DEUTSCHE BÖRSE GROUP

Deutsche Börse Group welcomes the Commission's initiative to simplify the EU's sustainable finance reporting framework, incl. the reduction of burdensome compliance requirements and reporting criteria within three Taxonomy Delegated Acts and the crucial simplification of reporting templates. In this exercise, we particularly express our views on amendments to the Disclosures Delegated Act.

The Commission introduces a "materiality threshold" to provide reporting companies with the possibility to focus efforts on assessing Taxonomy compliance on activities that represent a significant share of their revenues/expenditures by leaving out non-material activities. We support the Commission's intention to reflect "more realistic" sustainability aspects in KPI denominators. For example, for financial firms, Green Asset Ratio denominator is proposed to exclude fees and commissions for services other than lending as they do not really contribute to sustainable objectives (usually <10%). By this logic, we see merit to also make proposals for proportionate calculation of numerators and denominators of KPIs in general.

If the ultimate purpose is to ensure a proportionate and realistic reporting exercise, all sustainability contributors, including derivatives, should be considered equally in Taxonomy KPIs (both in numerator and denominator) of financial firms. Currently, derivatives are excluded from numerators of KPIs and are only in denominators in Taxonomy framework. In the final ESMA report on the reviewed SFDR RTS, derivatives' contribution to sustainability is counted for the first time, thus considered in KPI numerators, but only in a negative way by including long exposures into PAI ratio, but short positions into the Taxonomy ratios. This is a one-sided approach. Derivatives form part of the tool kit of a portfolio manager to hedge risks and to implement investments. In the latter case, derivatives are frequently employed as a substitute for the equivalent underlying cash basket or ETF, hence the omission or negative reflection of them in KPI numerators would be inconsistent from the end client perspective. In the final SFDR RTS report, for taxonomy-alignment ratios, derivative exposures are not treated as instruments contributing to sustainable investments if they amount to an equivalent long net exposure and they are deemed to be used only to inflate taxonomy-alignment ratios artificially. Contrarily, net short positions of derivatives are considered in taxonomy ratios to reduce the long net exposure on a given taxonomy alignment to prevent exaggerated claims on ESG performance. To have a fair treatment and harmonization, we propose including only net long positions or both net long or short positions of derivatives into the numerators and denominators of all sustainable ratios.

The goal of the sustainable finance framework is to increase the level of sustainable investments and decrease adverse impacts of investments on the environment. All financial instruments have the potential to serve this goal. There is a strong interconnectedness of underlying assets and derivatives. If underlying products are "sustainable" according to law, i.e. SFDR Art. 8 & 9, related

derivative products should also be counted as sustainable. Especially plain vanilla derivatives such as ETDs on single stocks, ETFs and indices have a straightforward connection to underlying assets and their contribution to sustainable investment can be easily calculated without any special methodology.

Finally, we would appreciate the Commission to consider our views on derivatives' contribution in the review of the Disclosures Delegated Act in Q2 2025. Additionally, to ensure preparedness and consistent application, clarification on mixed groups is needed given the contradictory FAQ in December 2023. Simplification of reporting templates, any related guidance and FAQs must be published soon to enable organizations to adequately prepare for the new requirements.