

# Taxonomy Reporting Following EU Omnibus Review

23 February 2026

This In Depth summarises the key changes made to reporting under the European Union's Taxonomy Regulation (the "Taxonomy") in light of the European Commission's Simplification Omnibus package, first published in February 2025.

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## Overview of the Taxonomy

The Taxonomy is a classification system for activities considered by the European Union to be environmentally sustainable. An activity is "Taxonomy eligible" where it is listed in either of the Taxonomy's Climate or Environment Delegated Acts, covering six environmental objectives.<sup>1</sup> An activity is "Taxonomy aligned" and considered environmentally sustainable, when it also meets the detailed screening criteria contained in the Delegated Acts for the relevant activity. This includes criteria to determine that the activity makes a substantial contribution to an environmental objective, does no significant harm ("DNSH") to any other objective and meets certain minimum safeguards on human rights, by reference to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

EU companies in scope of the Corporate Sustainability Reporting Directive ("CSRD") include information on the Taxonomy eligibility and alignment of their turnover, CapEx and OpEx, as key performance indicators ("KPIs"). EU "financial undertakings" in scope of CSRD, such as asset managers and credit institutions, must report information on the Taxonomy eligibility and alignment of their portfolios or borrowers. The rules and templates for Taxonomy reporting are set out in the separate "Disclosures Delegated Act" to the Taxonomy. Non-EU companies which may indirectly come into scope of

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<sup>1</sup> The Climate Delegated Act contains criteria for the two objectives of climate change mitigation and climate change adaptation, whilst the Environment Delegated Act contains criteria for the four objectives of pollution prevention and control, transition to a circular economy, sustainable use and protection of water and marine resources, and protection and restoration of biodiversity and ecosystems.

CSRD for their 2028 financial years are not subject to Taxonomy reporting requirements.

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## Overview of Changes to Taxonomy Reporting

The changes to Taxonomy reporting are contained in a new Delegated Act (the “Amending Delegated Act”), which makes changes to the current three Taxonomy Delegated Acts.<sup>2</sup> The Amending Delegated Act ([link](#)) was published in the Official Journal of the European Union on 8 January 2026, with the changes applying retrospectively from 1 January 2026. The Commission also published in December 2025 corresponding draft [FAQs](#) (to be formally adopted shortly) on how to interpret the Amending Delegated Act. This confirms that, for reports published in 2026 for financial years that start or end in 2025, companies can choose whether to apply the original or updated rules.

### Materiality Threshold

A key change is the introduction of a materiality threshold when calculating the proportion of a company’s KPIs which qualify as Taxonomy eligible or aligned. “Non-financial” undertakings which report under the Taxonomy are no longer required to screen and report Taxonomy eligibility and alignment of their KPIs for their activities which are not “financially material” to their business, which is when these activities represent less than 10% of the company’s total revenue or CapEx—the denominator for the calculation. Under these changes, non-financial undertakings will identify the items of revenue or CapEx which may be Taxonomy eligible (such as expenditure on energy efficient building renovation or electric vehicles) and treat these as non-material if the sum is less than 10% of the total.

For OpEx, non-financial undertakings can choose not to report Taxonomy eligibility and alignment when they deem it not material to their business model and instead give the total value of the non-material OpEx and explain why they consider it to be non-material. The draft FAQs state that there is no methodology for companies to determine whether OpEx is material but that companies should assess this in a manner consistent with the general principles of financial materiality under the Accounting Directive.

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<sup>2</sup> Under its original proposals, the Commission had also proposed making Taxonomy reporting mandatory only for companies in scope of CSRD with net turnover over €450 million, with the remaining companies in scope being allowed to (i) report optionally and (ii) report “partial” Taxonomy alignment through reporting alignment with only some, rather than all, of the technical screening criteria for a given activity. These proposals were removed from the final version of the Omnibus Amending Directive, which was adopted by the European Parliament in December 2025, given the Directive removed EU companies with net turnover below €450 million from CSRD’s scope entirely.

Where a company does consider OpEx material to its business model, it should assess whether that OpEx is Taxonomy eligible or aligned, although it may choose not to assess this where it comprises less than 10% of total OpEx.

Non-financial undertakings which do not report Taxonomy information under a materiality threshold must give information on the sector of economic activities considered non-material and explain why those activities are not considered material. Non-financial undertakings which rely on this exemption must also report the total calculated turnover, CapEx and OpEx related to activities assessed as non-material. The Commission guidance indicates that any decision not to report non-material Taxonomy information must be consistent with IFRS reporting, in particular the principle that companies report on all material “operating segments” of their business.

Financial undertakings, such as asset managers, are relieved from assessing the Taxonomy eligibility and alignment of their financial assets which finance economic activities with “known use of proceeds” if their cumulative value is less than 10% of the undertaking’s total known use-of-proceeds assets. Known-use-of-proceeds assets include loans, debt securities and equity instruments where the proceeds of the loan or investment have conditions as to the use of proceeds—in particular green bonds, which are debt instruments linked to funding Taxonomy-aligned activities. Asset managers will review their use of proceeds financing and may choose not to assess Taxonomy-eligible or -aligned assets under management where these form less than 10% of their known-use-of-proceeds financing. Financial undertakings must also report separately on the proportion of non-material assets to which the materiality threshold applies.

For financial assets which finance economic activities where use of proceeds is unknown, such as general-purpose loans or equity investments, financial undertakings will continue to rely, for the purpose of their Taxonomy reporting, on the Taxonomy KPIs reported by their investee companies if those companies are required to publish Taxonomy KPIs as in scope of the CSRD.

### **Simplifications to Reporting Templates**

The Amending Delegated Act substantially reduces the data points in the reporting templates in the Disclosures Delegated Act. The reporting fields for non-financial undertakings have been reduced by 64%, while those for financial undertakings have been reduced by 89%, for example by removing requirements to report detailed information on non-Taxonomy-aligned activities and separate information on the DNSH and minimum-safeguard tests. The separate template for reporting on activities in the fossil gas and nuclear sectors has also been removed entirely.

## Transition Period for Financial Undertakings

Where a financial undertaking does not claim that its activities are Taxonomy aligned, it can now opt out from Taxonomy reporting altogether for a two-year period until 31 December 2027. This is relevant for Taxonomy reports published in 2026 and 2027 that cover the 2025 and 2026 financial years. Financial undertakings must refer to their use of this opt-out in their management report. This reflects the Commission's wider ongoing review of the Taxonomy technical screening criteria, which the Commission aims to finalise before the end of 2027. The draft Commission FAQs make clear that this opt-out is an "all or nothing" approach—meaning companies cannot choose to report on certain Taxonomy KPIs—and is only available for financial undertakings which do not make claims, during the relevant financial year, through any communications to stakeholders or to the general public that their activities are associated with Taxonomy-aligned activities. On this basis, the opt-out is not available for any asset manager which has committed to Taxonomy alignment in its fund disclosures under the Sustainable Finance Disclosure Regulation or any financial undertakings which issues green bonds. Companies which use the opt-out may buy products or invest in entities which report under the Taxonomy, provided they do not claim to finance or invest in Taxonomy-aligned activities.

## Other Reporting Changes for Financial Undertakings

The Amending Delegated Act makes further changes to simplify Taxonomy reporting for financial undertakings. Financial undertakings can now exclude from the denominator of their KPIs derivatives, cash, cash equivalents and commodities, as well as exposures to companies that are not required to produce Taxonomy reporting under CSRD. As a result, companies' reported proportion of Taxonomy alignment is likely to increase.

Under the new rules, financial undertakings must distinguish in their reports between various categories of exposure, including exposures to counterparties which are themselves financial undertakings and exposures and investments which finance non-material economic activities of their counterparties that are non-financial undertakings.

The new rules also ensure that KPIs of financial undertakings capture indirect exposures to undertakings subject to mandatory sustainability reporting under CSRD or which are part of groups subject to mandatory sustainability reporting. The FAQs confirm that financial undertakings' exposures to SPVs which are used to finance companies subject to CSRD (or their assets) should be included in both the denominator and numerator of the financial undertaking's KPIs, with financial undertakings "looking through" to an SPV's underlying assets when reporting Taxonomy eligibility and alignment.

Please do not hesitate to contact us with any questions.



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