

The EU Taxonomy: Steering Finance Toward Sustainable Solutions

What is it?

The EU Taxonomy is a classification system developed by the European Union to help investors, companies, and policymakers identify which economic activities are environmentally sustainable. It is a key part of the EU's broader efforts to direct capital flows towards activities that support its environmental objectives and the European Green Deal, which aims to make Europe climate-neutral by 2050.

Key features

- **6 environmental objectives:** The EU Taxonomy focusses on six environmental objectives:
 - Climate change mitigation
 - Climate change adaptation
 - Sustainable use and protection of water and marine resources
 - Transition to a circular economy
 - Pollution prevention and control
 - Protection and restoration of biodiversity and ecosystems
- **Environmentally sustainable activities:** For an activity to be considered environmentally sustainable under the EU Taxonomy, it must:
 - Substantially contribute to one or more of the six environmental objectives.
 - Do no significant harm (DNSH) to any of the other objectives.
 - Meet minimum safeguards, such as compliance with international human rights and labor standards.
- **Technical screening criteria:** The Taxonomy provides detailed technical screening criteria for specific sectors and activities, which outline what businesses need to do to meet the sustainability thresholds for each objective.
- **Reporting:** Companies and financial market participants need to report how and to what extent their activities (revenue) and investments (capital expenditures and operational expenditures) align with the EU Taxonomy.
- **Financial market participants:** The EU Taxonomy requires financial market participants to disclose to what extent their products and investments are aligned with the environmental goals outlined by the Taxonomy, increasing transparency for investors and driving capital towards sustainable activities.

Who does it apply to?

- **CSRD:** The EU taxonomy reporting requirements are relevant for all companies that fall in the scope of the Corporate Sustainability Reporting Directive (CSRD). See our [Insights For Better](#) page to find our one-pager on the CSRD.
- **NFRD:** Companies that fall under the scope of the Non-Financial Reporting Directive (NFRD) already need to report their EU taxonomy figures in their current annual report.
- **SFDR:** Financial market participants that fall under the scope of the Sustainable Finance Disclosure Regulation (SFDR)

Relevant links

- [EU Taxonomy Navigator \(europa.eu\)](https://europa.eu)

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