



ETNO's position on the draft delegated regulation on the obligation for certain companies to publish non-financial information



Supplementing Regulation (EU) 2020/852 is specifying the content and presentation of information to be disclosed concerning environmentally sustainable economic activities as defined in EU taxonomy, and specifying the methodology to comply with that disclosure obligation

1. Introduction

ETNO (European Telecommunications Network Operators' Association) represents Europe's telecommunications network operators and is the principal policy group for European e-communications network operators. ETNO's primary purpose is to promote a positive policy environment allowing the EU telecommunications sector to deliver best quality services to consumers and businesses.

ETNO fully supports **the EU taxonomy role as an essential facilitator of the EU Green Deal, with the purpose of channelling long-term, sustainable finance into sustainable activities.**

Telecommunication companies have invested and continue to invest heavily in the build-out and upgrade of energy efficient and high-speed network infrastructure and data centres, as well as in the development and deployment of other ICT Services. In 2018, ETNO companies deployed 70.5% of the total network investment in Europe (€34.4bn, fixed and mobile)¹. There is a common understanding among decision makers that **climate targets will not be achieved without the crucial role of ICT as enablers**, including the need for connectivity.

Transparent corporate disclosure with respect to the taxonomy's criteria are crucial to foster sustainable investments. We welcome the intention to provide **clarity on reporting scope, KPI definitions and timeline** in the current draft regulation (2020/852). However, many aspects of the **suggested reporting obligations are unprecedented and inappropriate in various aspects, including scope, granularity, backwards orientation, confidentiality and competitive relevance.**

Therefore, ETNO has decided to take this opportunity to provide feedback. In the following section we highlight our key considerations. Where possible, we included our advice on possible improvement of the suggested transparency requirements.

2. Consultation Feedback on Supplementing Regulation (EU) 2020/852

2.1. Starting with "share of eligible" activities for FY2021

Referring to Article 11 (1)

ETNO welcomes this 1-year shift in timeline for quantitative reporting on the taxonomy KPIs (Revenue, Capex, Opex) and understand that this will not be required for FY2021 ("*From 1 January 2022 non-financial undertakings shall only disclose the share of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total activities and the qualitative information*" as of Article

¹ See ETNO's The State of Digital Communications 2020, available here <https://etno.eu/library/reports/90-state-of-digi-2020.html>

11 (1)). It gives companies some more urgently needed time to build up calculation and reporting processes and tools.

However, we suggest the EUC to provide some more clarity on the definition of “share of eligibility” (i.e. confirm reference to revenue share) and propose that with respect to scope, disclosures should be made on a company’s group level. In case business activities are either *not yet* covered in the taxonomy by NACE codes or are covered by *multiple* NACE codes, clarity has to be provided on reporting options of “eligibility”.

2.2. Reporting on multiple objectives

Referring to Intro (2) + Article 9(5) + Annex 1/ 2 (c)

The reporting on all six objectives (*“non-financial undertakings shall disclose the KPIs for each environmental objective”* as of Annex 1; 2c) is not aligned with the taxonomy’s original transparency requirements, i.e. made public in the FAQ on EU Taxonomy (*“It recognises as green...economic activities that make a substantial contribution to at least one of the EU’s climate and environmental objectives”*). From our point of view, the new requirement:

- Represents an unjustified level of granularity
- Lacks added value for external report users and internal sustainability steering
- Would massively and disproportionally increase reporting workload and financial plus personnel resources
- Even risks double accounting of taxonomy contributions in case a business activity contributes to multiple objectives

ETNO suggests to explicitly allow and encourage non-financial undertakings to focus on reporting of high quality data for the most relevant environmental taxonomy objectives. This should be line with their established, often standard-based materiality process, based on stakeholder dialogue and strategic relevance. For activities that only contribute to the KPIs to a certain extent, we recommend the use of estimations and approximations to ease the process of KPI calculation and disclosure.

2.3. Transparency on future objectives

Referring to Annex I / 1.2.3.4.

Target setting has never been and shall not be the core intention of the taxonomy. The current wording (*“Non-financial undertakings shall disclose their future objectives and targets for the KPIs - Revenue, Capex, Opex - and their plans to achieve them”* as of Annex 1; 1.2.3.4”) is not aligned with the original purpose of the EU taxonomy. Disclosure of KPI targets and achievement strategies is not feasible due to confidentiality and strategic relevance to competitors – within the industry and for EU companies in global competition.

We suggest to remove this section in Annex I.

2.4. Reporting for previous five year period

Referring to Article 9 (3)

The newly required reporting for a previous five-year period (*“... shall provide in the financial report the key performance indicators covering the previous five reporting periods”* as of Article 9 (3)) is neither

state-of-the-art in any company disclosure standards nor is it strategically useful. Plus, as Taxonomy criteria are still volatile and under review for many industries, year-on-year comparability in quantitative reporting will remain a challenge.

In our opinion, reporting of historic data can only start from the first disclosure of taxonomy aligned KPI, thus starting with FY2022 and must be aligned with international standards. Thus, disclosure rules should instead ask companies to do historical reporting on a best effort basis for the past 2-3 years.

3. Closing remarks

To support a pragmatic and purposeful implementation of the EU taxonomy's objective, we encourage the provision of guiding documents (i.e. master calculations and reports) as well as the enablement and set-up of accompanying and regular stakeholder dialogue formats especially within 2021 and 2022 as a learning period, i.e.

- Between the EUC, Platform of Sustainable Finance as well as financial and non-financial undertakings on applicability of data provided and future viability of criteria and thresholds
- Between financial and non-financial undertakings on how the financial undertakings will evaluate and judge on disclosure of companies in the non-financial sectors
- Between non-financial undertakings, sharing of experiences and evaluation of pilot reporting projects.

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