

Comments

Inception Impact Assessment “Sustainable finance – obligation for certain companies to publish non-financial information”

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The German Banking Industry Committee is grateful for the opportunity to comment. Given their differences in terms of business activities and financial reporting, we believe that the European Commission has taken the right approach by distinguishing between non-financial companies and financial companies – and taking account of their distinctive features – for the purposes of the planned disclosure obligations regarding non-financial information in the non-financial statements of the aforementioned large companies (more than 500 employees) under the Taxonomy Regulation (art. 8).

In our view, the requirements regarding the disclosure of taxonomy-compliant revenue, capital expenditure, and operating expenses that apply to non-financial companies (art. 8(2) Taxonomy Regulation) need to be defined more specifically for financial companies. The development of new indicators may be a suitable option. Moreover, the total capital expenditure and spending indicators are defined relatively broadly and do not adequately reflect transitional and enabling activities, which means that more detailed information on both aspects is required. Because institutions’ changeover costs are expected to be high, we ask that the financial sector to be involved in specific concept development processes from an early stage.

We wish to point out that the suitability of more specific definitions for financial companies also depends on the nature of the taxonomy-compliant business activities. For example, the outcomes of the securities business differ from those of the lending business. The taxonomy reporting requirements should take account of the high transaction costs for the banking industry that would arise from checking compliance with the criteria, particularly in small-scale, high-volume retail business and especially in the case of do no significant harm criteria and minimum safeguard criteria, which are difficult to check. A possible practical option would be to establish thresholds (in millions of euros) for individual transactions.

We do not believe that defining further indicators in the NFRD or in a delegated act is the right approach because they generally do not apply to every company. A standardized, binding set of rules would be preferable to a wide variety of defined indicators. When developing EU-wide harmonized indicators, the way they interact with and impact on European rules on financial reporting and bank-specific accounting needs to be taken sufficiently into consideration.

It is also important that the deliberations on disclosing taxonomy-compliant outcomes look at the aspect of proportionality. The imposition of requirements on banks to collect taxonomy-compliant data in the lending business would fundamentally have a direct impact on all borrowers in the real economy and thus on SMEs. It is therefore necessary to ensure an appropriate cost-benefit ratio and not to impose excessive bureaucracy costs on SMEs as a result of additional reporting obligations. To reduce the costs for the entire economy, important information that is needed in order to fulfill the reporting obligations in article 8 of the Taxonomy Regulation should be collected and made available centrally (e.g. centralized data register).

As financial companies cannot evaluate their portfolios without sufficient and valid data from the real economy, they should only be under such a reporting obligation if the real economy provides the necessary information. Given the complexity of the evaluation process, sufficiently generous implementation periods should be granted. It would also be a good idea to limit the reporting to new business.

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Given the close relationship between the transparency obligations in the Taxonomy Regulation and those in the announced update of the NFRD, we ask that there is consistency with other disclosure requirements (NFRD, Disclosure Regulation, Pillar III disclosure) and that duplication of rules in the Taxonomy Regulation and the NFRD is avoided.