Sustainability Blog
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EU Taxonomy Reporting 2026: Significant progress, but strategic use remains gradual

EU Taxonomy reporting is maturing, but increased quotas are largely due to methodological changes rather than real capital shifts

Content

PwC's fourth annual analysis of EU Taxonomy reporting by European financial institutions reveals a market in transition: methodologies are maturing, reported alignment is increasing, and the first strategic use cases are emerging. Yet comparability has rarely been more challenging.

The EU Taxonomy Regulation is a cornerstone of the European Green Deal: a common classification system for environmentally sustainable economic activities, designed to redirect capital flows and support the transition to a climate-neutral and resilient economy by 2050. Since entering into law in 2021, it has become an integral part of sustainability reporting in the EU – yet the framework remains in a state of flux.

This year marks a turning point. With the Omnibus I package, the European Commission introduced substantial amendments with the objective to simplify Taxonomy reporting, reduce administrative burdens and make Taxonomy KPIs more decision-useful – without compromising the Taxonomy's environmental ambition. The newly introduced methodology was already available for FY25, while institutions could still opt to apply the "old" rules for this year. The result: for the 2026 reporting cycle, financial institutions had to choose between two reporting options, each with significant implications – and significant consequences for comparability.

Against this backdrop, PwC has analysed EU Taxonomy reporting by European financial institutions for the fourth year. For the first time, this year's study combines the quantitative analysis of published reports with qualitative, anonymous expert interviews conducted with representatives of major financial institutions – offering a unique view of how the Taxonomy is actually used in practice, beyond pure compliance.

Key takeaways

This year's study makes one thing clear: Taxonomy reporting is maturing. Data quality has improved, methodological changes have made key KPIs more meaningful, and the first strategic applications are beginning to emerge.

Four key takeaways stand out:

1. New methodologies have led to higher alignment levels – and could increase strategic use.

The exclusion of non-CSRD counterparties from the GAR and GIR denominators has led to a near-doubling of Taxonomy eligibility and alignment for institutions applying the new templates. For institutions applying the new methodology already for this reporting cycle, this has led to increased eligibility and alignment quota. This uplift exists largely on paper rather than reflecting a genuine reallocation of capital – yet it makes the KPIs more visible and easier to understand, creating new opportunities for strategic use. At the same time, the parallel use of old and new templates has made year-on-year comparisons considerably more difficult.

2. Strategic use is slowly increasing – and is likely to grow further.

Most institutions still report primarily for compliance reasons, citing frequent regulatory change, limited relevance of the KPIs for long-term steering due to the high dependency on business models, data quality issues and limited demand by external stakeholders as the main obstacles. Yet there are early signs of change, with a notable share of institutions starting to embed elements of the Taxonomy into their financing strategies, lending decisions and green products.

3. Data is improving and data collection is becoming more streamlined.

Both our quantitative analysis and expert interviews confirm significant progress in building robust Taxonomy data infrastructures. Reporting has matured, assessment is increasingly automated, and internal expertise is growing – laying the groundwork for a gradual shift from pure compliance towards strategic use.

4. Clear political commitment is required – as are regulatory and market incentives.

Technical improvements alone will not unlock the Taxonomy's full potential. The decisive challenge for the coming years is to translate better reporting infrastructure into actual capital allocation towards sustainable activities – which will require clearer political commitment and stronger market demand for Taxonomy data.

Outlook: The future impact of Taxonomy data

Further dialogue and engagement between financial institutions and their counterparties and clients will remain key for further improving both data quality and the impact of Taxonomy KPIs in promoting green financing. The groundwork is already in place: institutions have built robust data infrastructures, advanced automation and strengthened internal expertise – a solid basis for the future shift from compliance towards strategy. In addition, the new methodologies have improved decision-usefulness of the KPIs and significantly increased alignment levels thus boosting opportunities for strategic use. But technical improvements alone will not be enough. Without political tailwinds, concrete incentives and genuine market demand, the Taxonomy risks remaining a pure reporting instrument. Our study sets out where the framework is heading – and what financial institutions can do now to prepare.

Further links:

- Webseite: EU-Taxonomie Reporting 2026
- Webseite: EU-Taxonomie Reporting 2025
- Blogbeitrag: PwC study: EU Taxonomy Reporting 2025
- Blogbeitrag: 5th International Sustainable Finance Conference: Resilience and innovation
- CSRD-Benchmarking von Banken und Versicherungen PwC-Studie 2026: CSRD-Berichte von 50 Finanzunternehmen im Vergleich
- Whitepaper: Innovation und Resilienz – Die Rolle des Finanzsektors in der Nachhaltigkeitstransformation

Get ongoing updates on the topic via regulatory horizon scanning in our research application, PwC Plus. Read more about the opportunities and offerings **here**.

To further PwC Blogs

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