

DUFAS response to the European Commission consultation on Taxonomy amendments to make reporting simpler and more cost-effective for companies

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The Dutch Fund and Asset Management Association (DUFAS) welcomes the opportunity to provide feedback on the proposed amendments to various Commission Delegated Regulations regarding simplification of certain elements under the Taxonomy Regulation.

We support efforts by the European Commission to simplify and increase the coherence of the EU Sustainable Finance Framework. As regards the Omnibus I proposals, and specifically with regard to amending the Taxonomy Delegated Acts, we support simplification proposals that could facilitate broader reported alignment with the Taxonomy and thereby support the goals of the sustainable finance framework. To this end, we support the introduction of a materiality threshold and a comprehensive review of the 'do no significant harm'-criteria, as this should make it easier for companies to increase reported alignment and focus their efforts on the most relevant activities. This will in turn facilitate investor consideration of, and reporting on, the alignment of these economic activities.

However, there are also certain aspects to the proposals for simplification that could benefit from further improvement. In general, we would like to point out that simplification is most effective if the proposed amendments are themselves not overly complex but instead lead to clarity both in terms of methodology and in definitions. For example, further clarity needs to be provided around the criteria and conditions for reporting on partial alignment. Additionally, alignment of the proposed amendments with the reporting requirements under the SFDR (including alignment of the 'do no significant harm'-tests under the SFDR and the Taxonomy) would have to be taken into account as well.

Below, we present our feedback to selected elements of the proposed amendments that might benefit from further improvement.

Opt-in regime will affect data availability for certain financial undertakings

As part of the Omnibus I package, various proposals are made with regard to the scope of closely interlinked legislative initiatives of Taxonomy, CSRD and CSDDD. This leads to scopes of application that vary between those legislations, affecting data availability for financial undertakings for the purposes of reporting under the SFDR and for investment decision processes. While some financial undertakings will be able to successfully request Taxonomy alignment reporting from investee companies not in scope of the mandatory reporting requirements, this is likely not the case for others. As some financial undertakings will therefore be limited in their ability to access and utilize

Taxonomy alignment information, this will in turn affect their ability to contribute to the policy objectives of the sustainable finance framework.

Partial alignment could contribute to transition finance, but requires further clarification

The proposals state that, based on Article 8 of the Taxonomy Regulation, large undertakings subject to Article 19a of the CSRD would be allowed to report on their activities which fulfil only certain requirements of Article 3 of the Taxonomy Regulation. While reporting on such partial alignment could support a company's transition pathway and thus provide support to scaling up transition finance, we believe that the European Commission should provide further clarity on the conditions and criteria for partial alignment through the empowerment to set out rules supplementing the reporting regime for activities that are only partially taxonomy aligned. In our view, these rules should concern, for example, the applicable thresholds for being partially aligned, requirements around transitioning to full alignment, and requirements in terms of time boundaries for being partially alignment.

Materiality thresholds contribute to a more proportionate assessment of activities

The proposals state that it should be permissible for non-financial and financial undertakings to omit from the compliance assessment those activities that are not financially material for their business. We support adoption of a materiality threshold, as this would allow companies to focus the assessment on their core business activities while avoiding unnecessary costs for the assessment of non-material activities. We also welcome the proposal to require sufficient transparency around non-material activities, in order for investors to have a good understanding of the nature and size of such activities in the context of other activities of the same company. However, we have concerns regarding the lack of clarity on how this 10% threshold should be applied in practice. The proposals states that "asset managers may omit assessing Taxonomy eligibility and alignment where the cumulative value of those assets is below 10% of the denominator of the KPI". It is unclear how asset managers should determine which specific assets to include in this exemption when they have various smaller holdings that collectively exceed 10%. It would be good to prescribe a clear methodology for selecting which assets fall under the exemption when the total of potential "non-material assets" exceeds 10%. Alternatively, the European Commission could assess if the concept of materiality under the Taxonomy could be aligned with that in (non) financial reporting.

Taxonomy reporting on assets under management should not be reported via the annual accounts of asset managers (art. 8 Taxonomy)

The consultation includes a proposal for simplified reporting templates for asset managers. However, we believe such reporting should not be part of the annual accounts of asset managers, as these should not reflect client assets. Taxonomy disclosures are better suited to be part of SFDR product disclosures. For that reason, we support the conclusion in the EC's summary report of the SFDR consultation, to implement mandatory reporting - including Taxonomy alignment - for *all* products under SFDR 2.0. This would make art. 8 Taxonomy reporting obligations for asset managers redundant and as a result also address the current inconsistencies between the product disclosure templates and extensive Taxonomy art. 8 templates.

Remove disclosures on Taxonomy aligned activities in fossil gas and nuclear activities

We believe the disclosures on Taxonomy aligned activities in fossil gas and nuclear activities should be removed, as we do not see any added value for investors. This also applies to the exposures to fossil gas and nuclear activities in the product disclosures of the SFDR.

Simplification and alignment to cover Minimum Safeguards

While we welcome the recognition of the need to simplify the DNSH criteria, this should also be extended to the Minimum Safeguards requirements for the qualification of Taxonomy aligned activities. We note that under the SFDR, financial undertakings must also apply DNSH and Minimum Safeguards to social and governance factors. Therefore, a simplification and alignment of shared key terms will be necessary.

Expanding the EU Taxonomy to cover more sectors contributing to sustainable transitions

We note that the EU Taxonomy currently covers many traditional sectors, such as energy and industrial sectors, but excludes sectors like digital technologies and telecommunications. Including such economic activities under the Taxonomy would help companies in these sectors highlight their role in the sustainable transition. This would furthermore limit the current discrimination between sectors and companies and improve comparability at company level. At the same time, we acknowledge that expanding the Taxonomy to include new sectors must be done carefully, as each expansion can increase complexity and administrative burdens for companies.

Further technical feedback on disclosure of Taxonomy aligned assets

We appreciate the steps taken to reduce operational reporting burden. While supporting the overall direction, we would like to offer the following specific suggestions to further enhance clarity and effectiveness.

Regarding Annex IV:

We note that the classification of cash items lacks clarity in the current template. We recommend explicitly including cash under row 24 "other counterparties and assets" to eliminate any ambiguity in reporting.

Regarding Annex VI:

Template T0: We find column K (100% minus column I) redundant and suggest it could be removed. Instead, we propose enhancing the usefulness of coverage reporting by repositioning the coverage columns to Template 1 rows 1 (assets covered in both numerator and denominator), 19 (assets excluded from numerator but covered in denominator), and 36 (assets not covered for GAR calculation). This would provide a more accurate representation than the current percentage coverage in column I.

Template T1: While we appreciate the improved alignment with Annex IV, we question the necessity of separate breakdowns for loans collateralized by commercial immovable property and building renovation loans (rows 23 and 24). Additionally, we recommend creating a dedicated row for non-central government exposures that are neither specialized lending nor non-EU, as their current inclusion in row 34 creates potential for misinterpretation.

Template T2: We suggest explicitly clarifying that columns e-j refer to aligned assets to prevent any potential confusion.

Template T3: We commend the improvements made to this template, particularly the addition of column L, which we find valuable for comprehensive reporting.

DUFAS: Dutch Fund and Asset Management Association

Since 2003, DUFAS has been committed to a healthy asset management sector in the Netherlands. DUFAS has more than 50 members: from large asset managers who invest Dutch pension and insurance assets to smaller, specialist asset managers. DUFAS increases awareness of the social relevance of investing, helps to develop sector standards and represents the sector in the implementation of new laws and regulations. In addition, DUFAS is committed to a single European market with equal regulations.