About the EU Taxonomy

The EU Taxonomy is a common classification of economic activities contributing significantly to environmental objectives using science-based criteria. Created by the European Commission in 2020 as part of the implementation of the EU Green Deal, it is a way to showcase whether a company, asset, project, product or service is contributing substantially to a sustainable economy. The classification is done according to the six environmental objectives.

Why should small and medium-sized companies care?

Currently, only large and publicly listed companies as well as the financial market participants are required to report on the EU Taxonomy. Companies need to disclose how and to what extent their operations and investments are associated with environmentally sustainable economic activities.

For non-listed small and medium-sized companies (SMEs), reporting is still voluntary. However, knowing how the company’s economic activities are related to the EU Taxonomy can:

a) speed up access to finance
b) create a competitive advantage when the company is looking to work as a supplier for a large and listed company
c) assist in planning a transition to green and setting ambitious sustainability targets

Environmental objectives of the EU Taxonomy

- Climate change mitigation
- Transition to a circular economy
- Climate change adaptation
- Pollution prevention and control
- Sustainable use of water and marine resources
- Protection and restoration of biodiversity and ecosystems
How Nefco works with the EU Taxonomy

Nefco has classified its financing activities according to the EU Taxonomy since 2021. In addition, green impact is evaluated against the Sustainable Development Goals and Nefco's own environmental and sustainability criteria. There are also sectors that are not yet covered by the EU Taxonomy Regulation, but we can see that many of these projects are still worth implementing due to their direct or indirect positive impact on the environment and climate.

For Nefco, the EU Taxonomy is:

- a primary classification system to identify projects that are considered environmentally sustainable and eligible for financing
- a tool for helping our clients identify areas where further positive environmental impacts can be achieved

Classifying economic activities according to the EU Taxonomy

Are the company’s economic activities listed in the EU Taxonomy?

Yes

Economic activity eligible

Does the company’s economic activity meet all the following criteria?

1) Technical screening criteria
2) Do No Significant Harm (DNSH) indicates if the economic activity could affect other environmental objectives of the EU Taxonomy
3) Minimum social safeguards indicates if the economic activity meets international human and labour rights

Yes

Economic activity aligned

No

Economic activity not considered to make a substantial contribution to one of the EU Taxonomy objectives currently but that could be included at a later stage

Let’s get started!

Some simple steps to help you get started with the EU Taxonomy:

1) Check if your economic activity is listed in the EU Taxonomy. You can search your activity in the EU Taxonomy Compass.
2) If your company’s economic activity is not covered by the EU Taxonomy but it is innovative, mature enough and offers a sustainable solution to environmental challenges, we will be happy to help you scale up your solution. Contact us for more information and assistance: nefco.int/our-impact

Contact us!

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