

# Public feedback on Taxonomy Article 8 Delegated Act

EUROSIF RESPONDS TO EUROPEAN COMMISSION  
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Eurosif, the European Sustainable Investment Forum, welcomes the opportunity to respond to the joint consultation of the European Supervisory Authorities on the draft regulatory technical standards (RTS) of the Taxonomy-related sustainability disclosures.

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## INTRODUCTION

### About Eurosif

Eurosif works as a partnership of Europe-based national Sustainable Investment Forums (SIFs). SIF members include institutional investors, asset managers, index providers and ESG research and analysis firms totalling over €8 trillion of assets under management, as well as other stakeholders such as NGOs, trade unions, think-tanks and philanthropic foundations. Eurosif is also a founding member of the Global Sustainable Investment Alliance, the alliance of the largest SIFs around the world.

Our Mission is to promote sustainable development through financial markets by supporting the financing through private and public capital of investments that make a measurable contribution to the sustainable development goals set by the United Nations, the European Union and other European countries.

For any questions or comments you can contact Victor van Hoorn, Executive Director, at [victor.vanhoorn@eurosif.org](mailto:victor.vanhoorn@eurosif.org) or Hanna Picard (Policy & Research) at [hanna.picard@eurosif.org](mailto:hanna.picard@eurosif.org).

## General comment

We are broadly supportive of the European Commission draft Delegated Act supplementing Article 8 of the Taxonomy Regulation (EU 2020/852), as it generally aligns with elements of advice issued by ESMA in [its final report](#).

## Treatment of central government bonds

However, the draft delegated act **diverges significantly from the advice by ESMA** by excluding exposures to central governments from the denominator of the key performance indicator (KPI) for financial undertakings. It is true that government bonds are challenging to assess for Taxonomy alignment. However, excluding them from the denominator (Article 8(1)) **will artificially increase taxonomy alignment** KPIs of financial undertakings by reducing the denominator. Furthermore, counting government bonds only when green or taxonomy aligned in both numerator and denominator would add a 100% aligned exposure to the calculation, **further distorting these KPIs**. We believe it is far more honest and transparent to count all assets in the denominator, complemented with qualitative explanations on the assessability of government bonds rather than artificially report higher taxonomy alignments. Furthermore, this may **artificially penalise investors in other classes and particularly in equity instruments** between now and 2025 (Article 10a review clause). Firms focussing predominantly on equities will have to report across their full portfolio whereas firms investing heavily in government bonds will completely excluded large parts of their balance sheet. This may result in situations where one firm reports a low level of alignment across a wide equity portfolio whereas another firm reports a high level of alignment based on a small fraction of its balance sheet. This could **easily mislead investors for whom taxonomy alignment may be an important investment factor**. This seems odd when the Capital Market Union agenda seeks to promote equity investments. Moreover, acknowledging emerging methodologies to estimate Taxonomy alignment of sovereign bonds and the likelihood that these bonds will soon become Taxonomy assessable makes inevitable a revision of this delegated act in the near future (Article 10a). Finally, including governments bonds in the scope will not affect the attractiveness or funding costs of these instruments since firms will be reporting only at an aggregate level on their portfolios and not on individual government bonds, which ensures individual sovereign issuers cannot be identified. For all these reasons, **Eurosif recommends including the value of all government bonds in the denominator**, at least for asset managers, and keep in the numerator only green bonds issued under the EU Green Bond Standard or equivalent where it is possible to determine the Taxonomy-aligned activities financed by those green bonds. While not perfect, this is the most transparent, fair and honest solution.

## Capex by non-financial undertakings

Regarding the content to be disclosed by non-financial undertakings, Eurosif welcomes the possibility to consider capital expenditures (CapEx) as taxonomy aligned if it is part of a CapEx plan aiming to expand the company's Taxonomy-aligned economic activities within five years. This is crucial to ensure that reporting requirements underlying the Taxonomy support transition finance and enable companies to communicate their transition plans, as suggested by the Platform on Sustainable Finance in its [Transition Finance Report](#). We also support the requirement for companies to disclose deviations from the original CapEx plan retrospectively and to keep the plan up to date yearly. Another

provision in the delegated act that is essential to ensure the role of the Taxonomy in transition finance for all undertakings is the disclosure of KPIs covering the five previous reporting periods, allowing readers to compare companies performances over time (Article 9(3)). We believe that this type of information should be an integral part of the sustainability reporting under the CSRD proposal and be subject to the same assurance and audit requirements over time.

## Derivatives

Finally, we restate our position from our consultation [response to the consultation on regulatory technical standards for taxonomy related sustainability disclosure](#) by conceding that derivatives should remain excluded from the numerator of financial undertakings KPI, since there is no evidence at this stage on how this type of asset can align with the Taxonomy. The underlying reason is inherent to derivatives use, which do not enable financial undertakings to hold shares, have the voting rights and engage with the investee company management on their strategy. Engagement is how financial undertakings can have a voice and potential impact on the revenues and CapEx plans of companies.

### ABOUT EUROSIF

Eurosif is the leading European association for the promotion and advancement of sustainable and responsible investment making a measurable impact in meeting long-term sustainability goals of the EU and the UN.

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