

## Connect Europe - GSMA Response to the Taxonomy Delegated Acts Consultation on amendments to make reporting simpler and more cost-effective for companies

Connect Europe and GSMA welcome the consultation on the delegated act amending the taxonomy reporting and the delegated acts on climate and environmental taxonomy. We welcome the efforts of the EU Commission to increase the usability of the EU Taxonomy framework by simplifying some obligations. If the sustainable finance framework brought by the CSRD, CS3D and taxonomy is to be an essential tool in the green transition of EU companies, it is crucial to strike the right balance between this objective and that of remaining competitive.

First, we would like to make some general comments on the proposal for the Commission's consideration.

- **Legal Certainty**

Companies have been reporting according to the EU Taxonomy for four years. Therefore, ensuring legal certainty for companies is crucial particularly when the regulatory framework is set to be opened up. The current proposal includes pending future developments about TSC, DNSH and partial alignment. We urge the European Commission to finalise all modifications at the earliest opportunity, ensuring they are implemented in time for the next report.

- **Link with other regulatory pieces impacting sustainable finance not included in Omnibus**

Although we welcome the simplifications initiated with first Omnibus procedure, we fear that closely linked regulatory frameworks such as the SFDR may be insufficiently aligned with the Omnibus proposal due to different timing, as the SFDR is only expected by end of 2025. Those closely related regulatory frameworks could have an impact on the taxonomy reporting decisions which is why we urgently request that updates are done with a focus on regulatory coherence.

- **Scope of EU Taxonomy**

The more economic activities are adequately covered by the EU taxonomy, the greater the informative value, and consequently, the relevance and usage by investors. The EU taxonomy currently still overlooks business activities that significantly impact achieving the set climate targets. Therefore, we call for the inclusion of electronic communication networks as a Taxonomy-eligible economic activity. The telecom sector is a cornerstone for further digitalization, which can substantially contribute to sustainability through increased efficiency. At the same time, the telecom sector also faces a significant investment challenge in advancing network expansion due to the increased penetration brought about by digitalization.

- **Review of TSC and DNSH criteria:**

We also welcome the mention of an upcoming systematic and thorough review of all the technical screening and DNSH criteria. Simplifying these requirements will make the reporting more efficient and accurate for companies as certain TSC are not fit for reporting.

Having outlined these broader considerations, Connect Europe and GSMA would like to highlight some specific points that need to be addressed in more detail below.

- 1. Materiality thresholds:** We welcome the materiality thresholds as it allows us to omit non-significant reporting information. We regret that the EU Commission did not take the opportunity to remove completely the Operating Expense (OpEx) KPI in the EU Taxonomy as it lacks a clear definition under IFRS, making it an artificial metric that cannot be reconciled with financial statements. Moreover, it is extremely difficult to identify and to align according to its definition, leading to unnecessary complexity without added value.

However, the current proposal still generates some doubts about the implementation of the materiality thresholds :

**There are contradicting information** in the draft proposal and its communication when it comes to the application of materiality. For example, the Q&A mentions '*exempt companies from assessing Taxonomy-eligibility and alignment*' while the draft delegated regulation mentions '*non-financial undertakings may omit assessing compliance of economic activities with the technical screening criteria*' when TSC are only needed for the alignment, not for the eligibility. **Corporations need clarity on whether they can omit both alignment and eligibility reporting, or just alignment reporting.**

We assume that companies below the 10% threshold will discontinue reporting eligibility but, instead, will report "non-material KPI" separately. Connect Europe and GSMA members would like to understand if non-materiality needs to be demonstrated. If so, we would like clarity on the process and form of this demonstration, and whether it will be subject to external audit under the same conditions as the current eligibility.

Further clarification and guidance is needed on the **understanding of the non-assessment of the TSC (=non assessment for alignment)**. In case the cumulative eligible activities represent less than 10% of the KPI's denominator, it needs to be clarified if this implies that (a) each one of the cumulated activities is declared as "non-material" or if (b) this implies that companies can decide per activity if they wish to classify them as either eligible or non-material.

**Threshold application to Revenue vs. CAPEX:** It is not clear if the 10% threshold needs to be validated separately for revenue and Capex or if the application for one of these KPI would automatically imply the same result for the other KPI.

#### **Templates for the KPIs of Non-Financial Undertakings (Annex I amending Annex II DDA LW)**

**Connect Europe and GSMA appreciate the efforts of the European Commission regarding the simplification of templates.** As mentioned if the draft "The turnover, capital expenditure and operational expenditure related to the activities to which the first subparagraph is applied shall be reported separately as non-material turnover, capital expenditure or operational expenditure".

According to this requirement non-material activities should be reported somehow. However, the regulation raises some questions about the usability of the template proposed for example: Would this templates also cover the reporting of non-material activities? Will there be new ones? Can non-material activities be reported with no template or table? Would this template also apply to partial alignment?

There is a lack of understanding of the new templates such as the meaning of Column 2 in template 1 or the inconsistency in the serial order of objectives. Therefore, we would like to request a review focused on the usability and simplification of the new templates.

**Appendix c (Annexes from VI to X)**

The industry would support the option 1: deletion of the proposed paragraph.

*"In addition, the activity does not lead to the manufacture, presence in the final product or output, or placing on the market, of other substances, whether on their own, or in mixtures or in an article, in a concentration above 0,1 % weight by weight (w/w), that meet the criteria of Regulation (EC) No 1272/2008 for one of the hazard classes or hazard categories mentioned in Article 57 of Regulation (EC) No 1907/2006, except if it is assessed and documented by the operators that no other suitable alternative substances or technologies are available on the market, and that they are used under controlled conditions."*