Commission de Surveillance du Secteur Financier

Taxonomy Regulation Disclosures

RESULTS OF A FOCUSED EXAMINATION ON CORPORATE REPORTING PRACTICES

JULY 2025

Table of Contents

Background

In 2024, non-financial issuers were required, for the first time, to report alignment with all six environmental objectives, extending beyond the climate change mitigation and adaptation goals covered in prior years. This expansion followed the publication of the Taxonomy Environmental Delegated Act of 27 June 2023, which became applicable from 1 January 2024 and introduced technical screening criteria for **water and marine resources**, **circular economy transition**, **pollution prevention and control**, and **biodiversity protection**.

The information to be disclosed as well as the timing for the disclosure are specified in the Disclosures Delegated Act of 6 July 2021, as amended (DDA).

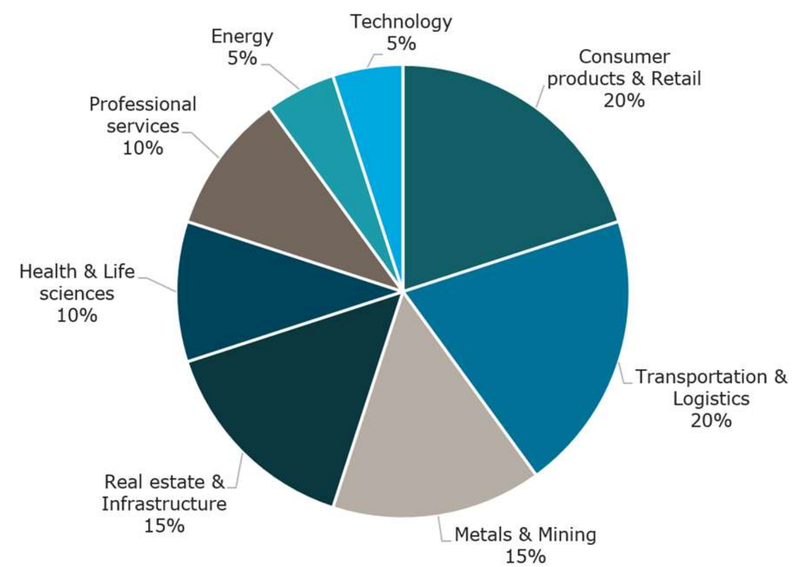
Objective

For the reporting year 2024, the CSSF has examined the Taxonomy reporting to evaluate the quality of the disclosures provided by non-financial issuers under the requirements of the Taxonomy Regulation. This report includes the summary of the main findings of this review.

Scope and Methodology

The CSSF has therefore carried out a focused examination of the information disclosed under Article 8 of the Taxonomy Regulation as from 1 January 2024 for a selection of non-financial issuers under its supervision having economic activities eligible under the Taxonomy Regulation. Issuers with more than either 10% eligible turnover or 10% eligible CapEx were selected, which made for a total sample size of 20 issuers.* The figure hereafter outlines the sectors of issuers selected for the purpose of this report:

Sectors of issuers in the sample



** Eight more potential issuers reported turnover and CapEx under the threshold, and three more issuers did not disclose in time for this report.*

Regarding **quantitative information**, the CSSF has assessed:

- the use and completeness of the templates required by Annex II of the DDA;
- the adequate reporting of the different Key Performance Indicators (KPIs); and
- the avoidance of double counting for activities contributing to multiple objectives.

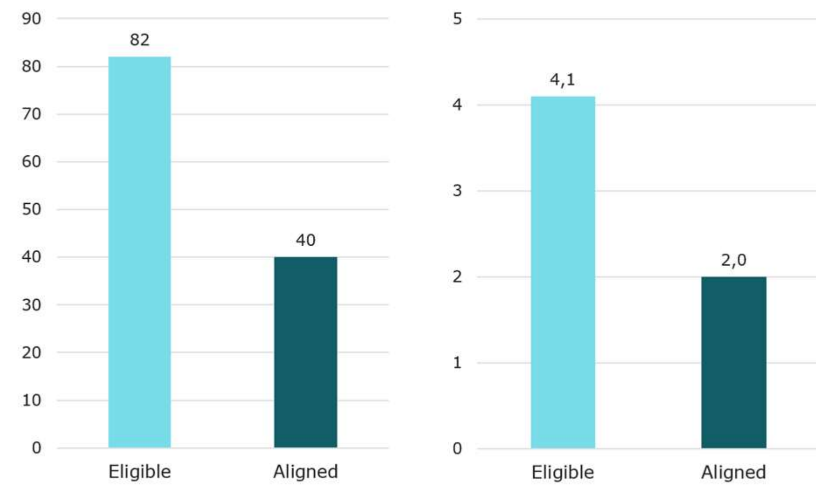
For **qualitative information**, the accounting policy and the assessment of compliance with Annex I of the DDA were examined, as well as the existence of references to other parts of the financial or non-financial statements.

When reviewing these reports prepared by issuers, the CSSF undertook a more in-depth analysis of the areas where more clarity was deemed necessary or where incorrect application had been identified, and further action was taken by the CSSF accordingly.

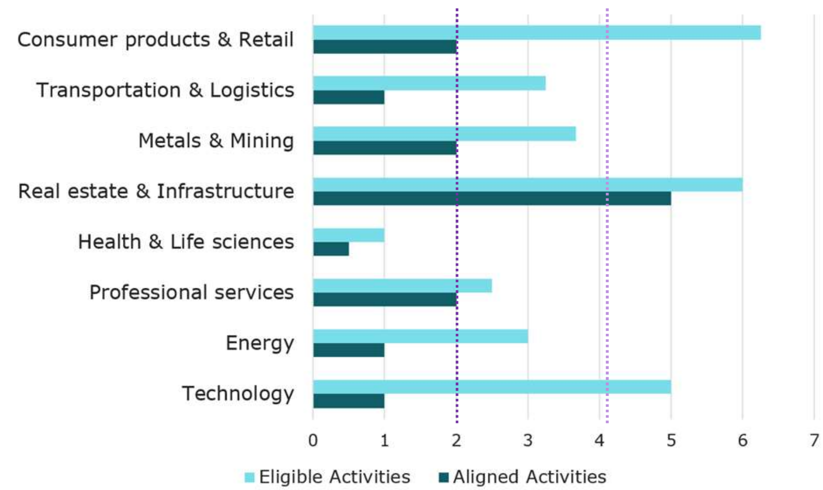
Assessment of Economic Activities

Across the sample of 20 issuers, a total of 82 eligible and 40 aligned activities was identified (neglecting double counting for this statistic). The averages per issuer amounted to 4,1 and 2,0 respectively and are displayed as dashed lines in the sector breakdown (bottom right).

Total number of activities (left) and sample average (right)



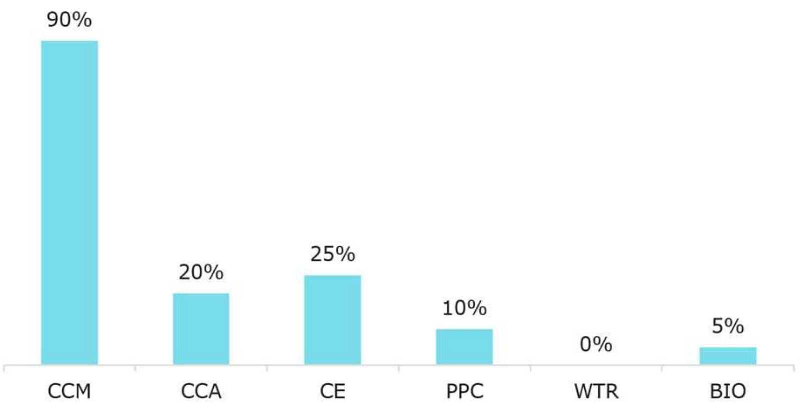
Average number of activities per sector



An analysis of Taxonomy-eligible activities by environmental objective reveals a pronounced focus on Climate Change Mitigation (CCM): 90% of sample issuers reported at least one CCM-eligible activity. In contrast, far fewer issuers identified eligible activities for the remaining objectives, and none reported any Water and Marine Resources (WTR)-eligible activity.

This pattern is unsurprising, since CCM was among the first objectives to be adopted under the Taxonomy, whereas the other objectives – particularly WTR – entail more specialized technical screening criteria and sector-specific requirements.

Share of issuers with eligible activities by objective



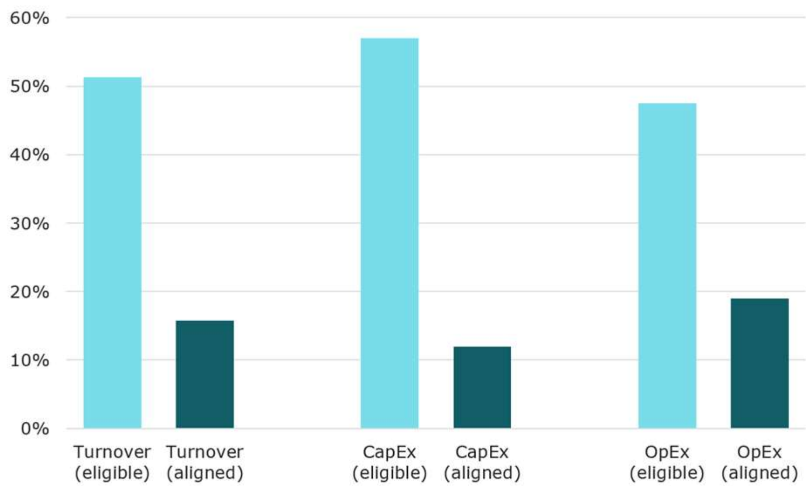
CCM: Climate Change Mitigation; CCA: Climate Change Adaptation; CE: Circular Economy; PPC: Pollution Prevention and Control; WTR: Water and Marine Resources; BIO: Biodiversity and Ecosystems

Taxonomy KPI Analysis

Sample-based Statistics

An initial, high-level assessment of the KPI disclosures shows that, on average, around 50% of issuers' turnover, CapEx and OpEx qualify as Taxonomy-eligible. By contrast, the share of fully-aligned activities is only between 10% and 20%, which leaves room for improvement.

Sample averages per KPI



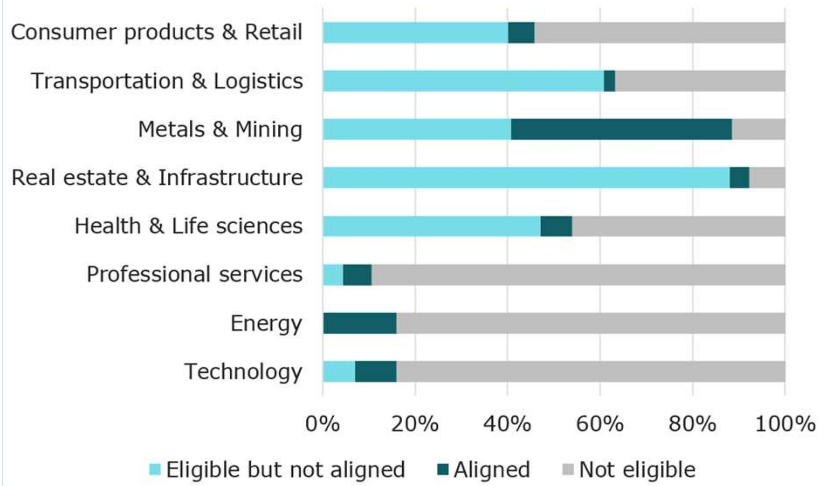
Note that 20% of issuers reported their OpEx as immaterial and therefore invoked the exemption set out in Annex I (section 1.1.3.) of the DDA. All concerned issuers disclosed the OpEx numerator (zero), the denominator and an explanation of its immateriality to their business model, as required by the DDA.

Sector-based Statistics

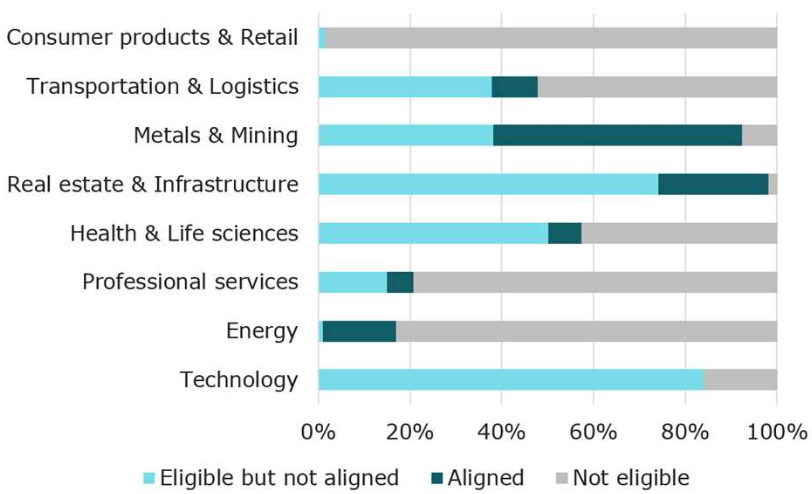
Analyzing the Taxonomy KPIs per sample sector, the following findings can be made:

Across KPIs, the sectors **Real Estate & Infrastructure** and **Metals & Mining** consistently reported the highest share of eligible activities, followed by **Health & Life Sciences** and **Transportation & Logistics**. This implies a large potential to contribute to climate change mitigation, adaptation and other environmental objectives.

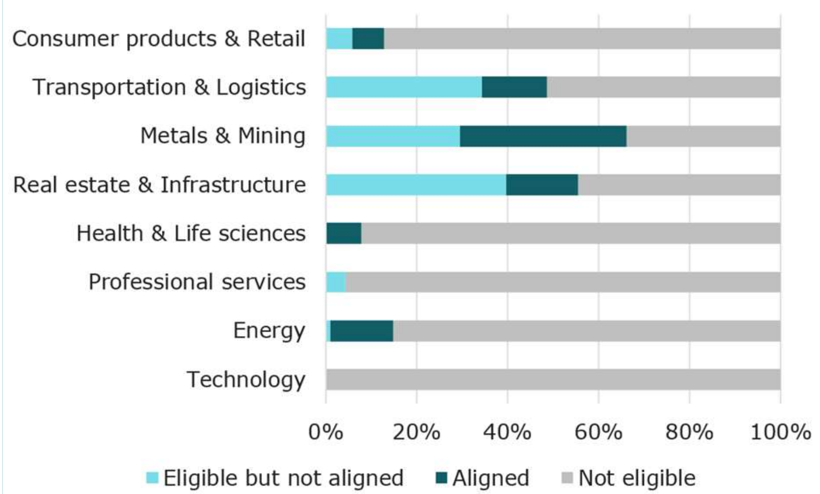
CapEx KPI – Sector averages



Turnover KPI – Sector averages



OpEx KPI – Sector averages



Main Findings on Reporting Practices

Positive Developments in Taxonomy Implementation

Adoption of Standardized Reporting Templates

In line with Article 8 of the EU Taxonomy Regulation, the use of the standardized templates is designed to ensure that reported information is clear, reliable, and easily accessible for investors and other users.

All issuers in scope have embraced the mandatory templates outlined in Annex II of the DDA, demonstrating their commitment to structural consistency in disclosures.

Enhancements in Qualitative Disclosures

The increased granularity in qualitative disclosures enables stakeholders to better assess how issuers interpret and implement the technical screening criteria (TSC), DNSH criteria, and Minimum Safeguards in practice. By articulating the methodologies, processes, and governance structures underpinning their compliance, issuers are contributing to a more informed and credible market.

This qualitative reporting has seen marked improvements, with 90% of sample issuers providing detailed explanations of compliance with TSC, DNSH and Minimum Safeguards for the applicable environmental objectives.

Description of eligible/aligned activities – Good practices

The DDA requires issuers to describe the nature of their Taxonomy-eligible and -aligned activities, by referring to the Climate and Environmental Delegated Acts. While 20% of issuers have demonstrated deficiencies in fulfilling this obligation, some good practices have emerged. Notably, comprehensive descriptions are often presented in a structured table format, where Taxonomy activity codes and their titles are matched to concise explanations of how these activities materialize within the issuer’s business operations. This approach enhances clarity, comparability, and transparency for users of the disclosures.

Main Findings on Reporting Practices

Critical Areas Requiring Improvement

Financial Statement Referencing

It was noted that, for the turnover and CapEx KPIs, a number of issuers did not include references to the related financial statement line items, contrary to the explicit obligation set out in Annex I of the DDA, section 1.2.1. This requirement is fundamental to ensuring the traceability and reliability of Taxonomy-related disclosures.

Year-on-Year Analysis

Furthermore, the DDA and accompanying guidance stress the importance of contextualizing changes in reported KPIs over time.

However, explanations for Year-on-year KPI variations remain generally superficial. Only 50% of the issuers in sample provided meaningful links between KPI fluctuations and specific operational changes (e.g., investments, project developments) or regulatory updates.

Double-Counting Mitigation Strategies

Issuers are required to implement and disclose robust processes ensuring that turnover, CapEx, and OpEx are not counted more than once across different Taxonomy activities or objectives.

Nevertheless, only 50% of issuers documented concrete measures to prevent double counting in their Taxonomy disclosures. This represents a significant area for improvement, as accurate reporting of Taxonomy-eligible and -aligned activities depends on effective safeguards against overlaps, especially where activities contribute to multiple KPIs or environmental objectives. Inadequate controls in this area can undermine the reliability and comparability of reported data, potentially leading to overstated sustainability performance. Effective practices observed include:

- Establishing consistent and clear allocation rules across different environmental objectives; and
- Selecting the most relevant activity for the classification where TSC of multiple objectives are met.

Main Findings on Reporting Practices

Critical Areas Requiring Improvement

CapEx Denominator Calculation

Persistent errors in KPI denominators undermine the reliability of alignment metrics. It was observed that 40% of issuers had deficient CapEx calculations and that underestimation of CapEx denominators persists. This is mainly due to:

- Omission of right-of-use assets (56% of cases);
- Omission of intangible assets (33% of cases); and
- Omission of additions resulting from business combinations (11% of cases).

The CSSF emphasizes that the denominator must encompass all DDA-defined elements regardless of accounting treatment. To address this, issuers are encouraged to:

- Review the composition of their CapEx denominators to ensure full alignment with regulatory requirements;
- Clearly disclose the asset categories included in the calculation, providing transparency for stakeholders and facilitating external verification; and
- Implement reconciliation procedures to prevent the inadvertent exclusion of required asset classes.

Disclosures Related to CapEx Plans

Reporting Practices Observed

As per the DDA, issuers could report Taxonomy-aligned investments allocated to a CapEx plan, which aims either to expand Taxonomy-aligned economic activities or to upgrade Taxonomy-eligible activities within five years (additional criteria apply).

Only one issuer in our sample explicitly reported having such a CapEx plan. While it is possible that other issuers have counted such investments into their aligned CapEx KPI and simply did not disclose this context, the CSSF assumes that the majority chose not to include investments related to a CapEx plan.

Relative frequency of issues identified during the review

Main Findings on Reporting Practices

Synthesis and Recommendations

Overall, while significant progress has been made in EU Taxonomy disclosure practices, further improvements are needed to ensure full regulatory compliance and enhance the quality of reported information.

Issuers are encouraged to maintain their commitment to standardized templates, provide clear and detailed qualitative explanations, and ensure comprehensive descriptions of Taxonomy-eligible and -aligned activities. Attention should be given to linking KPIs to financial statement line items, offering robust explanations for year-on-year variations, and documenting effective safeguards against double counting. Finally, issuers should review and refine their CapEx denominator calculations to include all relevant asset categories.

Continued focus on these areas will strengthen transparency, comparability, and stakeholder trust in Taxonomy reporting.

Closing Remarks

EU Omnibus Package

The Omnibus Simplification Package was proposed by the European Commission on 26 February 2025 as a single legislative instrument to amend the CSRD, the CSDDD, the EU Taxonomy Regulation and CBAM, aiming to streamline sustainability reporting requirements across the European Union and to reduce administrative burdens on undertakings.

Under the current draft, companies with fewer than 1000 employees or an annual turnover below €450 million would be exempt from mandatory EU Taxonomy reporting, while larger undertakings would remain in scope. The proposal also introduces voluntary reporting for smaller entities, permits “partial alignment” disclosures for activities meeting only some technical screening criteria, and calls for simplified templates that consolidate DNSH and sector-specific information into fewer data points.

The public consultation on proposed amendments to the Taxonomy Disclosures Delegated Act, the Climate Delegated Act and the Environmental Delegated Act closed on 26 March 2025, with formal adoption expected in S2 2025 and an entry-into-force date of 1 January 2026.

Conclusion

The CSSF strongly advises issuers concerned to keep themselves informed and to prepare for any changes as the legislative process progresses. Issuers should then closely monitor these developments and adapt their internal reporting systems to ensure alignment with both current and forthcoming requirements.

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