POSITION PAPER

ESBG response to the EBA consultation on key performance indicators of Taxonomy disclosures

ESBG (European Savings and Retail Banking Group)

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ESBG

The EBA deadline is set for Wednesday 12 August 2026.

Q1. Please identify your organisation (if applicable) and indicate the capacity in which you are responding to this consultation:
a. user of sustainability information;
b. preparer of sustainability information;
c. both user and preparer of sustainability information;
d. other (please specify).

Q2. Do you agree with the analysis presented?

ESBG broadly agrees with the EBA's analysis. The paper correctly identifies several areas in which the current framework generates substantial implementation costs while offering investors and other stakeholders limited additional information. The Fees and Commissions KPI faces significant limitations in terms of relevance, comparability, volatility and operational feasibility. Only a limited subset of the activities currently covered can be meaningfully linked to capital-market transactions and the financing of Taxonomy-aligned activities. Its relevance would be further reduced where the calculation is restricted to income from counterparties subject to sustainability-reporting requirements. In addition, the reliance on counterparty information from previous reporting periods reduces the timeliness of the KPI. ESBG also invites the EBA to clarify the applicable 10% materiality test and ensure that the methodology is fully consistent with Annex V.

Q3. In your view, which of the options presented in the analysis (paragraph 36) is the most viable? Please explain your rationale.

a) removing the Fees and Commissions KPI from the Taxonomy disclosure requirements or replacing it with qualitative disclosure requirements considering 10% materiality threshold;

b) narrowing down the scope of the KPI to following four activities identified in this analysis and adjust the disclosure requirements accordingly also introducing the 10% materiality threshold to be applied in relation to total operating income.

- **issuance or other services related to third party securities,**
- **mergers and acquisition undertakings advisory services,**
- **undertakings finance services related to capital market advisory for undertakings, clients or other, and**
- **distribution of products issued by entities outside the prudential group to its current customers.**

In your response, where applicable, please assess whether voluntary disclosure of this KPI would be meaningful and feasible, and hence should be considered.

ESBG supports option (a), namely removing the Fees and Commissions KPI. We are critical of any potential qualitative replacement of the KPI. Institutions would still be required to carry out taxonomy alignment assessments and establish the necessary governance, control and audit processes to substantiate such disclosures. Therefore, qualitative requirements would not necessarily lead to a meaningful reduction in implementation effort while providing limited additional transparency.
Option (b) which involves narrowing the KPI to four activities, while restricting the eligible counterparty perimeter, would result in coverage, that is very limited and potentially volatile for most institutions. Nevertheless, institutions would still need to maintain systems and controls to identify the relevant transactions and determine whether the materiality threshold is met. This would generate costs disproportionate to the information produced and could undermine the benefits of FINREP simplification.
Voluntary disclosure of the KPI would generally be subject to the same limitations regarding data availability, implementation costs, comparability, and informative value. Therefore, it should not be promoted as a standardised voluntary KPI. Where institutions with significant capital-market activities choose to provide additional information voluntarily, this should remain strictly optional and should not create broader market expectations or reporting infrastructure requirements.

Q4. Should additional items from FINREP Template 22.1 also be included in the revised KPI? Please consider in particular that (i) have been assessed as unrelated to capital market activities, e.g. ‘custody and other related services’, and (ii) those that have not been mapped to the Fees and Commissions KPI, such as ‘structured finance’, ‘loans granted’, ‘commodities’.

No. ESBG does not support including additional items from FINREP Template 22.1. The review should focus on simplification rather than expanding the scope of a KPI whose relevance is already limited. Activities such as custody, commodities, loans granted and other transactional or operational services cannot generally be linked directly to the allocation of capital towards Taxonomy-aligned activities. Their inclusion would dilute the conceptual focus of the KPI, increase implementation complexity and require additional data collection without providing proportionate value to users. ESBG therefore considers that the KPI should preferably be removed rather than broadened.

Q5. Do you have evidence and/or arguments on potential costs and benefits associated with disclosing the Fees and Commissions KPI?

ESBG considers that the costs associated with producing the Fees and Commissions KPI outweigh its potential benefits. The KPI provides limited incremental information beyond existing Taxonomy disclosures and, as a flow-based indicator, is highly dependent on transaction volumes, market conditions and business cycles. This creates volatility and limits comparability across institutions and reporting periods. Institutions would nevertheless need to establish and maintain data-collection, tagging, governance, reconciliation and control processes, including where the KPI ultimately falls below the materiality threshold. Replacing the quantitative KPI with qualitative disclosures would not sufficiently reduce the burden.

Q6. Do you agree with the analysis presented?

ESBG broadly agrees with the EBA's assessment of the limited relevance of the Trading Book KPI. Trading activities are immaterial or absent for many retail and savings banks, while the KPI reflects short-term transactions and remains highly sensitive to market conditions and trading volumes. It is also difficult to reconcile with FINREP or financial statements, limiting auditability and the effectiveness of internal controls. ESBG further notes that the materiality assessment should be based on the net turnover generated by the relevant activities relative to total net turnover, in line with Article 4(1f), rather than on trading-book assets as a proportion of total assets. Applying this criterion would likely reduce further the number of institutions concerned.

Q7. In your view, which of the options presented in the analysis (paragraph 68) is the most viable? Please explain your rationale.

a) **removing the Trading Book KPI or replacing it with qualitative disclosure requirements on the trading portfolio;**
b) **narrowing down the scope of the KPI to providing market liquidity through market making, with a clear focus on providing liquid markets for green (Taxonomy-aligned) securities.**

In your response, where applicable, please assess whether voluntary disclosure of this KPI would be meaningful and feasible, and hence should be considered.

ESBG supports option (a), namely removing the Trading Book KPI or where justified, replacing it with proportionate qualitative disclosures that are not mandatory. Restricting the KPI to market-making in Taxonomy-aligned securities would cover only a very small part of an already immaterial activity for most institutions. It would nevertheless require institutions to identify and segregate market-making transactions, determine the Taxonomy alignment of relevant issuers and instruments and maintain dedicated reporting controls. The resulting implementation costs would be disproportionate to the informational value of the KPI. ESBG does not support a voluntary quantitative regime where this would reduce comparability or create expectations for institutions to maintain systems for immaterial activities.

Q8. Do you have evidence and/or arguments on potential costs and benefits associated with disclosing the Trading Book KPI?

ESBG considers that the implementation costs of the Trading Book KPI would outweigh its benefits. Institutions would need to identify market-making activities within the wider trading book, process purchases and sales throughout the reporting period and determine the Taxonomy alignment and reporting status of underlying issuers, including third-country counterparties. Unlike balance-sheet indicators, these transaction-level data cannot readily be reconciled with year-end accounting or FINREP information, creating additional control and audit challenges. The KPI would also remain highly volatile and dependent on market conditions. Its usefulness as an indicator of an institution's long-term contribution to sustainable finance would therefore be limited.

Q9. Do you agree with the analysis presented and the conclusion to narrow down the investment firms' KPI?

ESBG agrees with narrowing the investment firms' KPI. The current scope covers heterogeneous services, some of which have only a limited connection to investment decisions or Taxonomy-aligned financing. Focusing on the activities most directly related to investment services and capital allocation should improve relevance, interpretability and comparability while reducing unnecessary reporting burden. However, the revised requirement should remain subject to an appropriate materiality assessment. Where the relevant activities are not material, quantitative disclosure should not be required. The framework should also avoid creating additional obligations for small subsidiaries or entities outside the applicable sustainability-reporting perimeter.

Q10. Do you agree with limiting the KPI to the following four elements for the purpose of Taxonomy disclosures?

- **Portfolio management;**
- **Investment advice;**
- **Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; and**
- **Placing of financial instruments without a firm commitment basis.**

Please explain if you think that other services, e.g. execution of orders on behalf of clients, should be included in the revised KPI.

ESBG agrees in principle with limiting the KPI to portfolio management, investment advice, underwriting and the placing of financial instruments. These activities are more closely connected to investment decisions and capital-market financing than the wider range of services currently covered. ESBG does not see a need to include execution of orders or other mainly transactional activities, as this would broaden the KPI without materially improving its relevance. The revised scope should be subject to an appropriate materiality threshold, and entities should not be required to establish reporting processes where the relevant services are immaterial. Definitions and calculation instructions should be clear and operationally simple.

Q11. Do you consider it more appropriate for the KPI to reflect the value of assets under management covered by the investment services rather than the monetary benefits generated?

Based on the limited input received, ESBG considers that the value of assets covered by the relevant investment services may provide a more meaningful and stable basis for the KPI than the monetary benefits generated. Revenue-based measures may fluctuate significantly due to fee structures, transaction volumes and market conditions and may therefore not accurately reflect the scale of the underlying activity. An asset-based measure could improve comparability over time. However, the EBA should clearly define the services and assets covered, prevent double counting and assess the operational consequences before introducing the revised methodology.

Q12. Do you agree with the analysis presented and the conclusion to align the grandfathering rules with the approach set out in EU Green Bond Regulation?

ESBG supports greater legal certainty and stability in the grandfathering provisions. While alignment with the EU Green Bond Regulation may improve consistency, the EBA should carefully assess whether the seven-year approach is suitable for all types of financial exposure, particularly loans and other financing assets whose maturity, structure and operational features differ from green bonds. In particular, guidance is needed on how “unallocated proceeds” and financing of eligible CapEx would apply to specific-purpose and use-of-proceeds loans. For instruments with clearly defined use of proceeds, where the financed activity can be identified and assessed at origination, ESBG considers that the EBA should avoid requiring repeated reassessment solely because the technical screening criteria subsequently change. Reassessment would create operational burden for both the borrower and the financial institution, especially where updated evidence, such as EPC data, is difficult or impossible to obtain after origination. For use-of-proceeds loans, ESBG considers that the Taxonomy alignment assessment should be stable for an appropriate grandfathering period, provided that the financed activity itself has not changed. For use-of-proceeds bonds, financial institutions should be able to rely on the alignment rates disclosed by the issuer, and any subsequent updates made by the issuer under the applicable bond framework, without being required to perform a separate reassessment.

Q13. Do you agree with the analysis presented and proposed conclusions?

Yes. ESBG supports requiring groups to disclose the KPI applicable to the parent undertaking, as the primary KPI at group level, when its activity reflects the group’s main or prevailing activity rather than a weighted KPI combining fundamentally different business models. A weighted indicator could be difficult to

interpret, reduce transparency and create risks of overstatement or double counting.

For credit institution-led groups, the prudential scope of consolidation should remain the basis for the primary KPI. ESBG does not support the introduction of additional simplified templates for material subsidiaries where this would undermine the simplification objective or duplicate information already captured at consolidated level. Any supplementary information should remain strictly limited, proportionate and justified by a clear user need, and should not create new reporting obligations for subsidiaries that are exempted from sustainability reporting.

Q14. Where a single KPI is required for the parent undertaking of a group, (e.g. for the calculation of investment KPIs or the GAR arising from the exposures to the parent undertaking or investments held by financial products disclosed under the SFDR):

i. **Should the KPI disclosed by the parent undertaking, reflecting the group's main or prevalent activity, be used? If not, what alternative methodology should be applied?**

Yes. Where a single KPI is required, ESBG supports using the KPI applicable to the parent undertaking's main or prevailing activity. This reflects the economic reality of the group and is consistent with the sector-specific structure of the Taxonomy disclosure framework. For credit institution-led groups, the GAR should remain the primary group-level KPI. Combining different sectoral KPIs through weighted averages would increase complexity, reduce interpretability and could obscure the underlying drivers of Taxonomy alignment. Where material subsidiaries conduct activities of a fundamentally different nature, any supplementary information should remain strictly limited, proportionate and justified by a clear user need, without introducing new full templates or undermining reporting exemptions.

ii. **In the case of a credit institution-led group, such as a financial conglomerate, should the consolidated KPI disclosed by the parent undertaking also incorporate the assets of the insurance (and non-financial) undertaking, rather than accounting for the insurance (and non-financial) undertaking solely through the equity method? Please justify your answer in terms of feasibility, usability and transparency of sustainability information.**

No. The consolidated KPI of a credit institution-led group should remain based on the prudential scope of consolidation and should not look through to the underlying assets of insurance or non-financial subsidiaries accounted for under the equity method. Incorporating such assets would combine activities governed by different methodologies, create significant implementation costs and risk double counting. It could also make the resulting KPI difficult to understand and compare with other banking groups. Transparency should instead be achieved through separate, simplified disclosures for material subsidiaries whose activities are not adequately reflected in the banking KPI. The EBA should also clarify the interaction with asset-management disclosures to ensure that the same activities or exposures are not reported twice.

Q15. Which KPIs you do think are necessary and should be required for groups with mixed activities where the credit institution is the parent company such as credit institution-led financial conglomerates, credit institution-led financial holding companies and relevant mixed financial holding companies?

For credit institution-led mixed groups, the primary group-level KPI should be the KPI applicable to the parent undertaking, with the GAR remaining the principal indicator for banking groups. A weighted KPI combining banking, insurance, asset-management and non-financial activities should not be required. Any supplementary sector-specific information should remain strictly limited, proportionate and justified by a clear user need. Requiring full sector-specific templates for material subsidiaries could create disproportionate burden and risk obscuring the most relevant information through excessive granularity. Materiality criteria should be clear, stable and proportionate and should consider the nature and significance of the activity rather than relying exclusively on a potentially volatile annual revenue threshold.

Q16. Do you agree with the analysis presented and the conclusion that OpEx financing should not be explicitly incorporated in the methodology for calculating financial undertakings' KPIs? Please provide your rationale for supporting the explicit inclusion of provisions allowing financial undertakings, on a voluntary basis, to use the OpEx KPI disclosed by their counterparties when calculating their own KPIs.

Yes. ESBG agrees that OpEx financing should not be explicitly incorporated into the methodology for calculating financial undertakings' KPIs. Adding an OpEx view or blending counterparties' CapEx and OpEx KPIs would require additional data collection, weighting and calculation processes and would significantly increase complexity without providing proportionate benefits. ESBG also does not support a voluntary approach where this could lead to divergent methodologies, reduced comparability or market expectations to report the metric. The potential positive effect on reported alignment or on the visibility of sustainable operating expenditure does not justify the additional burden. The existing Turnover and CapEx views should therefore be retained.

Q17. Should the credit institution's AuM KPI (Annex V) and the KPI for asset managers (Annex II) be merged? Please explain why and how, including the content of the information that should be retained in a potential merged KPI.

ESBG does not support an unconditional merger of the credit institution AuM KPI and the asset-manager KPI at this stage. Further harmonisation could be considered only where it genuinely simplifies reporting and improves comparability without expanding the information required. The two KPIs currently differ in entity scope, asset coverage and granularity. Any revised framework should establish a common core methodology and terminology, prevent double reporting and preserve proportionate sector-specific information where necessary. A full merger should only proceed where it demonstrably reduces reporting complexity and does not require credit institutions to produce information equivalent to the full asset-manager template.

Q18. What are your views on the design of off-balance sheet item reflecting financial guarantees to financial and non-financial undertakings in a potential merging of the asset management activities as presented?

Any redesign of the financial-guarantees component should depend on the final approach adopted under Q17. If the disclosures are merged or further harmonised, the treatment of financial guarantees should be reassessed to ensure that the resulting framework remains coherent, comparable and operationally feasible. Any revised methodology should prioritise simplicity, consistency and proportionality and should not create additional reporting requirements for institutions where the relevant guaranteed activities are immaterial. ESBG is not in favour of any complexification of the disclosure format for off-balance-sheet items, including financial guarantees and AuM.

Q19. Do you have any additional comments or suggestions to improve, simplify or clarify the disclosure requirements within the scope of this Call for Advice, including through redrafting of instructions, and clarification of definitions, or the streamlining of terminology?

ESBG supports clearer instructions, definitions and practical examples to facilitate consistent implementation and reduce unnecessary complexity.

In particular, ESBG would welcome clarification on the following points:

• 10% de minimis/materiality test: the EBA should clarify the relevant reference period, denominator and expected supporting documentation. In ESBG's view, the assessment should be based on the most recent financial year for which financial statements are already available at the time of the assessment. Guidance should also specify the level of documentation expected to evidence materiality assessments in a proportionate manner.

• Use-of-proceeds financing: the EBA should clarify whether the option under Article 7(3), third subparagraph, point (b), applies at deal-level granularity. Where a credit institution has several use-of-proceeds financings with the same non-obligated undertaking, it should be possible to include one deal in the GAR-relevant row while excluding another, depending on the available information and reporting date. More generally, banks should be able to rely on borrower-provided information on eligibility and alignment, without being required to collect supporting evidence or back-test compliance with each technical screening criterion.

• Households and local administrations: for exposures to households and local administrations, ESBG would welcome clarification that Taxonomy assessment should rely on criteria for which information is reasonably available, in particular substantial contribution criteria, given that these counterparties are not subject to Taxonomy disclosure requirements and data on DNSH or minimum safeguards is often unavailable.

• Nuclear and gas disclosures: clarification is needed on where credit institutions should present the proportions required under Article 8(6) and Article 8(7) in the Annex VI templates. If the current templates do not allow this clearly, they should be amended accordingly.

• Flow KPIs: ESBG considers that flow-based indicators should be removed where they have limited relevance, high volatility or poor reconciliation with accounting information. There is no clear flow accounting approach on which the calculation could rely, particularly for debt securities and equity instruments in the asset-management KPI. Flow KPIs may also lead to misinterpretation, for example where both numerator and denominator flows are negative.

• Template 2 flow views: ESBG would welcome explicit confirmation that flow views are not expected for Template 2 “GAR sector information”, as the current wording and template structure may create uncertainty.

• Scope of Template 2: the EBA should clarify whether the widened scope includes exposures to households and local governments, particularly where no NACE code can be assigned or where the exposure is not GAR-covered. Clarification would also be helpful on the appropriate allocation of such exposures in Template 1, including whether they should be reported under GAR-excluded row 25 in the absence of a more suitable row.

• Rows 11 and 12 of Template 2: the EBA should clarify whether general-purpose exposures to obligated financial undertakings should be included in these rows, and whether this applies irrespective of whether the counterparty has reported the nuclear and gas proportions required under Article 8(6) and Article 8(7). Clarification is also needed on the purpose of the amounts reported in column a for calculating these proportions.

More generally, greater flexibility should be permitted where counterparty data are unavailable, subject to transparent methodologies, appropriate documentation and consistent application. Reporting requirements should focus on stable, comparable and decision-useful KPIs, particularly for institutions primarily engaged in lending.

About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping 32 savings and retail banks in 27 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. Advocating for a proportionate approach to banking rules, ESBG unites at EU level some 859 banks, which together employ 620,000 people driven to innovate at 37,000 branches. ESBG members have total assets of € 6,35 trillion, provide € 3,72 trillion in loans to customers, and serve 163 million Europeans seeking retail banking services. ESBG members commit to further unleash the promise of sustainable and responsible 21st century banking.

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