

STRATEGIC AND EFFICIENT USE OF THE EU TAXONOMY:

THE SMART ALIGNMENT APPROACH

Turning Regulation into
Strategic Opportunity



1. Introduction: Finding Simplicity in Complexity

Sustainability regulation is evolving faster than most companies can absorb. Reporting requirements multiply, data demands grow, and the pressure to act responsibly is mounting. Amid all this, the EU Taxonomy stands as one of the most ambitious frameworks in sustainable finance, defining what can truly be called “green.” Yet for many organizations, it also represents one of the most complex frameworks.

At *Data For Better*, we believe this complexity should accelerate, not impede, progress. The EU Taxonomy is not simply a reporting burden, it’s a roadmap for strategic sustainability. We view it as a tool to bring clarity and focus to sustainability strategies rather than just a compliance obligation.

The Smart Alignment Approach is our method for using the EU Taxonomy strategically and efficiently: it helps organizations focus on what matters most, integrating it with existing systems, and turning insights into action.

“The EU Taxonomy is not just a reporting burden, it’s a roadmap for strategic sustainability.”



2. What the EU Taxonomy Really Is: A Common Language for Sustainability

The EU Taxonomy is a classification system designed to define which economic activities are environmentally sustainable. It is one of the cornerstones of the EU's sustainable finance strategy and aims to channel investments toward genuine climate and environmental solutions.

An activity is considered sustainable if it:

1. Substantially contributes to at least one of 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

2. Does no significant harm (DNSH) to any of the other objectives.

3. Meets minimum safeguards on social and governance issues.

The Taxonomy creates a **shared definition** of "green", enabling transparency and comparability across sectors.

The 2025 Simplification

The European Commission's *Omnibus Simplification Package* proposed important changes that make the framework more practical:

- 10% materiality threshold
- Proxies and estimates allowed
- Optional OPEX (operational expenses) reporting
- Simplified DNSH criteria



3. The Challenge: From Science to Strategy

The EU Taxonomy is scientifically robust, but administratively heavy. Its detail ensures credibility, yet its granularity often overwhelms companies, especially large or diversified ones.

Common challenges include:

- Reporting per individual activity.
- DNSH and safeguard checks for each eligible segment.
- Complex data collection across financial and operational systems.
- Limited sector coverage, leaving gaps for many real-world business models.

Even with the 2025 simplification, many organizations still ask themselves: *“How do we make this practical and strategically useful?”* That question sits at the heart of our Smart Alignment Approach. Smart Alignment helps organizations zoom out, prioritize, and integrate the Taxonomy efficiently.



4. The Smart Alignment Approach: Strategic and Efficient Implementation

The Smart Alignment Approach is a six-step framework for turning EU Taxonomy compliance into strategic insight. It balances scientific integrity with practical application, enabling organizations to focus on high-impact areas and avoid unnecessary administrative work.



Figure 1: The Smart Alignment Six-Step Model

Step 1 – High-Level Mapping

Identify potentially eligible activities through desk research and stakeholder workshops.

Output: Shortlist of relevant Taxonomy activities.

Step 2 – Financial Review

Link activities to turnover, CAPEX, and material OPEX to understand financial relevance.

Output: Clear view of what truly matters financially.

Step 3 – Deep Dive

Explore how priority activities work in practice (CAPEX plans, energy use, R&D, initiatives).

Output: Structured input for alignment assessment.

Step 4 – Prioritization Matrix

Combine financial materiality with strategic relevance to define focus areas.

Output: Clear roadmap for deeper assessment.

Step 5 – Data Collection and Integration

Consolidate relevant data into existing reporting systems.

Output: Consistent, auditable dataset.

Step 6 – Output and Decision-Making

Translate findings into dashboards and disclosures that support both compliance and strategy.

Output: One integrated overview for reporting and steering.

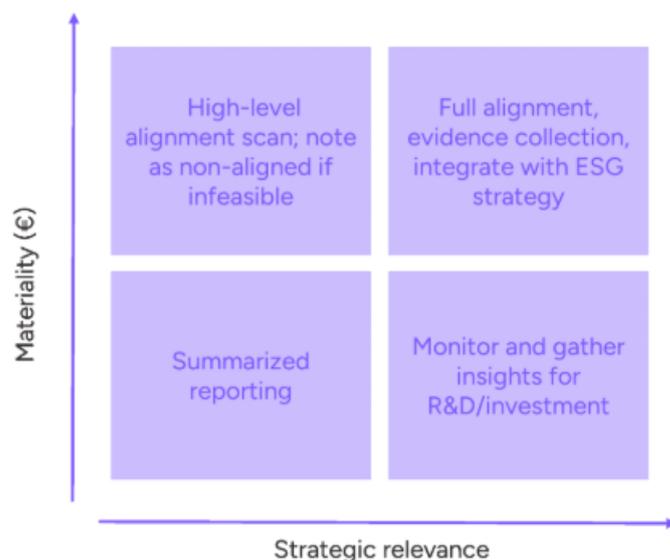


Figure 2: Prioritization Matrix



5. Why You Should Still Care

The recent delays in mandatory reporting don't make the EU Taxonomy irrelevant. On the contrary, it's becoming more important as a market standard.

Even as formal timelines shift, the Taxonomy continues to **influence investors, banks, and regulators**. It shapes access to capital, drives transparency, and helps organizations prepare for other regulations like the CSRD and SFDR.

Early engagement creates tangible benefits:

- **Investor confidence:** Demonstrate credible sustainability alignment.
- **Strategic advantage:** Identify where green investment opportunities lie.
- **Operational clarity:** Build a single source of truth for ESG data.
- **Regulatory readiness:** Stay ahead of future requirements instead of reacting later.

Other regions are following; the UK is revising its framework, and Australia has launched its own taxonomy.

Europe however, remains the leader, and the companies that act now will set the standard.

“Delay does not mean decline, the EU Taxonomy remains the backbone of sustainable finance.”



6. From Reporting to Steering

The EU Taxonomy is here to stay, not as a bureaucratic exercise, but as a foundation for sustainable business strategy. It helps organizations understand where they truly contribute to environmental goals, where risks lie, and how capital can be steered toward positive impact.

This approach enables companies to act efficiently and strategically:

- Start where it matters.
- Use what you already have.
- Integrate sustainability into financial decision-making.
- Turn compliance into clarity.

At *Data For Better*, we help organizations navigate the Taxonomy's complexity and build systems that work, not just for auditors, but for decision-makers.

Together, we make sustainability measurable, manageable, and meaningful.

“The future doesn't demand perfection, it demands direction. The best time to start is now.”



About Data for Better

Data For Better helps organizations turn sustainability ambitions into measurable progress.

We combine data analytics, ESG expertise, and pragmatic strategy to make complex frameworks, like the EU Taxonomy, clear and actionable.

Our work spans sustainability reporting, assurance preparation, and integrated data solutions that connect financial and ESG insights.

We believe better data leads to better decisions — and ultimately, to a better future.



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