

## **Taxonomy Article 8 – Norwegian Ministry of Finance’s comments on the draft delegated act**

We refer to the European Commission’s consultation on a draft delegated Commission regulation supplementing Regulation (EU) 2020/852.

Consistent and comparable disclosures on taxonomy alignment from financial and non-financial companies, is key to increase market transparency, and incentivise companies to green their activities and portfolios. Well-designed KPI-s should enable market participants to easily gauge the taxonomy alignment and environmental sustainability of a company’s activities.

While we acknowledge that data availability and verification are issues that must be considered, we are concerned that the proposal does not sufficiently take into account differences in market structure between EEA states. Specifically, we are concerned that the proposed method for the calculation of the Green Asset Ratio (GAR) for credit institutions, where SME exposures are included in the denominator, but excluded from the numerator, will unfairly disadvantage institutions with limited exposures to NFRD/CSRD companies.

In markets such as Norway, which is characterized by many smaller banks with limited exposures to NFRD/CSRD companies, the proposed method is likely to result in very low GARs. The low GARs would in many instances not accurately reflect banks’ actual exposure to taxonomy-aligned activities. According to Statistics Norway, 99.9 per cent of Norwegian companies have fewer than 250 employees, and these companies account for 62 per cent of aggregate turnover in the private sector. Norwegian SMEs are primarily funded by banks. Most Norwegian banks are small and have limited or no exposures to companies in the scope of the NFRD and the CSRD.

We acknowledge that the requirement for institutions to provide a breakdown of their exposures to different types of counterparties will enable market participants and other stakeholders to calculate the share of *relevant and eligible* taxonomy-aligned exposures. However, as the GAR will be the primary and most accessible KPI for credit institutions, a low GAR could potentially have reputational and funding consequences for institutions. Thus, it is important that the method for calculating the GAR enables a high degree of comparability between business models and markets.

We therefore strongly encourage the Commission to consider adjustments in the GAR calculation method to ensure comparability between banks, and also consider introducing supplemental KPIs that enable banks with limited exposures to NFRD/CSRD companies to disclose progress in greening their portfolios.