



European Securities and  
Markets Authority

## **Response form for the Consultation Paper on the Draft advice to European Commission under Article 8 of the Taxonomy Regulation**



## Responding to this paper

ESMA invites responses to the questions set out throughout this Consultation Paper and summarised in Annex II. Responses are most helpful if they:

- respond to the question stated and indicate the specific question to which they relate;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **4 December 2020**.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading 'Your input - Consultations'.

### Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the steps below when preparing and submitting their response:

- Insert your responses to the consultation questions in the form "Response form\_Consultation Paper on TR Article 8 advice", available on ESMA's website alongside the present Consultation Paper ([www.esma.europa.eu](http://www.esma.europa.eu) → 'Your input – Open consultations' → 'Consultation on advice under Taxonomy Regulation Article 8').
- Please do not remove tags of the type <ESMA\_QUESTION\_TRART8\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text "TYPE YOUR TEXT HERE" between the tags.
- When you have drafted your response, name your response form according to the following convention: ESMA\_TRART8\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_TRART8\_ABCD\_RESPONSEFORM.
- Upload the form containing your responses, in Word format, to ESMA's website ([www.esma.europa.eu](http://www.esma.europa.eu) under the heading 'Your input – Open consultations' → 'Consultation on advice under Taxonomy Regulation Article 8').



### **Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. If you do not wish for your response to be publicly disclosed, please clearly indicate this by ticking the appropriate box on the website submission page. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

### **Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading '[Data protection](#)'.

### **Who should read this paper?**

This Consultation Paper may be of particular interest to non-financial undertakings and asset managers covered by Article 8 of Regulation (EU) 2020/852 (the 'Taxonomy Regulation') as well as to investors and other users of non-financial information



## General information about respondent

Name of the company / organisation	FAR, the institute for the Accountancy Profession in Sweden
Activity	Standard Setter
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Sweden

## Introduction

**Please make your introductory comments below, if any:**

<ESMA\_COMMENT\_TRART8\_1>

### General comments

FAR believes that the consultation is very extensive and the content is quite complex and need thorough understanding. Therefore a longer consultation period would in FAR's opinion have been beneficial.

It is FAR opinion that Economic Activity need to be further explained and put into a broader context. The Economic activities are in the Technical screening criteria explained and defined under NACE codes. Companies do not have their bookkeeping or operational systems set up in accordance to NACE codes. It will take substantial time for the companies to alter systems to be able to retrieve such information. Notably due to the fact that the delegated act on methodologies to be used will be finalized in June 2021 i.e. six months after financial year has started, FAR is of the opinion that the implementation deadline is very tight and might not be possible for many companies to ensure high qualitative information for reporting. In general, could there be a somewhat phased approach. There will be challenges for the undertakings to produce the relevant data with all dimensions suggested in the consultation paper.

ESMA'S proposal regarding disclosure of KPI's for Turnover, Capex and Opex goes beyond the TEG's recommendations to facilitate discussions between companies and stakeholders. To some extent this is beneficial however this adds complexity to the reporting.

It is FAR's understanding that in accordance with the suggested delegated act companies should disclose their whole turnover using economic activities in accordance with the setup in the Taxonomy. First of all as economic activity is based on either NACE codes or definitions in the Technical screening criteria, no guidance exists for activities that fall outside the Taxonomy. FAR would suggest that only activities that are aligned with the Taxonomy are disclosed. Companies are already disclosing their economic activities under segment reporting, why have the Taxonomy introduced another concept? It is our opinion that if it is possible information should be taken directly from the Annual accounts instead of introducing new concepts.

### Economic activities within a group

From the consultation paper it is not clear whether the KPI's regarding turnover, capex and opex should be presented on group level, or for each legal entity. Environmental effects occur irrespective of organizational form. However, when consolidating financial statements group internal transactions are eliminated. The consequence is that KPI's related to for example turnover or opex are effected whether the transaction occurred within the group or outside the group. In order to achieve a presentation of environmental effects that is neutral to the organizational form, we recommend that further guidance is developed regarding the treatment of economic activities within a group.



The consultation ask on multiple places if the Taxonomy would impose additional cost (e.g. question 7, 13 & 22). FAR believes that there will be substantial time and cost for companies to adhere to the regulation. It will not only impose an initial one-off cost but will also imply continuous costs going forward. In fact we already see substantial time and effort being invested by the companies in Sweden.

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