

BETTER FINANCE response to the review of the EU Taxonomy Climate Delegated Act technical screening criteria

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Executive Summary

BETTER FINANCE welcomes the European Commission's review of the Climate Delegated Act and the technical screening criteria for climate change mitigation and climate change adaptation. From an investor perspective, improving usability can be beneficial where it reduces unnecessary complexity, facilitates more consistent application and strengthens the reliability of Taxonomy disclosures. At the same time, simplification must not weaken the scientific robustness, comparability or credibility of the framework. The EU Taxonomy's climate criteria are particularly important because they are closely linked to the framework's core function of guiding capital towards activities that support decarbonisation and resilience. Therefore, the technical screening criteria must remain transparent and decision useful. Against that background, targeted refinements to the Climate Delegated Act can be supported where they improve legal certainty and practical operability without creating additional scope for inconsistent interpretation.

About BETTER FINANCE

BETTER FINANCE - the European Federation of Investors and Financial Services Users - is the voice of European citizens as savers, investors, and financial users at the EU level. Working independently from the industry, BETTER FINANCE serves as an independent hub of financial expertise for the direct benefit of individual shareholders, investors, savers, life insurance policyholders, pension fund participants, and mortgage borrowers across Europe. Their work aims to promote research, information, and training on investments, savings, and personal finances to lawmakers and the public. BETTER FINANCE counts 40 independent, national, and international member organisations, sharing similar objectives from the EU Member States as well as Iceland, Norway, Turkey, Lebanon, and Cameroon.

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Introduction

The EU Taxonomy plays a central role in the EU sustainable finance framework by providing a common classification system for environmentally sustainable economic activities. Its purpose is to help investors, companies and financial market participants identify which economic activities can be considered environmentally sustainable under clear and harmonised criteria.

The Climate Delegated Act is a key part of that framework, as it sets the technical screening criteria for activities that contribute substantially to climate change mitigation and climate change adaptation. These criteria are important not only for reporting entities, but also for investors, as they shape how Taxonomy alignment is assessed and disclosed in practice.

For individual investors and other financial services users, the quality of the Taxonomy framework depends on both credibility and usability. The criteria must remain scientifically robust, comparable and decision-useful, while also being clear enough to be applied consistently in practice. The current review is therefore an opportunity to improve the framework, provided that simplification strengthens legal certainty and operability.

BETTER FINANCE highlights four key considerations that should guide the finalisation of the revised Climate Delegated Act.

1. Support for targeted simplification that improves practical application

BETTER FINANCE supports targeted amendments that address criteria shown in practice to be overly complex, duplicative or difficult to apply consistently. A classification framework is useful only if it is both robust and operable. Where better drafting, clearer structure or improved alignment with existing Union law can reduce undue burden while preserving substance, such changes can improve the overall effectiveness of the Taxonomy. At the same time, simplification should mean making the criteria easier to understand, verify and apply in practice. From an investor perspective, the value of the Taxonomy depends not only on operability for preparers, but also on the continued credibility of the framework for users of sustainability disclosures.

2. Positive direction on adaptation-related usability

A useful feature of the draft is its effort to clarify and structure the generic climate adaptation process. The revised generic criteria for DNSH to climate change

adaptation are presented in a clearer sequence: screening, climate risk assessment, adaptation plan, and implementation. They also specify that the risk assessment should use observational or reanalysis data and climate projections from authoritative sources, across future scenarios consistent with the activity's expected lifetime.

From a usability standpoint, this is a welcome development. A more structured presentation can make the adaptation process easier to understand and apply. It may also support more consistent implementation across sectors. However, this clarification should not result in a box-ticking exercise. Adaptation criteria remain meaningful only if climate risks are assessed in a forward-looking, activity-specific and proportionate manner, and if identified significant risks are genuinely addressed through credible adaptation measures.

3. Stronger alignment with Union law

BETTER FINANCE sees merit in better alignment with existing legal requirements where this improves legal certainty and avoids duplicative evidence burdens. That said, alignment with Union law should not automatically be assumed to provide an equivalent level of assurance in every case. The purpose of the Taxonomy is not simply to restate compliance obligations, but to identify environmentally sustainable activities using a robust and credible classification framework.

Moreover, closer alignment with Union law does not, by itself, resolve the practical usability challenge where reporting entities and users still need to navigate multiple cross-referenced regulations, delegated acts and national transpositions. Genuine usability gains require not only legal consistency, but also more accessible implementation pathways.

4. Transparency and implementation support

BETTER FINANCE has previously emphasised that changes to the Taxonomy framework should be made transparently and through a structured process, so that market participants understand both the rationale for the amendments and their implications for reported data. That point remains relevant here. For a framework used by investors over time, predictability and transparency are central to trust. In addition, if the objective is genuine usability, legislative amendments should be complemented by practical implementation support, including clearer operational guidance and more effective digital tools helping preparers and users identify the relevant legal references, evidence sources and verification pathways for each criterion.

Overall, BETTER FINANCE supports targeted refinements to the Climate Delegated Act where they make the technical screening criteria for climate change mitigation and climate change adaptation clearer, more coherent and easier to apply in practice.