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# Investment in Green Assets Takes Lead in EU Taxonomy Reporting*

*Insights from ESG Book

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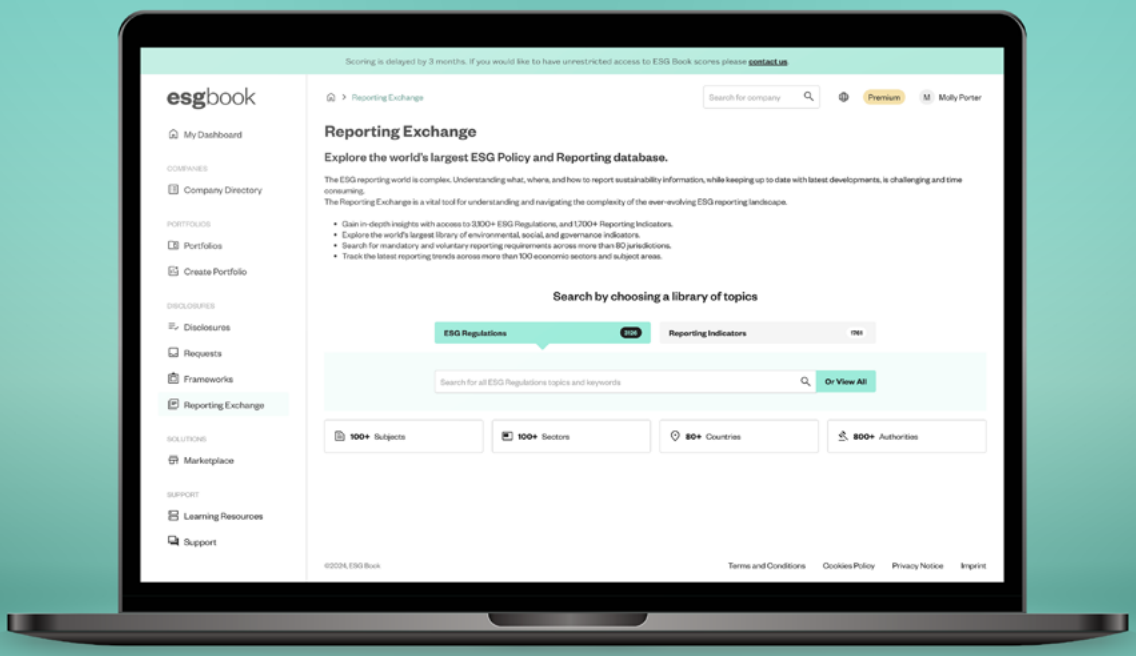


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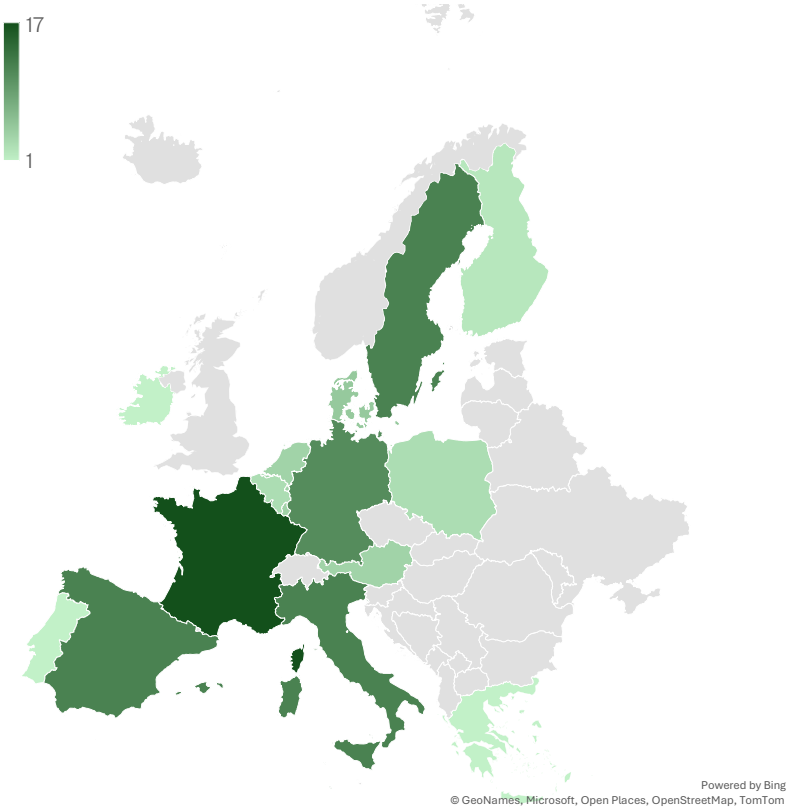
Reflecting on recent taxonomy-aligned disclosures, ESG Book has observed some important trends that illuminate both the progress and the areas for improvement within the European market for sustainable finance. In this study, we incorporate data from nearly 1,000 European companies, examining the extent of taxonomy alignment across the turnover, capital expenditure (capex), and operational expenditure (opex) categories. This analysis allows for a more granular perspective on where companies are making substantial commitments toward EU taxonomy compliance and where challenges persist. In 2023, our data reveals that the average taxonomy-aligned turnover reached 10%, up from 8% in 2022, while capex and opex also saw incremental increases, reaching 14% and 10%, respectively, compared to the previous year's 12% and 9%.

> **This moderate yet steady growth underscores a movement within the market towards greater alignment, even as challenges persist in scaling sustainable investment practices.**

At a country level, we observed that taxonomy-aligned turnover exceeding 30% is concentrated in several leading economies. France, Germany, and Italy lead with a significant volume of taxonomy-aligned turnover, each boasting a significant number of enterprises with substantial alignment.

## Highest Taxonomy Aligned Turnover (30%+) by Country




This clustering suggests that, while taxonomy alignment is becoming more prevalent across Europe, certain economies are accelerating faster due to regulatory momentum and investor engagement in these regions.

Yet, these findings also reveal a disconnect between regulatory ambitions and market adoption. While taxonomy alignment has advanced, it remains unevenly distributed across sectors and regions. A core challenge lies in scaling alignment to ensure that more industries and markets can reach meaningful thresholds of taxonomy integration.

As regulatory landscapes continue to evolve and investor expectations grow, it is imperative for firms not only to increase alignment but to strengthen the accuracy and transparency of their ESG data. This ongoing alignment journey will be crucial for mitigating greenwashing risks and enhancing the overall credibility of sustainable finance markets in the years to come.

By enhancing these insights with robust, actionable data, ESG Book remains committed to equipping stakeholders with the tools and transparency solutions needed to foster an effective sustainable finance ecosystem that aligns with both regulatory expectations and market dynamics.

# Analysis

We will now delve deeper into the patterns emerging from taxonomy-aligned disclosures in 2023, emphasising key trends across countries, sectors, and year-over-year progress. This exploration will underscore areas where companies and industries are showing leadership in sustainable finance, as well as the specific challenges faced in advancing taxonomy alignment across the EU.

## Overall Taxonomy Alignment by KPI

**Out of 956 companies analysed:**

- **92 companies (about 10%) achieved a taxonomy-aligned turnover above 30%.**
- **133 companies (around 14%) reached a taxonomy-aligned capex above 30%.**
- **97 companies (approximately 10%) reported taxonomy-aligned opex above 30%.**

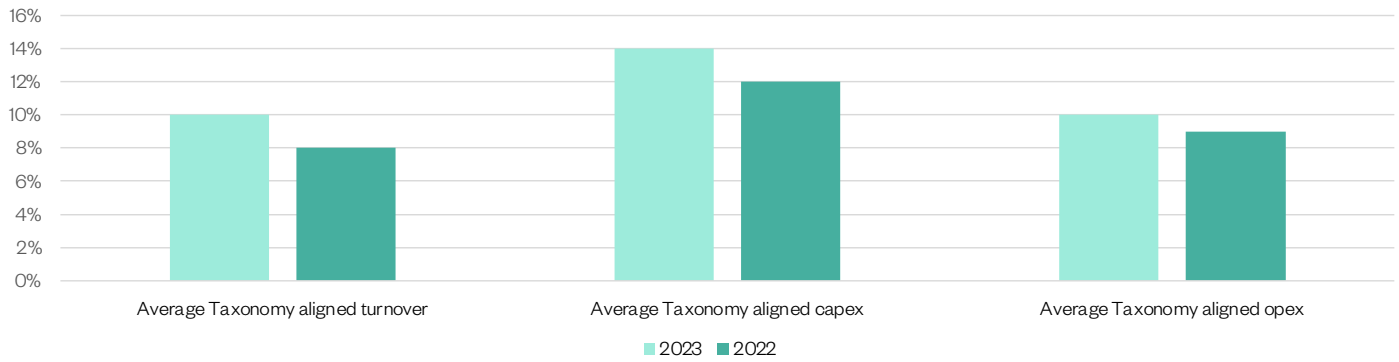
These figures suggest that capex alignment is currently more feasible and prioritised by companies, compared to turnover and opex. This trend may reflect companies' focus on infrastructure investment to transition to sustainable practices, which is often less immediate in revenue and operational alignment, but necessary for long-term change. The focus on capex alignment also indicates that while immediate operational and revenue impacts may be slower to reflect taxonomy standards, companies are laying the foundation for long-term sustainability objectives. These investments could lead to future increases in taxonomy-aligned turnover and opex as companies benefit from green investments, enhance operational efficiencies, and possibly gain from lower carbon costs or green subsidies.

## Year-over-Year Growth in Taxonomy Alignment (2022-2023)

**Year-over-Year Growth in Taxonomy Alignment (2022-2023):**

- **Average Taxonomy-Aligned Turnover: Increased from 8% to 10%.**
- **Average Taxonomy-Aligned Capex: Grew from 12% to 14%.**
- **Average Taxonomy-Aligned Opex: Rose from 9% to 10%.**

## Average Taxonomy Alignment % Comparison (2022-2023)




These figures suggest a gradual integration of taxonomy requirements, reflecting both an expanding regulatory framework and an industry-wide effort to embed sustainable practices into core business operations. The year-on-year growth, though modest, is critical in demonstrating that the market is responding to sustainability regulations, albeit cautiously, as it balances compliance with financial viability.

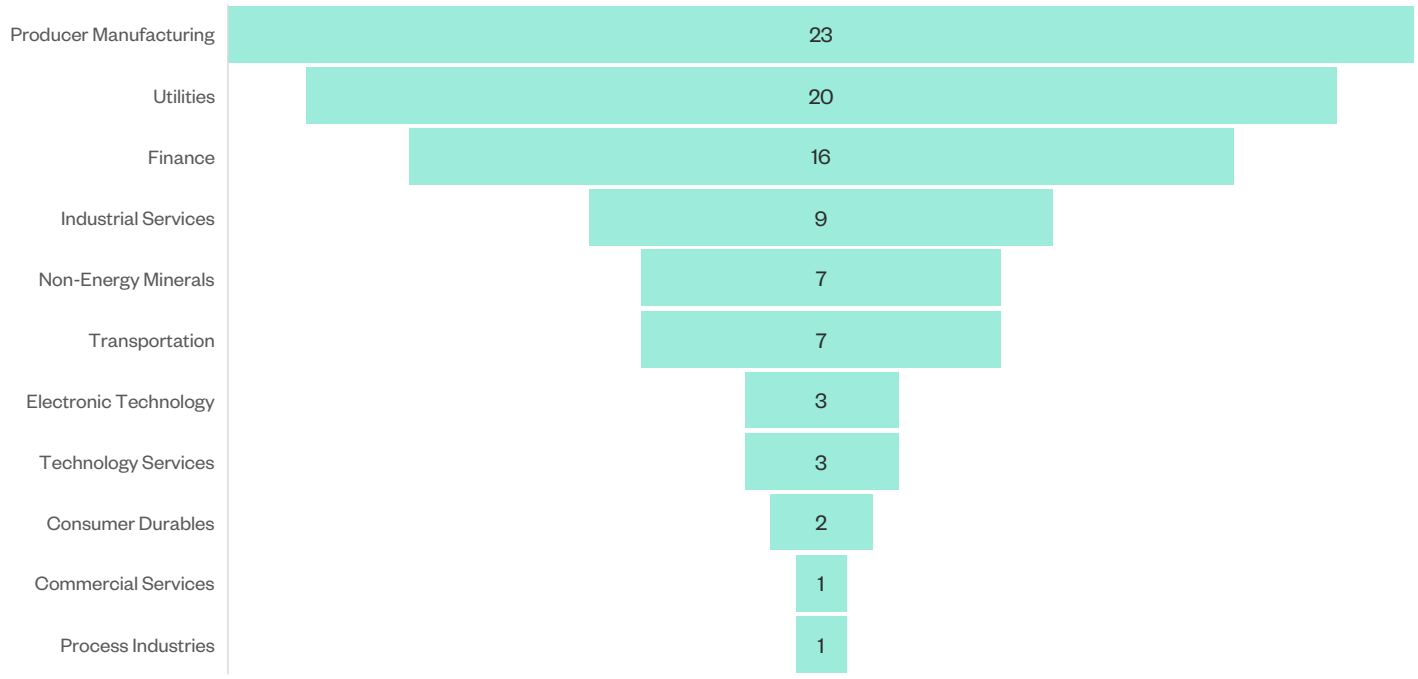
# Sectoral and Geographic Distribution of High Taxonomy Alignment

Sectors such as Producer Manufacturing and Utilities lead in taxonomy-aligned turnover above 30%, indicating a strong commitment within industries that are traditionally capital-intensive and that play pivotal roles in decarbonisation efforts. Specifically:

- Producer Manufacturing companies reported the highest alignment, with 23 companies surpassing the 30% taxonomy-aligned turnover threshold. This sector's leadership may be attributed to investments in sustainable production processes and a shift toward more eco-friendly manufacturing.
- Utilities follow closely with 20 companies showing high alignment, reflecting the sector's transformation through renewable energy investments and energy-efficiency projects. Given its central role in the energy transition, this alignment is a positive indication of progress in reducing carbon dependency.
- Finance and Industrial Services sectors also showed strong alignment, suggesting that financial institutions are increasingly prioritising green financing options, while industrial services firms are improving operational efficiencies and adopting cleaner technologies.

The stronger alignment in capex (14% average) compared to turnover and opex underscores the significant financial commitment required for sustainable transformation. High-capex alignment is particularly essential for infrastructure and energy-intensive sectors. Companies in sectors like Utilities, Producer Manufacturing, and Industrial Services are likely investing in renewable energy projects, sustainable resource management, and infrastructure that supports green transition. This strategic emphasis aligns with the EU taxonomy's objectives to channel capital into sustainable and impact-driven projects.

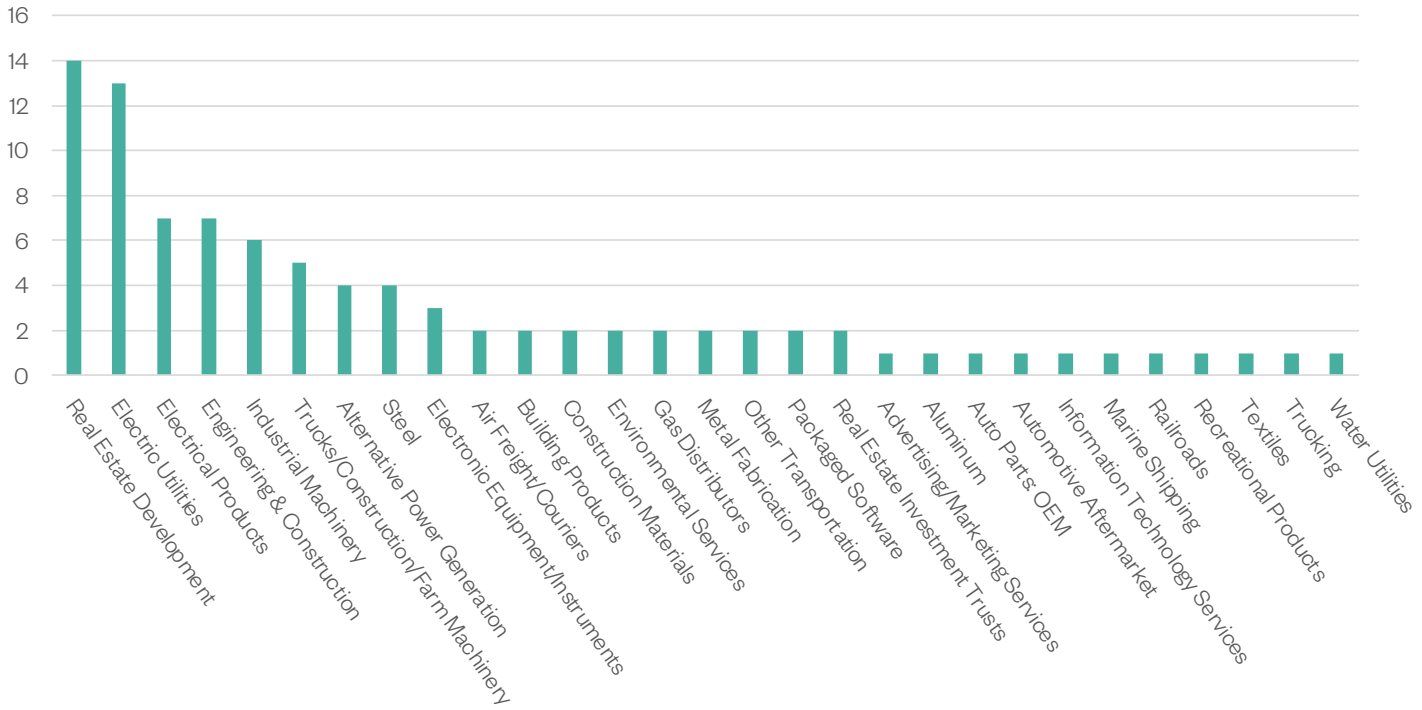
## Highest Taxonomy Aligned Turnover by Sector (30%+)




The higher incidence of capex alignment in these sectors reflects areas of the economy where physical assets are critical to operations, and investment in green assets directly contributes to long-term sustainability goals.

Sectors with lower alignment in opex, like Technology Services and Consumer Durables, may face challenges in integrating sustainable practices into everyday operations, especially if they are less asset-heavy.

## Highest Taxonomy Aligned Turnover by Industry (30%+)




Sectors such as Producer Manufacturing and Utilities lead in taxonomy-aligned turnover above 30%, indicating a strong commitment within industries that are traditionally capital-intensive and that play pivotal roles in decarbonisation efforts. Specifically:

- Real Estate Development, Electric Utilities, and Engineering & Construction exhibit the highest levels of alignment with EU taxonomy, suggesting that industries with direct environmental impacts are prioritising compliance with sustainability goals.
- Industrial Machinery, Alternative Power Generation, and Air Freight/Couriers show considerable alignment, reflecting efforts to decarbonise operational processes and transition towards cleaner energy sources.
- Industries with Lower Alignment, such as Textiles, Water Utilities, and Information Technology Services, may face unique challenges, including high initial costs of alignment and complex supply chains. These sectors may require targeted support and innovative strategies to achieve similar levels of taxonomy compliance.

The stronger alignment in capex (14% average) compared to turnover and opex underscores the significant financial commitment required for sustainable transformation. High-capex alignment is particularly essential for infrastructure and energy-intensive sectors. Companies in sectors like Utilities, Producer Manufacturing, and Industrial Services are likely investing in renewable energy projects, sustainable resource management, and infrastructure that supports green transition. This strategic emphasis aligns with the EU taxonomy's objectives to channel capital into sustainable and impact-driven projects.

# Country-Level Taxonomy Alignment

A breakdown by country reveals that certain nations have made considerable strides in taxonomy alignment:

- France, Germany, and Italy demonstrate the highest counts of companies with more than 30% alignment in turnover. France, in particular, leads with 17 companies in this category, possibly due to robust regulatory frameworks and strong investor demand for sustainable practices.
- Sweden, Spain, and the Netherlands also perform well, each with at least 10 companies showing significant alignment. These countries are notable for their proactive policies and high levels of public awareness around sustainability.

- Austria, Belgium, Denmark, and Finland have smaller but notable numbers, indicating that alignment is expanding beyond Europe's largest economies to smaller nations, albeit at a more gradual pace.

This distribution emphasises that while some countries are at the forefront of taxonomy alignment, others are in earlier stages of adoption and transition. It is also important to point out that the current analysis focuses on the first two Taxonomy environmental objectives – climate change mitigation and climate change adaptation.

Given that the EU Taxonomy is a living instrument and the framework is ever-evolving, the introduction of the remaining four objectives (circular economy, water and marine resources, pollution prevention and control, and biodiversity and ecosystems) will expand the scope of applicable Taxonomy-aligned activities that companies can report on from 2024 onwards. This will also likely have an impact on the geographic spread of alignment over time. Nonetheless, the presence of even modest alignment across multiple nations signals a broad-based movement toward sustainable finance across the EU.

# Key Observations and Implications for Future Progress

01.

### Regional and Sectoral Gaps

The varied alignment rates across sectors and countries indicate a need for targeted policy support. Tailoring incentives and regulatory guidance based on sector-specific and regional needs could drive faster alignment across lagging industries and countries.

02.

### Incremental Year-on-Year Growth

The year-over-year increases, although lacklustre, indicate that companies are cautiously increasing their alignment with the EU taxonomy climate objectives. This pattern suggests the importance of stable regulatory guidance and the need for companies to build internal capacity for sustainable reporting and investment.

03.

### Focus on High-Impact Sectors

The dominance of sectors like utilities, producer manufacturing, and finance in taxonomy-aligned disclosures points to their foundational role in the green transition. Policymakers and investors should continue to engage with these sectors to amplify their impact, while encouraging lagging sectors to align through financial incentives and capacity-building initiatives.

The limited alignment in turnover and opex, despite high-capex alignment, reflects challenges that many companies face in fully embedding sustainable practices into their core revenue-generating and operational activities. Turnover alignment, for instance, requires companies to align their revenue sources with green activities, which may demand substantial changes to their business models, product portfolios, or client base.

# ESG Book's Role in Facilitating Taxonomy Compliance

These findings emphasise the need for accessible, transparent, and dynamic reporting solutions. As a key resource, ESG Book's platform can empower companies to streamline their taxonomy reporting, benchmark their progress, and identify areas for improvement in alignment, particularly as regulatory expectations grow more stringent. ESG Book's capabilities allow companies to track their alignment across turnover, capex, and opex, benchmarking against sector standards and identifying gaps in compliance. By leveraging ESG Book's platform, companies can strategically plan their sustainability investments and respond to both regulatory requirements and investor expectations.

# Conclusion

The steady progress in taxonomy alignment by EU companies from 2022 to 2023 reflects both an increased regulatory commitment and a recognition among corporations of the importance of sustainable practices. However, with only modest increases in turnover, capex, and opex alignment, the data underscores a broader need for more dynamic and robust strategies. The above analysis reveals that while companies are gradually increasing their taxonomy alignment, significant sectoral and regional differences remain. Capex alignment appears to be the primary focus across the board, indicating that companies are already investing in sustainable assets and infrastructure. However, achieving similar alignment in turnover and opex will require continued innovation and potentially transformational changes in core business practices.

ESG Book will continue to support companies through this alignment journey, offering transparent, real-time data solutions that allow companies to understand and adapt to the evolving regulatory environment more efficiently. By providing clear insights and benchmarking capabilities, ESG Book's tools empower companies to meet and exceed regulatory requirements, drive investor confidence, and advance the broader objectives of the EU taxonomy.

The data and trends observed above further reinforce the value of ESG Book's engagement platform in facilitating transparency and enhancing stakeholder collaboration within the sustainable finance landscape. In supporting companies across sectors and regions, ESG Book is well-positioned to be a pivotal partner in the journey toward a more sustainable and resilient economy.

Learn more at: www.esgbook.com