

Position paper on the draft delegated act to be adopted under Article 8 of the Taxonomy Regulation - May 2021

Acteo is an association whose object is to assure the participation of major French companies in the international harmonisation of accounting standards. It has successfully pursued this objective for over 20 years. It has taken note of the recent developments in the establishment of European electronic reporting databases and the rapid expansion of requirements for the harmonised reporting of non-financial data. In view of its observation that a large part of the responsibility for non-financial reporting is increasingly falling within the role of the financial reporting departments of major companies, it has recently broadened the objective of the association to include participation in the harmonisation of non-financial reporting requirements. It is in this context that this response is written.

Acteo welcomes the opportunity to comment on the draft delegated regulation specifying the content and presentation of information to be disclosed under Article 8 of the Taxonomy Regulation. We support the Sustainable Finance Action Plan of the European Commission and the objectives of having a more efficient and relevant non-financial disclosure ecosystem.

However, we would like to draw your attention to the complexity of this new reporting framework, which will oblige companies to adapt their accounting and data-collecting processes as well as their information systems. It is therefore essential that the requirements are clearly stated to facilitate implementation and that a certain flexibility is allowed in order to maintain the right balance between the cost it will impose on the reporting companies and the relevance and usability of the information for the stakeholders.

We have great concerns with the following points in particular:

- **The requirements for prospective data** that we consider go far beyond that of the level-1 legislation, since the latter does not refer to mandatory disclosure of companies' long-term objectives and targets. We believe that this requirement is not only unrealistic, in view of the very changing environment of the subject and the current lack of experience of the preparers, but also dangerous from a legal point of view since it imposes forward-looking accounting data which currently is strictly regulated by financial law.
- **The high level of disaggregation** of all the KPIs and data which also seems to go well beyond the the Taxonomy regulation. Not only will the level of detail required be very complex to monitor and automate, but we also wonder about the relevance of this information.

- **The timeline proposed also seems quite unrealistic.** Even though we understand the urgency to act for sustainable finance and we appreciate the flexibility granted for the first year, the proposed timetable still seems unachievable to us since it imposes a first set of disclosures from 2022 while the legal framework is still not fully enacted. We therefore stress the need for a sufficient period of time between the adoption of the delegated acts (for the two climate objectives and the KPIs) and the first reporting deadline. We therefore request a phased approach, starting on 1st January 2023 instead of 2022.
- We note that the definitions provided do not recognise **the role of joint ventures and associates** under the Taxonomy. This omission should be addressed urgently since joint ventures often constitute a key tool for companies in their drive to develop innovative solutions.
- **The Capital expenditure plan should not be so strictly limited in time.** Even though we understand the objective of engaging entities in their public announcements, the current proposal does not fit with the economic reality of certain investments which may require more than ten years between the first euro invested in the R&D project and the completion of the installation.
- **On the publication of the data for the previous 5 years:** reporting turnover, capital expenditure (Capex) and operating expenditure (Opex) over a 5 year-period would imply templates which are too complex to maintain, whereas the information remains available in the previous reports. We think that a cross-reference approach could be possible along with the obligation to keep the last five reports available on the website of the company. We consider that the KPIs should be published only for the previous year with a cross-reference to the year before. Such a system would be consistent with the current rules for the financial statements. In any case, the delegated act shall make clear that the historical data is collected prospectively, and thus no retrospective information should be required as the reporting tools will not exist before the year 2022.

Finally, we have some other topics on which we believe that some clarifications would be useful:

- **On the definition of the turnover,** we wonder why any reference to intangibles would be needed. In addition, the reference to IAS12 is a mistake (Section 1.1.1 KPI related to turnover) and should be replaced by a reference to IAS1 *Presentation of Financial Statements*.
- **The Opex KPI raises several technical issues for the companies:** we welcome both the clarification of the category of Opex targeted by the delegated act (that is, Opex linked to an investment instead of all the Opex) and the addition of the third category of expenses (both for the capex and the opex). Nevertheless, the conditions should be further simplified.
 Firstly, we do not understand why the terminology is different between opex and capex for the third category. We agree with the addition of a category of expenses which are not linked to any aligned activity, such as low-carbon building investments. It is our view that it would be far simpler to align the terminology between the two types of expense, but if the delegated act intends to create a distinction between the categories which could be agreed for the capex and those agreed for the opex, the distinction should be fully clear and justified.
 Furthermore, it should be noted that the process to assess the relevance of the purchase referred to in the third category would be excessively burdensome. For instance, it would be too complex when these purchases are made from non-European suppliers who do not have to comply with

the Taxonomy Regulation. We would therefore recommend further simplification and the addition of examples of “Taxonomy-aligned purchase” to fully clarify the intention of this section of the requirements, as some terms are not clear or not defined (such as, for example, “target activity”, “low carbon”, “building renovation measure”).

- **On the publication in 2022:** we welcome the transitional year put forward by the Commission for the first two environmental objectives, although clarification is needed regarding the information that non-financial undertakings will have to publish in 2022. The draft Article 9 refers to the “share” of Taxonomy-eligible and non-eligible activities, which can lead to several interpretations about precisely which information should be disclosed. In our view, only the turnover analysis can be disclosed; it should also be made clear that no recalculation of the KPI would be necessary the following year for the one-year comparison.

ACTEO

Lise CHORQUES

A handwritten signature in blue ink, appearing to be 'Lise', with a small dot at the end.