17 December 2025

# DRAFT COMMISSION NOTICE

## on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation, as amended by the Omnibus Delegated Act, on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (fourth notice)

*This draft Commission Notice has been approved in principle by the European Commission on 17 December 2025 and will be formally adopted in all the official languages of the European Union later, as soon as all language versions are available. The clarifications provided in this draft Commission Notice are relevant to the extent the amending Delegated Regulation (Omnibus Delegated Act) adopted on 4 July 2025 will not have been subject to objections made by the European Parliament or by the Council and will have been published in the Official Journal of the European Union.*

The Regulation on the establishment of a framework to facilitate sustainable investment ('the Taxonomy Regulation')[1] has created a unified EU classification system for environmentally sustainable economic activities (referred to as 'Taxonomy-aligned activities') and imposed transparency obligations on certain non-financial and financial undertakings with respect to those activities.

## 1. CONTEXT

In July 2021, the Commission adopted a delegated act that specifies the disclosure obligations of undertakings under Article 8 of the Taxonomy Regulation as regards those of their activities that are Taxonomy-eligible and Taxonomy-aligned ('the Disclosures Delegated Act'[2]). That delegated act was amended in June 2023 by the Taxonomy Environmental Delegated Act[3] to ensure the consistency of the disclosure requirements with the Taxonomy Environmental Delegated Act, which introduced technical screening criteria for economic activities contributing to the achievement of the four non-climate environmental objectives.

[1] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13), ELI: http://data.europa.eu/eli/reg/2020/852/oj.

[2] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9), ELI: http://data.europa.eu/eli/reg_del/2021/2178/oj.

[3] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L 2023/2486, 21.11.2023, ELI: http://data.europa.eu/eli/reg_del/2023/2486/oj).



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In July 2025, the Commission adopted a delegated act ('the Omnibus Delegated Act')[4], which amended the Disclosures Delegated Act as well as the Taxonomy Climate[5] and Environmental Delegated Acts. The Omnibus Delegated Act was adopted following the adoption of the Commission's Omnibus I proposal[6], which amended and simplified certain corporate sustainability reporting and due diligence requirements. In particular, this delegated act simplified certain elements of the Disclosures Delegated Act:

- it allows reporting undertakings to focus their Taxonomy reporting on their core activities by introducing a quantitative materiality threshold below which reporting undertakings are not required to assess their Taxonomy-eligibility and Taxonomy-alignment;
- it significantly reduces the reporting templates so that they are now limited to essential information for investors and other users of the reported information;
- it provides increased flexibility for non-financial undertakings in the reporting of the operational expenditure key performance indicator (OpEx KPI);
- it excludes from the calculation of KPIs of financial undertakings, including the Green Asset Ratio (GAR), exposures to undertakings that are not subject to sustainability reporting; and
- it provides for a transitional relief for financial undertakings whereby they are not required to report detailed Taxonomy KPIs but can instead declare in a statement in their management report that they are not claiming that their activities are Taxonomy-aligned.

The Omnibus Delegated Act also simplified certain 'do no significant harm' (DNSH) criteria relating to the use of chemicals in the Taxonomy Climate and Environmental Delegated Acts.

As stated in section 1 of the explanatory memorandum of the Omnibus Delegated Acts, the Commission plans to carry out in due course a systematic and thorough review of the reporting requirements and all the technical screening criteria, in particular of all the DNSH criteria, with the aim of assessing ways to make them simpler, more usable and more aligned with EU legislation.

## 2. PURPOSE OF THE COMMISSION NOTICE

The purpose of this draft notice is to provide interpretation and implementation guidance on the amendments to the Disclosures Delegated Act introduced by the Omnibus Delegated Act in the form of replies to frequently asked questions (FAQs). These FAQs originate from questions raised by the stakeholders subject to the reporting requirements, the Platform on Sustainable Finance, and national and European supervisory authorities.

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[4] Commission Delegated Regulation (EU) C(2025)4568 of 4 July 2025 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 simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives (C(2025) 4568 final, 4.7.2025).

[5] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives(OJ L 442, 9.12.2021, pp. 1–349), ELI: http://data.europa.eu/eli/reg_del/2021/2139/oj.

[6] Proposal for a directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards corporate sustainability reporting and due diligence requirements, Brussels, 26 February 2025, COM(2025) 81 final.



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Through this draft notice, the Commission intends to facilitate stakeholders' compliance with the regulatory requirements in a cost-effective way, to reduce undue reporting burdens, and to ensure the usability and comparability of the reported information with a view to scaling up sustainable finance. The Commission may update these FAQs where appropriate in the future taking into account the planned reviews of the reporting requirements and of the technical screening criteria.

The answers to the FAQs in this draft notice clarify the rules already contained in the applicable legislation. They neither extend the rights and obligations deriving from such legislation nor introduce any additional requirements for the operators and competent authorities. The replies to these FAQs are merely intended to help undertakings implement the relevant legal rules. Only the Court of Justice of the European Union is competent to authoritatively interpret EU law. The views expressed in this draft notice cannot prejudge the position that the Commission might take before EU and national courts.

**Glossary of relevant terms and applicable legislation**

| Term | Reference |
|---|---|
| Accounting Directive | Directive 2013/34/EU[7] |
| Annex I DDA | Annex I to the Disclosures Delegated Act |
| Annex II DDA | Annex II to the Disclosures Delegated Act |
| Annex III DDA | Annex III to the Disclosures Delegated Act |
| Annex IV DDA | Annex IV to the Disclosures Delegated Act |
| Annex V DDA | Annex V to the Disclosures Delegated Act |
| Annex VI DDA | Annex VI to the Disclosures Delegated Act |
| Annex VII DDA | Annex VII to the Disclosures Delegated Act |
| Annex VIII DDA | Annex VIII to the Disclosures Delegated Act |
| Annex IX DDA | Annex IX to the Disclosures Delegated Act |
| Annex X DDA | Annex X to the Disclosures Delegated Act |
| Annex XII DDA | Annex XII to the Disclosures Delegated Act |
| CapEx | Capital expenditure |
| Climate Delegated Act | Commission Delegated Regulation (EU) 2021/2139[8] |
| CSRD | Corporate Sustainability Reporting Directive[9] |

[7] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19), ELI: http://data.europa.eu/eli/dir/2013/34/oj.

[8] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1), ELI: http://data.europa.eu/eli/reg_del/2021/2139/oj.

[9] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15), ELI: http://data.europa.eu/eli/dir/2022/2464/oj.



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|---|---|
| Disclosures Delegated Act (DDA) | Commission Delegated Regulation (EU) 2021/2178[10] |
| DNSH | Do no significant harm |
| Enabling activities | Economic activities referred to in Article 16 of the Taxonomy Regulation |
| EuGB | European Green Bond issued in accordance with Regulation (EU) 2023/2631[11] |
| Environmental Delegated Act | Commission Delegated Regulation (EU) 2023/2486[12] |
| IFRS | International Financial Reporting Standards |
| Key performance indicators (KPIs) | Key performance indicators (KPIs) of non-financial undertakings or financial undertakings referred to in the relevant annex to the Disclosures Delegated Act |
| Omnibus Delegated Act | Delegated Regulation .../... of 4.7.2025 [13] |
| OpEx | Operational expenditure |
| OpEx KPI | The key performance indicator related to operational expenditure referred to in Section 1.1.3 of Annex I DDA |
| Reporting undertaking | An undertaking subject to a reporting obligation in accordance with Article 8(1) of the Taxonomy Regulation |
| Special Purpose Vehicle (SPV) | A legal entity established for a specific financing purpose, such as holding, issuing, or securitising exposures to a company |
| Sustainable Finance Disclosure Regulation (SFDR) | Regulation (EU) 2019/2088[14] |

[10] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9).

[11] Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (OJ L, 2023/2631, 30.11.2023, ELI: http://data.europa.eu/eli/reg/2023/2631/oj).

[12] Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (OJ L, 2023/2486, 21.11.2023, ELI: http://data.europa.eu/eli/reg_del/2023/2486/oj).

[13] Commission Delegated Regulation (EU) …/... of 4 July 2025 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 simplification of certain technical screening criteria for determining whether economic activities cause no significant harm to environmental objectives.

[14] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1). This Regulation is



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|---|---|
| Taxonomy-aligned economic activity | An economic activity as defined in Article 1(2) of the Disclosures Delegated Act |
| Taxonomy-eligible economic activity | An economic activity as defined in Article 1(5) of the Disclosures Delegated Act |
| Taxonomy Regulation | Regulation (EU) 2020/852[15] |

## 3. QUESTIONS ON THE OMNIBUS DELEGATED ACT

### A. General questions

**1. Are undertakings required to apply the reporting rules as amended by the Omnibus Delegated Act for financial year 2025 (i.e. for reports published in 2026)? How should undertakings apply the option to report in 2026 under the Disclosure Delegated Act as applicable until 31 December 2025 (i.e. without the amendments introduced by the Omnibus Delegated Act)?**

Article 4, second subparagraph of the Omnibus Delegated Act states that the Omnibus Delegated Act applies from 1 January 2026.

In principle, an undertaking within the scope of the Disclosures Delegated Act must therefore apply the reporting rules under the Disclosures Delegated Act as amended by the Omnibus Delegated Act when publishing its report covering the 2025 financial year (the report being published in 2026).

However, the third subparagraph of Article 4 provides a transitional option for the reporting undertaking to apply the reporting rules that were applicable until 31 December 2025 (i.e. the reporting rules under the Disclosure Delegated Act in the version that preceded the amendments of the Omnibus Delegated Act) when publishing its report for the 2025 financial year.

In practice, therefore, for the 2025 financial year, reporting undertakings can choose between two options. Firstly, they can apply the version of the reporting rules as amended by the Omnibus Delegated Act and that enter into application as from 1 January 2026. Secondly and alternatively, they can apply the version of the reporting rules that were applicable until 31 December 2025. If the reporting undertaking chooses to apply the reporting rules as applicable until 31 December 2025 (i.e. without the amendments of the Omnibus Delegated Act), it must apply those rules in full. For example, a reporting credit institution must:

- use the more detailed reporting templates set out in Annex VI DDA as applicable until 31 December 2025;
- use the methodology for computing its GAR that was applicable until 31 December 2025 (e.g. exposures to undertakings subject to Articles 19a and 29a of Directive 2013/34/EU (the 'Accounting Directive') should not be excluded from the denominator of the GAR);

subject to review (see proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) and repealing Commission Delegated Regulation (EU) 2022/1288 (COM/2025/841 final). This notice is based on the Regulation (EU) 2019/2088 in force, and it is without prejudice to the outcome of the ongoing review of this Regulation.

[15] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).



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- provide detailed disclosures on nuclear and gas activities in accordance with Annex XII DDA.

Reporting undertakings should include a statement in the contextual information of their sustainability report[16] that specifies which set of reporting rules they applied when reporting on the 2025 financial year.

2. **For publication in 2026, how can a reporting undertaking apply the reporting rules applicable until 31 December 2025 under the third subparagraph of Article 4 of the Omnibus Delegated Act for the 2025 financial year, should it desire to do so, when that financial year does not correspond to the calendar year (e.g. it starts in October 2024 and ends in October 2025)?**

According to Article 8(2) of the Disclosures Delegated Act, undertakings must disclose information covering the annual reporting period from the previous calendar year of the date of disclosure. The annual reporting period covers a given financial year, including when that financial year does not correspond to a calendar year.

The third subparagraph of Article 4 of the Omnibus Delegated Act should therefore, when read in conjunction with Article 8(2) of the Disclosures Delegated Act, be interpreted in such a way as to allow an undertaking to use the rules applicable until 31 December 2025 (i.e. without the amendments of the Omnibus Delegated Act) for publication of its report in 2026 (covering the 2025 financial year when it does not correspond to a calendar year).

3. **If a credit institution applies the option under the third subparagraph of Article 4 of the Omnibus Delegated Act to apply the reporting rules of the Disclosure Delegated Act as applicable until 31 December 2025, should that credit institution disclose the Fees and Commission KPI and the Trading Book KPI?**

Article 10(5) of the Disclosures Delegated Act defers the application date for Sections 1.2.3 and 1.2.4 of Annex V DDA (relating to the Fees and Commission KPI and to the Trading Book KPI) to 1 January 2026. In order to allow sufficient time to review them as part of the broader review of the Disclosures Delegated Act, Article 1(8) of the Omnibus Delegated Act amends Article 10(5) of the Disclosures Delegated Act by postponing the application of reporting requirements related to these KPIs by two years (i.e. from 1 January 2026 to 1 January 2028).

In this context, it would be contrary to the object and purpose of the third subparagraph of Article 4 (read in conjunction with Article 1(8) of the Omnibus Delegated Act) to require the undertaking exercising the option provided by the third subparagraph of Article 4 to report on the Trading Book KPI and on the Fees and Commission KPI for publication in 2026. This means that those KPIs referred to in Sections 1.2.3 and 1.2.4 of Annex V DDA do not need to be reported in 2026, even if the credit institution chooses to apply the reporting rules of the Disclosure Delegated Act that were applicable until 31 December 2025.

4. **How should reporting undertakings apply the requirement to provide comparative data for the 2025 financial year (with publication in 2026) under the reporting rules of the Disclosures Delegated Act applicable as from 1 January 2026?**

In accordance with Article 8(3) of the Disclosures Delegated Act, reporting undertakings should provide comparative data (i.e. publish in the relevant templates the KPIs disclosed in the previous reporting cycle next to the KPIs of the current reporting cycle). An undertaking that applies the reporting rules under the Disclosures Delegated Act (as amended by the

[16] Pursuant to Section 1.2.3 of Annex I DDA, or Annex XI DDA as applicable.



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Omnibus Delegated Act for the publication of their report in 2026) should report in the comparative data cells of the relevant templates the KPIs as reported in 2025 (covering the 2024 financial year). These KPIs had to be calculated in accordance with the reporting requirements of the Disclosures Delegated Act that were applicable before the amendments introduced by the Omnibus Delegated Act.

Since these KPIs were not subject to the same methodology as the KPIs published for the 2025 financial year (e.g. there were different rules on the calculation of the denominator of the KPIs of financial undertakings), reporting undertakings should explain in the contextual information of the Taxonomy disclosure section of the management report that the KPIs had previously been prepared in accordance with the reporting requirements of the Disclosures Delegated Act that were applicable before the amendments introduced by the Omnibus Delegated Act. In addition, in order to compare the KPIs published in 2025 and 2026 more accurately, reporting undertakings may recalculate the KPIs published in 2025 by using the rules applicable as from 1 January 2026 and include those recalculated figures in the contextual information of the Taxonomy disclosure section of the management report.

**5. How should one interpret and apply Article 7(9) of the Disclosures Delegated Act, which allows financial undertakings not to apply the detailed reporting rules laid down in that Act for two years (the 'two-year opt-out')?**

Article 7(9) of the Disclosures Delegated Act, as amended by the Omnibus Delegated Act provides that:

> *'Until 31 December 2027, with the exception of Article 8(2) and this paragraph 9, Articles 2 to 8 shall not apply to financial undertakings that do not claim under Articles 3 and 9 of Regulation (EU) 2020/852 that they have economic activities that are associated with that Regulation, provided that those undertakings disclose the information referred to in Article 8(1) of that Regulation by including in their management report the following statement:'No activities are claimed as being associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of Regulation (EU) 2020/852 (the Taxonomy Regulation).'*

The Omnibus Delegated Act introduces the possibility to opt-out from detailed Taxonomy reporting from 1 January 2026 to 1 January 2028. This two-year opt-out is granted to reporting financial undertakings in order to reduce their reporting costs during the time necessary for the Commission to review the Taxonomy technical screening criteria and the Taxonomy disclosures rules as stated in section 1 of the explanatory memorandum accompanying the Omnibus Delegated Act. This substantive review is planned to be finalised before the end of the two-year opt-out period and is intended to facilitate the implementation of the Taxonomy for channelling financing towards the climate and environmental transition of the real economy, while reducing to a minimum the reporting costs of undertakings.

To prevent greenwashing, in accordance with Article 7(9) of the Disclosures Delegated Act, the two-year opt-out from the disclosure rules is conditional upon the reporting financial undertakings not making any claims through any communication to external stakeholders or to the general public that its activities are associated with Taxonomy-aligned activities. If such a claim is made, then the reporting financial undertaking should disclose the Taxonomy KPIs by using the methodology and templates laid down in the Disclosure Delegated Act.

The following guiding principles concerning the implementation of the two-year opt-out should be considered:



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- Reporting financial undertakings can exercise the opt-out if they buy financial products subject to Taxonomy disclosure[17] or invest in undertakings that disclose Taxonomy KPIs as long as they do not communicate (i.e. do not claim) that they finance or invest in Taxonomy-aligned activities. Similarly, the fact that a loan granted by a credit institution does in fact finance a Taxonomy-aligned activity should not prevent that credit institution from exercising the opt-out provided that the credit institution does not make such a claim.

- Only the claims made during the financial year[18] covered by the sustainability reporting are relevant when assessing whether financial undertakings are permitted to use the two-year opt-out. This means that past disclosures of Taxonomy KPIs[19] with positive Taxonomy-alignment ratios and of any other information related to Taxonomy-alignment covering the 2023 and 2024 financial years should not prevent financial undertakings from exercising the two-year opt-out if they do not make any specific claims in the 2025 financial year.

- Reporting financial undertakings that issue green bonds in 2026 and 2027, or that communicate or claim in 2026 or 2027 that the proceeds from their bonds finance Taxonomy-aligned activities[20] cannot exercise the two-year opt-out. Similarly, financial undertakings that claim that they advised on or facilitated the issuance of Taxonomy-aligned green bonds issued by third parties would not be able to use the two-year opt-out either.

- Reporting financial undertakings that manage or offer financial products that claim positive Taxonomy-alignment ratios under Articles 8 and 9 SFDR, or that provide portfolio or risk management services under delegation with respect to such products cannot exercise the two-year opt-out.

- Other sustainability-related claims that result from the use of frameworks other than the EU Taxonomy should not prevent financial undertakings from using the opt-out even if they apply certain elements of the EU Taxonomy[21].

**6. Can undertakings partially apply the 'opt-out' provision under Article 7(9) of the Disclosures Delegated Act (as amended by Omnibus Delegated Act)? Can undertakings that apply that provision choose to report only some of the KPIs required by the Disclosures Delegated Act but not others?**

[17] For example, if they buy financial products referred to in Articles 8 and 9 of the SFDR subject to Articles 5 and 6 of the Taxonomy Regulation.

[18] The transitional opt-out provided in Article 7(9) of the Disclosures Delegated Act is relevant for the Taxonomy reports published in 2026 and 2027 covering the 2025 and 2026 financial years.

[19] Disclosures under the Disclosures Delegated Act or other frameworks that use the Taxonomy (e.g. Commission Implementing Regulation (EU) 2024/3172).

[20] These include bonds issued under Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds, PE/27/2023/REV/1, *OJ L, 2023/2631, 30.11.2023, ELI: http://data.europa.eu/eli/reg/2023/2631/oj*.

[21] For example. the application by credit institutions of the infrastructure supporting factor under Article 501(a) of Regulation (EU) No 575/2013.



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No, the 'opt-out' under Article 7(9) of the Disclosures Delegated Act, as amended by the Omnibus Delegated Regulation follows an 'all-or-nothing' approach. Partial application is therefore not possible.

Financial undertakings that choose to rely on this provision are fully exempt from the application of the reporting requirements under Articles 2 to 8 of the Disclosures Delegated Act and therefore from disclosing all associated KPIs (including the GAR). Partial reporting of certain KPIs that disclose a positive ratio of Taxonomy-aligned activities would also be incompatible with the conditions for the 'opt-out' laid down in Article 7(9) relating to the absence of any claim by the reporting financial undertaking that its activities are associated with environmentally sustainable economic activities under the Taxonomy Regulation.

## B. Questions pertaining to the materiality approach towards Taxonomy reporting

### 7. Do the revised rules require an undertaking to assess an IFRS 8-reportable segment of activities that comprises several Taxonomy-eligible activities for Taxonomy alignment?

The principle of 'financial materiality' laid down in the Omnibus Delegated Act[22] and explained in its recitals (4) to (6) should be used consistently with the principles set out in the IFRS Accounting Standards and the Accounting Directive. Article 2(16) of the Accounting Directive defines 'material' as *'the status of information where its omission or misstatement could reasonably be expected to influence decisions that users make on the basis of the financial statements of the undertaking. The materiality of individual items shall be assessed in the context of other similar items.'*

IFRS 8 on Operating Segments requires disclosure of information for each reportable 'operating segment' of business activities that meet certain criteria and characteristics[19]. The core principle of IFRS 8 requires an entity to *'disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates'*[23]. In other words, financial information about reportable operating segments is therefore considered material information.

Reporting undertakings should therefore avoid inconsistencies and distortions in their Taxonomy reporting that would result in economic activities being included as a reportable operating segment, and that are therefore considered material when applying the requirements of IFRS 8 (and therefore require the disclosure of separate financial information) and that are also considered to be non-material for the Taxonomy assessment.

For example:

- an undertaking that is active in the energy industry could create a specific reportable operating segment called 'renewable energy', which could contain energy generation from solar (4% of its turnover) and wind (5% of its turnover). If this undertaking considers those activities to be material for financial reporting in accordance with IFRS Accounting Standards, they should not be considered as non-material for Taxonomy reporting;

[22] Article 2(1a) to (1c), Article 3(1a), Article 4(1a) to (1f), Article 5(1a) and (1b), and Article 6(1a) and 1(b) of the Disclosures Delegated Act.
[23] Paragraph 1 of IFRS 8 on Operating Segments.



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- by contrast, if that energy undertaking does not consider business activities of 'renewable energy' to be reportable under IFRS 8 and simply includes them as other business activities that are not reportable [20], then those activities could be considered to be non-material for Taxonomy assessment because they cumulatively do not exceed 10% of its turnover (in accordance with Article 2(1a) of the Disclosures Delegated Act). In such a case, the undertaking would not assess those business activities for its Taxonomy-eligibility and Taxonomy-alignment.

**8. Can the reporting non-financial undertakings omit the Taxonomy-alignment assessment of a subset of an economic activity defined in the Taxonomy delegated acts (e.g. a portion of activity 7.1 Construction of buildings, as defined in Annex I to the Climate Delegated Act)?**

As stated in recital (6) of the Omnibus Delegated Act, undertakings should avoid practices that would distort reporting and contradict the objectives underpinning the Taxonomy Regulation. Explanatory note 8 pertaining to column 14 of Template 1 included in Annex II DDA states that:

> *'for an economic activity considered material with respect to a KPI (turnover, CapEx, or OpEx), undertakings shall assess the Taxonomy-eligibility and alignment of that KPI pertaining to that activity in its entirety and not consider a portion of that KPI pertaining to that activity as non-material. Column (14) shall not include any portion of turnover, CapEx, or OpEx associated with material economic activities.'*

The Commission[24] has published the illustrative example of a construction company that carries out the same construction activity (7.1) in six countries. This activity is material for the company, so the construction company should assess the activity in its entirety and not omit a subset of it (e.g. Taxonomy-non-aligned construction in Country D, which represents 6.7% of the company's turnover). Doing so would result in incorrect Taxonomy-eligibility information (33.3% instead of 40% in column 3 of Template II) and an incorrect ratio of Taxonomy-aligned activities to all Taxonomy-eligible activities (100% instead of 83.3% in column 14 of Template II). Omitting a subset of an economic activity would distort the construction company's Taxonomy reporting as regards this economic activity as well as regards its total taxonomy KPI. It would also potentially mislead the company's investors. Companies should therefore not consider a portion of an economic activity as material and another portion of the same activity as non-material. Splitting up an economic activity and not assessing a portion of a specifically reported economic activity under the Taxonomy Regulation would distort undertakings' disclosures in Template II of Annex II DDA and contradict recital 6 of the Omnibus Delegated Act.

**9. Can non-financial reporting undertakings consider that business activities conducted in a specific geographical area are non-material and omit them from Taxonomy assessment (e.g. all activities conducted in a specific country are non-material because the turnover generated in that country is below 10%)?**

Yes – provided the reporting undertaking has considered that such a treatment would be consistent with:

[24] Illustrative examples and templates – Delegated Act amending the Taxonomy Disclosures, Climate and Environmental Delegated Acts, https://finance.ec.europa.eu/document/download/ba0d4713-d4b4-4668-acd3-4df31358d029_en?filename=250704-taxonomy-delegated-act-examples-template_en.pdf.



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a) their IFRS 8 disclosures (i.e. the business activities in that specific country are not also considered (a part of) a reportable business segment (see Question 7);
b) their Taxonomy reporting on material activities and the requirement not to distort their disclosures in Template II of Annex II DDA (i.e. the reporting undertaking should assess the financially material Taxonomy-eligible activities in their entirety – see Question 8);
c) the requirement to provide information on the economic sector of the non-material activities (see Question 10).

**10. How should undertakings describe sectors related to non-material activities omitted from the Taxonomy assessment for the purpose Annex I DDA?**

Points (d) of Sections 1.2.3.1, 1.2.3.2 and 1.2.3.3 of Annex I DDA require the disclosure of information on the sector of economic activities considered as non-material according to Article 2(1a), 2(1b) and 2(1c) of the Disclosures Delegated Act respectively. They also require an explanation of the absence of materiality for those economic activities. The aim of this disclosure is to help the users of the report understand which sectors the non-material economic activities which are excluded from Taxonomy assessment pertain to, and the justification for this exclusion. Pursuant to recital (6) of the Omnibus Delegated Act the use of the statistical classification of economic activities in the European Union (NACE) is recommended but not mandatory.

In addition, the disclosure of the sectors to which economic activities considered as non-material according to Article 2(1a), 2(1b) and 2(1c) of the Disclosures Delegated Act pertain to should be consistent with the disclosures under paragraph 16 of IFRS 8, which requires reporting undertakings to describe *'the sources of the revenue included in the "all other segments" category'* that are not financially material.

**11. How does the materiality approach introduced by the Omnibus Delegated Act apply to the reporting of the OpEx KPI of non-financial undertakings?**

Article 2(1c) of the Disclosures Delegated Act provides that reporting non-financial undertakings have the option of not assessing Taxonomy-eligibility and alignment for their total OpEx if it is not material for their specific business model. This might, for instance, be the case for certain service activities. In such cases, these undertakings can choose not to report their OpEx KPI (the ratios of Taxonomy-eligible and aligned OpEx). Instead, they only need to provide the total value of their OpEx (i.e. the denominator as defined in Section 1.1.3.1. of Annex I DDA) and an explanation of why their OpEx is not material for their business model. The Disclosures Delegated Act does not prescribe a specific methodology for reporting undertakings on how to determine whether the OpEx is material for their business model. However, they should make this determination consistently with the general principles for financial materiality as defined in the Accounting Directive.

If the OpEx is considered material for the business model of the reporting undertaking, the reporting undertaking should assess whether that OpEx is Taxonomy-eligible or aligned. This assessment is subject to the option of not assessing the Taxonomy-eligibility and alignment of non-material activities up to 10% of the OpEx KPI denominator in accordance with Article 2(1c) of the Disclosures Delegated Act.



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**12. How should reporting financial undertakings apply the 10% materiality threshold for Taxonomy reporting?**

Under the rules revised by the Omnibus Delegated Act[25], financial undertakings subject to sustainability reporting are exempt from assessing the Taxonomy-eligibility and alignment of their financial assets that finance specific economic activities and whose use of proceeds is known ('use of proceeds assets') if their cumulative value is less than 10% of all their use-of-proceeds assets. These non-material assets must be reported separately as 'non-material exposures' in the reporting templates.

However, this flexibility does not apply to financial undertakings' exposures for which the use of proceeds from the borrower or investee is not known (e.g. general-purpose loans or investments in equity). For assessing such exposures, financial undertakings rely directly on the Taxonomy KPIs reported by the entities they invest in or lend to, including the information concerning non-material activities that they report.

**13. If a counterparty considers an asset/activity as not material but the reporting financial undertaking has data about its Taxonomy-alignment, can that financial undertaking include this exposure as Taxonomy-aligned?**

Economic activities can be considered non-material in accordance with Article 2(1a), 2(1b) and 2(1c) of the Disclosures Delegated Act if they cumulatively generate less than 10% of the non-financial undertaking's total turnover, capital expenditure (CapEx) or operational expenditure (OpEx). When economic activities cumulatively fall below this 10% threshold, a reporting non-financial undertaking can choose not to assess whether those activities are Taxonomy-eligible or aligned.

If a non-financial undertaking reports such activities/assets as non-material, the reporting financial undertaking can choose whether to rely on the KPI reported by the counterparty non-financial undertaking (e.g. reporting the assets financing the related activity as non-material as well) or, if the reporting financial undertaking has access to information about the Taxonomy-eligibility and alignment of the related assets, to report them as Taxonomy-aligned.

**14. The revised rules (Article 4(1f) of the Disclosure Delegated Act) allow credit institutions not to report certain KPIs where the *'net turnover generated by the activities covered by those KPIs'* is below 10% of the total turnover of the group. What is meant by *'net turnover generated by the activities covered by those KPIs'* for the purpose of applying these rules?**

*'Net turnover generated by the activities covered by those KPI'*, as referred to in Article 4(1f) of the Disclosures Delegated Act, should be interpreted as the portion of the net turnover of the credit institution generated by activities to which the KPIs listed in Annex V of DDA pertain. The boundary of those activities is delimited by the scope of the denominator of the corresponding KPIs, as defined in Article 7 of the Disclosures Delegated Act. For example, as regards the GAR KPI, this refers to the portion of the net turnover generated by the investments in and exposures to counterparties and assets referred to in Article 7(6) of the Disclosures Delegated Act (i.e. exposures to undertakings subject to CSRD sustainability reporting or belonging to the CSRD group, taxonomy-eligible exposures to retail clients, exposures to local governments, real estate assets or undertakings included on a voluntary basis).

[25] Article 3(1a), Article 4(1a) to (1f), Article 5(1a) and (1b), and Article 6(1a) and 1(b) of the Disclosures Delegated Act.



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## C. Questions pertaining to exposures of reporting financial undertakings to special purpose vehicles (SPVs)

### 15. Are exposures to SPVs, which are included in the denominator as per Article 7(3), also included in the numerator of the KPIs?

The rules revised by the Omnibus Delegated Act clarify that exposures to SPVs that finance undertakings subject to mandatory sustainability reporting under Articles 19a and 29a of the Accounting Directive (or their assets) should be included in both the denominator and the numerator of financial undertakings' KPIs. This rule applies to exposures to SPVs that finance undertakings subject to mandatory Taxonomy reporting at individual or consolidated level. The aim of this approach is to ensure that the KPIs of financial undertakings capture not only direct but also indirect exposures (through SPVs) to undertakings that are subject to mandatory sustainability reporting or that are part of groups whose parent undertaking is subject to mandatory sustainability reporting.

FAQ14 of the Commission notice C/2024/6691 clarifies that a reporting financial undertaking should 'look through' the SPV to calculate the numerator of its KPIs. This can be done by using the KPI of the undertaking subject to mandatory sustainability reporting that the SPV finances (where the SPV is set up for general-purpose financing of that undertaking) or by assessing the assets of the SPV where the SPV is set up to own specific assets (e.g. a wind farm). Exposures to SPVs should be included in templates on the rows corresponding to the type of entity financed through the SPV (i.e. non-financial undertaking, financial undertaking or local government).

### 16. How should the operation of an asset be understood for the purpose of assessing exposures to SPVs? For instance, does the renting of a building constitute the operation of an asset?

The second subparagraph of Article 7(3) of the Disclosures Delegated Act requires exposures to SPVs which own assets that are operated by entities subject to Articles 19a or 29a of the Accounting Directive, to be included in both the denominator and numerator of the KPIs of reporting financial undertakings as exposures with known use of proceeds. An asset operated by entities subject to Article 19a or 29a of the Accounting Directive can be inferred by reference to the SPV's structure and/or purpose. In some cases, the SPV is structured to own a specific asset in order to ensure that the asset is, for example, protected from a bankruptcy of the operator of the asset (e.g. renewable energy projects are owned by the SPV and operated by the energy company subject to Article 19a or 29a of the Accounting Directive).

In accordance with the third subparagraph of Article 7(3) of the Disclosures Delegated Act, a reporting financial undertaking that knows that the proceeds from its financing are used for a specific asset owned by a SPV may voluntarily include such exposures in the denominator of its KPIs in cases where the entity operating the asset is not subject to Articles 19a or 29a of the Accounting Directive (e.g. renewable energy projects are owned by the SPV and operated by the energy company not subject to Articles 19a or 29a of the Accounting Directive).

Investments in or exposures to a SPV that owns a building should be considered as investments in or exposures to real estate assets under Article 7(6)(e) of the Disclosures Delegated Act. They should also be included in the denominator of the KPI regardless of whether the building is rented out to retail clients or entities subject (or not subject) to Articles 19a or 29a of the Accounting Directive or is rented out by an entity subject (or not subject) to Articles 19a or 29a of the Accounting Directive.

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**17. Does the treatment described in the replies to Questions 15 and 16 also apply to third-country SPVs if they are financing either counterparties subject to Articles 19a or 29a of the Accounting Directive or assets operated by such counterparties?**

Yes, third-country SPVs are covered if they finance either counterparties subject to Articles 19a or 29a of the Accounting Directive or assets operated by such counterparties.

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