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Substantive review of banks' Taxonomy reporting: the need for sustained ambition

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As the voice of leading European and global banks reporting under the EU Taxonomy Regulation, AFME strongly supports the Commission's ongoing efforts to simplify the Taxonomy reporting regime, including the Article 8 Taxonomy Disclosures Delegated Act (Disclosures DA), most recently reflected in the "Omnibus Delegated Act" (Omnibus DA) adopted in July 2025 and published in the Official Journal on 8 January 2026.

As set out in the Staff Working Document (SWD)[1] accompanying the Omnibus I proposals, the burden reduction and simplification measures contained in the draft Omnibus DA were meant to be "**prioritised and distinguished** from the ongoing reviews of the Taxonomy Disclosures Delegated Act, as well as the Taxonomy Climate and Environmental Delegated Acts, which require more time and policy assessment". Importantly, the SWD also explained that "the future review of the Disclosures Delegated Act will consider **options for more substantive changes in the current reporting framework, in particular on the issues related to the current GAR**".

Within this framing, industry understood the **Omnibus DA to represent a first step "quick fix"**, prioritising speed and immediate burden relief – an interpretation reinforced by Recital 12 of the final text of the Omnibus DA, which refers to "ongoing longer-term substantive reviews" of the EU Taxonomy reporting requirements[2].

However, as the Commission prepares for this longer-term review, the Call for Advice (CfA) issued to the European Supervisory Authorities (ESAs) in March 2026[3] suggests that substantive changes to the current reporting framework, as well as further simplification of the Green Asset Ratio of banks, might not be contemplated[4].

While acknowledging the early engagement from both the ESAs and Commission services with industry representatives, **we are concerned that limiting the ongoing review both in scope – i.e. to KPIs other than the GAR – and in ambition – to targeted amendments to the DDA – is not consistent with the previous commitment to a more comprehensive and substantive simplification review.**

Notwithstanding the simplification measures introduced through the Omnibus DA, EU Taxonomy reporting remains burdensome for banks, and in turn their clients, with the EU an outlier compared to other jurisdictions.

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[1] European Commission, Staff Working Document Accompanying the Omnibus I package proposals and specifying further steps, February 2025 (p.53).
[2] https://eur-lex.europa.eu/eli/reg_del/2026/73/oj/eng
[3] European Commission, 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, March 2026
[4] For instance, the CfA notes that "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". The CfA also states that as the Omnibus DA has already addressed the need for simplification of the GAR, "the changes should focus on simplifying the remaining KPIs of financial undertakings".

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AFME welcomes the recent recognition by the Commission that "simplifying the Taxonomy technical screening criteria, streamlining Taxonomy disclosures and simplified sustainability reporting standards and voluntary standards, based on the ongoing review, will help ensure that the financial sector is competitive and remains aligned to high standards of environmental and social responsibility."[5]

Against this backdrop, including the Commission's 25% burden reduction target[6], the Commission should deliver on its commitment to a substantive review of EU Taxonomy reporting, including **further simplifying the Green Asset Ratio** and **permanently removing the KPIs for Fees & Commissions (F&C) and the Trading Book due to their limited relevance and usefulness.**

We believe that our recommendation made ahead of the Omnibus I package publication – for the EU to **"avoid introducing further regulation that would exacerbate complexity and reporting burdens across the framework"[7] – remains highly relevant for the F&C and Trading Book KPIs.** We therefore urge the Commission to continue prioritising assessing the existing framework and the need for further simplification on the ground, rather than considering the introduction of additional KPIs in the absence of clear use cases that would support the transition and demonstrated investor demand.

Priorities for further simplification of the GAR and Taxonomy reporting

While the Omnibus DA introduced some welcome changes to the GAR, including limiting the KPI to undertakings within the scope of CSRD, reducing the asymmetry of the ratio and simplifying the reporting templates, it did not address the fundamental relevance of the ratio nor materially reduce operational burdens for banks.

With its design focusing on 'currently green' activities, the GAR fails to provide a meaningful or useful indication of banks' contributions to sustainable finance. Despite the adjustments made to the ratio under the Omnibus DA, the GAR's relevance is fundamentally constrained due to the proportion of banks' business conducted in sectors eligible for the EU Taxonomy, the range of services banks provide, the restriction to Taxonomy-aligned financing (impacted by difficulties with assessing alignment) and the share of their balance sheet located outside the EU. Moreover, AFME members have observed that there is only minimal interest in GAR reporting among investors, who prioritise other aspects of banks' comprehensive sustainability disclosures.

AFME accordingly remains of the view that banks' GAR reporting is not providing meaningful, comparable information for investors and continues to impose significant reporting complexity, burden and costs, negatively impacting the competitiveness of European banks[8]. **A majority of members call for a simplified GAR to be made a voluntary reporting requirement, whereby a voluntary, simplified GAR would retain a common metric which could be requested by investors and other stakeholders where they see value in the information, while reducing reporting burdens for banks where the GAR is less relevant to their business.**

The wider Taxonomy reporting process must also be further reformed to increase the usefulness of disclosures, in particular for retail finance. We welcome that the Commission is seeking to review some important issues for banks' Taxonomy reporting as part of the current CfA to the ESAs. However, more can be done to simplify the reporting process. To improve

[5] European Commission, Action Plan for Regulatory Deep Cleaning, April 2026
[6] European Commission, A simpler and faster Europe: Communication on implementation and simplification, February 2025
[7] AFME, Recommendations for reducing burdens and enhancing competitiveness under EU sustainable finance regulation, January 2025
[8] See AFME's Response to Targeted Consultation on the Competitiveness of the EU Banking Sector (p.136), April 2026

the GAR ratio and make banks' Taxonomy reporting more relevant, comparable and decision-useful, we recommend the following:

1. **Measure GAR as a ratio of alignment of Taxonomy-eligible assets**: To improve the comparability of the GAR, this KPI should measure financing of Taxonomy-aligned activities as a ratio of financing of Taxonomy-eligible activities. The Taxonomy does not cover all economic activities. Assets in sectors not eligible for the Taxonomy cannot be measured for their contribution to sustainability and should therefore be excluded from the GAR to make the ratio more comparable across reporting banks.

2. **Simplify Taxonomy alignment assessment for retail exposures**: A large proportion of banks' Taxonomy-aligned assets are mortgages and vehicle loans to individuals or non-CSRD companies. Retail borrowers are not subject to the EU Taxonomy and therefore cannot be expected to provide comprehensive alignment data or perform the DNSH assessment. Financial institutions must therefore assess EU Taxonomy alignment (including DNSH) using limited information collected from retail customers and data estimates. We recommend that for reporting mortgages and building renovation alignment in Art. 8 templates, banks should be able to use the simplified methodology set out in the final draft ITS proposal from the EBA on Pillar 3 ESG GAR disclosures (noting that GAR templates are proposed to be removed from ESG supervisory reporting). Under this approach, banks can determine EU Taxonomy alignment based on the substantial contribution criteria for the energy performance of the underlying asset using the energy performance certificate (EPC) label. We recommend extending this approach to the Taxonomy assessment of motorbikes, passenger cars and light commercial vehicles, using the asset's energy performance label.[9]

3. **Confirm that non-EU retail exposures are excluded from reporting**: Taxonomy alignment assessment for retail exposures is not feasible outside the EU due to the lack of equivalent data sources such as EPCs and creates additional asymmetries between banks with significant exposures outside of the EU. We recommend explicitly excluding non-EU retail exposures from Taxonomy reporting. This would align with the exclusion of non-CSRD corporate exposures and ensure consistency in the calculation.

4. **Further simplify reporting templates**: While the changes implemented through the Omnibus DA have provided much-needed simplification of templates and improved readability[10], they have not resulted in a commensurate reduction in operational effort. The underlying data requirements, controls and reconciliations remain unchanged, other than for Nuclear and Gas templates. We recommend further streamlining templates to improve clarity and usability, with the following suggestions:
    i. Remove all GAR templates except for Templates 0 and 1. Template 2 provides granular sector information which is not decision-useful, Templates 3-5 provide duplicative information which can be derived from Template 1, and Templates 6 and 7 should be removed as part of removal of the associated KPIs.
    ii. Remove enabling and transitional columns from all templates, remove breakdown by type of counterparty.

5. **Review FAQs to facilitate implementation**: Some of the complexities in the reporting process have been compounded by Commission FAQs which introduce new require-

[9] For more details on the EBA simplified approach, see EBA ESG Pillar 3 ITS, para. 59-60 ("For loans collateralised with residential immovable, for repossessed collateral and for loans to municipalities for house funding, the alignment of the exposure with the Taxonomy will be based on a simplified approach considering the EPC label of the collateral, and must be carried out for the environmental objective of climate change mitigation only.")
[10] We also welcome the amendments in the ESRS allowing Art.8 GAR templates to be disclosed separately from the main sustainability statement.

ments or stricter interpretations of obligations, resulting in increased burdens and reducing usability of the introduced simplification measures. A number of Commission FAQs introduce interpretive rules which go beyond the Disclosures DA itself. To provide a specific example, FAQs 33 and 36 in Commission Notice C/2024/6691[11] introduce a new requirement for banks to collect documented evidence for the fulfilment of each DNSH criterion of the Taxonomy alignment of economic activities funded through their lending. We recommend reviewing the FAQs to ensure that they support implementation and are strictly aligned with the Delegated Act, avoiding the introduction of new or overly prescriptive obligations. While banks should maintain appropriate due diligence, they should not have to review verification documents provided by every counterparty (including third-party certifications) to re-confirm Taxonomy alignment for use-of-proceeds lending. The burden of proof should lie with the client, not with the financial institution.[12]

6. **Remove consolidated group-level KPI introduced via FAQs:** Commission FAQs 7-9 in Commission Notice C/2024/669 require the publication of a "consolidated group-level KPI" for both financial and non-financial conglomerates. For a financial conglomerate, this KPI is not useful as different types of entities within a financial conglomerate (asset managers, insurance) already produce their own KPIs. It is not clear what additional value a consolidated KPI would bring, and its addition goes beyond the requirements of the Delegated Act. For these reasons, we recommend removing the consolidated group-level KPI and any other KPIs introduced via FAQs, for example on exempted subsidiaries.

7. **Overall "once only" assessment for Use of Proceeds (UoP) instruments (full grandfathering):** For UoP loans, Taxonomy alignment should be determined at the point of origination and should not be subject to reassessment throughout the life of the exposure, even in the event of subsequent revisions to the Technical Screening Criteria (TSC). The obligation to reassess UoP instruments after 5 years (DDA Article 7.5) should be removed, and there should be no obligatory reassessment when Member States change NZEB criteria (Commission FAQ 19) nor when EPCs expire (Commission FAQ 23). It is not possible for banks to undertake new assessments for existing loans as clients (particularly retail clients) are not obliged to provide new information and would be unlikely to do so voluntarily.

8. **Review materiality thresholds for use-of-proceeds assets:** Members' initial feedback is that the materiality thresholds for known use-of-proceeds assets in Article 4(1a) of the Omnibus DA have not reduced reporting burdens in practice, and further clarity would be helpful. Despite some additional guidance published in the FAQs, these materiality thresholds have led to confusion and differing interpretations from auditors and reporting teams which hinder their use. Several members have suggested that it could be easier to exclude non-material subsidiaries from the GAR calculation, which would avoid the need to assess all exposures for a known use of proceeds.

9. **Simplify TSC to facilitate alignment assessment:** The review of the Taxonomy TSC in the Climate and Environmental Delegated Acts should work to relieve unnecessary burdens associated with assessing Taxonomy alignment. The draft revisions to the Climate and Environmental Delegated Acts published in March 2026[13] do not go far enough to deliver on the Commission's Omnibus commitment to a substantive review of the Taxonomy TSC, particularly the Do-No-Significant Harm (DNSH) TSC. The

[11] 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).
[12] For a more detailed discussion of Commission FAQs which have led to stricter interpretations and further operational challenges, see https://www.afme.eu/media/piccdfwi/afmecommentsecdecember2023faqsonddaundertaxonomyart8.pdf
[13] European Commission draft revisions to the EU Taxonomy Climate and Environmental Delegated Acts (DAs).

Commission should prioritise meaningful simplification of the TSC alongside updates to align with EU legislation.

Removal of the Trading Book & F&C KPIs

AFME maintains a longstanding view that these KPIs do not contribute to the stated purpose of the Taxonomy disclosures framework[14] and this view is also held by the International Swaps and Derivatives Association (ISDA). **We therefore continue to strongly believe that these KPIs should be removed permanently as they are expected to lead to significant undue costs and effort for reporting institutions, without commensurate benefit.**

The Trading Book KPI is not conceptually relevant for Taxonomy reporting; its short-term nature is not compatible with the long-term logic of Taxonomy alignment. The measurement of the Trading Book KPI can only provide a snapshot at a given point in time and may not provide accurate information about liquidity or sustainability intent. The Trading Book KPI does not reflect how trading is truly managed, relies on complex methodologies and data processes which do not currently exist within banks, and may yield volatile or non-comparable results between entities, thus offering limited utility to the market or supervisors compared to the cost. Its use case for external stakeholders and within banks remains unclear – banks' trading teams do not use Taxonomy alignment percentages as key performance indicators for risk management, profitability, or resource allocation.

Similarly, the F&C KPI is not a good measure of banks' sustainable financing activities. Measuring revenue from fees and commissions means that the KPI would be highly dependent on market conditions and interest / funding rates prevailing in a given year. A fees-based KPI may also have an unintended consequence of introducing an incentive to charge higher fees for Taxonomy-aligned activities and, for banks with smaller transaction volumes, risk the disclosure of sensitive information. For underwriting volumes, there are already data tools in the market which are used to compare banks' sustainability-related underwriting volumes.

This position is widely shared across industry, and we welcome the recognition, in the context of the Omnibus DA, of the limited relevance and decision usefulness of these two KPIs. Their delayed application further acknowledges existing usability challenges and underlines that these KPIs should not be prioritised to measure credit institutions' sustainability efforts, as also recognised by the Platform on Sustainable Finance[15]. **Instead of introducing these KPIs, the Commission should maintain focus on improving the meaningfulness and usability of the current reporting framework – reducing reporting burdens rather than increasing them.**

Process and timing

Finally, we would like to reiterate that **timing considerations have a significant impact on our members and on the concrete effectiveness of any intended simplification measures. It is essential to keep in mind banks' reporting cycle and the time needed to make changes to internal reporting systems when introducing any changes to reporting or issuing guidance.** Late adoption and publication of new reporting rules, as well as related implementation guidance, shortly before their effective application, leads to parallel reporting exercises, unnecessary complexity and additional significant costs. Our members' experience to date is a clear example highlighting the need for realistic transposition and implementation deadlines.[16]

[14] AFME, Recommendations for the review of the Green Asset Ratio, July 2024
[15] https://finance.ec.europa.eu/document/download/15880258-db1b-4c9c-aedc-e4153a2817d4_en?filename=250325-sustainable-finance-platform-response-taxonomy-delegated-act_en.pdf
[16] As highlighted in the European Commission Communication on a Simpler, Clearer and Better Enforced EU Rulebook, April 2026.

The official publication of the Omnibus DA on 8 January 2026 and of the draft Commission Notice[17] on 17 December 2025, for measures scheduled to apply as of 1 January 2026, meant that some banks were required to run two GAR reporting processes in parallel (based on, respectively, original DDA templates and Omnibus DA templates). The delay to the finalisation of the Omnibus DA entailed "doubling" the effort, staff resources and costs, with no corresponding benefit.

The planned entry into force of revised requirements in Q3 2027 before reporting begins in 2028 (for FY 2027) is too late for reporting entities to adjust internal systems. There are significant operational/compliance efforts and costs associated with frequent changes to reporting requirements and KPIs: this is not to "discourage" simplification efforts, but to underline the importance of sustained ambition and meaningful action over partial solutions which must be implemented at short notice.

Conclusion

AFME remains committed to supporting the work of the Commission, the ESAs, and the co-legislators to ensure that simplification and competitiveness objectives are delivered in the area of Taxonomy reporting for banks. We would welcome the opportunity to further discuss our feedback on the reporting framework to help inform this important work.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is registered on the EU Transparency Register, registration number 65110063986-76.

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[17] Published in OJEU as C/2026/2558 on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 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 Commission Notice).