Deloitte Touche Tohmatsu Limited
1 New Street Square
London
EC4A 3HQ

Phone: +44 (0)20 7936 3000
www.deloitte.com/about

Direct phone: +44 20 7007 0884
vepoole@deloitte.co.uk

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European Insurance and Occupational Pensions Authority
Westhafenplatz 1
60327 Frankfurt am Main
Germany

Dear Sir or Madam,

Deloitte welcomes the opportunity to provide comments on the European Supervisory Authorities' consultation papers on technical advice on selected KPIs under the Taxonomy Disclosures Delegated Act. We support the ESAs' objective to improve the effectiveness, consistency and proportionality of taxonomy-related disclosures and we appreciate the efforts made to gather stakeholder feedback on areas where application challenges continue to arise. We have submitted separate responses to all three consultations conducted by the ESAs, covering both matters that are common to all our letters as well as matters specific to each ESA.

We acknowledge that the call for technical advice to the ESAs is limited to providing comments on a defined set of issues identified by the European Commission (the EC). We agree that the topics included in the consultation represent important areas where improvements are warranted. However, we are concerned that some of the most significant remaining opportunities for simplification and most persistent implementation challenges experienced by preparers, users and assurance providers on Taxonomy disclosures are not included in the scope of this exercise. We therefore encourage the ESAs to take the opportunity in their advice to the EC to highlight these broader matters, therefore making an important contribution to a wider simplification agenda for enhancing the relevance, usability, proportionality and legal certainty of the Taxonomy framework through the revision of the Disclosure Delegated Act.

Our overall comments and observations on the proposals are set out below.

Executive Summary

We strongly support efforts to simplify Taxonomy reporting requirements and enhance the decision-usefulness of reported information. However, based on Deloitte's experience supporting undertakings across a wide range of industries and jurisdictions, we believe that meaningful simplification requires addressing several structural issues that continue to create disproportionate reporting burdens.

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Our overall recommendations are as follows. They are consistent with the recommendations we have made in response to prior consultations on the EU Taxonomy.

- Group reporting requirements should be aligned with the consolidation principles used in financial reporting and in the Corporate Sustainability Reporting Directive (CSRD).
- An overarching materiality principle should be introduced and applied consistently across eligibility assessments, alignment assessments and reporting requirements.
- Significant interpretative positions should be incorporated into legislative instruments following appropriate due process rather than being introduced through non-binding FAQs.
- The forthcoming review of the Disclosures Delegated Act should be used as an opportunity to provide legal certainty and allow sufficient time for initial implementation of the revised reporting requirements.

ESAs – Horizontal questions

Voluntary use of OpEx by financial undertakings

We do not believe that extending, refining or otherwise promoting the use of the OpEx KPI for financial institutions would provide meaningful benefits to users of the Taxonomy reporting, even on a voluntary basis.

Turnover and CapEx KPIs are most used by financial institutions currently, as they provide information on existing sustainable activities and transition-related investments. By contrast, the OpEx KPI provides limited additional insight and does not appear to be actively used by market participants in practice. As a result, the availability and comparability of the underlying information may be more limited than for the Turnover KPI and the CapEx KPI.

Moreover, financial institutions generally have limited ability to influence counterparties' operational expenditure. As a consequence, introducing additional reporting requirements relating to OpEx would increase complexity without generating a commensurate increase in decision-useful information.

For these reasons, we believe that any future revisions of Taxonomy KPIs related to the financial sector should prioritise simplification rather than expansion and therefore, we would not support the introduction of voluntary use of OpEx by financial undertakings.

Group Taxonomy Reporting

We support the ESAs' objective of simplifying Taxonomy reporting for groups and improving the consistency of disclosures across different group structures. However, we believe that the revised Disclosures Delegated Act should continue to be firmly rooted in established consolidation principles, and avoid introducing additional reporting layers that are significantly costly to prepare yet provide limited decision-useful information, with the same approach applicable to both EU and non-EU groups. The framework should provide greater clarity regarding the appropriate level of consolidation at which Taxonomy disclosures are expected to be prepared.

Beyond these general considerations, we believe that further clarification is required for groups operating across different sectors or combining financial and non-financial activities, particularly regarding the appropriate level of consolidation for Taxonomy reporting. In addition, the revised framework should avoid creating unnecessary differences between prudential, accounting and sustainability reporting perimeters.

In this context, we agree with the ESAs' proposal to remove the weighted average KPI. Combining Taxonomy KPIs that are derived using different calculation methodologies does not result in relevant, reliable or comparable information and may instead create KPIs that are difficult for users of the disclosures to understand and interpret.

Furthermore, we do not support the proposed 10% materiality threshold in the context of subsidiary-level disclosures. In our view, introducing such a threshold risks creating additional reporting layers and reintroducing disclosure obligations that are difficult to reconcile with established exemption principles. Rather than introducing additional materiality concepts for specific aspects of the framework, we believe instead that the EU Taxonomy should incorporate and place at its centre the application of a robust and transparent materiality assessment at group level.

Overall, we strongly believe that greater clarity regarding the appropriate level of consolidation, the treatment of mixed groups and the interaction with existing exemption regimes would significantly enhance the consistency and usability of Taxonomy disclosures while reducing implementation burden.

EIOPA – Consultation Paper on the Review of Insurance Disclosures under the Taxonomy Disclosures Delegated Act

Underwriting KPI

We support the EIOPA proposal to rename the Underwriting KPI as "Adaptation Underwriting KPI", which we believe would better reflect its scope and be more understandable for stakeholders.

We also support retaining the "split premium" approach since it is linked to Solvency II reporting requirements and facilitates alignment with the prudential requirements for both eligibility and alignment analysis. However, we emphasise that the "split premium" approach is frequently technically not feasible for insurers and this may, as a result, decrease the comparability of information.

We consider that limiting the Adaptation Underwriting KPI's denominator to taxonomy-eligible lines of business would improve the relevance of the objectives and the comparability of the approach with other insurers.

Green Insured Activities KPI

We highlight that the computation of such a KPI would raise practical issues for data collection. Moreover, introducing a new KPI would significantly increase the reporting burden for (re)insurers.

We appreciate the value of introducing a ratio that is comparable to the banking sector KPIs. However, to be effective, such a KPI would first need to be developed in more detail to validate its decision usefulness for investors, especially for assets that are insured. Implementation of this KPI should therefore be postponed.

Combined KPI

Since the weighted average KPI (combining investment and underwriting, i.e. assets and liabilities) provides only limited informational value, we strongly support its removal.

Other simplifications

We believe that the removal of nuclear and gas disclosures could be useful, as it would reduce the reporting burden while only marginally reducing the informational value of the disclosure. Nonetheless, to be consistent, this removal would also need to be applicable to other financial institutions.

Considering the EIOPA proposal of an executive summary, we support the introduction of a summary template as it improves the accessibility of relevant information for the users. Moreover, as mentioned by ESMA, we suggest reducing and limiting the need for contextual information and including requirements for providing an executive summary instead. In addition, it is necessary to clarify what sustainability data would be expected to be included in the executive summary to ensure comparability and consistency.

Additional possible simplifications

Overarching materiality principle

We strongly support the introduction of an overarching materiality principle applicable to Taxonomy reporting.

Such a principle should apply to eligibility assessments, alignment assessments and reporting requirements as a whole. It should allow undertakings to consider both quantitative and qualitative factors and should not rely on fixed thresholds. This approach would be consistent with established financial reporting practices and would support more decision-useful disclosures while reducing unnecessary reporting effort.

Legal uncertainty arising from FAQs

We believe that interpretative positions should not be established through non-binding FAQs when they effectively change reporting obligations, introduce additional reporting layers or create new operational expectations. A further complication is that in the past, new FAQs have been issued without rescinding existing ones on a similar matter. Such approaches can create legal uncertainty and contribute to diverging practice among preparers, users and assurance providers.

Where substantive interpretative matters are identified, they should be addressed through formal legislative instruments following appropriate consultation and due process. Clear requirements remain one of the most important preconditions for reducing the reporting burden. Simplification should therefore focus not only on reducing disclosure requirements but also on improving clarity and legal certainty. As a result, we strongly recommend the need for a review of the existing FAQs to assess those that should be revised, withdrawn, or incorporated into the regulation, including in consideration of recent and forthcoming regulatory changes.

Need for sufficient implementation time

We emphasise the importance of providing undertakings with sufficient implementation time for revised Taxonomy reporting requirements as an essential aspect of a robust due process. Changes to reporting obligations have direct implications across multiple functions within an organisation. It is therefore essential that any amendments are accompanied by adequate lead time between finalisation and mandatory application. Sufficient implementation time helps to ensure that undertakings can appropriately embed new requirements, maintain the quality and consistency of reported information and avoid unnecessary operational disruption. This is particularly important when legislative proposals remain subject to a scrutiny period, when preparers should be provided with certainty on the final requirements before being expected to apply them in practice.

Closing remarks

We would welcome the opportunity to discuss our observations further and remain available to contribute to future stakeholder outreach activities undertaken by EIOPA. Should you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0)20 7007 0884 or Jens Berger in Munich at +49 (0) 89 29036 1551.

Yours sincerely

Veronica Poole
Deloitte Global IFRS and Corporate Reporting Leader
Deloitte Global

Jens Berger
EU Corporate Reporting Policy Leader
Partner Deloitte Germany