BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BETTER FINANCE responds to ESMA’s consultation on simplifying the EU Taxonomy disclosure framework

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Executive Summary

BETTER FINANCE supports ESMA’s efforts to simplify EU Taxonomy reporting. The current framework can be complex and, in some areas, requires significant reporting effort without always providing investors with equally useful information. Simplification is therefore welcome where it removes duplication, improves clarity and focuses reporting on information that investors can meaningfully use.

At the same time, simplification should not create new information gaps. We support a more focused approach to reporting operating expenditure (OpEx), while recognising that R&D alone may not adequately reflect transition efforts in all sectors. We also favour simpler reporting for complex financial groups and stronger links between Taxonomy and ESRS reporting, provided that important information remains comparable and accessible.

More broadly, the review provides an opportunity to make Taxonomy reporting simpler to produce and easier to use. This means clearer definitions, proportionate requirements and greater use of standardised digital information. For individual investors, the priority should be a framework that makes it easier to understand and compare the sustainability and transition characteristics of companies and financial products, rather than simply producing more information.

Keywords : EU Taxonomy; Simplification; Investor usability; Digital reporting.

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About BETTER FINANCE

BETTER FINANCE — the European Federation of Investors and Financial Services Users — is the voice of European citizens as savers, investors, and financial users at the EU level. Working independently from the industry, BETTER FINANCE serves as an independent hub of financial expertise for the direct benefit of individual shareholders, investors, savers, life insurance policyholders, pension fund participants, and mortgage borrowers across Europe. Their work aims to promote research, information, and training on investments, savings, and personal finances to lawmakers and the public. BETTER FINANCE counts 40 independent, national, and international member organisations, sharing similar objectives from the EU Member States as well as Iceland, Norway, Turkey, Lebanon, and Cameroon.

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Questions and answers

How can the OpEx KPI be simplified while remaining meaningful and comparable across different sectors? (Q1-16)

We agree with ESMA that the current OpEx KPI presents significant challenges in terms of interpretability, comparability and proportionality, and that reform is warranted. Evidence that the KPI is currently little used by investors should nevertheless be interpreted with some caution: limited use may reflect both the narrow and heterogeneous design of the existing metric and difficulties in accessing and comparing the underlying information. We see merit in ESMA's proposal to focus the mandatory KPI more clearly on identifiable expenditure such as R&D, which offers a stronger accounting anchor and could significantly simplify reporting. At the same time, an R&D-only metric may provide little information in sectors where environmental performance is primarily operational, including infrastructure and other asset-intensive activities where maintenance and operation can constitute an important transition lever. We would therefore encourage ESMA to consider whether a limited set of clearly defined sector-relevant operating expenditures could complement an R&D core where these expenditures provide demonstrably material information. Any voluntary OpEx+ should remain supplementary and should be subject to clear definitions, itemised disclosure, consistency over time and appropriate digital tagging, rather than developing into a loosely defined alternative KPI.

Can OpEx provide useful additional information on Taxonomy alignment without making financial institutions' KPIs harder to understand? (Q7-Q8)

We recognise both the potential analytical value and the risks associated with incorporating OpEx into the Taxonomy reporting of financial undertakings. CapEx and OpEx capture different economic phenomena and should therefore remain separately identifiable; a combined figure could otherwise reduce comparability and give an impression of increased Taxonomy alignment without a corresponding increase in sustainable investment. At the same time, for some operations-driven sectors, reliance exclusively on CapEx may provide an incomplete picture of the sustainability of an investee undertaking. If ESMA retains the possibility for asset managers to use OpEx voluntarily, we would therefore favour a tightly constrained supplementary approach rather than replacing the existing CapEx-based indicator. The underlying CapEx and OpEx contributions should remain separately disclosed, the methodology should be applied consistently across the portfolio, and reliance should preferably be limited to OpEx reported by investee undertakings rather than estimates. This would allow potentially useful information to be incorporated without sacrificing transparency for end-investors.

How can Taxonomy reporting for complex financial groups be simplified without losing important information? (Q9-Q16)

We support ESMA's direction of travel away from weighted-average KPIs that combine metrics designed for fundamentally different economic activities. A

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single blended figure may create apparent simplicity while reducing its analytical meaning. Where a headline group KPI is necessary, using the main reporting regime provides a reasonable and operationally clear starting point, complemented by information on materially different businesses within the group. We support proportionate, lighter disclosures for such businesses rather than automatically requiring full templates, provided that the core eligibility and alignment KPIs are standardised and digitally accessible. We also see merit in a quantitative materiality threshold to avoid excessive reporting; however, its application should prevent fragmentation across individually small subsidiaries and should reflect the economic significance of different business models. In particular, turnover alone may not always adequately capture the significance of financial activities, for which measures such as assets or assets under management may sometimes provide useful complementary information. This approach would preserve the transparency needed to understand where sustainable and non-sustainable activities sit within a group without producing multiple layers of disclosures of limited additional value.

How can Taxonomy reporting be better aligned with other reporting requirements while reducing unnecessary burden? (Q17-Q19)

We strongly support greater connectivity between Taxonomy and ESRS reporting where this allows information to be reported once and used across regulatory frameworks, reduces duplication and improves accessibility for users. Cross-references and incorporation by reference should therefore be facilitated where the underlying concepts and methodologies are compatible. At the same time, greater connectivity should not result in the automatic importation of ESRS concepts into the Taxonomy where the two frameworks pursue different objectives or use different units of analysis. We support targeted phase-in arrangements following significant regulatory or methodological changes, provided they are time-limited, proportionate and transparent. We also support further clarification of the role of IFRS 8: operating segments can provide a useful consistency check against an undertaking's Taxonomy materiality judgements, but should not mechanically determine whether individual Taxonomy activities are material, given the different levels of aggregation and the management-defined nature of IFRS 8 reporting.

Which Taxonomy disclosures remain useful to investors, and where can reporting be simplified? (Q20-Q25)

We support further simplification where particular datapoints impose significant costs while offering little incremental information, but recommend distinguishing carefully between information that is genuinely redundant and information that is currently difficult to use because of design or accessibility. In particular, the existing labels for enabling and transitional Taxonomy activities should not be treated as a direct measure of corporate transition: a 'transitional' activity under the Taxonomy is already Taxonomy-aligned and does not in itself demonstrate that an undertaking is progressing towards alignment. Forward-looking information such as transition plans and Taxonomy-related CapEx plans may therefore be more

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relevant for assessing transition strategies and for any future SFDR transition-oriented product category. Nevertheless, where enabling and transitional classifications can be retained at limited cost, they may still provide useful contextual information and could remain available as standardised, digitally tagged datapoints rather than necessarily occupying dedicated template rows. More generally, we support consolidating interpretative guidance into the legal framework, improving the clarity of CapEx Type C rather than relying solely on additional optionality, and developing a clearly defined set of digitally tagged contextual datapoints. Greater digital accessibility and comparability should itself be treated as a form of simplification: reducing the cost of producing information is important, but so too is reducing the cost for investors and financial institutions of finding, interpreting and comparing it.

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