

EU Sustainability Developments

Revised Delegated Act on EU Taxonomy enters into force

What you need to know

- A revised Delegated Act on EU Taxonomy enters into force across the EU on 28 January 2026 (Commission Delegated Regulation (EU) 2026/73).
- Initially adopted on 4 July 2025 by the European Commission as part of its Omnibus initiative, this Delegated Act aims to streamline reporting obligations.
- It is applicable from financial year 2025. However, undertakings may choose to continue applying the non-amended rules for financial year 2025.
- It introduces new materiality thresholds, some simplifications to the pollution DNSH criteria, simplified templates with reduced datapoints and adjustments to financial undertakings' key performance indicators (KPIs).
- Financial undertakings may choose not to report Taxonomy KPIs until 31 December 2027, provided they make a specific statement in their management report.
- On 17 December 2025, the Commission released a Draft Notice, aiming to provide interpretation and implementation guidance on these amendments.

A cornerstone of the EU's Sustainable Finance initiative is the creation of a classification system with the EU Taxonomy Regulation, which provides a common language and specific criteria to define environmentally sustainable economic activities (the Regulation). The Regulation was supplemented by three Delegated Acts: the Climate Delegated Act and the Environmental Delegated Act, which specify technical screening criteria for assessing the economic activities, and the Disclosures Delegated Act, which sets out the disclosure requirements for Taxonomy-eligible and Taxonomy-aligned activities.

On 4 July 2025, as part of its effort to simplify sustainability legislation in the EU, the European Commission (the Commission) adopted a new Delegated Act concerning the EU Taxonomy (the "revised EU Taxonomy Delegated Act").

The revised EU Taxonomy Delegated Act enters into force across the EU on 28 January 2026, although it is applicable from 1 January (Commission Delegated Regulation (EU) 2026/73).

It amends the Disclosures Delegated Act to simplify both the content and presentation of disclosures. 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 revised EU Taxonomy Delegated Act is applicable for the 2026 reporting cycle covering financial year 2025. However, undertakings have the option to continue applying the non-amended reporting rules for financial year 2025.

On 17 December 2025, the Commission released a Draft Notice, aiming to provide interpretation and implementation guidance on the amendments introduced by the revised EU Taxonomy Delegated Act.



Implications for nonfinancial undertakings

Introduction of a materiality threshold

The revised EU Taxonomy Delegated Act introduces a materiality threshold to allow undertakings to focus on those activities that are material for their business. The amendment will allow nonfinancial undertakings not to assess the eligibility or alignment of activities for which the cumulative value of each mandatory KPI (turnover, capital expenditure (CapEx) and operational expenditure (OpEx) 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 mandatory KPI. 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 revised EU Taxonomy 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., the 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, project, product or service) to perform the materiality assessment, before assessing eligibility or alignment.

Selection of non-material activities within the limit of the cumulative threshold: the revised EU Taxonomy 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:

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

This suggests 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 revised EU Taxonomy 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. Moreover, as stated in a footnote to Table 1, material activities should be reported in their entirety to prevent the exclusion of any part of material activities. 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 some consider it less decision useful, the OpEx KPI remains mandatory, with two reporting reliefs available: (i) eligibility and alignment assessments are not required if OpEx is deemed non-material for the undertaking's business model (relief already available before the revision); and (ii) a new relief allowing companies to rely on the new 10% cumulative threshold if OpEx is material (new relief).

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

The revised EU Taxonomy 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, or 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 requirement to assess substances that are self-classified under the CLP Regulation has 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.

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

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.

Changes in the reporting templates

The revised EU Taxonomy 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 nonfinancial 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 revised EU Taxonomy 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 Minimum Safeguards 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 (consisting in the ratio between aligned activities and eligible activities) should not be confused with the original aligned KPI (the share of aligned activities out of the total of the business activities), 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 a statement 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.

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 revised EU Taxonomy Delegated Act introduces two approaches to materiality, which can be combined:

- 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 may not assess eligibility and alignment of specific on-balance sheet assets whose use of 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, with a distinction between:

- 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

Other modifications introduced by the revised EU Taxonomy 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 data points 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 for the 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.

The draft Commission Notice

On 17 December 2025, the Commission released a draft Notice providing interpretation and implementation guidance on the amendments introduced by the revised EU Taxonomy Delegated Act. The document still needs to be formally approved. It contains seventeen FAQs covering general questions, as well as specific issues focusing on financial and non-financial undertakings. In particular:

- For financial year 2025, as reporting undertakings have the choice not to apply the revised EU Taxonomy Delegated Act, they should include a statement in the contextual information of their sustainability report that specifies which set of reporting rules they applied. If they choose to apply the reporting rules as applicable until 31 December 2025 (i.e., non-amended by the revised EU Taxonomy Delegated Act), they must apply those rules in full (“all or nothing” principle), with an exception for financial undertakings’ “Trading” and “Fees and commissions” KPIs (see below).
- Reporting undertakings are required to provide comparative data as published in 2025 (covering the financial year 2024). When applying the revised EU Taxonomy Delegated Act, they are not required to restate comparative data disclosed in the new tables. For instance, companies may calculate 2025 KPIs excluding non-material activities, while retaining the 2024 comparative figures, as previously disclosed. However, they must specify in their contextual information that the prior year’s figures were calculated under the former reporting rules. In addition, to further improve clarity, they may also recalculate the prior year’s figures under the new provisions and include them in the contextual information.
- Regarding non-financial undertakings, guidance has been provided on the assessment of the materiality of activities. Specifically, the Commission emphasizes the importance of avoiding inconsistencies and distortions between the assessment of non-material economic activities for the purpose of the taxonomy reporting on one hand, and the scope of reportable operating segments under IFRS 8 *Operating Segments* for the purpose of the financial statements on the other hand. It also highlights the importance of reporting material activities in their entirety (without excluding parts of activities that are considered material).
- Nine questions specifically deal with the financial undertakings. In particular, the Commission indicates that banking institutions that decide not to apply the revised EU Taxonomy Delegated Act for their 31 December 2025 reporting will, nevertheless, be able to benefit from the two-year deferral for publication of the “Trading” and “Fees and commissions” KPIs. Moreover, the draft Commission Notice also includes some guiding principles concerning the implementation of the “two-year opt-out” provision (allowing financial undertakings meeting certain conditions not to report a taxonomy reporting for two years), as well as guidance on the application of the newly introduced materiality thresholds and the treatment applicable to exposures to SPVs.

Next steps and other expected changes

As a next step, the Commission announced a systematic and thorough review of the reporting requirements and of all the technical screening criteria, in particular, 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 as part of the Omnibus simplification package which was approved by EU Member States and the European Parliament in December 2025. The Council of the EU is expected to formally adopt the final text soon. These proposals include a revision of the scope of CSRD by adjusting the thresholds to groups and issuers with more than 1,000 employees on average and a turnover of more than €450 million. Those additional changes are still to be adopted and do not impact the scope and application of the Taxonomy Regulation for financial year 2025.

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 revised EU Taxonomy 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 EU Taxonomy 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 continues 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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