BIPAR, on another note

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In this issue:

1. EU starts UK Adequacy decision renewal process

On 22 July, the European Commission launched the process to adopt new adequacy decisions to allow the free flow of personal data between the European Economic Area and the United Kingdom. Following its assessment of the recently adopted UK Data Use and Access Act, **the Commission has concluded that the UK's legal framework continues to provide data protection safeguards that are essentially equivalent to those provided by the EU. It has proposed to renew its UK adequacy decisions for a period of six years**.

In its draft decisions, the Commission notes that the following areas should be monitored closely to ensure ongoing adequacy:

- **Automated decision-making**: Safeguards ensuring transparency and human intervention should remain robust.
- **Processing special categories of personal data**: The UK's data protection framework continues to provide specific safeguards where special categories of data are involved, though this will be monitored.
- **Purpose limitation**: The UK should continue to require that data is processed for a specific purpose and subsequently used only insofar as this is not incompatible with the original purpose of the processing.

- **International transfers**: The UK must ensure onward transfers only go to jurisdictions with strong protections. If that were to change, this would undermine the level of protection currently guaranteed to personal data transferred from the EU to the United Kingdom.

As part of the adoption procedure, the draft decisions will now be transmitted to the European Data Protection Board for its opinion. While this opinion is non-binding, it plays an important advisory role in shaping the final decision. Before adopting the decisions, the Commission will also seek approval from a committee composed of representatives of the EU Member States. The European Parliament also has a right of scrutiny over adequacy decisions. Although the Parliament cannot veto the adequacy decision, its scrutiny may influence the process and timing of its final adoption.

In June 2025, the Commission adopted a technical extension of the two UK 2021 adequacy decisions for a limited period of six months, which allowed the Commission to conduct the assessment of the UK's Data Use and Access Act.

The draft extension decisions were transmitted to the European Data Protection Board for its opinion, as part of the adoption procedure. In its Opinion published in May 2025, the EDPB recognises "*the necessity of the technical and time-limited extension of the decisions for a period of six months, as it will give the Commission the necessary time to assess the updated UK legal framework once it has been adopted. The EDPB understands that this extension is exceptional and caused by the ongoing legislative process in the UK and that it should not, in principle, be further prolonged. Finally, the EDPB recalls the European Commission's obligation to closely monitor all relevant developments in the UK that may have an impact on the essential equivalence of the level of protection of personal data".*

Reminder: What Is an Adequacy Decision?
An adequacy decision enables the free transfer of personal data from the EU to a "third country" where that country's data protection laws are considered essentially equivalent to those of the EU, eliminating the need for additional safeguards. Since Brexit, the UK has been treated as a "third country" under the EU General Data Protection Regulation (GDPR).

2. EBA report on the use of technology tools in anti-money laundering and countering the financing of terrorism (AML/CFT) supervision (SupTech)

On 12 August, the European Banking Authority (EBA) published a Report on the use of technology tools in anti-money laundering and countering the financing of terrorism (AML/CFT) supervision (SupTech). The Report takes stock of ongoing innovation efforts by competent authorities in the EU and explores how these can support the effective implementation of the new EU AML/CFT framework.

The Report provides an overview of current SupTech use across the EU and outlines examples of effective practices in, for instance, change management, data and technology, supervisory and regulatory strategies, that can contribute to a more risk-based, data-driven, and scalable supervisory model under the new AML/CFT framework.

While SupTech deployments in the AML/CFT area are still evolving, nearly half of the tools or projects identified (47%) are already in production, with a further 38% under development and 15% in exploratory phases. The Report finds that NCAs are already experiencing tangible benefits, including improved data quality, enhanced collaboration, and more efficient risk identification. However, several challenges remain, such as limited resources, legal uncertainty, and data governance constraints.

EBA will continue to support NCAs and AMLA in strengthening their use of technology and fostering innovation in AML/CFT supervision across the EU.

3. European Commission considers Czech support for insurance premiums for large agricultural firms incompatible with State aid

On 29 July, the European Commission announced its conclusion that Czechia's support for insurance premiums granted to certain large Czech agricultural companies in 2018 is not in line with EU State aid rules. The aid is aimed at supporting crop and livestock companies in taking out insurance against natural disasters and adverse weather events.

In January 2021, the Commission opened an in-depth investigation to assess whether this aid was in line with EU State aid rules, in particular with the 2014 Guidelines for State aid in agriculture, forestry and rural areas ("Agricultural Guidelines"). The in-depth investigation conducted by the Commission confirmed that some large agricultural companies were erroneously qualified by the Czech authorities as SMEs and received aid without complying with the conditions of the Agricultural Guidelines.

EU State aid rules require that incompatible State aid is recovered without delay. The purpose of the recovery is to restore the situation which existed in the internal market before the aid was paid. By paying back the unlawful aid, the beneficiary forfeits the advantage which it has enjoyed over its competitors. To eliminate any advantages incidental to the unlawful aid, interest on the aid amount unlawfully granted is also to be recovered.

The non-confidential version of the decision will be made available under the case number SA.51501 in the State aid register on the Commission's competition website once any confidentiality issues have been resolved.

4. EIOPA monitoring exercise shows progress in insurers' integration of climate change considerations in risk assessments

On 23 July, EIOPA issued a public statement on its findings of a monitoring exercise in 2024 on (re)insurers' integration of climate change considerations in their risk assessments ("Own Risk and Solvency Assessment" - ORSA).

The monitoring exercise follows an earlier 2021 Opinion on the supervision of climate change risk scenarios in ORSA, which had set out expectations from insurers and NCAs, as well as a related application guidance to promote more consistent practices across the market and enhance the comparability of reported information, while preserving a proportionate and risk-based approach

EIOPA sees **progress**, with most insurers in the scope of the exercise now including climate change risk assessments in their ORSAs, covering both physical and transition risks; and making greater use of scenario analysis to assess the potential financial impacts of these risks.

At the same time, the exercise also highlighted important **challenges** that remain to be addressed to ensure high-quality, effectiveness, consistency and comparability across the European (re)insurance market (different approaches across jurisdictions, limited availability of high-quality, reliable and granular data, and the difficulty of extending the time horizon of analyses beyond what is typical for ORSA.)

Supervisory practices are evolving and vary in maturity across Member States. Many NCAs are actively strengthening their methodologies and capacity in this area. EIOPA plans to facilitate workshops between supervisors to share their experience and methodologies in a pragmatic setting.

5. ESAs consolidated Q&As on SFDR

On 4 August, the European Supervisory Authorities (ESA) published their consolidated questions and answers (Q&As) on the application of the Sustainable Finance Disclosures Regulation (SFDR). **The ESAs added 4 Q&As,** respectively **on relevant definitions for Principal Adverse Impact (PAIs) disclosures, periodic disclosures for financial products and on sustainable investments**:

1) **(p. 29) Q&A IV.30.** ***PAI 6 (Table 2): The term 'water usage' is not defined in the RTS and is not a common term within the CDP nomenclature (water withdrawal, water discharge, water consumption and water recycled/reused).***

PAI indicator 6 in Table 2 of Annex I of the SFDR Delegated Regulation refers to "water usage and recycling". It has two metrics. For definitions of "water consumption", "water intensity", and "water (recycled and reused)", see the following definitions in Table 2 of Annex II in the Commission Delegated Regulation (EU) 2023/2772:

- "Water consumption": The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.
- "Water intensity": A metric providing the relationship between a volumetric aspect of water and a unit of activity (products, sales, etc.) created (in the context of PAI indicator 6 in Table 2, the unit of activity is set out in the SFDR Delegated Regulation, i.e. investee company's €M revenue); and
- "Water (recycled and reused)": Water and wastewater (treated or untreated) that has been used more than once before being discharged from the undertakings or shared facilities' boundary, so that water demand is reduced. This may be in the same process (recycled) or in a different process within the same facility (owned or shared with other undertakings) or in another of the undertaking's facilities (reused).

Furthermore, the following ESRS disclosures may be useful for this indicator:

- The first metric ("Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies") can be considered relevant for the reporting under "water intensity" in Annex I, ESRS E3 on Water and marine resources, paragraph 29 of Commission Delegated Regulation (EU) 2023/2772.
- For the purpose of the second metric ("Weighted average percentage of water recycled and reused by investee companies"), "water recycled and reused" can be considered relevant for the reporting under "water recycled and reused" in Annex I, ESRS E3 on Water and marine resources, paragraph 28 (c) of Commission Delegated Regulation (EU) 2023/2772.

2) **(p. 30) Q&A IV31. Regarding the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 (supplementing Regulation (EU) 2019/2088)**

In Table 2, Annex I of the document, under the section 'Indicators applicable to investments in real estate assets', the following is stated: 'Energy consumption in GWh of owned real estate assets per square meter'.

What type of area does the phrase 'per square meter' refer to? In the case of buildings, we distinguish between several types of surface area, e.g. gross internal area (GIA), net internal area (NIA), useful floor area and more. It is very important when describing the area of a building to be clear about which measure is being used.

The criteria of the EU Taxonomy refer to "useful internal floor area" (activity 7.1 Construction of new buildings, footnote of the 3rd criteria for the substantial contribution). Directive 2024/1275 sets out a definition of useful floor area in Article 2(51).

3) (p. 53) Q&A V.29. ***Can a financial product disclosing under Article 9 SFDR, or a financial product disclosing under Article 8 SFDR partly making sustainable investments, disclose in its precontractual disclosure that it intends to make a specific amount (X%) of environmentally sustainable investments and a specific amount (Y%) socially sustainable investments while committing to a specific total minimum (Z%) proportion of sustainable investments in the asset allocation of Annex II and Annex III of the SFDR Delegated Regulation, where X% and Y% do not add up to Z%?***

Under the SFDR Delegated Regulation, in the tick box at the start of Annexes II and III of the Delegated Regulation, financial products disclosing under Article 8 SFDR are required to publish (i) a minimum percentage above zero of total sustainable investments (SI) if the product intends to partly make sustainable investments, and Article 9 SFDR financial products are required to publish (ii) two minimum percentages on the subsets of environmental sustainable investments and social sustainable investments. These percentages are minimum commitments, so the two subsets (X% and Y%) may not equal the total minimum proportion of sustainable investments (Z%) in the asset allocation section of Annexes II and III of the SFDR Delegated Regulation. While focus (e.g. in sustainability preferences) is on the total minimum commitment (Z%), the ESAs recommend as best practice that where X% and Y% do not add up to Z%, the financial market participant should include an explanation to clarify why this is the case in the asset allocation section in the template in Annexes II and III.

4) (p. 54) Q&A V.30. ***Should financial products calculate top investments or shares of investments in their periodic disclosures under Chapter V and Annexes IV and V of the SFDR Delegated Regulation in a specific way over the reference period, such as quarterly snapshots or a single snapshot at the end of the year?***

Since SFDR financial product periodic disclosures only complement the sectoral legislation referred to in Article 11(2) SFDR with specific sustainability-related disclosures, the methodologies for periodic disclosures stem from those underlying sectoral rules referred to in Article 11(2) SFDR. Therefore, the ESAs cannot impose a specific way of calculating investments in the periodic reports in a practical application SFDR Q&A applying to all the sectoral legislation in Article 11(2) SFDR.

Next steps

SFDR level I review could potentially take place at the end of 2025 or at the beginning of 2026 (*to be confirmed*).

6. EFRAG ESRS draft simplification exposure is out

At the end of July 2025, EFRAG, the European Financial Reporting Advisory Group, published a simplified set of European Sustainability Reporting Standards (ESRS) that reduce the disclosure requirements for companies under the scope of the Corporate Sustainability Reporting Directive (=CSRD). This proposal for amended ESRS follows the objectives of simplification as announced under the Omnibus I proposal, published by the European Commission in February 2025.

EFRAG was mandated by the Commission to reduce ESRS complexity and to improve their usability. The ESRS will be simplified in a way that reduces the number of mandatory data points by 57% and some requirements are phased in over time. EFRAG also proposes to streamline the double materiality assessment and reduce overlaps across existing standards. The aim is also to clarify the wording and to remove all voluntary disclosures.

The EFRAG draft is currently under consultation, which is open until 29 September.
More information here.

7. EU taxonomy: EC implementing dialogues

In order to simplify legislation and to reduce administrative burdens, the European Commission has launched a series of implementation dialogues.

What is it?

A way to engage for the EC with stakeholders, to have feedback, information and identify ways to improve the implementation and the simplification of various EU legislations.

When and who?

The first implementation dialogue was held on 10 July by Commissioner Maria Luís Albuquerque on the following topic: the EU Taxonomy.

This virtual event was composed of various participants, coming from European business federations, trade unions, academia, NGOs, …

Key points?

2 sessions were organised on:

1. Increasing the effectiveness and usability of the taxonomy framework.
2. Exploring the extension of the Taxonomy to new sectors to facilitate implementation and further promote a competitive transition.

Participants welcomed the Commission's efforts to simplify the EU taxonomy, particularly through the omnibus proposals. They emphasised the importance of balancing simplification with maintaining strong and meaningful technical screening criteria. There was broad support for expanding the taxonomy to include sectors such as energy efficiency, industrial processes, and circular economy activities. Such expansion would help these sectors gain recognition and access sustainable financing.

A key concern was the complexity of the technical criteria, especially the Do No Significant Harm (DNSH) requirements. Businesses highlighted the administrative burden of reporting and called for greater flexibility. Recent simplifications were appreciated, but stakeholders stressed that more were needed. SMEs specifically requested simple and proportionate tools to access transition funding. Sector-specific issues were raised, particularly by the chemicals, real estate, and digital industries. Lastly, participants underlined the need for better data and alignment with international standards.

Aim and next steps?

To enhance the usability of the framework and support the comprehensive revision of the EU Taxonomy Delegated Acts, which is provisionally scheduled for adoption in 2026.