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COMMISSION DELEGATED REGULATION (EU) .../...

of 6.7.2021

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

(Text with EEA relevance)

{SWD(2021) 183 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

A key objective of the European Commission's ('**Commission**') action plan on financing sustainable growth¹ is to reorient capital flows towards sustainable investment and ensure market transparency. To achieve this objective, the Commission called for the creation of an EU classification system for sustainable activities, i.e. an EU taxonomy.

Regulation (EU) 2020/852 (the '**Taxonomy Regulation**')² was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It aims to define environmentally sustainable activities³. The Taxonomy Regulation is an important piece of legislation for enabling and scaling up sustainable investment and thus implementing the European Green Deal⁴, including an economy that works for people and ensures a just transition that creates employment and leaves nobody behind. Notably, by providing companies, investors and policymakers with the definitions of which economic activities can be considered as environmentally sustainable, it is expected to help shift investments where they are most needed. The current COVID-19 pandemic has reinforced the need to make the EU economy, businesses and societies, in particular health systems, more resilient against climate and environmental risks. The Taxonomy Regulation can be a valuable tool to help channel funding towards the green recovery. It can also serve as an instrument to guide companies and investors in the transition towards sustainability.

The Taxonomy Regulation applies to financial market participants that offer financial products, financial and non-financial undertakings within the scope of Directive 2014/95/EU (the Non-Financial Reporting Directive - '**NFRD**')⁵. It also applies to Member States and the EU in the context of introducing national and EU-level requirements regarding financial market participants or to issuers for the purpose of labelling financial products or corporate bonds that are marketed as environmentally sustainable.

The Taxonomy Regulation identifies environmentally sustainable economic activities based on technical screening criteria set out in the Commission's delegated acts developed under this Regulation⁶. The first delegated act concerning the technical screening criteria for economic activities with significant contribution to climate change mitigation and adaptation (the '**Climate Delegated Act**') was adopted on 4 June 2021⁷. Another delegated act

¹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, Action Plan: Financing Sustainable Growth, 8 March 2018.

² 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).

³ Article 3 and 9 of 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).

⁴ Europe's sustainable growth strategy and the translation of the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals.

⁵ Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1–9).

⁶ Article 3, point (d) of Regulation (EU) 2020/852.

⁷ Commission Delegated Regulation (EU) .../... 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

concerning the technical screening criteria for the remaining four environmental objectives ('the **Environmental Delegated Act**') will be developed and adopted later.

Article 8(1) of the Taxonomy Regulation, provides that certain large undertakings that are required to publish non-financial information under the NFRD ('**undertakings**') should disclose information to the public on how and to what extent their activities are associated with environmentally sustainable economic activities as defined under the EU Taxonomy legislation. Following the review of the NFRD by the Corporate Sustainability Reporting Directive ('**CSRD**')⁸, the scope of undertakings covered by Article 8 of the Taxonomy Regulation would be enlarged⁹. Article 8(2) specifies the key performance indicators ('**KPIs**') related to turnover, capital expenditure ('**CapEx**') and operational expenditure ('**OpEx**') that non-financial undertakings must disclose, but it does not specify equivalent indicators for financial undertakings, mainly large banks, asset managers, investment firms, insurance and reinsurance undertakings. Article 8(4) of the Taxonomy Regulation requires the Commission to adopt by 1 June 2021 a delegated act to further specify the content, methodology, and presentation of the information to be disclosed by both non-financial and financial undertakings ('**Delegated Act**').

The Delegated Act specifies the disclosure obligations under Article 8 of the Taxonomy Regulation. The rules set out in the Delegated Act allows companies to translate the technical screening criteria of the Climate Delegated Act (and the future Environmental Delegated Act) into quantitative economic performance indicators - the KPIs - which will be publicly disclosed (e.g. the percentage of environmentally sustainable economic activities in a company's turnover or capital expenditure).

This disclosure will help investors and the public to understand the companies' trajectory towards sustainability through the annual publication of their KPIs associated with environmentally sustainable economic activities. The Delegated Act will therefore increase transparency in the market and help prevent greenwashing by informing investors about companies' environmental performance.

Large financial and non-financial undertakings can use the information disclosed to design credible green financial products such as green bonds or investment funds and, through the public disclosures under the Delegated Act, channel investor demand towards sustainable projects. Market actors who are not covered by the NFRD, such as small and medium size enterprises (SMEs), can report some or all KPIs on a voluntary basis. Such market transparency through publishing the percentage of their turnover or investments that is aligned with the Taxonomy Regulation should help companies to raise the financing for sustainable activities.

The NFRD, as reviewed by the CSRD, the Regulation on sustainability-related disclosures in the financial services sector (i.e. Regulation (EU) 2019/2088, the '**SFDR**')¹⁰, and the disclosures required under the Taxonomy Regulation set out in the Delegated Act, are the

mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (C/2021/2800 final).

⁸ Proposal for a 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 (COM/2021/189 final).

⁹ The Commission proposed to extend the scope of undertakings that are required to publish non-financial information in its proposal to review the NFRD adopted on 21 April, in particular to include listed SMEs.

¹⁰ 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).

central elements of the sustainability reporting regime that underpins the EU's sustainable finance strategy.

Under the Taxonomy Regulation, financial market participants covered by the SFDR and companies covered by the NFRD are both required to disclose, amongst others, the extent to which their products or activities, are environmentally sustainable. The Taxonomy Regulation and this Delegated Act, therefore, complement the NFRD and SFDR by providing for a common reference point for reporting the degree of alignment with sustainable activities in the Taxonomy Regulation. This Delegated Act has been developed in parallel and should be consistent with the regulatory technical standards on disclosures developed under the SFDR and the rules about non-financial reporting provided by the NFRD.

The Taxonomy-related reporting set out in this Delegated Act serves as a basis for various future and ongoing initiatives in sustainable finance. Reporting under this Delegated Act will facilitate the development of EU-wide standards for environmentally sustainable financial products and the creation of labels that recognise compliance with these standards. Notably, the forthcoming Commission proposals on the EU green bond standard ('EU GBS') and EU ecolabel for financial products are set to use the Taxonomy Regulation. The Taxonomy-related disclosures will therefore create an entire ecosystem of sustainable finance tools, including standards, labels and access to a coherent and relevant set of sustainability data, which are necessary to channel capital towards the investments needed to reach the EU's sustainability goals.

The Commission may decide to review the Delegated Act after an appropriate period of time to ensure that it reflects:

- further developments related to the technical screening criteria set out in Article 19 of the Taxonomy Regulation, including any possible revisions of the Taxonomy Regulation;
- the regulatory technical standards referred to in Articles 8(4), 9(6) and 11(5) 11(4) of the SFDR relating to the details of the content and presentation of the information referred to in Articles 5 and 6 of the Taxonomy Regulation;
- the revision of the NFRD, and
- accounting standards provided in Regulation (EC) No 1126/2008.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

On 28 July 2020, the Commission published an inception impact assessment for a consultation over a period of six weeks¹¹. There were 78 respondents in total, of which 53.9% were business associations, 26.9% were companies/business organisations, 9% were non-governmental organisations and 6.4% were EU citizens.

The overall feedback received by the Commission indicated that the Delegated Act is considered as a useful initiative that could help allocate capital to environmentally sustainable economic activities. Many respondents expressed a particular interest in the level of detail that future disclosures will be required to include.

¹¹ The inception impact assessment available on: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12440-Sustainable-finance-obligation-for-certain-companies-to-publish-non-financial-information>

The non-financial undertakings consulted considered that the three elements to be disclosed outlined in the Taxonomy Regulation are appropriate. Financial undertakings highlighted that criteria should be consistent, comparable and publicly available.

Many respondents noted a need to avoid administrative burdens and costs linked to data collection, especially for SMEs. Many also mentioned the challenge of collecting Taxonomy compliance data within companies and groups and assigning this data to specific business lines.

Some expressed the view that larger businesses and financial partners falling under the scope of the NFRD may still ask SMEs that do not fall under the scope of the NFRD to provide some Taxonomy-related information in order to allow the former to fully comply with the disclosure obligations under this Delegated Act.

Several responses referred to the importance of ensuring the consistency of disclosure requirements under various legal acts, in particular the NFRD, SFDR and Taxonomy Regulation. Market participants also expressed some concerns on the tight timeframe for application of this Delegated Act and argued for a phased entry into force. Some also had questions about the international context and how to report on global activities in relation to the Taxonomy Regulation.

In view of the preparation of the Delegated Act, the Commission addressed a call for advice to the European Supervisory Authorities ('ESAs') on 15 September 2020¹². It invited ESAs in particular to investigate the content and presentation of relevant KPIs and determine which methodology should be used by different financial undertakings under their remit to disclose their degree of Taxonomy-alignment under Article 8 of the Taxonomy Regulation. In particular, the Commission asked the ESAs to consider how the three KPIs for non-financial undertakings included in Article 8(2) of the Taxonomy Regulation could be further specified and to determine the most appropriate methodologies to use. In this respect, ESAs were invited to ensure consistency in the advice requested and in the draft technical standards under Articles 8(4), 9(6) and 11(5) of the SFDR.

Originally, the Commission planned for an impact assessment to accompany this Delegated Act. This led to the publication of an inception impact assessment. Following a meeting with the Regulatory Scrutiny Board (RSB) where the call for advice was discussed, a derogation from an impact assessment was granted, provided that the Delegated Act is accompanied by an analytical document in the form of a staff working document. This approach was considered more appropriate given that the content of the Delegated Act is based largely on the advice of the ESAs that launched consultations of relevant stakeholders and performed cost/benefit assessments¹³.

The ESAs delivered their advice on 25 February and 1 March, after appropriate public consultation of stakeholders and assessment of the impacts of the Delegated Act. Summaries of the public feedback may be found in the reports submitted by the ESAs to the Commission.
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¹² The call for advice available on:
https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/200915-sustainable-finance-taxonomy-call-for-advice_en.pdf

¹³ This is in line with the Better Regulation toolbox (tool #9), which states that an impact assessment is not necessary whenever a Union agency has been mandated to carry out policy-design work and related analysis, to the extent that the Commission proposal does not substantially deviate from the agency's recommendations and the Commission services consider its assessment to be of sufficient quality.

¹⁴ The ESMA advice is available on:

The content of the Delegated Act developed by the Commission follows to a large extent the ESAs' advice. The draft Delegated Act was published on the Better Regulation portal for a three-week feedback period between 7 May and 2 June 2021. In total, 162 stakeholders provided feedback. The draft Delegated Act was also discussed with the Platform on Sustainable Finance on 12 May 2021. Furthermore, it was presented to and discussed with the Member States Expert Group and with observers from the European Parliament on 28 April and 3 June 2021. The Commission also sought additional feedback from the ESAs.

The feedback confirmed the overall support for the Delegated Act, while revealing some concerns. Non-financial undertakings welcomed the 1-year phase-in period for the disclosures but several expressed concerns regarding the proportionality of some of the information requested. Financial undertakings were broadly supportive of the disclosures applicable to them, but several commented again on the necessity and proportionality of some of the information requirements (e.g. ratios for non-lending activities of banks). Many welcomed the phase-in for disclosures regarding sovereign and non-NFRD (including SME) exposures and investments, but several favoured shortening the phase-in period. While a number of responses favoured the voluntary inclusion of (specific parts of) SMEs exposures, others were concerned about the ability to collect such data, the creation of undue administrative burden for SMEs and their inability to provide such data and favoured the exclusion of SME exposures from the numerator and the denominator. A large number of responses also recommended that reliable taxonomy-alignment information otherwise obtained on exposures to non-EU undertakings and for use-of-proceeds instruments regarding sovereigns should not be excluded from the numerator of the green asset ratio (GAR) for banks during the phase-in period.

Based on the feedback, a number of adjustments were made to the Delegated Act. These are summarised in Annex III of the accompanying staff working document, together with a more extensive summary of the feedback.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The Delegated act is based on Article 8(4) of the Taxonomy Regulation.

Article 1 provides a limited list of definitions that are necessary for formulating the Regulation's rules.

Article 2 specifies the content and presentation of the information that non-financial undertakings should disclose under Article 8(1) and (2) of the Taxonomy Regulation.

Article 3 specifies the content and presentation of the information that asset managers should disclose under Article 8(1) of the Taxonomy Regulation.

Article 4 specifies the content and presentation of the information that credit institutions should disclose under Article 8(1) of the Taxonomy Regulation.

https://www.esma.europa.eu/sites/default/files/library/esma30-379-471_final_report_-_advice_on_article_8_of_the_taxonomy_regulation.pdf

¹⁵ The EIOPA advice is available on:

<https://www.eiopa.europa.eu/sites/default/files/publications/advice/eiopa-21-184-sustainability-non-financial-reporting-advice-art8-taxonomy-regulation.pdf>

¹⁶ The EBA advice is available on:

https://www.eba.europa.eu/sites/default/documents/files/document_library/About%20Us/Missions%20and%20tasks/Call%20for%20Advice/2021/CfA%20on%20KPIs%20and%20methodology%20for%20disclosures%20under%20Article%208%20of%20the%20Taxonomy%20Regulation/963616/Report%20-%20Advice%20to%20COM_Disclosure%20Article%208%20Taxonomy.pdf

Article 5 specifies the content and presentation of the information that investment firms should disclose under Article 8(1) of the Taxonomy Regulation.

Article 6 specifies the content and presentation of the information that insurance and reinsurance undertakings should disclose under Article 8(1) of the Taxonomy Regulation.

Article 7 sets out common rules for the disclosures of financial undertakings concerning the scope of disclosures and the calculation of their KPIs as regards their exposures to non-financial undertakings that are not covered by the scope of NFRD and are not required to disclose information under the Delegated Act.

Article 8 sets out common rules for the disclosures of non-financial and financial undertakings concerning the location of disclosures, comparative information and the currency for calculating the KPIs.

Article 9 provides for reviewing the application of this Regulation, in particular with the regards to the treatment in the KPIs by financial undertakings of sovereign exposures and exposures to undertakings not subject to NFRD.

Article 10 specifies the dates of the Delegated Act's entry into force and application.

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(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to 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) 2019/2088¹⁷, and in particular Article 8(4), thereof,

Whereas:

- (1) Article 8(1) of Regulation (EU) 2020/852 requires undertakings that are subject to Articles 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council¹⁸ to disclose how and to what extent their activities are associated with environmentally sustainable economic activities. Article 8(2) of Regulation (EU) 2020/852 requires non-financial undertakings to disclose information on the proportion of the turnover, capital expenditure and operating expenditure ('key performance indicators') of their activities related to assets or processes associated with environmentally sustainable economic activities. That provision, however, does not specify equivalent key performance indicators for financial undertakings, that is credit institutions, asset managers, investment firms and insurance and reinsurance undertakings. It is therefore necessary to supplement Article 8 of Regulation (EU) 2020/852 to specify the key performance indicators for financial undertakings and further specify the content and presentation of the information to be disclosed by all undertakings and the methodology to comply with that disclosure.
- (2) It is necessary to ensure a uniform application of the disclosure requirements laid down in Article 8(2) of Regulation (EU) 2020/852 by non-financial undertakings that are subject to Articles 19a or 29a of Directive 2013/34/EU. Rules should therefore be laid down to further specify the content and presentation of the information required by Article 8 of Regulation (EU) 2020/852, including the methodology to comply with those rules. To enable investors and the public to properly assess the proportion of

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¹⁷ 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).

¹⁸ 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).

environmentally sustainable economic activities ('Taxonomy-aligned activities') of non-financial undertakings, those undertakings should be required to disclose which of their economic activities are Taxonomy-aligned. In addition, it is necessary to disclose to which environmental objectives those activities contribute substantially. Non-financial undertakings should therefore also provide for a breakdown in the key performance indicators of the proportion of Taxonomy-aligned activities based on each environmental objective to which those activities contribute substantially.

- (3) Turnover, capital expenditure and operating expenditure are irrelevant for assessing the environmental sustainability of financial activities, including lending, investment and insurance. The three key performance indicators for non-financial undertakings laid down in Article 8(2) of Regulation (EU) 2020/852 are therefore not appropriate to demonstrate to what extent the economic activities of financial undertakings are - Taxonomy-aligned. It is therefore necessary to provide specific key performance indicators and calculation methodologies for such key performance indicators for financial undertakings. To support markets' understanding of those key performance indicators, any disclosures of those key performance indicators should be accompanied by qualitative information to enable financial undertakings to explain their determination of key performance indicators.
- (4) Investors and the public should be able to assess the proportion of Taxonomy-aligned economic activities pursued by investee undertakings. Asset managers should therefore disclose the proportion of investments they made in Taxonomy-aligned economic activities in the value of all investments managed by them resulting from both their collective and individual portfolio management activities. That proportion of Taxonomy-aligned investments should be calculated as the proportion of Taxonomy-aligned economic activities of investee undertakings which results from their respective key performance indicators, because those key performance indicators reflect the environmental performance of investee undertakings.
- (5) The main activity of credit institutions is the provision of financing to and investments in the real economy. The exposures of credit institutions to undertakings that they finance or invest in are reflected as assets in the credit institutions' balance sheet. The main key performance indicator for credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should be the green asset ratio (GAR), which shows the proportion of exposures related to Taxonomy-aligned activities compared to the total assets of those credit institutions. The GAR should relate to the credit institutions' main lending and investment business, including loans, advances and debt securities, and to their equity holdings to reflect the extent to which those institutions finance Taxonomy-aligned activities.
- (6) Credit institutions also perform other commercial services and activities than the provision of financing. Those activities generate fees and commission income. It is necessary to enable investors and the public to assess the proportion of Taxonomy-aligned economic activities pursued by the recipients of those services. Credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should therefore also disclose what proportion of their fees and commission income is derived from commercial services and activities that are associated with Taxonomy-aligned economic activities of their clients.
- (7) Credit institutions may manage underlying assets or provide financial guarantees, leading to off-balance-sheet exposures. To enable investors and the public to assess the proportion of Taxonomy-aligned activities pursued by credit institutions, for those

off-balance-sheet exposures, credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should disclose the proportion of Taxonomy-aligned activities in the underlying assets that they manage or in the obligations the performance of which they guarantee.

- (8) In addition to disclosures concerning their banking book, credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should also disclose separately the overall composition of their total assets, including their trading book, and any trends and limits in terms of climate and environmental risks. Credit institutions with a significant trading activity should be subject to obligations for more granular disclosures for their trading book.
- (9) It is important to provide investors and the public with a complete overview of which investments an investment firm that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU has made in Taxonomy-aligned activities. The key performance indicators for such investment firms should therefore cover both their dealing on own account and their dealing on behalf of clients. The disclosure of the key performance indicator for dealing on own account should reflect which proportion of the total assets is composed of assets related to Taxonomy-aligned activities. That indicator should focus on the investment firms' investments, including debt securities and equity instruments in investee companies. The key performance indicator for the environmental sustainability of investment firms' services and activities on behalf of all their clients should be based on the revenue in the form of fees, commissions and other monetary benefits that investment firms generate from their investment services and activities carried out for their clients.
- (10) The key performance indicators for insurance and reinsurance undertakings that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should capture their non-life underwriting activities and investment policy that are part of their business model to show the extent to which those activities are aligned with the Taxonomy. One key performance indicator should relate to the investment policy of such insurance and reinsurance undertakings for the funds collected from their underwriting activities and should show the proportion of assets invested in Taxonomy-aligned activities in their overall assets. A second indicator should relate to the underwriting activities themselves and show what proportion of the overall non-life underwriting activities is composed of non-life underwriting activities that relate to climate adaptation and which are performed in accordance with Climate Delegated Act¹⁹ ('Climate Delegated Act').
- (11) Financial undertakings that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should not take into account the exposure to, or investments in, non-financial undertakings that are not subject to Articles 19a and 29a of Directive 2013/34/EU in the calculation of the numerator of key performance indicators. An inclusion of such exposures in the numerator may be considered at the time of review of this Delegated Act which will be accompanied by an impact assessment. Those non-financial undertakings may still decide to voluntarily disclose their key performance indicators, either to have access to environmentally

¹⁹ Commission Delegated Regulation(EU) .../... 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 (C/2021/2800 final).

sustainable finance as part of specific eco-labelling schemes and environmentally sustainable financial products, or as part of their overall business strategy based on environmental sustainability.

- (12) In view of the entry into force and application of Climate Delegated Act by the end of 2021 and material difficulties for assessing compliance of economic activities in 2022 with technical screening criteria laid down in that Delegated Regulation for the previous reporting year, the application of this Regulation in 2022 should be limited to certain elements and qualitative reporting, with the remaining provisions starting to apply from 1 January 2023 for non-financial undertakings and from 1 January 2024 for financial undertakings. Moreover, the key performance indicators of credit institutions related to their trading book and commission and fees for other commercial services and activities than the provision of financing should apply from 1 January 2026.
- (13) Due to the current lack of an appropriate calculation methodology, exposures to central governments, central banks and supranational issuers should be excluded from the calculation of the numerator and denominator of key performance indicators. Financial undertakings may, on a voluntary basis, provide information in relation to exposures to taxonomy aligned bonds and taxonomy aligned debt securities that are issued by central governments, central banks or supranational issuers. There should be a review by 30 June 2024 that should evaluate the possibility of inclusion of such exposures in the key performance indicators.

HAS ADOPTED THIS REGULATION:

Article 1

Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘environmental objective’ means one of the environmental objectives laid down in Article 9 of Regulation (EU) 2020/852;
- (2) ‘Taxonomy-aligned economic activity’ means an economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852;
- (3) ‘transitional economic activity’ means an economic activity that complies with the requirements laid down in Article 10(2) of Regulation (EU) 2020/852;
- (4) ‘enabling economic activity’ means an economic activity that complies with the requirements laid down in Article 16 of Regulation (EU) 2020/852;
- (5) ‘taxonomy-eligible economic activity’ means an economic activity that is described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2), and Article 15(2), of Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts;
- (6) ‘taxonomy-non-eligible economic activity’ means any economic activity that is not described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2), of Regulation (EU) 2020/852;
- (7) ‘asset manager’ means an undertaking that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU and is either of the following:

- (a) an AIFM as defined in Article 4(1), point (b), of Directive 2011/61/EU of the European Parliament and of the Council²⁰;
 - (b) a management company as defined in Article 2(1), point (b), of Directive 2009/65/EC of the European Parliament and of the Council²¹;
 - (c) an investment company authorised in accordance with Articles 27, 28 and 29 of Directive 2009/65/EC and that has not designated for its management a management company authorised in accordance with Articles 6, 7 and 8 of that Directive.
- (8) ‘financial undertaking’ means an undertaking that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU and is an asset manager, a credit institution as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council²², an investment firm as defined in Article 4(1), point (2), of Regulation (EU) No 575/2013, an insurance undertaking as defined in Article 13, point (1), of Directive 2009/138/EC of the European Parliament and of the Council²³, or a reinsurance undertaking as defined in Article 13, point (4) of Directive 2009/138/EC;
- (9) ‘non-financial undertaking’ means an undertaking that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU and is not a financial undertaking as defined in point (8);
- (10) ‘taxonomy-aligned insurance or reinsurance activity’ means an insurance or reinsurance activity that complies with the criteria laid down in Sections 10.1. and 10.2. of Annex II to Climate Delegated Act²⁴.

Article 2

Disclosures by non-financial undertakings

1. Non-financial undertakings shall disclose the information referred to in Article 8, paragraphs 1 and 2, of Regulation (EU) 2020/852 as specified in Annex I to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the templates set out in Annex II to this Regulation.

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²⁰ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).

²¹ 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).

²² Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

²³ 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).

²⁴ COMMISSION DELEGATED REGULATION (EU) .../... 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 (C/2021/2800 final).

Article 3

Disclosures by asset managers

1. Asset managers shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes III and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the template set out in Annex IV to this Regulation.

Article 4

Disclosures by credit institutions

1. Credit institutions shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes V and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the template set out in Annex VI to this Regulation.

Article 5

Disclosures by investment firms

1. Investment firms shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes VII and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the template set out in Annex VIII to this Regulation.

Article 6

Disclosures by insurance and reinsurance undertakings

1. Insurance and reinsurance shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes IX and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the templates set out in Annex X to this Regulation.

Article 7

Disclosure rules common to all financial undertakings

1. The exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator of key performance indicators of financial undertakings.
2. Derivatives shall be excluded from the numerator of key performance indicators of financial undertakings.
3. Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU shall be excluded from the numerator of key performance indicators of financial undertakings.
4. 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 key performance indicators 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.

Exposures whose purpose is not to finance specific identified activities shall be included in the numerator 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.

Where an investee undertaking has issued the environmentally sustainable bonds or debt securities with the purpose of financing specific identified activities, financial undertakings shall discount the KPI of the investee undertaking accordingly to avoid double counting.

5. Where the technical screening criteria laid down in the delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852 are amended, special purpose loans and the instruments referred to paragraph 4 held by financial undertakings that finance Taxonomy aligned economic activities or assets shall in the absence of alignment of the financed economic activities or assets with the amended technical screening criteria be reported as such under this Regulation until five years after the date of application of the delegated acts that amend those technical screening criteria.
6. Financial undertakings shall provide for a breakdown in the numerator where applicable and denominator of the key performance indicators for:
 - (a) exposures to and investments in non-financial undertakings;
 - (b) exposures to and investments in financial undertakings;
 - (c) exposures to and investments in non-financial undertakings established in the Union that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU ;
 - (d) exposures to and investments in financial undertakings established in the Union that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU referred to in paragraph 2;
 - (e) exposures to and investments in non-financial undertakings established in a third country that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU;
 - (f) exposures to and investments in financial undertakings referred established in a third country that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU;
 - (g) exposures to and investments in derivatives;
 - (h) other exposures and investments.
7. Financial undertakings may use estimates for assessing the Taxonomy-alignment of their exposures to undertakings referred to in paragraph (6), points (e) and (f), 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 shall formalise, document and make public the methodology upon which such estimations are based, including the approach and research methodology, the main assumptions and precautionary principles used.

Financial undertakings shall disclose:

- (a) the proportion of Taxonomy-aligned exposures based on estimates separately from their key performance indicators disclosed pursuant to this Regulation;
- (b) the measures taken and the period of time necessary to demonstrate compliance with the criteria laid down in Article 3, point (b) of Regulation (EU) 2020/852.

Article 8

Disclosure rules common to all financial undertakings and non-financial undertakings

1. Financial undertakings and non-financial undertakings shall include all additional disclosures accompanying the key performance indicators laid down in Annexes I, III, V, VII, XI in the same parts of the non-financial statement that contains those indicators, or shall provide cross-references to the parts of the non-financial statements that contain those indicators.
2. Information disclosed in accordance with this Regulation shall cover the annual reporting period from the previous calendar year of the date of disclosure.
3. Financial undertakings and non-financial undertakings shall provide in the non-financial statement the key performance indicators covering the previous annual reporting period.

For the purposes of this paragraph, the first annual reporting period shall cover the year 2023.

4. Financial undertakings and non-financial undertakings shall in their disclosures, use the same currency as in their financial statements.

Financial undertakings shall use the most recently available data and key performance indicators of their counterparties to calculate their own key performance indicators.

5. The key performance indicators shall cover only the objectives of climate change mitigation and climate change adaptation until twelve months after the date of application of the delegated regulations that contain the technical screening criteria for the other environmental objectives and that have been adopted pursuant to Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852.

Article 9

Review

1. By 30 June 2024, the Commission shall review the application of this Regulation. The Commission shall assess in particular the need for any further amendments with regard to the inclusion of:
 - (a) exposures to central governments and central banks in the numerator and denominator of key performance indicators of financial undertakings;
 - (b) exposures to undertakings that do not publish a non-financial statement pursuant to Articles 19a or 29a of Directive 2013/34/EU in the numerator of key performance indicators of financial undertakings.
2. The review for SME exposures will be accompanied by an impact assessment assessing the administrative burden, access to finance and the potential impacts on SMEs of a possible extension to cover SMEs exposures that are not covered by this Delegated Regulation or provide such information voluntarily.

3. The exposures to and investments in undertakings that do not publish non-financial information pursuant to Articles 19a and 29a of Directive 2013/34/EU and Article 8 of Regulation (EU) 2020/852, but that provide such equivalent information voluntarily, may be included in the numerators of key performance indicators of financial undertakings from 1 January 2025 subject to a positive assessment referred to in paragraph (2).

Article 10

Entry into force and application

1. From 1 January 2022 until 31 December 2022, non-financial undertakings shall only disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure and the qualitative information referred to in Section 1.2. of Annex I relevant for this disclosure.
2. From 1 January 2022 until 31 December 2023, financial undertakings shall only disclose:
 - (a) the proportion in their total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities;
 - (b) the proportion in their total assets of the exposures referred to in Article 7, paragraphs 1 and 2;
 - (c) the proportion in their total assets of the exposures referred to in Article 7(3);
 - (d) the qualitative information referred to in Annex XI.

Credit institutions shall also disclose the proportion of their trading portfolio and on demand inter-bank loans in their total assets.

Insurance and reinsurance undertakings shall also disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible non-life insurance economic activities.

3. The key performance indicators of non-financial undertakings, including any accompanying information to be disclosed pursuant to Annex I and II of this Regulation, shall be disclosed from 1 January 2023.
4. The key performance indicators of financial undertakings, including any accompanying information to be disclosed pursuant to Annex III, V, VII, IX, XI of this Regulation, shall be disclosed from 1 January 2024.

Sections 1.2.3. and 1.2.4. of Annex V shall apply from 1 January 2026.

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 6.7.2021

For the Commission
The President
Ursula VON DER LEYEN