ESG Knowledge Hub Bulletin

Title: The EU Taxonomy 2024: Enhancing Sustainability and Usability
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The EU Taxonomy is a cornerstone of the EU Action Plan on Sustainable Finance, designed to classify economic activities that significantly contribute to environmental sustainability. This comprehensive framework ensures that these activities Do No Significant Harm (DNSH) to other objectives, promoting a harmonised understanding of sustainability across industries.

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
6. Protection and restoration of biodiversity and ecosystems

Key Developments:

Expanded Scope for 2024

The Taxonomy originally came into effect in 2022 with disclosure requirements under the Climate Delegated Act, focusing on climate change mitigation and adaptation. As of January 2024, the Environmental Delegated Act broadens its scope to include the other four objectives: water sustainability, circular economy, pollution prevention, and biodiversity restoration.

Practical Guidance for Implementation

The European Commission has released FAQs addressing key aspects of the framework to assist stakeholders. These include:

- General Taxonomy requirements
- DNSH criteria for all environmental objectives
- Alignment with the Corporate Sustainability Reporting Directive (CSRD)
- Technical screening criteria for various economic activities
- Verification and assurance standards for reporting

The FAQs also clarify the interaction between the Taxonomy and the CSRD's European Sustainability Reporting Standards (ESRS), highlighting that while ESRS focuses on transparency, the Taxonomy sets specific performance thresholds for sustainability.

Driving Usability

Mairead McGuinness, EU Commissioner for Financial Services, Financial Stability, and Capital Markets Union, underscores the Taxonomy's dual role as a guide for companies and a benchmark for investors:

"***The EU Taxonomy provides investors with a common understanding of the environmental impacts of their investments while guiding companies' sustainable transition efforts. Our focus now is to improve the usability of the framework, and these FAQs will help companies as they apply the Taxonomy***."

The Path Forward

The updated Taxonomy framework not only supports compliance but also enables companies to align their strategies with Europe's broader sustainability goals. With increased clarity on technical requirements and DNSH criteria, organisations can better navigate their reporting obligations and investment planning.

To access the European Commission's EU Taxonomy FAQ, click the following link:
https://finance.ec.europa.eu/publications/frequently-asked-questions-eu-taxonomy_en

For further information and support, please contact us at info@esg-disclose.com or visit our Knowledge Hub at: https://esg-disclose.com/knowledge-hub-2024/