EU Taxonomy Simplification: Delegated Act under "Omnibus I" Package

Executive Briefing , July 2025

Produced by: GJ

Agenda

Context & Purpose

Background and objectives of the Delegated Act

Key Regulatory Changes

Major modifications to reporting requirements

Business Implications

Strategic impact across different business areas

Strategic Recommendations

Action steps for effective implementation

Context & Purpose

The European Commission has adopted a Delegated Act under the "Omnibus I" package to streamline EU Taxonomy reporting requirements for both financial and non-financial undertakings.

This follows prolonged feedback on the complexity, cost, and disproportionate burden of compliance with existing requirements.

Implementation Timeline

1. ***July 2025***

   Delegated Act adoption by European Commission

2. ***Q4 2025***

   4-6 month scrutiny period by European Parliament and Council

3. ***January 1, 2026***

   Measures apply for FY2025 reporting (due in 2026)

4. ***Optional***

   Deferral to FY2026 reporting (due in 2027)

Key Regulatory Changes

The Delegated Act introduces four major simplifications to EU Taxonomy reporting:

1. Materiality-Based Exemptions

Companies do not need to assess Taxonomy eligibility or alignment for economic activities deemed financially non-material, defined as:

- Less than 10% of Revenue
- Less than 10% of CapEx
- Less than 10% of OpEx

Non-financial companies may exclude entire OpEx from alignment assessment if it is non-material to their business model.

2. Reporting Exemptions for Financial Institutions

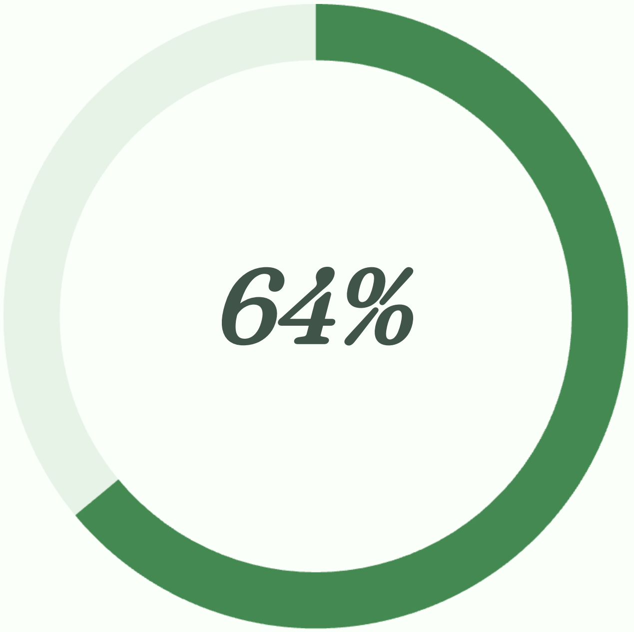
Simplified GAR Methodology

Banks benefit from simplified Green Asset Ratio (GAR) methodology, reducing complexity in calculations and reporting.

Two-Year KPI Reporting Deferral

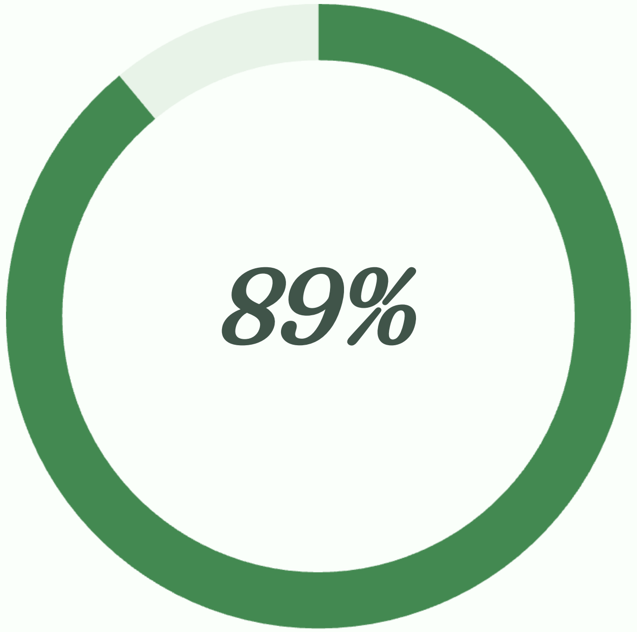
No requirement to disclose detailed Taxonomy KPIs until 2028, providing financial institutions additional time to prepare systems and processes.

3. Reduction in Reporting Burden



Non-Financial Firms

Reduction in required data points for non-financial companies



Financial Firms

Reduction in data disclosure obligations for financial institutions

These significant reductions aim to address the disproportionate compliance burden while maintaining essential transparency.

4. Simplified "Do No Significant Harm" Criteria

Environmental screening tests have been streamlined in key areas:

- Pollution control requirements simplified
- Chemical use criteria rationalized

These changes are intended to reduce interpretative complexity and audit burden while maintaining environmental safeguards.

Business Implications Overview

The Delegated Act will have varying impacts across different business areas:

Area	Implication
Compliance Cost	Substantial short-term relief, especially for SMEs and groups with fragmented operations
Investor Confidence	Risk of diluted transparency; investors may face weaker comparability of sustainability metrics
Risk Management	Companies may be exposed if opting out of alignment assessments without parallel internal safeguards
Regulatory Dynamics	Signals a broader deregulatory shift within the EU Green Deal architecture
Operational Planning	Companies with borderline non-material activities should reassess internal classification

Compliance Cost Impact

Substantial Short-Term Relief

The simplified requirements provide significant cost reduction, particularly beneficial for:

- Small and Medium Enterprises (SMEs)
- Corporate groups with fragmented operations
- Companies with limited sustainability reporting infrastructure

Investor Confidence Considerations

Reduced Transparency

Simplified reporting may result in less detailed sustainability disclosures

Weaker Comparability

Investors may struggle to compare sustainability metrics across companies

Investment Decisions

May impact ESG-focused investment strategies and portfolio allocations

Risk Management Implications

Companies opting out of alignment assessments may face increased exposure if they don't implement parallel internal safeguards.

Key risk areas include:

- Environmental compliance gaps
- Reputational damage from reduced transparency
- Investor scrutiny of exemption usage

Regulatory Dynamics Shift

Deregulatory Signal

The simplifications indicate a broader deregulatory shift within the EU Green Deal architecture

Climate Ambition Impact

Long-term climate ambition potentially softened through reduced reporting requirements

Policy Direction

May signal a recalibration of the balance between regulatory burden and environmental objectives

Operational Planning Considerations

Borderline Activities Review

Companies with activities near the 10% materiality threshold should:

- Reassess internal classification methodologies
- Review disclosure strategy for borderline activities
- Consider potential fluctuations that might cross thresholds

Strategic Recommendations

Four key actions to effectively respond to the EU Taxonomy simplifications:

1. Conduct Materiality Screening

Identify Activities

Map all economic activities across the organization

Apply 10% Rule

Identify activities below the 10% materiality threshold

Calculate Thresholds

Determine percentage of Revenue, CapEx, and OpEx for each activity

Document Decisions

Create clear records of exemption eligibility determinations

2. Review Financial Reporting Frameworks

For Financial Firms

Take advantage of the simplified requirements by:

- Reviewing internal GAR reporting frameworks
- Considering how deferral options align with investor expectations
- Balancing simplified compliance with transparency demands

3. Prepare Parallel Reporting Pathways

Simplified Compliance

Reporting pathway aligned with new streamlined requirements

Full Disclosure

Comprehensive reporting aligned with complete Taxonomy disclosure

Strategic Positioning

Determine optimal transparency level for competitive advantage

Gap Analysis

Identify differences between simplified and full reporting

4. Monitor Regulatory Developments

Remain alert to EP/Council scrutiny outcomes and potential revisions before Q4 2025.

Official Reference:

EU Commission Press Release - July 4, 2025https://ec.europa.eu/commission/presscorner/detail/en/ip_25_1724