25 March,2025

European Commission
Rue de la Loi 200
1049 Brussels
Belgium

Japanese Bankers Association

JBA comments on the Taxonomy Delegated Acts amendment

Dear European Commission:

The Japanese Bankers Association[1] (JBA) appreciates the opportunity to provide our comments on the draft delegated regulation amending taxonomy reporting, released on 26 February 2025.

We welcome the Commission's comprehensive efforts on the Omnibus package aimed at simplifying reporting requirements. This initiative significantly alleviates the burden on businesses, thereby fostering growth and enhancing the business environment, while maintaining a balanced regulatory framework. A bank's balance sheet is intrinsically linked to the real economy, and consequently, reporting relies on information from counterparties. It is important that regulatory burdens do not deter financing for industries in transition, nor impose excessive information requirements on counterparties. We hope that this Omnibus package will establish a clear and robust business environment for both financial and non-financial entities, ultimately bolstering the competitiveness of the European market.

Overall view on the taxonomy

- We believe that the taxonomy is a classification tool that enhances clarity and transparency of sustainable finance. To meet the objectives of mitigating greenwashing and channelling capital, the taxonomy should be used along with other important pillars of the sustainable finance framework, particularly reporting and disclosure, transition plan requirements or incentive frameworks.
- It is important that jurisdictional goals are clearly defined with incremental milestones and that these are reflected in how progress against the taxonomy is evaluated. The design and goals of the taxonomy should be consistent with this.

Comments on the KPIs of the financial undertaking, the Green Asset Ratio (GAR)

Referred to the page 2-5 of the Draft delegated act -Ares(2025)1546172

- JBA strongly supports the EU's policymakers and regulators' emphasis on ensuring that the EU sustainable finance framework is usable for market participants and works effectively in achieving its objectives. However, banks face substantial challenges in assessing the Taxonomy alignment of their clients, which in turn affect the relevance of their GAR disclosure.

[1] The Japanese Bankers Association is the leading trade association for banks, bank holding companies and bankers associations in Japan. As of 1 January 2025, JBA has 112 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 74 Associate Members (banks & bank holding companies), 49 Special Members (regionally-based bankers associations) and one Sub-Associate Member for a total of 239 members.

- GAR reporting represents a significant operational exercise for banks, requiring detailed information from clients, counterparties and investee companies. In addition to taking substantial resources for banks, it also creates burdens for their clients in providing the required information. It is therefore important to ensure that GAR reporting is providing sufficient added value and information useful for decision-making, for investors to justify its associated costs.
- Whilst amendments are made in the proposal, the GAR remains questionable in its concept and design, as it does not provide a detailed view of banks' portfolios.
- Different banks have different business models, and the current GAR formula does not enable meaningful comparison amongst banks. The ratio is significantly impacted by factors such as the proportion of business in sectors covered by the Taxonomy, the services that they provide (including the proportion of retail counterparties on their balance sheet) and the proportion of their balance sheet outside the EU (which is unlikely to be eligible for the EU Taxonomy).
- For these reasons, we therefore ask for full phaseout of the GAR requirement.
- Moreover, as the GAR only captures Taxonomy-aligned activities, it does not adequately capture financing of activities that contribute to the transition and fall within the European Commission’s definition of transition finance, but which are not currently aligned with the EU Taxonomy. Accordingly, the GAR does not reflect or incentivise the provision of transition finance.

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We thank the Commission again for the opportunity to comment on the draft delegated regulation and hope our comments will contribute to further consideration.

Yours faithfully,

Japanese Bankers Association