

EU Taxonomy Reporting 2025



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Preface

The EU Taxonomy Regulation (EU) 2020/852 serves as a framework for classifying sustainable economic activities and is one of the central elements of the European Green Deal which aims to make Europe the first climate-neutral continent by 2050. Applicable since 2022, the EU Taxonomy Regulation is gradually being implemented and initially applies to entities falling under the Non-Financial Reporting Directive (NFRD): this encompasses large public-interest entities with more than 500 employees, such as listed companies, banks and insurers. From 2025 onwards, the Taxonomy Regulation will cover all entities subject to the Corporate Sustainability Reporting Directive (CSRD). However, following a commitment by President of the European Commission Ursula von der Leyen to reduce sustainability reporting burdens for companies by 25%, the European Commission published the “Omnibus” proposals in February of this year. While one part of the proposals has already been passed, the other parts are still in the process of the EU trilogue negotiations. If implemented in its current form, these proposals would limit the scope of the EU Taxonomy Regulation to companies with more than 1,000 employees and €450 million of revenue and would make compliance optional for all other companies and financial institutions. In addition, several changes to the content of the EU Taxonomy Regulation were proposed, with the aim of simplifying EU Taxonomy reporting.

We at PwC have been analysing Taxonomy reports from EU non-financial companies since 2022 and from EU financial institutions since 2023. The implementation of the EU Taxonomy Regulation still poses challenges for market participants. Despite improvements over the last three years, data availability and quality issues persist, and there are ongoing challenges around the interpretation of certain provisions of the EU Taxonomy Regulation. This has led to a wide variety of methodologies being applied, making the reported data less meaningful and comparable. These challenges, together with an overall low level of Taxonomy alignment, have contributed to the fact that Taxonomy data is still not being used for strategic purposes in financial institutions.

We would like to express our sincere appreciation to all those who contributed their expertise to this study by PwC Germany and ten other European PwC entities. We hope that the study can help to drive further improvements in the design and implementation of Taxonomy reporting in order to achieve the goal of the EU Taxonomy Regulation – directing investment towards sustainable economic activities and supporting the green transition of the economy.



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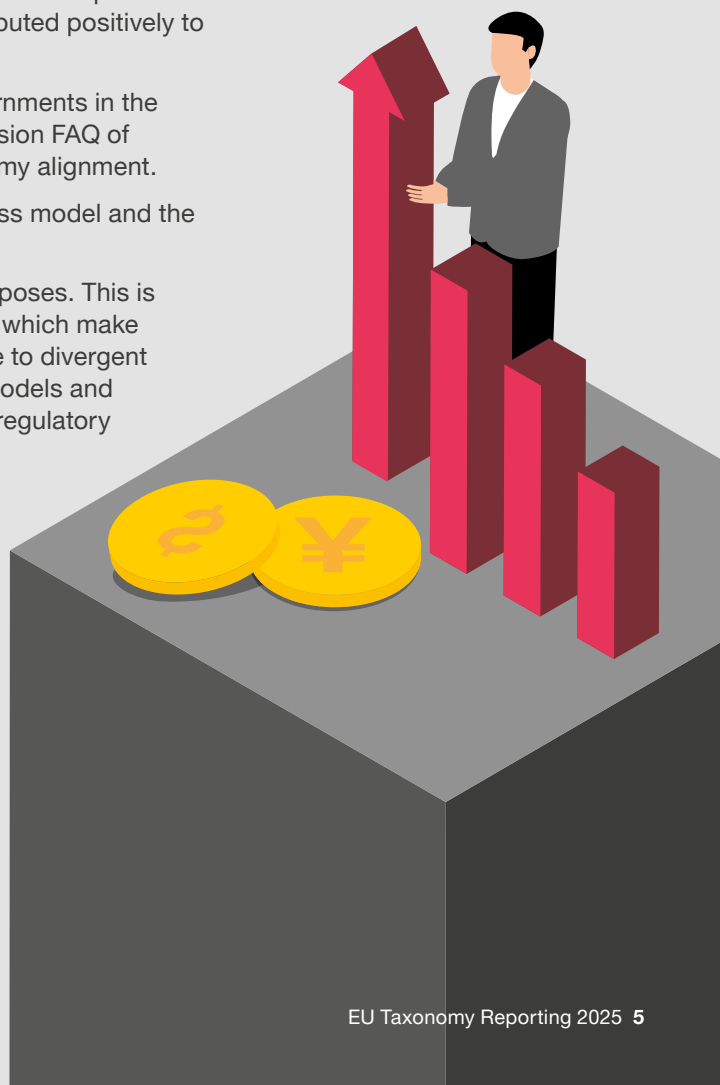
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Key findings



Financial sector

- ▶ In the banking sector average Taxonomy eligibility slightly decreased, while average Taxonomy alignment slightly increased.
- ▶ In the the insurance sector for the investment business average Taxonomy eligibility and alignment slightly increased. In the insurance sector for the underwriting business average Taxonomy eligibility decreased, while Taxonomy alignment slightly increased.
- ▶ There is limited comparability to last year due to methodological changes based on the increased implementation of the European Commission Frequently Asked Questions (FAQs) of December 2023
- ▶ The main drivers for Taxonomy alignment in the banking and asset management sectors as well as in the insurance sector for the investment KPIs are exposures to private households – the increased availability and usage of energy performance certificates (EPCs) is a key factor here – and increased exposures to financial and non-financial counterparties subject to NFRD due to the application of the inheritance principle as per the European Commission FAQ of December 2023.
- ▶ A higher level of Taxonomy alignment for non-financial counterparties and enhanced implementation experience have contributed positively to Taxonomy alignment.
- ▶ In contrast, the inclusion of all regional and local governments in the denominator of the KPIs as per the European Commission FAQ of December 2023 has had a negative impact on Taxonomy alignment.
- ▶ Taxonomy eligibility is highly dependent on the business model and the investment portfolio composition.
- ▶ Taxonomy data is not yet widely used for strategic purposes. This is attributable to several factors: low alignment numbers which make a steering function difficult, low impact of the KPIs due to divergent methods being used, high dependency on business models and data availability and quality issues as well as ongoing regulatory changes.





A The EU Taxonomy Regulation

In its Green Deal, the European Union has set itself ambitious climate goals: becoming the first climate-neutral continent by 2050 and achieving a 55% reduction of greenhouse gas emissions compared to 1990 levels by 2030. The European Commission has estimated that this will require an additional investment of €620 billion annually from 2023 to 2030.¹ Since its first Action Plan on Sustainable Finance in 2018, the European Commission has implemented various regulations aimed at channelling financial resources towards sustainable economic activities, with the EU Taxonomy Regulation being one of the centerpieces. The Taxonomy Regulation is designed to improve comparability across sectors, thus enhancing transparency for investors and stakeholders.

Introduced in 2022 for reporting for FY21, the EU Taxonomy Regulation is now gradually being implemented. The non-financial sector falls under the EU Taxonomy Regulation slightly earlier than the financial sector: this choice has been made because the financial sector is dependent on data from counterparties for its reporting. From FY23 onwards, financial undertakings have been required to report Taxonomy alignment for

mitigation (objective 1) and climate adaptation (objective 2), from FY24 they also have to report Taxonomy eligibility for the remaining four environmental objectives: sustainable use and protection of water and marine resources (objective 3), transition to a circular economy (objective 4), pollution prevention and control (objective 5), and protection and restoration of biodiversity and ecosystems (objective 6). From 2026, financial companies will also have to report Taxonomy alignment for the remaining four environmental objectives based on the current legal framework.

The EU Taxonomy Regulation is designed to be continuously expanded with new eligible activities. The latest additions were introduced with the Environmental Delegated Act in November 2023. To clarify and ensure consistency across the various requirements set out in the Taxonomy Regulation, the European Commission regularly publishes Commission Notices, including FAQs. The Taxonomy Reporting study 2023 indicated that many financial institutions had insufficient time to implement the Draft Commission Notice – these were published at short notice on 21 December 2023 (referred to as

FAQs of December 2023). This version was finalised and officially published in the Official Journal of the European Union on 8 November 2024 and has been largely implemented this year by companies in some EU countries while there is still room for improvement in other territories.

The EU Competitiveness Compass and the EU Omnibus proposals

The EU Competitiveness Compass, which was published in January 2025, outlines the European Commission's new priorities: promoting innovation and investment, integrating decarbonisation with trade and economic policies, and strengthening security and resilience. Ursula von der Leyen has committed to simplifying EU rules with the aim of reducing sustainability reporting burdens for companies by 25%. On 26 February 2025, the Omnibus proposals were published, aimed at reducing redundancies while preserving the overall content of the laws. Omnibus I includes the “Stop-the-Clock” proposal², which will delay CSRD waves 2 and 3 by two years and the Corporate Sustainability Due Diligence Directive (CSDDD) by one year. This proposal has been passed, and member states are now required to transpose it by year's end³.

¹ www.ecb.europa.eu/press/key/date/2024/html/ecb.sp240526--ef011def12.en.html#:~:text=The%20European%20Commission%20has%20estimated,Economic%20Forum%20IX%2C%2012%20April

² https://commission.europa.eu/publications/omnibus-i_en

³ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202500794

Omnibus I also includes the CSRD content proposal⁴, which would limit the scope of the CSRD to companies with over 1,000 employees and either turnover of more than €50 million or a balance sheet total of more than €25 million. It also includes a Delegated Act for simplifying the ESRS and a voluntary reporting standard for companies that do not fall under the CSRD. Additionally, it proposes several changes to the Taxonomy Regulation, as well as to its Disclosure, Environmental and Climate Delegated Acts. Omnibus II⁵ contains proposals for changes to the Carbon Border Adjustment Mechanism (CBAM) and to InvestEU and EFSI, with the aim of significantly increasing public guarantees to scale up funding in key sectors, including clean technology and sustainable infrastructure.

Proposed changes to the EU Taxonomy Regulation

The CSRD content proposal would see the scope of the EU Taxonomy Regulation limited to financial undertakings with over 1,000 employees and a net turnover above €450 million. The reduced scope may cause data availability issues for financial institutions' Taxonomy reporting.

The Omnibus draft proposals would also introduce a materiality threshold, allowing economic activities worth less than 10% of covered assets to be excluded from the alignment assessment and Taxonomy investment KPIs. Non-material activities would, however, have to be reported

separately, both aggregated and individually. Additionally, partial Taxonomy alignment reporting would also be introduced, permitting companies to report on activities that meet either the substantial contribution or do no significant harm (DNSH) criteria.

Another potential change that is suggested in the Omnibus proposals would be adjusting the denominator to match the numerator of the KPIs. Companies not subject to CSRD reporting are currently excluded from the Green Asset Ratio (GAR) and Green Investment Ratio (GIR) KPI numerators; under the proposals, they would also be excluded from the KPI denominators. Despite this proposed change, the amended templates still include these KPIs, which appears to be an error.

Further to these content-related changes, the Omnibus proposals include revisions of the reporting templates for financial companies, which – according to the European Commission – would result in a data point reduction of around 89% for credit institutions. Similarly, the reporting templates for other financial companies will be considerably reduced. Deletion of templates 2–4 of Annex XII has been proposed as part of this data point reduction: these templates contain disclosures of aligned as well as eligible but not aligned nuclear and gas activities. Disclosure of non-eligible nuclear and gas activities remains mandatory in template 5.

For credit institutions specifically, the proposals suggest postponing the date of application of the reporting requirement for the Fees and Commission KPI and the Trading Book KPI to 1 January 2027.

PwC feedback to EU Taxonomy Consultation

The European Commission received 331 contributions for its call for feedback on proposed changes to the Delegated Acts relating to the EU Taxonomy Regulation. In its response letter⁶, PwC suggests aligning the scopes of the CSRD and the EU Taxonomy Regulation – as recommended by the Platform on Sustainable Finance, the European Commission's advisory group – and proposes that entities should have to meet the criteria for two consecutive years before reporting under the new Taxonomy regime.⁷ Additionally, PwC is calling for more guidance on amended templates, partial alignment reporting and presentation of KPIs from previous years.

⁴ https://commission.europa.eu/publications/omnibus-i_en

⁵ https://commission.europa.eu/publications/omnibus-ii_en

⁶ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14546-Taxonomy-Delegated-Acts-amendments-to-make-reporting-simpler-and-more-cost-effective-for-companies/F3531867_en

⁷ https://finance.ec.europa.eu/publications/platform-sustainable-finance-response-public-consultation-draft-delegated-act-amending-eu-taxonomy_en

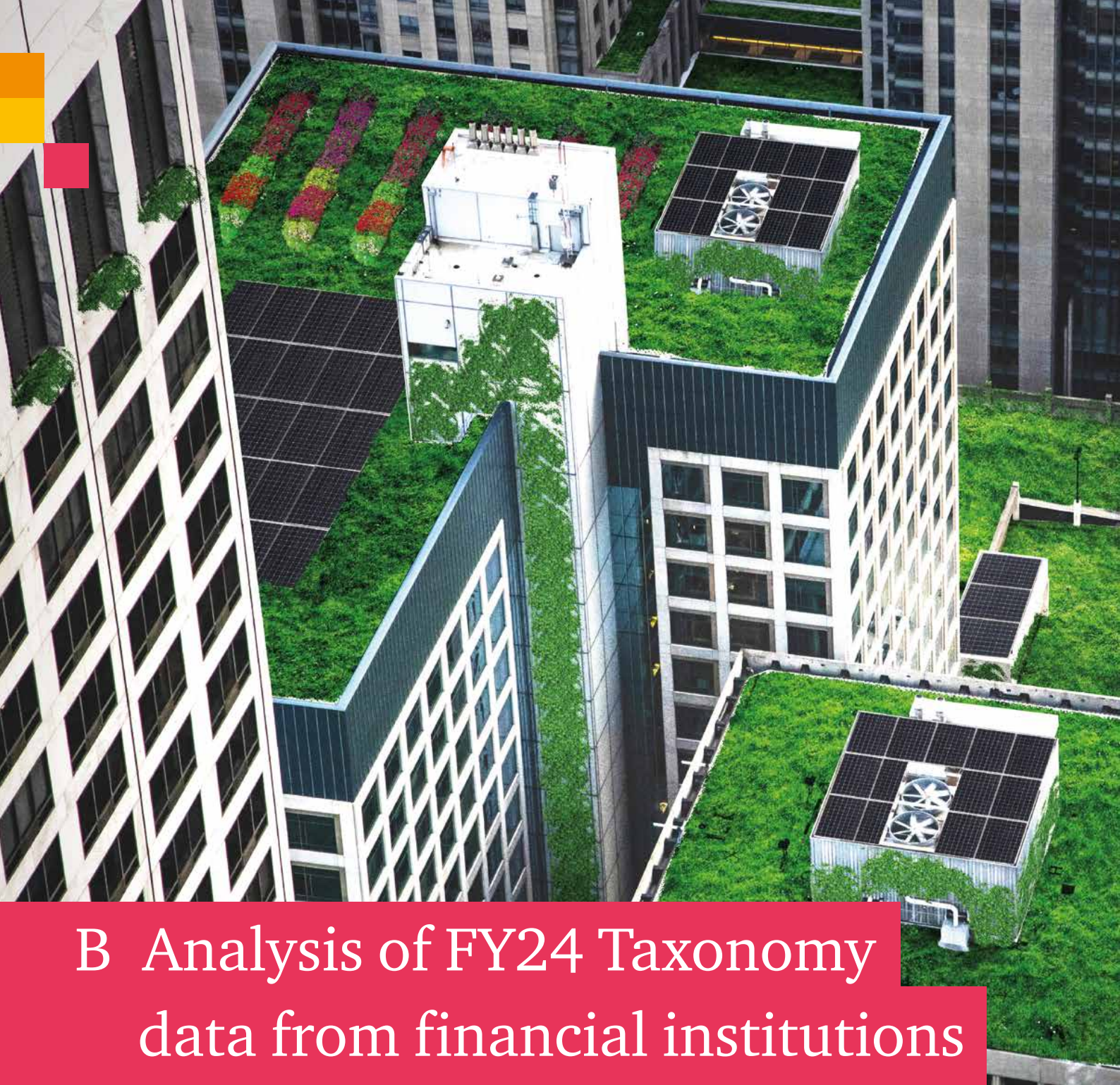
PwC objects to the proposed quantitative materiality thresholds and proposes a broader interpretation of the concept of materiality, in line with financial reporting, to facilitate implementation – as also suggested by the Platform on Sustainable Finance. Additionally, PwC highlights that clarification is needed as to whether the concept of materiality applies to the Taxonomy alignment assessment only or to the Taxonomy eligibility assessment as well, whether it applies to the activity level or to specific KPIs, and whether it applies to the individual or aggregate level.

PwC generally supports the proposed amendments to the reporting templates and the reduction of data points, including the deletion of the nuclear and gas templates 2–4. To avoid redundant disclosures, PwC recommends eliminating all nuclear and gas templates from Annex XII of the Disclosures Delegated Act (DDA), i.e. including templates 1 and 5.

Instead of the proposed delay in requiring credit institutions to report the Trading Book KPI and the Fees and Commission KPI, PwC recommend eliminating these KPIs, as they do not provide any meaningful information in PwC's view.

Going beyond the Omnibus proposals, PwC emphasises that the reduction in scope might affect financial institutions who rely on relevant data from their counterparties. In this context, and in line with the proposals by the Platform on Sustainable Finance, PwC calls for allowing financial institutions to use estimates in order to facilitate data collection for retail exposures, and for alignment reporting by companies that would not fall within the amended scope. Additionally, PwC calls for adaptations in existing FAQs and a due process in developing further FAQs.





B Analysis of FY24 Taxonomy data from financial institutions

1. General observations

Taxonomy reporting for FY24 marks the first year of CSRD reporting for the first wave of companies in countries where the CSRD has been transposed into national law. For financial institutions, 2025 was the second year of Taxonomy alignment reporting for the climate objectives and Taxonomy eligibility reporting for the remaining four environmental objectives. Improved data availability led to improved reporting by financial institutions this year: Taxonomy alignment data from last year is now available from both financial and non-financial counterparties.

The CSRD requires that Taxonomy disclosures must be clearly presented in the environmental section of the sustainability statement in the company's management report. The length of Taxonomy reports varied from 5 to 183 pages, depending on font and layout, which limits comparability. Industry type also affected the length of the reports: on average, credit institutions' reports were the longest (67 pages), followed by asset managers (57 pages) and insurance companies (30 pages).

Increased implementation of FAQs of December 2023

Most financial institutions have now taken the FAQs of December 2023 into account; this was published too late to be fully implemented for FY23 reporting, as last year's study revealed. One of the main changes was that all regional and local government exposures must be included in the denominator of the investment KPIs. This update has been adopted by most financial companies

for this reporting period leading to a lack of comparability with last year's KPIs. Including exposures to local and regional governments in the KPI denominator significantly affects the Taxonomy alignment ratio, making potential increases compared to the last year less visible.

Another notable aspect of the Commission Notice is the inheritance principle, which states that for the assessment of exposures to subsidiaries the KPIs of the parent entity should be used, if the subsidiaries do not report Taxonomy KPIs themselves. If this aspect is implemented, it may result in increased exposure to CSRD-obliged entities, thereby potentially enhancing Taxonomy alignment. Based on our assessment the majority of financial institutions have implemented the inheritance logic by relying on external data providers to obtain the necessary group structure information.

The FAQs of December 2023 provides clarification on several methodological approaches for reporting on insurance activities. Firstly, it sets out the approach for calculating Taxonomy alignment, stating that only premiums related to the climate-relevant portion of an insurance product should be taken into account. This "premium split" was widely used in last year's reports and has now been more broadly adopted by the remaining financial institutions. Additionally, the process of completing the columns to meet DNSH criteria and minimum safeguards requirements has been clarified for companies publishing alignment metrics. However, there

is still ambiguity regarding how to address companies that only report Taxonomy eligibility or "0" for these columns. Moreover, no guidance has been provided on calculating premiums for Taxonomy eligibility, resulting in a wide variety of methods options applied in this area.

Some interpretations from the Commission Notice were not applied by the majority of financial institutions, e.g. using the prudential scope of consolidation for insurance undertakings. As Taxonomy data is disclosed as part of CSRD reporting, which typically applies the financial scope of consolidation, this practice is commonly followed by most financial institutions. Additionally, the Commission Notice requires a weighted KPI for investment and underwriting aligned with Taxonomy activities, but due to lack of guidance and calculation methodology, most insurance undertakings did not include this KPI in their FY24 reports.

For credit institutions, the FAQs of December 2023 provided the clarification that the GAR flow should account exclusively for inflows, rather than comparing the financial disclosures from FY23 to the results of FY24. However, the definition of inflows was interpreted differently by credit institutions, with some opting for the consideration of only new business, others examining the inflows for each ongoing business at the end of the reporting period and the third group only including those that have been settled during the reporting period.



Taxonomy eligibility and alignment depend on business model and portfolio composition

Levels of eligibility and alignment in financial companies depend on their business models and the composition of their investment portfolios. Lower levels may result from exposures to non-EU entities not subject to NFRD/CSRD reporting, affecting GAR and GIR calculations, while higher levels may be due to better data quality and availability in real estate and mortgage portfolios, along with a larger database of counterparties subject to the CSRD. For FY24, Taxonomy alignment was primarily linked to environmental objective 1 – climate change mitigation.

Differing methods make comparisons difficult

The findings of this year's study reveal that due to divergent interpretation of the EU Taxonomy Regulation, financial companies have inconsistent eligibility and alignment KPIs, making disclosures hard to compare. There are varying interpretations of the EU Taxonomy Regulation when it comes to coverage ratios and the use of market values or book values. Financial institutions also took different approaches when data was unavailable, particularly regarding nuclear and gas exposures; this caused significant reporting differences. Some countries' disclosure formats further contributed to these difficulties, such as tables being in an inconsistent order or KPIs having different numbers.

There is also inconsistency in the reporting of weighted KPIs for financial conglomerates and (re-) insurance companies' underwriting and investment activities. The FAQs of December 2023 mandate these KPIs, but the way in which they have been interpreted varies. Some large conglomerates report weighted KPIs, while most (re-)insurers and smaller conglomerates do not.

Taxonomy data is not yet being used for strategic purposes

Most financial institutions lack a strategy to boost Taxonomy alignment or use its data for investments due to low alignment levels. The current Taxonomy alignment quota is not a sufficient indicator of green transition due to varying business models, KPI definitions that are not fit for purpose, diverse methodologies, and insufficient data. The proposed reduced scope of the Regulation in the European Commission's Omnibus proposals may worsen data availability issues. Therefore, many financial institutions create and apply their own sustainability metrics alongside the Taxonomy quota.

Some institutions state in their reports that they aim to increase Taxonomy alignment to boost sales from green projects, e.g. green lending and promote sustainable investment, such as in energy-efficient real estate. Those with a strategy stress

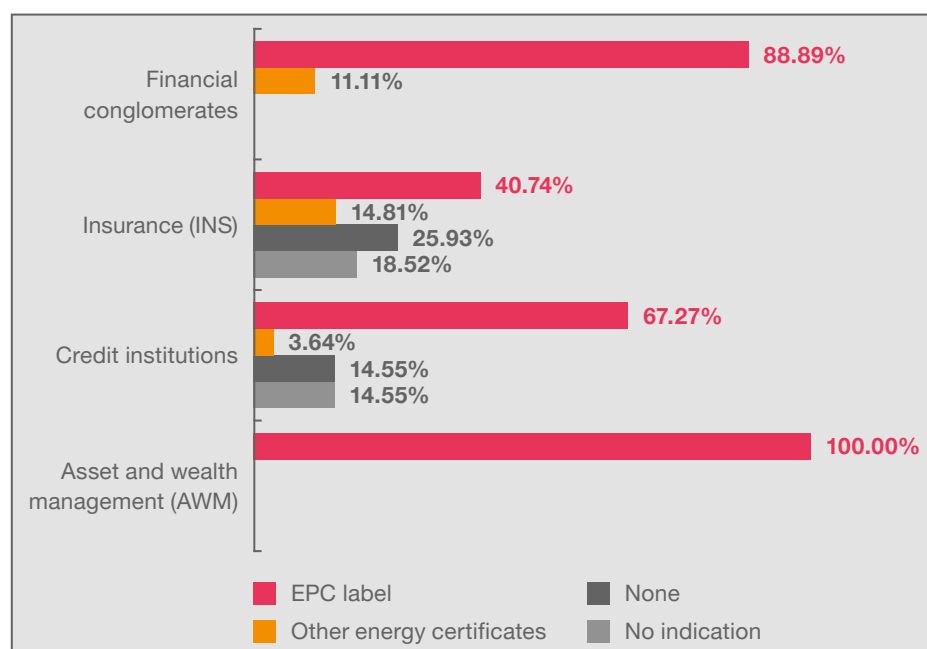
the importance of collaborating with clients to enhance sustainability efforts.

Most financial institutions are still preoccupied with implementing the complex Taxonomy requirements while keeping pace with changes made necessary by the FAQs and new regulations. However, it is anticipated that attention will turn to the use of Taxonomy data for strategic purposes in the future.

Further findings

More than two thirds (70%) of the financial institutions analysed use EPCs or similar energy certificates for their Taxonomy assessments. 15 institutions stated that they do not use such certificates and 13 institutions made no indication in this regard. The availability of certificates has increased compared to last year which contributes to increased Taxonomy alignment.

Fig. 1 Usage of energy performance certificates across financial industries

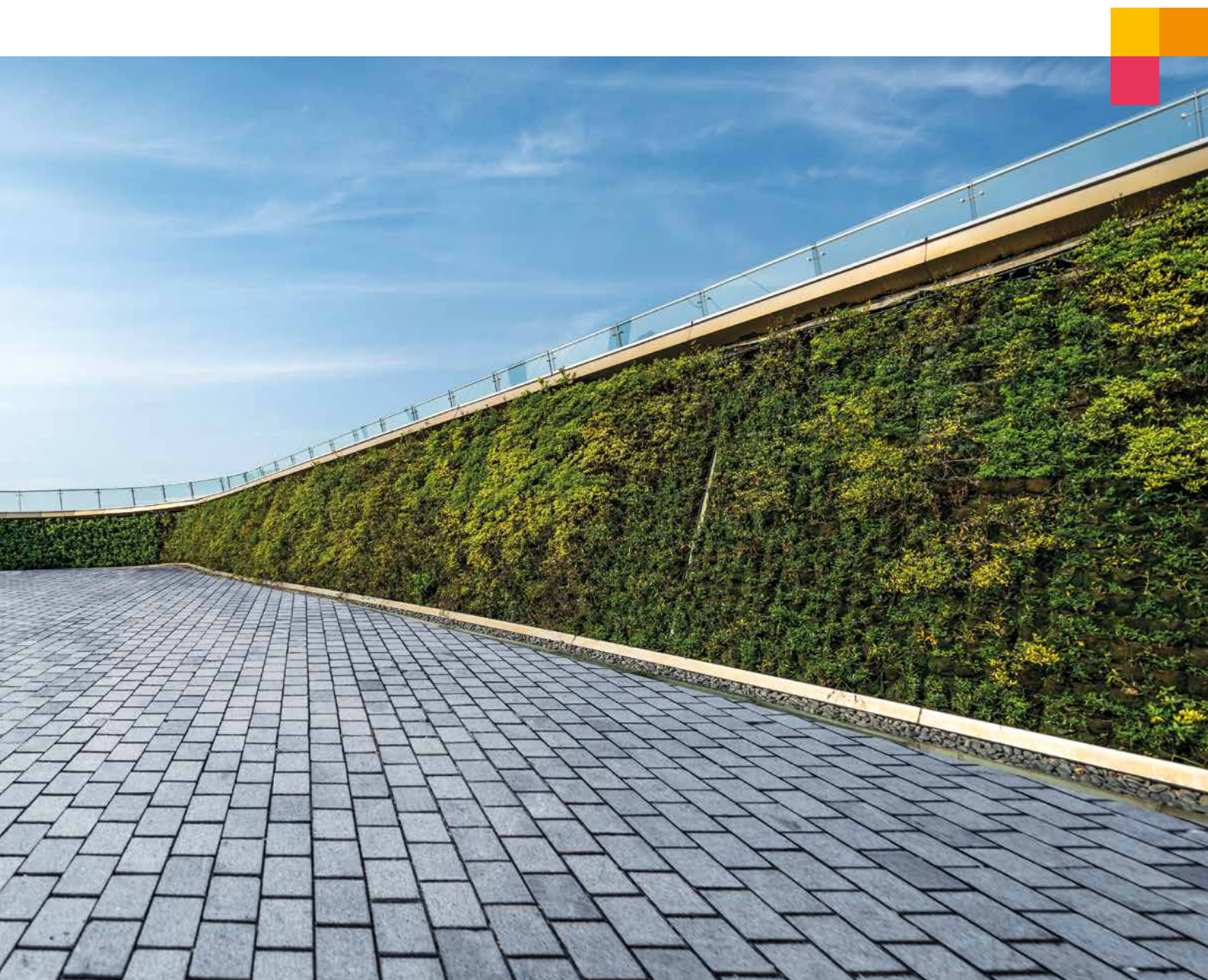


Only 6% of the financial institutions analysed used estimates for voluntary reporting. These estimates helped them make key judgements, assumptions and estimations in areas such as financed emissions, environmental and social financing classification, operational emissions, sustainability metrics, climate risk measurement, and scenario analysis. One third of the analysed financial institutions provided voluntary reports on Taxonomy alignment for environmental objectives 3–6, although in some cases only for assets under management. Reporting on Taxonomy alignment for environmental objectives 3–6 will be mandatory for financial institutions starting in FY25.

Most financial companies reported exposures to nuclear and gas activities. Specifically, 86% of the companies analysed gave at least one affirmative response in template 1, whereas 14% do not have any nuclear and gas exposures. This is a modest increase from the previous year, with three quarters of companies indicating involvement in such activities during the FY23 reporting period.

The disclosures revealed an average coverage ratio of 68.6% for credit institutions and 76.7% for insurance companies. However, there is variation in the definition of this KPI. The numerator represents covered assets: some companies include the total

assets, others use total assets less government exposures. This results in a wide range of coverage ratios, from 19.1% to 99.3% for credit institutions and 45% to 100% for insurance companies. Consequently, drawing conclusions on the assets in scope for Taxonomy disclosures can be challenging.



2. Sector specifics – banking sector

Average reported Taxonomy eligibility for credit institutions ranges from 16% to 58.8% of turnover- and 16.2% to 63.6% of CapEx-based, which is higher than last year's ranges of 20% to 44% (turnover-based) and 21% to 45% (CapEx-based). Average turnover-based eligibility dropped from 32.8% in FY23 to 28.4% this year, while CapEx-based eligibility declined from 33% to 29.6%.

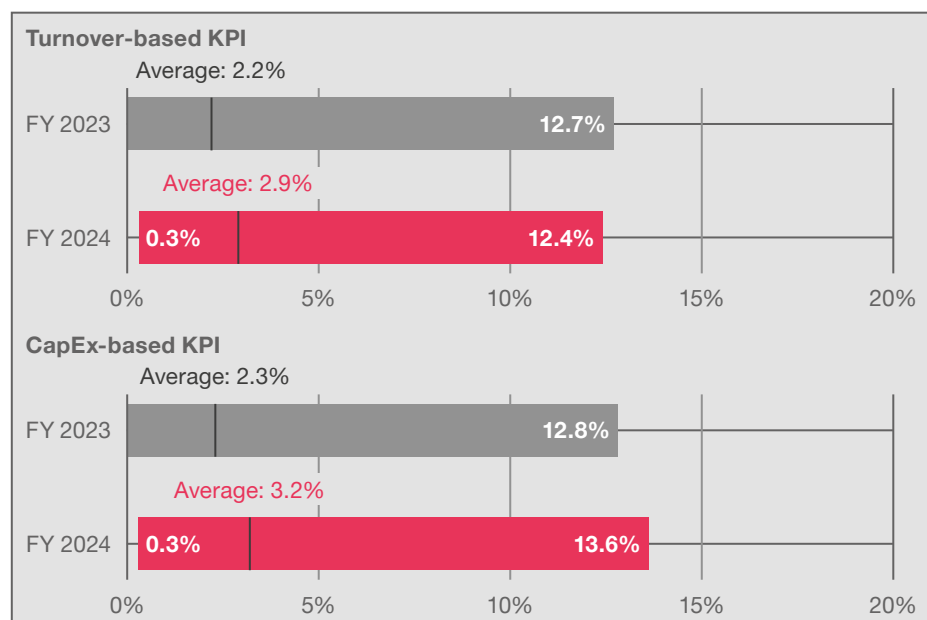
Taxonomy alignment was analysed for both stock-based and flow-based templates. Average GAR stock is marginally higher than the GAR flow. GAR stock averages between 0.3% and 12.4% based on turnover, and between 0.3% and 13.6% based on CapEx. This range is notably similar to last year, when it varied between 0% and 12.7% turnover-, and 0% and 12.8% CapEx-based. On average, 2.9% of turnover and 3.2% of CapEx is Taxonomy-aligned.

As the only non-EU country analysed the results for Switzerland were not included in the overall sample but are reported separately. Credit institutions in Switzerland have the lowest average proportion of GAR stock – just 0.05% of turnover and 0.2% of CapEx. The companies evaluated in the Swiss sample include three credit institutions headquartered in Liechtenstein, where EU legislation is adopted under the European Economic Area (EEA) Agreement.⁸

Fig. 2 Taxonomy eligibility in the banking sector (stock)



Fig. 3 Taxonomy alignment in the banking sector (GAR stock)



⁸ The EEA Agreement is a treaty that extends the EU single market to include three non-EU countries: Iceland, Liechtenstein and Norway.

GAR flow ranges from 0.5% to 9.7% of turnover and 0.4% to 10% of CapEx, averaging 2.6% and 2.9%, respectively, across all countries. The Netherlands reported the highest individual values and average percentages for both GAR stock and flow, similar to last year's Taxonomy study results for FY23. This may be due to better data availability for real estate financing in the Netherlands, as Dutch EPCs are easily accessible.

One reason for the wide variations in Taxonomy alignment flow data could be differing interpretations of the FAQs of December 2023⁹: this clarified that only inflows should be recognised, instead of comparing the FY23 balance sheet amounts with the FY24 amounts. Analysing the inflows could be understood to mean that only new business should be analysed, or that the inflows for each business that were present at the end of the reporting period should be analysed, or that the inflows that have been paid off during the reporting period should be analysed.

Similar to last year, the main asset classes for Taxonomy alignment among credit institutions are private households, followed by exposure to non-financial and financial companies. Improved availability and quality of energy data, such as EPCs, have simplified real estate and mortgage assessments and may therefore have contributed to increases in Taxonomy alignment. Additionally, enhanced processes for alignment assessment of non-financial assets and greater alignment among non-financial counterparties positively impacted bank's Taxonomy alignment quotas.



⁹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202406691

3. Sector specifics – asset and wealth management sector

The study examined nine asset management companies from five EU territories. Average Taxonomy eligibility for asset managers is significantly lower than for credit institutions and (re-)insurance companies, while Taxonomy alignment is fairly similar. Average Taxonomy eligibility stands at 9.9% of turnover and 9.6% of CapEx, with national averages ranging between 6.7% and 17.9% of turnover and between 7.5% and 13.7% of CapEx.

Average national Taxonomy alignment ranges from 1.4% to 3.5% of turnover and from 2% to 2.6% of CapEx, with overall averages of 2% of turnover and 2.3% of CapEx.

Fig. 4 Taxonomy eligibility for asset managers

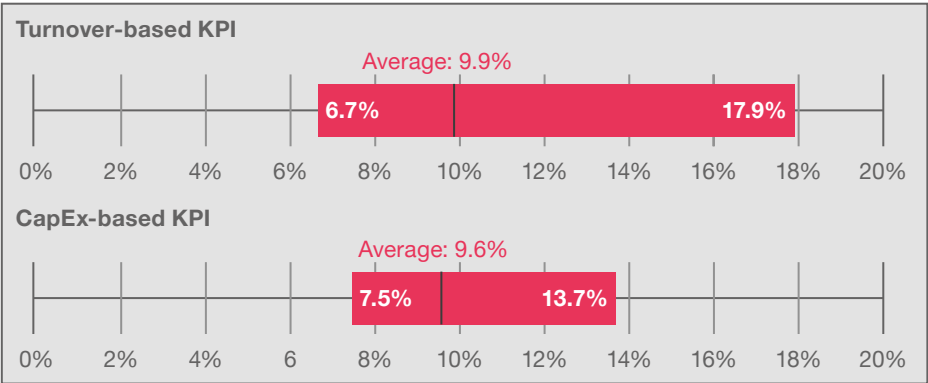
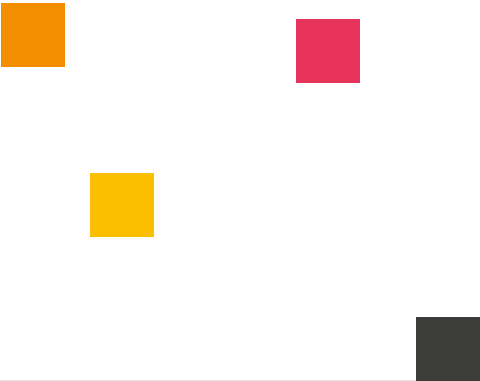
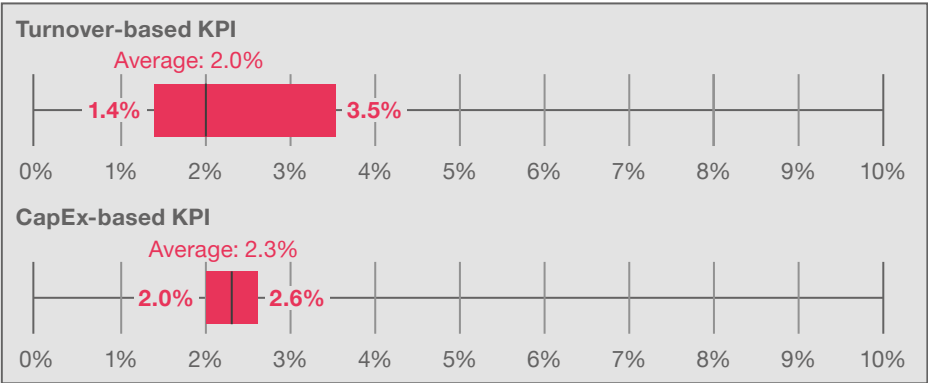


Fig. 5 Taxonomy alignment among asset managers



4. Sector specifics – insurance sector investment business

The range of reported Taxonomy eligibility for the investment KPI of insurance undertakings is narrower than for credit institutions. In FY24, national average Taxonomy eligibility for the investment business ranged from 7.1% to 26.1% of turnover and from 8.6% to 21.2% of CapEx. In FY23, the reported numbers varied more, ranging between 3.5% and 27.5% of turnover and between 4.2% and 32.4% of CapEx.

Average Taxonomy eligibility for the investment business in the insurance sector across all countries included in the study is 18.2% of turnover and 16.5%¹⁰ of CapEx. The highest average national turnover eligibility goes to the Netherlands, while Germany has the highest average for CapEx.

Average Taxonomy alignment for the investment business in the insurance sector ranges from 1.3% to 5.5% of turnover and from 2.1% to 4.5% of CapEx. The average proportion across all countries is 2.5% of turnover and 2.7% of CapEx. The national averages in last year's study ranged between 0.7% and 6% of turnover and between 0.9% and 4.3% of CapEx, with an overall average of 2.1% of turnover and 2.2% of CapEx.

Insurance companies in Switzerland reported average national alignment for the investment business of 0.8% of turnover and 1% of CapEx.

Fig. 6 Taxonomy eligibility for the investment business in the insurance sector

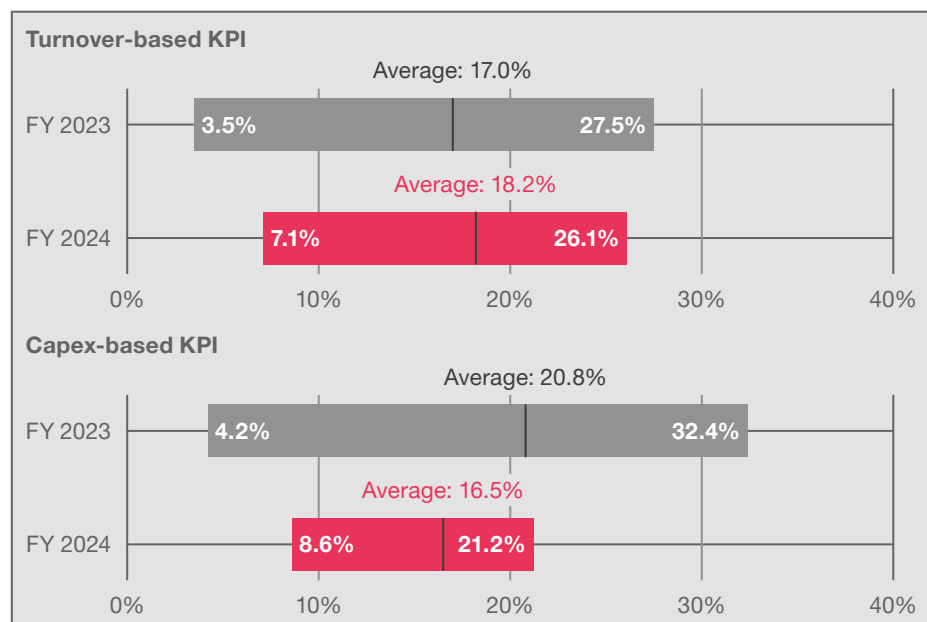
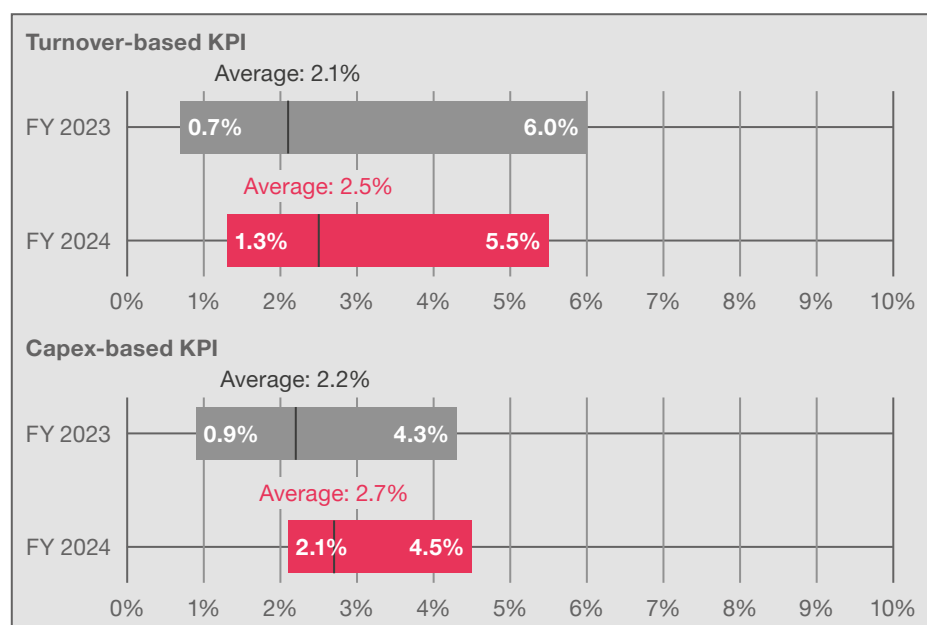


Fig. 7 Taxonomy alignment for the investment business in the insurance sector



¹⁰ Companies that did not publish their percentage of eligible CapEx were not included in the calculation of the national averages for CapEx eligibility.

Similar to credit institutions, the main drivers of Taxonomy alignment in insurance companies' investment business are improved data coverage for assessing real estate, the availability of new Taxonomy alignment data for financial counterparties, and increased levels of alignment among non-financial counterparties. The full implementation of the inheritance rule from the FAQs of December 2023 has also contributed to the increase in alignment levels. Likewise, enhanced processes for assessing non-financial assets against alignment criteria, such as climate risk and vulnerability analyses, have also had positive effects.

By contrast, certain provisions outlined in the FAQs of December 2023 may have led to a reduction in Taxonomy alignment in for insurance companies' investment business as is the case for credit institutions.

5. Sector specifics – insurance sector underwriting business

In the insurance sector for the underwriting business, average Taxonomy alignment increased from 1.9% in FY23 to 2.1% in FY24, while average Taxonomy eligibility decreased from 18.8% in FY23¹¹ to 13.5% in FY24.

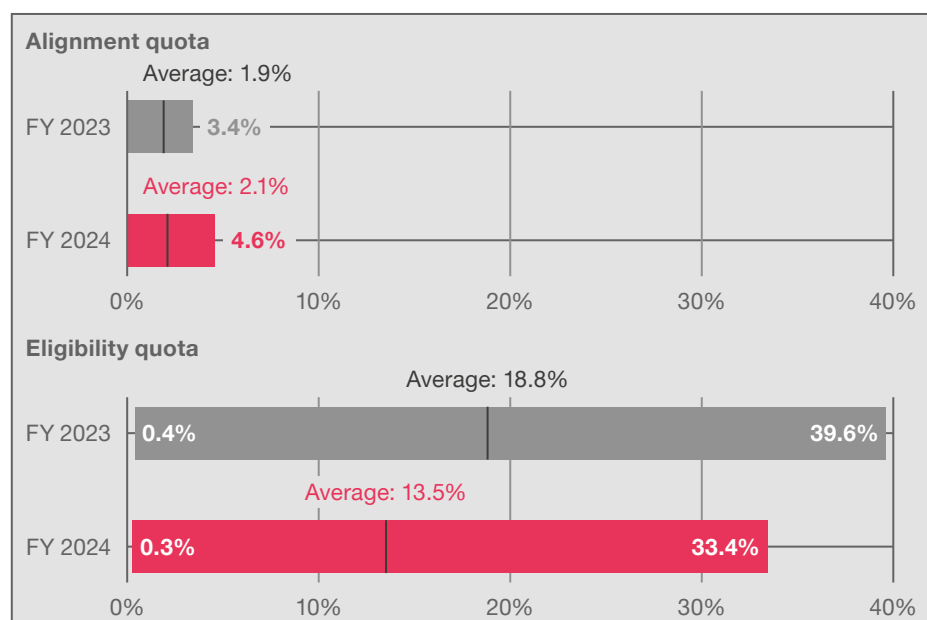
Average national Taxonomy eligibility for the underwriting business varies between 0.3% and 33.4%, with the highest value being achieved by a German company. Overall, Germany has the highest national average Taxonomy eligibility for the underwriting business, at 33.4%. However, this is lower than in FY23, when it was 39.6%.

Average Taxonomy alignment for the underwriting business among the German companies analysed is 4.6%, compared to 3.4% in FY23.

The highest level of alignment for the underwriting business was achieved by a German reinsurer at 10.5%, up from 7.9% in FY23. In contrast, Belgium saw a decrease in Taxonomy alignment for the underwriting business from 2.9% in FY23 to 2.4% in FY24, probably due to changes in the calculation methodology. Financial institutions in Belgium, France and the Netherlands slightly increased their Taxonomy eligibility for the underwriting business compared to the previous year. In other countries, average Taxonomy eligibility declined.

Insurance companies in Switzerland reported average Taxonomy eligibility of 6.2% and average Taxonomy alignment of 3.8% for the underwriting business.

Fig. 8 Taxonomy alignment and eligibility for the underwriting business in the insurance sector



¹¹ The calculated percentages for FY23 refer to the published KPIs from the template: "The underwriting KPI for non-life insurance and reinsurance undertakings" of Annex X of the Delegated Regulation (EU) 2021/2178 in the 2024 reports, and may therefore differ from the percentages published in last year's PwC EU Taxonomy Reporting study.

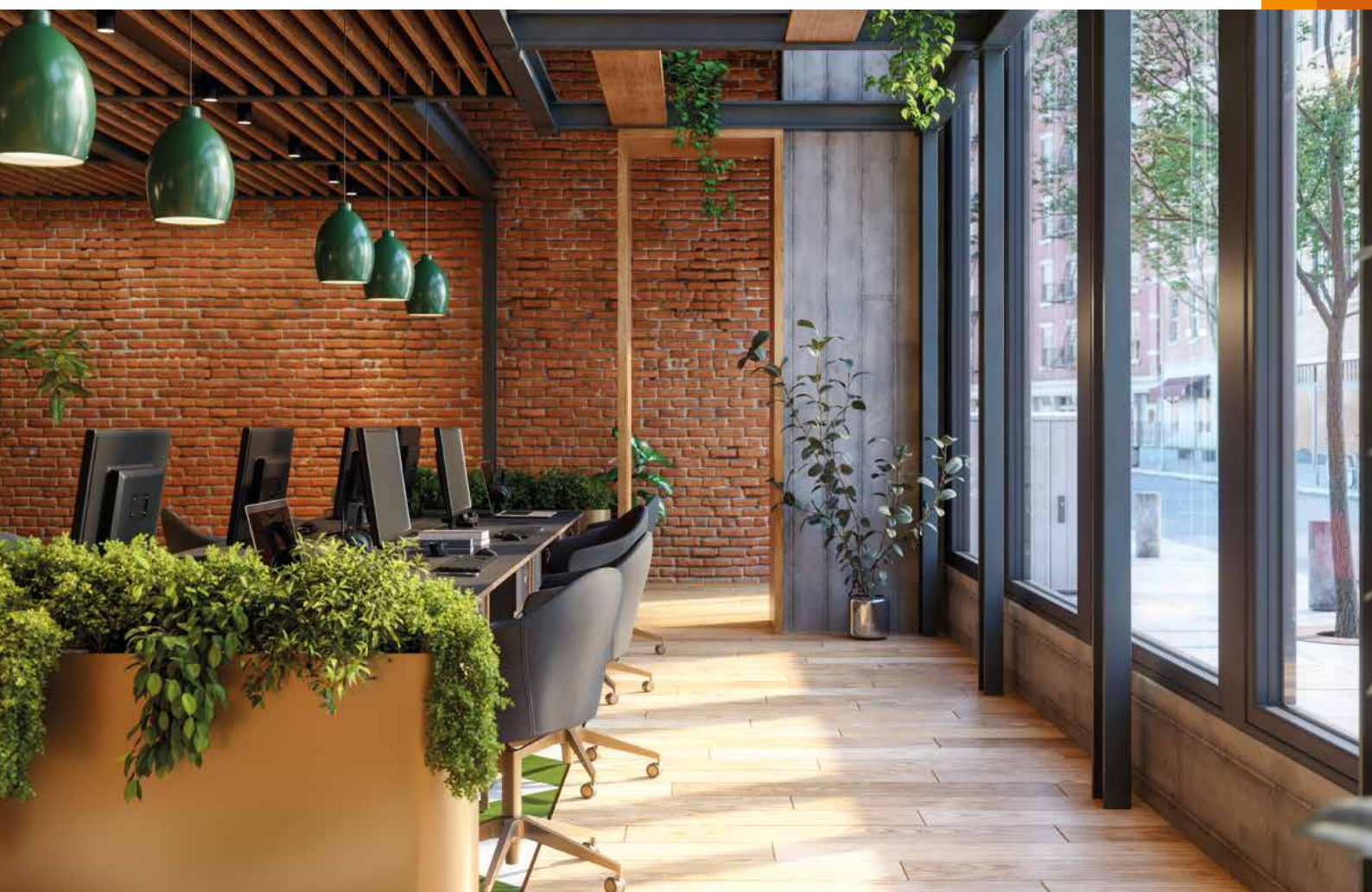
The decline in Taxonomy eligibility rates for the underwriting business in the insurance sector this year may be attributable to the European Commission's final FAQ, which clarified methods for calculating alignment but left uncertainty around calculating eligibility. Over half of the financial institutions analysed (56.3%) used the same method for both eligibility and alignment, applying only the climate-related premium split; this reduced rates significantly. Insurance companies without any Taxonomy-aligned underwriting activities largely did not make the effort to calculate the premium split and based their calculations on the total premium of eligible products. One Finnish company changed its methodology, which reduced its reported eligibility from 87.2% to just 3.6%, while the German company with the highest level of eligibility used total premiums of eligible lines.

Many insurance companies find it challenging to undertake the comprehensive processes necessary for reporting Taxonomy alignment. Companies from countries without national legislation addressing the criteria for the Minimum Safeguards related to human rights, taxation, fair competition, and corruption and bribery faced more difficulties in meeting these standards. In response to this, the Platform on Sustainable Finance published a report in October 2022 with recommendations for compliance with the requirements of Minimum Safeguards.

Taxonomy eligibility of 0% for the underwriting business of insurance companies can occur for two reasons. If a company only counts premium shares that are reported as aligned, this may result in a 0% rate. Alternatively, the insurer might not

classify any underwriting activities as Taxonomy-eligible, which will also result in a 0% rate – perhaps because their business model focuses on non-life insurance, or their underwriting portfolio lacks climate-related premiums.

Most companies reported Taxonomy-aligned products in the following Lines of Business based on Solvency II: other motor insurance; marine, aviation and transport insurance; and insurance against fire and other damage to property.





C Conclusion and outlook

Compared to last year, average Taxonomy eligibility and alignment in the banking and asset and wealth management sectors as well as in the insurance sector for the investment KPIs has increased slightly. The main drivers for Taxonomy alignment continue to be private households, along with exposures to financial and non-financial counterparties. Assessment of Taxonomy alignment among private households is being aided by increased availability and usage of EPCs or similar energy certificates. Greater Taxonomy alignment has been driven by increased implementation of the inheritance rule, and by the availability of FY23 Taxonomy alignment data from financial counterparties for the first time. By contrast, the inclusion of all regional and local government exposures in the denominator has had a negative effect on Taxonomy alignment.

In the insurance sector for the underwriting KPIs, Taxonomy alignment increased slightly, while Taxonomy eligibility decreased. The rise in Taxonomy alignment can be explained by better processes, improved data availability and new guidance from the FAQs, while the drop in Taxonomy eligibility probably resulted from the application of the premium split.

Most financial institutions do not yet use Taxonomy data for strategic purposes. This may be partially attributable to the low levels of alignment, which make it difficult to use Taxonomy data to guide management decision-making. Additionally, the level of alignment cannot be used as the sole indicator for evaluating how much progress a counterparty has made in the green transition. Taxonomy eligibility is heavily dependent on the specific business model employed, and there is still a wide variety of methods being used to calculate the KPIs. This renders the data difficult to compare and therefore less impactful. Moreover, ongoing regulatory changes, such as the new guidance from the FAQs and the latest Omnibus proposals, are continuing to divert attention and resources towards compliance, making strategic considerations more complex.

For the EU Taxonomy Regulation to achieve its purpose of redirecting financial flows to sustainable economic activities, it is essential that financial institutions use Taxonomy data for decision-making purposes related to strategy, products, services or investments.

There will be some data availability improvements in FY25, as CSRD reports from counterparties will be available for the first time. However, the regulatory sphere remains in a state of flux, as further potential changes to Taxonomy reporting have now been introduced in the Omnibus proposals, which have diverse implications. The proposed reduction in the scope of the Taxonomy and the CSRD would limit data availability for financial institutions. On the other hand, the proposed alignment of numerator and denominator in the GAR would strengthen the GAR's impact, which should increase its use in strategic decision-making.



¹² https://sustainable-finance-beirat.de/wp-content/uploads/2024/07/SFB_AG_Regulierungskohaerenz_GAR_EN_final-1.pdf

An additional suggestion to improve the impact of Taxonomy reporting is the introduction of a new KPI, which would be calculated by dividing the proportion of Taxonomy-aligned activities by the proportion of Taxonomy-eligible activities.¹² This is included in the Omnibus proposals for the Annex VI reporting templates for credit institutions, and would show how much potential financial institutions or companies have to improve their alignment relative to

the total Taxonomy-eligible activities available for their business model. This KPI would give a good indication of the potential extent of the green transition and its progress over time, and it should therefore be introduced for both credit institutions and insurance companies.

The Platform on Sustainable Finance has also made further recommendations to enhance the significance and impact of Taxonomy data, such as

making small and medium enterprise (SME) financing eligible under the EU Taxonomy Regulation: this would make Taxonomy eligibility less dependent on the business model. However, there are challenges here in terms of data availability; these challenges would further increase if the scope of the EU Taxonomy Regulation and the CSRD are reduced as per the Omnibus proposals.

Based on our findings, we believe that there are three main considerations related to the EU Taxonomy going forward:

1.

Financial institutions and companies need to continue their transition to net zero. Taxonomy data is one piece of the puzzle that can be used in steering portfolios towards decarbonisation. Today, we are seeing ever-rising physical risks, acute climate risks and nature-related risks. At the same time, the EBA Guidelines

on ESG risk management, the Capital Requirements Regulation, and the EU’s ambitious goals to become the first climate-neutral continent by 2050 are resulting in increasing pressure from regulators. All this makes it imperative for financial institutions to continue with their efforts to decarbonise.
2.

Taxonomy data is becoming more important and impactful, and will probably be used more and more in the design of green financial products. This data is increasingly being used as a basis for designing green bonds, or for valuation of assets to be liquidated in the insurance sector. Financial institutions could

offer incentives for Taxonomy alignment by integrating relevant criteria into green lending or investment products. Taxonomy data, in the form of the DNSH assessment and compliance with the minimum safeguards, can also feed into ESG risk management.
3.

Although there is already a lack of clarity in the regulations and little time for strategic considerations, the Taxonomy KPIs would nonetheless benefit from further improvements. Two particularly interesting suggestions have been made in the Omnibus proposals: the first is to introduce a new KPI to

demonstrate progress towards achieving Taxonomy alignment, which would be calculated by dividing Taxonomy alignment by Taxonomy eligibility, and the second is to improve the impact of the GAR by aligning the nominator and the denominator.

Status quo of EU Taxonomy implementation by non-financial undertakings

The quality of Taxonomy reporting by financial undertakings is contingent upon the quality of Taxonomy reporting by non-financial undertakings. Nonetheless, the potential synergies between the real economy and the financial markets remain underexploited. Non-financial undertakings do not usually engage directly with investors when compiling their EU Taxonomy reports. One contributing factor to this is the limited number of Taxonomy-eligible activities, which limits cost-effectiveness. At the same time, investors have yet to incentivise Taxonomy alignment by offering financing conditions based on Taxonomy criteria. On top of this, Taxonomy data is not yet being consistently utilised for strategic purposes within the financial sector, such as portfolio management or investment decision-making.

EU Taxonomy reporting obligations for non-financial companies have been gradually phased in, and 2025 marks the first year of Taxonomy alignment and eligibility reporting for all six environmental objectives.

Many non-financial undertakings fail to achieve Taxonomy alignment, as data is often not available and the criteria are ambitious and complex. For instance, manufacturing companies often encounter difficulties in getting their production processes to meet the Taxonomy's technical screening criteria. Furthermore, many non-financial undertakings face challenges in gathering the necessary data – sometimes because the data is not available in

the value chain at all. This limits their ability to accurately report alignment. Uncertainties around how to interpret the Taxonomy criteria can also result in inconsistencies.

An example of this can be seen in the variations caused by the lack of a specific definition of materiality for revenue and CapEx. This has led to different non-financial undertakings applying materiality inconsistently. Some focused their reporting only on key activities, applying their own definition of materiality, while others undertook comprehensive analyses.

Additionally, non-financial companies have applied different approaches to reporting on CapEx and operating expenditure (OpEx). Some companies disclose only CapEx and OpEx related to assets or processes associated with Taxonomy-aligned economic activities, while others report exclusively on CapEx and OpEx related to purchased outputs (e.g. goods and services) from Taxonomy-aligned activities. This may result in the same investment transaction being reported differently, which limits comparability between companies and makes the data more difficult for financial institutions to process.

The Omnibus proposals also include changes to the concept of materiality and the technical screening criteria, as well as to the reporting templates for non-financial undertakings. This is with the aim of reducing the reporting burden imposed on companies.

Appendix

1. Methodology

This study analyses the implementation of the EU Taxonomy Regulation by examining the disclosed Taxonomy KPIs in the FY24 annual reports from major financial undertakings in ten EU countries and Switzerland. The analysis includes companies from Belgium, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Spain, Sweden and Switzerland, as well as some subsidiaries with parent companies based in other EU or non-EU countries.

A total of 93 reports were examined, with the largest samples from Germany (25), Italy (16) and Poland (11). These reports came from various financial industries. 9 out of the 93 reports were from financial conglomerates which depending on their structure/composition published multiple KPIs for credit institutions, insurance companies an asset manager. The FAQs of December 2023 confirmed that parent groups should report all corporate activities at the consolidated level.

Credit institutions provided 61% of the reports, while the insurance sector accounted for 30%. Asset and wealth management companies made up the smallest proportion, at 9%.

The ranges of the Taxonomy eligibility and alignment levels given in this study are based on the average national percentages of eligible and aligned activities. For the underwriting business of the insurance sector, the averages per country were calculated for the percentages under columns A1 and A2 in the Annex X template for the reporting year (FY24) and for FY23. If a company did not specify a particular percentage, the calculation of the average for that KPI automatically yielded 0%.



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