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Regulatory Update

EU Publishes FAQs on Taxonomy Reporting

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The EU has streamlined Taxonomy reporting through the adoption of a delegated act on the simplification of the content and presentation of information to be disclosed in relation to environmentally sustainable activities. The changes apply from 1 January 2026 and were published in the Official Journal of the EU on 8 January 2026. On 17 December 2025, the European Commission published draft FAQs addressing the amendments introduced to Taxonomy reporting requirements.

The draft FAQs provide helpful clarification on a number of practical reporting issues, including the templates that may be used for the 2025 financial year, the scope and operation of the two-year opt-out from detailed Taxonomy reporting for financial undertakings, the application of materiality and the treatment of exposures to special purpose vehicles (SPVs). Notably, the Commission confirms that banks are not required to disclose the Fees and Commission KPI or the Trading Book KPI for the 2025 financial year, even where historic reporting templates are used.

Reporting for the 2025 Financial Year

For the 2025 financial year, reporting undertakings may choose between:

- Applying the reporting rules as amended by the Omnibus Delegated Act (which apply from 1 January 2026); or
- Continuing to apply the rules in force up to 31 December 2025, in which case those rules must be applied in full.

The FAQs confirm that, even where financial years do not align with the calendar year, both options remain available until 31 December 2025 for reports published in 2026. Reporting undertakings should clearly state in the contextual information of their sustainability report which set of rules has been applied.

Where a bank applies the pre-31 December 2025 rules, it is not required to disclose the Trading Book KPI or the Fees and Commission KPI for publication in 2026. Where 2026 reporting is prepared under the new rules, any differences in methodology used for 2025 comparative figures should be explained in the contextual information to the Taxonomy disclosure section of the management report. Entities may also choose to recalculate 2025 data to improve comparability.

Two-Year Opt-Out From Detailed Taxonomy Reporting for Financial Undertakings

The Omnibus Delegated Act introduces a temporary, “all-or-nothing” (partial application is prohibited) two-year opt-out from detailed Taxonomy reporting, available from 1 January 2026 to 1 January 2028 for financial undertakings, including asset managers, credit institutions, investment firms, and insurance and reinsurance undertakings. The opt-out is intended to reduce reporting costs while the Commission reviews the Taxonomy technical screening criteria and disclosure framework.

The opt-out is subject to strict antigreenwashing conditions. Under Article 7(9) of the Disclosures Delegated Act, it is only available where a reporting financial undertaking does not make any claims, in communications to external stakeholders or the public, that its activities are Taxonomy-aligned. Where such claims are made, full Taxonomy KPI reporting applies and the opt out is not available.

The Commission clarifies in particular that:

- The restriction relates to claims of Taxonomy alignment and does not restrict the ability to undertake Taxonomy-aligned activities.
- Claims made in previous financial years are not relevant.
- The opt-out is not available to undertakings that:
    - Issue green bonds in 2026 or 2027, claim that bond proceeds finance Taxonomy-aligned activities, or claim to have advised on or facilitated the issuance of Taxonomy-aligned green bonds; or
    - Manage or offer Article 8 or 9 SFDR products claiming positive Taxonomy alignment, or provide delegated portfolio or risk management services to such products.

By contrast, sustainability claims made under frameworks other than the EU Taxonomy do not, on their own, prevent use of the opt-out, even where elements of the EU Taxonomy are referenced.

Materiality

Under IFRS 8, a company must disclose certain financial information about material operating segments, for example revenue and segment profit and loss. However, a segment only becomes reportable where it meets materiality thresholds. The Commission emphasises the need for consistency between materiality assessments under IFRS 8 and for Taxonomy reporting. Where a reportable operating segment is material under IFRS 8, the underlying business activities within that segment should not be treated as nonmaterial for Taxonomy purposes, even if they would be nonmaterial when considered individually.

The FAQs also confirm that entities cannot omit the Taxonomy alignment assessment for a subset of the same economic activity. For example, where a construction company carries out the same activity across multiple jurisdictions, it cannot treat that activity as material in some countries and nonmaterial in others based solely on relative turnover. However, activities conducted in a specific geographical area may be treated as nonmaterial where this is consistent with IFRS 8 disclosures, the overall Taxonomy reporting on material activities and the requirement to disclose information on the economic sector of nonmaterial activities.

SPVs

The Omnibus Delegated Act clarifies that financial undertakings must capture both their direct and indirect exposures. Exposures to SPVs financing undertakings subject to mandatory sustainability reporting under the Corporate Sustainability Reporting Directive (CSRD) must include these exposures in their numerator and denominator of the financial undertakings KPIs. This rule applies for exposures to SPVs for financial undertakings at both the individual and consolidated level.

The Commission explains that reporting entities should “look through” the SPV when calculating KPIs, using either the financed undertaking’s KPI (for general-purpose financing SPVs) or an assessment of the SPV’s underlying assets (for asset-holding SPVs). Exposures should be reported in the template rows corresponding to the type of entity financed through the SPV.

Where a reporting financial undertaking knows that its financing is used for a specific asset owned by an SPV, it may voluntarily include the exposure in the KPI denominator even where the asset operator is not subject to the CSRD. Investments in SPVs that own buildings are treated as exposures to real estate and must be included in the KPI denominator, regardless of who operates or rents the building.

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