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European Commission

Response to European Commission Consultation Draft Delegated Acts on Article 8 of the Taxonomy Regulation

Finance Finland supports a more phased approach and reporting of high-quality data

- Finance Finland welcomes a phased approach but emphasizes that financial undertakings' disclosures should occur with a sufficient time lag following the disclosures of financial and non-financial clients and counterparties.
- To avoid comparability issues amongst financial undertakings and a biased information of the Key Performance Indicators, the following activities should be excluded not only from denominator as presented, but also from the nominator of the Key Performance Indicators: exposures to undertakings not subject to the CSRD, non-EU exposures, investments where the policyholder makes the choice of where to invest and derivatives.
- Much of the required granular data is difficult to obtain for financial institutions. To get high-quality information, it would be reasonable to start in 2023 with just some key breakdowns, which would be readily available from non-financial companies' disclosures.
- With entry into force too close to application of the reporting obligation, implementing changes to reporting would be challenging. The required content and format for the 2022 disclosures is now remaining unclear, likely causing comparability issues. Regarding the stock, it should be ensured that no retrospective requirements concerning reporting periods prior to the introduction of KPI disclosures in 2023 are created.

1 Sufficient time lag for disclosures of financial undertakings and non-financial counterparties

Finance Finland welcomes a phased approach where more detailed KPIs would be disclosed 2023 but emphasizes that financial undertakings' (FU) disclosures should occur with a sufficient time lag following the disclosures of financial and non-financial clients and counterparties, for both first-time and ongoing disclosures. We suggest one year for first time adoption and a quarter on an ongoing basis.

The application of Article 8 and the Delegated Acts (DA) overlaps with the introduction of other regulation. Based on the draft, it seems FUs would have to disclose information on their clients before the details of CSRD-reporting are fully known. Also, the timeline should reflect the fact that large FUs may already have to report the GAR within Pillar III by early 2023, despite non-financial companies (NFCs) starting to report KPIs simultaneously. SFDR disclosures (starting early 2022) will have similar challenges.

2 Challenges of the granular reporting and the clarity of instructions

With entry into force too close to application of the reporting obligation, implementing changes to reporting would be challenging. The granular templates and timely inclusion of NFC data in Management Reports under CSRD will pose challenges for FUs.

We question the usability of the 2022 taxonomy eligibility assessment, also because from art.11.2 and without further clarification, the required content and format for the 2022 disclosures would remain unclear, likely causing comparability issues.

Regarding the stock, it should be clear from which point in time onwards information shall be collected. It should be ensured in art.9.3 that no retrospective requirements concerning reporting periods prior to the introduction of KPI disclosures in 2023 are created. Also, much of the required granular data is difficult to obtain for FUs; starting in 2023 with just some key breakdowns, a simpler set of KPIs for GAR, focused on lending and investments, with GIR and AUM for asset managers, would thus be reasonable, as data would then be more readily available from NFCs' disclosures. We also suggest starting with banking book GAR, excluding the trading book (the purpose of which is unclear), and further excluding exposures to other FUs until clearer methods for their inclusion are in place. We also consider many of the areas listed in Fees and Commissions to be of limited relevance.

Regarding the need to provide forward-looking information, referenced in several parts of the DA, we would propose removing this from it, seeing this as better suited for and already captured in the CSRD.

3 Avoiding a biased information of Key Performance Indicators

Large parts of the investments of asset managers and investment firms, and parts of lending, are to non-EU countries, meaning that for those assets, even after 2022, no taxonomy information will be available. The KPIs for taxonomy-aligned percentages may vary a lot amongst certain FUs, causing comparability issues.

We note that excluding certain exposures from the GAR nominator while including them in the denominator would affect the KPIs and their usability negatively; also, exposures to undertakings not subject to the CSRD would thus unjustifiably be a major degrader of the KPIs at least until 2025.

We suggest that the KPI for investment activities in insurance companies should be based only on taxonomy-eligible investments where the insurer controls the investment decision.

The following activities should be excluded from the nominator and denominator of the KPI: investments where the policyholder makes the choice of where to invest (as a secondary KPI), exposures to undertakings not subject to the CSRD, non-EU exposures and derivatives.

We welcome the fact that FUs would only be required to analyze the taxonomy-alignment of client activities subject to reporting under the NFRD/CSRD. However, the draft annexes seem to include “add-on” portfolios to this general scope, including non-NFRD exposures to SMEs and retail customers e.g., RRE-lending and credits for consumption for cars; here, we ask the EC to clarify its intention and rationale.

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