March 2025

Position of the European Banking Federation on the Omnibus Initiative

EBF proposal for changes to the Corporate Sustainability Reporting Directive 2013/34/EU (CSRD)

1. Green Asset Ratio suspension until the full review of the Taxonomy Delegated Acts is completed

Our key concern relates to the Green Asset Ratio Reporting under the Taxonomy Regulation Article 8 Disclosure Delegated Act.

While the temporary initial simplification proposed in the Disclosure Delegated Act makes some things simpler for banks given the reduced scope of the CSRD and reduced number of templates, as well as increased comparability by removing exposures to certain companies not reporting under the CSRD from the denominator, significant **complexities remain**.

- These concern the processes related to the **assessment of the Taxonomy Technical screening criteria** (including Do No Significant Harm and Minimum Safeguards) for "known use of proceeds" of exposures of corporates and retail clients that banks need to evaluate on a case-by-case basis.
- While no reporting is required from and on midcaps, banks are still expected to collect data from retail clients (mortgage, car loans etc.), including on DNSH and MS which, in most instances are not available or cannot be documented by retail customers, which in our views should be exempted from the DNSH and MS alignment.

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We understand these complexities should be further addressed as part of the envisaged comprehensive review of the Taxonomy Disclosures Delegated Acts (which will include revision of the technical screening criteria of the EU Taxonomy) referenced in the Omnibus initiative by the European Commission.

As it currently stands, credit institutions are required to report information on their financing of activities that are taxonomy aligned twice: once under the Taxonomy Regulation Article 8 Disclosures Delegated Act (DDA) and then under Article 449a of the CRR (ITS on Pillar 3 Disclosures on ESG Risks). The disclosure requirements are similar but not identical and are becoming more divergent over time.

As proposed in the revised DDA issued as part of the Omnibus package, banks will be reporting the Green Asset Ratio for financial year 2024 based on the original (currently applicable) text of the DDA, and with diverging templates in Pillar 3 reports for mid-2025 based on the ITS on Pillar 3 Disclosures on ESG Risk (Pillar 3 ESG ITS), in 2026 (for financial year 2025) probably based on the revised DDA (which is envisaged only as a temporary solution) and the P3 ESG ITS, and once the more comprehensive review announced with the Omnibus proposals is finalized, based on the final version of the Green Asset Ratio requirements and again Pillar 3 ESG ITS. This will not only be complex but also hinder comparability both between reporting entities and within reporting entities over different periods.

To reduce complexity for reporting entities, automatization of reporting is critical. Banks have already made significant investments on IT and data management based on the current regulation. The temporary initial simplification would require additional investments in data management and processes that will have to be changed once again in line with the final design of the Green Asset Ratio. The temporary solution, although well-intentioned, represents de facto and additional burdens and costs for banks.

Therefore, considering:

i. that the temporary initial simplification does not fully address the complexities and all shortcomings of GAR reporting and will be followed by further revision through a second Delegated Act (resulting from the full review of the GAR and the Taxonomy Delegated Acts),
ii. the cost associated with the proposed temporary solution,
iii. the complexity and lack of comparability resulting from reporting GARs under multiple frameworks and duplicative requirements,

We request the suspension of the GAR reporting obligations for banks[1] (under the Taxonomy Regulation Article 8 DDA) in the CSRD until the full review is completed.

This would provide significant operational relief to banks and their clients while not affecting the green transition, as the GAR is not considered a useful indicator for the decision-making process, capital allocation or risk management.

[1] In line with the principle of reporting the same information only once, we are also requesting the European Commission and the European Banking Authority to remove the Green Asset Ratio reporting from the Implementing Technical Standard on Pillar 3 Disclosures on ESG Risk

Proposed modification of the Directive 2013/34/EU

"In Article 48i, the following paragraphs 5 and 6 are inserted:

"5. Member States shall ensure that, by way of derogation from Article 8 of Regulation (EU) 2020/852, credit institutions are exempted from disclosing non-financial information required by this Article until xxx.

6. The Commission shall finalise the comprehensive review and adopt amendments to delegated acts of Regulation (EU) 2020/852 by significantly simplifying non-financial information disclosures of credit institutions and technical screening criteria by xxx.""

2. Limiting Value chain reporting for financial institutions to companies that are required to report under the CSRD

Given the reduced scope of the CSRD and the proposed value chain cap, the requirements for financial institutions' own reporting under the CSRD and ESRS must be amended to reflect the significantly changed scope of the CSRD and the fact that only a few companies will be required to provide sustainability reporting (including Taxonomy alignment).

When there is no reporting from companies on their significant impacts, risk and opportunities, financial institutions cannot report on the derived impacts, risk and opportunities caused by their financing and investment activities in those companies. Specifically, the CSRD and ESRS must be amended so that **financial institutions are only required to report on companies in their value chains that are required to report under the CSRD**.

Any additional value chain reporting by financial institutions should be voluntary, so that financial institutions do not have to require companies outside the CSRD scope to provide sustainability reporting, which would **result in a significant administrative burden for both the financial institutions and the companies. This would otherwise eliminate, wholly or partially, the burden reduction intended by the European Commission's proposal.**

Proposed modification of the Directive 2013/34/EU:

"In Article 29b, paragraph 4, first subparagraph is replaced by the following:

"Sustainability reporting standards shall not specify disclosure requirements that would require financial undertakings to obtain any information from undertakings in their value chain which are not obliged to publish non-financial information pursuant to Article 19a or 29a. Any additional value chain reporting by financial institutions should be voluntary while limiting information requests to these companies to the information specified in the sustainability reporting standards for voluntary use referred to in Article 29ca."

3. Consistency of financial sector regulation with the CSRD

For the simplification to be truly effective, it must be fully reflected in the regulatory requirements for banks. Otherwise, the intended simplification efforts will not fully materialize as financial institutions will need to gather information required by other pieces of regulation or expected to be collected by supervisors in less standardized ways (including bilaterally from their clients).

As the sustainability omnibus initiative progresses, the financial sector ESG-related regulatory and supervisory framework (including CRR and CRD) needs to be reviewed to ensure consistency and that the obligations for financial institutions fully reflect the availability of the data reported by companies.

***Proposed modification of Directive 2013/34/EU*:**

"In Article 48i, the following paragraph 7 is inserted:

"7. For consistency with this Directive, financial sector regulation shall not specify any requirements for the financial sector that would require financial undertakings to obtain any information from undertakings which are not obliged to publish non-financial information pursuant to Article 19a or 29a. If such requirements exist, the Commission shall submit a legislative proposal or adopt necessary delegated or implementing acts to eliminate them."

4. Scope

4.1. ESG reporting obligations should only apply at the Group level of a company, and not to each subsidiary

Subsidiary companies should be exempted from the sustainability reporting obligation (also for large, listed undertakings) if included in the consolidated reporting of the parent company. The exemption should also be applied for Taxonomy disclosures, meaning that parent companies do not have to report on separate subsidiary KPIs (question 8 in the third Commission Notice) or separately for their business segments (question 7 in the third Commission Notice).

Proposed modification of the *Directive 2013/34/EU*:

In Article 29a, the following paragraph 10 is inserted:

"10. Subsidiary undertakings are exempted from sustainability reporting insofar they are included in the consolidated management report of another undertaking, drawn up in accordance with Article 29".

4.2. Extending exemption to entities such as intermediate holding companies (IHCs) from preparing consolidated sustainability reporting

Recital 26 of the CSRD indicates that the consolidation-based exemption regime for financial statements/management reports operates independently from the exemption regime for sustainability reporting. As a result, these entities will in principle be in scope of the CSRD if they satisfy the threshold criteria and will be required to prepare consolidated sustainability reporting, regardless of whether they have subsidiaries inside or outside the EU/EEA. Under the CSRD, it is expected that the consolidated sustainability reporting needs to be included in the consolidated management report within the Annual Report. However, if entities are exempted from preparing a consolidated management report, this would not exist. On that basis, financial information would need to be generated at the consolidated entity level despite the fact that management reports are not usually produced at that level in order to link the sustainability reporting to the financials as required by CSRD. In addition, the consolidated entities could bring a large number of non-EU undertakings in scope of CSRD that would not otherwise be expected to report under CSRD.

Where these entities do not have any footprint in the EU/EEA other than by virtue of being incorporated in the EU, they should be exempted from preparing sustainability reporting entirely under the CSRD, alternatively be allowed to be assessed and report as a large undertaking subject to meeting the threshold criteria and not as a parent entity of a large group.

Proposed modification of Directive 2013/34/EU and Directive (EU) 2022/2464:

Replace Recital 26 of Directive (EU) 2022/2464 with the insert of the paragraph in Article 29a:

"(26) Article 23 of Directive 2013/34/EU exempts parent undertakings from the obligation to prepare consolidated financial statements and a consolidated management report where parent undertakings are subsidiary undertakings of another parent undertaking that complies with that obligation. It should be specified, however, that the exemption regime for consolidated financial statements and consolidated management reports operates independently from the exemption regime for consolidated sustainability reporting. An undertaking can therefore be exempted from consolidated financial reporting requirements but not from consolidated sustainability reporting requirements where its ultimate parent undertaking prepares consolidated financial statements and consolidated management reports in accordance with Union law, or in accordance with equivalent requirements if the undertaking is established in a third country, but does not carry out consolidated sustainability reporting in accordance with Union law, or in accordance with equivalent requirements if the undertaking is established in a third country. It is necessary that parent undertakings reporting at group level provide an adequate understanding of the risks for, and impacts of, their subsidiary undertakings, including information on their due diligence processes where appropriate. There might be cases where the differences between the situation of the group and that of its individual subsidiary undertakings, or between the situation of individual subsidiary undertakings in different territories are particularly significant and would, in the absence of additional information about the individual subsidiary undertaking concerned, cause the user of the information to reach a substantially different conclusion about the risks for, or impacts of, the subsidiary undertaking".

In Article 29a, first paragraph of the Directive 2013/34/E, the following sentence is inserted:

"By way of derogation from the first sentence, the Article 29a obligation shall only apply to intermediate holding companies that are required to prepare consolidated financial statements".

In Article 2 of the Directive 2013/34/E, the following definition is added:

"(21) "Intermediate holding companies" mean intermediate holdings that are primarily holding companies, and the principal activities of the company are the holding of investments in, and the financing of legal entities, subsidiaries, partnerships, enterprises, or affiliate companies".

5. Databases

Each Member State should provide implementation support in the form of online tools and databases gathering ESG data and information such as physical risk maps, GHG emissions (to effectively build a database with historical measurements), water consumption, or alignment of each new type of vehicle to the taxonomy that would prove instrumental to achieve the objectives of the Green Deal. Such databases that could significantly help companies' reporting and support its voluntary uptake should be accessible to banks to avoid bilateral data collection. Support should range from the operation of dedicated websites, portals or platforms to financial support and facilitation of joint stakeholder initiatives.

Proposed modification of Directive 2013/34/EU:

The following Article 29aaa is inserted:

"Article 29aaa Implementation Support by Member States

Each Member State shall provide all necessary implementation support in the form of online tools and databases gathering all necessary data to report non-financial information pursuant to Article 19a or 29a. Such support should also be accessible to banks to avoid bilateral data collection."

6. Moving forward the Stop the clock transposition deadline

The deadline of 31 December 2025 for Member States' transposition of the stop the clock directive does not avoid entities required to report for financial years beginning on or after 1 January 2025 from incurring unnecessary and avoidable costs since these entities will need to build capability and capacity for reporting until the respective Member States transpose the "Stop the clock" directive. We therefore suggest accelerating the EU adoption process and bringing forward the transposition deadline no later than 31 July 2025.

Proposed modification of the stop the clock directive:

"Article 3, Paragraph one, first subparagraph, the first sentence is replaced by the following:

"Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 31 July 2025 at the latest."

Corporate Sustainability Due Diligence Directive 2024/1760 (CSDDD)

The EBF supports the Commission's proposed amendments to the CSDDD.

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About EBF

The European Banking Federation is the voice of the European banking sector, uniting 32 national banking associations in Europe that together represent some 4,500 banks - large and small, wholesale and retail, local and international - employing about 2.1 million people. EBF members represent banks that make available loans to the European economy in excess of €20 trillion and that securely handle more than 300 million payment transactions per day. Launched in 1960, the EBF is committed to creating a single market for financial services in the European Union and to supporting policies that foster economic growth.

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