

## Press Release

28. June 2023

**econsense, Frankfurt School of Finance & Management and the University of Kassel publish a white paper on the first reporting cycle of the EU Taxonomy in Germany**

A new white paper, which has been published by econsense, Frankfurt School of Finance & Management and the University of Kassel on 27 June 2023 examines the initial implementation of the EU Taxonomy by companies in Germany. The paper “Let’s talk numbers: EU Taxonomy reporting by German companies” was first published by Bloomberg on 27 June. The paper shows that the EU Taxonomy can be a useful tool for companies to demonstrate how they are aligning their business model with a sustainable and low-carbon economy. By removing usability issues and bolstering its applicability, the EU Taxonomy can evolve into a source of decision-useful sustainability data. This will allow investors and financial market participants to better understand how green their investments are and to redirect capital.

The European Union introduced the EU Taxonomy in 2020 with the objective of providing clarity to investors, financial institutions, and companies on what constitutes an environmentally sustainable economic activity. As of 2023, companies falling under the non-financial reporting directive (NFRD) are obliged to report the alignment of their business with the climate objectives of the EU Taxonomy for the first time.

The study, led by the German sustainability network econsense and a team of researchers and experts in sustainable finance of Frankfurt School of Finance & Management and the University of Kassel, quantitatively analyzed the report EU Taxonomy KPIs of econsense members and DAX-companies, which were required to report EU Taxonomy information. Furthermore, the experiences of companies in the first reporting cycle are based on feedback received by several econsense member companies and discussions with experts from the econsense network. The case studies are contributions from the respective companies.

Key findings of the study include:

1. The quantitative analysis reveals that the average EU Taxonomy-eligible turnover is 26 percent, indicating that the EU Taxonomy focusses on high impact sectors, and that the core business activities of some industries are not included. Of these 26

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percent, three percent is sustainable according to the EU Taxonomy.

2. The investigated companies exhibit an average EU Taxonomy-eligible CapEx of 40 percent, of which 13 percent is EU Taxonomy-aligned. The higher alignment share (in comparison to turnover) indicates that companies have started to transform their business models and have the potential to more significantly contribute to the achievement of the EU Taxonomy's environmental objectives in the near future. Furthermore, the report shows that German companies in this sample invested roughly EUR 43.23 billion in sustainable activities.
3. The industry analysis further reveals a strong heterogeneity regarding the EU Taxonomy KPIs, indicating that comparisons across industries remain challenging.
4. The link between finance and sustainability data in the EU Taxonomy necessitates an integrated implementation process by companies as experts from several departments must closely work together. Engaging several departments presents the opportunity to raise awareness, build knowledge and to further foster acceptance for sustainability within an organization.

For the EU Taxonomy to be an effective part of **transition planning** across industries and to enable companies to show where they actively help to transform the economy, broadening the current framework of EU Taxonomy is an option. Alleviating the usability issues as highlighted in this paper would further facilitate a robust integration of the EU Taxonomy provisions in companies. However, extending the EU Taxonomy comes at the cost of additional reporting requirements.

The publication of this study marks a significant contribution to the ongoing dialogue surrounding sustainable finance, the EU Taxonomy, and the fight against climate change. It serves as a resource for policymakers, market participants, and stakeholders seeking to understand and navigate the evolving landscape of sustainable finance.

You can find the study on the econsense website:

<https://econsense.de/publikationen/>

**econsense - Forum for Sustainable Development of German Business**, established in the year 2000 as a non-profit initiative of the Federation of German Industries (BDI), is driving sustainability in the economy together with its 49 members. The econsense members are internationally operating companies from various sectors. econsense

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supports its members in embedding sustainability in their operational practices, strategically and along the value chain. econsense sees itself as a platform for high-level and expert dialogue, engaging with business, politics, and civil society.

More information: [www.econsense.de](http://www.econsense.de)