

Simplifying the EU Taxonomy – Assessment of the Draft Delegated Act



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1. Introduction

As hinted in the [ERT paper on reducing the reporting burden](#) (January 2025), the EU Taxonomy framework, in its current state, provides low value for investors and users in general, as comparability of the published data is very low (even within one industry) due to unclear definitions, ambiguities and lack of concise guidance leading to differing interpretations by preparers and auditors. This means that companies invest significant time and resources in disclosures and assurance processes that are then in fact disregarded by their prime user group. Furthermore, the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards (CSRD/ESRS) seem to already provide external stakeholders with enough data and details on the sustainability of EU companies.

To deliver on the objective of reducing the reporting burden by at least 25%, the **EU Taxonomy should be overhauled completely as there is limited evidence that the reports have reached the primary objective of channeling more finance towards sustainability activities of companies.**

While we **welcome the simplifications proposed in the Omnibus package**, we regret that the Commission is **only proposing minor adjustments to the EU Taxonomy** through the draft delegated act that will only have a very limited effect to reduce the reporting burden.

We invite the Commission to use the announced review of the closely linked regulatory framework of SFDR to amend also the EU Taxonomy in a substantial way to focus on information that is requested and used by investors, to alleviate the reporting burden of preparers and to align the requirements for non-financial and financial undertakings. ERT would welcome a SFDR review earlier than Q4 2025.

Compliance with all technical screening criteria is essential for an economic activity to be deemed aligned within the context of the EU Taxonomy. Adherence to the 'do no significant harm' (DNSH) criteria is fundamental. Failure to comply with even one requirement of the DNSH criteria results in non-compliance also for economic activities that are particularly vital for the green transition. DNSH criteria are often overly complex and burdensome and often go beyond current legislation.

ERT welcomes the proposals on Appendix C and the announcement of an **upcoming systematic and thorough review of all the technical screening criteria (substantial contribution and DNSH criteria)**. ERT calls on the Commission to swiftly amend and modify the DNSH criteria applicable to all economic activities to reduce unnecessary burdens on EU companies. The DNSH criteria should not go beyond existing (EU) regulation and should be based on international standards or agreements, so that they are fit-for-purpose, workable, and not too complex. Simplifying the DNSH criteria will make the reporting more efficient, comparable and accurate.

While the priority should be on overhauling the EU Taxonomy, the Commission should also contemplate increasing the usage of the EU Taxonomy by investors by covering additional sectors, for example the telecommunication sector, and their economic activities in the EU,

including those with very limited production capacity. This would limit the current discrimination between sectors and improve comparability at company level. The planned SFDR review should take this into account.

1. Reporting templates

The draft delegated act aims at reducing the complexity and length of the reporting templates and ease considerably the reporting of undertakings under Delegated Regulation (EU) 2021/2178.

We appreciate the deletion of the columns containing the results of the minimum safeguards and DNSH assessment per environmental objective which are redundant and contain useless information. Removing the disclosure of information on non-eligible activities is also appreciated. ERT also supports the introduction of one static template which merges the core information for all KPIs into one template instead of three.

However, the amendments of Annex II require non-financial undertakings to duplicate the summary template for turnover, CapEx, and OpEx, resulting in three summary templates and three reporting templates for each KPI. This duplication should be avoided as both templates have overlapping data points, such as the total aligned proportion. We recommend creating one template per KPI that includes all relevant information.

Additionally, the **new reporting templates also include new data points**, e.g. the proportion of Taxonomy-aligned in Taxonomy-eligible or the amounts of the non-material economic activities (which seem to be absent in the templates).

The **new suggestions do neither seem to be less complicated, nor will they be easier to read** for the user of the Sustainability Statement. We would also strongly request that the delegated act contains a line-by-line and column-by-column explanation of the reporting tables so that it is clear which information should be disclosed in which cell of the reporting tables. Currently, it is not clear, even for very experienced reporters and auditors, what should exactly be reported in which cell.

The “multiple contribution” assessment linked to the amended reporting tables could potentially lead to confusion. We would strongly recommend removing the “multiple contribution” reporting requirements to improve clarity and reduce both the calculation and reporting efforts. This seems justified as financial undertakings do not use this disclosure.

ERT also suggests deleting the columns on enabling and transitional activities from the reporting templates. This would improve the readability of the reporting templates while not undermining the ambition of disclosures.

The draft also contains some inconsistencies in the serial order of the environmental objectives in both templates: ‘Circular economy’ is the fourth environmental objective but is listed in the fifth column. This should be corrected.

It remains unclear what actual relief will come from the updated reporting tables as **displaying less information does not remove any burden in data collection and calculation of the KPIs**. The reduction of data points to be included in the reporting tables is small, and the reporting efforts remain basically unchanged. ERT requests to reduce the data points to be included in the reporting tables considerably **by only including information on Taxonomy alignment**. All other data points should be deleted as they do not have any added value for investors.

2. Template for gas and nuclear activities

We request to **completely delete the obligation to use the reporting templates as set out in Annex XII to Regulation (EU) 2021/2178** for all non-financial undertakings that have no nuclear and fossil gas related activities. The proposed deletion of templates 2, 3 and 4 is not sufficient. Templates 1 and 5 should be deleted as well.

3. Materiality threshold of 10%

Article 1 of draft Commission Delegated Regulation “amending Commission Delegated Regulation (EU) 2021/2178 as regards the simplification of the content and presentation of information to be disclosed concerning environmentally sustainable activities and Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 as regards the simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives” introduces materiality thresholds for the assessment of economic activities.

It would be allowed to omit the assessment of compliance of the economic activities with the technical screening criteria set out in Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2023/2486 if the

a) the cumulative turnover resulting from those activities is below 10% of the denominator of the turnover KPI referred to in Section 1.1.1. of Annex I to this Regulation;

(b) the cumulative capital expenditure resulting from those activities is below 10% of the denominator of the CapEx KPI referred to in Section 1.1.2.1. of Annex I to this Regulation;

(c) the cumulative operational expenditure resulting from those activities is below 10% of the denominator of the OpEx KPI referred to in Section 1.1.3.1. of Annex I to this Regulation.

ERT welcomes the Commission’s proposal to introduce materiality thresholds for all three KPIs. However, the current draft legal text indicates that an omission of the alignment assessment is only foreseen if all eligible economic activities of a non-financial undertaking are jointly below the threshold of 10% for the respective KPI.

For sectors that are largely covered by the EU Taxonomy, this de minimis rule would not apply as the cumulative eligible turnover, eligible CapEx or eligible Opex over all economic activities together would be considerably higher than the proposed thresholds. The **10% de minimis threshold would therefore only apply to non-financial undertakings with very limited coverage by the EU Taxonomy.**

To achieve true simplification, ERT strongly requests that the 10% materiality threshold is applied individually for each EU taxonomy activity, for both financial and non-financial entities, **rather than cumulatively across all,** or groups of, **eligible activities of a non-financial undertaking.**

It should be clarified whether the 10% materiality threshold needs to be validated separately for the three KPIs for each economic activity or if non-materiality for one of those KPIs leads automatically to non-materiality for all KPIs.

The draft delegated act requires to disclose the turnover, capital expenditure and operational expenditure related to non-material activities separately as non-material. However, a reduction of the reporting burden only materialises if internal data does not need to be collected, calculated and reported. If non-material data must be disclosed, the data needs to be collected and calculated. Satisfying the assurance process to confirm that the amounts are not material also requires some effort. The only procedural step that does not need to be carried out is the proof of compliance with the technical screening criteria (TSC as well as DNSH). In practice, a lot of effort already lies in the identification, assessment and assurance of the eligible KPI data. The Commission's proposal would therefore reduce the burden only to a very small extent. Disclosing non-material information is also not in line with the concept of the CSRD to only disclose material information. We strongly recommend deleting this provision from the delegated act. **Non-material amounts of turnover, capital expenditure and operational expenditure should not be reported.**

Additionally, the final assessment of reaching the materiality thresholds for all three KPIs can only be done retrospectively (after the end of the respective financial year). The burden to collect, calculate and assess the data during the year remains unchanged.

4. Materiality threshold of 25% for OpEx

Non-financial undertakings may omit OpEx reporting where:

the cumulative turnover resulting from those activities is below 25% of the denominator of the turnover KPI referred to in Section 1.1.1. of Annex I to this Regulation.

The current definition of OpEx is exclusively used for the EU Taxonomy and lacks relevance for companies, as it is not reconcilable with financial statements. It is not used for steering a company. The Commission clearly points out in the recitals to the draft delegated act, that the **OpEx KPI is of lesser informational value, significance and decision usefulness.** Sustainability reporting should focus on relevant and decision-useful information that supports investors in their decision-making process. We very much doubt that the OpEx KPI fulfills these requirements. **The OpEx KPI should therefore be removed completely or made voluntary** for all non-financial undertakings falling under the scope of the EU Taxonomy regulation. Subsequently, the CapEx plan should only comprise aligned CapEx. When the ESRS Delegated Act is updated, similar references to OpEx ought also to be reconsidered.

5. DNSH criteria – Appendix C

Among the DNSH criteria that need to be fulfilled for compliance with the Taxonomy criteria, the generic criteria related to the use and presence of chemicals ("appendix C") have proven to be very difficult to implement and to cause a lot of unclarity. We appreciate that the EU Commission is acknowledging these concerns and is stressing the necessity to simplify these requirements and reduce the expenditures for industry. As stated by the EU Commission in the explanatory note of the published draft, "targeted amendments to Appendix C provisions should be provided as soon as possible to simplify and reduce excessive administrative burdens on reporting entities". **We propose to go truly beyond the suggested amendments and delete both paragraph f) and the following paragraph from Appendix C.**

In the recent proposed draft, the EU Commission is proposing two different options to amend Appendix C. Option 1 would remove the requirement in the paragraph following f). Under this option, the requirements concerning substances that are covered by one of the hazard classes

mentioned in Art. 57 REACH would be deleted. Option 2 would alter the requirement in the same paragraph. Under this option, the requirement for substances in one of the hazard classes mentioned in Art. 57 REACH would be restricted to substances falling under these hazard classes and listed on Annex VI of the CLP regulation. Apart from this, operators would no longer need to prove that these chemicals are used under controlled conditions.

Although both Option 1 and 2 fully remove or partly reduce the requirements for substances in one of the hazard classes mentioned in Art. 57 REACH, they do not solve the difficulties inherent to paragraph f). The requirement in this paragraph goes far beyond the requirements laid out in the cited chemical regulations. Reporting entities need to verify whether substances listed on the Candidate List (“Substances of very high concern” = SVHCs) are being used or placed on the market either as substances, mixtures, or within articles. If yes, the reporting entities are required to replace these substances with less harmful substitutes, unless they have assessed and documented that no suitable alternatives are available. Furthermore, it must be shown that the chemicals are used under controlled conditions.

In many industries, companies have obtained waivers and exemptions for the use of such substances, as there are no viable alternatives. Such a waiver should suffice to pass the assessment, in other words, if the company is compliant with EU chemicals legislation. ERT would therefore like to point to other improvements that were already recommended by the Platform on Sustainable Finance, namely:

- Introductory part – from a usability and legal point of view, the introductory part “the activity does not lead to the manufacture, placing on the market or use of” causes confusion. The Regulations and Directives referred to in the Appendix have different scopes, with REACH covering the use of substances, mixtures, placing on the market of substances and/or mixtures and placing on the market of articles vs RoHS only applying to the initial placing of electrical and electronic equipment on the market and referring to homogenous materials. We therefore recommend rephrasing Appendix C to clarify that the scope of the respective Regulations and Directives and the related exemptions are applicable in each case. It is crucial to generally align the DNSH requirements with existing legislation, taking into account established legislative processes, comprehensive analyses and technical assessments, such as e.g. the RAC and SEAC studies.
- Paragraph a) – from a proportionality point of view and to provide clarity on the applicability of exemptions, we recommend replacing the current text (“except in the case of substances present as an unintentional trace contaminant”) with “except where there is full compliance with the conditions specified in the Regulation and its annexes”.
- Paragraph b) – to provide clarity on the applicability of exemptions, we recommend adding “except where there is full compliance with the conditions defined in applicable EU legislation”.
- Paragraph c) – to provide clarity on the applicability of exemptions, we recommend adding “except where there is full compliance with the conditions specified in that Regulation and its annexes”.

6. Suggestions for further modifications of the DNSH criteria

ERT also proposes to modify the Annex B and D regarding the environmental objectives “water” and “biodiversity”. Environmental impact assessments should only apply to economic activities which are addressed in the EIA Directive. Performing EIAs should only be required by the EU Taxonomy if they are legally required by the EIA directive.

ERT also requests that Commission provides for a simplification for the LCA criteria for eligibility. The DNSH criteria should not go beyond existing (EU) regulation and should be based on international standards or agreements. Thus, any LCA criteria should be modified in their entirety and replaced by a more relevant and pragmatic indicator (i.e. from 8.2. in alignment with eligibility criteria for newly established enabling business solutions (digital solutions for water/circularity/pollution/biodiversity)).

For economic activity CCM 6.5, the DNSH criteria regarding environmental objective “pollution prevention and control” is defined as:

“For road vehicles of categories M and N, tyres comply with external rolling noise requirements in the highest populated class and with Rolling Resistance Coefficient (influencing the vehicle energy efficiency) in the highest two populated classes as set out in Regulation (EU) 2020/740 and as can be verified from the European Product Registry for Energy Labelling (EPREL).“

The bureaucratic effort required to prove compliance with tire requirements is disproportionate to the actual benefits. The EPREL database is not prepared for this type of query and only limited to European registered tires. Also, the data base is dynamic, and results can change continuously depending on new registration entries. As the requirement is not effective, appropriate and the results are unreliable due to technical and methodical variances, it should be deleted.

For economic activities CCM 6.5 and CCM 6.6 the DNSH criteria regarding environmental objective “circular economy” are defined as

CCM 6.5

“Vehicles of categories M1 and N1 are both of the following:

(a) reusable or recyclable to a minimum of 85 % by weight;

(b) reusable or recoverable to a minimum of 95 % by weight⁽⁵¹⁸⁾

[...]

CCM 6.6

Vehicles of category N1, N2 and N3 are both of the following:

(a) reusable or recyclable to a minimum of 85 % by weight;

(b) reusable or recoverable to a minimum of 95 % by weight⁽⁵²⁹⁾

⁵¹⁸ As set out in Annex I of Directive 2005/64/EC

²⁹⁸ As specified in Annex I to Directive 2005/64/EC”

For economic activity CCM 4.9 Transmission and distribution of electricity, we suggest the following:

DNSH (5) Pollution prevention and control

[...]

Overground high voltage lines:

(a) for construction site activities, activities follow the principles of the IFC General Environmental, Health, and Safety Guidelines¹⁸¹.

(b) activities respect applicable norms and regulations to limit impact of electromagnetic radiation on human health, including for activities carried out in the Union, the Council recommendation on the limitation of exposure of the general public to electromagnetic fields (0 Hz to 300 GHz)¹⁸² and for activities carried out in third countries, the 1998 Guidelines of International Commission on Non-Ionizing Radiation Protection (ICNIRP)

Activities do not use PCBs polychlorinated biphenyls

The scope of the DNSH criteria should be harmonized with scope of referenced regulation (for example N2 vehicles not in scope of referenced directive).

The technical screening criteria for the activity 8.1 on data centers require the implementation of the code of conduct for data centers. While it is clear this document has not been made for such usage, without mentioning the Power Usage Effectiveness indicator.

In a context of high energy prices, ERT would highlight the importance of swiftly adopting technical screening criteria for energy efficiency activities in industrial processes. This would limit the current discrimination between sectors, improve comparability at company level and support the EU's objectives of fostering industrial competitiveness and affordability of energy prices.

This Expert Paper was produced by the ERT Expert Group on Sustainable Finance and the ERT Task Force on Burden Reduction. The ERT Policy Director who coordinates the work is Philippe Adriaenssens.

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European Round Table for Industry
Boulevard Brand Whitlock 165
1200 Brussels
Belgium

Tel: +32 2 534 3100
Email: contact@ert.eu
Web: ert.eu