

EU Sustainability Developments

Omnibus and EU Taxonomy

Key implications of the new Delegated Regulation for reporting undertakings

What you need to know

- On the 4 July 2025, the Commission adopted a Delegated Act to streamline reporting obligations of the EU Taxonomy and thereby reduce the administrative burden on reporting undertakings.
- The Delegated Act amends the Disclosures Delegated Act, the Climate Delegated Act and the Environmental Delegated Act.
- It introduces new materiality thresholds, some simplifications to the pollution Do No Significant Harm (DNSH) criteria, simplified templates with reduced datapoints and some adjustments to financial undertakings' KPIs.
- Financial undertakings may choose not to report detailed Taxonomy KPIs until 31 December 2027, provided they make a specific statement in their management report.
- The Delegated Act is applicable for the 2026 reporting cycle covering the 2025 financial year. However, undertakings may choose to continue using the current rules for financial year 2025.

Background

A cornerstone of the EU's Sustainable Finance initiative is the creation of a classification system that provides a common language and clear definition of sustainable economic activities with the EU Taxonomy Regulation (the Regulation), which defines the criteria for an economic activity to be considered environmentally sustainable. The Regulation is supplemented by three Delegated Acts: the Climate and Environmental Delegated Acts, which specify technical screening criteria for assessing the economic activities, and the Disclosures Delegated Act, which specifies the disclosure requirements for Taxonomy-eligible and Taxonomy-aligned activities.

In the context of the first Omnibus simplification package, the European Commission (the Commission) presented a draft Delegated Act in February 2025, aiming to introduce simplification measures that reduce administrative burden for reporting undertakings ("undertakings") and improve usability, while preserving the integrity of the Taxonomy framework.

On 4 July 2025, the Commission adopted a new Delegated Act, following a one-month feedback period that ended in March 2025. This new Delegated Act amends the existing Disclosures Delegated Act to simplify both the content and presentation of information to be disclosed. It also modifies the Climate and Environmental Delegated Acts to simplify the generic Do No Significant Harm (DNSH) criteria for the Pollution prevention and control objective (Appendix C).

The Delegated Act applies from 1 January 2026, meaning it will be applicable for the 2026 reporting cycle covering the 2025 financial year. However, undertakings have the option to continue applying the current rules for financial year 2025.



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Implications for non-financial undertakings

Introduction of a materiality threshold

The Delegated Act introduces a materiality threshold to allow undertakings to focus on those activities that are material for their business. The amendment will allow non-financial undertakings not to assess the eligibility or alignment of activities where the cumulative value of each mandatory KPI (Turnover, CapEx and OpEx) for these activities is below 10% of the denominator of the respective KPI. The implementation of a cumulative 10% threshold aims to prevent undertakings from omitting significant information.

The analysis should be carried out separately for each KPI (Turnover, CapEx and OpEx). That means that if an activity is non-material for the Turnover KPI but material for the CapEx and OpEx KPIs, it may be excluded from the assessment only for the Turnover KPI.

In addition to the above relief, the Delegated Act confirms that, for the OpEx KPI, undertakings may refrain from performing the eligibility and alignment assessment for all their economic activities if the total amount of OpEx is not material to their business model. No threshold is introduced for this materiality assessment.

Quantitative and qualitative information is required for non-material and non-assessed activities. This includes disclosing the percentage of non-material activities relative to each total KPI denominator, indicating the sector of those activities (e.g., NACE code), and explaining why those economic activities are considered non-material. If OpEx is deemed not material to the business model, the undertaking must disclose the total value of the OpEx KPI denominator along with an explanation of the non-materiality assessment.

How we see it

Materiality assessment before eligibility: the materiality assessment of the economic activities for each KPI can be performed before the eligibility assessment. This means that undertakings would analyze how their Turnover, CapEx and OpEx may be split into economic activities (for example by business unit, by project, by product or service) to perform the materiality assessment, before eventually assessing eligibility or alignment.

Selection of non-material activities under the limit of the cumulative threshold: the Delegated Act leaves room for judgement regarding the selection of economic activities to be excluded from the eligibility and alignment assessment (up to the 10% threshold). For instance, if a company operates five business lines accounting for 3%, 4%, 5%, 8%, and 80% of turnover respectively, there are multiple combinations possible to select activities in order to comply with the cumulative 10% threshold, such as:

- $3\% + 4\% = 7\%$
- $4\% + 5\% = 9\%$
- $3\% + 5\% = 8\%$

Our understanding is that undertakings are able to choose the economic activities based on the likelihood of alignment with the technical screening criteria. However, the explanatory notes for the Delegated Act highlight that undertakings should avoid deliberately including harmful activities in their selection of non-material activities as this would distort the reporting and contradict the objectives of the Delegated Act. Undertakings could combine the quantitative assessment with considerations related to the (non) strategic relevance of the activities, or (non) availability of data. Judgment is required and it is key to ensure consistency with other disclosures of the undertaking (e.g., CSRD) and the transparency of the approach.

OpEx KPI still mandatory: although it is generally considered that information on OpEx is of lesser significance and less decision useful, the OpEx KPI remains mandatory.

Change in the generic Do Not Significantly Harm (DNSH) criteria for the Pollution prevention and control objective

The amended Delegated Act introduces targeted changes to Appendix C, which defines the generic DNSH criteria related to pollution and hazardous substances. These criteria have been among the most challenging to apply in practice. The goal of the revision is to reduce compliance complexity and costs, while ensuring better alignment with existing EU environmental legislation. Key changes to Appendix C include:

- **Criterion (c)** - Ozone-depleting substances: this DNSH criterion could now be met if the activity leads to the use, manufacture or placing on the market of certain ozone-depleting substances in accordance with strictly defined exemptions in EU law. This includes the use of substances as intermediates in chemical synthesis, essential laboratory or analytical uses, critical use for example in military applications. Specific exemptions for fire protection systems in aircraft also apply for some substances.
- **Criterion (d)** - Hazardous substances under RoHS¹: this criterion could now be met if the activity leads to the use, manufacture or placing on the market of certain hazardous substances (such as lead, mercury, cadmium, etc.) in accordance with defined exemptions under the RoHS Directive. This includes, for example, medical devices, monitoring and control instruments where substitution is not yet feasible.
- **Additional criterion under point (f)** - REACH² and CLP³ regulation: the additional requirement to assess substances that are self-classified under the CLP Regulation has been removed. Now, only substances listed on the REACH Candidate List are in scope. This significantly reduces the number of substances undertakings must assess.

How we see it

Exemptions must be justified: while the scope of criteria (c) and (d) has been relaxed, undertakings must demonstrate compliance with the specific (technical, operational, regulatory) conditions of the applicable exemptions.

Criterion (f) remains challenging: although the additional criteria under point (f) have been removed, criterion (f) still requires undertakings to identify and assess the presence, use or placing on the market of REACH Candidate List substances in their products and articles.

Improved alignment with EU legislation still raises challenges: Appendix C now better reflects EU environmental rules, but undertakings with global operations still face compliance hurdles where the EU legislation does not apply.

Further simplification expected: the Commission has announced a broader review of technical criteria, including all the DNSH criteria, to assess ways to make them simpler, more usable, and more aligned with EU legislation.

¹ RoHS: Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment

² REACH: Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals

³ CLP: Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures

Changes in the reporting templates

The Delegated Act introduces significant simplifications to the reporting templates, including a reduction of the reported datapoints, for example, a reduction of 64% in the case of one Taxonomy-aligned activity.

Two new reporting templates for the KPIs of non-financial undertakings are introduced to simplify those currently set out in Annex II of the Disclosures Delegated Act:

- Template 1 is a new summary table for the three KPIs, presenting the proportion of Turnover, CapEx and OpEx from products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities (one line for each KPI). The template introduces a new column for the proportion of economic activities that have not been assessed because they are considered non-material.
- Template 2 provides a breakdown of the assessed economic activities and the template needs to be replicated for each KPI. In Template 2, a new metric is introduced to reflect the proportion of the Taxonomy-aligned KPI within the Taxonomy-eligible KPI.

The entire Annex XII with the separate templates related to fossil gas and nuclear activities has been removed.

The amendments provide further significant simplifications: the datapoints for non-alignment and non-eligibility have been removed as well as the columns for reporting DNSH and minimum safeguards. Also, if an undertaking discloses zero Taxonomy-eligibility for any of the KPIs in the first summary template, omission of the second individual activity template for that KPI is now allowed. Previously, all KPI tables had to be reported even when the eligibility was zero.

The Delegated Act also introduces a new approach to reporting contributions to multiple environmental objectives. As a result, the "Sum of alignment per objective" in Template 2 may exceed 100%, whereas the "Total KPI" values must still match those in Template 1. Due to this new approach, the previous template specifically designated for multi-objective contributions has been removed.

How we see it

Despite fewer datapoints, the compliance effort remains significant: while many datapoints have been removed from the reporting tables, most of the EU taxonomy assessment process remains unchanged (except for the impact of new materiality thresholds and simplified DNSH criteria). In addition, most of the qualitative disclosure requirements under the Disclosures Delegated Act (2021/2178), such as contextual information on the DNSH and MS assessment, remain in place.

"Aligned in eligible" new KPI: The newly introduced datapoint in Template 2 – *proportion of Taxonomy-aligned within Taxonomy-eligible* – enables more detailed comparison of sustainability performance across undertakings. However, this new KPI should not be confused with the originally aligned KPI, which remains the reference to be used by financial institutions for their reporting.

Reporting contributions to multiple activities requires attention: The new approach for reporting contributions to multiple activities is simpler than before. However, it is essential to understand where double-counting is allowed (*Sum of alignment per objective*) and where it is not (*Total KPI*) when reporting the Taxonomy values.

Implications for financial undertakings

Option until 31 December 2027 not to disclose the detailed taxonomy templates (two-year relief)

Until the Commission finalizes its detailed review of the Taxonomy disclosure rules and technical screening criteria, financial institutions are allowed to no longer report detailed taxonomy disclosures, provided that they publish a statement in their management report to indicate that they do not claim that their activities are associated with environmentally sustainable activities under the Taxonomy Regulation.

How we see it

Assessing the benefit of the two-year relief: Financial institutions will need to assess the benefit from this relief. The requirement to publish that they do not claim that their activities are associated with environmentally sustainable activities under the Taxonomy Regulation may impact their sustainability communication, including their CSRD sustainability report, if that report contains information about their contribution to sustainable finance.

Monitoring Pillar 3 ESG disclosure requirements: When assessing their decisions about their taxonomy reporting, credit institutions will also need to take into account anticipated prudential developments, including the current consultation launched by the European Banking Authority in May 2025 on amended Pillar 3 ESG disclosure requirements.

Two-year postponement for the reporting by credit institutions of "Trading Book" and "Fees and Commissions" KPIs

The Trading Book KPI (capturing the trading activities of credit institutions) and the Fees and Commissions KPI (capturing certain investment services or advisory activities) were initially due to be reported by credit institutions for the first time from 1 January 2026. The Commission, pointing out the limited relevance and decision usefulness of both KPIs, decided to postpone the first time reporting of both KPIs by two years.

Introduction of materiality thresholds

Similar to non-financial undertakings, and in line with the newly introduced proportionality principle, the revised rules contain a 10% materiality threshold that exempts financial undertakings from assessing Taxonomy eligibility and alignment on specific assets or activities deemed not material.

The assessment on materiality will depend on the type of financial undertaking (credit institution, asset manager, investment firm, or (re)insurance undertaking), the type of assets (on-balance sheet assets, financial guarantees, assets under management etc.) and activities.

The Delegated Act allows for two approaches to materiality:

- An approach based on the contribution of specific activities to the total net turnover. For instance, a credit institution may decide not to report the Green Asset Ratio (GAR) for the trading portfolio if the trading activities captured by this KPI generate less than 10% of its total net turnover;
- An approach based on exposures. For instance, a credit institution will be permitted not to assess Taxonomy eligibility and alignment of on-balance sheet assets whose use of the proceeds is known, where the cumulative value of those assets is below 10% of all on-balance sheet assets whose use of proceeds is known, that are included in the denominator of the GAR.

The templates for financial undertakings will provide transparency on the non-assessed proportion of exposures in the denominator of the KPIs. They will distinguish between the exposures that the undertaking considered as non-material and did not assess for taxonomy eligibility and alignment; exposures financing non-assessed non-material activities of counterparties; and exposures to financial undertaking counterparties that report that they do not claim that they are financing or investing in economic activities associated with environmentally sustainable economic activities under the Taxonomy Regulation.

Reduction of the scope of assets included in the denominator of the KPIs

The modifications introduced by the Delegated Act aim to increase the consistency between the scope of the numerator and the scope of the denominator of the KPIs, leading to higher and potentially more relevant KPIs.

Accordingly, the following exposures will no longer be included in the denominator of taxonomy KPIs reported by financial institutions:

- Exposures to undertakings which are not in the scope of mandatory sustainability reporting pursuant to Articles 19a or 29a of Directive 2013/34/EU. However, a financial undertaking may decide to include in its KPIs exposures to such undertakings that report taxonomy KPIs on a voluntary basis or exposures where the use of proceeds is known;
- Exposures for which it is not possible to assess taxonomy eligibility and alignment, such as derivatives, cash and cash equivalents, on demand bank loans, goodwill or commodities.

Simplification of templates

For credit institutions, the simplification of templates will result in an overall reduction of reported datapoints of 89%. Similarly, the reporting templates of other financial undertakings will be significantly reduced.

The revised templates generally include less detailed breakdowns. For instance, with respect to credit institutions, less detailed breakdowns are required within each environmental objective and Template 2 (GAR sector information) now only requires sectoral information on the top ten exposures in the banking book towards top ten sectors covered by the Taxonomy.

Also, considering the removal of the separate templates on the performance and exposures to fossil gas and nuclear activities for non-financial undertakings, financial institutions will now only report on those activities, where relevant, in an aggregated form in their standard template, which will reduce the number of reported cells from 166 to 4 per KPI.

How we see it

Similar to non-financial undertakings, despite the significant reduction in the number of datapoints in the templates, the compliance effort required by the analysis of the technical screening criteria, including DNSH and the Minimum Safeguards criteria, will remain significant. As a consequence, except for the new materiality reliefs and the option granted not to report the KPIs for the next two years, financial undertakings that continue to report the taxonomy templates are still expected to face challenges when applying the technical criteria (including the FAQs published by the Commission in November 2024) until the Commission further assesses ways to simplify them as announced in the Delegated Act.

Next steps and other expected changes

The Delegated Act has been submitted to the European Parliament and the Council for their scrutiny. The changes will apply once the scrutiny period of four months, which can be extended by two months, ends.

As a next step, the Commission will carry out a systematic and thorough review of the reporting requirements and of all the technical screening criteria, in particular, all the DNSH criteria, with the aim of assessing ways to make them simpler, more usable and more aligned with EU legislation.

In addition, further changes are expected with the forthcoming Content Directive still under discussion as part of the first Omnibus simplification package. The initial proposal of the Content Directive included a revision of the scope of application of the EU Taxonomy Regulation, limiting mandatory Taxonomy disclosures to undertakings with more than 1,000 employees and €450 million in net turnover. Additionally, the proposed Content Directive introduced the concept of 'partial alignment' reporting, allowing undertakings to disclose progress toward sustainability, where full alignment has not yet been achieved. Those additional and envisaged changes are still to be defined and adopted and do not impact the scope and application of the Taxonomy Regulation at this stage.

How we see it

The EU Taxonomy will continue to play a key role in identifying investments that contribute to a sustainable transition of the EU economy and directing financial flows towards them, in line with European Green Deal goals.

The simplifications introduced by the Delegated Act mainly affect the reporting requirements, as the amount of information reported will be significantly reduced by the adoption of simplified reporting tables and the option to exclude non-material economic activities. The option for financial undertakings not to report the detailed KPIs for a period of two years also represents a significant temporary relief.

However, the eligibility and alignment framework remains largely unchanged from the perspective of the analyses to be performed, with the exception of Appendix C DNSH criteria. Despite being now more aligned with the exemptions provided by existing EU legislation, Appendix C will continue to represent a significant challenge to verifying alignment.

More significant simplifications to the assessment framework are still expected from the broader review of the Regulation, already announced by the Commission for the near future, as well as from the adoption of the Content Directive of the first Omnibus simplification package.

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