



14 April 2026

Mr Didier Millerot, DG FISMA
European Commission
Rue de la Loi 200
1049 Brussels

Subject: PwC response letter to proposed amendments to the Climate Delegated Act ((EU)2021/2139) and the Environmental Delegated Act ((EU) 2023/2486), (together referred to as ‘Taxonomy Delegated Acts’)

Dear Mr Millerot,

PwC International Limited (PwC)¹, on behalf of the PwC network, appreciates the opportunity to provide feedback to the European Commission’s proposed amendments to the Taxonomy Delegated Acts supporting the Taxonomy Regulation. We commend the Commission’s continued effort to simplify the Taxonomy assessment and disclosures to improve the usability of the disclosures for preparers and users. We particularly welcome the focus on the ‘do no significant harm’ criteria. We have observed in practice that for many entities, it is very challenging to gather and document the evidence required to demonstrate compliance. We appreciate the extent of proposed changes to the Climate Delegated Act and the Environmental Delegated Act to achieve the Commission’s objectives.

In this context, we are providing our views on the proposed amendments and highlighting additional areas of interest as the Commission works to finalise the amendments to the Taxonomy Delegated Acts. In addition, we address several concerns with existing guidance irrespective of the proposed amendments. We believe it would be helpful for the Commission to use this opportunity to address these additional matters in furtherance of the objective to improve clarity and reduce the burden of compliance. Considering the volume of the proposed amendments and the narrow window provided for feedback, our list of issues and examples is representative but not exhaustive.

Our letter addresses the following recommendations:

- Allow preparers sufficient time to transition
- Clarify expectations with respect to comparative information

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- Limit the use of undefined terms
- Clarify the intended impact of the changes and manage complexity
- Address activities with broad eligibility but narrow alignment
- Clarify whether references to EU legislation and external standards are static or dynamic
- Establish the boundaries of economic activities (defining the 'unit of account' on a principle basis)

We describe these concerns in the following sections and provide additional technical details in the referenced appendices.

Allow preparers sufficient time to transition

We appreciate the Commission's timetable to finalise the amendments to the Taxonomy Delegated Act in the second quarter of 2026, which would allow an extended scrutiny period before the end of 2026. We are concerned, however, that requiring mandatory application of the amended descriptions and criteria for financial years beginning 1 January 2026 may not be practicable for most preparers. Due to the potential length of the required scrutiny period by the European Parliament and Council of the European Union, the current timeline could yield uncertainty about the entry into force until late in 2026. Consequently, preparers may be hesitant to enact the significant changes in reporting processes, data collection measures, internal controls and IT systems that will be necessary as a result of the volume and significance of the proposed amendments.

We agree that the proposed changes can lead to simplification overall, but preparers will nonetheless need time to adjust their processes and systems, prepare and verify their disclosures, and compile the related documentation for assurance. We recommend that at a minimum, the Commission mirrors the approach taken by the Omnibus Delegated Act and permit preparers to choose between the current version and the amended version for the 2026 reporting period. We believe that the adequacy of the transition period is best addressed by preparers, but we are aware that in some cases, even application for 2027 may be impracticable given the need to be able to collect certain data beginning 1 January 2027. It may also be advantageous to align the adoption date with the expected amendments to the Disclosures Delegate Act. We recommend that the Commission considers the input of preparers on matters related to transition, including whether the amended technical screening criteria should be similarly optional for the 2027 reporting period.

Clarify expectations with respect to comparative information

We recommend that the Commission specifies that comparative KPIs and contextual information is not necessary in the first report applying the new criteria. A requirement to provide adjusted quantitative and qualitative disclosures is effectively a requirement for retroactive application of the amended criteria. This seems inconsistent with the intent to simplify application and reduce reporting burden. We recommend that entities instead be required to provide contextual information to describe the significant impacts of the new criteria on the current period's report.

Limit the use of undefined terms

We understand that the Taxonomy framework covers subject matters across the six environmental objectives that are inherently complex and multifaceted, and that each matter exhibits varying degrees of maturity regarding science-based criteria. Notwithstanding this, we recommend that the use of indeterminate concepts be avoided. This is particularly pertinent in technical screening criteria, where it is critical that criteria are clearly defined or accompanied by adequate substantive guidance to make an appropriate assessment of eligibility and alignment. A lack of clarity gives rise to diversity in practice across jurisdictions and sectors and creates significant legal uncertainty in how these terms should be interpreted. In our experience, the inclusion of indeterminate terms in the current Climate and the Environmental Delegated Acts is challenging and adds to complexity and the reporting burden. We provide representative examples, both affected and not affected by the proposed amendments, in Appendix 1.

Clarify the intended impact of the changes and manage complexity

We generally support the changes proposed to the generic DNSH criteria (Appendices A through E), which are in line with the Commission's objectives to simplify application and make it easier to evidence meeting the DNSH criteria by enhancing the alignment of the criteria with EU legislation. We have, however, identified two instances where it would be helpful for the Commission to provide additional guidance to ensure consistent application in practice. See examples in Appendix 2. We further note that the DNSH criteria still introduce requirements that may go beyond legal requirements.

Address activities with broad eligibility but narrow alignment

Some environmental objectives, particularly the Transition to a Circular Economy and Protection and Restoration of Biodiversity and Ecosystems, include activity descriptions that are significantly broader than others. In contrast, the activity descriptions under Climate Change Mitigation tend to be more narrowly defined, with the proposed amendments serving to limit eligibility even further (for example, the proposed amendments to activities CCM 3.6 and CCM 4.14).

Broad activity descriptions lead to a high volume of diverse activities being considered eligible. But because of the difficulty in applying the technical screening criteria consistently and effectively across a diverse set of activities, very few activities tend to qualify as aligned. In some cases, this is due to technical screening criteria that are not relevant or appropriate for the nature of the activity performed, making it difficult for eligible activities to be taxonomy aligned. This can be misinterpreted by users as a lack of sustainability effort rather than a structural gap between eligibility and alignment that varies significantly across environmental objectives.

We are concerned that systemic differences in the KPIs driven by difference in the nature of the activity description among environmental objectives may impair the intended use of the Taxonomy to foster investment in sustainable activities, business models, and companies. In essence, while eligibility is not intended as an indicator of environmental sustainability, it is widely understood as a signal of an activity's relevance to an environmental objective. Where the scope of eligibility varies significantly across objectives—narrow under Climate

Change Mitigation, broad under Circular Economy and Biodiversity—the messaging to users loses its consistency and comparability, diminishing its informational value. As a pragmatic mitigation step, scope-outs from existing EU legislation (e.g., Article 2 of the WEEE/RoHS Directives) could be used to narrow eligibility for activities like CE 1.2, consistent with the approach already taken for Appendix C. See examples in Appendix 3.

Clarify whether references to EU legislation and external standards are static or dynamic

The EU Taxonomy relies extensively on EU legislation and external standards to establish the technical screening criteria. Over the years since the enactment of the EU Taxonomy, we have observed practical challenges when the EU legislation, standards, or guidance referenced in the Climate or the Environmental Delegated Acts (or the Taxonomy Regulation) are amended. It is often unclear whether the technical screening criteria should refer to the version in force at the time of the delegated act's adoption (static reference) or automatically incorporate subsequent amendments (dynamic reference). This distinction has significant practical implications for preparers and auditors assessing compliance and should be clarified as a general principle, ideally in the delegated acts themselves. This had been a challenge across the framework, as well as with respect to the OECD Guidelines referenced in the minimum safeguards.

While the current amendments present an opportunity to update references to reflect current scientific standards, we note that the proposed amended Appendix A continues to refer to Representative Concentration Pathways (RCPs) from the IPCC's Fifth Assessment Report, whereas the IPCC's Sixth Assessment Report (AR6) has transitioned to Shared Socioeconomic Pathways (SSPs) as the primary scenario framework. We recommend that the Commission updates this reference consistent with Commission FAQ 166 from Commission Notice C/2023/267 on the Climate Delegated Act.

Establish the boundaries of economic activities (defining the unit of account on a principle basis)

Many technical screening criteria are assessed at the level of an economic activity, but the Taxonomy Delegated Acts do not establish a principle-based definition of the activity's boundary. Depending on the specific criterion, it can be unclear whether the assessment is to be performed at the level of the entity, the site, the individual asset, or the individual product. For example, for economic activity CCM 7.1 *Construction of new buildings*, it is unclear whether the physical climate risk assessment under Appendix A is to be performed (a) at the level of the construction company's general operations, (b) individually per ongoing construction site, or (c) including finished buildings handed over to clients. FAQ 130 from Commission Notice C/2025/1373 refers to the construction sector but does not provide clarity on this question. We note that the proposed amendments eliminate references to Appendix A for certain transport activities and individual building measures, which is an effective relief—but this piecemeal approach does not address the underlying principle. A principle-based framework for defining the boundary of an economic activity would increase certainty and consistency across reporters, particularly for service-oriented and professional activities performed at customer-determined locations.

A related but distinct challenge concerns the unit of account for the KPI assessment—in particular, the allocation of turnover to eligible activities. Based on previous Commission Notices, financial reporting principles applied to determine the assessed revenue also apply to the Taxonomy assessment, and turnover is only allocated to turnover-generating activities. FAQs 79 and 80 from Commission Notice C/2025/1373, however, appear to depart from these principles by indicating that individual components qualify under CE 1.2 even though they are not explicitly covered by the activity description, and that revenue should be assessed at the level of individual parts within a bundled performance obligation. Under IFRS 15, *Revenue from Contracts with Customers*, revenue in a contract with a counterparty for the sale of several goods and services is treated as one unit of account if it is considered one performance obligation. Applying specific criteria in IFRS 15, it is possible to bundle several contractual promises (obligations) together to constitute one performance obligation. The contractual revenue is then recognised upon completion of a combined performance obligation even when it contains more than one element of goods or services (an example is the delivery of a turn key building, which constitutes the completion of numerous goods and services). It would be contradictory to how an entity manages its business, and the underlying accounting systems, for the entity to bifurcate that revenue stream and allocate it to more than one activity or to an activity to which the bundled performance obligation does not apply. We recommend that the Commission incorporates a principle-based unit-of-account concept directly into the Taxonomy Delegated Acts, clarifying on what basis the boundary of an economic activity should be determined for the purpose of the KPI assessment in line with financial accounting, which serves as the basis for the KPI denominators.

Concluding remarks

Overall, we appreciate the direction the Commission has taken. Aligning DNSH criteria with EU legislation should facilitate both application of the criteria and proof of compliance. We note, however, that adoption by preparers would be more efficient if the EU was to provide a version of the Climate and Environmental Delegated Acts marked for changes, which would enable preparers to more easily identify if the amendments impact their specific activities. This could perhaps be published in conjunction with the “Compass” to facilitate application.

We also appreciate that selected FAQs are now being implemented into the delegated acts. This step is important to increase legal certainty and to improve consistency between legal texts and intended application and interpretation in practice. Due to the high number of FAQs, a comprehensive review of the Commission notices would nonetheless be necessary; with the number and granularity of amendments proposed, assessing whether a FAQ is wholly or partially superseded by a change in a delegated act would be challenging.

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We welcome the opportunity to provide feedback and commend the Commission for the important steps taken toward a simpler and more cost-effective EU Taxonomy framework. In this letter, we have sought to highlight areas where, in our view, targeted refinements could further amplify the positive impact of the proposed amendments. We remain at the

Commission's disposal for any follow-up discussions or clarifications and would welcome the opportunity to engage further. Please do not hesitate to contact me (eric.clarke@pwc.com), Olivier Scherer (olivier.scherer@pwc.com), Kees-Jan de Vries (kees-jan.de.vries@pwc.com) or Mikael Scheja (mikael.scheja@pwc.com) should you wish to discuss any of the points raised.

Yours sincerely,

A handwritten signature in black ink that reads "Eric Clarke". The signature is written in a cursive style with a large, stylized "E" and "C".

Eric Clarke
Global Chief Accountant and Head of Reporting

Copy to: Mr. Sven Gentner, DG FISMA

Appendix 1 – Limit the use of undefined legal terms

Example 1 (amended): “enable the low GHG-emission performance of economic activities”

In our experience, preparers have found it challenging to apply economic activity CCM 3.6, *Manufacture of other low carbon technologies*, for eligibility and alignment. Beyond the vague reference in the activity description to “technologies aimed at” emission reductions, the assessment of whether the activity is enabling the low GHG-emission performance of other activities leads to significant uncertainty in practice. The low greenhouse gas (GHG) emission performance of the applicable activities needs to be calculated using a Life Cycle Assessment (LCA) or similar assessment and verified by an independent third party. We note, however, that the assessment of whether a technology, product, or key component directly enables ‘substantial’ emission savings is a qualitative assessment that is highly judgemental. We acknowledge the explicit addition of key components as this allows different actors within a value chain to claim credit for the GHG emission savings, but providing conclusive proof regarding which technology or product or key component is the precise enabling factor seems unnecessarily difficult.

Example 2 (existing and amended): “essential for delivering and improving the environmental performance”

Proposed economic activity CCM 3.18, *Manufacture of automotive and mobility components, rail rolling stock constituents as well as waterborne parts and equipment* includes a complex and difficult to understand description that is interpreted very differently by various companies in practice due to unclear references such as “constructed for use only” and “meeting the criteria set out in this Section”. The most significant issue with the activity, however, is the reference in the description and the substantial contribution criterion to being “essential for delivering and improving the environmental performance of the vehicle”. The indicative lists for components that are enabling provide some basis for this conclusion but cannot alleviate the diversity in practice. Being essential is subject to judgement; it is also unclear whether the component needs to be essential for both delivering and improving the environmental performance. In addition, it is unclear whether the environmental performance is only with respect to climate change mitigation (for example, energy-efficiency, low carbon) or other environmental aspects of performance, such as pollution prevention (for example, limiting the use of substances of very high concern).

Example 3 (existing): “manufacturing” and principal-agent considerations

There are numerous manufacturing activities throughout the Climate and the Environmental Delegated Acts, but the term ‘manufacturing’ is not explicitly defined. In practice, manufacturing can take many forms across sectors, such as electrical and electronic equipment (activity CE 1.2), manufacturing of plastic containers (activity CE 1.1), and pharma (albeit the Commission has proposed to delete these PPC activities), and include arrangements in which manufacturing capacities and facilities are sourced from third parties (for example, contract or toll manufacturing). When a brand owner designs a product and contracts a third-party facility to manufacture it, it is unclear whether the manufacturing activity should be assessed and reported by the brand owner, the contract manufacturer, or both. Without clarification, two companies may report the same output as their eligible activity—or neither may report it. Moreover, a single entity may not be able to demonstrate

compliance with the technical screening criteria due to the nature of the arrangement: the brand owner typically controls product design (relevant for substantial contribution criteria such as durability and recyclability) while the contract manufacturer controls the production process (relevant for DNSH criteria such as pollution prevention and chemicals). We recommend that the Commission provides targeted guidance on the consideration of the technical screening criteria when there is a principal-agent arrangement to support comparable and consistent reporting.

Example 4 (existing): “fair share of products”

For economic activity BIO 2.1 *Hotels, holiday, camping grounds and similar accommodation*, a substantial contribution criterion requires that the establishment has “a fair share” of products in line with market best practices (such as food and beverages, wood, including furniture, paper, board and plastic products) certified according to environmental standards. The certification helps to contextualise market best practices if regularly applicable. A “fair share”, however, is a very unspecific criterion to apply in practice and may lead to wide diversity in interpretation. Accordingly, the use of such a vague term should be avoided.

Example 5 (new): (Appendix C point 7) “ensures that measures are in place to minimise exposures and emissions as far as practically possible”; “implements practicable possibilities”; “proportionate to the operator's size and complexity”

We note that the amendments to Appendix C (in particular point 7) include vague, non-technical terms. We acknowledge that these terms can help entities to build on already existing processes and chemical strategies to justify alignment. We are concerned, however, about the degree of judgement and resulting inconsistency associated with the need to interpret such terms. Accordingly, the use of such a vague term should be avoided.

Example 6 (new): Decision power for tyre mounting or replacement

For economic activity CCM 6.5, *Transport by motorbikes, passenger cars and light commercial vehicles*, the Commission proposes to amend the DNSH criteria for the environmental objective of Pollution Prevention and Control. As proposed, the rolling noise and rolling resistance requirements will be applicable when the relevant actor has the decision power for tyre mounting or replacement. Assigning responsibility for these criteria to the entity that can decide which tyre is mounted or replaced is an effective proposal to mitigate the data collection burden related to these criteria. We believe, however, that the proposed wording is not clear enough to identify the actor responsible. Activity CCM 6.5 includes the purchase, financing, leasing and operation of vehicles. Clarification is needed to elaborate on the actor expected to have the decision power. We believe the following are the types of questions that must be addressed by such additional guidance:

- When purchasing a vehicle, who has the decision power over the tyres? Does the answer to this question depend on the sales contract or on whether the seller is the car manufacturer, car trader, or leasing entity?
- When a vehicle is leased, who has the decision power over the tyres? Is the answer to this question different for used vehicles that are leased?
- Is the operator of a vehicle always responsible for tyre mounting? Or is the operator only clearly in charge of the used tyres if the operator replaces original equipment?



Appendix 2 – Clarify the intended impact of the changes and manage complexity

Appendix A: The role of adaptation solutions

The Commission has proposed changes regarding the need and particularly the integration and implementation of adaptation solutions in Appendix A. As currently written, Appendix A adaptation solutions need to be implemented over a period of up to five years (based on an adaptation plan) to reduce the most important physical climate risks for existing activities and new activities using existing physical assets.

Under the proposed amendments to Appendix A, entities would need to assess and explain possible adaptation solutions in an adaptation plan covering all identified significant physical climate risks. The need to integrate or implement such solutions, however, is limited to new activities and existing activities using newly built assets. It is unclear how this criterion could be applied, particularly considering a multi-year time horizon.

For example, assume a non-financial entity is establishing a new (eligible) manufacturing activity in year 20x1. The entity invests in new assets and also re-purposes some equipment that has been previously used for other activities. The entity performs a physical climate risk assessment and identifies a material risk both for activity in relation to the new assets and in relation to the existing assets. In this case, we believe that under the amended guidance, the entity would need to integrate and implement adaptation solutions to mitigate the material risk in relation to the new assets before the start of operation. It would not, however, need to implement such solutions for the existing assets to support alignment when assessing the related CapEx or the initial turnover generated at the start of operation.

In case the entity has not implemented all required adaptation solutions to sufficiently mitigate the material risk related to the new assets at the start of operation, we assume that the activity would not be aligned as the DNSH criteria for Climate Change Adaptation are not met. It is unclear how this activity could ever become aligned in the future. When the physical climate risk assessment is updated in a later reporting period (e.g. year 20x3) and the same risk is determined to be material, it is unclear if the entity must again determine the allocation between new/newly built and existing assets. In other words, it is uncertain whether the newly built assets from year 20x1 need to be treated as newly built until the associated risks are mitigated. Alternatively, the entity could differentiate between new and existing assets each reporting period. If the latter approach is applied, the same activity could be aligned even if the material risk from year 20x1 has not been mitigated and is still material in year 20x3. This is because the related assets would now be labelled as existing assets for which solutions need to be described (in the adaptation plan), but would not need to be implemented. If the identified risk for the new assets from year 20x1 need to be mitigated to achieve alignment later, this could mean that from the year of application of the amended rules, material risks need to be mitigated for all new assets by implemented adaptation solutions, while assets already in use (i.e. those that existed before that date) do not need to be addressed by an adaptation solution even if those assets are associated with physical climate risks that are material to the economic activity.

Appendix C: Guidance on the application of EU legislation

We appreciate the substantial changes to Appendix C, incorporating more exemption rules from EU legislation and increasing the alignment with EU legislation. Appendix C, however, has been, and is becoming increasingly, complex to understand. This is due in part to the very specific references to EU legislation and the lack of additional guidance that would help the entity interpret the requirement in the context of the taxonomy assessment in plain text. For example, point 6 relates to substances exempted under REACH (Article 2). Complexity arises due to the scope-outs in Article 2 that only apply regarding scoped-out substances from authorisation as set out in Title VII of REACH. Despite the steps towards closer alignment of DNSH criteria with EU legislation, preparers will always be challenged by specific requirements that go beyond the legal requirements in the legislation. We recommend that the technical screening criteria include more plain text to explain the application of the referenced legislation to enhance clarity, usability, and consistency.

Appendix D: Compensatory measures and legacy sites

We note that under paragraph 1 of the amended Appendix D, compensatory measures required following an environmental impact assessment (EIA) must be "implemented" for compliance, whereas under paragraph 2, activities in or near biodiversity-sensitive areas that require compensatory measures under the Habitats Directive assessment are non-compliant. We recommend that FAQ 141 from the Commission Notice C/2025/1373 on the Environmental, Climate and Disclosures Delegated Acts be included in the text of the delegated act. This assumes, however, that this differentiated treatment is intentional. In that case, we believe the Commission needs to clarify how activities that fall under both paragraphs simultaneously should be assessed.

The distinction between mitigation measures (compliant) and compensatory measures (non-compliant) under paragraph 2 is critical but may give rise to diversity in practice. It is possible that the classification of a measure as "mitigation" or "compensatory" may be inconsistently determined and identified across Member States and competent authorities.

The treatment of legacy sites also raises significant questions in this regard. The fundamental question is whether an activity will always be considered non-aligned at a site for which compensation measures had been required. The following examples highlight some of the more nuanced potential application questions.

Example: An entity operates three sites in 2026 in or near biodiversity-sensitive areas and considers their impact for Taxonomy disclosures in 2027:

- Site 1 was constructed in 2026. For the construction (and operation) of the site, a compensation area needs to be established and maintained. As a result, it appears that the activity at this site would not comply with Appendix D. It is unclear if there are practical options for the entity to become compliant at such a site.
- Site 2 was built in 2015, and compensation measures were required and established in 2017. If the entity is required to trace historical compensatory measures for activities in or near biodiversity-sensitive areas, it is unclear whether such an activity could ever

become Taxonomy-aligned at such a site—even where the compensatory habitat has been successfully established and is being maintained.

- Site 3 was built in 1950. For this site, no mitigation or compensation measures have been required. The biodiversity-sensitive area was likely declared as such some time later. It seems inappropriate for the entity to assess whether compensation measures were required in 1950 under current EIA rules. If it did, it would appear that a requirement to have compensation measures if this factory was built today would affect Taxonomy alignment.

Appendix 3 – Address activities with broad eligibility but narrow alignment

The following are representative examples of activities with broad eligibility but low opportunity for Taxonomy alignment.

- Economic activity CE 1.2, *Manufacture of electrical and electronic equipment*

This activity is described as “Manufacturing of electrical and electronic equipment for industrial, professional and consumer use.” The commonly used definition for such equipment is included inter alia in the Waste Electrical and Electronic Equipment (WEEE) Directive and is very broad:

‘Electrical and electronic equipment’ or ‘EEE’ means equipment which is dependent on electric currents or electromagnetic fields in order to work properly and equipment for the generation, transfer and measurement of such currents and fields and designed for use with a voltage rating not exceeding 1 000 volts for alternating current and 1 500 volts for direct current.²

Based on this definition, eligibility for this activity seems almost universal, particularly under the CapEx KPI (category c), as virtually every reporting entity will have purchased some form of EEE during the reporting year. We also note that the NACE codes, albeit only indicative and not determinative, are expanded even further under the proposed amendments, which we interpret as indicating an intent for such broad application. It is difficult, however, for EEE to satisfy the substantial contribution criteria. The technical screening criteria seem to target consumer electronics as opposed to the various types of EEE with industrial and professional use. For example, EEE that meets the EU Ecolabel criteria make a substantial contribution to a circular economy, which is not the case for many types of EEE.

For EEE with no applicable EU Ecolabel criteria, a long list of substantial contribution criteria needs to be verified. In practice, we observe that many companies struggle to meet and evidence compliance with these technical screening criteria. It is therefore difficult for many types of EEE, particularly outside the consumer use category, to meet the criteria. Spare parts or disassembly and repair instructions, for example, are not regularly made available to third parties due to the specific designs for most industrial EEE products. With the proposed changes, the Commission is making the criteria even harder to meet by specifying design requirements and restrictions regarding the presence of hazardous substances, which is particularly burdensome and challenging in the case of CapEx assessments under category c, purchase of output.

If the Commission’s intent is to limit the EEE that meets the circular economy criteria, we note that this is inconsistent with the relatively more tailored CCM activities where it is comparatively more likely that eligible activities would meet the alignment criteria.

² EU, Waste Electrical and Electronic Equipment Directive, Article 3, paragraph 1(a).

Moreover, for CapEx purposes, alignment under activity 1.2 seems nearly impossible for most companies, because the criteria (for example, design for durability, recyclability, hazardous substance restrictions) are aimed at manufacturers, not purchasers or users. The criteria are not usual considerations related to the investment decision of an entity buying laptops for its office or highly specialised medical equipment for instance.

- Economic activity BIO 2.1, *Hotels, holiday, camping grounds and similar accommodations*

Every hotel is eligible under this activity, as well as many more types of accommodations. The substantial contribution criteria include a vast list of required contributions, an action plan, a sustainable supply chain and environmental management system, audit requirements, and overarching minimum requirements. We acknowledge the challenges of identifying robust science-based criteria for substantial contributions to biodiversity, but in this case, the criteria cannot be met by many if not most hotels, particularly when the accommodation is located in urbanised areas with no proximity to biodiversity-sensitive areas. In such instances, particularly with respect to the contributions to conservation or restoration activities, the criteria are inconsistent with the operation of the accommodation. We would therefore expect a very high percentage of eligible, but non-aligned economic activities.

For the entities affected, these broad eligibility scopes combined with narrow alignment pathways result in disclosures that show high eligible but near-zero aligned shares, which may be misinterpreted by users as a lack of sustainability effort rather than a structural feature of the framework design.