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Sustainability Blog

By PwC Deutschland | 02 July 2025

PwC study: EU Taxonomy Reporting 2025

Taxonomy reporting by European financial institutions shows minimal progress, with strategic use of Taxonomy KPIs still uncommon.

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PwC's third analysis of EU Taxonomy reporting by European financial institutions presents the following results for 2025:

- Taxonomy eligibility and alignment quota remain rather stagnant although the increased implementation of the December 2023 FAQs and resulting methodological changes make comparability difficult.
- Taxonomy eligibility greatly depends on the business model and portfolio.
- In addition, Taxonomy quotas are rarely used for steering purposes hindering the aim of the Taxonomy regulation to steer investment into sustainable economic activities.

With the European Green Deal, launched in 2019, and the objective to make Europe the world's first climate-neutral continent by 2050, the European Union has set ambitious objectives, which require public and private funding. The EU Taxonomy regulation is aimed at directing investment into sustainable economic activities, with the overarching goal of facilitating the transition to a more sustainable economy.

Based on the EU Taxonomy regulation financial institutions and companies are required to report on the sustainability of their operations and investments since 2022 while provisions are introduced gradually. For financial institutions, 2025 marks the second year of Taxonomy alignment reporting for the two climate objectives: climate change mitigation (objective 1) and climate change adaptation (objective 2); and the first year of Taxonomy eligibility reporting for the other four environmental objectives: sustainable use and protection of water and marine resources (objective 3), transition to a circular economy (objective 4), pollution prevention and control (objective 5), and protection and restoration of biodiversity and ecosystems (objective 6).

For the third year in a row, PwC has analysed Taxonomy reporting by financial institutions in Europe. This year, 93 credit institutions, insurance companies and asset and wealth managers in 11 European and EEA countries were included in the analysis.

Improved data availability

Financial institutions report Taxonomy eligibility and alignment in relation to revenue ("Turnover") and Capital Expenditures ("CapEx"). In 2025, financial institutions were able to use data from their financial counterparties for the first time given the introduction of Taxonomy alignment reporting for financial institutions last year.

Improved data availability is one of the significant drivers of Taxonomy alignment. In addition, the increased availability of information regarding financial exposures to private households enables a greater share of Taxonomy-aligned financial activities. Finally, the use of Energy Performance Certificates (EPCs) has risen to 70%, a notable increase from the results of **last year's study**.

On the other hand, despite the higher data availability and increased implementation practice, average Taxonomy eligibility and alignment in the financial sector has shown little improvement compared to the

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previous year. However, the increased implementation of the European Commission's December 2023 FAQs and resulting methodological changes have led to limited comparability.

Increased implementation of the European Commission FAQs of December 2023

The increased implementation of the European Commission FAQs of December 2023 has impacted Taxonomy alignment in several ways leading to limited comparability to last year. The clarification that the Taxonomy quotas of parent entities are inherited to subsidiaries if they do not publish quotas themselves has led to increased exposures to NFRD-obliged financial and non-financial undertakings and thereby to increases in alignment.

On the other hand, the inclusion of all regional and local governments in the denominator of the KPIs has had a negative impact on Taxonomy alignment obscuring potential improvements. Likewise, for the insurance underwriting business, the calculation of Taxonomy alignment only with climate related premium shares in the numerator ("Premium split") has had a negative impact.

Taxonomy eligibility is dependent on the business model

In the banking sector, there is a slight decrease in average Taxonomy eligibility, whereas average alignment has shown a marginal increase. The investment business in the insurance sector experienced minor increases in both Taxonomy eligibility and alignment, while the underwriting business saw decreased eligibility and a slight rise in alignment. These metrics are highly contingent upon the respective business models of the financial institutions, e.g. business with Small and Medium-Sized Enterprises (SMEs) as well as non-EU counterparties cannot be classified as Taxonomy-eligible.

Low strategic relevance of Taxonomy data

The use of EU Taxonomy data for strategic purposes or investment decision-making remains limited. Several factors contribute to this trend, including low (one-digit) alignment ratios and the high dependence of eligibility on business models. In addition, some Taxonomy KPIs are not fit for purpose. Moreover, ongoing regulatory changes, most recently through the Omnibus proposals further divert attention to compliance limiting strategic considerations.

Outlook: Future impact of Taxonomy data

The Omnibus proposals include some valuable suggestions for improving the effectiveness of EU Taxonomy reporting, such as the addition of a new KPI indicating the portion of dividing Taxonomy alignment through Taxonomy eligibility. This KPI could effectively indicate the progress in greening the portfolio over time independent of individual business models, and it should therefore be implemented for both credit institutions and insurance companies.

Secondly, Taxonomy data is becoming increasingly important for the development of green financial products such as Green Bonds. The ongoing revision of the Sustainable Finance Disclosure Regulation (SFDR) is expected to introduce new product categories, which is likely to result in greater use of Taxonomy

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data for green financial products.

Finally, financial institutions need to continue their net zero transition pathways. EU supervisory authorities have emphasized their rising expectations on sustainability risk management, most recently with the European Banking Authority (EBA) Guidelines on ESG Risk Management. Taxonomy KPIs can be one indicative KPI used for steering portfolios towards decarbonisation and can also inform risk management.

Further Links:

- PwC study: EU Taxonomy Reporting 2025
- PwC study: EU Taxonomy Reporting 2024
- 4th PwC International Sustainable Finance Conference “From Sustainability Reporting to Value Creation”
- Erste Einblicke in die CSRD-Berichterstattung von Banken undVersicherern

Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more in our "**Services and Offerings**" section.

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Keywords

Climate Change, ESG, EU-Klimapolitik, European Green Deal, Sustainability Risk, Sustainable Finance (SF)

Contact



Angela McClellan
Berlin
angela.mcclellan@pwc.com