

Insights

A DELEGATED REGULATION TO SIMPLIFY AND CLARIFY THE APPLICATION OF THE EU TAXONOMY

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The Commission Delegated Regulation (EU) 2026/73 published in the Official Journal on 8 January 2026, marks a significant step in implementing the EU Taxonomy. It amends Delegated Regulations (EU) 2021/2178, 2021/2139, and 2023/2486 to simplify the content and presentation of disclosure requirements and streamline certain technical screening criteria.

WHY WAS THIS TEXT NEEDED?

Since the Taxonomy Regulation came into force, companies and financial actors have raised concerns about the complexity of reporting obligations and the interpretation of the “Do No Significant Harm” (DNSH) criteria. This new Delegated Regulation addresses these issues by introducing:

- A materiality threshold: Activities representing less than 10% of turnover, CapEx, or OpEx can now be excluded from detailed reporting, reducing administrative burden;
- Simplified reporting templates: A reduction of approximately 64% in data points for non-financial undertakings and 89% for financial institutions; and
- Clarified DNSH criteria: Particularly for the environmental objective of preventing and reducing pollution, making compliance more practical.

TRANSITIONAL MEASURES AND TIMELINE

The text provides transitional measures for “wave 1” companies that do not benefit from the two-year delay granted to “wave 2” companies under the “Stop the Clock” Directive. These measures include:

- A two-year extension for omitting expected financial effects and eight social indicators already applicable for the 2024 financial year; and
- The option to omit certain ESRS standards (E4, S2, S3, S4) for the 2025 and 2026 financial years.

The Delegated Regulation enters into force on 28 January 2026, with retroactive application from 1 January 2026 for reports covering the 2025 financial year. Companies may, however, opt to defer and apply the previous regime for 2025 if more convenient.

A CLEARER FRAMEWORK FOR EUROPE WELCOMED BY ENTERPRISES AND STAKEHOLDERS

By simplifying obligations and clarifying technical criteria, this Delegated Regulation preserves the core objectives of the EU Taxonomy while reducing complexity for businesses. It offers a pragmatic response to initial criticisms and strengthens the coherence of the EU sustainable finance framework.

REMINDER ABOUT THE EU TAXONOMY REGULATION: A KEY LEGAL INSTRUMENT FOR SUSTAINABLE FINANCE AND CORPORATE TRANSPARENCY

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (known as the “Taxonomy Regulation”) establishes a framework to facilitate sustainable investment and amends Regulation (EU) 2019/2088 (SFDR). This text, relevant to the EEA, is a cornerstone of the EU’s strategy for ecological transition and combating greenwashing.

PURPOSE AND SCOPE

The EU Taxonomy aims to:

- Scientifically classify economic activities based on their contribution to environmental sustainability;
- Direct financial flows towards activities aligned with climate and environmental objectives; and
- Enhance transparency for companies and financial market participants.

It applies to non-financial undertakings subject to sustainability reporting obligations, and financial undertakings, including credit institutions, insurance and reinsurance companies, asset managers, and investment firms (NFRD, transposed in France via the DPEF decree, which has now been replaced by the CSRD).

REPORTING OBLIGATIONS

Article 8 of the Regulation requires companies to disclose, in their non-financial statement, detailed information on:

- How and to what extent their activities are associated with environmentally sustainable economic activities; and
- The proportion of turnover, capital expenditure (CapEx), and operating expenditure (OpEx) related to such activities.

These disclosures must be included in the Non-Financial Report under the NFRD, or in the Sustainability Report required by the CSRD, in accordance with ESRS. The CSRD strengthens this obligation by requiring information necessary to understand the undertaking's impact on sustainability matters and how these matters affect its development, performance, and position.

The Taxonomy Regulation is also used in conjunction with Regulation (EU) 2019/2088 (SFDR), which imposes transparency obligations on financial market participants regarding the sustainability of financial products. Accordingly, the information disclosed under Article 8 of the Taxonomy Regulation (such as the proportion of turnover, CapEx, and OpEx aligned) feeds into SFDR disclosures, enabling investors and asset managers to demonstrate the alignment of their products with the EU's environmental objectives.

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CLASSIFICATION OF ACTIVITIES – ARTICLES 3 AND 9

The Regulation is built on two pillars. First, Article 3 declares that an economic activity qualifies as environmentally sustainable if it:

- Contributes substantially to at least one of the six environmental objectives;
- Does not significantly harm any of the other objectives (DNSH principle); and
- Complies with minimum social safeguards and the technical screening criteria established by the Commission.

Then, Article 9 lists the six environmental objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. Sustainable use and protection of water and marine resources;
4. Transition to a circular economy;
5. Pollution prevention and control; and

6. Protection and restoration of biodiversity and ecosystems.

These objectives are supplemented by Delegated Regulations, such as Delegated Regulation (EU) 2021/2139 and its annexes, which specify sector-specific technical criteria.

LINK WITH NFRD AND CSRD

The information required under the Taxonomy Regulation must be integrated into:

- The NFRD report, transposed into French law via the DPEF decree; or
- The CSRD report, which mandates reporting in line with ESRS and includes disclosures under Article 8 of the Taxonomy Regulation.

PURPOSE AND PRACTICAL IMPLICATIONS

The Taxonomy Regulation seeks to:

- establish a common language for defining what is “sustainable”,
- prevent greenwashing through scientific criteria and transparency obligations, and
- enable comparability of companies for investors and stakeholders.

For M&A transactions, the Taxonomy Regulation is becoming a strategic tool because it influences target valuation (green premium or discount), it requires enhanced ESG due diligence; and it impacts contractual structuring (warranties, conditions precedent, post-closing commitments).

SOURCES

- **“Commission Delegated Regulation (EU) 2026/73 of 4 July 2025, amending Delegated Regulation (EU) 2021/2178 and Delegated Regulations (EU) 2021/2139 & 2023/2486”**, published on 8 January 2026 by EUR-Lex
- **“Delegated Regulation (EU) 2021/2178 – Taxonomy Disclosures Delegated Act”**, published by EUR-Lex
- **“Delegated Regulation (EU) 2021/2139 – Climate Delegated Act”**, published by EUR-Lex
- **“Delegated Regulation (EU) 2023/2486 – Environmental Delegated Act”**, published by EUR-Lex
- **“Commission to cut EU Taxonomy red tape for companies”**, published on 4 July 2025 by the European Commission

- **“Omnibus and EU Taxonomy”**, published in July 2025 by EY
- **“Frequently Asked Questions on the EU Taxonomy”**, published on 29 November 2024 by the European Commission
- **“Regulation (EU) 2020/852 of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088”**, published by EUR-Lex
- **“Regulation (EU) 2019/2088 of 27 November 2019 (SFDR)”**, published by EUR-Lex
- **“Delegated Regulation (EU) 2021/2139 of 4 June 2021 (Climate Delegated Act) – Annexes I & II”**, published by EUR-Lex
- **“Article 8 Disclosures – Commission FAQs”**, published by the European Commission
- **“EU Taxonomy Article 8: Transparency Guide”**, published by Generation Impact
- **“EU Taxonomy for Sustainable Activities – Explanation of Conditions and Environmental Objectives”**, published by the European Commission
- **“A Short Guide to the EU’s Taxonomy Regulation”**, published by S\&P Global
- **“EFRAG publishes the ESRS Set 1 XBRL Taxonomy”**, published by EFRAG

RELATED CAPABILITIES

- ESG Governance, Compliance and Reporting
- Corporate
- Regulation, Compliance & Advisory

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