

# ESG

## TAXONOMY: NEW DELEGATED ACTS

VdA EXPERTISE



November 2023

**The Environmental Delegated Act and the amendments to the Climate Delegated Act under the Taxonomy Regulation have been published on 21<sup>st</sup> of November 2023 in the Official Journal of the European Union.**

**Background**

The EU Taxonomy Regulation, that entered into force in July 2020, establishes the conditions under which an economic activity is considered to be sustainable. The economic activity is recognized as sustainable and green if it meets four of the cumulative requirements established in the Regulation:

1. Make a **substantial contribution** to at least one of the EU's climate and environmental objectives,
2. **Do no significant harm** to any of the EU's climate and environmental objectives,
3. Meeting the **minimum social safeguards**, and
4. Complying with **technical screening criteria**.

The EU Taxonomy Regulation establishes six environmental objectives:

1. Climate change mitigation,
2. Climate change adaptation,
3. The sustainable use and protection of water and marine resources,
4. The transition to a circular economy,
5. Pollution prevention and control,
6. The protection and restoration of biodiversity and ecosystems.

Technical screening criteria are established and regulated through Delegated Acts:

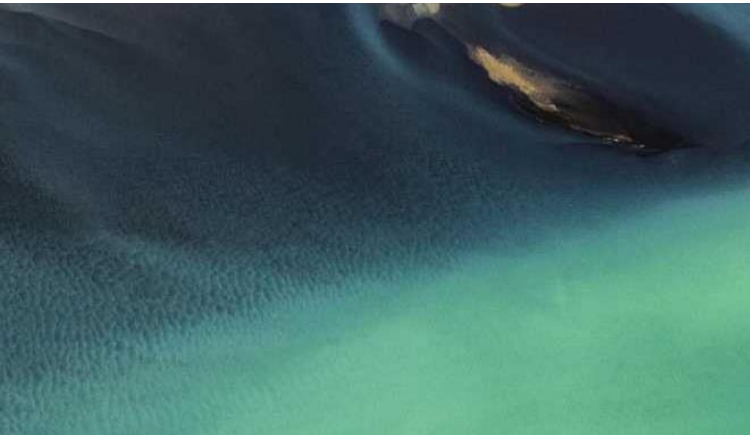
- The Climate Delegated Act, applicable since January 2022, defines the technical screening criteria for economic activities that can make a substantial contribution to the first two environmental objectives: climate change mitigation and climate change adaptation.

- The Disclosure Delegated Act, applicable since January 2022, specifies the content, methodology and presentation of information to be disclosed by large financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities.
- Complementary Delegated Act, applicable since January 2023 includes, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU Taxonomy.

**Scope**

On 21 November 2023, the remaining two Delegated Acts under the Taxonomy Regulation were published in the Official Journal of the European Union:

- The Environmental Delegated Act defines a new set of EU Taxonomy screening criteria for the other remaining non-climate environmental objectives, namely:
  1. Sustainable use and protection of water and marine resources,
  2. Transition to a circular economy,
  3. Pollution prevention and control, and
  4. Protection and restoration of biodiversity and ecosystems.
- The Delegated Act amending the existing Climate Delegated Act, which includes climate adaptation and mitigation technical screening criteria for additional economic activities and some changes to the existing ones.



The two Delegated Acts are the part of a wider package of measures on the EU sustainable finance framework, which the Commission published on 13 June 2023 and is known as “Sustainable Finance Package”.

### Environmental Delegated Act

There are 35 economic activities covered by the new technical screening criteria established in the Environmental Delegated Act, spanning across 8 economic sectors, namely:

1. Environmental protection and restoration activities,
2. Manufacturing,
3. Water supply, sewerage, waste management and remediation activities,
4. Construction and real estate activities,
5. Disaster risk management,
6. Information and communication,
7. Services, and
8. Accommodation activities.

Changes were also made to the Disclosure Delegated Act, namely, the update of several of the models provided therein.

### Amendments to Climate Delegated Act

The amendments to the Climate Delegated Act sets criteria for additional economic activities contributing to the objectives of climate change mitigation and adaptation and include 12 new

activities covering 6 sectors, plus several targeted updates to existing activities. Sectors included are:

1. Transport,
2. Manufacturing,
3. Disaster risk management,
4. Water supply, sewerage, waste management and remediation,
5. Information and communication, and
6. Professional, scientific and technical activities.

### Enforceability

The new Delegated Acts will come into effect on January 1, 2024.

This means that all entities will be required to report on **eligibility** regarding all six environmental objectives **for the current financial year 2023**.

From 1 January 2025, non-financial entities will be required to report on alignment for the financial year of 2024.

From 1 January 2026, financial entities will be required to report on alignment for the financial year of 2025.

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