completingthe templates included in Annex VI?

Credit institutions are defined according to the definition in point (1) of Article 4(1) of the CRR (see also questions 1 and 35 of this Notice).

For the entity type breakdowns in the templates included in Annex VI DDA, in accordance with Article 8(4) of the Disclosures Delegated Act, preparers should apply the KPIs of their respective counterparties when computing their own KPIs. Therefore, where the counterparties of credit institutions publish KPIs included in Annex V and VI DDA, credit institutions should use the rows for exposures to credit institutions in the templates included in Annex VI DDA.

61. How should NACE codes be assigned to exposures for the purpose of template 2 of GAR disclosures included in Annex VI DDA? As the breakdown per NACE code is not required

under disclosures by non-financial undertakings, where can credit institutions find that information to complete template 2 of Annex VI DDA? Given that some activities listed in the Disclosures Delegated Act do not have a NACE code, how can these be integrated in template 2 of Annex VI DDA?

For the purpose of template 2 of GAR disclosures included in Annex VI DDA, the NACE code of the counterparty's main activity should be provided. If the exposure refers to more than one entity, it should refer to the NACE code of the principal activity of the counterparty that was the most relevant, or determinant, for the institution to grant the exposure. If the counterparty is a holding company, the credit institution should consider the NACE sector of the principal activity of the specific counterparty controlled by the holding company (if different from the holding company) which received the funding. Similarly, credit institutions should disclose the relevant information under the NACE sector associated with the economic activity of the parent company of the special purpose vehicle. If the activity is not covered by a NACE code, the credit institution may use the code referred to in footnote (a) of the templates included in Annex II DDA

62. What is the definition of supranational issuers and in which row of template 1 set out in Annex VI should exposures to supranational issuers be reported (e.g., Row 51, 52)?

While no definition is provided under the Disclosures Delegated Act for 'exposures to supranational issusers', this should mean exposures to international organisations, such as institutions of the European Union, the International Monetary Fund and the Bank for International Settlements. Exposures to multilateral development banks are excluded from this definition and reported as exposures to credit institutions, as explained in the fourth paragraph of section 1.2.1.2. of Annex V DDA. 'Exposures to supranational users' should be reported under row 50 – "Central governments and Supranational issuers".

63. For each of the templates included in Annex VI DDA, what is the timeline for disclosure(in particular, for template 4 GAR KPI flow, that this is not required to be disclosed until 2025, based upon 2024 vs. 2023 data)?

The timing for the disclosures of templates follows the timing of the application of the underlying KPIs laid down in Article 10 of the Disclosures Delegated Act.

The following table provides the time schedule for disclosures of the templates.

Template Number	Template Name	First disclosure in	Relating to fiscal year
0	Summary of KPIs	2024	2023
1	Covered assets (GAR, off-bal)	2024 for disclosure reference date T only	2023 for disclosure reference date T only

2	GAR – Sector information	2024	2023
3	GAR KPIs Stock	2024 for disclosure reference date T only	2023 for disclosure reference date T only
4	GAR KPIs Flow	2024	2023
5	FinGar, AUM KPIs	2024	2023
6	F&C KPI	2026 for disclosure reference date T only	2025 for disclosure reference date T only
7	Trading book KPI	2026 for disclosure reference date T only	2025 for disclosure reference date T only

64. How to fill in 'of which' columns in the templates in Annex VI DDA?

The column *"of which Use of Proceeds"* should be used to report exposures where the use of proceeds from the exposure is known and which are included in the GAR up to the amount that the exposure finances Taxonomy-aligned activities.

For example, where such exposures are:

- loan exposures to non-financial undertakings, the exposures that are to be reported in the *'of which Use of Proceeds'* column on row 21 of template 3 correspond to the element (1)(c)(1) in Section 1.2.1.1. of Annex V DDA. Correspondingly, the sum of the elements (1)(c)(1) + (1)(c)(2), in Section 1.2.1.1. of Annex V DDA, should be reported in the column *"Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)"* on row 21 of template 3;
- debt security exposures to non-financial undertakings, the exposures that are to be reported in the *'of which Use of Proceeds'* column on row 22 of template 3 correspond to the element (2)(c)(1) in Section 1.2.1.1. of Annex V DDA. Correspondingly, the sum of the elements (2)(c)(1) + (2)(c)(2), in Section 1.2.1.1. of Annex V DDA should be reported in the column *"Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)"* on row 22 of template 3;
- loan exposure to households that are covered in Section 1.2.1.3. of Annex V DDA, such exposures should be reported in the *'of which Use of Proceeds'* column on rows corresponding to households in template 3. Because Section 1.2.1.3. DDA only covers

exposures where the use of proceeds is known, the ‘of which Use of Proceeds’ column and the column *“Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)”* should show the same values;

- loan or debt securities exposures to local governments that are covered in Section 1.2.1.4. of Annex V DDA, such exposures should be reported in the ‘of which Use of Proceeds’ column on rows corresponding to local governments in template 3. Because Section 1.2.1.4. covers only exposures where the use of proceeds is known, the ‘of which Use of Proceeds’ column and the column *“Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)”* should show the same values.

In the columns *“of which transitional”* and *“of which enabling”*, institutions should report their exposures to transitional and enabling economic activities.

The column *“of which Use of Proceeds”* on one hand and the columns *“of which transitional”* and *“of which enabling”* on the other hand, do not represent mutually exclusive breakdowns. Therefore, they should not add up to, *“Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)”*. The purpose of “*of which”* columns is rather to provide more specific information from two different perspectives, one about the type of financing and the other about the type of economic activity.

65. Should credit institutions consider as flow the amount of new exposures based on gross carrying amount (as indicated in Annex V DDA) or the flow of loans calculated based on *t* versus *t-1* on a net basis (as indicated in the headnote to template 4)? In the first case, what does “new” mean, for example for refinancings, revolving credit facilities, etc.

Point 1.2.1.1. of Annex V DDA states that:

> *“Credit institutions shall disclose the GAR for … and the flow for **new** lending.”*
>
> *“The following aspects of the KPIs shall be disclosed:*
>
> *(...)(b) in terms of flow, based on the gross carrying amount of **new loans and advances** during the year prior to the disclosure reference date;*
>
> *(...)”*
>
> *The following aspects of KPIs shall be disclosed:*
>
> *(...)*
>
> *(b) in terms of flow, based on the gross carrying amount of **new debt securities** during the year prior to the disclosure reference date;*
>
> *(...)"*
>
> *The followings aspects of ratios shall be disclosed:*
>
> *(...);*

(b) in terms of flow, based on the gross carrying amount of new equity instruments during the year prior to the disclosure reference date;

(...)"

When computing the flow KPI in template 4 of Annex VI DDA, credit institutions should only consider the gross carrying amount of newly incurred exposures (i.e. new loans and advances, debt securities, equity instruments), that is only new exposures that have been incurred during the year prior to the disclosure reference date, without deducting the amounts of loan repayments or disposals of debt securities/equity instruments that have occurred during the year prior to the disclosure reference date. Credit institutions should therefore not compute the numerator and the denominator of the flow KPI as exposures on the disclosure reference date (T) minus exposures on the disclosure reference date (T-1).[68]

66. Is the use of the term 'specialised lending' limited to project finance or does it include any use of proceeds?

The term 'specialised lending' is not limited to project finance and it includes all specialised lending in accordance with the definition provided Article 147(8) CRR. In accordance with Section 1.2.1.2. of Annex V DDA, credit institutions should assess in the component (1)(c)(1) of the numerator of the GAR for loans and advances all loans and advances where the use of proceeds is known, including specialised lending as referred to in Article 147(8) of Regulation (EU) No 575/2013.

B. Insurance and reinsurance undertakings

67. Regarding KPIs related to underwriting activities, for multi-risk insurance products covering also climate-related perils do insurance undertakings disclose as Taxonomy-aligned only the relevant share of the insurance premium related to climate-related perils or the full insurance premium embedded in a wider insurance product? Is it sufficient if at least one insurance policy in the line of business offers coverage of climate-related perils to infer the Taxonomy-alignment of the entire line of business?

The KPI related to underwriting activities referred to in Section 2 of Annex IX DDA (underwriting KPI) reflects the level of climate-related perils insured by insurance undertakings. The underwriting KPI shows what proportion of the overall non-life underwriting activities is composed of underwriting of climate-related perils, as referred to in the 'Description of the activity' in Section 10.1. of Annex II to the Climate Delegated Act, and recital (10) of the Disclosures Delegated Act.

[68] Doing so might result in negative values of the numerator or the denominator of the flow KPI or even in a mathematically undefined ratio (KPI) in case the exposures computed in the denominator on the date (T) are of the same amount as exposures in the denominator on the date (T-1).

Insurance undertakings should use those insurance premiums, or corresponding shares of insurance premiums in case of multi-risk insurance contracts, that only pertain to the coverage of climate-related perils for the purpose of computing Taxonomy-alignment.

In accordance with point 1 of the TSC pertaining to SC in Section 10.1 of Annex II to the Climate Delegated Act, insurance undertakings should use an appropriate methodology to determine the premiums amounts pertaining to climate-related perils, such as the methodology used in their pricing processes. Where insurance undertakings are unable to obtain the data on written premiums related to climate-related perils for a given insurance contract, they should report those premiums as non-eligible and enter a 'zero' value when calculating the numerator of the KPI.

68. How should reinsurance undertakings apply the pro-rata approach explained in the response to question 67 to treaty business, given that a portion of the underlying products covered by a treaty may not relate to climate-related perils?

Reinsurance undertakings should disclose only those premiums, or shares of premiums, that relate to the underwriting of climate-related perils (see also question 67 of this Notice).

69. How should insurance and reinsurance undertakings comply with the TSC on data sharing set out in the TSC concerning substantial contribution to climate change adaptation in point (4) of Sections 10.1. and 10.2. of Annex II to the Climate Delegated Act? Does this mean that loss data is to be made available and free of charge to anybody requesting it? Where should the declaration of intention to be made?

Points 4.2. of 'Technical screening criteria' in Sections 10.1. and 10.2. of Annex II to the Climate Delegated Act providesa fall-back option for insurance and reinsurance undertakings, if those undertakings do not share loss data with public authorities, as provided in points 4.1. of those 'Technical screening criteria'. Under points 4.2. insurance and reinsurance undertakings should declare their intention to make data available, free of charge, to interested third parties, including the conditions under which such data can be shared.

That declaration of intention mustbe included on the websites of the insurance or reinsurance undertaking concerned.

Insurance and reinsurance undertakings should implement the data sharing without prejudice to applicable data protection and competition law rules.

70. How should the DNSH and minimum safeguards columns in Annex X be filled?

The 'Y' or 'No' alternatives in columns titled 'DNSH' and 'minimum safeguards' in template *'The underwriting KPI for non-life insurance and reinsurance undertakings'* denote to either compliance or non-compliance with the DNSH criteria and minimum safeguards referred to in the Taxonomy Regulation, Article 3, point (c), . Insurance and reinsurance undertakings should input 'Y' in the DNSH columns where the respective TSC are not specified, respectively, in Sections 10.1. and 10.2. of the Climate Delegated Act.

71. As there is no breakdown mentioned between CapEx and turnover, which value should be reported by insurance or reinsurance undertakings in lines 4 to 11 of the second template of Annex X DDA? Similarly, which value should be reported by asset managers in lines 4 to 10 of the template in Annex IV DDA?

Asset managers

In rows 4 to 8 of the template of Annex IV DDA, asset managers should report complementary information on the breakdown of the denominator (i.e. a breakdown of total covered assets) of the KPI, for which they use neither the turnover nor the CapEx KPIs of the investee.

The KPIs of Taxonomy-alignment of the investees should only be used to compute the numerator of reporting undertakings' KPI related to investments, which represents the proportion of exposures to those investees that are considered Taxonomy-aligned.

Therefore, to compute the breakdown of the denominator in row 9 concerning exposures to 'economic activities that are not taxonomy-eligible', asset managers should use the corresponding KPIs of not taxonomy-eligible activities of their counterparties. Specifically, asset managers should provide the turnover and the CapEx based breakdown by multiplying their exposures to[69]:

- non-financial undertakings, with the proportions (%) of turnover and CapEx, respectively, in total turnover and CapEx reported by their counterparties in row 'Turnover of Taxonomy non-eligible activities' and in row 'CapEx of Taxonomy non-eligible activities' in the corresponding templates included in Annex II of DDA;
- asset managers, with the turnover-based and CapEx-based proportions (%) reported by their counterparties in row 9 of template IV (''economic activities that are not taxonomy-eligible');
- credit institutions, with, respectively, a turnover-based and a CapEx-based proportion computed as [1 - proportion (%) of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[70]];
- investment firms, with, respectively, turnover-based and CapEx based weighted averages[71] of
    - [1 – 'Of which assets covered by the EU Taxonomy (%) (Taxonomy-eligible)'[72]], and
    - [1 – 'Of which Revenue (fees, commissions and other monetary benefits) from services and activities towards sectors covered by the EU Taxonomy (%) (Taxonomy-eligible)'[73]],

[69] Only information from non-financial counterparties will be available in the 2024 reporting cycle.
[70] reported by their counterparties in row 32 column 'aa' of template '3.GAR KPI stock' of Annex VI of DDA
[71] with weightings in accordance with the proportion of revenue from dealing on own account and the proportion of revenue from other than dealing on own account in the total revenue (income) of the investment firm
[72] reported by their counterparties in row 1 column 'w' of template 'IFs dealing on own account' of Annex VIII of DDA.
[73] reported by their counterparties in row 1 column 'w' of template 'IFs not dealing on own account' of Annex VIII of DDA.

- insurance or reinsurance undertakings, with, respectively, the turnover-based and CapEx based weighted averages[74] of
    - proportions (%) reported by their counterparties in row 10 ('economic activities that are not taxonomy-eligible') of the second template of Annex X of DDA, and
    - proportion (%) reported by their counterparties in row 'B. Non-life insurance and reinsurance underwriting Taxonomy-non-eligible activities', column 3 of the first template of Annex X of DDA.

To compute the breakdown of the denominator in row 10 concerning exposures 'taxonomy-eligible economic activities, but not taxonomy-aligned', asset managers should use the corresponding KPIs of taxonomy-eligible but not taxonomy-aligned activities of their counterparties. Specifically, asset managers should provide turnover and CapEx based breakdown by multiplying their exposures to:

- non-financial undertakings, with the proportions (%) of turnover and CapEx, respectively, in total turnover and CapEx reported by their counterparties in row 'Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)', column 4, and in row 'CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)', column 4, in the corresponding templates of Annex II of DDA;
- asset managers, with, respectively, the turnover-based and CapEx based proportions (%) reported by their counterparties in row 10 of the template IV ('taxonomy-eligible economic activities, but not taxonomy-aligned');
- credit institutions, with, respectively, turnover-based and CapEx-based [proportion (%) of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)[75] *minus* proportion (%) of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)[76]];
- investment firms, with, respectively, turnover-based and CapEx based weighted averages[77] of
    - 'Of which assets covered by the EU Taxonomy (%) (Taxonomy-eligible)'[78] *minus* 'Of which linked to activities aligned with the EU Taxonomy (%) (Taxonomy-aligned)'[79]] and
    - 'Of which Revenue (fees, commissions and other monetary benefits) from services and activities towards sectors covered by the EU Taxonomy (%) (Taxonomy-

[74] with weightings in accordance with the proportion of revenue that the insurance or reinsurance undertaking derives from its investing activities and the proportion of revenue that the insurance or reinsurance undertaking derives from its non-life underwriting activities in the total revenue of the insurance or reinsurance undertaking.
[75] reported by their counterparties in row 32 column 'aa' of template '3.GAR KPI stock' of Annex VI of DDA.
[76] reported by their counterparties in row 32 column 'ab' of of template '3.GAR KPI stock' of Annex VI of DDA.
[77] with weights in accordance with the proportion of revenue from dealing on own account and the proportion of revenue from other than dealing on own account in the total revenue (income) of the investment firm.
[78] reported by their counterparties in row 1 column 'w' of template 'IFs dealing on own account' of Annex VIII of DDA.
[79] reported by their counterparties in row 1 column 'x' of template 'IFs dealing on own account' of Annex VIII of DDA.

eligible)'[80] *minus* 'Of which from services and activities linked to activities aligned with EU Taxonomy (%) (Taxonomy-aligned)'[81]];

- insurance or reinsurance undertakings, with, respectively, the turnover-based and CapEx based weighted averages[82] of the:
  - proportion (%) reported by their counterparties in row 10 ('economic activities that are not taxonomy-eligible') of the second template of Annex X of DDA, and
  - proportion (%) reported by their counterparties in row 'B. Non-life insurance and reinsurance underwriting Taxonomy-non-eligible activities', column 3 of the first template of Annex X of DDA.

Insurance and reinsurance undertakings

Insurance or reinsurance undertakings should report in rows 4 to 9 of the second template of Annex X complementary information on the breakdown of the denominator (i.e. a breakdown of total covered assets) of the KPI, for which they use neither the turnover nor CapEx KPIs of the investee.

The KPIs of Taxonomy-alignemnt of the investees should only be used to compute the numerator of reporting undertakings' KPI related to investments, which represents the proportion of exposures to those investees that are considered Taxonomy-aligned.

Therefore, to compute breakdown of the denominator in row 10 of the second template of Annex X of DDA concerning exposures to 'economic activities that are not taxonomy-eligible', insurance and reinsurance undertakings should use the corresponding, turnover-based and Capex-based, respectively, KPIs of not taxonomy-eligible activities of their counterparties, in the same way as for asset managers as described above.

To compute the breakdown of the denominator in row 11 of the second template of Annex X of DDA concerning exposures 'taxonomy-eligible economic activities, but not taxonomy-aligned', insurance and reinsurance undertakings should use the corresponding turnover-based and CapEx-based KPIs, respectively, of taxonomy-eligible but not taxonomy-aligned activities of their counterparties, in the same wayas for asset managers as described above.

[80] reported by their counterparties in row 1 column 'w' of template 'IFs not dealing on own account' of Annex VIII of DDA.
[81] reported by their counterparties in row 1 column 'w' of template 'IFs not dealing on own account' of Annex VIII of DDA.
[82] with weights in accordance with the proportion of revenue that the insurance or reinsurance undertaking derives from its investing activities and the proportion of revenue the insurance or reinsurance undertaking derives from its non-life underwriting activities in the total revenue of the insurance or reinsurance undertaking.

Annex I - Voluntary reporting of KPIs by entities that are not financial undertakings, but which provide certain types of financial services

CSDs

CSDs are authorised under Article 16 of the CSDR and may perform the services listed in the Annex to the CSDR as shown in the table below. To perform banking-type ancillary services, CSDs are required to obtain an additional authorisation to provide such services in accordance with Article 54 of the CSDR. CSDs authorised to provide banking-type ancillary services are encouraged to apply the KPIs applicable to credit institutions. CSDs that are not authorised to provide banking-type ancillary services may also apply the KPIs for credit institutions as they provide functionally similar services (i.e. settlement). The following table sets out which KPIs that apply to credit institutions could be applied by CSDs on a voluntary basis.

CSD services	KPI to apply (*)
SECTION A: Core services of central securities depositories	
1. Initial recording of securities in a book-entry system ('notary service');	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)
2. Providing and maintaining securities accounts at the top tier level ('central maintenance service');	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)
3. Operating a securities settlement system ('settlement service').	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)
SECTION B Non-banking-type ancillary services of CSDs that do not entail credit or liquidity risks Services provided by CSDs that contribute to enhancing the safety, efficiency and transparency of the securities markets, which may include but are not restricted to:	
1. Services related to the settlement service, such as: (a) Organising a securities lending mechanism, as agent among participants of a securities settlement system; (b) Providing collateral management services, as agent for participants in a securities settlement system; (c) Settlement matching, instruction routing, trade confirmation, trade verification.	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)
2. Services related to the notary and central maintenance services, such as: (a) Services related to shareholders' registers; (b) Supporting the processing of corporate actions, including tax, general meetings and information services; (c) New issue services, including allocation and management of ISIN codes	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)

and similar codes; (d) Instruction routing and processing, fee collection and processing and related reporting. 3. Establishing CSD links, providing, maintaining or operating securities accounts in relation to the settlement service, collateral management, other ancillary services. 4. Any other services, such as: (a) Providing general collateral management services as agent; (b) Providing regulatory reporting; (c) Providing information, data and statistics to market/census bureaus or other governmental or inter-governmental entities; (d) Providing IT services.	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI) ➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)
SECTION C Banking-type ancillary services Banking-type services directly related to core or ancillary services listed in Sections A and B, such as:	
(a) Providing cash accounts to, and accepting deposits from, participants in a securities settlement system and holders of securities accounts, within the meaning of point 1 of Annex I to Directive 2013/36/EU;	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)
(b) Providing cash credit for reimbursement no later than the following business day, cash lending to pre-finance corporate actions and lending securities to holders of securities accounts, within the meaning of point 2 of Annex I to Directive 2013/36/EU;	➢ GAR (Loans & advances)
(c) Payment services involving processing of cash and foreign exchange transactions, within the meaning of point 4 of Annex I to Directive 2013/36/EU;	➢ KPIs on services other than lending – Fees and Commissions (F&C KPI)
(d) Guarantees and commitments related to securities lending and borrowing, within the meaning of point 6 of Annex I to Directive 2013/36/EU;	➢ GAR for off-balance sheet exposures (FinGAR KPI)
(e) Treasury activities involving foreign exchange and transferable securities related to managing participants' long balances, within the meaning of points 7(b) and (e) of Annex I to Directive 2013/36/EU	➢ GAR for off-balance sheet exposures (AuM KPI) ➢ GAR for trading portfolio

(*) Methodology notes:
- For F&C KPI, multiply the fee with the KPI of the counterparty receiving the service

CCPs

In accordance with Article 14(3) EMIR, central counterparties (CCPs) are authorised to carry out onlyactivities linked to clearing. The CCP authorisation does not prevent Member States from adopting or continuing to apply additional requirements to CCPs established in their territory, , including certain requirements for authorisation under the CRD (Article 14(5) EMIR). CCPs can clear MiFID financial instruments (transferable securities (debt/equity), money market instruments, units in collective investment undertakings, derivatives, emission allowances) or non-MiFID financial instruments (repo/securities lending/spot contracts/crypto assets other than derivatives).

CCPs could apply the KPIs for credit institutions because they provide services that are similar to those provided by credit institutions (i.e. clearing and settlement of transactions). The applicable KPI for clearing and settlement services would be the KPI on services other than lending – Fees and Commissions (F&C KPI). CCPs could multiply the fee received for their services with the KPI of the counterparty receiving the service in accordance with [DDA provision].

Leasing companies

Credit institutions can provide financing in the form of financial leasing[83] under their banking licence, as referred in point 3 of Annex I to the CRD. Financial leasing exposures by credit institutions should be assessed in their GAR L&A KPI in accordance with Section 1.2.1.1(i) of Annex V DDA.

Non-credit institutions providing financing in the form of financial leasing are encouraged to apply the KPIs for credit institutions, in particular the GAR on retail car loans referred to in Section 1.2.1.3.(i) of Annex V DDA or the GAR L&A referred to in Section 1.2.1.1.(i) of Annex V DDA, as appropriate, because their financing activities are functionally similar to those of credit institutions providing financing in the form of financial leasing.

Non-credit institutions providing short-term (operational) leasing activities (e.g. leasing of industrial equipment against a fee), should apply the KPIs for non-financial undertakings as such leasing activities are not financing activities.

Payment institutions/e-money institutions

The Disclosures Delegated Act requires credit institutions to disclose the extent to which the fee and commission income linked to their services, including payment services, are associated with Taxonomy-aligned economic activities of undertakings in relation to the KPI on services other than lending – Fees and Commissions KPI (F&C KPI).

[83] Either directly or via a SPV, in which case a look-through approach should be applied.

Payment institutions/e-money institutions that provide payment services under Directive (EU) 2015/2366[84] or Directive 2009/110/EC[85], respectively, and which are not credit institutions are encouraged to also apply the F&C KPI because they provide functionally similar activities to those provided by credit institutions (payment services).

Certain pension providers

Financial undertakings should include investments made in the context of providing pan-European pension products (PEPPs), under Regulation (EU) 2019/1238[86], into their respective KPIs, as follows:

- Credit institutions: GAR AuM;
- Asset managers: GAR on investments;
- Investment firms: GAR on investment (dealing on own account);
- Insurance firms: GAR on investments.

According to Directive (EU) 2016/2341[87], institutions for occupational retirement provision (IORPs) that are subject to sustainability reporting in accordance with Articles 19a or 29a of the Accounting Directive should apply the provisions of the Disclosures Delegated Act applicable to insurance undertakings, in particular the KPI related to investments referred to Section 1 of Annex IX DDA.

[84] Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC (OJ L 337, 23.12.2015, p. 35).

[85] Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (OJ L 267, 10.10.2009, p. 7).

[86] Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a Pan-European Personal Pension Product (PEPP) (OJ L 198, 25.7.2019, p. 1).

[87] Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).

Annex II – Examples of computation of weighted average of KPIs on Taxonomy-aligned activities of groups

Financial conglomerate

			KPI per Business segment			
	Revenue	Proportion of total group revenue (A)	KPI turnover based (B)	KPI CapEx based (C)	KPI turnover based weighted (A*B)	KPI CapEx based weighted (A*C)
Asset management	10	10%	20%	30%	2,0%	3,0%
Banking	30	30%	30%	35%	9,0%	10,5%
Investment firms	40	40%	13%	25%	5,0%	10,0%
Insurance undertakings	20	20%	33%	42%	6.7%	8,3%
Total	100	100%				
Average KPI					**22,7%**	**31,8%**

Mixed group

			KPI per Business segment			
	Revenue	Proportion of total group revenue (A)	KPI turnover based (B)	KPI CapEx based (C)	KPI turnover based weighted (A*B)	KPI CapEx based weighted (A*C)
A. financial activities	100	50%				
Asset management	10	5%	20%	30%	1,0%	1,5%
Banking	30	15%	30%	35%	4,5%	5,3%
Investment firms	40	20%	13%	25%	2,5%	5%
Insurance undertakings	20	10%	33%	42%	3,3%	4,2%
			Turnover KPI (B)	CapEx KPI (C)	Turnover KPI weighted (A*B)	CapEx KPI weighted (A*C)
B. Non-financial activities	100	50%	10%	20%	5%	10%
Total revenue of the group	200	100%				
					Average KPI turnover based	Average KPI CapEx based
Average KPI of the group					**16,3%**	**25,9%**