



## EU Taxonomy – Have your Say

Authors: Alexandre Dias, Thomas Collin

Date: 05.12.2025

EU Transparency register: 3505006282-58

### Context

The ABBL welcomes the opportunity to comment on possible improvements to be brought to the delegated acts of Regulation (EU) 2020/852 (“Taxonomy Regulation”) establishing the Technical Screening Criteria (“TSC”) for economic activities contributing to Climate (Commission Delegated Regulation 2021/2139) and Environmental (Commission Delegated Regulation 2023/2486) objectives.

This “Have Your Say” is an opportunity for us to highlight key points we would like to share to improve the European Union sustainable finance legal framework. We have identified the following four action points to reinforce the competitiveness and market adoption of the EU Taxonomy:

1. Reform the application of the DNSH criteria
2. Exempt Minimum Safeguards due diligence for EU firms
3. ESG data rules and approbation must be harmonized in the EU sustainable finance legal framework
4. Alignment of reporting requirements and proportionality principles

### ABBL Key Policy Proposals

1. Reform the application of the DNSH criteria

The ABBL calls for a fundamental reform of the DNSH mechanism, which it sees as unfit for purpose in its current form. If a criterion systematically flags almost all sustainable activities as “non-aligned” because of disclosure and data issues, it is functioning less as a safeguard and more as a technical barrier to Taxonomy-alignment.

Therefore, we recommend the following policy measures:

- **Removing DNSH as a separate compliance check**, or at minimum **drastically simplifying it** and ensuring it becomes a binary, evidence-based, and auditable check.
- **Aligning the concept of DNSH with the Sustainable Finance Disclosure Regulation (SFDR)** to ensure consistency in definitions, scope, and assessment methodologies. The notion of DNSH

is defined in Article 2(17) of Regulation (EU) 2019/2088. However, this concept is proposed to be removed under the SFDR 2.0 revision.

- **Focusing DNSH only on objective, measurable compliance with EU environmental law**, rather than on additional qualitative or process-based requirements.
- **Relieving banks from DNSH verification in retail lending (B2C) operations**, notably for residential mortgages and vehicle loans. In particular, for lending to retail clients collateralised by real estate assets, banks should be exempted from verifying the DNSH criteria of Section 7.1 (“Construction of new buildings”) of Annex I of Delegated Regulation (EU) 2021/2139 when assessing the Taxonomy-alignment of collateral.

In this context it should also be noted that the proposed updates under SFDR 2.0 suggest removing the definition of the current SFDR concept of “Do No Significant Harm” (“DNSH”) (namely Article 2(17) of the SFDR (EU 2019/2088)). Suggesting that an overall policy trend towards simplification of the EU sustainable finance legal framework is ongoing and should also impact future Taxonomy Regulation TSC.

Besides, Article 17 (“Significant harm to environmental objectives”) and Article 18(2) (“Minimum safeguards”) of the EU Taxonomy Regulation (EU 2020/852) still refer to this concept. Article 18a states: “When implementing the procedures referred to in paragraph 1 of this Article, undertakings shall adhere to the principle of ‘do no significant harm’ as defined in point (17) of Article 2 of Regulation (EU) 2019/2088. Therefore, an alignment of the Taxonomy Regulation with the future SFDR 2.0. text should be carried out by a new Taxonomy Regulation 2.0. proposal by the European Commission.

We recommend updating **or** removing the ‘Do No Significant Harm’ concept to enhance the usability and market uptake of the EU Taxonomy framework.

## 2. Exempt Minimum Safeguards due diligence for EU firms

Taxonomy alignment could be further expedited by exempting compliance checks on the Minimum Safeguards (MS), as defined in Article 18 (1) of the Taxonomy Regulation EU 2020/852, for exposures to undertakings established in a Member State of the European Union.

Inside the EU, however, many of the relevant protections are already mandatory for businesses. Given that compliance with these obligations is already guaranteed through binding EU legislation, requiring financial institutions to reassess MS adds no value while increasing operational complexity and regulatory burden.

For non-EU counterparties, minimum thresholds should be revised to ensure proportionality and reflect the sector and size of the counterparty.



The ABBL therefore recommends that **companies established in EU Member States should be deemed automatically compliant with the MS requirement**. Furthermore, financial institutions should not be required to perform additional MS due diligence. This would reduce administrative burdens, improve the usability of the Taxonomy and strengthen consistency across the EU's sustainable finance framework.

### 3. ESG data rules and approbation must be harmonized in the sustainable finance framework

The ABBL welcomes Article 12a "Data and estimates" introduced by the SFDR 2.0 proposal. This article refines the rules on data collection in order to alleviate the reporting burden on financial institutions and companies.

One of the main challenges in ESG data handling concerns the collection, analysis, and reporting of a large number of indicators. The volume and granularity of data required represent a significant operational and financial burden for companies (e.g., reliance on ESG data providers or dedicated internal FTEs). ESG data requirements are expanding, while data availability remains limited or insufficient.

To improve data usability and reporting efficiency, the ABBL recommends:

- **Reducing the number of mandatory Key Principal Indicators (KPIs)** to be reported
- **Harmonising reporting criteria and rules** across existing regulatory frameworks
- **Extending the validity of collected ESG data** to three years,
- **Allowing the use of proxies or estimates**, provided the estimation methodology is well-documented and transparent

Sustainable finance data requirements should drive innovation and growth rather than act as regulatory barriers.

### 4. Alignment of reporting requirements and proportionality principles

We believe that the current revision of the EU sustainable finance legal framework presents a unique opportunity to redefine and streamline regulatory requirements. The ABBL encourages greater interoperability between the different legislative texts currently under revision. A more pragmatic and realistic approach to ESG data, based on materiality, proportionality, and clarity, is essential to support the successful implementation of the EU sustainable finance legal framework.

As it stands, reporting obligations often lead to duplicative reporting and confusion. One example is the reporting of the Green Asset Ratio ("GAR") under both Pillar III (EU 2024/3172) and the EU Taxonomy Regulation (EU 2020/852).



Both frameworks require the disclosure of the GAR, but the scope and context differ — notably in terms of the publication format:

- The Taxonomy GAR is disclosed in the non-financial report,
- While the Pillar III GAR is disclosed in the prudential reporting.

In conclusion, the ABBL advocates for:

- A **simplification and reduction** of the number of indicators to be reported, with a focus on the **most relevant and decision-useful** metrics.
- The **elimination of duplicative reporting** requirements, such as the **GAR disclosure under both Pillar III and the EU Taxonomy**.
- The **application of proportionality** based on the **classification of banks** (Significant Institutions vs. Less Significant Institutions), to ensure that ESG disclosures are **tailored to the size and resources** of reporting institutions — as mentioned in **EBA/CP/2025/07**, “*amending Commission Implementing Regulation (EU) 2024/3172, as regards the disclosures on ESG risks, equity exposures and the aggregate exposure to shadow banking entities*”.