

Consultation Paper

on Technical Advice on selected KPIs under the Taxonomy Disclosures
Delegated Act

Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions set out in [Annex I](#). Comments are most helpful if they:

1. respond to the question stated;
2. indicate the specific question to which the comment relates;
3. contain a clear rationale; and
4. describe any alternatives ESMA should consider.

ESMA will consider all comments received by 12 August 2026.

All contributions should be submitted via an [online survey](#), which addresses the questions outlined in [Annex I](#).

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with [ESMA's rules on access to documents](#). We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Personal data contained in the response will be published as submitted. If you don't wish such personal data to be publicly available, you should not include personal data within the response you upload to a public consultation. Alternatively, you may choose the option to not have your response published on the ESMA website. For further details on data processing, please refer to the [record register](#).

Information on data protection can be found in the [Legal Notice and Data Protection](#) section.

Who should read this paper?

All interested stakeholders are invited to respond to this consultation paper. This consultation paper is of primary interest to issuers, financial institutions, institutional investors, audit and assurance providers, but responses are also sought from any other market participants or relevant stakeholders including trade associations and industry bodies, retail investors, consultants, academics and civil society organisations.

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Legislative references and abbreviations

Legal references

Corporate Sustainability Reporting Directive (CSRD)	Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting
Climate Delegated Act (CDA)	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 objective
Disclosures Delegated Act (DDA)	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
Environmental Delegated Act (EDA)	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
European Sustainability Reporting Standards (ESRS)	Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards
EU Directive on Financial Conglomerates	Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council
First Commission Notice	2022/C 385/01 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, 6.10.2022
Fourth Commission	C/2026/2558 Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8

Notice	of the EU Taxonomy Regulation, as amended by the Omnibus Delegated Act, on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (fourth notice), 30. 04. 2026
Omnibus Delegated Act	Commission Delegated Regulation (EU) 2026/73 of 4 July 2025 amending Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives
Second Commission Notice	C/2023/6747 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), 20.10.2023
Sustainable Finance Disclosure Regulation (SFDR)	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
Taxonomy Regulation (TR)	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
Third Commission Notice	C/2024/6691 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), 8.11.2024

Abbreviations

CapEx	Capital Expenditure
CapEx KPI	Key Performance Indicator on Capital Expenditure
CfA	Call for Advice
Commission / EC	European Commission
CP	Consultation Paper
DNSH	Do-No-Significant-Harm
EBA	European Banking Authority
EIOPA	European Insurance and Occupational Pensions Authority
ESAs	European Supervisory Authorities
ESMA	European Securities and Markets Authority

FAQ	Frequently Asked Questions
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPI	Key Performance Indicator
OpEx	Operational Expenditure
OpEx KPI	Key Performance Indicator on Operational Expenditure
R&D	Research & Development
TSC	Technical Screening Criteria

1 Executive summary

A. Reasons for publication

On 4 March 2026, the European Commission invited the European Supervisory Authorities (ESAs) to provide a targeted technical advice to support the review of the Disclosures Delegated Act (DDA) under Article 8 of the Taxonomy Regulation.

In response to this request, and in line with its commitment to consult stakeholders as broadly as possible, ESMA is launching this Consultation Paper (CP) to gather feedback on targeted proposals aimed at improving the usability, relevance and proportionality of the Taxonomy reporting framework.

The consultation takes place in the context of recent simplifications introduced through the Omnibus Delegated Act and seeks to contribute to the ongoing broader review of Taxonomy reporting requirements by the European Commission.

B. Contents

This CP presents draft proposals on the topics addressed in the European Commission's call for advice (CfA). These topics include areas on which the Commission requested advice exclusively to ESMA, as well as horizontal topics addressed to all ESAs, on which ESMA will provide advice in coordination with the other ESAs.

In particular, in this CP ESMA seeks stakeholders' views on:

- Topic 1 – Revising the OpEx KPI

The paper analyses the current limitations of the OpEx KPI, including its narrow-perceived relevance and operational complexity. It sets out several alternative approaches to revising the KPI, ranging from targeted refinements to more fundamental redesign options, and presents ESMA's preliminary preference for an approach that limits the OpEx to R&D expenditure. ESMA is also consulting on the possibility of accompanying this revised mandatory OpEx KPI with optional reporting of an additional KPI (OpEx+), capturing other operating expenditures relevant to an undertaking's efforts on green procurement and possibly other expenditures.

- Topic 2 – Voluntary use of OpEx by financial undertakings (horizontal issue)

The CP examines whether and how OpEx information disclosed by non-financial undertakings could be used by financial undertakings, notably asset managers. Preliminary analysis indicates that the usefulness of OpEx for financial undertakings depends on how the KPI is revised and its voluntary reporting may increase complexity while providing only marginal additional information value.

- Topic 3 - Group Taxonomy reporting (horizontal issue)

The paper identifies challenges in the current framework for mixed groups and financial

conglomerates, notably the insufficient relevance and potential methodological errors of aggregated KPIs. It proposes an approach based on a primary reporting regime determined at group level, complemented by targeted disclosures to avoid material information gaps.

- Topic 4 - Additional possible simplifications

The consultation explores additional measures to reduce reporting burden and enhance usability, including:

- greater connectivity with the ESRS framework, including through selected reliefs;
- phased-in application of new requirements;
- clarification of the interaction with IFRS concepts (notably IFRS 8); and
- simplifications concerning the reporting obligations of non-financial undertakings in relation to Annex I of the DDA, the templates and contextual disclosures, including a general materiality filter); and
- targeted improvements to asset managers' reporting.

C. Next steps

ESMA's consultation on this CP will remain open for a 6-week period. ESMA will consider the feedback received in relation to this Consultation Paper by 12 August 2026. The feedback received on this CP will support the preparation of ESMA's final Technical Advice to the Commission. Following the end of the consultation period, ESMA will publish a final report on its technical advice by the end of October 2026, as requested by the European Commission.

2 Introduction and background

2.1 Why this publication?

1. On 4 March 2026, the European Commission invited the European Supervisory Authorities ('ESAs') to develop technical advice on targeted issues to inform the review of the Disclosures Delegated Act ('DDA') under the Taxonomy Regulation. A summary of the key elements of the Commission's Call for Advice ('CfA') is set out in the next Section.
2. As per its founding Regulation, ESMA may provide technical advice on legislative acts referred to in Article 1(2) of that Regulation to the European Parliament, the Council or the Commission. When developing technical advice, ESMA aims at consulting as widely as possible to ensure an inclusive approach towards all interested parties. To deliver on the CfA and substantiate its technical advice, ESMA is therefore launching the current public consultation.
3. Through this consultation, ESMA expects to gather input on the technical viability of its proposals, as well as on their cost-benefit implications. This input will contribute to a revision of reporting requirements that promote transparency where it matters, while simplifying and reducing burden wherever possible. The feedback from the consultation will also inform the cost-benefit analysis that will be included in ESMA's final report.

2.2 What is the European Commission's Call for Advice about?

4. The Commission's CfA follows simplifications already introduced through a 'quick fix' Delegated Act (referred to as the 'Omnibus Delegated Act') and it aims at supporting the Commission in completing a longer-term substantive review of the Taxonomy reporting requirements.
5. In this context, as regards ESMA's remit, the Commission's request focuses primarily on possible avenues to revise the reporting on OpEx, including its potential broadening to better capture transition-relevant expenditure, its alignment with existing accounting standards (notably IFRS) and the introduction of greater flexibility to determine when reporting is due. ESMA is also invited to consider other targeted simplifications to the reporting framework for non-financial undertakings and asset managers.
6. Further, the Commission requested input from the other ESAs on specific issues within their respective merits. For EBA, the request addresses limitations of the Commission and Fees KPI to capital markets-related activities, connecting the Trading Book KPI to market liquidity, narrowing the 'other services' KPI of investment firms and reassessing the five-year grandfathering period for financial exposures. For EIOPA, the request relates to a revised methodology for Taxonomy-assessment of underwriting activities, and the inclusion of climate-related perils in underwriting KPI.
7. The Commission has, moreover, invited the ESAs to provide coordinated input on selected horizontal issues, notably the use of counterparties' OpEx information in financial undertakings' own Taxonomy reporting and the development of simplified and consistent approaches to

group-level Taxonomy reporting.

8. The ESAs have coordinated their approach in the respective consultation documents to these horizontal issues, while developing considerations that are targeted to their individual mandates. Based on the feedback from the public consultation on these issues, the ESAs will then provide a coordinated advice to the Commission.
9. The CfA in its entirety may be found in Annex II – European Commission’s Call for Advice of the CP. The questions ESMA asks in this CP are listed in Annex I – List of questions.

2.3 What are the key Taxonomy reporting requirements and how are they affected by the Omnibus I package?

10. Under the current Taxonomy reporting framework, non-financial undertakings shall disclose three KPIs: the proportion of Taxonomy-eligible and Taxonomy-aligned Turnover, CapEx and OpEx¹. Asset managers are required to disclose the proportion of the total value of assets under management (as defined under the DDA) that is attributable to Taxonomy-eligible and Taxonomy-aligned economic activities of investee companies. Credit institutions shall report on: (i) their Green Asset Ratio ('GAR') focusing on on-balance sheet exposures to be identified based on specific rules set out in the DDA and excluding their trading book for which a separate KPI has to be disclosed; (ii) off-balance sheet activities, notably financial guarantees backing loans, advances and other debt instruments, assets under management; and (iii) services other than lending (i.e. Fees and Commissions KPI). Credit institutions carrying out investment firms-related activities shall also disclose separate KPIs depending on whether they deal on own account or not. Finally, insurance and reinsurance undertakings have to disclose KPIs related to their investments and underwriting activities.
11. To address challenges with the implementation of these KPIs, including concerns on their excessive complexity, data availability and reporting burden, the Omnibus Delegated Act has introduced, amongst other simplifications, a 10% materiality threshold below which assessing the Taxonomy-eligibility and alignment of economic activities is not required when reporting on the mandatory KPIs, a significant reduction in reported datapoints through streamlined reporting templates and a deferral to 2028 of the reporting of selected KPIs for financial undertakings.
12. At the same time, the Commission has simplified certain technical elements of the framework, including certain Do-No-Significant-Harm ('DNSH') criteria, which were streamlined to facilitate implementation. While these changes have reduced the reporting burden, the Commission has identified the need for further targeted improvements to enhance the clarity, relevance and usability of the framework. At the time of drafting, the review of the Climate and Environmental Delegated Acts is being finalised with a view to improving the usability of the Taxonomy’s Technical Screening Criteria ('TSC') for existing activities and updating them in light of new developments.
13. The principles informing ESMA’s approach to address the Commission’s CfA in the current

¹ Article 8(2) of the Taxonomy Regulation.

Omnibus context are set out in the [next section](#).

2.4 What are the principles underpinning ESMA's approach to address this Call for Advice?

Principle of simplification and burden reduction

14. As per its 2026 Annual Work Programme², ESMA is committed to integrating the principles of Simplification and Burden Reduction across all its activities. This way ESMA intends to ensure that it complies with its mandate to protect investors and promote orderly and stable financial markets by ensuring that transparency efforts of financial market participants focus on the areas where they matter the most, while avoiding unnecessary burdens. Against this background, in preparing this CP, ESMA has considered proposals which, taken together, could achieve substantial simplification of the reporting framework in the areas addressed by the CfA without resulting in material loss of information.

Principles set out in the Commission's Call for Advice

15. In line with the principles set out in section 3 of the Commission's CfA, ESMA stresses that in preparing its proposals it has gathered informal input from various stakeholder groups with whom it regularly interacts to better target the areas where improvements in the reporting framework could be achieved. Those informal outreach activities have largely been coordinated with EBA and EIOPA staff, with the objective of better substantiating the rationale underlying the various proposals and ensuring, as far as practicable, cross-sectoral consistency in the proposed approaches across the ESAs.

2.5 How is this CP structured?

16. The rest of this CP is structured into four main sections addressing the topics covered by the Commission's CfA, notably:

Section 3.1 – Topic 1: Revising the OpEx KPI

Section 3.2 – Topic 2: Voluntary use of OpEx by financial undertakings (horizontal issue)

Section 3.3 – Topic 3: Group Taxonomy Reporting (horizontal issue)

Section 3.4 – Topic 4: Additional possible simplifications

17. For these topics, the CP assesses the key issues identified and proposes possible ways of addressing them, alongside a preliminary draft of ESMA's technical advice.
18. To facilitate readers' reconciliation of the proposals on horizontal issues across the respective consultation documents of the ESAs, the text highlighted in light green identifies the text that was developed in common with the other ESAs. This text is generally aligned across the consultation documents of the ESAs, although editorial differences may exist to best fit with

² [ESMA22-50751485-1604](#) – 2026 Annual Work Programme – 3 October 2025

the writing style and structure of the respective documents.

19. While the proposals in the CP focus on the Taxonomy disclosure requirements addressing undertakings within ESMA's remit, i.e. non-financial undertakings listed on EU regulated markets and asset managers, ESMA notes that neither the Taxonomy Regulation nor the CSRD as recently amended by the Omnibus package make a distinction in the listing status of undertakings with regards to the sustainability reporting obligations. Therefore, unless otherwise specified, ESMA's proposals with regards to *listed* non-financial undertakings can be extended to *non-listed* non-financial undertakings within the scope of Taxonomy reporting requirements.

3 Topics to be addressed in the technical advice

3.1 Topic 1 – Revising the OpEx KPI

3.1.1 Recap of the key requirements

20. Article 8 of the Taxonomy Regulation requires non-financial undertakings to disclose the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under that Regulation. This disclosure is referred to as the Key Performance Indicator on Operational Expenditure or OpEx KPI.
21. As envisaged by the DDA, the OpEx KPI currently focuses on selected items of cost included in the income statement of non-financial undertakings, notably: research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment³. These items constitute the denominator of the OpEx KPI.
22. To derive the numerator of the alignment OpEx KPI⁴, non-financial undertakings shall identify the proportion of the items of cost included in the denominator that are:
 - a. Related to assets or processes of the undertaking associated with Taxonomy-aligned economic activities;
 - b. Part of planned Capital Expenditures to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe; or
 - c. Related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures (to be implemented and operational within 18 months).
23. The disclosure of the OpEx KPI has to be performed through specific templates complemented by contextual information. Non-financial undertakings have flexibility to limit the reporting effort based on two materiality reliefs:
 - a. Where the operational expenditure is not material for their business model, they may omit assessing whether operational expenditure related to all their economic activities is Taxonomy-eligible or Taxonomy-aligned; and
 - b. Where the operational expenditure is in principle material for their business model, they may omit assessing whether some of their economic activities are Taxonomy-eligible or Taxonomy-aligned where the cumulative operational expenditure related to those

³ Non-financial undertakings applying national GAAP to their financial statements shall also include in the denominator to the OpEx KPI any non-capitalised right-of-use assets for leases.

⁴ For the eligibility OpEx KPI, FAQ 11 of the First Commission Notice provides clarification on the items to be considered.

activities is below 10% of the denominator of the OpEx KPI.

24. The DDA distinguishes between three main types of operating expenditures that shall be included in the numerator of the OpEx KPI:
- a. Generally referred to as “OpEx Type A”: expenditures related to assets or processes associated with Taxonomy-aligned economic activities;
 - b. “OpEx Type B”: expenditures that are part of the plan for capital expenditures to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe;
 - c. “OpEx Type C”: related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures and provided that such measures are implemented and operational within 18 months.
25. Finally, the DDA does not envisage the possibility for financial undertakings to include as part of their Taxonomy ratios the OpEx of their non-financial counterparties.

3.1.2 Summary of the key issues identified

26. Recent informal outreach undertaken by ESMA staff confirms that the OpEx KPI in its current configuration is considered of limited relevance by users of sustainability information. Particularly, financial undertakings and other investors generally indicated that they do not rely on this KPI as a meaningful metric. Preparers, on the other hand, highlight that the operational burden incurred to produce this KPI is significant for little or no perceived benefit in terms of communication with investors and other stakeholders whose focus is mostly on the Turnover and CapEx KPIs. This perception of the OpEx KPI is acknowledged in Recital 8 of the Omnibus Delegated Act amending the DDA⁵.
27. In these informal interactions, most stakeholders suggested entirely eliminating the requirement to report on OpEx in order to free up resources to focus on the other KPIs. However, ESMA has disregarded this possibility in preparing this CP, since proposing the deletion of the obligation to disclose the OpEx KPI would fall outside the scope of the Commission’s CfA which focuses on possible amendments to the DDA. ESMA notes that the obligation to disclose the OpEx KPI is set out in the Taxonomy Regulation of which the DDA constitutes the implementation measure.
28. ESMA has investigated the rationale underlying the (perceived) lack of usefulness of this KPI and found that this is associated with the purpose of the OpEx KPI in the broader context of the Taxonomy reporting regime and the relevance of the resulting information. Stakeholders highlighted that operational expenditures could capture different signals for different sectors including, for example, adaptation efforts (e.g. through insurance premiums paid), but that

⁵ Recital 8 indicates that “it is generally considered that information on operational expenditure is of lesser significance and decision usefulness to assessment of the sustainability of activities of undertakings than that on turnover or capital expenditure”.

trying to capture these different purposes with one metric has proved ineffective under the current rules.

29. ESMA notes that, as currently computed based on the DDA, the OpEx KPI aims at complementing the CapEx KPI by providing “an indication of a company’s strategy for maintaining or improving environmental performance and resilience”⁶. This inherent limitation led to a definition of the OpEx KPI based on a very limited number of cost items, with the consequence of relatively small amounts reported that are highly correlated with the CapEx figures reported by the same undertaking, thus not providing additional information value compared to CapEx.
30. The operational issues identified in relation to the OpEx KPI are linked to three main aspects:
 - a. The applicable requirements do not identify specific references in the IFRS accounting standards for the determination of the items of cost to be included in the OpEx KPI.
 - a. The mapping between the items of cost included in the OpEx KPI and the Taxonomy-aligned or -eligible activities of the undertaking (or related to the inputs it acquires) requires exercising judgement at an operational level which may be particularly complex for large, multi-national, multi-activity groups.
 - b. The notion of the OpEx KPI differs from the business notion of “operating expenditures” or “operating costs” in that it does not cover all expenditures associated with running an undertaking’s core business. Furthermore, different sectors may qualify as ‘operational’ different items of cost in their respective businesses. As such, this KPI requires setting up a separate reconciliation between the data needed for Taxonomy reporting and those necessary for internal management reporting purposes.
31. To support the analysis of the issues raised with respect to the OpEx KPI as well as the identification of possible solutions, ESMA has conducted two main analyses based on available evidence. Firstly, an assessment of the current quantitative disclosures of the OpEx KPI by non-financial undertakings, also comparing the disclosed OpEx KPI to the other two Taxonomy KPIs, i.e. CapEx and Turnover KPIs. Secondly, an assessment of the extent to which the OpEx KPI can be grounded in IFRS-based financial reporting based on European Single Electronic Format (ESEF) 2024 filings. The detailed results of these analyses are presented in Annex III – Detailed analysis of the available evidence.
32. Overall, a growing number of companies disclose Taxonomy OpEx, but the total aligned OpEx amount remains small compared to CapEx and Turnover. Furthermore, fewer companies disclosing Taxonomy-related information report non-zero Taxonomy OpEx amounts (compared with Turnover and CapEx), possibly due to its limited scope and the use of the materiality exemption. Similar to CapEx and Turnover, Taxonomy-aligned OpEx amounts are highly concentrated in two sectors: utilities and transportation. In general, correlation with Taxonomy-aligned CapEx and/or Turnover is typically high (Opex/Capex correlation: 81%, Opex/Turnover: 90% and Capex/Turnover: 82%); while isolated cases may exist (particularly

⁶ [ESMA30-379-47](#) Final report, Advice on Article 8 of the Taxonomy Regulation, ESMA, p. 35.

in sectors with operationally driven transition models), these do not emerge as a systematic or scalable pattern across the population to indicate that OpEx adds any novel transition signal in its current state.

33. Taken together, the evidence from the analysis of quantitative disclosures shows that OpEx rarely introduces a transition signal that is not already visible through CapEx and Turnover; it rather refines or complements that signal for a subset of issuers and sectors. These findings support the view that OpEx, as currently defined, operates in practice as a selective and complementary indicator rather than as a horizontal KPI of general applicability and that sectoral characteristics may play a significant role in determining its usefulness.
34. The analysis of the annual financial statements shows that there is conceptual misalignment between IFRS operating costs and the Taxonomy OpEx definition. IFRS operating costs are, by design, significantly broader and include categories that are explicitly excluded from the Taxonomy OpEx denominator.
35. As a result, operational expenditure of relevance under the EU Taxonomy does not appear as a distinct or readily observable component in IFRS financial statements but is instead often embedded within aggregated operating expense line items. Conceptually, this operational expenditure is not absent from IFRS data; it is embedded within it in a way that cannot easily and universally be mapped. The analysis therefore suggests that, although the OpEx KPI can provide valuable complementary insights in certain contexts, as currently configured, it is not well-suited to operate as a broadly applicable, horizontal KPI alongside Turnover and CapEx without further clarification, refocusing or more targeted application.

3.1.3 How to address the key issues identified

36. ESMA considers that any proposals to amend the reporting requirements on OpEx should take into account the fact that the above-mentioned areas are interrelated. For example, any amendments to the list of cost items necessary to compute the OpEx KPI should consider whether and how these additional cost items included in a revised OpEx could be linked to financial reporting under IFRS. Any broadening of the scope should also consider whether the materiality reliefs currently available in the DDA would be sufficient or whether there would be the need to increase the flexibility in reporting a revised OpEx.
37. It has to be noted that, as illustrated in the analysis of the annual financial statements in Section 3.1.2, there is a limited possibility of relying on explicit IFRS reporting concepts to univocally identify cost items attributable to the operating category. In this respect, ESMA notes the recent introduction of IFRS 18 *Presentation and Disclosure in Financial Statements* with a new definition of an 'operating category' for items to be presented in the income statement. This new standard may drive more consistency in reporting on operating costs, but it will nevertheless not specify an item-by-item identification of which items of cost qualify as 'operating'.
38. However, even if a clear definition of cost items could be identified in the applicable accounting standards, it is unlikely that the issues identified with the current requirements would be addressed by solely improving the link to the applicable accounting standards, unless changes

are made to repurpose the OpEx KPI or amend/broaden its scope. As the analysis of available evidence in Section 3.1.2 showed, the items currently considered to be of relevance under the EU Taxonomy (denominator of the OpEx KPI) generally only amount to a fraction of the Turnover and CapEx, which inherently limits the relevance of the KPI.

39. ESMA also considers that any amendments to the OpEx KPI would need to be assessed against two related and partially competing aspects: relevance and proportionality. Increasing the relevance of the OpEx KPI is necessary to support the policy objectives underpinning the Taxonomy Regulation. It is equally important that the reporting effort remains proportionate to the information value that users can derive from disclosures on OpEx. This way non-financial undertakings and users can focus their respective efforts on the disclosures that are most relevant.
40. Relevance and proportionality of the OpEx KPI should also be considered in the broader context of the entire Taxonomy reporting regime. Preliminary feedback received by ESMA indicates that the Turnover and CapEx KPIs are considered to already provide transparency on the main levers of the sustainability transition for non-financial undertakings: i.e. products and services (Turnover) and capital investments (CapEx). OpEx is therefore currently regarded as the Taxonomy ratio for which, either significant simplification is needed (assuming that its relevance will remain limited) and / or whose information value needs to be significantly increased to justify the cost of producing it.
41. ESMA notes that some simplifications of the current regime are possible without introducing additional complexity in the DDA, notably when it comes to the notion of “other direct costs” as part of the denominator of the OpEx KPI, which was regarded as too open to interpretation and which could simply be removed from the OpEx definition.
42. In other cases, simplification can be achieved by introducing new flexibilities, notably:
 - a. Acknowledging the significant correlation between CapEx and the current configuration of OpEx, it could be argued that OpEx information could add limited value when the disclosed CapEx is also limited. For example, below a certain level of CapEx ratio (e.g. 10%), non-financial undertakings could be exempted from reporting on OpEx. This relief would only make sense when the configuration of OpEx is meant to complement CapEx.
 - b. Under a configuration of OpEx that captures all the operating costs of the undertaking, it may be of limited value to disclose the degree of greenness of operational expenditures when the products and services of the reporting undertaking themselves show limited aligned Turnover. In these cases, undertakings should not be required to disclose their OpEx when the Turnover ratio falls below a certain materiality threshold (e.g. 10%). This flexibility would obviously not prevent undertakings with high OpEx-aligned ratios to still disclose this information even when the Turnover ratio would be limited.
 - c. When the OpEx ratio is not expected to rely on purchased output from other undertakings’ activities, such as under the current definition, the inclusion of information concerning the “OpEx type C” could be made optional.

43. ESMA has also considered the possibility of allowing broad flexibility in the determination of the OpEx KPI to allow undertakings to best reflect the specificities of their respective business models. To balance comparability and flexibility while acknowledging the fact that a too strict definition of OpEx may not fit with many sectors involved in the sustainability transition, ESMA has envisaged the possibility of disclosing on a voluntary basis, in addition to a mandatory OpEx KPI, a voluntary one that is referred to as OpEx+ (see 'Approach d' in the table below). ESMA seeks input on this aspect of the proposals as well.
44. Against this background, ESMA has identified the following possible approaches to the revision of the OpEx KPI which could address the areas indicated in the Commission's CfA and provide solutions to the key issues identified earlier in this chapter:
- a. Refining the current OpEx through limited adjustments;
 - b. Broadening OpEx to all operating costs;
 - c. Focusing OpEx on 'green procurement'; and
 - d. Focusing OpEx on R&D with an optional additional KPI ('OpEx+').
45. In the table below, alongside a concise description of each approach (left column), we describe the key amendments to existing requirements that each approach would entail (middle column) as well as how each approach contributes to the simplification of the reporting exercise and the relevance of the resulting information (right column).
46. These possible approaches are not necessarily mutually exclusive; elements of different approaches can be combined to develop further approaches. ESMA's focus is to consider the concrete improvements which the different revision approaches may offer to the relevance of the OpEx KPI, its proportionality or both.

TABLE 1: POSSIBLE APPROACHES TO REVISING OPEX KPI

Approach to revision of OpEx	Possible amendments to OpEx KPI	Implications on simplification and relevance
<p>a. Refining the current OpEx through limited adjustments</p> <p><u>Rationale:</u> This approach retains the main elements of the existing OpEx calculation; addresses some of the practical issues; clarifies the linkage to the IFRS requirements and the application of the materiality principle; introduces proposals for a new flexibility provision.</p> <p><u>Purpose of OpEx under this approach:</u> OpEx remains a complement to the CapEx KPI to provide information on an undertaking's transformation towards sustainable activities.</p>	<p><u>Denominator</u></p> <ol style="list-style-type: none"> 1. Delete the reference to “other direct costs” from the list of items to be included in the denominator. 2. Add ‘low value’ leases to the list of items to be included in the denominator. <p><u>Numerator</u></p> <ol style="list-style-type: none"> 3. Since these costs are not part of the denominator, delete the reference to “training and other human resources adaptation needs” from the list of items admissible in the numerator. <p><u>Link to IFRS</u></p> <ol style="list-style-type: none"> 4. Make explicit reference to: IAS 16 <i>Property, Plant and Equipment</i> and particularly to the requirements to report maintenance and day-to-day asset servicing cost, to IFRS 16 <i>Leases</i>, to IAS 38 <i>Intangible Assets</i>. <p><u>Flexibilities (additional to the existing ones)</u></p> <ol style="list-style-type: none"> 5. Clarify that the notion of financial materiality requires an assessment of the amount of expenditure related to the OpEx KPI on the total operating expenditure of the undertaking, based on the notion of operating costs as set out in IFRS 18. 6. Allow an undertaking not to report on OpEx when 	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. Limits the degree of change to the existing reporting regime as OpEx would retain its intended role as a complement to CapEx. This will prevent adaptation costs to undertakings from having to change their reporting practice. 2. Addresses the main application issues linked to broad concepts such as “other direct costs” or due to uncertainty on the applicable accounting requirements. 3. Introduces additional flexibilities to reduce the reporting effort under certain circumstances. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. The relevance of the information conveyed by the OpEx KPI would remain rather limited as this configuration of OpEx still aims at ‘complementing’ CapEx. 2. Reporting of the OpEx KPI would continue to rely on a diversity of items, making it difficult to interpret by users and therefore the balance between relief on reporting burden and relevance of the information may still be perceived as unfavourable.

TABLE 1: POSSIBLE APPROACHES TO REVISING OPEX KPI

Approach to revision of OpEx	Possible amendments to OpEx KPI	Implications on simplification and relevance
	<p>it discloses an aligned CapEx KPI below 10%.</p> <ol style="list-style-type: none"> 7. Allow an undertaking to omit the expenditures relating to OpEx Type C when computing the numerator of the OpEx KPI. 8. Foresee disclosures to provide transparency on the use of the flexibilities. 	
<p>b. Broadening OpEx to all operating costs</p> <p><u>Rationale:</u> This approach expands the existing list of cost items used to calculate the OpEx KPI to include other operating costs; introduces additional flexibility in reporting.</p> <p><u>Purpose of OpEx under this approach:</u> OpEx provides a picture of the degree of sustainability of an undertaking's running costs.</p>	<p><u>Denominator</u></p> <ol style="list-style-type: none"> 1. Delete the reference to "other direct costs" from the list of items to be included in the denominator. 2. Expand the denominator to include all operating costs as defined by the undertaking based on the applicable financial reporting standards. <p><u>Numerator</u></p> <ol style="list-style-type: none"> 3. Since these costs are already part of the denominator, delete the explicit reference to "training and other human resources adaptation needs" from the list of items admissible in the numerator. <p><u>Link to IFRS</u></p> <ol style="list-style-type: none"> 4. Include an explicit reference to the fact that the denominator shall be derived from the operating cost subtotal prepared in accordance with IFRS 18. 	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. Directly links the denominator of the OpEx KPI to the operating subtotal derived from IFRS reporting. 2. Introduces additional flexibilities to reduce the reporting effort under certain circumstances. 3. Potentially improves the relevance of the reported information by providing a broader cost base on which to assess the sustainability efforts of the undertaking. The objective of OpEx moves from "complementing" CapEx to providing transparency on the extent to which the undertaking is greening its operations. 4. For undertakings with a low or zero Turnover ratio due to the limited coverage of economic activities within the Taxonomy, this approach may provide – through an expanded OpEx – an alternative to show higher Taxonomy-eligibility and -alignment. However, undertakings with a

	<p><u>Flexibilities</u></p> <ol style="list-style-type: none"> 5. Remove the financial materiality relief as the use of an undertaking's operating cost as a basis for this amended version of OpEx makes this relief not usable. However, the existing 10% materiality threshold below which the Taxonomy assessment for the purpose of calculating the OpEx numerator, is retained. 6. Allow an undertaking not to report on OpEx when it discloses an eligible Turnover KPI below 10%. 7. Foresee disclosures to provide transparency on the use of the flexibilities. 	<p>low Turnover ratio (i.e. below 10%) can still decide not to report on the OpEx if they see no merit in providing transparency about the efforts to green their operations.</p> <ol style="list-style-type: none"> 5. This approach would capture expenditures linked to adaptation efforts (such as insurance premiums paid), provided that separate transparency about those is given through complementary disclosures. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. This approach would probably entail a higher reporting burden for undertakings as broadening the cost base may make the reconciliation between the financial accounting for operating costs and Taxonomy reporting complex, although the proposed additional flexibilities would provide substantial reliefs. 2. Application of substantial reliefs would on the other hand make it difficult for users to interpret the information. 3. Broadening the cost base may result in displaying even lower OpEx KPIs than undertakings show today, thus defying the objective of making OpEx a more useful measure for issuers to communicate with financial market participants. 4. Would require removing the first materiality filter related to financial materiality as this filter would not be consistent with this notion of OpEx.
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TABLE 1: POSSIBLE APPROACHES TO REVISING OPEX KPI

Approach to revision of OpEx	Possible amendments to OpEx KPI	Implications on simplification and relevance
		5. The application of IFRS 18 is still untested and therefore it is unclear whether it will lead to comparable outcomes from undertakings within the same sector and across sectors.
<p>c. Focusing OpEx on ‘green procurement’</p> <p><u>Rationale:</u> Under this approach the OpEx KPI would inform users about the extent to which the undertaking has relied on environmentally sustainable (or ‘green’) procurement for its production main inputs, including ‘green energy’.</p> <p><u>Purpose of OpEx under this approach:</u> OpEx provides a picture of greenness of an undertaking’s procured inputs to its core activities.</p>	<p><u>Denominator</u></p> <ol style="list-style-type: none"> 1. Delete the reference to “other direct costs” from the list of items to be included in the denominator. 2. Include in the denominator only expenditures linked to the procurement of the tangible inputs employed in the production of the undertaking’s products and services, excluding any staff-related expenditure. <p><u>Numerator</u></p> <ol style="list-style-type: none"> 3. As the revised KPI would build on acquired inputs, the requirement to include in the numerator OpEx Type A and Type B expenditures could be deleted. Expenditures Type C (i.e. OpEx associated to purchased input from environmentally sustainable activities) would be retained. <p><u>Link to IFRS</u></p> <ol style="list-style-type: none"> 4. Include an explicit reference to the fact that these inputs are generally accounted for under IAS 2 <i>Inventory</i>. Expenditures relating to 	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. Compared to Turnover and CapEx, a redefined OpEx depicting ‘green procurement’ would provide new information about an undertaking’s effort to rely on environmentally sustainable production inputs, irrespective of the sustainability of the final output. 2. Moves away from the existing approach whereby the objective and relevance of OpEx requirements are unclear. 3. For undertakings with a low or zero Turnover ratio due to gaps in the Taxonomy coverage of certain economic activities, this approach may provide – through an expanded OpEx – an alternative to show higher Taxonomy-eligibility and -alignment. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. This approach would entail a substantial change to current practice which would place adaptation costs on undertakings. 2. Practical difficulties may arise as undertakings

TABLE 1: POSSIBLE APPROACHES TO REVISING OPEX KPI

Approach to revision of OpEx	Possible amendments to OpEx KPI	Implications on simplification and relevance
	<p>energy purchases may be accounted for differently under IFRS, depending on the features of the underlying contracts.</p> <p><u>Flexibilities (additional to the existing ones)</u></p> <ol style="list-style-type: none"> 5. Clarify that the notion of financial materiality requires an assessment of the amount of expenditure related to the OpEx KPI on the total operating expenditure of the undertaking, based on the notion of operating costs as set out in IFRS 18. 6. Allow an undertaking not to report on OpEx when it discloses a Turnover KPI below 10%. 7. Amend the 10% materiality threshold to allow undertakings to omit assessing Taxonomy-eligibility and -alignment of acquired input where the cumulative operational expenditure related to those inputs is below 10% of the denominator of the OpEx KPI. 8. Allow the undertaking to determine what its main inputs are based on its sector and business model. This is generally understood to include raw, intermediate and final products used in the production of the undertaking's products/services. 9. Foresee disclosures to provide transparency on the use of the flexibilities. 	<p>will need to classify the 'main' inputs acquired based on the Taxonomy criteria already upon registration of the related invoices. However, this classification of the inputs acquired may already be done if this information is necessary for the Taxonomy assessment conducted on the undertaking's turnover.</p> <ol style="list-style-type: none"> 3. May result in counterintuitive outcomes that may contradict the objective of the Taxonomy Regulation if the final products / services of the undertaking that reports on its 'green procurement' are not sustainable according to the Taxonomy Regulation (unless it is because they are not yet covered by the Taxonomy Delegated Acts), but the production inputs are Taxonomy-eligible / -aligned. 4. There is no legal or IFRS definition of 'procurement', therefore determining the perimeter of cost items to be included in this ratio may pose practical challenges.

TABLE 1: POSSIBLE APPROACHES TO REVISING OPEX KPI

Approach to revision of OpEx	Possible amendments to OpEx KPI	Implications on simplification and relevance
<p>d. Focusing OpEx on R&D, with an optional additional KPI ('OpEx+')</p> <p><u>Rationale:</u> This approach would further simplify the current OpEx formula to derive a mandatory OpEx KPI focused only on one cost item, i.e. R&D expenditure, and allow for voluntary additions to this ratio to be separately reported as 'OpEx+' to include additional items that are critical to the greening of undertakings' operations, notably 'green procurement', including 'green energy'. The Commission's Platform on Sustainable Finance⁷ had already indicated that an R&D-focused OpEx KPI could be advisable.</p> <p>The voluntary disclosure of OpEx+ should function as an opt-in regime whereby the disclosure of this information is voluntary, but once disclosed this information is treated as other regulated</p>	<p><u>Denominator</u></p> <ol style="list-style-type: none"> Limit the denominator to R&D expenditures. <p><u>Numerator</u></p> <ol style="list-style-type: none"> Delete the reference to "training and other human resources adaptation needs" from the list of items admissible in the numerator. <p><u>Link to IFRS</u></p> <ol style="list-style-type: none"> Include a reference to the accounting for R&D expenditure under IAS 38 <i>Intangible Assets</i>. <p><u>Flexibilities (additional to the existing ones)</u></p> <ol style="list-style-type: none"> Clarify that the notion of financial materiality requires an assessment of the value of the R&D expenditure on the total operating expenditure, based on the notion of operating costs as set out in IFRS 18. Foresee disclosures to provide transparency on the use of the flexibilities. <p><u>Other amendments</u></p> <ol style="list-style-type: none"> Envisage the possibility to disclose as voluntary contextual information an additional 'OpEx+' ratio which would include in the denominator additional items of expenditure. 	<p><u>Pros</u></p> <ol style="list-style-type: none"> Gives the OpEx ratio a clearer objective and a simpler calculation that is directly linked to financial reporting data. Limits the degree of change required as R&D expenditure is already part of the OpEx calculation formula and therefore, it does not disrupt current practice or require new data gathering systems. Grants significant flexibility to provide voluntary information of sector-specific nature. <p><u>Cons</u></p> <ol style="list-style-type: none"> The OpEx ratio would become a <i>niche ratio</i> applicable only to selected industries for which R&D is material. In this sense, users interested in non-R&D-intensive sectors will not have OpEx related disclosures to rely on. Depending on the safeguards introduced, the voluntary OpEx+ may result in information that is not fully comparable across undertakings, however the disclosure of the breakdown of the elements included in OpEx+ may mitigate this issue.

⁷ [Simplifying the EU taxonomy to foster sustainable finance](#) - Platform on Sustainable Finance – 5 February 2025

TABLE 1: POSSIBLE APPROACHES TO REVISING OPEX KPI

Approach to revision of OpEx	Possible amendments to OpEx KPI	Implications on simplification and relevance
<p>information and therefore subject to the requirement to be included in the management report and subject to supervision in line with the rest of the sustainability statement.</p> <p><u>Purpose of OpEx under this approach:</u> OpEx provides transparency on the greenness of an undertaking's R&D activities.</p>	<p>This voluntary disclosure would be constrained to depicting the green procurement under Approach 'c' above, thereby also including 'green energy'. However, this voluntary KPI could be expanded to cover further items of cost depending on their materiality for the respective business sectors. ESMA seeks stakeholders' input on this aspect.</p> <p>The link to IFRS and the definition of the denominator are those already depicted under Approach 'c' above.</p> <p>7. Additional safeguards may need to be introduced to ensure that the voluntary OpEx+ KPI provides faithful information. Notably, complementary disclosure would be needed to explain the breakdown of the voluntary KPI. Provisions should be in place to help prevent greenwashing risk, comparable to those set out in the ESMA Guidelines on APMs⁸, i.e.: use of clear and non-misleading labelling and definitions, presentation with no more prominence than the mandatory KPI, reconciliation with the mandatory KPI and with figures reported in the financial statements, explanation of the relevance of the voluntary KPI, consistency over time.</p>	

⁸ [ESMA Guidelines on Alternative Performance Measures](#), November 2015.

3.1.4 Draft advice

47. Based on the analysis set out in Section 3.1.3, ESMA preliminarily supports revising the OpEx KPI based on approach 'd. Focusing OpEx on R&D' with an optional additional KPI ('OpEx+') which would seem to retain critical elements of the current OpEx KPI without triggering unnecessary complexity and ensuring that this KPI has a clear purpose.
48. At the same time, this approach allows for sufficient flexibility to include other operating expenditures that undertakings deem particularly material to their business model though a voluntary OpEx+ ratio. For the purpose of ensuring comparability, ESMA believes that the voluntary KPI should be based on a clearly defined approach amongst the proposed ones, notably approach 'c. Focusing OpEx on green procurement'. ESMA seeks feedback from stakeholders on the relevance of introducing such a voluntary KPI.
49. On balance, ESMA considers that other approaches resulting either in expanding the scope of the OpEx KPI to include additional categories of cost (i.e. approach 'b. Broadening OpEx to all operating costs' and 'c. Focusing OpEx on 'green procurement') or in retaining the current requirements with minimum changes would not deliver on the demand from market participants of addressing the fundamental issues of the OpEx KPIs in relation to its relevance and its operational complexity.

3.1.5 Consultation questions

50. Feedback is therefore sought on the following questions:

Issues identified (paras. 26-35)

- Q1. In your view, are the key issues identified with the current reporting of OpEx exhaustive? If not, what additional issues have you identified?

Possible approaches to address the issues identified (paras. 36-46)

- Q2. Do you support the possible approaches identified by ESMA to address the key issues identified? If so, please explain why. If not, what do you propose alternatively? *In providing feedback to this question, please note that the proposed approaches are not mutually exclusive and elements of different approaches can be combined to develop other alternatives.*

ESMA's draft advice (paras. 47-49 and Approach 'd' in Table 1)

- Q3. Do you agree with ESMA's draft advice? If not, please explain why and what alternative approach(es) you propose.
- Q4. Do you support the introduction of a voluntary KPI as in the proposed 'OpEx+'? If so, please specify any additional cost items the voluntary KPI should include? If not, please explain why?

Costs and benefits of the proposals in Section 3.1

- Q5. In your experience, what is the cost of reporting on OpEx based on the current requirements in the DDA?

Q6. What is your estimate of the cost and benefits of reporting for the proposed OpEx approaches set out in this CP? *Please clearly indicate the OpEx approach(es) you are providing an estimate for, the main drivers of cost/benefits and the related estimated amounts, where available.*

3.2 Topic 2 – Voluntary use of OpEx by financial undertakings (horizontal issue⁹)

3.2.1 Summary of the key issues identified

51. The current requirements in the DDA do not explicitly envisage the use of the OpEx KPI disclosed by non-financial undertakings into the Taxonomy disclosures of financial undertakings.
52. In line with the European Commission's CfA, the ESAs have assessed the possible (voluntary) use of the OpEx KPIs as disclosed by non-financial undertakings into the Taxonomy reporting of financial undertakings.
53. The ESAs investigated whether the voluntary use of OpEx in financial undertakings' disclosures may help increase the usability of the Taxonomy regime and the relevance of the OpEx KPI.

3.2.2 How to address the issues identified

54. The ESAs acknowledge that the question regarding the voluntary use of the OpEx KPI in financial undertakings' reporting is interrelated with the question on whether and how this KPI may be amended or redefined in a future revision of the DDA.
55. The ESAs note that preliminary feedback from both users and preparers of Taxonomy information indicates that the inclusion in the KPIs disclosed by financial undertakings of the OpEx KPI of non-financial undertakings, even on a voluntary basis, would appear to add complexity and cost, with little informative value in Taxonomy reporting by financial undertakings.
56. Depending on the possible amendments to the OpEx KPI, it cannot be ruled out at this stage that financial undertakings may see merit in having the possibility of including the OpEx KPI in addition to, or as a substitute for, the Turnover-based and / or CapEx-based KPIs that they currently have to disclose.
57. Pending further stakeholder feedback on the possible approaches to revising the OpEx KPI set out in Section 3.1.3, the ESAs have nevertheless considered a possible methodology to include the OpEx KPI into the respective financial undertakings' taxonomy disclosure requirements. This methodology would entail combining the OpEx KPI with the CapEx KPI through a weighted-average methodology.
58. There are benefits and drawbacks in using such a methodology. Relying on a weighted-average KPI could be a practical way of combining information which may appear, at first sight, rather similar, i.e. capitalised expenditures linked to sustainable activities (CapEx) and running costs associated with those activities (OpEx). However, the ESAs note that grouping together information about CapEx and information about OpEx would be conceptually questionable

⁹ To facilitate the readers' reconciliation of the proposals on horizontal issues with the respective consultation documents of EBA and EIOPA, the text highlighted in light green identifies the text that was developed based on common principles with the other ESAs. This text is generally aligned across the consultation documents of the ESAs, although editorial differences may exist to best fit with the writing style and structure of the respective documents.

from an accounting perspective, as combining the value of certain assets (CapEx) which are meant to release their utility over multiple years, with a figure (OpEx) which refers to utility released in the concerned reporting period. The weighted average figure would combine: (i) how much investment in sustainable activities the undertaking has made; and (ii) how much the undertaking has spent on sustainable activities during the current reporting period.

59. In addition, voluntary inclusion of OpEx financing in the KPIs of financial undertakings may expand the room for greenwashing risk or the greenwashing allegations against the preparers of information leading to reputational risk. Sufficient level of accompanying qualitative information would be necessary to mitigate such risks.
60. Concerning asset managers, ESMA is interested in feedback on the possible case-by-case voluntary use of the OpEx KPI whereby for a specific counterparty OpEx and CapEx KPIs are merged. This solution would be less burdensome than a systematic calculation of the OpEx KPIs of counterparties. In the next section, a brief numerical illustration is provided. The other ESAs have included similar illustrations for financial undertakings within their respective remits.

3.2.2.1 Illustration of incorporating OpEx in asset managers' Taxonomy disclosures

61. A real-life non-financial undertaking reported 18% of Taxonomy-aligned CapEx and 32% of Taxonomy-aligned OpEx for financial year 2024. The shaded cells for CapEx and OpEx in the table below are directly reported by the non-financial company.
62. Under the current methodology, the asset manager providing asset management services with relation to the equity of this undertaking should use the CapEx KPI to assess its Taxonomy-alignment (i.e. the investment is 18% Taxonomy-aligned). Under the revised rules, that asset manager could, on a voluntary basis, use the combined weighted average of Taxonomy-aligned CapEx and OpEx KPIs of 27%, instead of 18% for CapEx to compute its investment ratio. By using higher OpEx figures, the Taxonomy-alignment ratio of the company's equity would increase.

TABLE 2: ILLUSTRATION OF INCORPORATING OPEX IN ASSET MANAGERS' TAXONOMY DISCLOSURES

FY2024	Total (monetary amount)	Aligned (monetary amount)	Aligned (in percentage)
CapEx	3,897	706	18.1%
OpEx	7,472	2,405	32.2%
CapEx + OpEx	11,369	3,111	27.4%

3.2.3 Draft advice

63. ESMA would like to hear from stakeholders whether possible changes to the OpEx KPI of non-financial undertakings outlined above could make the use of underlying OpEx numbers desirable, in combination with the CapEx numbers, also for asset managers. Such use could be optional.
64. While the addition of a new rule may look like the reporting of asset managers would become

more complex than before, asset managers could entirely ignore using this option if they wanted to, so this would not add any new reporting burden. However, if asset managers make more extensive use of OpEx in their funds' measurement of taxonomy alignment, they could benefit from having the possibility of adding the OpEx-derived numbers alongside CapEx to their Article 8 reporting also.

65. At the same time, by combining OpEx numbers with CapEx figures, the asset manager's taxonomy-aligned investment numbers, while possibly higher, would be less transparent as it may not be readily apparent what share of the figure is based on CapEx or OpEx. A possibility could be to require additional disclosure of that share where the combined figures are used. Such additional disclosures could include: whether the combination is used, the breakdown of the weighted average ratio between CapEx and OpEx, and whether the combination of OpEx and CapEx is applied consistently across the portfolio.

66. In general, the ESAs note that, depending on the amendments made to the OpEx KPI, the voluntary adoption of the OpEx KPI as part of the EU Taxonomy reporting by financial undertakings may only marginally improve the information value of reported information while increasing the perceived complexity of the reporting framework. The ESAs would need to assess, based on the feedback from the public consultation, whether any amendments of the OpEx KPI can otherwise provide meaningful insights into the sustainability profile of non-financial undertakings, thereby becoming of interest for investment, lending or insurance purposes.

67. Against this background, ESMA intends to seek stakeholders' feedback on the voluntary use of the OpEx KPI, particularly in the Taxonomy disclosures of asset managers.

3.2.4 Consultation questions

68. Feedback is sought on the following question:

Q7. Bearing in mind that OpEx is not included in the current disclosure template for asset managers', could the OpEx KPI become relevant for voluntary reporting by asset managers in combination with the CapEx KPI? If yes, would additional disclosure (listed in par. 65) need to be required to provide transparency about the share of OpEx combined with the CapEx figure? (paras. 64-67)

Q8. Do you have any other comments on the possible voluntary use of OpEx by financial undertakings?

3.3 Topic 3 – Group Taxonomy Reporting (horizontal issue¹⁰)

3.3.1 Recap of the key requirements and related guidance

69. The DDA defines separate *reporting regimes* (i.e. KPIs, templates, complementary information) for non-financial undertakings and for three main types of financial undertakings (credit institutions, asset managers, insurance and reinsurance undertakings). However, with the exception of the reporting regime for credit institutions, the DDA does not address the case where two or more of these types of undertakings co-exist within the same group and sets reporting rules accordingly:
- a. Taxonomy reporting for credit institutions captures both on-balance and off-balance sheet activities of banks, notably requiring reporting of any investment firm activities and asset management activities undertaken by the credit institution, based on specific templates. Furthermore, for credit institutions, the DDA also specifies that the scope of the KPIs is the prudential scope of consolidation.
 - b. On the contrary, for asset managers or insurance undertakings the reporting requirements in the DDA are very specific to the respective business models of these types of undertakings.
 - c. Finally, for non-financial undertakings, the calculation of the Turnover, CapEx and OpEx KPIs relies on financial accounting figures which, at group level, are based on financial consolidation rules. This implies that when these KPIs are calculated at group level, they already integrate the assets, liabilities, income and expenses of the group's subsidiaries. It can therefore be argued that in the reporting of a non-financial undertaking-led group, the Turnover KPI would capture revenue produced by any entity across the group, irrespective of the type of business conducted.
70. These different starting points in the DDA's reporting rules explain the significant complexity in deriving a general approach to Taxonomy group reporting. When groups include undertakings that all belong to the same type, the provisions in the DDA are scalable and the same reporting templates used for reporting by individual undertakings can be used for reflecting the Taxonomy information of the entire group. However, when groups are mixed (e.g. a group of non-financial undertakings with some financial subsidiaries or for financial conglomerates), the provisions in the DDA require further clarification, because various reporting rules apply and the underlying datapoints are of a different nature and cannot be simply aggregated.
71. For this reason, in 2024 the Commission developed *ad hoc* guidance through the so-called Third Commission Notice, specifically in FAQ 7 (financial conglomerates), FAQ 9 (mixed groups) and FAQ 11 (exposure to the parent undertaking of a mixed group or financial conglomerate).
72. The Commission's proposed approach is that the parent undertaking of a group with multiple

¹⁰ To facilitate the readers' reconciliation of the proposals on horizontal issues with the respective consultation documents of EBA and EIOPA, the text highlighted in light green identifies the text that was developed based on common principles with the other ESAs. This text is generally aligned across the consultation documents of the ESAs, although editorial differences may exist to best fit with the writing style and structure of the respective documents.

businesses should compute and disclose, as part of the contextual disclosures referred to in Annex XI of the DDA, a consolidated group level KPI in the form of a weighted average of the corresponding KPIs of its different businesses, using weights derived from the share of turnover generated by each business in the group's total consolidated turnover.

73. ESMA notes that this clarification in the Third Commission Notice seems based on the assumption that a financial institution with exposure to the entire mixed group would need to rely on Taxonomy information reflecting *all of* the underlying activities of the group in order to use this information to compute its own Taxonomy KPIs.
74. However, it is unclear which elements of Taxonomy reporting users would focus on when considering group-level reporting: the Taxonomy reporting KPIs foreseen for the 'main' group's business (e.g. insurance, banking, etc.), complemented by information on the *other businesses* undertaken by the group or whether some form of group-wide aggregation would be beneficial.
75. Alongside the determination of the group-level Taxonomy KPIs, a related issue addressed in the CfA pertains to the sub-group level disclosures and templates to be produced for each type of undertaking identified in the DDA. FAQ 7 and FAQ 9 of the Third Commission Notice state that the parent undertakings of financial conglomerates and mixed groups should report the sets of templates relevant to each of their different activities (e.g. Annex VI for the credit institutions, Annex X for the insurance undertakings, etc.), consolidated at business level, in addition to the group's consolidated KPIs.
76. A broader related question, which is not only relevant for mixed groups or financial conglomerates but for all groups, relates to subsidiary-level KPI disclosure. Paragraph (4) of Article 29a of the Accounting Directive as amended by CSRD states that 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.
77. The DDA does not address this point, but FAQ 12 of the Second Commission Notice indicates that in such situations, the consolidated sustainability reporting should provide the subsidiary level Taxonomy KPIs of the exempted subsidiaries as part of contextual information. This provides information to the financial institutions which should ideally use the KPIs which are most representative of the entity they are financing / investing in.

3.3.2 Summary of the key issues identified

78. With regards to the identification of the group-level Taxonomy KPIs, preliminary stakeholder outreach by the three ESAs has highlighted severe challenges, and diversity in practice, with the weighted-average methodology set out in the Third Commission Notice.
79. Undertakings relying on their financial consolidated ratios (either on a prudential or accounting basis) for their Taxonomy reporting found that computing weighted-average KPIs at group level could lead to double counting. This is the case, for instance, when the reported credit institutions' GAR (Annex V of the DDA) integrate some of the businesses of a bank-led financial conglomerate through relying on an equity method for their insurance activities or on full consolidation for some of their non-financial subsidiaries.

80. Equally, current practice shows that some industry-led mixed groups already integrate into their non-financial KPIs – most notably, the Turnover KPI – the businesses undertaken by their subsidiaries specialised in financial services. This is the case, for example, when a Taxonomy activity, as described in the Climate Delegated Act, specifically includes financing activities in its description and the subsidiary provides financing to the group’s customers to acquire products and services of the (non-financial) group.
81. In addition, the weighted average KPIs, as defined in the FAQs, would combine Taxonomy ratios based on different calculation approaches, which raises questions on their relevance and reliability and makes them difficult to understand by the recipients of the data.
82. With regards to the reporting of disaggregated information of individual groups’ subsidiaries or groups of subsidiaries, the requirement set out in the Third Commission Notice to prepare multiple templates is perceived as burdensome and costly by many stakeholders. Some also point out that it results in many pages of templates (especially for financial conglomerates) that could obscure material information.

3.3.3 How to address the issues identified

83. The European Commission's CfA requests the ESAs to work on horizontal issues in a coordinated way. In line with their respective mandates, the ESAs have therefore agreed to address the issues concerning group reporting based on the common identification of the relevant fact patterns and practical issues, as well as on the basis of shared principles on which possible solutions could be proposed. These common aspects are set out in the next paragraphs.
84. The discussion of specific sectorial issues and the related possible solutions are then specified in each of the ESAs’ consultation documents, notably: credit institution-led groups and financial conglomerates are addressed in [EBA's Discussion Paper](#), insurance and reinsurance undertaking-led groups and financial conglomerates are addressed in [EIOPA's Consultation Paper](#); and non-financial undertaking-led groups and asset manager-led groups are addressed in this CP.
85. The ESAs have analysed the following fact patterns:

TABLE 3: FACT PATTERNS ADDRESSED ACROSS THE ESAs' CONSULTATION DOCUMENTS

Type of mixed group	Detailed assessment
Credit institution-led groups with any of the following subsidiaries: investment firm, asset manager, insurance and reinsurance undertaking and non-financial undertaking	EBA's Discussion Paper
Insurance and reinsurance undertaking-led groups with any of the following subsidiaries: credit institution, investment firm, asset manager and non-financial undertaking	EIOPA's Consultation Paper
Asset manager-led groups with any of the following subsidiaries: credit institution, investment firm, insurance and reinsurance undertaking and non-financial undertaking	This CP, Section 3.3.3.3
Non-financial undertaking-led groups with any of the following subsidiaries: credit institution, investment firm, asset manager, insurance and reinsurance undertaking	This CP, Section 3.3.3.3

86. ESMA notes that when a group is led by a non-regulated entity (e.g. not by a credit institution, an insurance undertaking or an investment firm), but still meets the definition of a financial conglomerate, specific rules in the EU Directive on financial conglomerates apply to determine the relevance of the group's activities within the financial sector. ESMA has not assessed these cases in detail, as the views of stakeholders on the other fact patterns presented, including those analysed by EBA and EIOPA, will help shed light also on how to deal with these more specific cases.

87. The ESAs identified the following driving principles for developing possible solutions to address the issues raised by the Commission's CfA with respect to group reporting. Following the preliminary analysis, the ESAs are of the opinion that:

- a. Group-level Taxonomy disclosures should transparently reflect the degree of sustainability of the activities undertaken by the group as a whole, while acknowledging that the Taxonomy disclosure rules are not conceived to be sector-agnostic, but rather sector-specific. Therefore, combining KPIs that present activities that are fundamentally different in nature would not result in meaningful information for the users.
- b. The treatment of various sectors within a mixed group, e.g. a diversified financial group or a non-financial group with financial activities, should ensure consistency in treating similar circumstances.
- c. Proportionality considerations should inform the development of the proposed solutions, focusing on the disclosures that could be most impactful rather than promoting excessively granular reporting which may detract focus from the material information.
- d. Mixed-group disclosures should be based, as a starting point, on the Taxonomy

disclosures framework as defined by the DDA based on the nature and scope of consolidation with respect to the parent undertaking and complemented by additional information that is necessary to reflect the Taxonomy profile of the group as a whole, e.g. in a credit institution-led financial conglomerate with a material insurance business, additional information on the insurance subsidiary may be necessary.

88. Those principles will be considered in developing possible solutions in relation to group reporting in the next paragraphs.

3.3.3.1 Group-level reporting

89. The Commission's CfA seeks input on an approach to group reporting that could result in meaningful information without adding excessive complexity to the broader regime. However, based on the preliminary outreach and observation of current practice, ESMA's assessment is that reaching a consolidated result for Taxonomy reporting for mixed groups through the computation of one single KPI resulting from the aggregation of various KPIs would not be meaningful.
90. As explained in paragraph 69, ESMA notes that, due to their nature, the Taxonomy reporting requirements are intended to reflect the specificities of the types of undertakings for which they were developed (non-financial undertakings, credit institutions, insurance undertakings and asset managers). As such, these requirements do not lend themselves to an arithmetic aggregation, which could be achieved, for example, in the consolidation approaches for group financial statements where the accounting requirements are transaction-specific, rather than sector-specific.
91. A possible approach to mixed group Taxonomy reporting that could combine a meaningful reflection of the Taxonomy profile of a group with limited reporting burden would be to (i) select the *main reporting regime* applicable to the mixed group selecting from those available in the DDA based on the various types of undertaking (e.g. rules for non-financial undertakings) and (ii) complement these rules with additional transparency, as needed, on the other types of undertakings the group encompasses (e.g. credit institutions and insurance undertakings) which carry out *other businesses* that are not (fully) reflected within the main reporting regime.
92. This approach raises the question as to how the *main reporting regime* of the group should be determined amongst the various sets of rules in the DDA. ESMA has identified two possible approaches:
- a. Setting the main group reporting regime based on the type of parent undertaking. Under this approach, the driving principle would be simple: if the group parent is a non-financial undertaking, the main group reporting rules will follow the rules set out in the DDA for non-financial undertakings (i.e. Turnover, OpEx and CapEx).
 - b. Setting the main group reporting regime based on the type of undertaking(s) whose business activities are prevalent within the group. For example, notwithstanding the fact that the group parent is a non-financial undertaking, if the majority of the group activities are concentrated in the group's financial undertakings, the main reporting regime will be based on the rules applicable to these other prevalent undertakings.

93. While the first approach has the benefit of being fairly intuitive and simple in its application, it may not always reflect the economic substance of those groups which are led by non-financial undertakings, whereas they carry out a financial activity in substance. On the contrary, the second approach may seem to provide the most accurate answer from an economic perspective, but it is not exempt from practical issues, for example how to calculate the prevalence of one or more group activities (e.g. as a percentage of total assets or revenue) and what to do when the prevalence criterion may flip from one business to another over the years.
94. Disclosures under IFRS 18, when available, could also be a source of information regarding the main business activities of an undertaking. However, IFRS 18 envisages that an entity may have more than one main business activity.
95. ESMA notes that the two approaches above are not incompatible. The default approach for determining the group reporting regime could be driven by the type of parent undertaking, except where EU legislation would require otherwise. This is the case, for example, when a group is led by a financial holding company and the EU Directive on financial conglomerates would require considering that group as a financial conglomerate if, among other factors, the group activities '*mainly occur in the financial sector*'. ESMA welcomes input from stakeholders on this specific fact pattern.

3.3.3.2 Sub-group-level and subsidiary reporting

96. Once the main group reporting regime has been selected, the question arises as to how the businesses carried out by one or more of the subsidiaries that are not captured by the main type of reporting regime should be reflected within the group reporting.
97. As indicated in paragraph 69, under the current rules in the DDA, the scope of the reporting requirements varies depending on the type of reporting undertaking. For example, for credit institutions, the existing rules are already comprehensive enough to capture certain businesses other than banking, such as investment firms and asset management. Certain businesses would, however, remain unaddressed by the main reporting regime.
98. In addition, there may be a loss of Taxonomy information even for the businesses captured by the main group reporting regime, due to the sector-specific nature of the rules (e.g. when the non-financial subsidiaries of a credit institution are consolidated, they will be computed in the GAR, but not necessarily identifiable). In sum, irrespective of which type of undertaking leads a group, none of the reporting requirements currently envisaged in the DDA is omnicomprehensive.
99. Therefore, the question arises as to which of the *other businesses* (i.e. those carried out by subsidiaries which do not belong to the main reporting model) of a mixed group should be separately disclosed under the Taxonomy rules directly applicable to them.
100. In this respect, ESMA recalls the requirement in paragraph 4 of Article 29a of the Accounting Directive: "*Where the reporting undertaking identifies significant differences between the risks for, or impacts of, the group and the risks for, or impacts of, one or more of its subsidiary undertakings, the undertaking shall provide an adequate understanding of, as appropriate, the*

risks for, and impacts of, the subsidiary undertaking or subsidiary undertakings concerned.”.

101. ESMA notes that Articles 19a and 29a of the Accounting Directive also envisage that individual subsidiaries or intermediate parents, which would otherwise be subject to the sustainability reporting requirements of that Directive, can be exempted by these reporting obligations when they belong to a group of undertakings whose ultimate parent discharges the sustainability reporting obligations for the entire group.
102. ESMA believes that these two provisions set the main parameters based on which the transparency regime for the *other businesses* within group Taxonomy reporting should be set. On the one hand, if the main group reporting regime does not capture the specificities of other various activities within the group in a way that could result in a material loss of information for users, additional information should be provided. On the other hand, the requirements should not result in systematically requiring subsidiary-by-subsidary reporting which may risk circumventing the exemptions.
103. The question is therefore where a material loss of information may arise with respect to *other businesses* within the group which are not or only partially captured by the *main group reporting regime*. The following aspects have been considered by ESMA as not-mutually-exclusive criteria to determine whether a material loss of information occurs and therefore whether separate reporting on the other group activities not captured by the main group reporting regime should be triggered:
 - a. Use a materiality threshold: The Accounting Directive does not specify thresholds for triggering separate reporting within the group by certain subsidiaries or groups of subsidiaries. Nevertheless, the Omnibus Delegated Act envisages a 10% cumulative materiality threshold, the application of which differs depending on the sectors considered. A similar threshold could be usefully introduced to determine which subsidiaries or groups of subsidiaries should warrant additional reporting alongside the disclosures stemming from the main group reporting regime.
 - b. Consider the *other businesses* which are not integrated within the group main reporting regime: When no integration is possible under the *main group reporting regime*, and these businesses are significant, the related Taxonomy information may be necessary to enable a complete depiction of the Taxonomy profile of the group.
 - c. Consider subsidiaries in scope of sustainability reporting obligations: Another parameter to determine whether reporting on the *other businesses* is due could be to focus on subsidiaries or intermediate parents which, in the absence of the exemptions set out in the Accounting Directive, would be subject to the sustainability reporting requirements.
 - d. Consider consistency with financial disclosures: In their IFRS 18 disclosures, undertakings may identify two broad activities as ‘main business activities’, i.e. investing in assets or providing financing to customers. IFRS 18 also cross-refers to the segment disclosures under IFRS 8 *Operating Segments* which should also be considered in determining which activities qualify as main activities under IFRS 18, with an aim to ensure consistency in the undertaking’s assessment of the significance of a business across its corporate reporting. Although the types of main business activities envisaged

in IFRS 18 do not perfectly overlap with the type of undertakings for which disclosure requirements are provided in the DDA, these accounting assessments may provide an indication of the significance of the *other businesses* for the undertaking for the purpose of determining whether a loss of information may occur.

- e. Assess whether the Taxonomy information of the other businesses which are integrated within the group main reporting regime is sufficient: Partial integration through the main group reporting model may not describe the specificities of the *other businesses* as completely as the ad-hoc Taxonomy requirements. The consequential loss of information could be relevant in case stakeholders are interested in comparing, for example, a bank within a non-financial group with other banks providing similar services. The demand for such comparability should however be weighed against the reporting burden of providing separate disclosures for these *other businesses*.
 - f. Assess the nature of the other businesses: When some group subsidiaries carry out activities which are exclusively serving the group's internal needs (e.g. 'captive (re)insurance undertakings' or other internal financial services providers), there may be limited additional value in reporting on the Taxonomy profile of these activities which would be highly, if not entirely, correlated with the Taxonomy profile of the group as reflected through the main group reporting regime.
104. As a general rule, when a material loss of information may occur, separate disclosures of the concerned subsidiaries or groups of subsidiaries are necessary. In these cases, however, it is important to fairly balance the need for transparency while avoiding unnecessary burden.
105. Therefore, the additional information provided could be either a simplified version of the existing templates or further reduced to the corresponding headline indicators (i.e. main eligibility and alignment KPIs) complemented by narrative information on the main Taxonomy activities in which eligibility and alignment was verified. ESMA welcomes comments on the types of disclosures stakeholders would favour for the *other businesses*.

3.3.3.3 Specific considerations on groups led by non-financial undertakings and asset managers

106. The assessment in the previous paragraphs is based on the common principles and considerations developed by the ESAs. In the next paragraphs, ESMA indicates how this assessment could inform possible amendments to the DDA in relation to group Taxonomy reporting by groups led by non-financial undertakings and groups led by asset managers that are within the scope of the sustainability reporting requirements.
107. Firstly, ESMA notes that a current reporting practice of non-financial groups is to reflect – through the main group reporting regime (i.e. the templates for Turnover, CapEx and OpEx) – the information about financial services provided to the group's customers as ancillary services supporting the sale of group's non-financial products and services.
108. For example, when the Taxonomy activities already include financial services, these activities are reflected through the numerator of the group Turnover KPI which consolidates all group revenue (net of consolidation adjustments) associated with Taxonomy activities, including for

subsidiaries carrying out financial services activities. For instance, Taxonomy Activity CCM 6.5 (*Transport by motorbikes, passenger cars and light commercial vehicles*) captures “*Purchase, financing, renting, leasing and operation of [some categories of] vehicles*”¹¹. On this basis, for example, an automotive group with a financial services subsidiary which exclusively serves the group’s customers as an ancillary activity to the sale of the group’s products can report all activities in one set of KPIs and templates.

109. There may be, however, situations when there is no Taxonomy activity for the specific financial services provided to the group’s customers. In those cases, the integration of these services would only occur through the denominator of the Turnover KPI with no possibility to account for the activity in the numerator. ESMA would welcome input from stakeholders on the related fact patterns and current reporting practice.
110. Secondly, other common cases relate to subsidiaries which provide financing, insurance or other financial services exclusively to other group undertakings of the non-financial or asset management group.
111. In these cases, the accounting rules underpinning financial consolidation would result in eliminating any intercompany revenue and, therefore, the Taxonomy impact of these financial activities would not be reflected in the group Turnover ratio. However, it is unclear what the benefit would be of separately reporting on these internal transactions through the specific sectoral templates in the DDA, as these ‘captive’ businesses would simply serve the group’s own financing or insurance needs and therefore their activities would generally be aligned with the Taxonomy profile already reflected through the main group reporting regime. ESMA is seeking the input of stakeholders on this aspect.
112. Thirdly, ESMA notes that the considerations developed above may apply, all the rest being equal, to asset management-led groups within the scope of mandatory Taxonomy reporting. However, ESMA staff will seek specific input on those issues as reporting practices in this field are currently limited. In addition, the new scope requirements for sustainability reporting introduced by the Omnibus I package, will make it possible for a wider population of undertakings – including large asset management groups which today report on sustainability separately – to use the exemption from preparing group sustainability reporting when they are part of a larger group that prepares sustainability statements, including Taxonomy disclosures.

¹¹ Commission Delegated Regulation 2021/2139 of 4 June 2021.

TABLE 4: POSSIBLE AMENDMENTS TO GROUP LEVEL REPORTING

Summary of possible amendments	Implications on simplification and relevance
<p><u>Group-level reporting</u></p> <ol style="list-style-type: none"> 1. Remove current guidance to compute consolidated weighted average KPIs. 2. Determine the main group reporting regime based on the DDA reporting rules applicable to the type of parent undertaking (financial / non-financial), unless EU legislation would require otherwise (e.g. for a non-financial entity-led financial conglomerate as per the EU Directive on financial conglomerates). 	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. Ensures closer alignment with current practice which does not disclose a single group KPI. 2. Avoids the limited relevance of the weighted-average KPI. 3. Limits reporting complexity. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. Assumes prevalence of one Taxonomy reporting regime (i.e. non-financial undertakings templates) over the others in a mixed group, thus accepting some loss of information on the <i>other businesses</i>. 2. Potential change in reporting practice for the undertakings having implemented the Commission Notices.
<p><u>Sub-group and subsidiary reporting</u></p> <ol style="list-style-type: none"> 1. Remove current guidance to disclose all templates related to the <i>other businesses</i> 2. Require disclosure of additional templates and KPIs reflecting <i>other businesses</i>, as needed to avoid a material loss of information. 3. To further alleviate the undertaking's reporting burden, lighten the disclosure requirements for the <i>other businesses</i> through either allowing the use of simplified templates or only requiring the disclosure of the corresponding headline indicators. 	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. Limits reporting complexity and burden as compared to reporting of all templates as foreseen under current guidance. 2. Ensures proportionate access to Taxonomy information on the non-prevalent activities the mixed group engages in. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. Less granular information available to users on the <i>other businesses</i> of the undertaking, as compared to current guidance. 2. Under current practice, sub-group level disclosures are not always produced (neither through disclosure of the full templates, nor through disclosure of headline KPIs). As a result, this proposal could be perceived as additional burden.

3.3.4 Draft advice

113. The CfA requires coordinated input by ESMA, EBA and EIOPA on the topic of group Taxonomy reporting. For the purpose of this consultation, the ESAs have determined that they will seek input from stakeholders on some general, cross-sectoral considerations on this topic, as well as on particular fact patterns that are specific to the respective remits of each ESA. Therefore, the tentative views expressed in this section should be read as consistent with the broad principles and considerations developed by the three ESAs in their respective consultation documents, but they constitute ESMA's draft advice with regards to group reporting by non-financial-undertaking-led groups. Depending on the input received by the respective stakeholders, the ESAs will then agree on a consistent approach to group reporting in the final advice.

114. Based on the considerations in Section 3.3.3 the ESAs' draft advice in relation to the horizontal issue of group reporting is as follows:

- a. As a general rule, the group should disclose the KPI(s) relevant for the type of activity of the parent undertaking (i.e. the *main reporting regime* referred to in paras. 91-95), following the rules set out in the DDA. Where a group is led by a financial holding company and that group is identified as a financial conglomerate in accordance with the EU Directive on financial conglomerates, the KPI(s) should be those relevant for the entity leading the financial conglomerate.
- b. Additional relevant KPIs should be disclosed by material subsidiaries or intermediate parent undertakings, where the businesses undertaken by these entities are of a different nature than those carried out by the parent undertaking, necessitating the use of different KPIs (i.e. the *other businesses* referred to in paras. 99-104). The Accounting Directive does not specify thresholds for triggering separate reporting within the group of the other businesses carried out by certain subsidiaries or groups of subsidiaries. Nevertheless, the Omnibus Delegated Act envisages a 10% materiality threshold, the application of which differs depending on the sectors considered. A similar criterion could be usefully introduced explicitly to determine which subsidiaries or groups of subsidiaries should warrant additional reporting alongside the disclosures stemming from the main group reporting regime.
- c. No or limited disclosure of additional KPI(s) by material subsidiaries or intermediate parent undertakings may be justified in cases where the businesses of these entities are sufficiently integrated within the group reporting at consolidated level.
- d. When the other business activities are exclusively serving the group's internal needs, e.g. 'captive (re)insurance undertakings' or other internal financial services providers, there may be limited additional value in reporting on the Taxonomy profile of these activities which would be highly, if not entirely, correlated with the Taxonomy profile of the group as reflected through the main group reporting regime.

115. In addition, the ESAs consider that the additional information based on relevant KPIs provided by material subsidiaries and parent undertakings could take a simplified form as compared to the full templates. In that regard, the European Commission may choose to provide simplified

templates for that purpose. The ESAs stand ready to assist the Commission in this task in case this approach is pursued.

116. The ESAs are also of the opinion that the Third Commission Notice introducing the need to compute a weighted KPI aggregating various activities carried out by groups is not meaningful and has shortcomings. The ESAs invite the European Commission to consider deleting this point.
117. Specifically, for non-financial-undertaking-led groups, ESMA's favoured approach at this stage would be that the DDA: (i) sets the main group regime as corresponding to the Taxonomy disclosures applicable to non-financial undertakings; and (ii) requires some additional information in relation to the other businesses of the group to prevent a material loss of information. These requirements could include that:
- a. The group subsidiaries which carry out other businesses and whose aggregated consolidated revenue is below 10% of total group Turnover do not require separate or complementary Taxonomy disclosures. Information on the nature of these activities and share of total Turnover would be disclosed (par.103).
 - b. When the *other businesses*, notably financial services within a non-financial group, consist of activities which can be mapped to sustainable activities foreseen by Taxonomy, the *main reporting regime* would already capture these businesses in a clearly identifiable way, and no additional separate disclosures would be necessary (paras. 103 and 107-108).
 - c. When the activities of the *other businesses* (carried out by subsidiaries above the materiality threshold) cannot be mapped to sustainable activities foreseen by the Taxonomy and therefore cannot be captured by the *main reporting regime*, complementary disclosures should be provided. These disclosures should provide information on the materiality of such businesses (e.g. as a share of the denominator of the group Turnover ratio) and on their nature (e.g. whether these businesses consist of activities ancillary to the sale of products and services). When the other businesses are not solely ancillary, the EC should specify complementary disclosures to be provided through a selection of the specific sectoral KPIs accompanied by narrative disclosures (paras. 109-111).

3.3.5 Consultation questions

118. Feedback is sought on the following questions:

- Q9. In your experience, do users of Taxonomy disclosure demand or need a single KPI to summarise the Taxonomy profile of mixed groups or financial conglomerates (paras. 71-74)? Please explain the circumstances in which you have seen need or demand for such KPI.
- Q10. The ESAs are proposing to remove the weighted average for group reporting for the reasons explained in paras. 78-82. Do you agree that, if a single KPI figure from the parent undertaking of a group would be required (such as for computing investment KPIs or investments made by financial products disclosed under SFDR), the KPI of the main reporting regime of the group

should be used? If not, what alternative methodology would you propose?

Q11. Do you have any comments on the ESAs' principles and ESMA's analysis as developed in Section 3.3.3 (paras. 83-112)? In particular, do you see specific challenges on how to determine the group *main reporting regime* or prevalent activity of a mixed group or financial conglomerate? Please provide examples if relevant.

Draft advice

Q12. Do you support introducing a 10% materiality threshold based on the turnover generated by the *other businesses* a mixed group engages in (par. 103**Error! Reference source not found.** and 117)? If not, please explain why.

Q13. Do you agree that the proposal regarding sub-group level disclosures would provide an adequate depiction of the Taxonomy profile of a mixed group (paras. 115 - 117)? Please explain your views.

Q14. Do you think that the full templates should be disclosed for the *other businesses* to enable easier comparability with undertakings engaging in similar activities or would you support lighter disclosures (par. 115)? In case you would favour lighter disclosures, please explain which information should be disclosed.

Q15. Do you have any other comment on ESMA's draft advice (paras. 113-117), including the part common to all ESAs? If yes, please explain.

Costs and benefits of the proposals in Section 3.3

Q16. Do you consider that the proposals in Section 3.3 will result in a favourable cost-benefit balance? Please explain your answer by indicating the one-off and on-going costs as well as the benefits that you envisage from the introduction of these proposals.

3.4 Topic 4 – Additional possible simplifications

119. In the CfA, the Commission invited ESMA to consider, where applicable and relevant, other targeted simplifications and improvements, including simplifications to reporting templates and related contextual information, as well as other relevant changes to non-financial undertakings' and / or asset managers' KPIs and reporting rules.
120. In addition to the targeted amendments discussed in the previous section, ESMA has therefore explored whether further simplification of the DDA could be achieved beyond OpEx-specific provisions. To this end, ESMA focused on areas identified as potential sources of complexity or burden in the targeted stakeholder outreach conducted during the pre-consultation phase. While considered individually each of these issues may only result in incremental improvements of the Taxonomy framework, when taken together they could contribute to a more substantial improvement in the overall experience of Taxonomy reporting. ESMA approaches these issues from this perspective and invites feedback from stakeholders.
121. Preliminary feedback pointed to a limited number of areas as potential candidates for further simplification and burden reduction. These related to the connectivity of the EU Taxonomy with the European Sustainability Reporting Standards ('ESRS') framework, and the adjusted introduction of certain ESRS reliefs, the practical application of the Taxonomy materiality principle and IFRS 8, small improvements to the Taxonomy templates and Annex I with suggestions to delete certain KPIs and clearly identify contextual datapoints. In this context, ESMA moreover considered whether certain interpretative elements currently addressed through the Commission's FAQs in the Second and Third Commission Notices could usefully be carried over to the Level 2 legal text to streamline the framework and improve the usability of the DDA.
122. These potential simplification options are presented in the following sub-sections.

3.4.1 Connectivity between Taxonomy and ESRS, introduction of new reliefs and phased-in application

123. As part of this consultation, ESMA seeks views on the interaction between the ESRS framework and Taxonomy reporting and the introduction of additional reliefs and phased-in application with the aim of reducing reporting burden and enhancing consistency between the two reporting frameworks. ESMA notes that its proposals are based on the current draft revised ESRS¹² and should therefore be revisited following the publication of the revised ESRS in the Official Journal of the EU.
124. Accordingly, ESMA invites feedback on the possible introduction to Taxonomy reporting of a limited number of reliefs included in the draft revised ESRS. ESMA considers that these reliefs, adapted to the specificities of Taxonomy reporting as set out in the table below, could be incorporated into Annex I of the DDA, whilst noting that their proportionate application to the Taxonomy reporting of financial undertakings should also be considered.
125. Moreover, to reduce reporting burden ESMA proposes a one-year phase-in period for

¹² [Draft ESRS Delegated Act](#) published for consultation.

amendments to the TSC or to the DDA during which reporting undertakings may voluntarily apply the new TSC. As an additional alleviation measure, ESMA suggests that when a new activity is introduced in the EU Taxonomy, reporting undertakings are allowed to report only on eligibility for one year. ESMA considers that the same approach could be foreseen for non-financial undertakings reporting under the Taxonomy for the first time.

126. Lastly, ESMA has considered whether to include among its proposals the application of the ESRS ‘undue cost or effort’ principle to the preparation of Taxonomy KPIs. In ESMA’s view, as stated in the ESMA Opinion on the revised ESRS¹³, such a relief should be time-limited. However, given that in the draft ESRS Delegated Act published by the Commission for consultation, the ‘undue cost or effort’ exemption remains time unlimited, ESMA considers that proposing a time-limited relief for Taxonomy reporting would create a conceptual inconsistency between the two frameworks. At the same time, ESMA finds that the potential introduction of the reliefs and phased-in application proposed in this paper, would likely address the main data availability challenges faced by NFUs. In this context, ESMA is not convinced of the added value of introducing an unlimited undue cost or effort relief for Taxonomy reporting and has therefore refrained from proposing its introduction.

¹³ Idem.

TABLE 5: POSSIBLE APPLICATION OF ESRS RELIEFS TO TAXONOMY REPORTING, PHASED-IN APPLICATION & TAXONOMY-SPECIFIC RELIEF

Relief	Description
Exemption from revising comparatives for new information	<p>The obligation to restate comparative information is subject to the following reliefs, which would apply only in the case of extraordinary and duly justified circumstances:</p> <ol style="list-style-type: none"> 1. Mandatory restatement retained where there is a significant variation in the relevant KPI in the following years. 2. Relief from restating comparatives in reporting year N where the methodology to compute the necessary information systematically relies on N-1 data¹⁴. 3. No requirement to provide comparative information in the first year of Taxonomy reporting.
Deferred reporting of acquisitions	<p>In line with the relevant ESRS relief, an exemption from assessing eligibility and alignment would apply for one year in case of new acquisitions. To ensure consistency with the financial statements, the denominators of the relevant KPIs would nevertheless include the amounts related to the newly acquired undertakings¹⁵. Although the application of this relief would result in a mismatch between the denominator and numerator of the KPI for one year, ESMA finds that this is justified in light of the temporary nature of this measure and its effect in terms of burden reduction.</p>
Omission of sensitive information	<p>Application of the corresponding reliefs in alignment with the revised CSRD and draft revised ESRS¹⁶.</p>
Phased-in application of amendments to the TSC and to the DDA	<p>In case of changes to the TSC or changes to the DDA (e.g. definition of a KPI), reporting undertakings would be given a one-year phase-in before applying the new TSC or rules. The phased-in application would allow undertakings time to adapt their internal processes and controls to the new or amended reporting rules.</p>
Taxonomy-specific relief for alignment reporting for newly introduced activities and first-time Taxonomy reporters	<p>In the case of new activities being introduced in the EU Taxonomy and in the case of undertakings reporting under the EU Taxonomy for the first time, non-financial undertakings would be allowed to only report Taxonomy-eligibility for one year. For the first year of implementation, reporting undertakings would not be required to report Taxonomy-alignment unless they would wish to do so on a voluntary basis.</p>

¹⁴ An example of this situation would be use of N-1 data from suppliers for the calculation of CapEx type C. The draft simplified ESRS include a similar provision in AR 40 of ESRS 1 as per the draft Commission Delegated Regulation amending Delegated Regulation (EU) 2023/2772.

¹⁵ The denominator of the KPI would include the effect of acquisitions and disposals that have occurred during the reporting period, in line with the financial statements. Therefore, the numerator would also exclude any disposals and there is no scope for a relief in this case.

¹⁶ Please see article 19a, para 3, last point of revised CSRD and paragraphs 101 and 102 of the draft revised ESRS.

127. ESMA also welcomes views on whether, in certain cases, ESRS disclosures could be used to support compliance with Taxonomy reporting through internal references to other parts of the sustainability statement and use of appendices¹⁷ to improve readability and present more detailed or supplementary information. Moreover, ESMA would like to explore whether the DDA should explicitly allow for the incorporation by reference of information disclosed in other regulatory documents¹⁸ as a means of reducing reporting burden. This rule would be in line with paragraphs 118-121 of the draft revised ESRS appropriately adapted to the specificities of Taxonomy reporting.
128. While acknowledging that Taxonomy disclosures are activity-based and therefore not fully aligned with the ESRS framework, ESMA notes that there might be some areas of overlap where cross-references may be appropriate. This could, for example, apply to disclosures on minimum safeguards or CapEx plans, where relevant ESRS disclosures could be referenced to demonstrate compliance with the corresponding Taxonomy requirements.
129. Given that Taxonomy reporting sits in the sustainability statement, ESMA expects that the use of cross-references would not pose significant operational challenges and already occurs in practice. Nevertheless, ESMA considers that introducing an explicit provision in the DDA allowing such cross-references of ESRS disclosures into Taxonomy reporting could further encourage this practice. In this context, the mapping of ESRS and Taxonomy disclosures recommended by the Platform on Sustainable Finance¹⁹ appears like a useful starting point for identifying the cases for which this practice would be most beneficial.
130. As a general point, ESMA notes that feedback from some stakeholders supports integrating Taxonomy information more fully into the sustainability statement. These stakeholders consider that such an approach could better embed Taxonomy reporting within the broader sustainability context and provide a more holistic view of sustainability information to users and preparers. ESMA observes that this topic goes beyond the scope of its current mandate and reiterates its views, as stated in its opinion on the revised ESRS²⁰, in support of enhanced connectivity between ESRS and Taxonomy reporting.

¹⁷ In line with para 112 of the [draft simplified ESRS 1](#).

¹⁸ For example, financial statements, URD, other parts of the management report.

¹⁹ [Platform response to the Commission's consultation on the ESRS](#), 18 March 2026. Platform paper to be included.

²⁰ ESMA Opinion on EFRAG's technical advice on revised ESRS, (para 58, p. 16). Ref. ESMA32-846262651-5440 | 18 February 2026.

TABLE 6: LIST OF POSSIBLE AMENDMENTS AND COST-BENEFIT IMPLICATIONS FROM PROPOSALS IN TABLE 5

Possible amendments	Implications on simplification and relevance
<ol style="list-style-type: none"> 1. Introduce a limited number of ESRS reliefs adapted to Taxonomy reporting. 2. Allow for phased-in application of amendments to the TSC and to the DDA. 3. Introduce a Taxonomy-specific relief for alignment reporting for newly introduced activities and first-time Taxonomy reporters and foresee explicit disclosure on the use of this relief. 4. Allow cross-references to relevant ESRS disclosures into Taxonomy reporting and use of appendices where appropriate. Allow incorporation by reference of information in other relevant regulatory documents in line with the draft revised ESRS. 	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. Reduced reporting burden, particularly following regulatory changes. 2. Improved coherence and alignment between ESRS and Taxonomy reporting. 3. Greater clarity for preparers and improved consistency for users. 4. More holistic presentation of sustainability information. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. Risk of reduced comparability from application of reliefs. 2. Potential negative impact on investor protection (which should be managed with clearly defined conditions and time limit).

3.4.2 IFRS 8 and Taxonomy materiality: implementation considerations

131. Recent guidance in FAQ 7 of the Fourth Commission Notice clarifies the application of the materiality principle when identifying Taxonomy-eligible and Taxonomy-aligned economic activities by reference to IFRS 8 *Operating Segments*. The FAQ indicates that preparers should avoid situations where an activity is considered material under IFRS 8 (and disclosed as a reportable operating segment) while being assessed as non-material for Taxonomy reporting purposes.
132. Stakeholders have raised questions regarding the practical application of this guidance. IFRS 8 is a management-based standard reflecting how an undertaking's activities are organised and monitored for financial reporting purposes, whereas Taxonomy materiality aims to assess the economic relevance of activities for the Taxonomy KPIs.
133. As a result, the interaction between IFRS 8 and Taxonomy materiality may not always be straightforward to apply, in particular where Taxonomy activities do not map one-to-one to IFRS 8 segments, for example where segments are defined on a geographic basis or comprise multiple economic activities, only some of which are relevant for Taxonomy reporting. Stakeholders have also noted that such an approach may limit the effective use of materiality filters under the Taxonomy framework, potentially leading to the disclosure of activities that preparers would otherwise reasonably consider non-material. In addition, an activity may not be material for turnover whilst remaining material for CapEx or OpEx.
134. Against this background, ESMA seeks feedback on stakeholders' suggestions to clarify that IFRS 8 information should be used primarily as contextual or consistency input, or that its

relevance should be limited to cases where a Taxonomy activity corresponds to an entire operating segment identified based on IFRS 8. These clarifications should ideally be reflected in the revised DDA to provide legal certainty to preparers. Moreover, ESMA seeks views on whether additional guidance and illustrative examples would support a more consistent and practical application of the materiality principle.

TABLE 7: LIST OF POSSIBLE AMENDMENTS AND COST-BENEFIT IMPLICATIONS IN RELATION TO IFRS 8 AND TAXONOMY MATERIALITY

Possible amendments	Implications on simplification and relevance
1. Clarify that IFRS 8 information should be used primarily as contextual or consistency input. 2. Limit the relevance of IFRS 8 to cases where a Taxonomy activity corresponds to an entire operating segment. 3. Provide additional guidance and illustrative examples on the interaction between IFRS 8 and Taxonomy materiality.	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. More consistent and practicable application of the materiality principle. 2. Better accommodation of KPI-specific materiality (turnover, CapEx, OpEx). 3. Increased legal certainty for preparers and auditors. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. Additional guidance may require short-term implementation effort by preparers. 2. Risk of divergent practices if clarifications remain principle-based rather than prescriptive.

3.4.3 Simplifications relating to non-financial undertakings' reporting: definition of KPIs, templates and Annex I of the DDA

135. As a further simplification point, some stakeholders questioned the need to report on enabling and transitional activities, noting that this adds complexity to internal reporting systems and controls of non-financial undertakings and go beyond the Taxonomy's objective of identifying sustainable economic activities. At the same time, ESMA notes that the use of the Taxonomy Compass²¹ may already provide part of this information, albeit not at the required level of granularity, and could therefore partially mitigate the reporting burden.
136. Stakeholders also questioned the informative value and relevance for users of information on enabling and transitional activities, which are subsequently carried over to the Taxonomy reporting of financial undertakings. ESMA notes that for financial market participants there is a Level 1 requirement under Taxonomy Regulation Articles 5 and 6 to disclose such information for financial products disclosing under SFDR Articles 8 and 9. While these provisions are expected to become moot following the SFDR review, no amendments are currently foreseen to the Taxonomy Regulation Level 1 text, while similar reporting obligations remain under the Level 2 requirements for Article 8 Taxonomy reporting by financial

²¹ [EU Taxonomy Compass](#).

undertakings beyond asset managers. Removing this information from the templates for non-financial undertakings would therefore affect data availability for financial undertakings and should be assessed accordingly (see also Section 3.4.4).

137. At the same time, information on enabling and transitional activities is likely to remain relevant for the design of financial products under the revised SFDR. In particular, the revised SFDR is expected to introduce a transition product category for which investments in transitional Taxonomy-aligned activities, among others, could qualify. ESMA also observes that enabling activities are those that permit other activities to make a substantial contribution to environmental objectives and transition and are thus a core element of the Taxonomy. In the absence of readily available reporting, product manufacturers may face data sourcing challenges, while any relief for preparers would likely be rather limited.
138. Against this background, ESMA seeks input on the reporting burden associated with disclosures on enabling and transitional activities by non-financial undertakings and on the impact for users of Taxonomy data from the potential removal of this obligation.
139. Further in preparing for its technical advice, ESMA considered whether certain clarifications currently provided through the Commission's FAQs – specifically regarding the assessment of eligibility for adapted activities – could be incorporated into the Level 2 legal text with a view to improving the usability of the DDA and providing greater clarity for preparers.
140. In particular, ESMA notes that Section 1.1.1 of Annex I of the DDA provides that the Turnover KPI shall exclude from its numerator the part of turnover related to adapted economic activities. Commission FAQ 5 from the First Commission Notice further clarifies the eligibility requirements for climate change adaptation by distinguishing between enabling activities and adaptation activities, including the different treatment of turnover in each case. Having regard to the clarifications provided in FAQ 5, ESMA seeks views on whether carrying over these eligibility clarifications in Annex I of the DDA could enhance the usability of the DDA and support a more consistent application of the turnover KPI.
141. ESMA also observes that stakeholder feedback highlighted practical challenges in relation to CapEx Type C²². In particular, stakeholders emphasised the significant effort required to collect data from suppliers across the value chain and noted that this information is not necessarily related to the undertaking's core activities, while acknowledging that in some cases, it may serve to demonstrate transition efforts. With this in mind, ESMA seeks views on the potential reporting burden associated with CapEx "type C", its usefulness for users of Taxonomy disclosures and potential simplification measures, including whether this category could be made optional.
142. Moreover, as part of this consultation, ESMA explores the potential for further simplification in Annex I. ESMA received feedback indicating that the adjusted Turnover KPI for sustainable bond issuance as set out in Annex I, section 1.2.3.1 is perceived by preparers as particularly challenging to disclose, notably due to limited clarity and the need to rely on assumptions and

²² As required by the DDA, CapEx "type C" is related to *the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, provided that such measures are implemented and operational within 18 months.*

estimates for its calculation. With this in mind, ESMA seeks feedback on the usefulness of this KPI for financial undertakings and on the practical challenges associated with its calculation.

143. Similarly, preparers report difficulties in calculating the Turnover KPI on internal consumption. While this KPI was intended to ensure a level playing field between undertakings with integrated value chains and those without, ESMA would like to explore whether making its reporting voluntary could further reduce reporting burden and address potential confidentiality concerns.
144. Moreover, in light of the Omnibus introduction of the concept of materiality in Taxonomy reporting, ESMA would like to consider whether a materiality filter should be introduced in the contextual information disclosed under Annex I. Under this general materiality provision, information which is not material would not be required as part of the contextual information disclosed by preparers. ESMA, therefore, invites views on the introduction of this general materiality clause applicable to qualitative and quantitative information provided outside the templates.
145. Lastly, ESMA notes that, to support the development of a digital taxonomy, the Annex I datapoints should be clearly identified. ESMA therefore suggests introducing a clearly defined list of datapoints to be disclosed as part of contextual information and would like to seek views on this proposal as part of this consultation.

TABLE 8: LIST OF POSSIBLE AMENDMENTS AND COST-BENEFIT IMPLICATIONS IN RELATION TO NON-FINANCIAL UNDERTAKING'S KPIS AND ANNEX I

Possible amendments	Implications on simplification and relevance
<ol style="list-style-type: none"> 1. Revisit requirement to report on transitional and enabling activities by non-financial undertakings. 2. Incorporate selected FAQ clarifications on eligibility and climate change adaptation in Annex I of the DDA, i.e. eligibility requirements for climate change adaptation and exclusion of adapted activities from the Turnover KPI. 3. Make reporting on CapEx type C optional and foresee explicit disclosure on the use of this option. 4. Review the usefulness and calculation of the Adjusted Turnover KPI for sustainable bond issuance. 5. Consider making the Turnover KPI on internal consumption voluntary. 6. Introduce a general materiality filter for contextual information disclosed outside the templates. 7. Introduce a clearly defined list of contextual datapoints eligible for digital tagging. 	<p><u>Pros</u></p> <ol style="list-style-type: none"> 1. More consistent application of eligibility criteria across preparers. 2. Greater legal certainty by embedding key interpretations in the legal text. 3. Reduction of reporting burden where CapEx type C is of limited relevance to the undertaking's core activities. 4. Reduced reporting burden for KPIs perceived as particularly complex. 5. Mitigation of estimation and confidentiality challenges for preparers. 6. Support for the development of a digital taxonomy through clearer tagging requirements. <p><u>Cons</u></p> <ol style="list-style-type: none"> 1. Reduction of data available for financial undertakings and increased costs for the collection of information on transitional and enabling activities. 2. Possible implications for future SFDR-related data needs. 3. One-off system and process adjustments following template changes. 4. Potential loss of information relevant for assessing undertakings' transition efforts, particularly where CapEx type C provides useful signals, and risk of reduced comparability across undertakings if CapEx type C is disclosed on an optional basis. 5. System adjustments required to implement updated tagging requirements.

3.4.4 Additional simplifications concerning asset managers

146. ESMA provided technical advice to the European Commission on 26 February 2021 which included specific recommendations for the calculation and presentation of Taxonomy-aligned investments. ESMA concluded that a KPI building on the Taxonomy-alignment of an asset manager's investments was the best way to show the overall Taxonomy-alignment of the asset

manager. Furthermore, ESMA recommended (as supported by a consultation process) that the asset managers show the Taxonomy-alignment measured by revenue and CapEx, but not by OpEx at all. These elements were included in the final Delegated Regulation (Commission Delegated Regulation (EU) 2021/2178).

147. In 2025, the Commission simplified the DDA as part of the Omnibus process, also with regard to the asset management annexes. The changes can be found in the Omnibus Delegated Act. These changes primarily affected the disclosures related to nuclear and fossil gas-related Taxonomy-aligned economic activities. A separate Annex (XII) was deleted, and a few requirements were added to the financial undertakings' annexes, including the asset management Annex (IV), requiring identifying the share of investments in nuclear and fossil gas Taxonomy-aligned economic activities.
148. The Commission's CfA makes only one request with regard to the asset management specific disclosures in Annexes III-IV: *"if applicable and relevant, ESMA could propose other targeted simplifications and improvements, such as simplification to the reporting templates and related contextual information and any other relevant changes to non-financial undertakings' and/or asset managers' KPIs and reporting rules"*.
149. In its 2020 consultation paper²³, ESMA speculated that although very few asset managers qualified under the existing employee thresholds for non-financial reporting, this could change under the CSRD process underway at the time. Currently, the assessment is the opposite: the Omnibus process has significantly reduced the number of firms subject to corporate sustainability reporting, consequently also reducing even further the number of asset managers subject to Taxonomy reporting. The Omnibus process also delayed the start of the reporting under the new Annex, so that there is still little practical experience of reporting under the new Annex by asset managers.
150. Bearing in mind the Commission's request and that (1) the Commission has only recently simplified the asset manager reporting template, (2) reporting has not started under the new Omnibus annex and (3) the Omnibus process has reduced even further the number of undertakings possibly subject to the reporting requirement, ESMA's starting position for this technical advice is to not suggest significant changes. The focus will be on targeted changes to simplify and improve the reporting.
151. In addition to the issue of the possible use of OpEx in the Taxonomy disclosures of financial undertakings, notably asset managers, as set out in Section 3.2, ESMA wants to seek feedback on whether the separate reporting of the transitional and enabling taxonomy-aligned economic activities is still valuable.
152. Finally, it would be helpful to have any other feedback about the calculation methodology or reporting template that would simplify and improve the reporting for asset managers.

²³ Consultation Paper - Draft advice to European Commission under Article 8 of the Taxonomy Regulation, Ref.: [ESMA30-379-325](#) | 5 November 2020.

3.4.5 Draft advice

153. On the basis of the above considerations, ESMA's draft advice for the purposes of this consultation and in relation to the topics addressed in this section is as follows:
- a. Introduction of specific ESRS reliefs to Taxonomy reporting, notably the exemptions related to the revision of comparatives, reporting on acquisitions and the omission of sensitive information. (par. 124 and Table 5)
 - b. Phased-in application of amendments to the TSC under the Climate and Environmental DAs as well as to the DDA. (par. 125 and Table 5)
 - c. Introduction of a Taxonomy-specific relief for alignment reporting for newly introduced activities and first-time Taxonomy reporters. (par. 125 and Table 5)
 - d. Explicitly allow cross-references to ESRS disclosures into Taxonomy reporting and incorporation by reference of relevant regulatory documents. (paras. 127-130)
 - e. Clarification in the revised DDA on the use of IFRS 8 information primarily as contextual or consistency input. Narrow its use to cases of Taxonomy activities corresponding to entire operating segments. In this context, ESMA also advises the Commission to provide additional guidance, together with illustrative examples, on the use of IFRS 8 in the context of Taxonomy reporting. (paras. 131-134)
 - f. Revisit the obligation to report on transitional and enabling activities. (paras. 135-138)
 - g. Incorporate in the DDA the clarification provided in Commission FAQ 5 of the First Commission Notice concerning the eligibility requirements of enabling and adaptation activities. (par. 140)
 - h. Allow optional reporting of CapEx type C. (par. 141)
 - i. Delete the obligation to report on the adjusted Turnover KPI in case of sustainable bond issuance. (par. 142)
 - j. Allow voluntary reporting of the Turnover KPI on internal consumption. (par. 143)
 - k. Introduction of a general materiality filter in relation to the contextual information disclosed under Annex I allowing not to disclose information which is not material. (par. 144)
 - l. Develop a clearly defined list of datapoints to be disclosed as part of contextual information. (par. 145)
 - m. Simplifications for asset managers concerning enabling activities: In Annex IV of Regulation 2021/2178 delete row 13 (enabling activities). (paras. 150-152)

3.4.6 Consultation questions

154. Feedback is sought on the following questions.

Connectivity between the Taxonomy and the ESRS, introduction of new reliefs and phased-in application (paras. 124–130 and tables 5 and 6)

Q17. Do you agree with the proposed approach to further align Taxonomy reporting with the ESRS framework, including the possible introduction of selected ESRS reliefs, the use of cross-references to ESRS disclosures and incorporation by reference where appropriate? Please elaborate.

Q18. Do you consider the introduction of a phased-in application rule and Taxonomy-specific relief for alignment reporting to be a proportionate way of alleviating reporting burdens? If not, please explain.

IFRS 8 and Taxonomy materiality: implementation considerations (paras. 131-134)

Q19. Do you agree that the interaction between IFRS 8 operating segments and the application of the Taxonomy materiality principle should be further clarified as per ESMA's suggestions to address practical implementation challenges? If yes, which aspects need clarification?

Simplifications relating to Annex I, the templates and reporting of KPIs by non-financial undertakings (paras. 135-145)

Q20. Do you consider that the reporting requirements for enabling and transitional activities provide useful information to users of Taxonomy reporting and financial undertakings? Please explain whether, in your view, the benefits for users outweigh the cost of reporting for preparers.

Q21. Do you agree with the proposals on: a) the incorporation of clarifications provided in FAQ 5 in Annex I of the DDA; b) making CapEx type C optional; c) the further simplifications to Annex concerning the turnover KPI on internal consumption, the turnover KPI on internal consumption and the introduction of a general materiality filter; d) the introduction a clearly defined list of contextual datapoints eligible for digital tagging? Please explain your views and, in particular, whether they would meaningfully reduce reporting burden without undermining the usefulness of Taxonomy disclosures.

Simplifications relating to asset managers (paras. 150-152)

Q22. Do you see value in the reporting of enabling (row 13) and transitional economic activities (row 12), especially having in mind the potential introduction of a transition product category in future SFDR financial product categories?

Q23. Beyond the simplifications already introduced in the Omnibus Delegated Act, are there any further simplifications of the Taxonomy DDA concerning the asset management reporting template (Annex IV) that should be introduced? If so, please specify what further simplifications you recommend.

Additional simplification suggestions

Q24. Do you have additional suggestions on how Taxonomy reporting under the DDA could be further simplified, including ways to reduce reporting burdens?

Costs and benefits of the proposals in Section 3.4 (additional possible simplifications)

Q25. Do you consider that the proposals in Section 3.4 will result in a favourable cost-benefit balance? Please explain your answer by indicating the one-off and on-going costs as well as the benefits associated with these proposals.

Annexes

Annex I – List of questions

Topic 1 – Revising the OpEx KPI (Section 3.1)

Issues identified (paras. 26-35)

Q1. In your view, are the key issues identified with the current reporting of OpEx exhaustive? If not, what additional issues have you identified?

Possible approaches to address the issues identified (paras. 36-46)

Q2. Do you support the possible approaches identified by ESMA to address the key issues identified? If so, please explain why. If not, what do you propose alternatively? *In providing feedback to this question, please note that the proposed approaches are not mutually exclusive and elements of different approaches can be combined to develop other alternatives.*

ESMA's draft advice (paras. 47-49 and Approach 'd' in Table 1)

Q3. Do you agree with ESMA's draft advice? If not, please explain why and what alternative approach(es) you propose.

Q4. Do you support the introduction of a voluntary KPI as in the proposed 'OpEx+'? If so, please specify any additional cost items the voluntary KPI should include? If not, please explain why?

Costs and benefits of the proposals in Section 3.1

Q5. In your experience, what is the cost of reporting on OpEx based on the current requirements in the DDA?

Q6. What is your estimate of the costs and benefits of reporting for the proposed OpEx approaches set out in this CP? *Please clearly indicate the OpEx approach(es) you are providing an estimate for, the main drivers of cost/benefits and the related estimated amounts, where available.*

Topic 2: Voluntary use of OpEx by financial undertakings (horizontal issue – Section 3.2)

Q7. Bearing in mind that OpEx is not included in the current disclosure template for asset managers', could the OpEx KPI become relevant for voluntary reporting by asset managers in combination with the CapEx KPI? If yes, would additional disclosure (listed in par. 65) need to be required to provide transparency about the share of OpEx combined with the CapEx figure? (paras. 64-67)

Q8. Do you have any other comments on the possible voluntary use of OpEx by financial undertakings?

Topic 3 – Group Taxonomy Reporting (horizontal issue – Section 3.3)

- Q9. In your experience, do users of Taxonomy disclosure demand or need a single KPI to summarise the Taxonomy profile of mixed groups or financial conglomerates (paras. 71-74)? Please explain the circumstances in which you have seen need or demand for such KPI.
- Q10. The ESAs are proposing to remove the weighted average for group reporting for the reasons explained in paras. 78-82. Do you agree that, if a single KPI figure would be required (such as for investment KPIs or investments made by financial products disclosed under SFDR), the KPI of the main reporting regime should be used? If not, what alternative methodology would you propose?
- Q11. Do you have any comments on the ESAs' principles and ESMA's analysis as developed in Section 3.3.3 (paras. 83-112)? In particular, do you see specific challenges on how to determine the group *main reporting regime* or prevalent activity of a mixed group or financial conglomerate? Please provide examples if relevant.

Draft advice

- Q12. Do you support introducing a 10% materiality threshold based on the turnover generated by the *other businesses* a mixed group engages in (par. 103 **Error! Reference source not found.** and 117)? If not, please explain why.
- Q13. Do you agree that the proposal regarding sub-group level disclosures would provide an adequate depiction of the Taxonomy profile of a mixed group (paras. 115 - 117)? Please explain your views.
- Q14. Do you think that the full templates should be disclosed for the *other businesses* to enable easier comparability with undertakings engaging in similar activities or would you support lighter disclosures (par. 115)? In case you would favour lighter disclosures, please explain which information should be disclosed.
- Q15. Do you have any other comment on ESMA's draft advice (paras. 113 - 117), including the part common to all ESAs? If yes, please explain.

Costs and benefits of the proposals in Section 3.3

- Q16. Do you consider that the proposals in Section 3.3 will result in a favourable cost-benefit balance? Please explain your answer by indicating the one-off and on-going costs as well as the benefits that you envisage from the introduction of these proposals.

Topic 4: Additional possible simplifications (Section 3.4)

Connectivity between the Taxonomy and the ESRS, introduction of new reliefs and phased-in application (paras. 124–130 and tables 5 and 6)

- Q17. Do you agree with the proposed approach to further align Taxonomy reporting with

the ESRS framework, including the possible introduction of selected ESRS reliefs, the use of cross-references to ESRS disclosures and incorporation by reference where appropriate? Please elaborate.

Q18. Do you consider the introduction of a phased-in application rule to be a proportionate way of alleviating reporting burdens? If not, please explain.

IFRS 8 and Taxonomy materiality: implementation considerations (paras. 131-134)

Q19. Do you agree that the interaction between IFRS 8 operating segments and the application of the Taxonomy materiality principle should be further clarified as per ESMA's suggestions to address practical implementation challenges? If yes, which aspects need clarification?

Simplifications relating to Annex I, the templates and reporting of KPIs by non-financial undertakings (paras. 135-145)

Q20. Do you consider that the reporting requirements for enabling and transitional activities provide useful information to users of Taxonomy reporting and financial undertakings? Please explain whether, in your view, the benefits for users outweigh the cost of reporting for preparers.

Q21. Do you agree with the proposals on: a) the incorporation of clarifications provided in FAQ 5 in Annex I of the DDA; b) making CapEx type C optional; c) the further simplifications to Annex concerning the turnover KPI on internal consumption, the turnover KPI on internal consumption and the introduction of a general materiality filter; d) the introduction a clearly defined list of contextual datapoints eligible for digital tagging? Please explain your views and, in particular, whether they would meaningfully reduce reporting burden without undermining the usefulness of Taxonomy disclosures.

Simplifications relating to asset managers (paras. 150-152)

Q22. Do you see value in the reporting of enabling (row 13) and transitional economic activities (row 12), especially having in mind the potential introduction of a transition product category in future SFDR financial product categories?

Q23. Beyond the simplifications already introduced in the Omnibus Delegated Act, are there any further simplifications of the Taxonomy DDA concerning the asset management reporting template (Annex IV) that should be introduced? If so, please specify what further simplifications you recommend.

Additional simplification suggestions

Q24. Do you have additional suggestions on how Taxonomy reporting under the DDA could be further simplified, including ways to reduce reporting burdens?

Costs and benefits of the proposals in Section 3.4 (additional possible simplifications)

Q25. Do you consider that the proposals in Section 3.4 will result in a favourable cost-benefit balance? Please explain your answer by indicating the one-off and on-going costs as well as the benefits associated with these proposals.

Annex II – European Commission’s Call for Advice

CALL FOR TECHNICAL ADVICE TO THE EUROPEAN SUPERVISORY AUTHORITIES ON CERTAIN TAXONOMY KEY PERFORMANCE INDICATORS AND OTHER ASPECTS OF THE DISCLOSURES DELEGATED ACT UNDER ARTICLE 8 OF THE TAXONOMY REGULATION

With this Call for Advice, the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) invites the European Supervisory Authorities (ESAs) to develop technical advice to inform the review of the Disclosures Delegated Act¹ under the Taxonomy Regulation².

This advice should mainly focus on the following Key Performance Indicators (KPIs) provided in the Disclosures Delegated Act: the operational expenditure (OpEx) KPI of non-financial firms, Commissions and Fees KPI and Trading Book KPI of credit institutions, and the underwriting KPI of insurance/re-insurance undertakings. In addition, ESAs could advise whether other targeted technical amendments to the Disclosure Delegated Act are necessary to simplify and enhance the usability of Taxonomy reporting.

When providing this advice, the ESAs should take into account the objective of the reporting rules, which is to provide transparency regarding sustainable activities and investments of the real economy and to allow the financial sector to efficiently identify and finance them while avoiding greenwashing.

To provide this advice, the ESAs should consult relevant stakeholders on appropriate technical measures proposed, assess stakeholders’ data and analyse the impacts that their technical advice might have on undertakings, including in terms of costs and benefits. The content of the advice should be adequate to assist the Commission in drafting possible amendments to the Disclosures Delegated Act and inform it about the impacts, costs and benefits of those amendments. The Commission intends to adopt those amendments in Q1 2027.

The request is made in accordance with the founding Regulations establishing the ESAs³, which set out the obligation to protect the public interest by contributing to the short, medium and long-term stability and effectiveness of the financial system, including through ensuring the integrity, transparency, efficiency and orderly functioning of financial markets.

When feasible, the advice should be based on qualitative and quantitative sources. Subject to data availability, the evidence provided in the advice should be based on data samples from public and commercial databases, data submitted to the ESAs by supervised entities and qualitative sources of information, or desk research data collection, which might include a review of the most relevant literature, where available. It may also include concrete examples or case studies.

¹ 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.

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, 22.06.2020, p. 13.

³ Regulations (EU) No 1093/2010, 1094/2010, 1095/2010 and 2019/2175 of the European Parliament and of the Council.

The need for this request and the scope of the work have been agreed between FISMA staff and the ESAs. FISMA staff kindly request the delivery of the final advice by October 2026. DG FISMA, in close cooperation with the ESAs, may revise or supplement this request and revise the timetable accordingly.

The European Parliament and the Council will be informed about this request, which will be available on the website of DG FISMA once it has been transmitted to the ESAs.

1. CONTEXT

Despite encouraging figures reported by large and listed undertakings on their Taxonomy-aligned revenues and new investments, stakeholders have found the application of the sustainability reporting framework, including the Taxonomy criteria and reporting requirements, burdensome and challenging. In the context of the Omnibus I package⁴, the Commission adopted a ‘quick fix’ delegated act (referred as the ‘Omnibus Delegated Act’)⁵ amending the delegated acts under the Taxonomy Regulation⁶, including the Taxonomy Disclosures Delegated Act. The Omnibus Delegated Act has simplified Taxonomy reporting⁷, significantly reduced the reported datapoints by introducing simplified reporting templates, postponed reporting of certain KPIs by banks, and streamlined the ‘do no significant harm’ (DSNH) criteria on the use of chemicals. On 20 November 2025, the Commission presented a proposal for the revision of the Sustainable Finance Disclosure Regulation (SFDR), which introduces, among other simplification measures, three sustainability categories for financial products (‘sustainable’, ‘transition’ and ‘other ESG’ products).

Recital 12 of the Omnibus Delegated Act refers to a separate, longer-term substantive review of the Taxonomy reporting requirements and of the Taxonomy technical screening criteria to significantly facilitate the implementation of those reporting requirements and criteria. While the review of the Taxonomy technical screening criteria is ongoing and is planned to be finalised in Q3 2026, the Commission services aim to complete the review of the Disclosures Delegated Act by Q1 2027 with entry into force in Q3 2027, before the transitional relief for Taxonomy reporting provided to financial undertakings in the Omnibus Delegated Act expires (i.e. before 31 December 2027).

The current effort to complete the review of Taxonomy reporting would focus on targeted simplification and improvement measures, which were not included in the Omnibus Delegated Act due to their technical nature. This work on Taxonomy reporting will take place alongside the Commission’s efforts to scale up transition finance as provided in the SFDR proposal and to ensure greater simplification, consistency, interoperability and clarity across the sustainable finance framework, in line with the simplification process initiated by the Omnibus I package.

With this call for targeted advice, DG FISMA is seeking technical input in the context of its efforts to complete the review and simplification of the Taxonomy reporting provided in the Disclosures Delegated Act.

⁴ A set of simplification and burden reduction measures through amendments to the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD).

⁵ Commission Delegated Regulation (EU) 2026/73 of 4 July 2025 amending Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives, OJ L, 2026/73, 8.1.2026.

⁶ The Disclosures Delegated Act covering the Taxonomy reporting requirements and the Climate and Environmental Delegated Acts covering the technical screening criteria to identify sustainable (Taxonomy-aligned) economic activities, and investments.

⁷ The simplification measures introduced the financial materiality concept in the reporting of Taxonomy KPIs, simplification of the Green Asset Ratio (GAR) and other investment KPIs.

2. SCOPE OF THE EXERCISE

Stakeholders identified several implementation issues with the Taxonomy reporting rules, which were not addressed in the Omnibus Delegated Act, and which could be addressed via targeted amendments to the Disclosures Delegated Act.

As regards non-financial undertakings, the turnover and capital expenditure (CapEx) Key Performance Indicators (KPIs) covering companies' revenues and longer-term investments are well understood by stakeholders and are easy to apply. However, the operating expenditure (OpEx) KPI in its current form, which focuses mainly on day-to-day maintenance costs of corporates, is considered of limited use, as it does not cover all 'green' expenditure of corporates, such as the acquisition of critical inputs (low-carbon energy, steel, cement, etc.) for production of end-products. It is also considered as too burdensome because it has not been closely linked to established financial accounting categories in the IFRS and does not consider the different importance of various operating expenditures in different economic sectors.

Therefore, a revised OpEx KPI could cover all 'green' expenditures of corporates, while the flexibility to report only on the most relevant/material expenditure would reduce the reporting costs and would make this KPI more meaningful for reporting corporates and financial markets. This could encourage companies to 'green' their operational expenditure in the process of transition by buying more Taxonomy-aligned outputs (renewable energy, low-carbon materials, etc.) and hence create a larger market demand for Taxonomy-aligned activities. Such a revised metric would be consistent with, and could be well used, in the context of corporate transition plans.

If applicable and relevant, other simplifications and improvements, such as simplification to the reporting templates and any other relevant changes to non-financial undertakings' KPIs and reporting rules could be considered in this review.

As regards financial undertakings, the Omnibus Delegated Act has already addressed the need for simplification of the Green Asset Ratio (GAR) of banks and the investment KPIs (GIR) of other financial undertakings by excluding, as a rule, their exposures to SMEs, for whom the Taxonomy criteria are too ambitious, and who need a more proportionate framework for sustainable/transition finance. This approach has also alleviated the concerns of SMEs about being indirectly affected by Taxonomy reporting via the reporting requirements of financial institutions (trickle-down effect). To complete the review of the Disclosures Delegated Act, the changes should focus on simplifying the remaining KPIs of financial undertakings that are considered as burdensome and less relevant than the GAR/GIR, in particular: the Commissions and Fees KPI and the Trading Book KPI of banks and the underwriting KPI of insurance companies.

Therefore, the simplification could include narrowing down the scope of the Commissions and Fees and Trading Book KPIs to core services supporting operations in financial instruments that finance Taxonomy-aligned activities via capital markets. For insurers, the underwriting KPI could focus on the insured assets/counterparties rather than on the underwriting of the climate risk. This would allow insurers disclosing how much of their non-life underwriting activities cover Taxonomy-aligned companies and assets, and help underwriting all the risks of 'green' companies/assets. ESAs could also investigate whether there is room for more simplification of non-investment KPIs of investment firms.

If applicable and relevant, other simplifications and improvements, such as simplification to the reporting templates and any other relevant changes to financial undertakings' KPIs and reporting rules could be considered.

The elements on which **ESMA** is invited to provide technical input are the following:

- ***broadening the scope of the OpEx KPI denominator***: a wider list of OpEx categories could include items that are relevant for financing the environmental transition (such as OpEx related to R&D, operating leasing, low-carbon materials and green energy, purchasing low-carbon intermediate products (e.g. inputs such as green steel, iron));
- ***reference to existing accounting standards for OpEx KPI***: the identified OpEx categories should reference, wherever possible, international accounting standards in use (IFRS), which would facilitate the identification of the OpEx covered by the reporting. The advice is not expected to address the identification of OpEx categories under national GAAP;
- ***increased flexibility in the reporting of the OpEx***: within the context of the simplified approach to Taxonomy reporting developed in the Omnibus context, ESMA could explore ways to allow companies for which OpEx is material from the business and financial perspectives to select and report only those categories of OpEx that are relevant to their business (sector). This approach takes into account that different OpEx items are relevant to different economic sectors.

If applicable and relevant, ESMA could ***propose other targeted simplifications and improvements***, such as simplification to the reporting templates and related contextual information and any other relevant changes to non-financial undertakings' and/or asset managers' KPIs and reporting rules.

The elements on which **EBA** is invited to provide technical input are the following:

- ***limiting the Commission and Fees KPI to capital markets-related activities***: the EBA could explore ways to narrow down the scope of the Commission and Fees KPI to activities related to capital markets, such as those related to securities issuance, M&A and corporate finance and services supporting the issuance and trading of green (Taxonomy-aligned) securities (reception, transmission and execution of orders, clearing and settlement, custody);
- ***connecting the Trading Book KPI to market liquidity***: the EBA could explore ways to narrow down the scope of the Trading Book KPI to providing market liquidity through market making, with a clear focus on providing liquid markets for green (Taxonomy-aligned) securities;
- ***narrowing the 'other services' KPI of investment firms***: the scope of the 'other services KPI' of investment firms could be narrowed down in line with the Commission and Fees KPI of credit institutions;
- ***five-year grandfathering period for financial exposures*** in terms of compliance with Taxonomy criteria (in case criteria are revised and the investee company does not comply with new rules): EBA could in cooperation with ESMA and EIOPA explore ways to align rules with the approach under the EU Green Bonds Standard.

If applicable and relevant, EBA could ***propose other targeted simplifications and improvements***, such as simplification to the reporting templates and any other relevant changes to credit institutions' and investment firms' KPIs and reporting rules.

The elements on which **EIOPA** is invited to provide technical input are the following:

- ***revised methodology for Taxonomy-assessment of underwriting activities***: EIOPA could explore how to develop a revised methodology for the Taxonomy assessment of non-life underwriting activities. This revised methodology could focus on the insured

assets/companies, similarly to how the KPIs of other financial institutions are designed. In this way, this KPI would allow insurance and reinsurance undertaking to show how much of their non-life activities cover Taxonomy-aligned companies and assets rather than covering only the share that pertains to the coverage of climate-related perils;

- **including climate-related perils in underwriting KPI:** explore whether a revised underwriting KPI should be supplemented by information on underwriting of climate-related perils based on the Technical Screening Criteria for this activity laid down in Annex II to the Climate Delegated Act.

If applicable and relevant, EIOPA could propose *other targeted simplifications and improvements*, such as simplification to the reporting templates and any other relevant changes to insurance KPIs and reporting rules.

As relevant and appropriate with regards to their respective remits, **each ESA** is invited to provide technical advice in close cooperation and coordination with other ESAs on **the following horizontal issues:**

- **OpEx for the computation of the KPIs of financial institutions:** explore ways to allow financial institutions to use on a voluntary basis the OpEx KPI reported by counterparties for computing their exposures to non-financial undertakings;
- **group level taxonomy reporting:** explore the development of simple but meaningful rules for reporting Taxonomy KPIs at group level for groups providing both non-financial and financial services (group treatment), or different financial activities and services (insurance, lending, investment) and for subsidiary reporting. This should ensure that there is a common approach for group treatment involving non-financial and financial undertakings.

If applicable and relevant, ESAs could propose *other targeted simplifications and improvements*, to any general Taxonomy reporting rules.

3. PRINCIPLES

The subject matter of this call for advice is highly focused and relates only to certain KPIs in the Disclosures Delegated Act, namely the OpEx KPI of non-financial firms, Commissions and Fees KPI and Trading Book KPI of credit institutions, and underwriting KPI of insurance/re-insurance undertakings and additional targeted issues. Consequently, the ESAs are invited to consider the task as specific and targeted.

The development of the advice should be based on the following principles:

- **autonomy:** The ESAs are free to choose working arrangements which they consider most efficient to reach the objectives described in this request, in line with better regulation principles. In particular, the ESAs are invited to utilise existing consultation channels and working formations e.g. on prudential disclosures, to derive the input.
- **reliable samples of qualitative and quantitative data** should be considered to assess the merits of all recommendations.
- **justified solution:** The recommended solutions will need to be assessed in terms of their possible impacts, including costs/benefits while possible trade-offs with other EU objectives should also be considered. To the extent possible and based on available datasets, the ESAs are invited to provide data or estimates on the expected impacts, including costs and benefits, of the proposed disclosures and methodologies for relevant stakeholders. As

appropriate, the ESAs should consider and justify their choices e.g. regarding the need for information, which is disclosed to be accurate, useful, usable, and cost-efficient.

- **cooperation between the ESAs:** The ESAs are free to choose an arrangement for their cooperation, which they consider most efficient to reach the objectives described in this request. While work on questions specific to undertakings in their remit can proceed independently, ESMA, EBA and EIOPA are invited to closely coordinate their work on the advice to ensure consistent and coherent recommendations. The advice will be delivered in the shape of three separate reports by each ESA. When providing advice on one or more of the horizontal issues, for practicality reasons the ESAs may designate one leading ESA to relay the technical advice based on a coordinated approach agreed upon by the respective teams of the three ESAs.
- **cooperation with other EU bodies:** The ESAs are invited to cooperate with other EU bodies as relevant. Notably, ESAs are encouraged to liaise with the European Financial Reporting Advisory Group (EFRAG), the Platform for Sustainable Finance (PSF), and the Commission’s Joint Research Centre (JRC).
- **absence of conflict of interest:** The ESAs shall ensure a transparent and balanced engagement with stakeholders and require, as appropriate, disclosure of sources and avoidance of conflict of interest in the conduct of the discussions and in the development of their advice. Cases involving potential conflict of interest will be duly noted.
- in accordance with the ESAs Regulation, **the ESAs are invited to gather the views of relevant market participants**, in an open and transparent manner, and take into account the resulting opinions in their advice. The ESAs should design this consultation in a manner and approach they consider proportionate, appropriate and effective given the short timeline of this advice. The ESAs should provide a feedback statement or summary of the consultation in the technical advice. The technical advice should justify ESAs’ choices vis-à-vis the main arguments raised during the consultation process.
- **the ESAs’ technical advice should not take the form of a legal text.** However, the ESAs should provide the Commission with a clear and structured text, accompanied by sufficient and detailed explanations. Furthermore, the technical advice should be presented in an easily understandable language respecting current terminology in the Union.

In gathering evidence, qualitative sources and relevant literature should be complemented, where feasible, by quantitative evidence, such as data from public and commercial databases.

4. STEPS AND TENTATIVE TIMETABLE

The advice is expected by October 2026.

The ESAs can choose the best way to approach the exercise in line with the scope and principles defined above. Below a suggested tentative timeline.

Step 1	Formal request sent	March 2026
Step 2	Collecting evidence and stakeholders’ views and drafting the advice	March-September 2026
Step 3	Interim drafts and preliminary findings, including KPIs and associated methodology, discussed with the Commission	Continuous
Step 4	Advice finalised	October 2026

Annex III – Detailed analysis of the available evidence

Analysis Taxonomy disclosures

1. The first part of the analysis proceeds in two steps: (1) overview of aggregate reporting of the OpEx KPI since 2021 to assess the development and trends in Taxonomy disclosures, and (2) focus on 2024 Taxonomy disclosures at company level to analyse the importance and prevalence of the OpEx KPI by sector of economic activity and Taxonomy-aligned activity. Both parts compare the OpEx KPI to the CapEx and Turnover KPIs to identify the additional information or transition signal contained in the OpEx KPI²⁴.
2. Since 2022, a moderately increasing trend can be observed for the OpEx KPI both with respect to the number of companies disclosing the KPI and the total amounts of Taxonomy-eligible and Taxonomy-aligned OpEx disclosed (Figure 1)²⁵. The gap between the share of companies disclosing eligible and aligned OpEx has also closed. As of 2024, the total Taxonomy-aligned OpEx disclosed stood at EUR 92 bn.
3. Parallel to this, the average share of Taxonomy-eligible OpEx has also slightly increased over time, reaching 31% of total Taxonomy OpEx in 2024 (Figure 2). At the same time, the average share of aligned OpEx has been stable at about 10%. The slightly increasing trend in aggregate amount of aligned OpEx disclosed is thus due to the increasing number of companies reporting and not through an increase in aligned OpEx at company level.

FIGURE 1: NUMBER OF EU COMPANIES DISCLOSING OPEX KPI AND TOTAL AMOUNT DISCLOSED

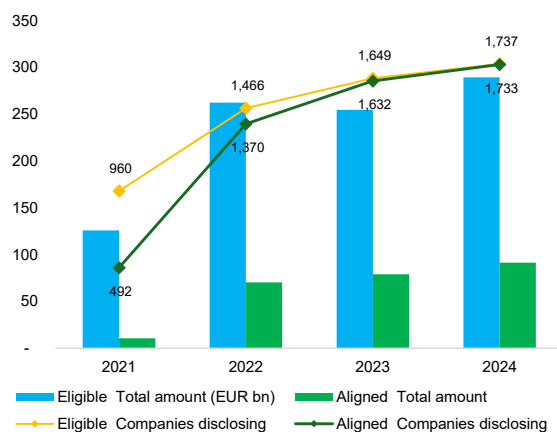
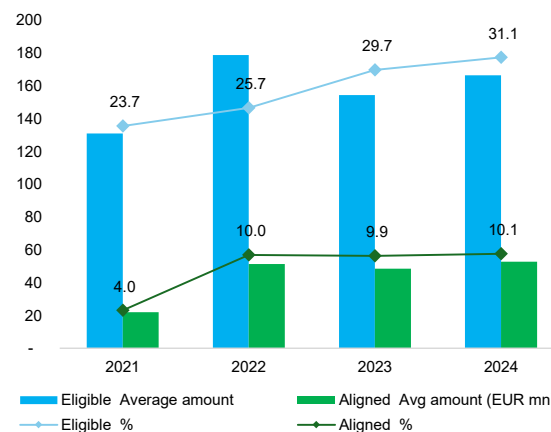


FIGURE 2: AVERAGE AMOUNT DISCLOSED AND SHARE OF TOTAL TAXONOMY OPEX



Notes: Left panel – total annual amounts of Taxonomy-eligible and Taxonomy-aligned OpEx disclosed, in EUR bn (left axis), and number of companies disclosing. Right panel – average share of Taxonomy-eligible and Taxonomy-aligned OpEx disclosed.

Sources: Bloomberg, ESMA.

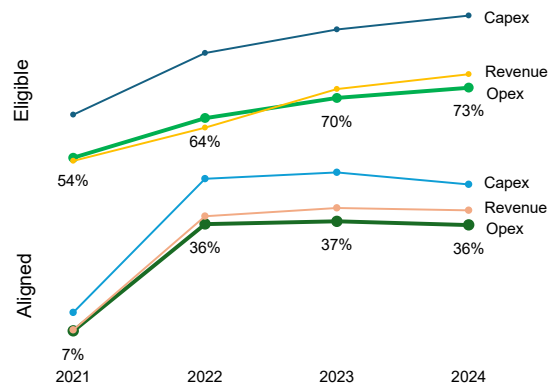
4. On aggregate, the share of companies disclosing the OpEx KPIs is comparable to the number of companies disclosing the CapEx or Turnover KPI, albeit slightly slower: 73% of companies disclosing the OpEx KPI disclose non-zero Taxonomy-eligible OpEx, while about half of those companies disclose non-zero Taxonomy-aligned OpEx (Figure 3). Similar gaps and trends

²⁴ Data on Taxonomy disclosures stem from two data sources: (1) Bloomberg for time series and aggregate figures, and (2) LSEG for company-level data including a breakdown by Taxonomy-aligned activities.

²⁵ In 2021 the disclosure of Taxonomy alignment data was on a voluntary basis.

across the three Taxonomy KPIs suggest that alignment criteria such as TSC or DNSH requirements are not the issue. Still, the total disclosed amount of aligned CapEx is about 2.5 times larger than that of aligned OpEx, while aligned Turnover is more than ten times larger.

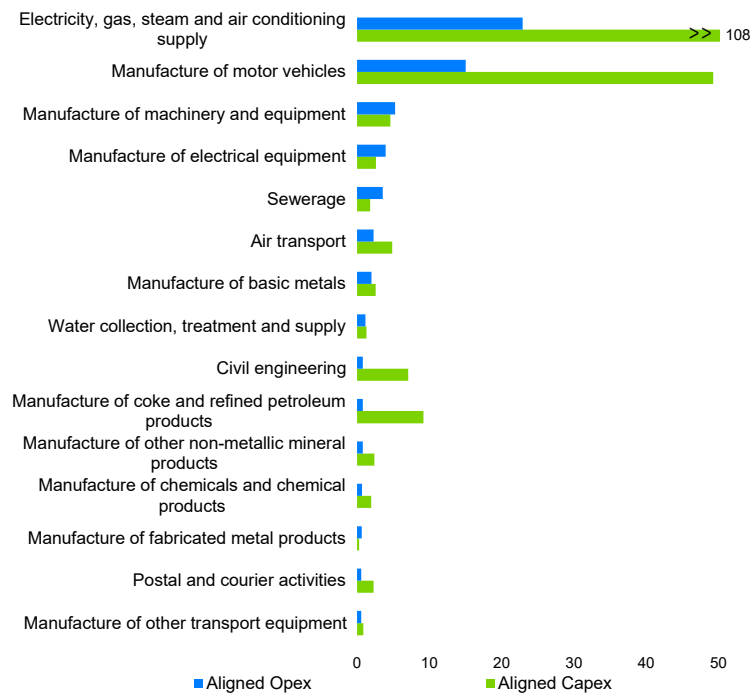
FIGURE 3: SHARE OF COMPANIES DISCLOSING NON-ZERO VALUES BY TAXONOMY KPI



Notes: Annual percentage of companies disclosing non-zero Taxonomy-eligible and Taxonomy-aligned CapEx, turnover and OpEx, as a share of all companies disclosing.
 Sources: Bloomberg, ESMA.

5. Most frequently all three Taxonomy KPIs are reported together, with only three companies in our sample disclosing OpEx as their sole Taxonomy KPI. Furthermore, combinations of CapEx and Turnover are more frequently reported than those with OpEx. CapEx and Turnover thus seem to carry the core transition signals and are most widely adopted by disclosing companies.
6. Taxonomy-aligned OpEx amounts are highly concentrated across economic sectors, with the top 15 sectors accounting for more than 90% of total aligned OpEx (Figure 4). Among these, Utilities and Manufacture of motor vehicles stand out and amount to almost 60% of total aligned OpEx. This sectoral distribution is also largely reflected in the disclosures of Taxonomy-aligned CapEx and Turnover (but typically with larger amounts). Total aligned OpEx disclosed is similar in magnitude to CapEx only for a few manufacturing and water supply sectors.
7. The OpEx disclosures by Taxonomy activity yields a picture largely reflecting the aggregation by economic sector, with the top activities directly mapping to the main sectors reporting Taxonomy-aligned OpEx. While a specific Taxonomy activity linked to ‘research and development’ exists, companies rarely disclose OpEx under this activity. This may suggest that companies disclosing R&D under their Taxonomy OpEx do so under the activity linked to their main sector of economic activity.

FIGURE 4: TAXONOMY-ALIGNED OPEX AND CAPEX DISCLOSURES BY ECONOMIC SECTOR

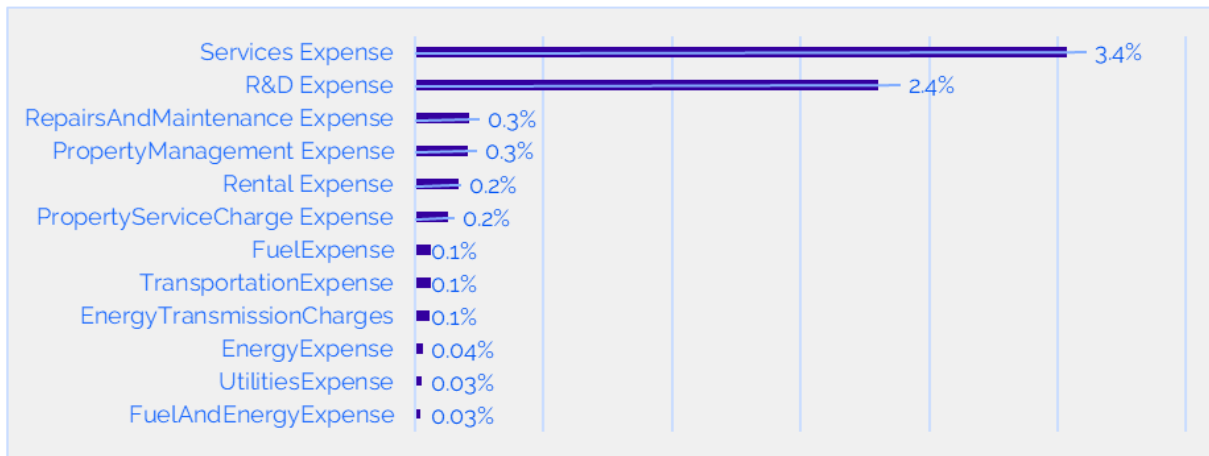


Notes: Total amount of Taxonomy-aligned OpEx and CapEx reported in 2024, in EUR bn, by NACE sector (two-digit).
 Source: LSEG, ESMA.

Linking the OpEx KPI to IFRS and financial reporting

8. To support the technical advice, ESMA assessed the extent to which the OpEx KPI can be grounded in IFRS-based financial reporting. The analysis links Taxonomy OpEx disclosures to IFRS information available through European Single Electronic Format (ESEF) 2024 filings, enabling an empirical examination of how a policy-defined KPI interacts with established accounting practices.
9. The analysis proceeded in two steps. First, it examines the use of operating cost-related concepts across ESEF filings for the 2024 reporting year, with a view to understanding how issuers generally present and mark-up operating expenses under IFRS in practice. Second, for issuers reporting a Taxonomy OpEx KPI for 2024, the analysis compares OpEx-related Taxonomy disclosures to an IFRS operating cost proxy constructed from ESEF data.
10. IFRS expense concepts most closely aligned with the Taxonomy OpEx definition are used relatively infrequently in practice (Figure 5). Elements such as research and development expense, services expense, repairs and maintenance, rental expense, property management or property service charges appear only in a small minority across ESEF filings (7% combined). Even when issuer specific extension elements are taken into account through wider anchoring, these cost categories remain low-use across the population.

FIGURE 5: IFRS CORE OPERATING COST CONCEPTS MOST CLOSELY RELATED TO TAXONOMY OPEX



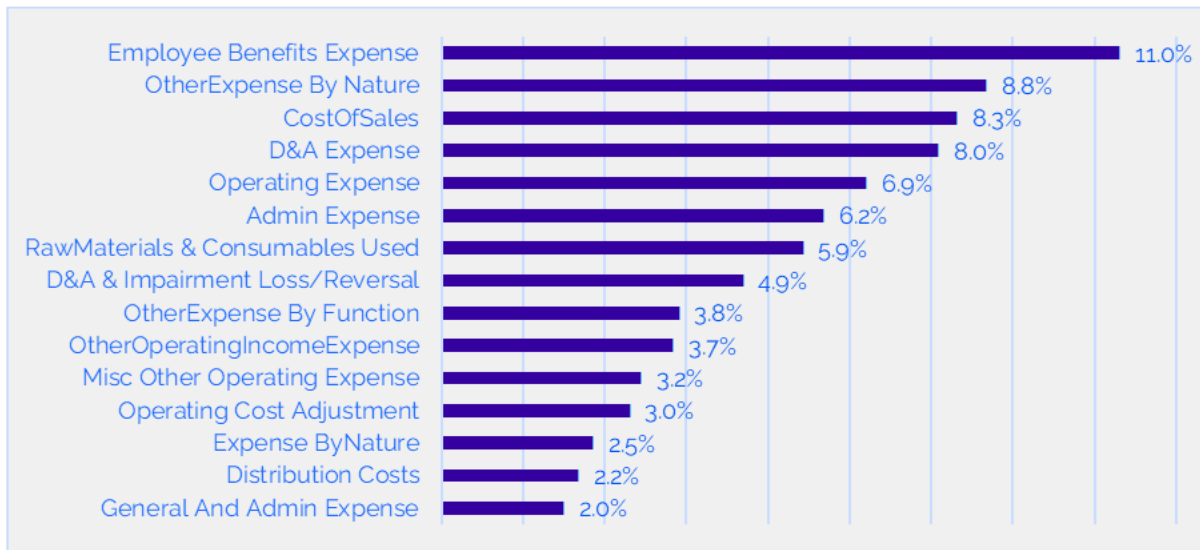
Note: Share of IFRS expense concepts most closely aligned with the Taxonomy OpEx definition reported by companies in 2024, as a percentage of total concepts used across 2024 ESEF filings in relation to IFRS operating costs (core Taxonomy elements and wider anchors to core Taxonomy elements).

Source: ESMA

11. This finding is notable given that these concepts theoretically correspond most closely to the types of expenditure covered by the Taxonomy OpEx denominator. Their limited prevalence suggests that, in most cases, Taxonomy-relevant OpEx categories do not surface as distinct or regularly reported expense line items in IFRS financial statements. Instead, such costs are typically subsumed within broader operating expense aggregates.
12. By contrast, the most frequently used IFRS operating expense markups across ESEF filings are broad operating cost categories or aggregate concepts (Figure 6). These include, among others, employee benefits expense, cost of sales, administrative expense, generic “operating expense”, other expense by nature or by function and depreciation and amortisation expense. Many of these frequently used markups either combine multiple cost types into a single line item or reflect elements that are explicitly excluded from the Taxonomy OpEx definition, such as wages and salaries or raw materials. As a result, while these markups provide coverage of IFRS operating costs (81%), they do not allow for a clean or targeted identification of the expenditure categories relevant for Taxonomy OpEx²⁶.

²⁶ This pattern is reinforced when extension taxonomy elements are considered. Issuer specific extensions overwhelmingly anchor to these same broad IFRS categories, further indicating that extensions tend not to introduce greater granularity for specific servicing or transition related costs.

FIGURE 6: IFRS CORE OPERATING COST CONCEPTS MOST USED IN 2024 ESEF FILINGS



Note: Share of IFRS core expense concepts reported by issuers in 2024, as a percentage of all concepts used across 2024 ESEF filings in relation to IFRS operating costs (core taxonomy elements and wider anchors to core taxonomy elements).
 Source: ESMA

13. Taken together, the analysis highlights a structural tension between the design of the Taxonomy OpEx KPI and IFRS reporting practice as observed in ESEF filings. IFRS operating cost disclosures are comprehensive but broad and shaped by issuer choices regarding aggregation and presentation by nature or by function. The cost categories relevant for Taxonomy OpEx, by contrast, represent a narrow subset of operating expenditure and are rarely observable as standalone disclosures.
14. In practice, this means that Taxonomy OpEx is typically embedded within heterogeneous operating expense aggregates, limiting traceability and comparability when attempting to relate Taxonomy OpEx figures back to IFRS data disclosed on the face of the statement of profit or loss. The low prevalence of closely aligned IFRS cost concepts helps explain why reconciliation of the OpEx KPI to financial statements is inherently more complex than for the Turnover or CapEx KPIs, and why OpEx appears to be primarily operating as a complementary and selective indicator under the current framework.
15. The second leg of the analysis examines more closely the relationship between the Taxonomy OpEx KPI and IFRS financial information reported in ESEF. The analytical sample comprised 1,208 issuers at the intersection of Taxonomy KPI reporters and ESEF filers for the 2024 reporting year, representing around 90% of the Taxonomy KPI population (with combined Taxonomy aligned OpEx of EUR 52 bn) and 39% of all 2024 ESEF issuers.
16. For the subset of 388 issuers reporting non-zero aligned OpEx and for which robust comparisons could be made, the analysis examined median values by sector, relating OpEx-related Taxonomy disclosures to IFRS turnover and a proxy for IFRS operating costs.²⁷
17. Across sectors, total Taxonomy OpEx typically represents a small share of IFRS operating

²⁷ Two important caveats apply: i) IFRS expense presentation varies substantially across issuers, which complicates reconciliation and comparison, and ii) the analysis is subject to a selection effect, as it focuses on issuers reporting non-zero OpEx. Therefore, relevance in the full Taxonomy reporting population is therefore likely to be overstated.

costs (Figure 7). At the global median, Taxonomy OpEx corresponds to around 5% of IFRS operating costs, while eligible OpEx represents around 2% and aligned OpEx approximately 1%. These figures confirm that, even where reported, the Taxonomy OpEx bucket constitutes a narrow subset of what IFRS users would generally understand as operating costs.

18. Notably, some sectors (such as energy, real estate, transportation and manufacturing) display relatively higher OpEx relevance, both in terms of scale relative to IFRS operating costs and in alignment ratios. In other sectors, aligned OpEx is negligible or zero at the median. This sectoral dispersion suggests that the relevance of OpEx as a transition indicator is not uniform across at least the ESEF issuer population reporting Taxonomy KPI.

FIGURE 7 TAXONOMY OPEX RELATIVE TO IFRS METRICS

NACE sector	# of issuers	Taxonomy OpEx / Taxo Revenue	Taxonomy OpEx / IFRS Revenue	Taxonomy OpEx / IFRS operating cost	Taxonomy Eligible OpEx / IFRS operating cost	Taxonomy Aligned OpEx / IFRS operating cost	the OPEX KPI: Aligned OpEx / Taxonomy OpEx
Manufacturing	188	4%	4%	4%	2%	1%	14%
Energy	42	4%	4%	5%	4%	3%	54%
Construction	30	2%	2%	2%	1%	0%	22%
Information & Communication	26	6%	6%	7%	1%	0%	3%
Real Estate	25	8%	8%	23%	22%	6%	24%
Transportation & Storage	22	6%	6%	9%	5%	2%	21%
Wholesale & Retail Trade	18	2%	2%	2%	0%	0%	5%
OTHERS (Financial, Mining, Water, etc. etc.) – AVERAGE	37	12%	12%	13%	4%	1%	12%
Globally	388	4%	4%	5%	2%	1%	16%

Note: Comparison of Taxonomy OpEx disclosures (total, Taxonomy-eligible, Taxonomy-aligned OpEx) with IFRS operating costs proxy, by NACE sector (2 digits) in 2024.

Sources: LSEG, ESMA