EU Taxonomy: Sustainability classification for EU companies and their supply chain

The EU Taxonomy is a classification system of the European Union that categorises economic activities according to whether they qualify as environmentally sustainable. It is becoming increasingly relevant for industrial buyers and suppliers because customers and capital providers request sustainability data along the supply chain. Anyone who, as a supplier or procurement professional, understands the logic of the Taxonomy can respond to enquiries more quickly and identify risks in supplier evaluation at an early stage.

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Key facts at a glance

01 The EU Taxonomy is a binding classification system for environmentally sustainable economic activities in the EU.

02 It comprises six environmental objectives, including climate change mitigation, climate change adaptation, circular economy and water protection.

03 An activity only qualifies as taxonomy-eligible, taxonomy-aligned and sustainable if defined technical screening criteria and minimum social safeguards are met.

04 Reporting obligations initially apply primarily to large capital-market-oriented companies and are being gradually extended to further companies.

05 Even non-reporting entities, such as many suppliers, indirectly face data collection obligations via customer enquiries.

06 For procurement, this creates a new data burden along the supply chain that changes processes such as supplier self-disclosure and the supplier rating model.

Definition: EU Taxonomy

The EU Taxonomy is a classification system that defines which economic activities qualify as environmentally sustainable. It was established by the EU Taxonomy Regulation and specified through

delegated acts with technical screening criteria.

Six environmental objectives

The Taxonomy is oriented towards six environmental objectives: climate change mitigation, climate change adaptation, water and marine resources, circular economy, pollution prevention and the protection and restoration of biodiversity. In principle, an activity is classified as sustainable if it contributes substantially to at least one of these objectives while at the same time doing no significant harm to the other environmental objectives. Particularly relevant for industrial buyers are the circular economy and climate change mitigation objectives, as they directly affect production, material selection and logistics costs. The allocation is carried out via defined NACE-related activity descriptions with specific thresholds.

- Climate change mitigation: emissions of activities and products
- Circular economy: recycling, reuse, waste prevention
- Pollution: pollutant and emission limits

Taxonomy eligibility, alignment and sustainability

In practice, three terms are frequently confused: an activity is taxonomy-eligible if it is listed in the Regulation at all. It is taxonomy-aligned if it meets the technical screening criteria. It only qualifies as taxonomy-sustainable if the minimum safeguards for labour and human rights are also observed. A mechanical engineering company, for example, may have taxonomy-eligible production yet not be aligned if emission limits are exceeded. This differentiation is important because customers ask precisely these questions in the supplier self-disclosure, and incorrect statements can have contractual consequences.

Legal framework and scope of application

The basis is the Taxonomy Regulation (EU) 2020/852 together with delegated acts. Application is a question of legal basis: which companies must disclose which information and when is governed, inter alia, by the CSR Directive and its implementation, whereby size classes and timelines have been adjusted several times. Buyers should check the current thresholds on a case-by-case basis, as details may change. The Taxonomy itself is not a certificate or a label but a reporting and classification instrument.

Methods and approach in procurement

For procurement organisations, the EU Taxonomy above all means one thing: structured sustainability data collection along the supply chain. A step-by-step approach that uses existing processes rather than building parallel structures is advisable.

Baseline analysis of one's own activities

The first step is the allocation of one's own value creation to taxonomy-eligible activities: which product groups, plants or services fall under listed activities such as the manufacture of machinery with defined

energy efficiency requirements, generation of renewable energy or conversion to climate-friendly technologies? This also includes checking whether the technical criteria of the respective delegated act are met. Many industrial companies start with a workshop-based activity map involving engineering, controlling and procurement. The result is a prioritised list of relevant activities as a basis for data requests and KPI determination.

Collecting and evaluating supplier data

Because sustainability data is required along the supply chain, many companies establish collection processes via a supplier portal or structured supplier self-disclosures. A tiered approach has proven effective: standard questions for all suppliers, in-depth criteria only for risk-relevant or turnover-critical suppliers. The responses feed into the supplier rating model and into the evaluation criteria of supplier selection. It is important that the enquiries follow the current status of the technical criteria and are not excessively detailed, otherwise the response rate declines. Duplicate enquiries can be avoided if several customers of a supplier use standardised formats.

- Standardised questionnaire set for all suppliers
- In-depth enquiries for critical suppliers and long-list risks
- Integration of results into the supplier rating model and procurement policy compliance

Integration into procurement processes and contracts

Taxonomy-relevant requirements should be anchored where procurement processes take place anyway: in tender documents, in the call-off contract, in supplier approval and in framework orders with sustainability commitments. Market observation and the market model can also be extended to include sustainability criteria, for example when the supplier's CO2 intensity value is evaluated during awards in addition to delivery time and logistics costs. Legal details such as liability issues or governing law in sustainability commitments should always be reviewed legally on a case-by-case basis. Practical tip: discuss changes to plants or processes that are taxonomy-relevant with suppliers early via procurement innovation management rather than only discovering them at the annual evaluation.

Key KPIs and reporting metrics

The Taxonomy defines its own core metrics that companies disclose in their reporting. They are relevant for buyers because customers frequently request them as a data basis.

Turnover, CapEx and OpEx

The three central key figures are the share of turnover from taxonomy-aligned activities, taxonomy-aligned investments (CapEx) and the associated operating expenditure (OpEx). The CapEx share shows the extent to which investments flow into sustainable plants or products; OpEx captures, for example, R&D costs and rent shares of taxonomy-relevant activities. In practice, the definitions of allocation vary between companies, which limits comparability. Buyers should clarify in enquiries which definition the customer is applying.

Energy and emission intensity

The technical screening criteria work with thresholds, typically formulated as emission intensity per unit produced, for example kilograms of CO2 equivalent per kilowatt hour or per tonne of product. For suppliers this means: energy sources, process emissions and measurement technology must be documented. This frequently creates an interface issue with energy management and CO2 accounting according to Scope 1/2/3 logic. Those who build their data structure early can reuse key figures later multiple times.

Procurement-specific supplementary metrics

Beyond the regulatory metrics, supplementary key figures have become established in procurement, such as the supplier response rate to sustainability enquiries, the share of risk-assessed suppliers or the coverage of critical materials with sustainability data. These values are not mandatory Taxonomy metrics but help to steer the maturity of one's own processes. Typically, companies start with response rates well below 50 per cent and improve over several years; binding industry benchmarks do not exist, which is why guideline values should be interpreted with caution.

Risks and controls

The Taxonomy creates legal and operational risks that procurement organisations should actively manage. The core issue is the reliability of data along the supply chain.

Greenwashing and misrepresentation

Anyone making inaccurate sustainability statements risks regulatory and reputational consequences, up to and including official reviews. For procurement this means: statements about suppliers should be based only on documented sources, for example supplier self-disclosures with date, version and approval. Missing data is not replaced by assumptions. A clear internal responsibility for which statements may be communicated externally and which may not is advisable.

Data quality and duplicate work

In practice, suppliers complain that dozens of customers send similar questionnaires with slightly differing definitions. This costs time and leads to inconsistent data. Standardised formats help, as does clear attribute maintenance in the material master so that sustainability characteristics are attached to the article, as does a central data repository instead of scattered Excel lists. In addition, evaluation criteria in procurement should be designed such that sustainability data is not assessed in isolation but together with quality, delivery reliability and cost.

Controls and auditability

Credible statements are verifiable. This includes internal controls over data provenance, change history and approval processes as well as periodic spot checks at critical suppliers. Elements from supplier quality can be utilised: for example, extending supplier quality objective definitions with sustainability metrics or selectively incorporating sustainability questions during expediting. Whether external audit or

assurance is required depends on the respective reporting obligation and should be clarified on a case-by-case basis with auditors and legal counsel.

Current developments and outlook

The Taxonomy is not a static instrument: activity lists, technical criteria and reporting obligations are continuously supplemented and adjusted. Procurement organisations should therefore track changes systematically.

Link with the CSRD and supply chain laws

The Taxonomy is one building block in a larger regulatory framework of sustainability reporting and due diligence obligations along the supply chain. In practice, the requirements converge: customers no longer ask suppliers separately about taxonomy, CO2 footprint and human rights risks but bundle the topics. This also changes classic processes such as supplier self-disclosure and supplier approval, which are extended to include sustainability modules. Suppliers who build their data in a structured manner gain a competitive advantage here in tenders.

Omnibus discussion and simplified requirements

In parallel, political discussions are under way to simplify reporting obligations and adjust thresholds in order to relieve smaller companies. For buyers this means: details may change, but the fundamental logic of the Taxonomy remains. It is therefore advisable to build processes in such a way that they also function with adjusted thresholds. Reliable statements about future obligations can only be made on the basis of the respective current legal position, which is why a regular review of one's own classification is recommended.

Digital support in procurement

Without software support, data maintenance quickly becomes impractical. Frequently used are modules for supplier data management, for catalogue management of sustainable material alternatives, and market observation tools that make providers' emissions data visible. Integration into existing system landscapes is important, for example into ERP structures with clean attribute maintenance in the material master. Amplifa, as a B2B marketplace for technical buyers, offers structured provider profiles through which sustainability and supplier information can be compared in a targeted manner.

Typical metrics

Metric	Typical value
Taxonomy-aligned turnover share	company-specific, frequently < 20 % in industry *Share of turnover from activities that meet all screening criteria; highly sector-dependent.*

Taxonomy-aligned CapEx share	typically 5–40 % *Shows investment direction; only disclosable with evidence and technical documentation.*
Supplier response rate to sustainability enquiries	> 80 % as a target value *Not a regulatory metric; measures process maturity of data collection in procurement.*
Share of risk-assessed suppliers with sustainability data	> 90 % of critical suppliers *Practical guideline value; prioritisation by criticality rather than full coverage of all suppliers.*

Practical example

A mid-sized mechanical engineering company with around 800 employees supplies major customers from the capital goods industry. As part of customer audits, taxonomy-specific data is requested for the first time: turnover shares by activity, CO2 intensity of production, energy sources and circular economy measures. Their procurement responds in four steps:

- Creation of an activity map: allocation of all product groups to taxonomy-eligible activities together with engineering and controlling.
- Establishment of a structured questionnaire via the existing supplier portal, tiered by supplier criticality and turnover relevance.
- Extension of the evaluation criteria in the supplier rating model to include sustainability and emissions data with clearly documented sources.
- Anchoring of sustainability commitments in the call-off contract and in supplier approval for new suppliers.

Conclusion

The EU Taxonomy is far more than a reporting formality for large corporations: for the first time it defines a binding language for which economic activities qualify as environmentally sustainable. For procurement, this creates a new data dimension along the supply chain that changes evaluation, awarding and contract design. Those who extend supplier self-disclosure, the supplier rating model and the material master with sustainability attributes at an early stage respond to customer enquiries more quickly and minimise greenwashing risks. The key is integration into existing processes rather than parallel island solutions. As details of the legal position may change, regular review of the current requirements on a case-by-case basis is recommended.

Frequently asked questions

? What is the EU Taxonomy in simple terms?

The EU Taxonomy is a classification system of the EU that defines which economic activities qualify as environmentally sustainable. It is based on six environmental objectives and defined technical screening criteria. Companies use it to disclose the sustainable share of their turnover, investments and operating expenditure. It is not a certificate but a reporting and classification instrument.

? Which companies are subject to EU Taxonomy reporting obligations?

Reporting obligations initially apply primarily to large and capital-market-oriented companies and have been gradually extended to further size classes, with thresholds and timelines having been adjusted several times. Which obligations apply in a specific case depends on legal form, size and capital market relevance and should be assessed on a case-by-case basis. Even companies without their own obligations de facto receive data collection requests via customer enquiries.

? What do taxonomy-eligible and taxonomy-aligned mean?

Taxonomy-eligible means that an economic activity is listed in the Regulation. Taxonomy-aligned means that it additionally meets the technical screening criteria and does no significant harm to the other environmental objectives. Only once the minimum social safeguards are also met is the activity considered taxonomy-sustainable. These three levels are frequently queried separately in customer enquiries.

? Does the EU Taxonomy also affect suppliers and mid-sized companies?

Direct reporting obligations frequently do not affect suppliers; indirectly, however, they very much do: major customers need taxonomy and sustainability data from the supply chain and request these via self-disclosures or portals. Mid-market suppliers should therefore maintain structured data on energy, emissions and circular economy. Those who are prepared here gain advantages in tenders and supplier evaluations.

? How does the EU Taxonomy relate to the CSRD?

The Taxonomy provides the classification, while sustainability reporting under EU requirements provides the reporting process. Companies with reporting obligations disclose taxonomy-relevant key figures such as turnover, CapEx and OpEx shares as part of their sustainability reporting. For suppliers, this creates a derived data burden via customer enquiries. Details of the obligations have been legally adjusted several times and should be checked on a current basis.

? What data must suppliers provide on the EU Taxonomy?

Typically requested are the allocation of delivered products or services to taxonomy-eligible activities, information on CO2 intensity and energy sources, circular economy measures as well as confirmations regarding minimum social safeguards. The scope varies depending on customer and industry. A standardised questionnaire with documented sources is advisable in order to answer duplicate enquiries efficiently.

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