Challenges and Opportunities of Reporting on the EU Taxonomy: A Danish Perspective

The blind leading the blind towards a more sustainable future

Kasper Majlund Jakobsen - 111930

Nicolai Oscar Deramat – 119085

Master thesis

M.Sc. International Business & Politics

Submitted on May 15, 2023

Supervisor: Manuele Citi

100 standard pages

226 917 characters

CBS COPENHAGEN BUSINESS SCHOOL
HANDELSHØJSKOLEN

Abstract

This thesis investigates what challenges and opportunities Danish companies are facing in relation to the mandatory reporting on the EU Taxonomy. The EU Taxonomy is a classification system created by the European Union to determine which activities can be considered sustainable. The purpose is to create a unified approach to sustainability, which can be used by companies, investors and the public sector, in order to combat greenwashing and promote sustainable finance to achieve the green transition.

The study follows an inductive approach and employs Grounded Theory in an attempt to generate a conceptual framework based on patterns discovered in the empirical data. This approach was carefully chosen, as the literature revealed that while there is a vast body of literature on the EU Taxonomy, this is primarily investment-oriented, while close to no academic works addresses the implications for the business community. The findings are based on qualitative, semi-structured interviews conducted with 11 Danish companies currently reporting on the EU Taxonomy. The interview transcripts are initially processed in Nvivo, then in a manual, collaborative, focused coding, before being clustered over several rounds to digest the findings into consolidated themes.

The thesis examines how companies have approached the EU Taxonomy, how this has been done in terms of interpretation, as well as how companies have organised their teams and sustainability leadership. Second, we look at the compatibility and accessibility of the framework for companies in specific sectors, how it is used by companies, as well as how it relates to other EU frameworks. Third, we look at how stakeholders have been included in the implementation process, as well as how external pressure from customers and investors is affecting company reporting on the EU Taxonomy, as well as to what extent it adds value. Finally, we look at due diligence, how greenwashing concerns play a role, and how lack of political inaction might lead to opportunity seeking.

After presenting the findings, the thesis discusses their relevance in connection with the research process, to illustrate how we ended up with our empirical data. We then move on to discuss the various implications our findings have for companies, in connection with their interpretation of the EU Taxonomy and their internal structures; for the public sector in Denmark, in terms of what can be done by the state to facilitate the EU Taxonomy and enforce it; for the EU, in terms of the controversies surround the EU Taxonomy, as well as its compatibility with the Corporate Sustainability Reporting Directive (CSRD), and the future outlook of the EU Taxonomy; and finally for external stakeholders with a focus on auditors and investors.

In conclusion, we find that while the EU Taxonomy is a new and complicated topic, making it difficult to produce a clear-cut framework to explain it, our findings suggest that companies can overcome the difficulties and challenges that they have encountered whilst reporting on the EU Taxonomy through different processes. This thesis is amongst the first of its kind in the field and contributes with novel insights into the implications, challenges and opportunities Danish companies as they are adapting to this new reporting requirement. Hence, it lays the ground for further research in the field, which could focus on the implications on a broader group of companies subject to reporting, a similar study in other EU member states, as well as a comparative analysis of the implications, challenges and opportunities across the EU member states.

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Acknowledgements

Writing this thesis would not have been possible without the support and assistance from a number of individuals. We would like to express our gratitude to our supervisor, Manuele Citi, for providing invaluable feedback, and for pointing us in the right direction when we had doubts about the feasibility of the project. We would also like to extend a great thanks to the individuals from the Danish companies who set aside time and resources to participate in interviews with us. Without your time and insight into the implications of the EU Taxonomy on your specific company, this research project would not have been possible. Finally, we would also like to thank those individuals who provided input through preliminary interviews to determine the direction of the project, as well as those who provided supporting interviews towards the end of the process.

Abbreviations

CapEx	Capital Expenditure
CSRD	Corporate Sustainability Reporting Directive
CRRep	Corporate Responsibility Reporting
CS	Corporate Sustainability
CSR	Corporate Social Responsibility
DNSH	Do No Significant Harm principle
EC	European Commission
EP	European Parliament
ESG	Environmental, Social & Governance
EU	European Union
IO	International Organisations
IPCC	Intergovernmental Panel on Climate Change
NACE	Statistical Classification of Economic Activities in the European Community
NFRD	Non-Financial Reporting Directive
OECD	Organisation for Economic Cooperation and Development
OpEx	Operating Expenditure
SFDR	Sustainable Finance Disclosure Regulation
EU TEG	Technical Expert Group on Sustainable Finance
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

1. Introduction

Sustainability has gained massive attention in recent years as an alarming number of ecological crises are happening simultaneously. A biodiversity crisis is taking place at an alarming rate, with researchers arguing that we have entered the 6th mass extinction, which is mainly attributed to climate change and land-use change (Walsh, 2022); Our current linear production and consumption model exposes an overuse of resources, as illustrated by the Earth Overshoot Day happening still earlier every year – last year on July 28, corresponding to a need for 1.75 earths in order to sustain our consumption (WEF, 2022); Oceans are becoming still more acidic due to higher concentrations of CO_2, impacting marine life and eventually our food supply (NOAA, 2023); The likelihood of epidemics and pandemics is increasing as human activities encroach on natural habitats, and our distance to wild animals keeps decreasing, as a consequence of climate change (Penn, 2021); furthermore 99% of the world population breathe air that exceeds WHO air quality limits (WHO, 2022). The number of ecological crises happening simultaneously suggests an urgent need for sustainability measures in order to ensure the long-term health of people, animals, and plants.

Central to all of these is climate change. While the concept of a changing climate is a naturally occurring event, there is a strong consensus that the climate change we are currently experiencing is primarily caused by human activities. Climate change is presumably the biggest challenge humanity has faced, and it is a challenge that will only grow in magnitude, unless swift and significant action is taken in coming years to curb global greenhouse gas emissions.

The UN's climate body, the Intergovernmental Panel on Climate Change (IPCC) has found that in order to avoid irreversible damage, global emissions must peak no later than 2025 and reach net-zero by 2050 in order to stay below a 1.5°C temperature increase compared to pre-industrial era temperatures, which is essential to avoid irreversible damage (IPCC, 2018). To achieve this, world leaders agreed on the Paris Agreement in 2015, which is the most comprehensive climate change framework ever negotiated. However, the temperature has already increased by 1.1°C compared to pre-industrial levels and is expected to reach 2.8°C under current policy commitments, and as a consequence, the IPCC last year concluded that there are no longer any credible pathways to 1.5°C (UN, 2022).

The consequences of this are already being seen: unprecedented amounts of precipitation falling in more inconsistent patterns, rising sea levels, extreme floods, heatwaves, stronger hurricanes, desertification and so on. The list of natural disasters that are happening or increasing in strength and magnitude as a result of climate change is constantly growing, causing forced displacement, loss of infrastructure, hunger, political instability, increased spread of diseases and loss of livelihoods, just to mention a few of the many faceted consequences of climate change (EC, 2023a). Over the past 20 years, extreme weather events are estimated to have killed 500,000 people and caused economic damages of USD 3.5 *Trillion* (IISD, 2020), and these events are only increasing in magnitude and frequency as the temperature keeps increasing. In 2018 alone, the economic losses due to natural and man-made disasters amounted to USD 165 *Billion* (Swiss Re, 2019), and that number is expected to increase to USD 178 *Trillion* by 2070 (Deloitte, 2022).

Reversing climate change requires a collective effort from all countries, organisations and individuals, as CO_2 in the atmosphere does not respect country borders. However, good intentions alone will not make the cut. An unprecedented reallocation of capital away from "dirty" industries and towards low-carbon technologies is required to finance the transition. Reaching net-zero has been estimated to cost USD 125 Trillion by 2050 (UNFCCC, 2021). While the cost of transitioning to a low-carbon society is exorbitantly high in the short run, the cost of inaction is estimated to be significantly higher in the long run. Across the globe, governments are imposing increasingly more sustainability and climate related requirements on companies and individuals. In the EU, this resulted in the 2020 adoption of its EU Green Deal, a comprehensive policy package, with the overarching objective of transitioning the EU towards a more sustainable future and becoming net-zero by 2050 in line with the Paris Agreement (EP, 2023).

1.1 Research question

As part of the EU Green Deal, the EU in 2020 adopted the EU Taxonomy as one of the main policy initiatives under the Sustainable Finance Package to promote sustainable finance, combat greenwashing, and channel investments towards sustainable projects. The EU Taxonomy makes it mandatory for large companies in the EU to disclose to what extent their activities can be classified as sustainable using a standardised definition. This way of providing a standardised way of defining sustainability should help channel the much-needed finance towards achieving the green transition.

The vast majority of research on the EU Taxonomy is primarily investor oriented. However, it is companies that are tasked with interpretation, data gathering, reporting and monitoring to comply with the legislation. The EU Taxonomy is a new piece of legislation, which forces companies to evaluate their sustainability performance differently than previously, and as such, it comes with its own set of implications for Danish companies.

We started asking ourselves what are these implications? Will it create more challenges or more opportunities for Danish companies? Why are some companies better equipped to (or interested in) report on the EU Taxonomy? And are companies simply reporting to be compliant, or will the EU Taxonomy actually be the changemaker in sustainability that it is proclaimed to be? These are some of the questions that laid the foundation for the research question of this thesis:

What are the challenges and opportunities Danish companies experience in relation to reporting on the EU Taxonomy?

As part of our research, we hope to answer the following sub questions:

1. How and what will (be) the Taxonomy's impact on sustainable corporate governance?
2. Which drivers cause companies to seek to increase their level of Taxonomy alignment (to be more in line with the reported Taxonomy eligibility)?
3. Is the EU Taxonomy perceived by companies (and potentially their stakeholders) as simply another reporting burden, or is it perceived to have a real-world impact?
4. What could be done to improve overall reporting on the EU Taxonomy?

1.2 Scope

The scope of this paper is limited to a focus on non-financial Danish companies currently subject to reporting on the EU Taxonomy as part of their annual report, as we have identified them. The scope is further limited to the first two environmental objectives of the EU Taxonomy, *climate change adaptation* and *climate change mitigation*, as only these two were adopted at the time of writing (EC, 2021c). During the writing process, the remaining four environmental objectives, *Sustainable use and protection of water and marine resources*, *Transition to a circular economy*, *Pollution prevention and control*, and *Protection and restoration of biodiversity and ecosystems* were released and as a result of this, we touch briefly upon how these would affect companies in our interviews. While financial companies are also subject to reporting on the EU Taxonomy, these follow a different reporting structure and are therefore excluded from this study.

Consequently, whenever we refer to sustainability, it is predominantly focused on sustainability related to climate change. This is particularly relevant in the background section, where sustainability governance is examined, but where focus is limited to those policies, tools and frameworks that are concerned with climate change.

1.3 Relevance

As we briefly touched upon earlier, current academic literature is predominantly focused on the investment-side of the EU Taxonomy, and while this makes sense given the nature of the legislation, it is companies that are tasked with allocating resources to interpretation, data gathering, implementation and monitoring in order to be compliant. This inevitably presents a number of implications for companies - some of a more general nature, others of a more company-, sector-, or country-specific nature.

A 2021 survey conducted amongst 770 investment decision-makers found that 85% of investors (including 91% of institutional investors) "consider investment-grade ESG data **more** important than other company data when informing their investment decisions" (Benchmark ESG, 2022). However, the 2022 Annual Corporate Directors Survey conducted by PwC finds that only 45% of directors believe that ESG issues have an influence on the bottom line, while 63% of directors believe their board understands climate risks/strategy properly (PwC, 2022). On the other hand, the 2022 CEO Outlook performed by KPMG finds that 69% of CEOs "see stakeholder demand for increased reporting and transparency on ESG issues up a significant extent (up from 58 percent in August 2021)" (KPMG, 2022) and 72% believe that "stakeholder scrutiny on ESG will continue to accelerate (up from 62 percent in August 2021)" (KPMG, 2022).

Hence, there seems to be some degree of misalignment between companies and investors in the realm of sustainability. Considering this in the context of EU-based companies having to report across still more sustainability-related standards, including the EU Taxonomy, and considering that companies have already been obligated to report for two financial years, we find that there is a need for academic insight into the process of reporting on the EU Taxonomy, and what that means from a company perspective. Given the EU-wide application of the EU Taxonomy, companies across all member states are expected to face similar challenges and opportunities.

This thesis should be seen as a first attempt at identifying the implications of the EU Taxonomy for companies. Despite the high level of uncertainty, as will be shown in this thesis, we believe that this study is necessary at this stage, when companies are learning to report on the EU Taxonomy, and that these findings will lay the ground for optimised processes, standardised interpretation and further research into the field. Consequently, it is relevant for companies, policy makers as well as other relevant stakeholders to ensure cost-efficiency, fairness and equal competitiveness.

1.4 Ethical considerations

This paper is primarily based on qualitative interviews conducted with representatives from Danish companies, which have been analysed and interpreted by the researchers. Hence, we acknowledge a potential bias, both related to respondent's perception of the EU Taxonomy in relation to their company and sector, as well as to our own interpretation of the results, as part of the research process.

While the majority of respondents only presented non-confidential information, some confidential information was shared with us. To uphold academic integrity and to respect the wish for confidentiality, no confidential information is shared in this thesis. To further ensure that company-specific information cannot be linked back to the respondent, all interview quotes used in the analysis are treated anonymously. A list of interviewees is provided in the official version of this document, whereas a list of companies linked to their anonymous title in the analysis is only shared with our supervisor and examiner.

2. Background

In order to establish an understanding of the EU Taxonomy and how it is intended to work, it is important to understand what climate change is and how it is governed. As such, the following section describes the transnational nature of climate change and how it is governed internationally through the United Nations Framework Convention on Climate Change (UNFCCC), Conference of the Parties (COP), and ultimately through the Paris Agreement, in order to understand how the EU Taxonomy fits into the broader, international field of climate change governance.

With an understanding of transnational governance of climate change, we then zoom in on the EU and explore how the EU Green Deal formulates a framework to transition the EU towards a more sustainable future, which includes achieving net-zero emissions by 2050. The EU Green Deal is a set of policy initiatives, which we briefly explore before focusing on the underlying policy initiatives: we start by looking at the Sustainable Finance Package, which contains the EU Taxonomy and the associated Sustainable Finance Disclosure Regulation (SFDR) before we turn over attention to the Corporate Sustainability Reporting Directive (CSRD). Finally, we briefly touch upon how these three frameworks are intended to work in tandem (EC, n.d.:f).

2.1 What is climate change?

As we briefly touched upon in the introduction, the concept of climate change is not a man-made thing. The process of climate change has been naturally occurring for millions of years through factors, such as "changes in the sun, emissions from volcanoes, variations in Earth's orbit and levels of carbon dioxide (CO_2)" (BGS, 2023). These natural changes have usually happened gradually at an extremely slow pace over the course of thousands of years, which has allowed for various species and ecosystems to adapt (BGS, 2023). However, since the beginning of the industrial revolution, human activities have led to a large spike in the demand for fossil fuels, which when burned release harmful greenhouse gases cause the atmosphere to become denser and in turn traps the heat of the sun, thereby causing climate change (Romm, 2023: 3). At the beginning of the industrial revolution, CO_2 levels in the atmosphere were around 280 parts per million (Romm, 2022: 2). These have since increased by 67 percent to more than 418 parts per million - the highest level in more than four million years (Lakhani, 2023).

This is well illustrated by the rise in the global average temperature. Every decade since the 1980's has broken the record as the hottest decade ever measured (Romm, 2023: 3), and since 1880, the average global temperature has increased by 1.1°C (NASA, 2023). Even under the most optimistic scenario outlined by the IPCC, the global average temperature is expected to increase by 1.4°C (estimate ranging between 1.0-1.8°C) by 2100. Under the least optimistic scenario, the global average temperature is expected to increase by 4.4°C (estimate ranging between 3.3-5.7°C) (IPCC, 2021). With current policies and commitments, the global average temperature is expected to increase by 2.8°C by the end of the century, and even if commitments are implemented, we are looking at a temperature increase of 2.4-2.6°C (UN, 2022).

2.2 Climate change as a transnational governance issue

The term *Climate change* was first brought up in an international context after NASA scientist James Hansen testified before the U.S. Congress in 1988, in which he stated that “The greenhouse effect has been detected, and it is changing our climate now.” (NASA, 1988). His testimony brought attention to the problem in the United Nations, which led to the creation of the Intergovernmental Panel on Climate Change (IPCC) (Luomi, 2020). The IPCC was established to provide policymakers with “regular scientific assessments on the current state of knowledge about climate change” (Luomi, 2020). Its first Assessment Report provided the scientific basis for the creation of the United Nations Framework Convention on Climate Change (hereafter UNFCCC) (Luomi, 2020). The UNFCCC has been ratified by 197 parties, including the European Union, and as such serves as the most comprehensive international forum on climate change (LSE, 2022). The IPCC assessment reports consolidate the latest climate change science from all member states, and as such form the basis for transnational climate change governance.

The objective of the UNFCCC is to ensure the “stabilisation of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. Such a level should be achieved within a time frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened and to enable economic development to proceed in a sustainable manner” (UNFCCC, 1992: 4). A central element of the convention is the principle of “common but differentiated responsibilities”, which acknowledges that, despite not being equally responsible, all countries have a shared obligation to combat climate change, and in principle demanding developed nations to take lead (UNFCCC, 2000).

The key feature of the convention are the Conference of Parties (COP) meetings, which serve as a series of formal, annual meetings where all UNFCCC parties meet to discuss and negotiate action on climate change. A total of 27 COP meetings have been held since the first in 1995 with varying purposes and successes, but particularly one has manifested a landmark event: the COP21 held in Paris in 2015, during which the Paris

Agreement was adopted. The Paris Agreement marks “a turning point in recognising global warming and the need to steer the economy towards low-carbon activities” (Lucarelli et al., 2020). To date, 196 countries have ratified the agreement, and the Paris Agreement is considered the most important international agreement on climate change to ever be made, as it is the first-ever legally binding global climate change agreement (UNFCCC, n.d.). The overarching goal of the Paris Agreement is to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels’” (IPCC, n.d.). The Sixth Assessment Report by the IPCC from 2021 found that global greenhouse gas emissions need to be cut by 43% by 2030, using a 2019 baseline to meet the Paris Agreement goal of limiting the temperature increase to 1.5°C (UNFCCC, 2022). However, in its Emissions Gap Report 2022, the United Nations Environmental Programme (UNEP) concluded that under current commitments, emissions are expected to only fall by 10.6% by 2030 (UNEP, 2022), and that the “international community is falling far short of the Paris goals, with no credible pathway to 1.5°C in place” (UN, 2022). The report also concludes that with the current country commitments, the temperature is expected to increase by catastrophic 2.8°C, and even if these commitments are implemented, it will still likely lead to an increase of 2.4-2.6°C by the end of the century (UN, 2022).

A key element of the Paris Agreement is climate finance, as the transition to a low-carbon economy will be extremely costly in the short term and require significant channelling of finance towards more sustainable activities (Lucarelli et al., 2020). The OECD estimates that EUR 6.35 Trillion is required annually worldwide to reach Paris Agreement reduction targets for 2030. However, public sector resources will be far from adequate and there is a strong need for engagement by institutional and private capital (EU TEG, 2020).

2.3 Climate-related risks and opportunities

While it is widely recognised that climate change is happening and that it is mainly attributed to human activities, the “large-scale and long-term nature of the problem makes it uniquely challenging, especially in the context of economic decision making” (TCFD, 2017: 4). Despite the science pointing out the need for immediate action, as well as a 2023 survey conducted amongst 2,000 C-suite executives showing that 62% of leaders feel concerned about climate change most, or all of the time, and that 82% had been personally affected in the last year (Deloitte, 2023), there is still a great deal of uncertainty about what the implications of climate change might be, and what severity and timeline to expect. This also means that climate change is “one of the most significant, and perhaps most misunderstood, risks that organisations face today” (TCFD, 2017: 3). However, climate change is expected to materialise as risks and opportunities for organisations (TCFD, 2017).

Firstly, climate change is expected to manifest itself through two types of risks: *physical risks* and *transition risks*. Physical risks relate to natural weather events that either take place as a consequence of climate change or are aggravated because of climate change. Physical risks can be chronic (higher temperatures, rising sea levels, increasing desertification, changing precipitation patterns etc.) or it can be acute (flooding, drought etc.). These physical risks may affect companies' financial performance and can potentially cause damage to assets or disrupt the supply chain (TCFD, 2017: 6).

Transition risk on the other hand are risks that come as a consequence of the switch to a lower-carbon economy. Transition risks can be categorised as *policy & legal risks, technology risks, market risks* and *reputation risks.* Policy risks relate to e.g., policy action that seek to "constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change" (TCFD, 2017: 5). Legal risks instead focus on climate-related litigation related to "the failure of organisations to mitigate impacts of climate change, failure to adapt to climate change, and the insufficiency of disclosure around material financial risks" (TCFD, 2017: 5). Market risks are likely to be manifest through a "shifts in supply and demand for certain commodities, products, and services as climate-related risks and opportunities are increasingly taken into account" (TCFD, 2017: 6); and, finally, reputation risks, which refer to the perception of e.g., society or consumers about a company's contribution towards the transition to a low-carbon economy (or lack hereof) (TCFD, 2017).

The cost of not addressing these risks and to mitigate and adapt to climate change are monumental. In 2018 alone, it was estimated that natural and man-made disasters caused USD 165 Billion of economic losses worldwide (WEF, 2019). In 2022, extreme weather events in the U.S. alone cost an estimated USD 165 Billion (Rott, 2023), and by 2070, inaction on climate change is expected to cause economic losses of USD 178 Trillion (WEF, 2023a).

However, while climate change is mainly expected to create risks, it also creates opportunities. Climate-related opportunities mainly fall within 5 categories: *resource efficiency* as companies improve their production and distribution processes, e.g., through waste reduction, energy savings, circular economy and retrofitting buildings; *energy source* as companies transition towards low-carbon sources of energy, e.g., by replacing fossil fuel sources with renewables such as wind, solar, hydro or nuclear power; *products & services* as companies develop low-carbon solutions they might strengthen their competitive advantage and benefit from shifting consumer preferences; *markets* as companies "that pro-actively seek opportunities in new markets or types of assets may be able to diversify their activities and better position themselves for the transition to a lower-carbon economy" (TCFD, 2017: 7); and, finally, *resilience* as companies develop adaptive capacities to better deal with climate-related risks and opportunities.

2.4 European Green Deal

Having examined what climate change is, how it is governed in an international context, as well as reviewing which risks and opportunities climate change causes, we now turn our attention to the European context to understand how the EU is living up to its obligations under the Paris Agreement. This section includes an overall look at the European Green Deal (hereafter EU Green Deal), as well as underlying policy initiatives, one of them being the EU Taxonomy, which is part of the Sustainable Finance Package alongside the Sustainable Finance Disclosure Regulation (SFDR), and the related Corporate Sustainability Reporting Directive (CSRD). The two related frameworks are addressed here, as they are intended by the EU to be closely interlinked with the EU Taxonomy and are difficult to address separately, as they have strong implications for each other, as will be shown in the findings.

The EU Green Deal was proposed in 2019 as a set of policy initiatives aiming to transform the EU's economy towards a more sustainable future. It "provides a roadmap with actions to boost the efficient use of resources by moving to a clean, circular economy and stop climate change, revert biodiversity loss and cut pollution. It outlines investments needed and financing tools available and explains how to ensure a just and inclusive transition" (EC, 2019). The EU Green Deal consists of a large number of policy initiatives across various focus areas, all working towards the central goal of reaching net-zero emissions in the EU by 2050 in line with the Paris Agreement (EC, n.d.:b) - a goal that was made legally binding with the adoption of the European Climate Law in 2020.

2.4.1 Sustainable Finance Package

The Sustainable Finance Package is another of the pillars of the EU Green Deal and is "an ambitious and comprehensive package of measures to help improve the flow of money towards sustainable activities across the European Union" (EC, 2021a). It consists of three elements: the Sustainable Finance Disclosure Regulation (SFDR), the European Green Bond Standard and the EU Taxonomy. While the SFDR and the EU Taxonomy are described in the following sections, the EU Green Bond standard falls outside of the scope of this assignment and does not share the same interconnectedness with the EU Taxonomy as the SFDR does in this given context, and has therefore not been described further.

2.4.2 EU Taxonomy

The EU Taxonomy is a classification system, which establishes a list of environmentally sustainable activities (EC, n.d.:e). The Taxonomy Regulation, which lays the foundation for the EU Taxonomy, was adopted in 2020 as part of the Sustainable Finance Package under the EU Green Deal (EU, 2020). The EU Taxonomy was introduced to “provide companies, investors and policymakers with appropriate definitions for which economic activities can be considered environmentally sustainable” (EC, n.d.:e) in order to foster sustainable investment, facilitate the transition towards a low-carbon economy, combat greenwashing and create a common language for sustainable finance (Lucarelli, 2020).

In 2019, the EU Commission estimated that an additional annual investment of EUR 260 Billion in sustainable activities would be required to reach the 2030 goal of the EU Green Deal (EC, 2019). This cannot be achieved alone by expanding the low-carbon economy, and therefore requires transitioning activities towards a more sustainable state. By providing a more clear and standardised definition of environmentally sustainable activities, the idea is that investors and companies will be more easily able to identify and prioritise sustainable investments and activities (EC, 2021b). For this reason, the EU Taxonomy is considered a cornerstone element of the EU’s transition towards a low-carbon society and towards meeting its obligations under the Paris Agreement (Dusík, Bond, 2022).

The EU Taxonomy identifies two main users. First, for financial market participants, including investors, issuers, and asset managers, it is designed to be a practical tool to assess the sustainability of their investments and to facilitate the integration of sustainability factors into their decision-making processes (EC, n.d.:e). Second, it applies to listed companies with more than 500 employees, as outlined in the EU Taxonomy Regulation. For those, it is a compliance mechanism that requires companies to interpret, identify and disclose the share of sustainable activities in a standardised format. The EU Taxonomy is expected to play a significant role in guiding investments towards sustainable activities and for the ability of companies to access finance, as investors and companies increasingly prioritise sustainability and look for ways to transition towards a more sustainable economy (EC, 2021b). However, it is worth noting that the EU Taxonomy is purely a classification system to evaluate the performance of activities and that there is no mandatory requirement for how big a share of sustainable activities a company or investor is expected to have. Additionally, a wide range of activities can never be considered sustainable, and therefore it is also not the expectation that all activities in the EU will ever be considered sustainable (EC, 2021b).

Reporting framework

The central element of the EU Taxonomy is that in order for an activity to be considered sustainable, it must contribute substantially to at least one of the environmental objectives, while at the same time not doing significant harm (the do no significant principle) to any of the other environmental objectives, and respecting basic human and labour rights (the minimum social safeguards principle). The six environmental objectives are *climate change mitigation, climate change adaptation, sustainable use and protection of water and* *marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems*, and are aligned with the EU Green Deal objectives (EU TEG, 2020).

Currently all companies that are covered by the Non-Financial Reporting Directive (NFRD) are subject to reporting on how their activities align with the EU Taxonomy. In practice (not considering national variances in interpretation), this means that all “large public-interest companies with more than 500 employees” (EU TEG, 2020) are subject to reporting. This scope is expected to be expanded as later versions of the CSRD, which amends the NFRD, are rolled out in coming years. The EU Taxonomy is built around the European NACE codes (common European statistical classification of sectors), and as such, companies should use their NACE code as an indicator to assess whether they are obligated to report or not. However, at this stage, only a subset of NACE codes are covered by the current version of the EU Taxonomy (Dusík, Bond, 2022).

Companies subject to reporting on the EU Taxonomy must report on two levels: eligibility and alignment. First, eligibility indicates whether an activity is covered by the EU Taxonomy. In order for an activity to be considered eligible, it must meet the Technical Screening Criteria. These criteria are “a set of rules and metrics used to evaluate whether an economic activity can be considered environmentally sustainable under the EU Taxonomy” (Celsia, 2023b) for more than 170 activities that are currently included in the above-mentioned environmental objectives. The list of eligible activities is currently limited, but will expand over time as more delegated acts to the EU Taxonomy are published (EU TEG, 2020). Reporting is done against three standardised KPIs: turnover, OpEx and CapEx. For the first year of reporting, 2022, companies were obliged to report percentage share of eligible turnover, OpEx and CapEx for the financial year 2021, whereas from 2023, companies are obliged to report eligibility as well as their percentage share of aligned turnover, OpEx and CapEx (AMF, 2022).

Activities that meet the Technical Screening Criteria can be considered eligible activities, meaning that all turnover, CapEx and OpEx can be counted as eligible (Celsia, 2023c). In order for an activity to be aligned with the EU Taxonomy, it must additionally comply with three sub-criteria: Substantial Contribution Criteria (SSC), Do No Significant Harm (DNSH) principle, and Minimum Social Safeguards (MMS) (EU TEG, 2020). First, an activity must contribute substantially to one of the six environmental objectives. In other words, “based on the technical screening criteria, the economic activity either has a substantial positive environmental impact or substantially reduces negative impacts of the activity on the environment” (Celsia, 2023a). Secondly, an economic activity further has to adhere to the Do No Significant Harm (DNSH) principle. This means that an activity that substantially contributes to one of the environmental objectives cannot do so at the cost of causing a negative impact on one of the remaining five environmental objectives (EU TEG, 2020). Third, in order for an activity to be considered sustainable under the EU Taxonomy, it must be carried out "in alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights" (EU TEG, 2020: 17). This means that the undertaker must be able to "demonstrate compliance with minimum standards on human rights, social responsibility, labour rights, and anti-corruption procedures" (Celsia, 2023c).

The Technical Screening Criteria for both Substantial Contribution Criteria and the Do No Significant Harm principle are outlined in delegated acts to the EU Taxonomy. At the time of writing, only two delegated acts related to climate change have been adopted (one overall for climate change adaptation and climate change mitigation, which is relevant for this thesis, and one on nuclear and natural gas, which is outside the scope). The Climate Delegated Act was adopted in 2021 and covers the first two environmental objectives on climate change (EC, 2021c). This was purposely done by the European Commission to reflect the overarching importance of climate change. The current delegated act covers "roughly 40% of listed companies in sectors which are responsible for almost 80% of direct greenhouse gas emissions in Europe" (EC, 2021b: 1). A second delegated act was subsequently released (EC, 2022a), but falls outside the scope of this assignment and is not described further. In April, the Platform on Sustainable Finance published a draft of the Environmental Delegated Act, which covers the remaining four environmental objectives. The draft is currently being reviewed by the European Commission (Arthur Cox LLP, 2023).

2.4.3 Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (SFDR) is a new obligation that imposes mandatory ESG disclosure obligations for financial market participants in the EU (KPMG, 2021). It was adopted in 2019 as part of the Sustainable Finance Package (EU, 2019) to level the playing field for financial market participants in order "to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants" (EuroSIF, n.d.). The SFDR applies both to sustainable products as well as "classical" products in order to make financial products transparent and comparable, to assist investors with a clearer understanding of what investments can be considered sustainable (rather than just marketed as such) in order to channel funding towards sustainable products needed to achieve the EU Green Deal (KPMG, 2021).

The central element of the SFDR is the new mandatory classification of financial products based on how sustainable the investment is considered. The SFDR groups financial products into three categories: Article 6 funds, which are classical funds that do not target or promote sustainable investments (Deloitte, 2021a); Article 8 funds (also known as Light Green Funds), which are funds that "promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices" (Deloitte, 2021b); and Article 9 funds (also known as Dark Green Funds), which are defined as "a Fund that has sustainable investment as its objective or a reduction in carbon emissions as its objective" (Deloitte, 2021c). Article 6 funds constitute the smallest requirements, whereas Article 9 funds set the highest requirements.

Both Article 8 and 9 Funds are considered sustainable funds. However, where Article 8 funds should only indicate what proportion of the fund is in sustainable investments, Article 9 funds may only invest in sustainable products. Both types of funds, on the other hand, can invest in Taxonomy aligned activities, as well as non-aligned activities, but in doing so, have to disclose Taxonomy alignment. Both funds are required to receive third-party limited assurance of non-financial information (Morningstar, 2021). While we initially saw a large group of fund managers moving towards Article 9 funds, there has been a strong reclassification of funds away from Article 9, which shrunk by 40% in Q4 of 2022. The reason is that many fund managers have downgraded their funds from Article 9 to Article 8 to avoid reputational and legal risks, as they have had difficulties living up to the documentation requirements (Webb, 2023). As of Q4 in 2022, Article 8 funds represented 52.2%, Article 9 represented 3.3%, and Article 6 44.5% (Morningstar, 2023a).

2.4.4 Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive (CSRD) is a reporting requirement that requires companies in the EU to "disclose information on their risks and opportunities arising from social and environmental issues, and on the impacts of their activities on people and the environment" (EC, n.d.:d). It amends the existing Non-Financial Reporting Directive, which requires public-interest companies in the EU member states with more than 500 employees to disclose specific environmental and social information (EU, 2014). The NFRD has been criticised for a number of issues, including inadequate information disclosure, too few companies subject to reporting, a lack of comparability between companies and sectors, and a lack of a digital reporting framework meaning that disclosed information has been difficult to attain (Celsia, 2023).

The CSRD significantly increases the width of information companies have to disclose, as further data points and data at a more granular level is required to combat climate change. Companies are to report according to the European Sustainability Reporting Standards (ESRS), which are composed of 13 standards across environmental, social and governance on three layers: sector-agnostic, sector-specific and entity-specific. A total of 1144 data points have been listed, which companies are supposed to report on, according to what they consider material for their business (EY, 2022). The CSRD also substantially increases the number of companies in scope, as it covers approximately 50,000 companies in the EU, compared to the NFRD, which covered 11,700 companies (EC, n.d.:d).

A key element of the CSRD is the double materiality assessment, which requires companies to identify both "their impacts on people and environment (impact materiality) as well as the sustainability matters that financially impact the undertaking (financial materiality)" (KPMG, n.d.). While this was already introduced as part of the NFRD, there has not been much emphasis on this aspect of the reporting requirements hitherto. This is expected to change under the CSRD (Celsia, 2023d). Companies are also to align reporting on the CSRD with reporting on the EU Taxonomy. Finally, the CSRD makes it mandatory for companies to achieve third-party limited assurance from 2024 on the information provided as part of their sustainability reporting" to increase transparency and credibility, with the intention to move to reasonable assurance in the future (EC, n.d.:d).

The CSRD was announced in 2021 in line with commitments made by the European Commission under the EU Green Deal (KPMG, n.d.) and entered into force in January 2023. Large companies currently subject to the NFRD are to start reporting on the CSRD in 2025 based on the financial year 2024; large companies that are not subject to the NFRD are to start reporting in 2026 based on the financial year of 2025; and SMEs and other smaller companies are to start reporting in 2027 based on the financial year of 2026 (EU, 2022).

2.5 EU Taxonomy in relation to other EU frameworks

The EU Taxonomy, the SFDR and the CSRD are all closely interlinked and all work to increase the quality and scope of sustainability disclosure to support the green transition, as outlined in the EU Green Deal objectives (EC, n.d.:b).

The CSRD amends the existing NFRD to improve the quality, reliability and comparability of sustainability reporting. Currently, only companies covered by the NFRD are subject to reporting on the EU Taxonomy. Hence, with the amendment, the scope of companies subject to reporting will increase substantially. Additionally, companies are expected to report on their EU Taxonomy eligibility and alignment as part of the CSRD reporting. Finally, they overlap in terms of some of the reporting requirements and particularly under the Do No Significant Harm principle and the Minimum Social Safeguard there are significant overlaps (EC, 2021b).

The SFDR and the EU Taxonomy are equally interlinked because they both provide investors with a clearer picture about the sustainability of a company. The demand for sustainable investments has been growing steadily in recent years, as the public salience of sustainability has increased, and as sustainability and especially climate-related risks are increasingly considered the largest risks the global community will face in coming years (WEF, 2023b). The market for sustainable investment products is growing at a rapid pace "with more than $649 billion flowing into ESG-focused funds worldwide in 2021, up from the $542 billion and $285 billion in 2020 and 2019, respectively" (Kerber, Jessop, 2021). Information disclosed as part of the EU Taxonomy reporting feeds directly into the SFDR used by investors. In the context of increasing demand for sustainable investment products, inflows of capital into Article 8 and 8 funds have already significantly outpaced inflows into Article 6 funds (Morningstar, 2023a), and in the future, Article 8 and 9 funds are expected to gain a competitive marketing advantage compared to Article 6 funds. As such, the growing demand for sustainable investments is expected to increase the investor push on companies to demand higher shares of alignment. The EU Taxonomy reporting also provides an opportunity for financial market participants to reduce the workload linked to estimating the sustainability of a financial product, as more data will be publicly available directly from the company through reporting on the EU Taxonomy and the CSRD (EU TEG, 2020).

3. Literature Review

In this chapter, we start by elaborating on the point made earlier about prior academic work on the EU Taxonomy and demonstrate the lack of focus on the business side. This is done both in order for us to highlight the need to conduct further research from another perspective, and demonstrate the current research gap, while also attempting to illustrate where this thesis may contribute. Afterwards we will take a step back and place the EU Taxonomy in a broader academic context, being the overall concept of Corporate Sustainability Governance, under which we also identify Corporate Social Responsibility (CSR), Corporate Sustainability (CS) and Corporate Responsible Reporting (CRRep), which is important as the EU Taxonomy falls within these overarching concepts.

3.1 Current academic work on the EU Taxonomy

A vast body of literature focuses on the EU Taxonomy and the broader sustainability reporting paradigm. However, as will be demonstrated in the following section, the vast majority of literature is focused on investment-related aspects of the EU Taxonomy, and when we dive into the EU Taxonomy with a focus on the business community, we find that no apparent academic work has been done in this field. Given the lack of academic work on the business side of the EU Taxonomy, the following section highlights the most cited academic works in the field.

Lucarelli et al. (2020) conduct a bibliometric analysis on academic work conducted on EU Taxonomy-related matters. They find that an immense 161,595 publications have been published by 2020, and that these are primarily focused on improvements in production processes, innovation, and environmental performance. They further find that a higher level of EU Taxonomy-related publications is associated with a lower level of CO_2 emissions, indicating that the production of scientific works has a societal impact that promotes sustainability. Dusík & Bond (2022) examines the potential of the EU Taxonomy to build on environmental assessments, which are often criticised for their inability to prevent incremental environmental degradation and change the environmental outcomes of decision making. Wang et al. (2020) investigate the UNDP SDG Finance Taxonomy, which was introduced in 2020 by UNDP China and the Chinese Ministry of Commerce as an alternative to the EU Taxonomy, and which goes further by integrating the SDGs. Pacces (2021) examines the potential of the EU Taxonomy to support the inclusion of sustainability into corporate governance, however from an investor perspective. Schütze et al. (2020) examine to what extent the EU Taxonomy will achieve its goal of classifying sustainable investments with a particular focus on climate change. They conclude that the EU Taxonomy activities are compatible with net-zero in some sectors, whereas they are insufficient in others and might cause a lock-in of effect. Finally, Dinh et al. (2022) provide a scoping review of European Sustainability studies and highlights a previous lack of focus on SMEs and financial institutions, as well as a geographic gap in Eastern and Southern Europe. This goes to show that, of the main academic literature, the EU Taxonomy has not been examined from a company reporting perspective.

Another point of interest, although not academic research, is the TCFD, which was described in the background section. The TCFD was created in response to the Paris Agreement and aims to standardise how climate-related disclosures are made worldwide. Implementing the recommendations helps companies assess their climate-related risks and opportunities, not only benefiting their own understanding of risks and opportunities, but also providing investors with information about how companies are mitigating climate-related risks. Although not using the same KPIs as the EU Taxonomy, there are similarities between the two frameworks as both aim to standardise reporting on climate-related metrics and both, although at different levels, aim to increase the understanding of climate-related risks and opportunities. A more detailed description of the TCFD is provided as part of the background section.

3.2 Corporate Sustainability Governance

As we have just demonstrated, the EU Taxonomy has thus far only been explored academically from the investment and financial perspective, however, the overarching concept of reporting, regulatory implementations and businesses dealing with CSR, in which the Taxonomy falls under, has not. As we will come to show, there is a plethora of concepts used for sustainability within corporations, such as Corporate Sustainability Governance, Corporate Social Responsibility (CSR), Corporate Sustainability (CS), not to mention what falls under these concepts, such as reporting requirements on sustainable issues and strategies for handling them. In order to facilitate the understanding of these terms, and since they are so closely interlinked, we treat all of the terms as being synonymous. In the next section we will attempt to situate the paper in a broader academic context, relating to sustainability governance.

3.2.1 CSR - what it is and why it matters

Before getting into the concepts of Sustainability Governance, CSR and CRRep, it is important to acknowledge why firms choose to engage with the overall concept of sustainability in the first place. As highlighted in the previous chapter, the issue of climate change is a very real and increasing threat. The tension between corporations' focus on maximising shareholder wealth and the increasing demand for them to provide solutions to social problems has increased (Margolis & Walsh, 2003). Meanwhile, the line between private and public entities has become blurred in the past decades, meaning that firms can no longer operate within their own sphere of influence, as their roles and responsibilities have changed (Rasche et al., 2017). Corporations today make up such a big part of society that they have become political actors within it, with increasing pressure from stakeholders and governments, one way to live up to these expectations is through the engagement of CSR (Rasche et al., 2017).

One of the first concepts of corporate sustainability, CSR, is usually discussed in different settings, with varying definitions, making it hard to exactly define what the term means. In order to capture the essence of all the varying definitions, we go by these five key features, that capture the definitions: "Business responsibility *to* society; business responsibility *for* society; business responsible conduct; business responsibility to and for society in broad terms; and finally, the management by business of its relationships with society" (Moon, 2015). These definitions, while overlapping, help to highlight that most definitions converge towards an overall understanding, with some variance in the perspectives (Rasche et al., 2017; Moon, 2015; Schwartz & Carroll, 2008).

As an overall definition however, we will look towards Herzig & Kühn, who says "Corporate social responsibility refers to the expectation that business is responsible for its impact on society and the environment" (Herzig & Kühn, 2017). We do acknowledge that the EU Taxonomy, with its focus on minimum social safeguards and the OECD principles on labour, has an extended scope beyond the environment. It has however been branded as a green Taxonomy, that will help foster sustainable investments for the environment, so for the purpose of this paper, we treat CSR in the context of the EU Taxonomy as being synonymous with Corporate Sustainability (CS), with our focus therein, primarily on environmental sustainability.

Before diving into varying concepts of strategies, approaches, and standards connected to CSR, we need to understand why firms decide to engage with it in the first place. We touched a bit upon this before but did not explore the "*why*" in depth. The most referenced reason mentioned is the "business-case", or in other words, businesses believe that engaging in CSR, will help their bottom line (Rasche et al, 2017). Another, less acknowledged reason firms may engage with CSR, is for moral reasons, or simply put, because they believe it is the right thing to do (Rasche et al, 2017). From an institutional point of view (something that we will elaborate on further in the next sections), firms may also engage in CSR because of mimetic behaviour in the market, where their competitors are engaged with CSR (Rasche et al, 2017). Other reasons to engage with CSR, are if the national regulatory frameworks already in place are helping them engage in it; where CSR helps minimise the costs of compliance; or where the firms are in a highly monitored environment by the media or governments, and reputation is an important factor (Campbell, 2007).

No matter the definition, however, businesses can choose to engage CSR differently. Here we identify four different approaches, as can be seen in figure 1, which all present different facets on how companies are dealing with CSR (Dicken, 2015). The *inactive* approach to CSR, does what it says, and embodies the quote most associated to Milton Friedman (1970), "the business of business is business", here the only responsibility of the firm is to maximise shareholder profit, and the only external duty is a fiduciary one. The *reactive* approach is not necessarily about doing things right, but rather not doing them wrong. *Active* CSR is about doing things right, regardless of external stakeholder pressure to do so. Finally, the *proactive* approach, involves stakeholders from the beginning, in order to engage a continuous dialogue with them, in order to do right (Dicken, 2015)

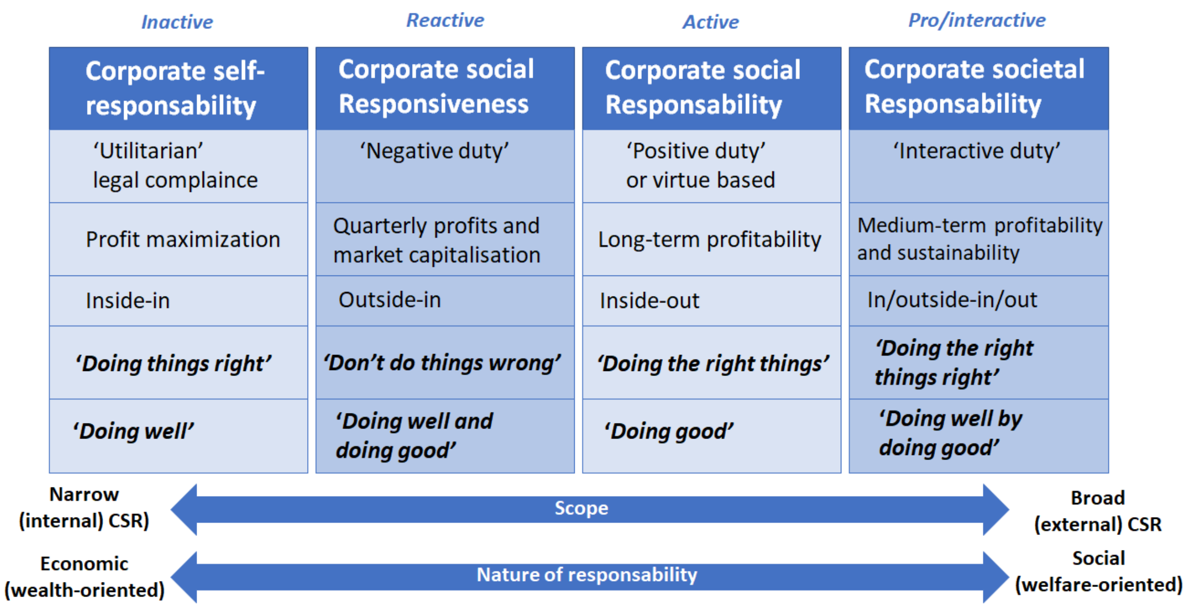

Figure 1: Adapted from Dicken (2015)

3.2.2 Standard setting and CSR

As it states itself, the EU Taxonomy "is a classification system, establishing a list of environmentally sustainable economic activities" (EC, n.d.:e). In other words, it attempts to standardise the way sustainability is defined within the EU, to facilitate investor flows within those activities. In this next section, we will quickly brush over the various types of "standards" within CSR, and explain how it relates to the EU Taxonomy, and highlight some of the critiques of challenges that the concept of "standards" has received.

Let us first start by defining the concept of a "standard" and what it encompasses. As a general term, it is "rules for common and voluntary use, decided by one or several people or organisations" (Rasche & Waddock, 2017). The concept of CSR standards deals with any kind of soft law, so law that reflects expectations and norms and distinguishes itself from hard law which is expressed through binding rules (Abbott et al., 2000), that deals with procedures, predefined rules in order for the firm to guide, verify, measure and communicate their environmental and social performances (Rasche & Waddock, 2017). Here we distinguish between four different types of CSR standards, namely *Principle-based standards*, so standards that provides a foundation of common values and guidelines, that businesses can use to engage their CSR. *Certification Standards* deals with compliance, as it deals with expected industry practices and behaviours, with an important element here being verification. *Reporting standards* provides businesses with a framework in which they can disclose their CSR information, and lastly *process standards* refers to management processes that provides guidance when it comes to understanding CSR (Rasche & Waddock, 2017). It is also important to keep in mind that, while we do identify these four different categories, it does not mean they are exclusive to each other, meaning that we can see some overlap with certain types of CSR standards (ibid). Here we identify that the EU Taxonomy falls between a *reporting standard*, and the *certification standard*, as it is first and foremost a reporting requirement (a subject on which will touch upon much more in the next section), but it will also be subject to limited assurance in 2024, adding the layer of verified compliance (EC, n.d.:e).

It may seem counterintuitive to bring up CSR standards and the concept of soft law in the context of the EU Taxonomy as the Taxonomy regulation requires nation states to enforce the reporting on the Taxonomy. As we will demonstrate in our findings, however, with an absence of enforcement by the state, firms may choose not to report against the Taxonomy. For this reason, we treat the Taxonomy regulation as being soft law, until enforcement steps in, since firms at the moment can choose to abide by these standards.

The increase of various CSR standards, which has picked up pace in the past 20 years, can put to question the legitimacy of said standards (See Mena and Palazzo, 2012 for comprehensive overview). One concern that we will highlight here, and a common question when it comes to the legitimacy of CSR standards, rests upon the enforcement of the rules (Rasche & Waddock, 2017). The EU has with its release of the EU Taxonomy attempted to combat the increase in various CSR standards, but it could be irrelevant if the aforementioned legitimacy is put into question, without an actual enforcement.

3.2.3 Corporate Responsibility Reporting

As the previous sections attempt to illustrate, corporate sustainability is a highly contested topic. The aim of this paper, however, is not to try and redefine CSR in a way that we seem fit, nor is it to evaluate the definitions and provide our pick of the most appropriate one. The previous section highlights the complexity of the topic, and in the next section we will focus on Corporate Responsibility Reporting (CRRep), or Sustainability Reporting. The reason we focus on these two synonymous concepts is because ultimately the EU Taxonomy remains a reporting exercise, a point we will elaborate further in our analysis and discussion.

Moving away from the core concepts of CSR, and how it relates to this thesis and the EU Taxonomy, we now look into a specific aspect of Corporate Sustainability, notably CRRep. In order for businesses to subsequently reflect their involvement with societal and environmental issues, they engage in Corporate Responsibility Reporting (CRRep), which usually takes the form of annual reports or dedicated sustainability reports, in which they can give an account of their contributions to their stakeholders, on various areas, and how it contributes to sustainable development (Herzig & Kühn, 2017).

As we touched upon earlier in our definition of CSR, the CRRep is a way for the corporation to show their stakeholders the commitment and effort they are doing to tackle their impact on society and the environment (Herzig & Kühn, 2017), it is usually of a voluntary nature, with a wide list of frameworks, ranking from the Eco-Management and Audit Scheme (EMAS) from 1993, any of the frameworks from the International Standard-setting Body (ISO reports), to management processes set out by the OECD or reporting content from the UN – and the list goes on. The focus area of sustainability reports has evolved extensively since the 1970's where at the time, corporations usually reported on social issues when it comes to non-financial reporting. Around 1980's and the start of 1990's there was an increased focus on environmental issues, which from the mid-1990's turned to a more overall sustainability angle (Herzig & Kühn, 2017).

There are various rationales behind the existence of CRRep and understanding why corporations report. In the next section, we will explore three theoretical approaches to sustainability reporting, namely Legitimacy Theory, Stakeholder Theory and Institutional Theory. Legitimacy Theory and Stakeholder Theory are two distinct concepts in the field of corporate social responsibility and organisational management, although they can be interconnected. Firstly, let us begin with Legitimacy Theory, which is the most common approach for studying the sustainable reporting of corporations (Laine et al, 2022). Legitimacy Theory primarily deals with the perception of an organisation's actions and behaviours as being socially acceptable, appropriate, and in line with societal norms and expectations. The theory suggests that companies seek to maintain or enhance their legitimacy by engaging in activities and practices that are seen as socially responsible and acceptable (Burlea & Popa, 2013). Legitimacy Theory is about the corporation proving their value in society, and here CRRep is argued as an instrument to make them appear to be in line with the broader values of society. It has however also been criticised for not providing enough nuance in how and why corporations use CRRep to boost their position (Laine et al, 2022).

On the other hand, Stakeholder Theory examines the relationships between an organisation and the individuals or groups that can affect or be affected by its actions. It suggests that organisations have a responsibility not only to their shareholders but also to a broader range of stakeholders, including employees, customers, suppliers, communities, and the environment and argues that businesses should consider the interests and concerns of all stakeholders and strive to create value for them, rather than prioritising the interests of shareholders alone (Freeman, 1984). In this context, it is the managers of the corporation that reacts to stakeholder groups and pressure, and places an importance on said stakeholders' expectation, that is reflected in their sustainability reporting (Laine et al, 2022). Here of course, we must remember the importance assigned to stakeholders by the company in the first place, with two opposing views, one being stakeholder accountability and the other the business case, since they have a significant impact on the accountability and reporting of the corporation (Gray et al, 2014). We differentiate the involvement in sustainable reporting, or CRRep, with stakeholder accountability which is focused on "*increasing the transparency and accountability of companies to their stakeholders"* (Herzig and Kühn, 2017). The purpose of the report here is in line with the idea that stakeholders have rights, just like a democracy, and therefore also have the right to knowledge about the company (ibid). Contrary to the business case, where stakeholders are consulted for the benefits of the corporation (but not necessarily the detriment to the stakeholder, i.e., a "win-win paradigm") (Herzig & Kühn, 2017).

Finally, the Institutional Theory approach, tells us that corporations engage in CRRep because of the surrounding institutional pressure that they have, be it of a coercive nature, meaning that the report itself is mandatory, a subject upon which we will elaborate on further, be it due to mimetic reasons, meaning that reporting is considered common practice, or your competitor is reporting which encourages you to do so as well, or be it due to normative reasons, meaning that there are certain reporting standards or guidelines, that although are published by voluntary bodies (see earlier section), requires you to report (Herzig and Kühn, 2017). Institutional Theory highlights the moves towards corporate isomorphism, which indicates that these corporations and financial institutions will over time come to look alike, making it important to recognise the various sustainability standards set forth for example by GRI (Global Reporting Initiative) (Laine et al, 2022).

In 2020, 96% of the world's 250 largest corporations had some sort of sustainability reporting, a number that has grown from 35% in 1999 (KPMG, 2020). To this end though, it is worth mentioning that only 71% of those reports have undergone some kind of third-party assurance of the information provided (KPMG, 2020), and the reason we highlight this difference is to shed some light on the critiques that CRRep faces. After having explained some of them, we will then explore the difference between voluntary and mandatory sustainability reporting, and how it relates to said critique. One of the problems with sustainability reporting, is that it may portray the corporation favourably, rather than it being an actual representation of their actions, this is what we refer to as the "performance-portrayal gap" (Adams, 2004), one attempt to overcome this issue, has been the appearance of so called "shadow reporting", in which organisations, NGO's or even newspapers try and create their own account of the corporations report to show the gaps in their actual report (Herzig and Kühn, 2017). One issue though with this sort of reporting, is that it itself has been criticised for lacking objectivity (Dey et al, 2011). Another critique of CRRep, is the non-specificity of the reports, that are sometimes aimed at a too large of an audience, which puts into question the quality of the report, which at times can be filled with unnecessary information (Herzig and Kühn, 2017).

We have touched upon the notion of voluntary and mandatory CRRep earlier, the first when discussing the numerous amounts of reporting standards and bodies, and the latter when touching upon Institutional Theory. While the vast majority of current reporting is of a voluntary nature, there have been calls upon governments to step in and require at least some form of legal framework, to overcome the sometimes-fractured picture that corporations can create of themselves through voluntary reporting (Herzig and Kühn, 2017). The two presents both advantages and disadvantages, and the table seen below in figure 2 adapted from Herzig and Kühn (2017), does well to summarise them.

	Voluntary CRRep	Mandatory CRRep
Advantages	• Coincides with the idea that corporate responsibilities are voluntary • More creative reporting • More adaptable to changes in business environment	• Holistic reporting of positive and negative content • More balanced reporting • Higher quality of reporting • More credible disclosure • More consistent disclosure • Better year-on-year comparison of sustainability performance against set objectives • Better comparability of reports among companies
Disadvantages	• Incomplete reporting • Reluctance in reporting behaviour • Focus on positive content • Less credible disclosure • Fewer comparable reports	• No empirical evidence that mandatory reporting significantly impacts corporate accountability and the quality of corporate responsibility reports • High cost of command and control regulation • Stifles innovation, which might limit innovation and creativity in reporting • Inflexible to changes in business environment • Contrary to the idea that corporate responsibilities are voluntary

Figure 2: adapted from Herzig and Kühn (2017)

In the next section, we will discuss a specific part of Sustainability Reporting, namely the convergence towards ESG reporting, a concept that has seen an increased use in the business community, especially amongst investors (Pettit et al., 2021).

From CSR to ESG

It is difficult to mention CSR, without also talking about ESG. As we previously demonstrated, CSR is an earlier concept that focuses on the external impact of corporate activities on society and the environment. In reality, CSR has a strong emphasis on the role of the corporation in society and how it can add value to the community. Hence, focus has primarily been on the voluntary environmental and social actions of a company, usually performed through community service, charities and the likes, measured through a 'Triple Bottom Line' approach, which includes economic, environmental and social performance (Lougee, Wallace, 2008). ESG, on the other hand, is a more recent concept, as highlighted by the search volume for the two terms (Google, 2023a), which focuses on the risk and return implications for financial investors of failing to address ESG issues in their portfolio selection and corporate engagement (MacNeil & Esser, 2022). ESG consists of three elements: Environmental (E), Social (S), and Governance (G) (Schröder, 2022). Companies are assessed according to their performance within these three elements, usually by a third-party rating agency, and used by investors in their investment process (Huber et al., 2017).

The focus has shifted over time from the external impact of (voluntary) corporate activities to the risk and return implications for financial investors. The bridge between the two approaches was the framing of sustainability in the early part of the millennium as an overarching concept that could be mapped onto the supply of capital and the techniques employed by institutional investors. The financial model of ESG investing is now the standard approach around the world and is reflected in ESG ratings, codes, guidance, and regulatory rules (MacNeil & Esser, 2022).

Convergence of ESG reporting

The rise of ESG is reflected in the demand for sustainable investment products, which has increased significantly in recent years. As of 2020, 3038 investors representing over USD 100 Trillion had signed a commitment through the United Nations Principle on Responsible Investment (known as UN PRI) to "integrate ESG information into their investment decisions" (Berg et al., 2022: 2), and "more than $30 trillion in assets under management are invested using sustainable strategies that apply ESG criteria in investment analysis and portfolio selection" (GSIA, 2018: 3). However, hitherto "sustainability-related products and services [have] not [been] regulated by public authorities, though a few specific regulations may apply to specific types of products" (EC, 2021d), and data on ESG performance has not been easily obtained. Investors have therefore relied heavily on third-party rating agencies to assess the ESG performance of a given company. This is a problem as shown in studies, e.g., by Chatterji et al. (2016) and Christensen et al. (2020). They found that there is no universal framework for which factors should be considered when rating agencies assess a company's ESG performance. This in turn means that the top 6 rating agencies apply at least 709 different metrics for ESG performance, for which there is no defined criteria as to what should and should not be included in the assessment, and that "measurement divergence is the main driver of ESG rating divergence" (Berg et al., 2022: 21), i.e., where rating agencies use different indicators to measure the attribute. Another study by Sindreu and Kent (2018) further finds that while rating agencies often disagree on ESG performance assessments, those same agencies much more often agree when assessing companies' creditworthiness (Sindreu, Kent, 2018). Hence, a company performing well on a range of ESG factors may receive a good assessment from one ESG ratings agency but may receive a worse rating from another ratings agency that emphasises other aspects of ESG. Berg et al (2020) find that "companies receive mixed signals from rating agencies about which actions are expected and will be valued by the market" and that "this might lead to underinvestment in ESG improvement activities" (Berg et al., 2022: 2). This divergence amongst rating agencies "introduces uncertainty into any decision taken based on ESG ratings and, therefore, represents a challenge for a wide range of decision-makers" (Berg et al., 2022: 2).

4. Research Methodology

In this chapter, we will introduce the methodological choices made, and explain why we believe them to be the most appropriate for this thesis. We will explain our approach to theory development, as well as the strategy used to achieve the aim of this thesis. This also means looking at all the underlying elements, informing our methodological choice, from the data we are looking at, to the research philosophy adopted. As has been previously established, attempts at addressing the issue of climate change date back to 1988. The EU Taxonomy, however, presents itself as a new effort from the European Union, to foster investments towards sustainable activities. The notion of novelty is important to understand in this context since the Taxonomy is still being developed. This, in turn, also presents some methodological considerations we as researchers need to be aware of.

When doing this preliminary research on the EU Taxonomy, we found two things: Firstly, that the Taxonomy has been met with both controversy and critique for its complexity, and at times lack of transparency from the EU, from the business community and civil society. Secondly, the current academic literature is primarily investment-oriented and not so much business-oriented. In the initial exploratory phase of the thesis, we attempted to dive into the source of this problem, and tried to uncover what the exact issues Danish companies were faced with. Unlike some explanatory studies, however, we will not be attempting at showing the causal effects that have caused this distortion, but rather do a deep dive into the explanation behind this variance, and what may affect it (Saunders et al, 2016).

4.1 Research Design

Starting now with the concept of data, a simple way to explain the difference between qualitative and quantitative research is the distinction between "numeric data (numbers), and non-numeric data (words, images, video clips and other similar material" (Saunders et al, 2016). This distinction subsequently affects every part of the research, from the research philosophy, the approach to theory development, the research strategy, the data collection and the analysis, just to mention a few. As previously mentioned, the complex and new nature of the topic makes it difficult for us as researchers to gather large quantifiable amounts of numeric data, which we can analyse and test theories on. Furthermore, the amount of quantitative variables available so far is deemed insufficient, and for this reason this thesis uses a qualitative approach to research.

This entails, in terms of philosophy of science, that the approach that we found to be most appropriate for our study is the philosophy of interpretivism. This can firstly be explained by looking at the ontology, the nature of reality; epistemology, what is regarded as acceptable knowledge; and axiology, what role values have, of interpretivism. When it comes to ontology, the interpretivist philosophy, posits that reality is rich and complex, and having multiple interpretations and meanings (Saunders et al, 2016), this aligns well with the EU Taxonomy and our subject, as, will be shown later in our analysis this piece of legislation is lengthy, complex, and difficult to interpret. The epistemology of interpretivism tells us that theories and concepts are too simple, and that we should rather focus on perceptions and interpretations (ibid), the aim of our thesis is to uncover the divergence in experiences between companies and posit our own explanation/theory as to why this difference occurs. Finally, looking at axiology, and the role of what values we as researchers bring to the research, interpretivism states that our research is not subjective, and that our own interpretations are key to the contributions of the research (ibid), in other words, it is not only the interpretation of the participants and companies that inform the final research, but also our own interpretation of the EU Taxonomy.

It is worth reflecting upon the encompassing philosophy of constructivism in which the world we observe is not what *it is*, but as how we *perceive* it. Two subsets of constructivism that we considered are firstly our philosophy of choice, interpretivism, with the other being critical realism (Moses and Knutsen, 2012). While our qualitative research could also have been conducted with the philosophy of critical realism rather than interpretivism, their espoused views differ and therefore we deemed it inappropriate for this thesis. This is due to critical realism looking mainly at historical knowledge, and the typical methodology therein, being focused on "historically situated analysis of pre-existing structures and emerging agency" (Saunders et al, 2016). Although a historical context is important to understand the EU Taxonomy, we are not attempting to analyse it within this setting, but rather uncover new understandings and views of it, and its effect on companies, which interpretivism allows us to.

Although not a prerequisite when conducting qualitative research, the inductive approach to theory development is well suited for that kind of research (Gioia et al, 2012). If we add to that, that most of the academic literature has been focused on the investment side of the Taxonomy, and the fact that the Taxonomy is so new, resulting in there being little academic work that has been done on it, the inductive approach does seem to be the most appropriate for us. The inductive approach is a qualitative research methodology that emphasises the generation of theory or conceptual framework based on empirical data. The methodology involves a process of data collection and analysis that allows for the discovery of patterns, relationships, and themes within said data (Saunders et al, 2016). Where the inductive approach starts with the data and uses it to generate theory, the deductive approach, in contrast, starts with theory and then proceeds to the data collection to test said theory. Finally, the abductive approach consists of moving back and forth between an inductive and a deductive approach (Saunders et al., 2016). Based on this, and as previously mentioned, we believe the inductive approach to theory development is the most appropriate, as it will allow us to create a conceptual framework that attempts to explain the impact of the EU Taxonomy on Danish companies in terms of the opportunities and challenges it creates. The methodology involves a rigorous and systematic process of data collection and analysis, which will ensure the quality and validity of the research findings. The inductive approach emphasises the importance of letting the data speak for itself, and therefore the research findings will be grounded in the empirical data collected (Gioia et al., 2012).

In order for us to achieve the goals of the research, we also need to consider an appropriate strategy. As the previous paragraph states, our findings will be grounded in the empirical data, hence why Grounded Theory seems the most appropriate for this paper, since it is a qualitative research methodology that can be used to explore a phenomenon in depth and generate a theory/conceptual framework that explains the phenomenon. Grounded Theory involves a systematic and iterative process of data collection and analysis, which allows for the discovery of patterns and relationships in the data. (Saunders et al., 2016). This pairs well with our inductive approach, as we are attempting to generate a conceptual/theoretical framework that explains the variance in experiences with the EU Taxonomy, and how it may apply on a broader level.

4.2 Data Collection

The data collection process will involve both primary and secondary sources of data. Our primary data is collected through semi-structured interviews with key informants in Danish companies that are subject to reporting on the EU Taxonomy. These interviews were recorded and transcribed to allow for further processing.

For the purpose of identifying our interviewees, we employ a purposive sampling method. The reason for this is that only companies currently reporting on the EU Taxonomy will be able to provide relevant input for our thesis. However, given that we are looking to interview both companies that are at the forefront of reporting on the EU Taxonomy, as well as companies only looking to start reporting, our purposive sampling method also shows characteristics of a maximum variation sampling (Gill, 2020).

Hence, in order to select the sample for this thesis, we first consulted the official EU Taxonomy documents by the European Commission to establish an understanding of the scope of the EU Taxonomy. Official sources state that “The Taxonomy Regulation applies to financial market participants that offer financial products, financial and non-financial undertakings within the scope of Directive 2014/95/EU (the Non-Financial Reporting Directive - ‘NFRD’)” (EC, 2021: 1), also defined as companies of public interest with more than 500 employees. For us to place this in a Danish context, we reviewed public information provided by Erhvervsstyrelsen (the Danish Business Authority)[1]. Erhvervsstyrelsen defines three criteria for a company to be considered of public interest, and subject to the NFRD, i.e. who have to report against the EU Taxonomy (Erhvervsstyrelsen, n.d.:b):

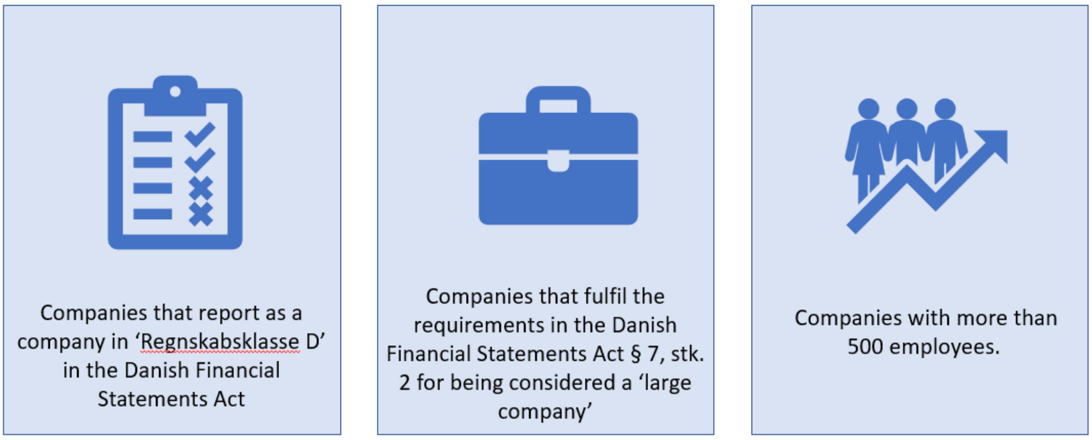

Figure 3: Own elaboration of Erhvervsstyrelsen's criteria for Taxonomy reporting

To validate our delimitation, we consulted the trade organisation of Danish auditors, FSR – Danske Revisorer, who provided us a list of companies they find to be subject to reporting on the EU Taxonomy. The list consists of 45 non-financial companies (appendix A). The list provided by FSR did not include financial companies (banks and insurance companies). While these are also subject to reporting on the EU Taxonomy, they report in line with a different EU Directive using different KPIs compared with non-financial companies. Hence, to follow a consistent methodology, financial companies were excluded from our initial research. Holding companies, on the other hand, which are defined as companies that "exists for the purpose of owning assets" (CFI, 2023) in other companies, are, in a Danish context, usually registered as non-financial holding companies (branchekode 642020) (Virk, n.d.) and are therefore subject to reporting on the EU Taxonomy as other non-financial company and were therefore retained within our scope.

After cross referencing the criteria defined by Erhvervstyrelsen, from which we made our own list, and the one provided by the FSR, we ended up with a final list of 54 companies, which we deemed to be subject to reporting on the EU Taxonomy. We then proceeded to go through the annual and sustainability reports of all identified companies to review to what extent they actually included the EU Taxonomy in their reporting in

[1] Erhvervsstyrelsen is an agency under the Ministry of Industry, Business and Financial Affairs, tasked with creating the best framework for running a business and creating development throughout Denmark. It is also responsible for providing guidance on how EU directives affect businesses operating in Denmark.

order to establish an understanding of the variance in terms of their reporting. We afterwards proceeded with reaching out to all those companies, in effect reaching out to the entire population of companies reporting on the EU Taxonomy in a Danish context. Of the 54 companies we reached out to, 11 companies provided input to the thesis through a qualitative interview. The complete list of successful and unsuccessful outreach is provided below:

Outreach conducted; interview held	
DFDS	Per Aarsleff
Københavns Lufthavne	Solar
MT Højgaard	Ørsted
Novo Nordisk	Chr. Hansen
SimCorp	Coloplast
Schouw & Co.	
Outreach conducted; rejected	
Ambu	Össur
Bang & Olufsen	SP Group
Bavarian Nordic	Flügger
Boozt AB	Harboes Bryggeri
Carlsberg	Jeudan
D/S Norden	Matas
DSV	Pandora
FLSmidth	Rockwool
Nilfisk	Vestas
NKT	
Outreach conducted; no answer	
ALK-Abello	Genmab
Brdr. A & O Johansen	Mærsk
Brdr. Hartmann	Gyldendal
ChemoMetec	Columbus
H+H International	Gabriel Holding
ISS	Noble Corporation
Netcompany	Lundbeck
Royal Unibrew	Scandinavian Tobacco Group
Tivoli	TORM
Zealand Pharma	Sanistål
Parkent Sport & Entertainment	Demant
GN Store Nord	Novozymes

Table 1: Non-financial company outreach overview

After having conducted interviews with the 11 companies and started processing the transcripts, we saw a pattern in the data that pointed us towards the need to talk to financial companies. As such, we reached out to a list of the biggest financial market participants in Denmark (banks, pension funds and investors) using a convenience sampling method (Gill, 2020). A total of 18 financial companies were contacted. While a few showed interest, most had to reject for various reasons, and eventually only one interview was conducted with a financial company. However, upon processing the transcript of this interview, the interviewee participants' knowledge of the EU Taxonomy was found to not be relevant in the context of this thesis and was eventually discarded. A complete list of outreaches conducted to financial companies can be seen below:

Outreach conducted; interview held	
Saxo Bank	
Outreach conducted; rejected	
Finans Danmark	Nykredit
Forsikring & Pension	SparNord
Danica	Sydbank
Velliv	Tryg
AP	Topdanmark
Danske Bank	Ringkjøbing Landbobank
Outreach conducted; no answer	
Alm. Brand	Forsikring & Pension
Jyske Bank	Nordea
PFA	Pension Danmark

Table 2: Financial company outreach overview

Contrary to primary data, secondary data is data that has been previously collected for other purposes than this thesis, and include published academic articles, reports and other relevant documents (Saunders et al., 2016). The purpose of this data will be to provide additional information and context to our primary data collected through semi-structured interviews. This data will be collected from various sources such as, our current curriculum; academic databases like Google Scholar; relevant reports and documents from the European Commission and other relevant international organisations; and news articles, industry reports and government publications related to the EU Taxonomy.

4.3 Semi-Structured Interviews

The interviews were conducted as semi-structured interviews. Due to the complex nature of the topic and questions and the use of an explanative study (Saunders et al., 2016), as well as variance within the interview companies (incl. different sectors, stages of reporting, etc.), it made sense from a methodological point of view. The use of semi-structured interviews allowed us to customise the interviews to fit the specific company, and also allowed room to steer the conversation in a specific direction of interest and to ask follow-up questions not included in the interview guide based on significant answers (Bryman, 2016: 201). A more detailed explanation of the interview guide is provided in the next section. Initially we requested to conduct all interviews in person, but various factors led to 3 interviews being conducted in person and the remaining 8 interviews being conducted via Microsoft Teams. The interviews transcripts were edited using an edited transcription method (Streefkerk, 2019), as this allowed us to omit repetitions and bad articulations without losing emotions and without altering the flow of the conversation. The use of semi-structured interviews has meant a natural progression over time, in the questions asked in the interviews. While structured interviews would have given us more consistent patterns of answers, we also acknowledge that using structured interviews would have limited our ability to address new topics as our knowledge developed (Saunders et al., 2016).

4.3.1 Interview guide

The interviews were based on a predefined interview guide (appendix B). The interview guide is made up of 5 sections: *general questions*; *EU Taxonomy*; *sustainability governance*; *stakeholders*; and *communications/publicity*. General questions were asked in all interviews, and were of an open-ended nature, to allow the respondents to provide a as detailed answer as possible, while the other categories constitute both essential and potential further questions. The four categories were addressed in a random order as seen fit during the interview. Each interview was initiated with an introduction of all participants, a description of our project and the purpose of the interview, as well as a request for permission to record/transcribe the interview. At the end of an interview, the interviewees were asked if anything confidential was said during the interview, and whether the obtained material could be used in an aggregated form, as well as whether quotes could be used. Prior to the interviews, a short list of topics to be discussed during the interview was shared with the participants.

4.4 Coding

A cornerstone of Grounded Theory is the coding of data (Saunders et al, 2016). The process of coding is a way to group data with similar meanings together. Here we need to differentiate between “a priori” codes, and “in vivo” codes, the first being codes that have been previously derived from existing theory, and then applied to the dataset, and the second are codes that appear by developing codes from the dataset (Saunders et al, 2016). The coding was done by familiarising ourselves with the data, “in vivo”, firstly through transcribing, and after an initial discussion and revision of the data, we agreed to conduct the initial coding individually to allow for the individual understanding and interpretation of the interviews to be considered. While each author conducted the first round of coding individually, three overall coding themes (parents codes) had been agreed on in advance, after the familiarisation process of the data, namely Sustainability Governance, EU Taxonomy and Company Perspectives. The codebooks from the initial round of coding are provided in appendix C and D and include both the coding, as well as a description and example for each code.

After a comparison of the initial coding, we then proceeded to do a focused coding, moving away from the initial Grounded Theory as laid out by Strauss and Corbin (1998), and employing the approach laid out by Charmaz (2006). The focused coding is akin to searching for themes in a thematic analysis and consists of condensing our initial codes into a smaller, and hence more focused, amount of codes (Saunders et al., 2016). These focused codes should in turn allow us to develop our analysis, by performing a constant comparison of our codes, which will help guide our insights into the data, and subsequently lead us to an explanation of what the data represents (Saunders et al., 2016). All the coding was facilitated thanks to the software program NVivo, which helped us better keep an overview and keep sight of our codes.

4.5 Validity & Reliability

4.5.1 Validity

While respecting the implications of using Grounded Theory in this paper, we argue that the study has a high degree of external validity (Saunders et al., 2016). In theory, all companies subject to reporting on the EU Taxonomy across the EU are to report against the same standard and using the same KPIs. Hence, a similar study conducted in other EU countries should not yield substantially different results, when correcting for slight country variances, such as sector composition and regulatory differences. As highlighted in the table below, the average of companies providing input to this thesis corresponds well with both the EU and Danish average [2]of companies reporting on the EU Taxonomy (not considering companies that are believed to be subject to reporting but does not do so yet). Hence, we argue that the companies interviewed for this thesis provide a good sample for establishing a high degree of external validity.

[2] The EU and Denmark average is based on the findings of the EY report "EY EU Taxonomy Barometer 2022" (EY, 2023). The findings in the report are based on disclosures published between 1 January 2022 and 30 April 2022 and hence, do not contain the most recent annual reports published in 2023. Additionally, the report only bases its findings on the reporting conducted by companies in the former OMXC20 index and only contains 15 companies, despite our analysis showing that 54 companies are subject to reporting.

	Turnover (%)	CapEx (%)	OpEx (%)
Company sample	32	39	28
EU average	27	35	28
Denmark average	34	28	27

Table 3: Comparison of reporting in the EU

4.5.2 Reliability

Throughout this study, we have had to balance between ensuring a high degree of reliability Saunders et al. (2003), while at the same time respecting the wish for anonymity amongst interview participants. While audio files as well as transcripts and notes from each interview have been saved for the purpose of the coding and later analysis, as well as for documentation purposes, the wish of some interview participants to stay anonymous have meant that we have decided to not share any transcripts in the appendices of this thesis, thereby protecting the identity of all companies. To ensure transparency, the interview guide used for the interviews, as well as the codebook with descriptions and examples of codes, is attached as in appendix B, C and D, respectively.

5. Findings & analysis

5.1 Analytical approach

The previous section described the former part of the research process with a strict focus on the coding process (incl. Initial and focused coding). When this process was finished, we had identified a number of themes for the analysis. In the next section, we will set forth the result of our coding, in order to highlight the final findings. This was done through a rigorous process of condensing the focused codes into actual findings and associating said findings with the appropriate quote from the interviews. While challenges and opportunities are very real to companies, these are abstract objects that are not easily measured, our findings, however, will seek to shed some light on some of these intricacies.

The list below summarises the 11 companies, which have been interviewed for this thesis, in order to provide the reader with an overview of which companies have contributed with input to the findings, as well as to illustrate the variance amongst the companies, as shown by the range of sectors, company size, eligibility and alignment percentages. Additionally, three supporting interviews have been conducted to supplement the findings from the company interviews.

Company	Sector	Employees	Taxonomy eligibility (alignment) %			Notes
			Turnover	CapEx	OpEx	
DFDS[3]	Shipping & logistics	11,500	80 (0)	100 (0)	90 (5)	
Coloplast[4] [5]	Healthcare	13,650	-	-	-	Concludes that no material activities exceed a 6% threshold
Chr. Hansen[6]	Bioscience	3,800	0	0	0	Annual report is delayed compared to other companies and next report will

[3]https://downloads.ctfassets.net/mivicpf5zews/30de54Ianj9yGhjVvOxz11/8699bff2907d57956e6538a342c06514/DFDS_NO_10_24_02_2023_ANNUAL_REPORT_2022.pdf
[4]https://www.coloplast.com/Documents/Investor_relations/Annual_report/Annual%20Report2021-22.pdf
[5]https://sustainability.coloplast.com/contentassets/901be963b0e546aea85efa4e50f2b215/sustainability-report-2021_2022_web.pdf
[6]https://cdn.chr-hansen.com/_/media/files/chrhansen/home/investors/reports-and-presentations/2021-22/q4/annual-report-2021-22.pdf?rev=-1&hash=77013EC65CD5FF0361EFA7EA2E83117C

						likely have eligibility included
SimCorp[7 8]	Financial software	2,067	5 (0)	6 (0)	0 (0)	
Schouw og Co.[9 10]	Industry conglomerate	12,278	1.8 (1.8)	15.8 (0.9)	1.9 (1.9)	Conglomerate with 6 subsidiaries
Københavns Lufthavne[11]	Airport operation	2,218	37 (0)	52 (2)	12 (0)	
MT Højgaard[12 13]	Construction	2,785	85.2 (5.8)	79.7 (6.3)	46.4 (2.4)	
Solar[14 15]	Wholesale trade	3,019	0	5 (0)	13 (0)	
Per Aarsleff[16]	Construction	8,604	74 (0)	65 (0)	69 (0)	Holding company with 5 subsidiaries
Novo Nordisk[17]	Pharmaceuticals	55,185	0	13 (0)	0	
Ørsted[18]	Energy	8,027	73 (73)	99 (99)	80 (80)	

Table 4: Overview of interviewed companies

Interview quotes are used continually throughout the analysis. However, to protect the identity of companies that have been interviewed for this paper, interviewees are not listed by name and company. A separate appendix document containing the transcripts has been provided to the supervisor and examiner for the purpose of academic integrity. In order to facilitate the citations, and for the purpose of consistency, any mention or direct quote of Interviewees 1 to 11, refers to appendix E). Furthermore, interviewee 12 specifically asked not to have any transcript included.

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[7] https://www.simcorp.com/-/media/files/investor/corporate-governance-page/annual-report-2022/annual-report-2022.pdf

[8] https://www.simcorp.com/-/media/files/investor/corporate-governance-page/sustainability-reports/sustainability-report-2022.pdf

[9] https://www.schouw.dk/media/ugdk10bu/annual-report-2022-eng.pdf

[10] https://www.schouw.dk/media/0iklx114/esg-report-2022-eng.pdf

[11] https://www.cph.dk/4936e4/globalassets/8.-om-cph/6.-investor/arsrapporter/2022/2022_copenhagen_airports_as_group_annual_report_2022_uk.pdf

[12] https://mthh.eu/-/media/MTHH_DK/Investor/Finansielle-rapporter/2022/MTHH-Annual-Report-2021.pdf

[13] https://mthh.eu/-/media/MTHH_DK/Ansvarlighed/CSR-Rapporter-og-politikker/2023/MTHH_Sustainability-Report_2022_UK_signed.pdf?la=en

[14] https://www.solar.eu/globalassets/eu/investor/reports/financial-downloads/2023/no.-1-2023-annual-report-2022.pdf

[15] https://www.solar.eu/globalassets/shared/about-solar/csr-and-sustainability/reports-archieve/solar-sustainability-report-2022.pdf

[16] https://www.aarsleff.com/img/8997/0/0/Download/annual-report-and-esg-reporting-2021-22

[17] https://www.novonordisk.com/content/dam/nncorp/global/en/investors/irmaterial/annual_report/2023/novo-nordisk-annual-report-2022.pdf

[18] https://orstedcdn.azureedge.net/-/media/2022-annual-report/orsted-annual-report-2022.ashx?rev=dbb7b462b5d64e53989413e99130cdbc&hash=273FAA9F115E673717493F904CC1FC18

For the purpose of simplicity, when using the term auditors, it refers to both auditors and consultants. Most major auditor companies also provide consulting as a separate service, and across the interviewed companies, we have identified that the auditor more often than not is also the consultancy. Only in a few examples are the auditor and consultancy two different companies.

5.2 Findings

5.2.1 Finding 1: Approach

Methodology is not expected to change with remaining four environmental objectives

In order to report on the Taxonomy, we find that all of the companies had to develop new methodologies, to acquire the relevant and needed data to be able to assess their activities in relation to the EU Taxonomy. We find that interviewees do not expect a change in methodology in response to the introduction of the remaining four environmental objectives. This finding was true for 4 out of 11 companies (interviewee 4, 5, 7, 11). Instead, they expect that the adoption of the remaining environmental objectives will purely mean new technical screening criteria and substantial contribution criteria, as suggested by interviewee 7: "*I hope they fit so well that we can use the same just with different [denominator]. I don't think we have to make new processes, only that instead of only looking into [environmental objective] 1+2, we have to look into 6, so just that it becomes a bigger task, but not with new processes*". At the time of writing, only the first two environmental objectives on climate change adaptation and climate change mitigation have been adopted, whereas a proposal for the remaining four environmental objectives was submitted by the Platform on Sustainable Finance to the European Commission in March 2022 (EC, 2022c), which is currently being reviewed (EC, 2023). The understanding is that the methodology for applying the remaining environmental objectives is in line with the European Commission's intent to establish a common methodological framework for all six environmental objectives (EC, n.d.:e). Interviewee 5 expressed concerns that while the new environmental objectives will not require a new methodology, they will be harder to live up to: *"We don't see any reason to [use e.g., the substantial contribution criteria under the circular economy environmental objective] given that if [the European Commission] implement what is in the draft right now, it's going to be so much more strict and almost impossible for us to live up to. It is way easier to live up to climate mitigation as a substantial contribution and in most cases that will be the only one making sense for us because the others are so strict."*

This follows the general notion that climate change adaptation and climate change mitigation were introduced first in response to the overarching nature and public salience of climate change. As a result, these two environmental objectives are also likely to have received a higher degree of scrutiny. Furthermore, interviewee 5 pointed out that climate change adaptation and mitigation are easier to live up to in a Danish context, as Denmark is performing well above the EU average in terms of energy efficiency (Eurostat, 2022). This was confirmed by interviewee 12 in a supporting interview, as being part of a strategic Danish focus: "*Denmark has always over-implemented on climate and under-implemented on water and biodiversity*".

Finally, interviewee 11 argued that while the majority of their activities are already covered by the climate change adaptation and mitigation environmental objectives, some current and possibly more future activities could be covered by more than one environmental objective. However, they would be reluctant to include the remaining environmental objectives due to the confusion a split across environmental objectives would create for stakeholders: *"I think for now, because it's so clear because of our industry that we are substantially contributing to climate change mitigation, we'll just go for that objective".*

Minimum compliance vs. best in class?

When it comes to reporting on the Taxonomy, we were curious about the effort made by companies, as to understand how they have chosen to deal with the Taxonomy. As it is with any kind of reporting, there are different approaches to how high and rigorous you set the bar in the process. When speaking to the companies, we inquired about whether they had done the bare minimum in terms of reporting on the Taxonomy, or whether any had gone beyond the basic legal requirements of compliance and do "gold standard reporting" (Interviewee 3).

Firstly, we discovered that the majority of the companies that we spoke to, had taken a conservative approach to their Taxonomy reporting with varying reasons as to why (Interviewee 2, 3, 4, 5, 6, 7, 11). The common reasons as to why they had all taken the conservative approach, seemed to be from the fear of misinterpreting the Taxonomy: "*we took, I think it's called the prudent approach. We would rather be a little bit conservative and just ensure compliance […] unless we're 110%, and we still have those kind of little insecurities*" (Interviewee 4); this was further illustrated by interviewee 5: "*We are concerned about not having interpreted the technical screening criteria correct, and then claiming something is aligned while it actually isn't, so I would say that we are maybe trying right now to have a minimum requirement process*"; as well as Interviewee 3: "*There's too many uncertainties, we don't know to what level of documentation we* *need to deliver, so we take a conservative approach and go for almost zero in terms of how much you report there's aligned*".

Connected to this point, one company also mentioned the fear of media attention towards sustainability scandals. "*I think the main challenge is when it's so difficult no company will dare to lean in and start reporting because you also know, within this, the ESG world if you start communicating something and you have to pull it back, then it will create a shitstorm in the media*" (Interviewee 3).

Although all companies that voiced their approach to Taxonomy reporting, did not explicitly state this as a reason to why they chose to go with a conservative approach, Interviewee 11 frames the insecurity that was previously highlighted almost perfectly: "*We're definitely not looking at basic compliance, we've defined an approach that is robust, but we're also not looking to be best in class, because nobody knows what's best in class*" (Interviewee 11).

As it is with any first of things, the EU Taxonomy reporting will need to level out, as to understand and better conceptualise what "good" reporting on the Taxonomy actually looks like. This matter also feeds into the insecurities that surround the interpretation of the Taxonomy, as this too will take a couple of reporting cycles before reporting is fully credible and transparent.

Uncertainty about the appropriate level of alignment

It is central to understanding the EU Taxonomy that there is no official requirement for what is considered a good or bad level of eligibility or alignment, and as such, there is no requirement to reach a certain level of eligibility or alignment within a certain timeframe. Some activities are inherently 'dirty' and will never be considered sustainable under the EU Taxonomy, and while the scope of the EU Taxonomy is planned to be expanded over time, both within the current environmental Taxonomy, as well as with a potential social Taxonomy, it is highly unlikely that all activities in all sectors will be covered at some point (EC, 2021b).

Despite this, we find that some companies (interviewee 7, 11) highlight an uncertainty about what is perceived as the appropriate or desired level of eligibility and alignment. The uncertainty relates both to which of the KPI's (turnover, CapEx and OpEx) is considered the most important, but also concerns the combination and weighting of eligibility and alignment: Should the target be a high eligibility or alignment percentage? Is it better to have a high level of eligibility combined with a relatively low level of alignment, or is it better to have a low level of eligibility combined with a relatively high level of alignment? This uncertainty also relates to whether benchmarking and comparison should be done at a sector or country level.

Interviewee 11 highlights the doubt in terms of what is considered the right level of alignment: "*what percentage would you consider a good percentage? like how much aligned revenue do you need to have as a company before it's good or bad? Nobody really has the answer to that yet, but I think we as a company would love to say, well, you should be above 60 [%] before it's good.*" They further state that it is "*challenging as a company with the lack of guidance on where to set the bar for compliance. Because obviously we want to be compliant and we also want to be very comfortable in our compliance with the Taxonomy requirements, but we are also not interested in going way above and beyond and doing something that is like a massive reporting setup that we have to maintain year on year where it's reporting for the sake of reporting.*"

At the same time, investors are just as much in doubt about the right level of alignment, as highlighted by interviewee 7, who states that the company has already received investor inquiries about the EU Taxonomy, but that the investors mainly inquire about the current state of affairs and the pathway forward. They further state that the EU Taxonomy could become sort of a licence to operate in the future: "*as [investors] look at our financials, they also look into which activities we have and what type of company we are, and that they can do pretty quickly, so if you compare company A and B, and they are equally good on the financials but if it should be a good investment, maybe the money should be put in the one that is safe for the future? Because the other one for example keeps taking on black projects. Long term I think you need to learn to work with sustainability, but it also needs to settle, because right now being app. 84% eligible, is that good? I think so, but what if the benchmark is 90%? Or should it be at 50%? No one really knows yet before it is more integrated and we have someone to compare us with*".

This uncertainty about what is considered the appropriate level also means that companies are inclined to use their competitors as a benchmark, and that this provides an opportunity for companies with staggered financial year, as this allows the company to achieve a sufficiently high level of eligibility/alignment without over allocating resources, as highlighted by interviewee 7: "[…] *it gives us the clear advantage that [competitor X] is ahead of us, because we can just look at their alignment percentage, which I think right now is [X]%, then we just need to have [Y]% to go above them. But it also tells us that it is not easy to align at the moment, so where is the right level? And it was the same when we could look at their eligible turnover, then we had something to hold us up against because we are comparable companies*".

Comparing the level of reporting by companies in our sample with the EU and Danish average found in another study, we find that these samples correspond well. Companies interviewed for this thesis on average report 32%, 39% and 28% in terms of turnover, CapEx and OpEx, which is very similar to the overall average reported across the EU of 27%, 35% and 28% respectively (2022 reporting). Looking at the Danish average, the companies in our sample size report slightly higher compared to 34%, 28% and 27%, respectively[19] (EY, 2023). This suggests that while there is a high level of uncertainty regarding the right level of alignment, the companies we interviewed report much in line with the EU and Danish average.

5.2.2 Finding 2: Interpretation

"When reading through any type of regulation, you keep swinging back and forth between, oh, it's super simple because it's just, we just have to do what's stated here back to sort of like, OK, it's super complex because it can be interpreted in 10,000 different ways." (Interviewee 11)

Need for simpler wording and national interpretation

Some of the key criticisms mentioned in the interviews have been the lack of proper interpretation of the EU Taxonomy, as well as guidance in relation to interpretation and implementation. 7 out 11 respondents (interviewee 3, 4, 5, 6, 8, 9 and 11) highlight the lack of guidance and interpretation as a challenge for their company, as highlighted by interviewee 11: "*essentially you just have a piece of legislation that you as an organisation then have to take and implement, but without any guidance on how to do it*".

First, at the EU level, companies perceive the official EU documents as inaccessible and difficult to understand, which leaves room for many different interpretations, as will be highlighted in other findings. Interviewee 9 highlights the readability of the official documents as an issue: "*simply the wording. I mean, the pure wording should be much more simple. […] I think it's just unnecessarily complicated, the way it's explained.*", while interviewee 5 highlights the problem of figuring out how various EU directives are interconnected: "*the [EU Taxonomy] text just refers to a lot of EU directives and it's super difficult [to interpret]*". This is consistent with the findings in the EY EU Taxonomy Barometer 2022 report, which finds that "the regulatory documents of the EU Taxonomy partially have shown far-reaching scope for interpretation, so questions arose regarding the interpretation of the regulatory requirements." (EY, 2023).

Second, at the national level companies highlight that there has been an apparent lack of interpretation in a national context, as shown by interviewee 4: "*Erhvervsstyrelsen (the Danish Business Authority) were supposed to come up with a guidance last year for the Taxonomy, they didn't*". Interviewee 5 concurs: "*it*

[19] The EU and Denmark average is based on the findings of the EY report "EY EU Taxonomy Barometer 2022" (EY, 2023). The findings in the report are based on disclosures published between 1 January 2022 and 30 April 2022 and hence, do not contain the most recent annual reports published in 2023. Additionally, the report only bases its findings on the reporting conducted by companies in the former OMXC20 index and only contains 15 companies, despite our analysis showing that xx companies are subject to reporting.

would have been a tremendous help if someone from a public authority had taken the EU Taxonomy screening criteria and translated it into, what does this mean in a Danish context? You know what is it actually? […] if you had taken this and actually translated it into, what does it mean, what is it you need to do? I think that would have helped us so much. And also, in terms of how can you document it?". This lack of guidance has meant that companies have come up with an interpretation that fits their specific company, as highlighted by interviewee 5: "*[a common ground is] much needed since the EU is not very helpful in this regard, and the Danish authorities are not very helpful in this regard. So, we're trying to get there by defining ourselves what is good enough*". This has, however, led to a less than optimal non-common interpretation and implementation of, and reporting on, the EU Taxonomy that differs across companies and sectors. Interviewee 4 further highlights the issue of lacking guidance given the short implementation timeframe: "*without the additional guidance, it's impossible because they're leaving us alone to interpret this stuff and also report on it, basically in the same year*" (interviewee 4).

With a lack of guidance from official sources, several companies (interviewee 3, 4, 5, 7) found themselves reliant on industry forums or industry associations for a more detailed interpretation in relation to their specific industry (which will be touched more upon in the next finding). However, while this might be fairly easy for companies in "common" industries with large industry associations, it might prove challenging for companies in niche industries, as highlighted by interviewee 8: "*the difficulty really there is that you have to define this for so many different industries and apply it to so many different companies. And as is the case with a lot of legislation, it really doesn't hit the mark at a company like ours*". Interviewee 4 suggests that guidance could come from other actors, e.g., FSR - Danish Auditors, while interviewee 8 emphasises the EU Taxonomy Compass as an extremely helpful tool: "*the EU Taxonomy compass in the latest version that I've seen could be something that could help companies find out quite easily what [the various activities entail]*". Others, as interviewee 11, have looked more towards peers for guidance: "*in the lack of guidance we've had to figure out together with our peers what is a reasonable way of interpreting it*".

Looking ahead, interviewee 1 finds that the EU Taxonomy will only add value "*if the EU is able to make this not as murky as it is right now*", and further suggests that the rollout of the EU Taxonomy should be put on hold as has been seen with the CSRD (Segal, 2023) to allow for companies to interpret and implement already adopted parts of the legislation.

Unified sector interpretation of the Taxonomy

As shown previously, when speaking to the companies in terms of their interpretation of the Taxonomy, many mentioned the fact that they had to go about it alone, without guidance, as a big obstacle when reporting on the Taxonomy. To this end, some did call for a unified interpretation of the EU Taxonomy, at least on a sector level (Interviewee 3, 4, 5, 8, 10, 11): "*Hopefully there will be some industry forums that take a stand or something and then put some guidance on it that companies can rely on.*" (Interviewee 3).

Although some have found that broader industry discussions so far have not led to fruitful exchanges on how to understand and interpret the Taxonomy: "*we have an industry organisation in Denmark, and they should kind of run that. So, we've been relying on them, and what we've learned is that they're completely at the same level*" (Interviewee 3), with some also experiencing that these organisations rely on them for relevant Taxonomy information (Interviewee 3, 5, 11) "*But the problem is that they [Dansk Industri (Confederation of Danish Industry)] are asking us what to do*" (Interviewee 11).

A way to overcome the lack of knowledge from industry organisations, one company suggested the need for information sharing amongst the current companies that are subject to the reporting "*We have to share some more information, which is true for much of the ESG area. We need to share some more information throughout the value chain*" (Interviewee 8). The lead to a unified industry understanding, may in turn also lead to and increased credibility when it comes to the data and reporting "*I like the framework, the methodology, when probably at some point when you see it in its full […] (speaking about reporting before the Taxonomy) so there's been a lot of storytelling, and a very little data and very little like regulation*" (Interviewee 10), and this added clarity could also in turn, be an opportunity for businesses "*if we find a way to agree in the business community of how we report it, then that can turn it (the Taxonomy) into an opportunity because then you can actually see what a sustainable investment looks like*" (Interviewee 4).

Days before the hand-in of this thesis, we found a first example of how a sector-wide interpretation could look like. Rådet for Bæredygtigt Byggeri (Green Building Council Denmark) has developed an online portal in collaboration with Erhvervsstyrelsen (The Danish Business Authority), which provides the construction sector with more accessible EU Taxonomy-related information, guidance and interpretation. They state that their intent is to ensure a sector-wide universal interpretation of the EU Taxonomy, and further that the industry needs to avoid that information is inaccessible and varies from company to company (Rådet for Bæredygtigt Byggeri, 2023).

5.2.3 Finding 3: Compatibility & Use

Incompatibility of NACE codes in a Danish context

A recurring theme in the conducted interviews has been the incompatibility of NACE codes in a Danish context. This has two implications for Danish companies:

First, it has not been clear to companies whether they should base their inclusion in the EU Taxonomy on their NACE code or based on the underlying activities, as highlighted by interviewee 7: "*some of these activities relate specifically to companies with these specific NACE codes. So, the question was how tight do we look at this, it is about fulfilling the NACE code, or it is more so about the activity?*". A similar issue has been seen for other companies that fall within specific sectors or have specific company structures, as will be demonstrated later.

Second, Industries in which Danish companies are usually leading currently tend to fall outside the scope of the EU Taxonomy. This is particularly apparent with the predominance of life science companies (Pharma, Biotech, MedTech companies etc.) amongst large Danish companies (UM, 2023). We find that 14 of the 54 non-financial companies that are currently subject to reporting on the EU Taxonomy based on the criteria set by the EU (company size of more than 500 and listed on stock exchange), corresponding to 26%, fall within these sectors and are therefore not currently included in the EU Taxonomy based on their NACE codes or economic activities currently covered by the EU Taxonomy. Amongst companies interviewed for the thesis, this was relevant for 3 of 11. This is consistent with the findings in the EY EU Taxonomy Barometer 2022 report, where the "Health, biotechnology and chemicals" sector reports the second lowest average eligible turnover at 4%, compared to the overall average turnover of 27%; the lowest average CapEx at 8%, compared to the overall average of 35%; and the lowest OpEx at 2%, compared to the overall average of 28% (EY, 2023).

Considering the goal of the EU Taxonomy to facilitate a scale up of sustainable investment, this has a potential impact on companies that fall outside the scope of the EU Taxonomy, as highlighted by interviewee 2: "*you can say we're not commercial competitors [on C25 companies], but in the investors market, we are competitors. And the C25 index is very much competing on that*". They further add: "*I know of a couple of businesses who would very much like to be included with a NACE code within the Taxonomy so they can talk about their revenue, but there is no way for them to talk about their revenue yet. So, I think one potential frustration or negative outcome could be [… that] the businesses that are on an industry level expected to disclose more, that those, the ones of those that do well on sustainability and have a good foothold potentially in a financial market, potentially [gain a competitive advantage] at the expense of those who have a strong*

NACE, but can't report it within the given framework". However, interviewee 6 also highlights a "gap" for companies that are not currently included, if they seek to voluntarily report on the EU Taxonomy: "*our NACE code is not covered by the current 2 environmental objectives on climate change mitigation and adaptation. But that said, there are of course indirect impacts. Every company is indirectly impacted as they probably have [CapEx] that it spends on [economic activity 7, construction and restoration of buildings], right?*".

Looking ahead, some respondents (interviewee 1, 2, 6) representing companies not currently covered by the EU Taxonomy highlight the anticipation of a potential social Taxonomy (which has been suggested by the EU Commission as a successor to the current environmental Taxonomy), as highlighted by interviewee 6: "*our core mission is a social one, and so if there was a social Taxonomy, which has been rumoured [...], then there will be bang on, [...] and aligned with our core purpose, which is a social purpose*". Despite a 'Final Report on Social Taxonomy' was published by the Platform on Sustainable Finance in February 2022 (EC, 2022c), the plans for a social Taxonomy have since then "*been put on hold until at least the end of this parliamentary term, with lack of political will and absence of international standards to measure social impact cited as main stumbling blocks*" (Lewis, 2022). Closely related, interviewee 1 argues that: "*I think it will not come out at all because we now have the CSRD. [Investors] will just be looking towards the CSRD. And because we are already going to be reporting on the CSRD from 1st January, we will most likely be able to refer to the CSRD instead*".

Most companies report against economic activity 7: provides comparability, but what does it say about sustainability?

Amongst the companies interviewed for this thesis, we found that the most commonly reported type of eligible activity is under economic activity 7 (Construction and real estate activities) (EC, 2021). In fact, 10 of 11 companies report on at least one activity under *Construction and real estate activities* (Coloplast, DFDS, Københavns Lufthavne, MT Højgaard, Novo Nordisk, Per Aarsleff, Schouw & Co., Simcorp and Solar) ; 5 companies report specifically against 7.1 (*Construction of new buildings*) and/or 7.2 (*Renovation of existing buildings*) (Københavns Lufthavne, MT Højgaard, Novo Nordisk, Per Aarsleff, Schouw & Co.); and only one company does not report any activities related to economic activity 7 (Ørsted). This corresponds with the findings of the EY EU Taxonomy Barometer 2022 report, which finds that of the top 10 reported activities, seven of those fall within activity 7. They find that *Renovation of existing buildings* is the most commonly reported activity (16%), while *Construction of new buildings* is the fifth most common (12%) (EY, 2023).

Interviewee 6 argues the fact that the EU Taxonomy introduces reporting on common economic activities across several different companies and sectors is what makes it incredibly powerful, as this allows for a comparability that has not previously been seen in the realm of sustainability. They further state that economic activity 7 provides for an opportunity for companies that are currently not fully covered by the EU Taxonomy, as the majority of companies will have some degree of activities related to the construction or renovation of buildings: "*ESG so far has always been a little bit siloed like sector by sector. The EU is changing that now with the Taxonomy [which] is kind of sector agnostic in that sense as well [similar to CSRD]. It is focused on the environmental dimension right now, but you know, to my example initially, you know every company kind of might probably construct buildings, right? So, it doesn't matter whether you are a farmer company or an energy company. This economic activity 7.1 which we talked about in our Annual Report, construction of new [buildings] is relevant to both companies, right as an example. So again, thereby introducing comparability across sectors''.*

However, there is also disagreement about the cross-sectoral reporting on economic activity 7, especially 7.1 (construction of new buildings). Interviewee 1 argues that reporting on anything related to buildings does not tell investors anything about the sustainability of a company, unless that company is in the construction sector. For that reason, the company is not reporting on economic activity 7: "*If we were to report on anything related to buildings, how is that going to help investors? What kind of picture is it that the EU Taxonomy wants? Is it that we say, we have something with buildings, but is that actually where we can do something sustainability wise? No, not in company X. That's not where our main activities are. […] So, if we report that and say, okay, this is how we see it and this is our eligibility, it kind of doesn't give the correct picture to the investors. […] I can't see how that can help the investors, to be honest.*"

5.2.4 Finding 4: Accessibility

"*You know, the Taxonomy is not an accessible piece of legislation, right? It is actually very challenging to get your head around initially because you need to understand what is eligibility, what is alignment, what is an economic activity, what's the point of this? Why is this important? And does it even apply to us? What do we do, given that some of the rules are not clear yet?*" (Interviewee 6)

Data availability/access

As it is with any kind of large reporting exercise, there is a need for accurate data, once the reports will be subject to the limited assurance in 2024. As almost all the companies we spoke to identified, the data and level of documentation needed for the EU Taxonomy is quite extensive and is not something that some of these companies were already collecting (Interviewee 2, 3, 4, 6, 7, 8, 9, 10, 11), as shown by Interviewee 4: "*So, there are several challenges there. One Is how we categorise - how can we capture this data at the start so how do we facilitate the reporting process in terms of our finance department. And then the second thing* *is what is feasible for a company like us.*"; or as highlighted by another participant "*So the whole thing about keeping something up on, say, on the product side - what products are eligible in terms of Taxonomy is a huge master data topic, because how do we actually keep it? How do we mark it? How do we find it?*" (Interviewee 10). Similar conclusions have been reached by the EY EU Taxonomy Barometer 2022, which finds that "*processes for identifying, assessing and reporting on the economic activities had to be set up in the short-term, as best as information was collectible within the companies*" and "although the EU Taxonomy required only the eligibility reporting for the disclosures in 2022, the required information to be reported was not directly available and needed to be accumulated via additional information generated in the system or requested in a manual process" (EY, 2023).

Here we see that a lot of companies were struggling to set up the right systems and processes to gather all the necessary data: "*And it seems like, well, if we needed to put up the same structure, dedicate the same amount of resources than company X, for instance, just to get all the documentation, to get it assured at some point, it really is difficult when it's not core business like it is at, for instance, company X*" (Interviewee 8), or: "*So, I think that takes up the vast majority of our resources, all the calculations and all the data work.*" (Interviewee 9) with some companies having to spend resources on more personal, just to handle this: "*So the whole reporting on those 1100 data points, and the new due diligence directive, supplier audit and so on fall under the CSRD, but those play into the Taxonomy as well. Also, the minimum safeguards which is both in the CSRD and the Taxonomy, so much of its taps into the other. So, we need someone who sits as project managers who more or less only manage all this data.*" (Interviewee 7).

This is also an extension to the approach taken to the report, as the differentiation between just compliance and gold standard reporting, is the reliability of the data. Some companies raises the issue, that some of the data needed to report against the Taxonomy, required them to seek out corners of the company that were not previously familiar with the Taxonomy: "*We do need a lot of data from them [people spread out in the company], and if we don't spend the time to explain to them why we need it so they just think we're annoying so we're not going to succeed*" (Interviewee 4). This point was made further by interviewee 11: "*They [people in other departments] definitely know what we're doing because there is no way we can document that we are compliant without engaging the business. So, they have been deeply involved in providing the right input to the whole process*". This however, while being time exhaustive, is not necessarily a bad thing – that more people within the organisation know about the EU Taxonomy, and are aware of what needs to be done, could potentially help reach a higher eligibility or alignment in the future. We also see one company that was less far in their reporting, that acknowledged this "*We don't know the potential insight that could be coming from reporting on that and handling and analysing that data input.*" (Interviewee 2).

To this point however, one participant did raise an overall concern to the departmental organisation of the companies that currently have to report, "*At the system level on average, I think across C25 companies, I would dare to say are not set up from a Taxonomy perspective, so you can't go into a finance system and filter by what economic activities do we have and which ones of these are eligible and which ones and which ones of these are aligned.*" (Interviewee 6), this point was further supported by another participant: "*Because it's asking for a lot of data that a lot of companies don't have, and they don't have systems to support it either.*" (Interviewee 9) and while the C25 companies may have the resources to set up processes to gather this data, once the Taxonomy reaches smaller companies that are more constrained, the situation may be different "*but also documenting it is very much an issue for the low margin companies […] It's that as soon as we introduce a lot of documenting, it will put an extra cost.*" (Interviewee 8).

Overall, the access and availability to the data needed to report against the Taxonomy, seems to have been an issue for the majority of companies interviewed, with, as just shown, the question on capacity and processes needed to put in place to get the right amount of data, but also a question of the level of detail of the data: "*We kind of quickly realised that: one we were never going to be able to separate the data needed for reporting to granular enough for it to be something that we could ethically stand for, because we wanted to make sure that whatever we reported that, we could definitely say for sure in our system*" (Interviewee 4). This quote also dives into the comfortableness of reporting, once again showing that the level of data needed to report something with certainty is so high, that many opted for the conservative approach that was previously discussed. One participant furthers this point: "*I think that's one of the main challenges, and I also think if you read our Taxonomy reporting, if you read many of the other large companies Taxonomy reporting, even companies that has a lot bigger and more resources to take care of this than we do, then people saying it's too difficult to assess, there's too many uncertainties, we don't know to what level of documentation we need to deliver*" (Interviewee 3).

Pace of Implementation

Although the concept of uncertainty is inherent in almost all the points made about the difficulty with the Taxonomy, this next section will focus solely on the uncertainty connected with the pace coming from the EU Commission, related with reporting. By this we mean that some of the companies we spoke to, highlighted the pace of legislation, as a contributor to their frustration with the EU Taxonomy, and that it added to the uncertainty of their reporting (Interviewee 4, 5, 9, 10, 11): "*Without the additional guidance, it's impossible because they're [The EU] leaving us alone to interpret this stuff and also report on it, basically in the same year*" (Interviewee 4).

Of those that did talk about the pace, however, it seemed that firstly, not all were frustrated by the pace itself, but the lack of knowledge from the commission "*I don't know if it's too fast, but I think maybe they don't know enough about the things […] if they don't know what they kind of sent out of requirements, what it means in real life, it could be counterproductive that they can't define it super crisp and easily understandable. So, we use so much time on figuring out what it is and how to do it, and we don't really get to making the changes right because we spend so much time on just figuring out how to interpret it […] it could have made a structure that was a little bit easier to understand.*" (Interviewee 5), and another participant highlights, just as interviewee 4, that the lack of guidance, mixed with the pace, makes it difficult: "*I think the main sort of obstacle to overcome is that every legislation that comes out of the EU sustainable finance track at the moment is coming at an immense pace, and that goes for the Taxonomy, It goes for the CSRD, it goes for anything and essentially you just have a piece of legislation that you as an organisation then have to take and implement, but without any guidance on how to do it.*" (Interviewee 11). As we have previously touched upon in the data section, it is currently only large companies that have to report against the Taxonomy, meaning they have more resources as well, to help them navigate this uncertainty. However, as the CSRD is implemented, the scope of reporting on the EU Taxonomy will also expand to smaller companies, meaning similar challenges might occur for smaller companies with less resources in coming years. This point is also supported by Interviewee 9: "*Whether it's too fast or not, it's hard for me to say. I mean, it's only the big institutions that need to do it in the first round*" (Interviewee 9).

There does, however, seem to be an acknowledgment of the need for this legislation to exist, and that this is also a difficult exercise for the commission and the EU "*When it comes to everything, EU sustainable finance, the regulation comes so fast, and nobody can do it perfectly in the first round, but you have to get started*" (Interviewee 11), this point of getting started, is further iterated by another participant "*I think it's coming with the pace it can come. It's a complex work. Too fast, too slow, too something. I don't know. I think it will come and I think it will not be a 100 percent and I think that's why I said we have to have some transition forgiveness in it because I think we'll see a lot more iterations. As we go ahead, we get wiser […] I think it's obviously difficult to do something that's going to be mandatory and it's still not there. We're waiting for it, and that's probably just the way it is right now. If we were to wait another year, then we'll just find you'll do it in a different way*" (Interviewee 10).

5.2.5 Finding 5: Due Diligence

In order to be able to report against the Taxonomy in terms of eligibility and alignment, companies need to have processes in place that examine both externally and internally the business, in order to assess their report against the Taxonomy. To this end, we found that some companies had used the Taxonomy, in various ways, when thinking through their own processes, and this was especially true for the minimum social safeguards. As interviewee 11 expresses it: "*I think what it has done for us as a company is that it's given us a framework to start talking about minimum standards for what we would expect from all of our assets, regardless of their geographical location.*" (Interviewee 11). And this change in perception is also shared by another company: "*I think that it [the Taxonomy] is a contributing factor in the change view that we have on due diligence in general.*" (Interviewee 8).

In one case, this has manifested an increased understanding of the necessary documentation needed: "*No (when asked about any change to their code of conduct), but what you can say, maybe if we look at the minimum [social] safeguards, we definitely need to do more on the minimum [social] safeguard parts and what's doing no significant harm, in terms of understanding and documentation that we need to do on the actual climate related issues, because it has that broad reach in into the whole company.*" (Interviewee 3).

Two participants did however mention that they went so far as to change their own internal structures, in the format of their codes of conduct, to better be able to report against the Taxonomy. In one case it was specifically with their suppliers in mind: "*Well, it [the code of conduct] needs to be updated because ours has been very focused on whether we as a company fulfil it [the Taxonomy requirements] but not so much on suppliers. So, getting your entire supply chain under control is a job in itself […] In some aspect it makes good sense that we also need to know about our suppliers to be able to make a green project.*" (Interviewee 7). The other company already had strict supply chain codes of conduct in place, but needed to focus on the employee aspect: "*I didn't find it necessary to update the supply code of conduct, but the employee code of conduct, yes. […] not only did we update the code of conduct, but we also placed it in our quality system, so from now on, all new employees will have to read and sign it, and I know it's weird that they didn't have to until now.*" (Interviewee 4).

5.2.6 Finding 6: Organisational Structure

Increased collaboration between sustainability and finance departments.
The hitherto typical financial KPI's used in the annual report, had to be looked at from a different angle to be compatible with the EU Taxonomy reporting. Interviewee 6 summarises this situation perfectly: "*The Taxonomy really is sustainability reporting through a financial lens, of course, and that means that, you know, organisationally the question then is always, OK, who should run with this? Who should lead on it? Who needs to be around the table? Because it's not just the finance teams. It's not just the sustainability team and the capital of the key KPI's, CapEx, OpEx and turnover that need to be reported on.*" (Interviewee 6).

The same participant sheds some light on their opinion about one of the purposes of the Taxonomy in this regard: "*I think the regulators, the politicians, regulators want companies to kind of have discussions into, they want discussions between sustainability teams and finance teams to take place. And that was really actually a moment where I thought, wow, this is really cool, that people are not really, you know, we're talking about the same things from different perspectives. And then are really having a conversation, and that was really fascinating to see.*" (Interviewee 6). This new question on how to organise the organisation internally, and getting the sustainability and financial departments closer together, is something that we have observed in every single company spoken to (Interviewee 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11).

One noted that their industry organisation made them aware of this: "*They [industry organisation] were like, you need to have lunch together, like suddenly these two departments who really didn't have a lot of collaboration actually needs to have it now, because it's [the Taxonomy] so interlinked […] we cannot separate the two anymore, so that is actually in some way actually been opportunity, because you actually get to know a lot more in my view at least.*" (Interviewee 3). Here we note that they mention the word "*opportunity*", as this remains a recurring theme with 5 out of 11 of the companies that we spoke to, as they all mentioned the increase in collaboration as a positive aspect. Another emphasised that the Taxonomy exercise had been so intense, that there was a need to merge the two departments: "*Well, it has of course been a close collaboration. And as of mid-February this year, the sustainability team was actually moved to the finance function. […] I think that's what you're seeing in a number of companies at the moment, because there's so much focus on the CSRD regulations, so that some companies simply choose to move their sustainability teams or ESG teams to the finance function*" (Interviewee 9).

A single company noted however that for their case, it was primarily a financial exercise: "*So, when we started looking into it, we realised that most of it would be of a financial character, which meant that the finance team were more or less going to sit at the end of the table because we were going to rely on financial data.*

It is after all OpEx, CapEx and turnover, and all that information is purely financially driven information. So, because of that, finance was heavily in on it and they pulled the big load." (Interviewee 7). This however does not mean that the sustainable department had not been involved, but it could indicate that they have not benefited as much from it.

Overall, it seems that companies that have not yet had their financial and sustainability departments sit down and talk together, and that are about to report on the Taxonomy, should consider starting to do this now.

Recruitment

As has been highlighted thus far, complying with a growing list of disclosure and reporting frameworks, particularly the CSRD and EU Taxonomy, has been a massive task for companies. However, when asked about the need to recruit additional resources to cope with the growing workload of sustainability compliance, surprisingly, only four companies mention having hired or looking to hire new resources to cope with the workload.

Interviewee 2 states that: "*we are looking to hire currently an ESG controller that will be within our financial organisation. And that's the first ESG controller that we will have. So, we aren't at this point very well equipped to handle this kind of disclosure*". Interviewee 3 claims that "*finance departments need to add on resources just to be able to handle it from a controlling perspective*" and states that they have hired one financial controller, but at the same time they "*speculate that in my team, there will be exact same amount of resources, just focusing on controlling ESG*". Interviewee 4 claims that 1 extra person is being hired for the strategic overview position, whereas interviewee 7 states that they are especially hiring project managers to handle growing amounts of data in relation to CSRD and the EU Taxonomy, however without specifying a concrete number.

Interviewee 2 further highlights a benefit of the multisided regulatory pressure: "*perhaps the strength of having this regulatory pressure coming from several sides at once, maybe there is a benefit in the terms that, you know, we are amping up our manpower in-house and there is more of a mandate to do that.*" However, the growing salience of sustainability and because of that, the fast pace with which new legislation has been introduced by the EU, has also put a strong pressure on various types of organisations (companies, auditors, consultants, public sector authorities etc.) to compete for a limited pool of human resources, as pointed out by interviewee 2: "*looking at the timeline and the rush with which everything is kind of going right now, I actually see the biggest risks are more in terms of sort of knowledge drain and a knowledge dilution*" and as a consequence believes that "*We're going to have to settle with, you know, inexperience and gut feeling and maybe limited background knowledge and so forth. And I think that the full sustainability agenda more broadly suffers from that and that could have longer term consequences that I don't necessarily think we're capturing or understanding in full.*" This has also been apparent by a focus of consultancies and auditors to amp up manpower, as illustrated by PwC's plan in 2021 to create 100,000 new jobs "aimed at helping its clients grapple with [e.g.,] climate and diversity reporting" (DiNapoli, 2021).

5.2.7 Finding 7: Sustainability Leadership

When asked about the impacts of the EU Taxonomy on the company's sustainability strategy, companies generally state that sustainability is an integral part of their business model, but also that the EU Taxonomy as a standalone regulation has not changed much in terms of sustainability strategy.

Interviewee 4 argues that it has had no effect, but that: "*sustainability is anchored in our overall business strategies, it's one of the six pillars that we build our business on because we understand that we're not going to exist if we don't act*". Interviewee 11 argues that "*it's not sort of changing how we are looking at whether to be green or not from a strategic perspective as in the company strategy, but what the Taxonomy has provided for us is a way of talking about which standards do we need to fulfil to make sure our assets are not doing sort of any harm at the outset*". Interviewee 2 puts more emphasis on compliance in an ESG context: "*So, we have been focusing a lot of energy on our strategic ESG disclosure. So, basically disclosing what is in our sustainability strategy. And we are seeing a lot of investor interest in that. And so, sort of that's what we've been channelling our resources. […]. And, you know, compliance is something that we have worked with not so much in an ESG context, right? So now having to apply a compliance mindset to our ESG, to a brand-new piece of legislation that we have limited resources in understanding and delivering on*". They further argue that: "*So, with the current sustainability strategy, sustainability has been elevated to be an enterprise theme for us. […] obviously, it is the right thing to do and a needed thing to do. But it's also because we see huge business potential and we see a huge cost to business of not becoming more sustainable […] as we are constantly measured on ESG.*"

Three respondents (interviewee 3, 5, 9) explicitly highlight that EU Taxonomy reporting is a focus area for the C-suite and/or board of directors, as outlined by interviewee 9: "*I think because it's a regulatory requirement, they don't question that we need to do it. [but] to them [our C-suite], I think it's more like until now a checkmark exercise*" and interviewee 5 further states that "*our management is super interested and we have an open and very close dialogue with them.*"

5.2.8 Finding 8: Stakeholders

Auditors as sparring partner

Looking now towards the external help that these companies sought when trying to understand and interpret the EU Taxonomy, specifically their auditors, we see that a majority of the companies consulted, explicitly told us they employed their own auditors as a sparring partner in this process (Interviewee 1, 2, 3, 4, 5, 9, 10, 11). Interviewee 11 exemplifies this well: "*[…] is the dialogue with our auditors. That is, of course, not someone we can use as a consultancy company because the auditors are the ones third-party validating it. But we've had a close dialogue along the way saying this is how we're thinking of doing it please shout out now if you see any red flags.*".

The experiences companies have had with their auditing firms have, however, been varied, from those regarding a neutral opinion, to those voicing negative opinions about their experience with their auditors. Three out of eight companies voiced a neutral cooperation with their auditor: "*I've […] sort of led the process with our auditors, but they are of course you know they're the ones I need to dial up if our auditor has come back with specific questions*" (Interviewee 11), "*[…] based on the understanding that we had at the time, that we didn't have material activities. And so that was also based on discussions with our auditing partner*" (Interviewee 2), and: "*then, of course, in a bit of a dialogue with our auditors, but actually at a quite late stage*" (Interviewee 8).

The rest, however, have had different experiences, with some variance as to why. If we first look at what will be called auditor inexperience, we see that 4 of the 8 companies that mention auditors have raised concerns, as outlined by interviewee 4: "*I also did a quick benchmark of C25 companies, all of them that I chose their auditors were the same. So, even the same auditing company did it differently everywhere.*" (Interviewee 4, talking about reporting and interpreting against the Taxonomy). While this first point, indicates that auditors may have taken a different approach with different companies, the concern of auditor inexperience is further aggravated: "*I think it's like still a learning process so that when we spoke with our auditors five months before the reporting was due, they gave us some guidelines and then we talked to them just before the reporting and it was a little bit different. Because they had also done quite a few learnings in between*" (Interviewee 9). This also suggests that while the companies are having a difficult time trying to understand the EU Taxonomy, they are not alone, this point was further suggested by interviewee 10: *"[There's] a huge amount of companies providing this information on, and training sessions on [the EU Taxonomy]. And the auditors are one of them. But I think that the consultancy business and here I'm also including the auditors are also challenged in it that the advice they are giving right now is maybe not even sufficient […] because they're trying to go out and say that they know all of this and what we experience also is that for the EU Taxonomy* *and that's not to throw anyone under the bus, is that when we actually sat down and looked into it, we could basically do quite a lot of it ourselves*".

Although these previous points raise a critical question as to the competencies of auditors, one company did go a bit further in their worry and critique of the auditors, and also the upcoming audit itself. "*The upcoming auditing of EU Taxonomy is going to be a complete waste of money because, as it is for now, it looks like our accountants will have to do this task and our accountants know nothing about the technical requirements.*" (Interviewee 5). They further that point: "*we have already had some meetings with them (the auditors) where we showed them our screening template and how we have done it so far […] And honestly, we felt a little bit that they should have paid us to participate in those meetings because you were sort of teaching them how to deal with it (the Taxonomy)*" (Interviewee 5).

While there of course is no need for panic, the overall sentiment does seem to suggest that auditors will have a lot of catching up to do, to assure the various Taxonomy reports. As just shown though, some of the companies we spoke to, do highlight that they are changing their approach to the Taxonomy as time progresses, suggesting that they may be able to catch up. One way to do so was suggested by a company as well: "*They (the auditors) need to hire expertise within the industries that could do the tests and be able to read the documents and understand them because they are very technical*" (Interviewee 5).

Engaging in peer discussions to interpret and implement the EU Taxonomy

Another important way for companies to interpret and implement the EU Taxonomy has been through peer discussions. 9 of 11 companies (interviewee 1, 2, 3, 4, 5, 7, 8, 9 and 11) explicitly mention that they have engaged with peers as part of the process of interpretation and implementation. Additionally, interviewee 6 states that they have engaged with peers, but only after the publication of the annual report, hence, more in a retrospective fashion.

The responses further indicate that the degree to which companies engage in peer discussions is a good indicator for how established a given company's EU Taxonomy approach is, as well as how far along they are on the EU Taxonomy reporting path. This is also linked to how compatible the EU Taxonomy is with a given company's sector and activities. We argue that interviewees 3, 4 and 11 are deeply engaged in the whole EU Taxonomy reporting paradigm, exemplified by how interviewee 4 has engaged with peers ranging from their local infrastructure supplier to international peers through the international industry association; how interviewee 8 engaged with "*some of these different family offices [that have a similar structure to our business*]", as well as to companies they have ties into (e.g., through board positions); and how interviewee 11 has "*had quite a close collaboration with [a German competitor], who are also doing their reporting, where* *we sort of had session every once in a while discussing different things sort of so - actually, on a theme by theme. One could be how are you interpreting the OpEx calculations? How can we do that? We could bring up, hey, we've developed this on the linkage principle we think that's a reasonable way of doing it. How do you see it? And then we've sort of calibrated our approaches along the way. And that is what I went back to before is that in the lack of guidance we've had to figure out together with our peers what is a reasonable way of interpreting it*".

On the contrary, 1, 2 and 9 are approaching the EU Taxonomy on a more ad hoc basis. For interviewee 2, this was due to being in "*an industry where there isn't tradition for a lot of sorts of pre-competitive collaboration. And I think other industries are more mature than [undisclosed] industry in terms of coming together and setting directions in this way towards regulatory pressure*"; whereas for interviewee 9, the process has been mainly informed by attending *"numerous webinars and network meetings and so on to learn about the Taxonomy and to hear how others do this*".

Finally, some interviewees have opted to compare their reporting with industry peers as a sort of benchmarking exercise (also in the absence of official guidance and interpretation). Interviewee 7 highlights how their staggered financial year has proven useful in terms of benchmarking against their competitor, whereas interviewee 4 suggests that it has "*been difficult because everyone reports differently [and uses] their own methodology and calculations*", and that "*from a benchmarking perspective, I'm actually quite disappointed because it's like a still image of our 2022 performance and nothing else, because it's going to look completely different. You can't even use it to compare really, from year to year other than you spend more CapEx this year than next year [and] I don't know how to use it in terms of really telling the story about [company x] as a sustainable contributor to the world*".

Influence has not been a priority for some, it has for others.

During the development of the EU Taxonomy, the commission put down a Technical Expert Group (TEG), consisting of experts, industry organisations, financial institutions, and other relevant personnel that might help create the Taxonomy, and get a more wholesome piece of legislation (EU TEG, 2020). Additionally, the EU has also used public consultations on the environmental objectives and the content of the legislation, to get stakeholder input. As of writing this, the remaining four environmental objectives of the Taxonomy are under public consultation (EC, 2023b). To this end, we asked the companies spoken to, whether they had been part of any initiatives to somehow influence the outcome of the Taxonomy or voice their opinion during its formation.

We found, of the companies that touched upon the subject (Interviewee 3, 4, 5, 7, 8, 11), that this engagement has been varied. From those that would have liked to be engaged but could not be, due to lack of resources for this specific purpose: "*I would love to have the time for that, but not really, no. I mean, we do not really prioritise to influence legal development. We simply do not have the resources, actually*" (Interviewee 8), others mention that it may have been useful for them, but that it is not only the lack of resources, but also the complexity of influencing policy making in the EU: "*No, it is something that we believe probably could have been beneficial, but we currently don't have the resources or the competences to go out […] before the Taxonomy became live it's been worked on for several years, so you need to be there almost when they start drafting the first document, and that's not something you're being invited to. So, if you're going to have that impact to actually be part of it, you need to be there all the time, and you need to engage in all these different technical forums so that when a Taxonomy starts, you'll be part of that.*" (Interviewee 3), to those who highlight that in order to be part of the process, and influence it, you also need to understand it "*For us it has more been about keeping it steady, because it [influencing the EU] is a massive task, and it requires something for the company to understand it.*" (Interviewee 7).

Two participants did mention that they as a company alone did not have much of an influence, but they through other channels, namely their industry associations, were able to have an influence: "*In terms of influence I wouldn't say that we had that much as a company, but on the industry level definitely […] Our industry organisations have been in dialogue with the Commission*" (Interviewee 4), with the other participant highlighting that their contribution through the industry organisation made a valuable change: "*We've been in contact with Dansk Erhverv (the Danish Chamber of Commerce) about it and we recently gave some input to some interpretations where we were like you have made this criteria that can't be measured. You put a unit that doesn't match the testing method you applied so you know we can't document this because it can't be documented like that*" (Interviewee 5). That same company also participated in a case study: "*we participated in this European case study on the coming screening criteria and with circular economy, a substantial contribution and which was organised by our Industry Organisation […] so in that sense we participated through them and there was this meeting with people from the sector across Europe that I also gave a talk about how we had approached it and a little bit of feedback*" (Interviewee 5). This point reinforces the earlier statement on timing when it comes to influencing the policy making process.

One participant did mention that they provided input on the CSRD, but was unaware if the same had been done with the EU Taxonomy, since it was before their time in the company: "*For the CSRD, we did provide input that is where we collaborate very much with our stakeholder, with our regulatory affairs colleagues who sort of picks up when there is an opportunity to provide feedback, and we also do it very proactively if we* *think that there is still an opportunity to shape it or to provide input, and from what I hear, our input is also quite valued in in those contexts, so we also prioritise doing it when it when it makes sense and what they also saw with the Taxonomy is that it changed quite a lot between sort of the draft versions and in the final version*" (Interviewee 11). Here we also see that when a company has a critical mass and knowledge on an area, their input is more appreciated, leading us to believe that they probably also provided input on the EU Taxonomy.

5.2.9 Finding 9: Competitiveness

EU Taxonomy alignment as a competitive differentiator

While there generally is a high degree of uncertainty in terms of the future implications of the EU Taxonomy, some respondents are already now hinting at how companies will seek to use a high alignment score as a competitive differentiator, as illustrated by interviewee 6: *"[companies] want to differentiate themselves by having high alignment scores in my personal view*", to appeal to more sustainably-minded customers, as argued by interviewee 5: "*I think maybe in the future [Taxonomy reporting] will [generate income]. Our customers will look into how good are you at doing EU Taxonomy projects and then it'll pay off. But at the moment it's just expenses*", and to appeal to sustainable investors, as highlighted by interviewee 11: "because we have the company profile we have, we should be well positioned to be included in a lot of funds compared to other companies because it's now completely transparent how much is actually how much revenue, CapEx, etc. is going into renewables".

National competitiveness

One of the goals of the EU Taxonomy is to tie the access of finance for companies to their sustainability accomplishments (EC, 2021b). However, when asking companies about their perspective on how reporting on the EU Taxonomy will influence competitiveness, the answers are rather inconclusive, mainly due to the adaptation of EU Taxonomy reporting still being at a very early stage. Overall, interviewee 9 states that it might have an effect on competitiveness, but only "*When we will move to having a more substantial part of our revenue being Taxonomy aligned*". A similar conclusion is made by interviewee 2: *"you can say we're not commercial competitors, but in the investors market, we are competitors. And the C25 index is very much competing on that.*"

It is more likely to have an effect on competitiveness in specific industries where various stakeholder groups, e.g., customers and investors, will be seeking to differentiate themselves on sustainability parameters such as EU Taxonomy eligibility/alignment. This corresponds well with the findings of the EY EU Taxonomy Barometer 2022 report, which finds that the "construction, infrastructure and real estate" sector reports the highest average eligible turnover at 48%, compared to the overall average of 27%; the second highest average CapEx at 65%, compared to the overall average of 35%; and the fourth highest OpEx at 53%, compared to the overall average of 28% (EY, 2023). A similar study by Nordea finds a similar pattern (Nordea, 2022).

Interviewee 5 outlines that: "*I think the opportunities that we have right now are mainly for a specific segment of clients that are interested in the EU Taxonomy [...]. Our strategy is to influence our clients as much as possible into taking EU Taxonomy into account, and then there's a big difference between those clients where they find an interest in that and if it's clients that themselves have to report on EU Taxonomy, like for example pension funds, then it's easier because they have to report themselves*", and that can prove useful for both parties if the company can influence clients to demand projects with a high alignment score.

Speaking about the opportunities in relation to competitors, interviewee 5 further argues that: "*I don't think we are a big step ahead of our competitors, […]. But comparing us maybe to some of the construction companies that are not listed on the stock Exchange and does not need to report on the EU Taxonomy, I think we compared to those are a big step ahead and there we might have an advantage and I think for us it's a bonus that we understand it so well now that we can actually advise our clients on what to do and take the dialogue with them. And so, I think that puts us in a good position, but we haven't really seen the orders yet*".

Variance across the EU and effect on European competitiveness

As an EU regulation, it is the responsibility of the individual member state to ensure that the EU Taxonomy is enforced in a national context (EU, 2023). However, generally speaking, there is a certain variance in the implementation of EU legislation into national law, with a tendency that Nordic countries generally have a high standard of implementation, whereas in Eastern and Southern countries, it is more fluctuating, as highlighted by the efficiency of the justice system (EC, 2022b).

When asking companies about the potential for variance in the implementation of the EU Taxonomy across EU member states, various responses paint a sobering image. Interviewee 3 argues that: "*I think the Taxonomy is a very big thing in in Denmark, it's a very big thing maybe in the Nordics and I don't see it taking up that much time and attention in any other countries*", a finding that is supported by interviewee 10: "*I could imagine that if you go to the southern part of Europe or the eastern part of Europe, they will be less strict on some of these things that we will see in the more western part of Europe.* […]. *So, the concern I hear is also what we'll do with competition if some countries go all in, you know, very fast and some* [not so much]". On the contrary, interviewee 12 argues that whether the regulation is over- or under-implemented depends on the country: "*Denmark has always over-implemented on climate and under-implemented on water and biodiversity. And so, I think Danish companies that are within the climate change mitigation Taxonomy will* *behave more to the standards than somebody in a country where there is maybe a weaker enforcement framework on the climate part. But there is also precedent for the reverse on water and biodiversity".*

It has not been able to assess the potential future implications of this variance in implementation and its effect on competitiveness across member states as only one respondent (interviewee 9) explicitly refers to this and argues that it will have no effect on their specific competitiveness.

5.2.10 Finding 10: External pressure

Customer pressure

Overall, customers are not considered a key stakeholder group in relation to the EU Taxonomy and are barely mentioned in official documents and interpretations of the regulation. However, for some specific sectors, customers are a defining factor for companies aligning with the EU Taxonomy. Interviewee 8 highlights this very well: "*I think customers are still, from our company's perspective, the main driver, but if they are Taxonomy reporting, then there might be a change for the customers to say, we want your [input] to be more aligned, and then I think really then it will make a difference*", an opinion shared by interviewee 5: "*Our customers will look into how good are you at doing EU Taxonomy projects, and then it'll pay off*" although interviewee 3 shares a different picture: *"in terms of as of what customers would think [...] I don't think the Taxonomy will be part of their analysis*.

Customer pressure is particularly relevant in sectors with a high share of B2B activities, or which supply public sector bodies. Interviewee 5 points this out: "*What has been very striking to me [is] the lack of interest from the public sector. The lack of actually adhering to the requirements in the EU Taxonomy. You know it would have been so easy for the public sector to say, now we have this from the European Union, it's defining what sustainability looks like within a lot of different industries. This will be implemented into our purchasing policy, all our activities, you know, we put this in our contracts. […]. It seems so weird that they make these requirements for the private sector and then they just don't look at it at all for the public sector […]. You know, it's so weird that the public sector is not saying all our construction projects should be Taxonomy aligned in the future.*" Interviewee 7 builds on this by stating that public authorities have already set specific environmental requirements to contractors for large construction projects for the government, although not specifically in relation to the EU Taxonomy. Initially, the authority in question had set requirements that could not be fulfilled by any of the major construction companies, and as a consequence received no bids for the tender. In response, the authority "*made this market dialogue where they asked us where are you now, where* *do you expect to be in the future and what can the requirements look like? And put that out to x amount of contractors and set requirements based on that*."

External investor pressure and value adding

When asked about to which extent the EU Taxonomy adds value now, and in the future, the overall perception is that it is still too early to talk about value adding at the current stage. However, looking ahead, the EU Taxonomy has a potential to add value. At the current stage, 8 of 11 respond that there has been no interest from investors thus far (interviewee 1, 2, 3, 5, 6, 9, 10, 11), while interviewee 6 highlighted an interest from investors, but more of an informative kind: "*they want to know where we are and what our road ahead looks like*".

When specifically referring to the value adding element of the EU Taxonomy, interviewee 11 argues that it adds value "*in the sense that it's really adding a layer of transparency to your finances*". However, others have a slightly different opinion. Interviewee 5 states that "*It's too early […]. I think the pressure we feel is we need to report. And that's mainly from the banks" in the sense that banks require an ESG overview before approving financing"* and "*for now, no one is interested in what we report, just as long as we report*", a perception shared by interviewee 2: "*I think it's too soon to tell. For now, we see it as reporting for the sake of reporting. But again, I think that reflects the limited resources we have been able to allocate to it for now"* and interviewee 4: *"now we have a report that nobody knows how to read, and nobody cares about."*

However, when looking ahead, companies are more optimistic about how the EU Taxonomy could add value. To this interviewee 2 adds: "*it's not a short-term fix. It's sort of a long-term redirection of capital and business activities and stuff like that. And so, I think regardless of the preparation time that companies would have had, this was always bound to be a learning experience over several years.*" Interviewee 5 argues that "*if we find a way to agree in the business community of how we report it, then that can turn into an opportunity because then you can actually see what a sustainable investment looks like."*, a finding that is supported by interviewee 10, and further highlights the importance of introducing limited assurance requirements in 2024, which will increase the transparency and credibility of reporting. Interviewee 6 agrees with the introduction of limited assurance and further points towards the need for EU Taxonomy (and SFDR) reporting to settle with investors before we see the full value: *"if you ask corporates in 2025 or 2026, it will be much more business as usual already and then investors will also already have, you know, the push from [retail] investors. I personally believe it will get stronger and stronger, because investors, you know, will want to sell, I think on average Article 9 funds […], which means that in order to do that they need companies to be very Taxonomy* *aligned, let's say in order to be included in article 9 funds and corporations will want to be included as much as possible"* and adds that "If you want that corporates need to learn, investors have to learn".

Interviewee 8 argues that it will depend on the sector: "*especially in some sectors, it will be more developed. Then it will be something that can actually be prescriptive instead of just being descriptive, right? It's something that could actually do that we choose one thing over the other [sustainable product over a non-sustainable product]*". Finally, Interviewee 7 highlights the EU Taxonomy as a management tool: "*I think it will have an impact in the future. Given that it is so much on the financial side, you simply cannot ignore it. If I have money in my pension plan, I wouldn't want them to invest in the most polluting [activities]. It is a guideline and I can easily see the idea with it and believe it will become a management tool, e.g., that we will only invest in companies with x% eligibility and x% alignment.*" On a company-specific plan, interviewee 11 finds that: "*hopefully because we have the company profile we have, we should be well positioned to be included in a lot of funds compared to other companies because it's now completely transparent how much revenue, CapEx, etc. is actually going into renewables. I think that has sort of been disguised a little bit in the past and when we just looked at the annual report. So, I think in that sense it should put us at a competitive differentiation*".

Interviewee 5, on the other hand, is more sceptic about the use of the EU Taxonomy: "*eventually this will be a tool that you can use to compare companies, but I think it's going to be difficult, especially for environmental stuff, because a lot of that it's a transition that's going to take many years, so allocating 20 million [DKK] this year, what does that actually say? So, it's so and so many percent this year, what does that actually say about the company's involvement?"* and further adds that: "*it's like a still image of our performance [this year] and nothing else, because it's going to look completely different. You can't even use it to compare really, from year to year other than you spend more CapEx this year than next year [based on an ongoing expansion]*". Similarly, interviewee 1 finds that the success of the EU Taxonomy depends on the EU: "*if the EU is able to make this not as murky as it is right now, then yes, it will matter*."

When asking about the timeframe, companies overall believe that it will take some years. Interviewee 6 argues that "*it will take one or two or three reporting cycles for this to settle down for people to internalise this and for there to be stability in the reporting across Europe on this".* Interviewee 4 hints more at a time frame of 3-4 years and argues that it "*is going to be a method that is aligned across [sectors], and maybe FSR or someone would come up with the guidance of how to do it [in a Danish context]*". Others are more reserved. Interviewee 10 fully supports the EU Taxonomy, but believes that "*probably at some point in 5-10* *years when you see it in its full [will you see the value adding], I think you'll take many years before we will see it*". Interviewee 3 also mentions a timeframe of 5-10 years, and further poses an interesting question: "*will it only be an ESG statement in 10 years and then financial will just be in at the end?"*

5.2.11 Finding 11: Legal enforcement & Trade-offs

Political inaction

As are the requirements per the EU Taxonomy, the companies that we have identified are obligated to report on the Taxonomy. As we have found out however, this is not always the case. The Taxonomy also explicitly specifies that it falls upon the individual state to assure sufficient enforcement (EU, 2020). As we learned when talking to the companies that accepted to speak with us, this worry is not unique on our side. Multiple interviewees reported the lack of enforcement for not disclosing something they were worried about (Interviewee 3, 4, 6). Interviewee 3: "*at the moment there's no punishment for not living up to the Taxonomy […] so, you as a company can do whatever you want basically for now until the auditing comes*", further enhanced by interviewee 4: "*I would say what we need is sanctions, (for) those who do not report*". One company believes that investor interest for the subject may lead to an increase in incentives for the state to engage the topic: "*There is no punishment so to speak for what is in the reporting [...] that will come when the investor push will come over the next couple of years*" (Interviewee 6).

While the worry is that the lack of enforcement may potentially lead to opportunity seekers (Interviewee 3, 12, it would be wrong to assume that all companies that do not report simply do so to seek opportunities in their sustainability reporting. As has previously been demonstrated, the EU Taxonomy is firstly resources extensive, while still at the moment, remaining a compliance exercise, and secondly, the current objectives of the Taxonomy have impacted certain industries oddly, with some opting to report and some not.

Opportunity cost of reporting

As we have previously shown, the Taxonomy as of now does not bring any investor interest so far. In prolongation of this point, the Taxonomy has in some cases presented itself as a burden, as it is currently more about reporting and compliance than real world impact, and that it is funnelling resources away from impactful projects that could have made a real-world impact. These resources are instead used on navigating the uncertainty of the Taxonomy: "*I think that the issue or the fear is that all of the reporting, the CSRD, the data, and all of this assurance will take up resources that actually could have been used in making our products better, developing new types of products, and – yeah, simply actually doing better on sustainability*" (Interviewee 8).

Where one company specifically highlights the money spent on consultancies: "*The thing that irks me a little bit about this whole thing is that so far, I spent, I'm not going to say how much, but a lot of Danish Kroner on consultancies and zero in actually making any green transition effort. Like I could have placed that, let's say 200,000 kroner into an initiative that would actually make something better*" (Interviewee 4), the remaining who highlighted this issue (Interviewee 3, 4, 8), referred to general expenditures related to the reporting: "*how much of resources are being taken up by disclosure and reporting that could be allocated to performance, right? And to improving climate footprint, for example.*" (Interviewee 2), "*But, of course, we need the data to be able to make the right decisions over there, but it's definitely an issue that sometimes we need to bring a lot of resources to the table just under reporting*" (Interviewee 8).

This issue is also something where one company has raised the question of the intention of the EU Taxonomy, from the commissions side "*The effect of this is that you see finance departments needing to add on resources just to be able to handle it from a controlling perspective. Is that what we want when we want to make it green transition? It's also about where the resources do - When you [The EU] put out these frameworks then also what does it require internally in the companies?*" (Interviewee 3).

Greenwashing concerns

The main goal of the EU Taxonomy is to prevent greenwashing by creating a common methodology for measuring and reporting which activities can be considered sustainable (EC, 2022a). However, as has been discovered in previous sections, companies experience a lack of guidance in relation to interpretation and implementation of the EU Taxonomy. This uncertainty has further implications as it also leads to concerns over greenwashing and, as a consequence, some companies go for a more conservative approach, which leads to an even higher workload, while some companies have even discarded projects. When asked whether companies are concerned about greenwashing in relation to interpreting and reporting on the EU Taxonomy, several responses surface.

Greenwashing is a concern for companies reporting on the EU Taxonomy, mainly as a consequence of the massive workload required to interpret and document eligibility and/or alignment, as outlined by interviewee 3: "*if you read many of the other large companies Taxonomy reporting, even companies that has a lot bigger and more resources to take care of this than we do, then people saying it's too difficult to assess, there's too many uncertainties, we don't know to what level of documentation we need to deliver, so we take a conservative approach and go for almost zero in terms of how much you report there's aligned".* This fear is further strengthened as a result of the lack of guidance from official sources, as described in a previous section, and outlined by interviewee 5: "*we are concerned about not having interpreted the technical* *screening criteria correct, and then claiming something is aligned while it actually isn't, because we don't have any authority saying how to actually interpret it and we are left a little bit in the dark''*.

In previous findings, we touched upon the right level of alignment, as well as the type of approach. Many of the same arguments relate to greenwashing concerns. We find that the fear of greenwashing means that companies would rather go for a more conservative approach where everything can be documented 100%, rather than taking an ambitious approach and assuming a first-mover position in reporting on the EU Taxonomy, and later having to change their methodology due to stricter scrutiny or even due to the use of a more precise methodology, as touched upon by interviewee 3: *"the main challenge is it's when it's so difficult [to assess and document] no company will dare to lean in and start reporting because you also know, within this, the ESG world if you start communicating something and you have to pull it back then it will create […] headlines''*. When considering the extra workload of taking a more conservative approach, interviewee 6 states that: "*you would need to go economic activity by economic activity, eligible CapEx, OpEx and turnover by eligible CapEx, OpEx and turnover. Project by project. […]. these are the substantial contribution criteria and do no significant harm, so you can have criteria met for each and every production site, because only if they are, then would I personally only feel comfortable classifying that CapEx for that production site as aligned right? and that is the intention of the regulation to do that. And I personally think it is then a mammoth task*".

As a result, some companies highlight that this might lead to *greenhushing* as a means of avoiding the fears of greenwashing. Greenhushing is "when companies underreport their sustainability performance [and] by doing so, brands are hoping to reduce the likelihood of garnering scrutiny from investors" (Ho, 2023). Greenhushing does not refer specifically to the EU Taxonomy but is rather used in the broader sustainability agenda. Interviewee 3 even argues that companies are not interested in greenwashing their EU Taxonomy reporting, as the EU Taxonomy is "*not something you want to promote yet, because it is so uncertain in many ways, it's very complicated, and it's not very easy to communicate*".

However, under the current reporting framework where there are no punishment mechanisms in place, and until it becomes mandatory for companies to have their EU Taxonomy reporting third-party assured in 2024, companies might go for the more conservative choice to avoid scrutiny, as mentioned by interviewee 6: "*You do not want to be a corporate that says now it's 20% alignment, next year it's another 25% alignment. And then when the audit requirement kicks in in 2024, they drive it down to 5% alignment cause that the message this sends is they've been greenwashing. They've been overstating their alignment. And now the auditors* *come in to challenge it. They don't agree. And boom there 5%. How do you explain that?*". This is supported by interviewee 3: "*There is such a big risk of saying something that you need to correct afterwards, that people tend to be more cautious. I think that's also a reason why green hushing is being more and more talked about instead of greenwashing*", a finding that interviewee 10 agrees on. However, fears about greenwashing have not only led to greenhushing. It has also led to projects not being completed for some companies. Interviewee 5 highlight that one project was close to being aligned, but ended up not being because there was uncertainty about one criterion, and as a consequence, a conservative approach was taken, while interviewee 7 reveals that they "*pulled the plug on some projects because of greenwashing*" and that "*if it will be difficult to fulfil some of those [criteria] we have to fulfil when aligning, then we'd rather make the conclusion that it is not worth including so we don't have to waste resources on examining future projects within the same area.*

Finally, one respondent, interviewee 11, argued that their company is not concerned with greenwashing in relation to their projects: "*because we have taken an approach we've validated with peers, we've also had [our auditor] doing a limited assurance […] saying that the approach that we've taken now is reasonable […] and reporting everything eligible as aligned comes with a commitment basically. We know that practices will evolve, meaning that our approach to alignment also has to involve, meaning that some of sort of the more weak areas that we identified, we are working on now strengthening because we know that sort of the scrutiny of this will also develop as we go along, but we have also been very occupied, sort of with that we would only report alignment if we were truly comfortable in that we were aligned*".

5.2.12 Finding 12: Synergies of EU Frameworks

As we touched upon in the background chapter, the EU Taxonomy and the CSRD are both part of a bigger strategy by the EU to channel capital towards sustainability. While not the focus of our study initially, when talking to the different companies, we discovered that the CSRD was something we had to inquire about, as it was also a big subject for the companies affected by the EU Taxonomy.

Of the companies we spoke to, 9 of 11 companies mentioned the CSRD in one context or another relating to this point (1, 2, 3, 4, 6, 7, 8, 9, 11). What we discovered, was that as the CSRD is still in an early phase compared to the EU Taxonomy, multiple companies had a difficult time imagining the interplay between the two as of now: "*But it's not just that, it's also the whole CSRD […] the CSRD rules and how they integrate with Taxonomy. How's that going to work, right? So, what's the interplay between the CSRD reporting in the future and the Taxonomy reporting?*" (Interviewee 6), this point of view is also shared by interviewee 2: "*No, but I* *think that's the honest question, that it's [The CSRD] so new […] The CSRD, no one has even begun reporting. And just on the grapevine, I hear that everyone is sort of very challenged to figure out exactly how to do it at a satisfactory level*".

Although the CSRD is new, even more so than the EU Taxonomy, there are still divided opinions on it in the foreseeable future. One participant indicated that the CSRD was not well aligned with the EU Taxonomy, at least in terms of reportability: "*Yeah, it's not all aligned. I think when we get to complete CSRD reporting, we will be able to sort of redirect to some of the indicators […] on corporate level I think the challenge here is very much the Taxonomy is on technology level, so we have to prove compliance for each of our technologies which the CSRD doesn't capture to the same extent […] There [for specific projects] we can't really use the CSRD because we have to prove that we've done those assessments for each of our asset projects, so, there is an overlap and then there's not an overlap*" (Interviewee 11).

The rest of the participants were quite positive on the other hand, when it comes to the connection between the EU Taxonomy and the CSRD: "*I think what the Taxonomy mostly has done for me is prepare my organisation for understanding what a train CSRD is*" (Interviewee 4). This goes from one company who felt that their industry was better encompassed by the CSRD than the EU Taxonomy "*But generally, after I've been reading quite a lot into the CSRD. And I find that the CSRD is a lot more helpful for companies that are like us, operating within different industries. Say another, an industry that is not precisely defined by the EU*" (Interviewee 1). Other participants either felt that the CSRD goes beyond the EU Taxonomy and gives a broader image of their sustainability performance "*I think the CSRD is much more comprehensive and gives a much broader picture on where you are on your sustainability journey or whatever you call it, because you need so much more documentation across everything. I think that's also where the big focus is for most companies at the moment.*" (Interviewee 9), this view was also shared by interviewee 3: "*I think that's also where the CSRD, it's broader in many senses, we need to report on much more points, but you have the room to put your company into it, so you can make it fit to what you actually do and who you are.*" As well as interviewee 8: "*I mean, from a perspective right now, we are able to do some of the EU Taxonomy reporting on a high-level approach, where we just really, from a top perspective, look at the organisation and ask for the right numbers. The CSRD is totally different because there are so many data points, we need to get the organisation to gather data.*"

Others found that it worked very well with their current Taxonomy reporting: "*I think so. In the Taxonomy for example you have to live up to the minimum safeguards. That is good business management, whether you have a code of conduct or not and all those things. So, if you want to make a green project, you also need to* *have your employees under control and my way of running the company, and that is some of the same elements as in the CSRD. So, we decided to run this whole minimum safeguard aspect together with the CSRD, because there will be some overlaps. But I think they play well into each other.*" (Interviewee 7), while some to this extent, went a bit further on the actual data needed to report on the CSRD: "*I mean, in terms of the EU Taxonomy and the CSRD, I think there are some general processes in terms of minimum safeguards. It's some of the same requirements, and we'll definitely have to do a whole project on human rights impact assessments, and those will be relevant to both the EU Taxonomy and the CSRD. […] but I mean, it's two very different things that you need to report on. Reporting on revenue, CapEx and OpEx is totally not the same as reporting our CO_2 emissions and our water consumption and all of this. […] So, maybe when we get a little bit further down the road, we'll be able to see. But I still think that there is a lot of work that is on a bit of a different level*" (Interviewee 8).

It seems like the CSRD and the EU Taxonomy, while being somewhat compatible, both still need some fine tuning, both from the company's perspective, but also from the EU. There is an acknowledgement from the business community, and interviewee 8 summarises it nicely: "*I think that it is a contributing factor in the change view that we have on due diligence in general. I think that the CSRD, the CSDD - I think those two together with the EU Taxonomy, all three is putting pressure on the social, the due diligence, the human rights, all of these aspects*".

6. Discussion

Moving on to the discussion, we reiterate the research question of the thesis: *What are the challenges and opportunities Danish companies experience in relation to reporting on the EU Taxonomy?* With this in mind, we now discuss the implications of the findings in relation to companies, the public sector, the EU Taxonomy, and external stakeholders.

6.1 Discussion of research process

As we set out from our methodology, we took a Grounded Theory approach as our research strategy. The next previous section aims to explain the chronological process of our research, in order to highlight where the Grounded Theory approach has taken us, and emphasise the validity of our empirical findings. This is done in order for us to showcase that we “preserve the form and content of the analytical work” that has led up to this point (Charmaz, 2006). In the explorative phase of our research, we firstly looked at the shared initial interest in the EU taxonomy, as well as the broader topic of sustainability. A first literature review revealed that, of the academic literature we could find, it is primarily focused on the financial institutions. From that point we investigated two different aspects of the taxonomy, firstly from a political aspect, by which we mean attempting to understand the processes in the EU, and uncovering how the EU taxonomy came to be. Secondly, we looked at the business side of the EU Taxonomy, since it is ultimately them that have to create and make these reports.

After diving into and a long consideration of these two topics for our research, we chose to focus on the company side of the Taxonomy. This choice was made due to the lack of substance and data we could find on the political side of the Taxonomy, something that was also made clear after conducting an interview with the Brussels office of Dansk Industri (Confederation of Danish Industry), who confirmed the blurred lines and closed doors, they had also noticed in the development of the Taxonomy. The methodology put forth in order to find the companies that had to report on the Taxonomy, which was made in parallel with the exploration of the political aspect of the Taxonomy, revealed that this was an area for a much larger research potential, and the possibility to acquire substantial data.

This led to us firstly refining our research question, and secondly revisiting our initial literature review, instead to focus on organisation learning, the EU Taxonomy from a financial aspect and the concept of sustainability governance. After an initial round of interviews, with companies we had identified as reporting a significant amount against the Taxonomy, in order for them to provide meaningful input to our questions, we realised that we had to widen the scope to all companies that are subject to the EU Taxonomy reporting, to understand why some have reported and some have not. Meanwhile we did the interviews, which were of a semi-structured nature to attempt to uncover as much as possible, we also found that based on the answers and findings, provided by the initial coding and the transcription that we had in this initial round, the focus of our thesis shifted slightly. We discovered that the subject of organisational learning, while appropriate in the initial phase of our research, had become redundant. This was caused by both the limited amount of time, and resources that the interviewed companies could spare, meaning that doing a deep dive into each organisation, and attempting to uncover some of the theoretical aspects of organisational learning, proved difficult.

Once we had conducted the second rounds of interviews, transcribed, and done our initial coding, we moved on to the focused coding, in which we attempted to boil down our findings, group them together and make them as valid and accurate as possible. It was also then we focused our literature on the overall concept of sustainability, and also on the specific topic of corporate responsibility reporting, since the EU Taxonomy ultimately is a non-financial report. After examining and agreeing on a fixed set of findings, and a further revision to our research question, we will in the next section of our discussion, look at the implication of said findings.

6.2 Discussion of theory

When we initially set out to write this thesis, after the initial work had been done, and we had centred on a topic, we wanted to show what variance drives some companies to perform better on their Taxonomy reporting than others. As we have realised through our findings, this proves more difficult than initially thought. The lack of concrete evidence to suggest that there is some variance on the Taxonomy reporting performance, in part caused by the limited time we had to examine the companies that we spoke to, means that it is difficult for us with certainty to point at the variance of specific factors as a driver for more well-established reporting. This was further complicated by the overall lack of understanding of the EU Taxonomy, as we discovered that all the companies we consulted with, had had a difficult time understanding and interpreting the EU Taxonomy.

This means that it has been difficult to create some sort of theory or framework, based on our empirical evidence. However, while this thesis has not been able to conclusively produce a definite theory or framework based on the findings, the findings are still useful in the sense that they shed some light on the situation in which companies find themselves, having to report on the EU Taxonomy. We are still in the first reporting cycle for some, meaning there remains a plethora of unanswered questions and doubts. Here our findings may help understand where the doubts come from, as well as what has worked in practice in order to overcome them. In the next section, we will examine all the findings we laid out in the previous chapter and discuss their implications for the actors involved with the EU Taxonomy. As we will discuss, there are certain elements which suggest that the reporting has been an easier exercise for some rather than others. Further, we discuss the practical implications of the EU Taxonomy, and the suggestions made that could ease the reporting.

6.3 Discussion of findings

6.3.1 Implications for companies

One key element of our findings on the EU Taxonomy, when it comes to the companies we spoke to, was the difficulty in understanding and interpreting the Taxonomy. Although we saw many different iterations to overcome this hurdle, it seems that there was an acknowledgment that doing the process in-house and having a strong collaboration between the financial and sustainability department, led to the least amount of frustration over the Taxonomy. This increased interdepartmental collaboration is also beneficial beyond the EU Taxonomy, as it helps break down silos within the company. In some cases, the departments were in fact merged together, in order to facilitate this collaboration, and our findings suggest that this trend will increase in the future. This also raises questions as to the future outlook and implications for the development of sustainability within companies.

It is important to keep in mind however, that while the EU taxonomy is a difficult reporting exercise, our findings suggest that once a company has surpassed the initial reporting cycle, the methods put in place to report on the taxonomy are there and makes it substantially easier in the next reporting cycle. Meaning that it is resource intensive to put up the systems to have these checks and balances, but not necessarily to maintain them. To this extent, we considered whether it was possible for companies to share their methodologies with industry peers, but as our findings showed us, the EU taxonomy is so company specific, that the methodologies would simply not apply. This is not to say that peer discussions have not enhanced the understanding of the taxonomy, as we have seen that those with well-connected networks, could consult old colleagues and peers, for checks and balances on their own taxonomy interpretation.

Another benefit that the EU Taxonomy has added, is an increased understanding and collaboration across the value chain and the supply chain. This is especially true for those who have started to report on alignment, as they have had to consider their own economic activities, to determine whether it lives up to the substantial contribution criteria, as well as the Do No Significant Harm. This also applies to the suppliers, as they in turn must live up to the Minimum Social Safeguards. This also suggests that companies, who are reporting alignment against the Taxonomy, are more prepared for other future sustainability reporting and requirements, as they have a good understanding of the organisation.

If we look now towards our literature, the context of the Taxonomy falls under the mandatory sustainability reporting, but as we have come to see, there is a large part of the identified companies that have not reported against the EU Taxonomy. We touched briefly upon this earlier, and we will elaborate on them further down in our discussion, but our findings suggest that the reason is twofold. Firstly, the lack of sanctions from the state side, and the lack of interest from the investors' side, means that the Taxonomy, for now, remains a compliance exercise. A push from the Danish government could see the EU Taxonomy become a coercive sustainability exercise, while a push from investors would mean the EU Taxonomy suddenly presents itself as a business case. Secondly, and perhaps more forgivingly, as we have come to find, the NACE codes set forth by the European Union have somewhat oddly affected the Danish companies in scope. Here we think especially about the large life science industry that we have in Denmark, and their absence from the Technical Screening Criteria. Although it is uncertain to say what will happen in the long run, it does not seem like the status quo will change in the foreseeable future, with an outlook of 5 to 10 years before we start seeing any change. This in turn could also reflect on the quality of reporting, of those that have decided to already engage with the EU Taxonomy, as purely remains a compliance exercise as of now, meaning they will not put the energy into achieving a higher level of alignment or eligibility.

6.3.2 Implications for the public sector

Ex ante or ex post guidance?

As previously highlighted, one of the key findings is the uncertainty about the interpretation of the EU Taxonomy, as well as the lack of guidance companies have perceived both from the EU, as well as from the public sector in Denmark. Companies especially point out Erhvervsstyrelsen as the potential culprit, while other respondents argue that guidance should not come from Erhvervsstyrelsen. However, Erhvervsstyrelsen is responsible for administering the Danish Financial Statements Act, both in terms of interpreting it and providing guidance in relation to it (Erhvervsstyrelsen, n.d.). As such, it seems only fitting, as the EU Taxonomy is integrated into the Danish Financial Statements Act, that Erhvervsstyrelsen provides guidance to companies on how to interpret and implement EU Taxonomy reporting.

This is peculiar, given that the EU Green Deal (as well as the EU Taxonomy) explicitly states that a net-zero society cannot be reached unless public and private stakeholders, as well as finance come together to finance the transition. Further, the Technical Expert Group on Sustainable Finance indicates the EU and member states as one of the groups of users of the EU Taxonomy (the other two being financial market participants and large companies), and states that these should use the EU Taxonomy "when setting public measures, standards or labels for green financial products or green (corporate) bonds" (EU TEG, 2020: 26). This, however, has been a point of confusion for the authors throughout the majority of the writing process. Say Erhvervsstyrelsen is responsible for interpreting the EU Taxonomy, as indicated by several interviewees, and based on that, should provide guidance to companies and sectors: how is Erhvervsstyrelsen expected to be able to understand the implications of reporting on this new framework across 10 different overall Danish sectors and a total of 726 subsectors (DST, 2012) when we find that companies, auditors and consultancies similarly are grasping to figure out the implications of the EU Taxonomy? Is it the right solution to have a top-down approach, where Erhvervsstyrelsen ex ante determines the specific interpretation criteria for a given sector or company, or is it more cost efficient and less bureaucratic to leave the interpretation of the reporting requirements to companies and industry associations, and only ex ante review interpretations and suggest corrections?

Should the EU Taxonomy also apply to the public sector?

Some sectors that traditionally work closely with state organs as contractors or suppliers (e.g., construction and life science) hinted in our interviews at a gap existing between the private and public sector, in terms of aligning activities with the EU Taxonomy. One interviewee pointed out that they find it peculiar that the private sector is obligated to report on the EU Taxonomy, but when they work as contractors on massive infrastructure projects for the state, e.g., electrification of railways or construction of large-scale buildings, such as hospitals, the state does not set specific requirements for Taxonomy alignment of the projects as part of the tender process. A similar picture can be drawn for e.g., hospital or care equipment, which is expected to be covered under the upcoming environmental delegated act, which includes *the transition to a circular economy.*

As highlighted by companies in our analysis, there is a willingness to seek a higher alignment percentage when e.g., both customer and supplier have to report on the EU Taxonomy. However, given that the public sector is not in scope for the EU Taxonomy, and the state does not voluntarily embrace the EU Taxonomy and use it to guide investments and procurement, activities that could have been aligned, and where the supplier might be willing to seek a higher alignment percentage, are never considered.

6.3.3 Implications for the EU Taxonomy

The EU Taxonomy in the shadow of the CSRD
As we touch upon, throughout the background and analysis sections, the EU Taxonomy and the CSRD are highly interlinked. This is an intentional choice by the European Commission to make a many faceted sustainability governance mechanism, and further so when considering the links to the SFDR, the EU Green Bond Standard and numerous other sustainability-related EU frameworks.

However, as we found in the analysis, companies associate the whole reporting framework around the EU Taxonomy with uncertainty, a lack of guidance, difficulty with interpretation, and for some a rushed timeline. While the CSRD has also been criticised as should be expected for a new piece of legislation of that magnitude, the whole framework seems to be more approachable and easier to work with.

Some interviewees highlighted that their sector is not covered by the current EU Taxonomy, something we touched upon in finding 3, where we also showed that 14 of 54 Danish companies currently in scope for reporting on the EU Taxonomy (according to their company size) are within the life science sector, and hence do not have relevant Technical Screening Criteria at the moment. For those companies, the anticipation for a future social Taxonomy has been high. However, as we touched upon in finding 3, the social Taxonomy is put on hold for now. For those companies, it seems more likely that the CSRD will become the main framework, as it allows them to disclose information to investors and other stakeholders that is relevant to their business model. A similar situation can be highlighted for the companies that found themselves to not be fully in scope due to e.g., company structure. They found that the CSRD was a much better fit for them, as it allows for a company-specific selection of indicators to report against based on a materiality assessment. Companies also find that the CSRD is much easier to communicate and as it appeals to a broader stakeholder group, whereas the EU Taxonomy only appeals to investors. It has also gotten significantly more attention in the media, highlighted by the volume in searches for the two terms, which at the time of writing was ~6 times higher for CSRD (Google, 2023b). Finally, information published as part of the CSRD reporting is to be digitally available, which will make it easier to obtain and process for investors (KPMG, n.d.).

Controversies
However, the EU Taxonomy is not only being scrutinised by companies for being associated with uncertainty, lack of guidance and resource intensive. In general, the EU Taxonomy has been met with loads of controversy, and especially at the political level, it has been criticised.

In November 2021, Finland openly opposed the EU Taxonomy Climate Delegated Act due to the Technical Screening Criteria employed for biomass. Forestry makes up 20% of Finland's export, and as such, "some aspects of the technical criteria for forest management are difficult to understand and open to interpretation." They further argued that this would lead to a bigger need for monitoring climate sustainability of forest use, and that this "would only increase bureaucracy, and we can't be certain that it would help to combat climate change" (Kurmayer, Vanttinen, 2021).

Similarly, in October 2022, the Austrian government, alongside a number of environmental organisations, sued the European Commission over its decision to include nuclear and natural gas as transitional activities in the EU Taxonomy (EP, 2022), arguing that these fuels would be essential in the transition away from fossil fuels. Although the inclusion of these two activities "is time-limited and dependent on specific conditions and transparency requirements" (EP, 2022), the decision to consider them sustainable activities has spawned widespread criticism. The lawsuit argued that the European Commission was going beyond its mandate by making "such far-reaching and politically sensitive decisions" (Serenelli, 2022), and that nuclear could not live up to the DNSH principle (due to the disposal of nuclear waste), and that the inclusion of natural gas would lead to "lock-in effects in fossil infrastructures that the regulation intended to prevent, leading to higher costs, competitive disadvantages and further aggravation of the climate crisis" (Serenelli, 2022). Despite this, the proposal was approved by the European Parliament. Other organisations have also filed lawsuits against the European Commission over its "decision to label bioplastics and the use of forest biomass for bioenergy as 'green investments'", as well as the inclusion of natural gas (ClientEarth, 2022).

The proposal to include nuclear and natural gas was even more scrutinised, as the long awaited Complementary Delegated Act was released on New Year's Eve (Celsia, 2023c), which was called a "hush hush operation" by Luxembourg's Energy Minister, who called the release on New Year's Eve a "provocation". Austria's environment minister similarly stated that "the timing of the publication alone shows that [the commission] is not convinced of its plans" (Naschert, 2022).

Future outlook of the EU Taxonomy

As we have highlighted previously, the EU Taxonomy is in the early stages and still being developed. Some interviewees suggest that we will see several iterations of the framework before we reach a "final product" and because of that the next section will be purely speculative, based on our empirical data and own interpretation of the situation.

Others suggest that with the social Taxonomy potentially not being introduced, combined with the fact that the CSRD has proven to be a more important framework in the eyes of some companies and some suggesting that investors will prefer it over the EU Taxonomy due to its level of granularity, the CSRD could become the primary reporting tool for sustainability. In relation to this, we ask ourselves, is it possible that the EU Taxonomy ends up becoming part of the mandatory reporting requirements under the CSRD, as opposed to being a separate framework? This point further puts into question how the perception of the EU Taxonomy and the controversies surrounding it, could affect the viability of the framework in the future.

Another point of concern is the lack of inclusion of specific sectors, notably in a Danish context. As our findings suggest, companies that are not covered by the Technical Screening Criteria have devoted a considerably larger amount of time to the CSRD than the Taxonomy. Although there have been talks of a social Taxonomy, with no outlook in sight, this further suggests that the CSRD would become the favoured reporting tool for sustainability. Others again have highlighted the delayed implementation of further requirements under the CSRD to allow for companies to implement the first step as a positive factor, when comparing the EU Taxonomy with the CSRD.

Another possibility is that the EU Taxonomy settles so much within a couple of years, once the steep learning curve is passed, that both investors and companies understand how to use the EU Taxonomy in unity with the CSRD and other frameworks, that it becomes a successful lever in promoting sustainable finance to facilitate the green transition.

One thing is certain: the EU is already suffering from a legitimacy problem, and as one interviewee highlighted, unless the European Commission succeeds in making the EU Taxonomy crisp and easy to understand, it might just end up becoming another reporting tool that does not add any extra value to the green transition and to companies.

6.3.4 Implications for external stakeholders

We briefly touched upon some of the stakeholders previously, but in this section, we will focus on the auditors as well as the investors. As shown, the appetite for Article 9 funds has decreased due to the difficulty for fund managers to document compliance, which in turn has seen a shift towards Article 8 funds instead, since they have less strict requirements to live up to (Morningstar, 2023b). Although our findings show that there currently is no push from investors in terms of EU Taxonomy, they also suggest that in the long term, this new simplified and comparable way of talking about sustainability, will be a driver for investors. This in turn will alleviate the pressure, and perhaps see a growth in Article 9 funds, rather than Article 8 funds. In response to this, a survey conducted amongst 770 investment decision makers found that 85% of investors (including 91% of institutional investors) "consider investment-grade ESG data more important than other company data when informing their investment decisions" (Benchmark ESG, 2022).

In terms of the auditors, we see here that they have been struggling as much with the Taxonomy as the companies having to report against it. The big difference, however, is that they portray themselves as being experts on the topic, when helping out in the various companies. So, while companies have been green hushing their reports, in an attempt to be as conservative as possible and not make any mistakes, we see the auditors greenwashing. We have seen multiple companies telling us that they ended up teaching their auditors or consultants how to interpret the technical screening criteria, which does not bode well for the upcoming limited assurance in 2024. The auditing industry needs to acknowledge their gaps of knowledge when it comes to the EU Taxonomy and seek out the appropriate expertise to get back on track.

6.4 Limitations

Despite our best efforts to interview as many organisations as possible, our study was limited by the fact that a significant proportion of the organisations were not able to participate in the interview for various reasons, mainly due to resource constraints. This has three implications for our research.

First, we acknowledge a certain non-response bias, as organisations that rejected our interview requests might have had other perceptions of the EU Taxonomy and its implications than the companies we interviewed. For example, some companies refused to participate because they were not far in the process of interpreting and implementing the EU Taxonomy and did not feel ready to expose themselves. This, however, would have been valuable to us to have even greater variance. This was also apparent amongst companies we interviewed, where some mentioned a lack of outreach to peers due to uncertainty, and even more so amongst financial organisations where involvement with the EU Taxonomy proved to be rather limited.

Second, resource constraints amongst companies we interviewed meant that we were only able to conduct 1 interview per company. In addition, most interviews were conducted with only 1 representative from either the sustainability or finance department (2 interviews were conducted with a representative from both departments present). This has obviously affected our ability to do follow up interviews and examine new angles.

Third, given the sample size of 11 companies, the interviews were conducted with companies from relatively few sectors. Hence, the findings may not fully reflect the perception in other industries and could therefore affect the external validity of the study.

The timing of the thesis meant that many annual reports were published throughout the later weeks of the research process. Hence, to allow for sufficient time to conduct interviews, examine the findings and write the report, we set a cut-off date for annual reports at 30/03/23. In other words, we would not examine information published in annual reports beyond this date.

6.5 Future research

This study was conducted at a very early stage of the new EU Taxonomy reporting paradigm, which is reflected in the lack of resources and guidance provided by official sources, as well as the overall uncertainty surrounding the topic.

And while this paper has focused on the challenges and opportunities for Danish companies at a time when companies are dealing with finding the right interpretation, data collection method, collaboration across teams, reporting and monitoring, we believe that a future study with the exact same objective could be conducted in a few years to examine how those challenges and opportunities have evolved, in order to test if the EU Taxonomy is fulfilling its objectives.

Additionally, it would be relevant to conduct similar research with a focus on all six environmental objectives, once the remaining four environmental objectives have been adopted, to test what the implications of these new objectives have been (especially given the focus on climate in the first two objectives, whereas the latter four are focused on environmental parameters). Similarly, future research could also be focused on the social Taxonomy, if such one is drafted (it has been proposed by the EU Commission, and later shelved within the current mandate). In relation to this, it would also be relevant to examine the interconnectedness of the EU Taxonomy and the CSRD to establish an understanding of how reporting on the two can be optimised to ensure cost efficiency and decrease bureaucracy.

Finally, we believe it would be relevant to conduct a comparative study between two or more EU member states to determine to what extent companies in different member states experience the same challenges and opportunities, especially considering how some interviewees highlighted the potential for skewing of competitiveness between the Nordics and the Southern/Eastern member states. In relation to this, it could also be relevant to look at the implications for EU-based companies with international operations.

7. Conclusion

In this thesis we investigated the challenges and opportunities that the EU Taxonomy creates for Danish companies subject to reporting. We initially set out to show variance in how companies have been reporting as well as the drivers behind the variance. This, however, proved to be difficult since the EU taxonomy is at a novel stage where the interpretation and understanding of the framework is not fully developed.

Based on interviews conducted with 11 companies subject to reporting, we derived 12 overall findings: 1) Approach: how have the companies methodologically approached their taxonomy reporting; 2) Interpretation: what have the companies done to interpret the taxonomy and what channels have they employed; 3) Compatibility & Use: how has the EU Taxonomy been compatible with Danish companies, and how have they used it in practice; 4) Accessibility: any concerns raised relating to data accessibility required to report on the Taxonomy, and the pace of the legislation; 5) Due Diligence: how has the Taxonomy impacted the due diligence processes that were already in place; 6) Organisational Structure: how has the taxonomy affected the organisational structures of the companies; 7) Sustainability Leadership: what levels of the organisation have been part of the Taxonomy reporting process; 8) Stakeholders: how companies use various types of stakeholders when interpreting and implementing the EU Taxonomy; 9) Competitiveness: how some companies will use the EU Taxonomy as a competitive differentiator, as well as how the EU Taxonomy affects competitiveness in a Danish and EU context; 10) External Pressure: how pressure from customers to report depends on the industry and type of customer, as well as to what degree investors use the EU Taxonomy and how it adds value now and in the future; 11) Sanctions & Trade-offs: how the lack of enforcement might lead to opportunity seeking, what the opportunity costs of reporting are, and what concerns companies have in relation to the EU Taxonomy and greenwashing; and 12) Synergies: how the synergies are between the EU Taxonomy and the associated Corporate Sustainability Reporting Directive (CSRD).

In conclusion, our findings suggest that the EU Taxonomy creates both challenges and opportunities for Danish companies subject to reporting on the framework. These findings have a number of implications, which are discussed in the paper: first, they suggest that a higher level of collaboration between relevant departments has facilitated the Taxonomy reporting; second, the taxonomy desperately needs a higher instance to take the initiative to interpret the Taxonomy; third, investors are still not using the EU taxonomy actively, but companies expect this to happen within the next 5-10 years; fourth, they suggest that the CSRD are interlinked, but also that in the lack of a social Taxonomy and fit with Danish companies, the CSRD could potentially become the favoured tool for investors and companies in sustainability reporting.

While the Taxonomy is still new, it represents an opportunity to streamline the interpretation of sustainability in order to promote sustainable finance needed for the green transition. While still in its infancy, it is pivotal to address the concerns of companies and investors to ensure that the EU Taxonomy does not just become another reporting requirement. As our thesis provides a first insight into the EU Taxonomy from a company perspective, there are still many unanswered questions, which could be the basis for future research.

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Appendices

This list includes appendices that are relevant to the average reader. However, some appendices are only shared with the supervisor and examiner to respect and protect the identity of participating companies.

Appendix A: List of Danish companies subject to report on the EU Taxonomy, provided by FSR

Børsnoterede ikke-finansielle virksomheder med 500+ medarbejdere	
A.P. Møller - Mærsk	22756214
ALK-Abelló	63717916
Ambu	63644919
Bang & Olufsen	41257911
Bavarian Nordic	16271187
Brdr. A & O Johansen	58210617
Brdr. Hartmann	63049611
Carlsberg	61056416
Chr. Hansen	28318677
Coloplast	69749917
Columbus	13228345
D/S NORDEN	67758919
Demant	71186911
DFDS	14194711
DSV Panalpina	58233528
FLSmidth	58180912
Flügger	32788718
Gabriel Holding	58868728
Genmab	21023884
GN Store Nord	24257843
Gyldendal	58200115
H+H International	49619812
Harboes Bryggeri	43910515
ISS	28504799
Jeudan	14246045
Københavns Lufthavne	14707204
Lundbeck	56759913
Matas	27528406
MT Højgaard Holding	16888419
Netcompany	39488914
Nilfisk	38998870
NKT	62725214
NNIT	21093106
Novo Nordisk	24256790

Novozymes	10007127
NTG Nordic Transport Group	12546106
Pandora	28505116
PARKEN Sport & Entertainment	15107707
Per Aarsleff	24257797
Rockwool International	54879415
Royal Unibrew	41956712
Sanistål	42997811
Scandinavian Tobacco Group	31080185
Schouw & Co.	63965812
SimCorp	15505281
Solar	15908416
SP Group	15701315
Tivoli	10404916
Vestas Wind Systems	10403782
Ørsted	36213728

Appendix B: Interview guide

List of preliminary questions for interviews. Does not include questions identified during the individual interviews, unless they were deemed relevant for remaining questions

General questions:

- What has your experience been with reporting after the new EU taxonomy criteria
- What is your perception of the EU taxonomy?
- Is this just another reporting tool or do you think it matters in terms of efficiency?

EU Taxonomy:

- Would you say that your organization is prepared to report on taxonomy eligibility/alignment?
    - Which challenges have you faced in identifying and/or reporting Taxonomy eligibility/alignment?
- Is the organization working towards ensuring that 100% of taxonomy eligible activities are in fact aligned?
    - If yes, how? Has it required any specific processes?
    - How does your organization work with the information gained as part of the Taxonomy identification?
- Is progress towards meeting the EU Taxonomy reporting requirements measured and reported?
    - If so, how?
- Have any steps been taken to keep up with changes to technical screening criteria and reporting requirements under the EU Taxonomy?
    - If so which ones?
- How have you perceived interest from the public sector? (e.g., procurement policies)
- Who is lead on the Taxonomy in your organization?

- You have only reported taxonomy eligibility, but not alignment – how come?
- What has your experience been with the DNSH criteria?

Sustainability Governance:

- How is sustainability governed in the organization?
- Have you integrated alignment with the EU Taxonomy into your sustainability strategy?
- Is sustainability governed through a committee at board level?
- How is sustainability (reporting) integrated into the strategy?
- Do you have a dedicated team tasked with sustainability (reporting, compliance etc.)
- Is the use of an environmental management system (e.g., ISO 14001) helpful?

Stakeholders:

- Are you engaged in any type of industry forums, multistakeholder initiatives concerned with the Taxonomy to increase understanding etc.?
    - Also directly with other companies, or DI/DE to help guide your work with the EU Taxonomy?
- To what extent (and how) do you ensure that suppliers and other stakeholders are also aligned with the EU Taxonomy?
- How do you see that the EU Taxonomy will affect investment flows for your company?
    - Which steps have been taken to ensure that your activities and investments are in line with the environmental objectives of the EU Taxonomy?

External pressure/Communications:

- How is the sustainability strategy communicated?
    - Does your organization communicate taxonomy eligibility/alignment broader than simply having a section in the sustainability report?
- Do you feel external pressure to become more sustainable?
    - If yes, how? And how does that translate into your sustainability strategy?
- Do you have greenwashing concerns?

Questions for financial institutions:

- Saxo Bank has no exposure to Taxonomy eligible activities. How does the Taxonomy affect you?
- What is your experience amongst peers with regards to the use of the EU Taxonomy as a tool in investing?
    - How does the EU Taxonomy affect sustainable investing in your actively managed portfolios?
- What are your expectations in terms of the EU taxonomy, and the impact it could have on finance?
- How do you see the alignment between all the different reporting criteria coming out of the EU (eg, the taxonomy, SFDR, CSRD, etc...)?
- How do you expect the EU Taxonomy to impact investment decisions for companies operating in Denmark?
- Do you think the EU Taxonomy will lead to increased demand for sustainable investment opportunities
- How do you think the EU Taxonomy will affect the cost of capital for companies that are not aligned with the taxonomy?
- How do you see the role of investors evolving in relation to the EU Taxonomy?
- To what extent are you implementing the Taxonomy into your overall (investment/lending) framework?

- Are you already now confronting customers with the Taxonomy?
- Have you set a treshold of which types of activities will be funded based on eligibility/alignment?
- Will the level of eligibility/alignment affect the terms of e.g. a loan?
- Do you already now (or plan to) use EU Taxonomy as an active ownership tool?

- Will the Taxonomy be a game changer for companies' access to finance in the future?
- What is investment approach in terms of Article 6, 8 and 9 funds?
  - In your opinion, will Article 6 be completely outplayed in coming years?
- Does the Taxonomy affect your scope of investment companies (do you have to deselect certain green SME's for Article 9 funds because they don't report on the Taxonomy?

Questions for supporting interviews:

- What is your experience with the Taxonomy?
- What are the main challenges companies are facing with the Taxonomy?
  - Are companies mainly struggling with the Substantial Contribution Criteria, DNSH or minimum social safeguards?
- Which opportunities does the Taxonomy create?
- What is your perception of the EU taxonomy, Is this just another reporting tool or do you think it matters in terms of efficiency?
- Where do companies get input to the interpretation, understanding and reporting process?
- Do you see a potential for using the Taxonomy externally for communications or is it purely reporting?
- How do you see it affecting companies' access to capital?
- Could it potentially skew competitiveness across EU?
- Who do you see as the main body to interpret the Taxonomy in a Danish context? EU Com, Erhvervsstyrelsen, industry associations, auditors or individual companies?
- In your opinion, what are the most significant benefits that the EU taxonomy offers to businesses?
- Will investors have the biggest appetite for Taxonomy or CSRD?
- What advice would you give Danish companies that are integrating the EU Taxonomy?

Appendix C: Codebook Nicolai

Name	Description	Representative quote
Company perspectives		
Eventual impact of reporting	What impact the reporting itself, against the Taxonomy could potentially come to have.	*"If we find a way to agree in the business community of how we report it, then that can turn into an opportunity because then you can actually see what a sustainable investment looks like".*
Financial outcomes-implications	What could be the financial outcomes as well as implications of the reporting and the Taxonomy.	*"It's really adding a layer of transparency to your financials because you have to report those financials in a different way [...] so I think it's adding a really good layer and what's also will be really good is, CapEx, that figure will really show how companies are planning for the future."*
Investor	How have the investors reacted to the Taxonomy reports	
Political inaction	Highlights the lack of action from a political side, when it comes to present a unified interpretation, and help the companies	*"I think it would have been a tremendous help if someone from a public authority had taken the EU Taxonomy screening criteria and translated it into: What does this mean in a Danish context? You know: what is it actually? Because that text just refers to a lot of EU directives and it's super difficult."*
Potential outlook of Taxonomy	How companies perceived the outlook of the Taxonomy in terms of the future, and what	*"Yeah, there's a lot of opportunity in the Taxonomy, but I think in order for it not to be reporting and compliant and just something you have to do, you have to take the Taxonomy and work with it as an organisation and use it as sort of a lever for defining what a good sustainability*

	it could potentially become.	*performance look like for the activities you have."*
State sanctions	What has the state done in terms of enforcing the Taxonomy regulation	*"that's also the problem at the moment that there's no punishment for not living up to the Taxonomy, at least as far as we know, there is no punishment from public authority. So, you as a company can do whatever you want basically for now until the auditing comes."*
EU Taxonomy		
Approach to the Taxonomy	How has the company decided to approach the Taxonomy, in order to report on it	*"We went through all of the descriptions of these economic activities at a high level and then sort of just what resonated with people."*
Auditing	All kind of interactions with auditors	*"[...] based on the understanding that we had at the time, that we didn't have material activities. And so that was also based on discussions with our auditing partner"*
Benchmarking	When the company had done any kind of benchmarking, with other Taxonomy reports	*"Since the annual reports started coming out, I've been trying to do benchmarking against others, and how they were reporting so far"*
Beyond the EU	Encompassing any remarks, that mentioned economic activities outside the European Union	*"But for your non-EU activities there is a huge like: what about our US operations? How do we look at the environmental impact assessments they are doing? Are they good enough? Are they not good enough? Because they need to be*

		compliant as well because we are an EU company"
Consultancies	Any mention of the use of consultancies, in the Taxonomy interpretation	*"And we then hired a consultancy to help us a little bit in the beginning and had a first year where we also tried to screen our activities for alignment."*
CSRD	Any mentions of CSRD	*"I think the CSRD is much more comprehensive and gives a much broader picture on where you are on your sustainability journey or whatever you call it, because you need so much more documentation across everything. I think that's also where the vast, I mean, the big focus is for most companies at the moment.*
Dealing with the Taxonomy	How the companies have dealt with the Taxonomy in practice	*"And how we have structured it is that quite early on in a financial year, the Finance Department will deliver a project list of forecasted revenue in the year from projects, process changes for us all the time, right. And they give this to the sustainability person within that subsidiary and then this sustainability person takes a look at those projects: Are they to have a sustainability certification? Is it a large project, blah blah blah and then they select the projects that they see a potential in screening and then they start that screening process."*
Difficulty with Taxonomy	Any kind of shared sentiment of difficulty involved in the Taxonomy	*"But you know, the Taxonomy is not an accessible piece of legislation, right? It is actually very challenging to get your head around initially because you need to understand what is eligibility, what is alignment, what is an economic activity, what's the point of this? Why is this important? And does it even apply to us?*

		What do we do, given that some of the rules are not clear yet?"
European divergences	Any mentions of how the Taxonomy might differ in other European countries	*"I think the Taxonomy is a very big thing in in Denmark, it's a very big thing maybe in the Nordics and I don't see it taking up that much time and attention in any other countries".*
Greenwashing	Any mentions of greenwashing	*"I think the EU Taxonomy is very good, it's about bringing an end to the talk and sort of greenwashing everything by starting to really say what is it that we can define as green, what is it that we think is actually sustainable from a more top-down, actually a bit more political, societal point of view."*
Impact of Taxonomy	How the organisation has been impacted by the Taxonomy	*"So, our NACE code is not covered by the current 2 environmental objectives on climate change mitigation and adaptation. But that said, there are of course indirect impacts"*
Interpretation	How the companies have gone about interpretating the Taxonomy, and any associated sentiment with this	*"I mean, I think that the EU Taxonomy has been very difficult on a more conceptual level because we're not that – our activities are not that eligible, which means that we had to do a lot of work on also interpreting – I mean, a lot of work on actually explaining that this is something that we have to do, but it is not very material for us."*

Peer discussions	Any sort of engagement in peer discussions, in order to facilitate the whole Taxonomy process	*"I mean, we did speak to company X, because they are down the road. So, I spoke to them as well when we still tried to make sense of what the Taxonomy was. That was early last year when we started working with it and we kind of chatted.*
Personal experience with the Taxonomy	Any personal sentiment towards the Taxonomy	*"It's so complicated - it was because I - when it landed on my table and we did the initial screening and me and this finance guy, we were just looking at each other like, and I was about to cry."*
Reporting on the Taxonomy	Any mention of the actual reporting against the Taxonomy, and the report itself	*"So, we reported, we use our Taxonomy KPIs obviously in our annual reports, but we also report on our KPIs on a quarterly basis"*
Stakeholder discussions	Any discussion the company may have had with stakeholders in order to better report and understand the Taxonomy	*"At the very beginning we had a strong collaboration with Dansk Industri, because when we started looking into the Taxonomy, then some of these activities relate specifically to companies with these specific NACE codes."*
Taxonomy oversights	Any opinions on what the Taxonomy may have missed	*"The current and remaining objectives don't apply to us because they don't even directly apply to us and they're not really reflective of all of our business. There are even sectors, I believe, that are completely out of the current scope. I mean it's almost like they have been forgotten about."*
Using the Taxonomy	How companies have used the Taxonomy, beyond simply reporting	*"So, I think it's a learning experience. I think also it's been good in terms of raising awareness about this area because I think what the*

		Taxonomy mostly has done for me is prepare my organization."
Sustainability governance		
Changes in codes of conduct	Any mentions of changes in code of conduct caused by the Taxonomy	*"I didn't find it necessary to update the supply code of conduct, but the employee code of conduct, yes."*
Compliance	Any mentions of Compliance	*"It costs money to comply. Again, it's not like compliance is the hottest thing."*
Departmental questions	Whenever any questions were raised on the current departments in the company	*"In general, with sustainability, I think for us as with some other companies, this has been something that some people were sitting in a corner doing and then maybe some areas of the sustainability agenda were like more firmly rooted within the company, and while others were not, but we are really trying now to engage the entire organization."*
Disclosures	Any mention of disclosures	*"So I have that fight always, especially since sustainability becomes super apparent because you know what you disclose also tells a story about who you are as a company."*
Ethical concerns	Whenever a company raised ethical considerations of any sort.	*"For it to be something that we could ethically stand for, because we wanted to make sure that whatever we reported that, we could definitely say for sure in our system"*

External pressure	Any external pressure, besides the pressure from investors	*"So, our customers, then again, I don't think the Taxonomy will be part of their analysis. I think actually from a competition perspective, it's better to be more green. The more green you are, the better."*
Impact of Taxonomy	How the Taxonomy has impacted the sustainability governance of the company	*"So, in that sense, it's sort of a framework for us to implement across the company across geographical locations to ensure that everything is sort of aligned."*
Organisational structure	What structures have been in place and used when reporting on the Taxonomy	*"The way we are set up is that our ESG accounting part of the financial organisation, they are calculating the KPIs, basically, doing the slicing and dicing of our revenue and all of that, that's reported in the annual reports to figure out how much to report on the Taxonomy."*
Transitional concerns	Any concerns over transitioning from a governance perspective	*"But we are working strategically with our suppliers in general. Because we have a target to have net 0 emissions in 2040 across scope one and three, meaning that we need to decarbonise our supply team."*
Transparency	Any mentions of transparency	*"It's very important to be transparent because there's kind of like in most companies you have - It's a constant fight between to say like the old school: We're kind of keeping everything closed and you know we're protecting company; to this kind of new generation of professionals in all different you know function that really believe that transparency is the way forward."*

Appendix D: Codebook Kasper

Name	Description	Representative quote
Company perspective		
Comms	How the EU Taxonomy has been used in relation to communications	*"In my opinion, it hasn't been moved towards something you want to promote yet, because it is such uncertain in many ways, and it's not very - It's very complicated, it's not very easy to communicate. It would be, I think, so many other things, that if you would go for green washing, you would do it in other parts. Then you would set more ambitious climate targets, you would talk about what you do in a totally - Interviewer 1 Something the public would understand and relate to. Yes, exactly because this is too difficult for anyone else to understand. So I don't see it having that big general interest or risk of being communicated somewhere in the public."*
Company as the peer	When companies have been asked for input (instead of vice versa)	*"Actually sort of the what I've picked up on the side, it's not always me who has the dialogue, but they sometimes come to us and it's not always clearly formulated on an opinion on like how to document compliance for third country activity or stuff like that but they also have that international network, so if we have any concerns or anything we can also use them as a forum to pick it up in there, so in that sense it is useful because they have access to a network that we don't have as a company."*
EU input	Whether companies have provided input in relation to the EU Taxonomy at the EU level	*"No, not at this stage. For us it has more been about keeping it steady, because it is a massive task and it requires something for the company to understand it. And many have not understood it because we e.g. buy green fuel or electricity, but where you really look at the final product and not on how you got there in the Taxonomy. And many have not been able to look at those individually. For example, if we electrify the railway so we can transport people more sustainably, but the machines we use for the project are heavy diesel emitters and that can't be otherwise, but then you say we bought green diesel oil, so I guess we are green too? But it's the final product, so many have not been able to connect those two."*
Company coverage	To what extent the EU Taxonomy activities	*"So, our NACE code is not covered by the current 2 environmental objectives on climate change*

	have covered the company activities	*mitigation and adaptation. But that said, there are of course indirect impacts. Every company is indirectly impacted as they probably have capital expenditure that it spends on maintaining buildings, right."*
Future	Broad category for speculations about future implications	*"If we then look, let's say, five years into the future and of course now we're speculating, but how do you think it will affect the investment flows into xx I think hopefully because we have the company profile we have, we should be well positioned to be included in a lot of funds compared to other companies because it's now completely transparent how much is actually how much revenue, CapEx, etc. is going into renewables. I think that has sort of been disguised a little bit in the past and when we just looked at the annual report. So, I think it should put us at, in that sense, at a competitive differentiation, should add that to us – but we are already classified as a utility and most people who hold us in their portfolios hold us because of our green profile. In terms of actual financial flows, I don't know."*
Sustainability leadership	Matters related to management, board etc.	*"We have a quite lean head office, which means that we're roughly 16, 17 employees in xx And then we have our six companies with 15,000 employees in total. And of course, there are ESG persons down there, so to speak, but I don't have any actual leadership reference anyway, I just collaborate with them, so kind of like a sort of a specialist in that sense, but also, of course, in charge of our strategy, our overall approach. Also, in charge of the investor relations that is relevant for ESG and also, of course, reporting and writing our ESG report, which is, of course, a large part of what I do. But also driving projects of health consultancy for the companies."*
Team organisation	Organisation of teams, departmental collaborations and recruitment matters	*"We have a quite lean head office, which means that we're roughly 16, 17 employees in xx And then we have our six companies with 15,000 employees in total. And of course, there are ESG persons down there, so to speak, but I don't have any actual leadership reference anyway, I just collaborate with them, so kind of like a sort of a specialist in that sense, but also, of course, in charge of our strategy, our overall approach. Also, in charge of the investor relations that is relevant for ESG and also, of course, reporting and writing our ESG report, which is, of*

		course, a large part of what I do. But also driving projects of health consultancy for the companies."
EU Taxonomy		
Alignment with other reporting	Relates to how well the EU Taxonomy aligns with other EU frameworks and other standards	*"So in that sense, it's sort of a framework for us to implement across the company across geographical locations to ensure that everything is sort of aligned with that and then we won't call it EU taxonomy internally because that doesn't fly very well with our US colleagues. So it will more be sort of like this is the company standards that we are putting forward. So instead our approach to sort of documenting alignment now has also very much been a little bit ad hoc because it's been me who have gone out to the different regions with the taxonomy and queries and say hey, please help me document that you fulfill all of this and then we've done that, but going forward we will have a company standard based on the taxonomy requirements to the different environmental and social categories integrated, so we very systematically can say all of our assets are compliant with this as a minimum."*
Standards		*"There will be standards, there will be private sector organizations that will say as an example, OK, if you conform, if you build your production sites according to our standard, and we then certify that, then it's accepted that you can deem the CapEx for that production site as aligned. There was a German green building standard, they claim or they suggest in their website that if you construct your buildings, your production sites according to our standard, then you can automatically deem all of that as taxonomy aligned. It makes sense from that perspective right? It's a marketing tool, right? And it's and you know, of course if you just have to conform to 1 stand then and then you're ticking all the alignment requirements under the taxonomy, companies will be very interested in that because it makes the whole process easier, right. But then the question that I had was OK, but where does it say that the Commission that the EU accepts compliance with that German Green building standard as taxonomy equivalent, right? Where's that written? Because if that's not written anywhere from the EU, I'm not going to advocate for that right."*

Approach	Describes the approach companies have taken to dealing with the EU Taxonomy	*"Like when I then asked them after the Annual Report that we published, this is just a huge, I mean it's a huge task, there's no guidance right. If you would take a very conservative view which we have taken, you would need to go economic activity by economic activity, eligible CapEx, OpEx turnover by eligible CapEx. Project by project. Within this eligible CapEx right, because our eligible CapEx is made out of many, many, many building projects, you would need to go project by project, construction or production site by construction or production site."*
Challenges	Challenges, obstacles etc. in relation to complying with the EU Taxonomy	*"I think the main sort of obstacle to overcome is that every legislation that comes out of the EU sustainable finance track at the moment is coming at an immense pace, and that goes for the taxonomy, It goes for the CSRD, it goes for anything and essentially you just have a piece of legislation that you as an organization then have to take and implement, but without any guidance on how to do it. And as when reading through any types of regulation, you keep swinging back and forth between, oh, it's super simple because it's just, we just have to do what's stated here back to sort of like, OK, it's super complex because it can be interpreted in 10,000 different ways."*
Effect on competitiveness	The effect on competitiveness, both with regards to company specific competitiveness, as well as competitiveness between EU member states	*"So I think it would drive opportunities uh and the drive and steer us in the direction, but I think it will take some years before we have the release like it matters, it's - Uh, and probably in the EU. Many of these new directives has to be incorporated on a national level and there you will also see that nation you know on the country level, on national level there'll be different approaches to do so. Without me knowing it, I could imagine that if you go to the southern part of Europe or the eastern part of Europe, there will be less strict on some of these things that we will see in our part of the country in, in the, in the more western part of Europe. You could say that Nordic countries. So the concern I hear is also what we'll do with competition if some countries go all in, you know, very fast and some thousand. And I say, well, probably maybe those who go all in first will actually gain on it on the – actually, but maybe it will not be seen like this. So I think there's something's coming in there."*

Level of compliance	Has the company taken a conservative or more ambitious approach	*"If you would take a very conservative view which we have taken, you would need to go economic activity by economic activity, eligible CapEx, OpEx turnover by eligible CapEx. Project by project. Within this eligible CapEx right, because our eligible CapEx is made out of many, many, many building projects, you would need to go project by project, construction or production site by construction or production site."*
Opportunities	Opportunities related to reporting on the EU Taxonomy, both from a company and broader perspective	*"I think the opportunities that we have right now are mainly for a specific segment of clients that are interested in the EU Taxonomy and if they were to invest in a new project we might, you know, be preferred over some of our competitors because we have experience within the area and we have been relatively visible when it comes to the debate and we within the construction sector. So I think we could be a preferred partner if they have the ambition already to build something that should be aligned with the EU Taxonomy. I don't think we are a big step ahead of our competitors, but a little step ahead and maybe only a little step ahead of some and not others. But comparing us maybe to some of the construction companies that are not listed on the Stock Exchange and does not need to report on the EU Taxonomy. I think we compared to those are a big step ahead and there we might have an advantage and I think for us it's a bonus that we understand it so well now that we can actually advise our clients on what to do and take the dialogue with them. And so I think that puts us in a good position but we haven't really seen the orders yet. No. Well, we'll see. We're hoping."*
Reporting		
Alignment	Reporting matters related to alignment	*"Yes. We know how much it costs, but we just have to see if it's a part of alignment, then it's because it's been used. And that's the weird thing about the use Taxonomy that either you screen your CapEx as an activity in themselves and you say is this a sustainable activity, or you assigned them to the activity you were doing as a company, and then if that activity is in alignment with the EU Taxonomy, also say that that CapEx investment is aligned with the EU Taxonomy, which can be counterintuitive because we can buy a machine which is inherently a bad thing for the environment because it runs on diesel and is a heavy emitting, but as long as it's used*

		for project that is sustainable according to EU Taxonomy, it can be classified as aligned CapEx, which is in my point of view a little bit counterintuitive, but it's easier for us to do it that way than to screen all of our CapEx investments."
DNSH	Reporting matters related to the Do No Significant Harm principle	*"So we panicked in the beginning, so we kind of quickly realized that: one we were never going to be able to separate the data needed for reporting to granular enough for it to be something that we could ethically stand for, because we wanted to make sure that whatever we reported that, we could definitely say for sure in our system, so this is this financial post and we can guarantee that the minimum safeguards have been complied and that we do no significant harm to the other targets."*
Eligibility	Reporting matters related to eligibility	*"We've had plenty of peer discussions on that because you can see it quite high level like. For us, for xx we have offshore wind, we have solar, we have bio energy. Should we then take those activities as a starting point, and then any financials, you can then link to those categories you can then report as this is our eligible wind activities or do you need to sort of report on each and single category that is listed in the taxonomy – because that's not so much of a problem for us."*
Fit with Taxonomy	Reporting matters related to the company fit with the EU Taxonomy	*"It's the NACE code. The NACE code doesn't fit. And also, if we were to report on anything related to buildings, how is that going to help any investors? Okay. What kind of picture is it that the EU taxonomy wants? Is it that we say, oh, we have something with buildings, but is that actually where we can do something sustainability wise? No, not in xx. That's not where our main activities are. Okay. That's not where it's. So, if we report that and say, okay, this is how we see it and this is our eligibility, it kind of doesn't give the correct picture to the investors. It just, I can't see how that can help the investors to be honest."*
Minimum social safeguards	Reporting matters related to the Minimum Social Safeguards	*"So, I think for minimum social safeguards. We will most likely look to our current auditing and policy setup, which I think is what a lot of other companies are also doing. So, to say, you know, we have a set of social safeguards that are reflected in the way we do responsible business, both within our value chain. And then if there's anything specifically speaking to*

		that, you know, that activity, we might need to account for that. But I would assume without that we would have to look at the existing structure of our responsible business conduct there."
NACE	Reporting matters related to NACE codes	*"At the very beginning we had a strong collaboration with xx, because when we started looking into the Taxonomy, then some of these activities relate specifically to companies with these specific NACE codes. So, the question was how tight do we look at this, it is about fulfilling the NACE code, or it is more so about the activity? But for example 7.1 (construction of new buildings) is related to a NACE code that we as a company don't have because we are a holding company, which means we are an investment company that invests in our subsidiaries. So, our NACE code would be that of a financial company. So not many fulfills 7.1, so we had a large dialogue about whether to focus on the NACE code or the activity. Because in the Taxonomy, under each activity it says that this point includes e.g., the construction of new buildings bla bla bla, and that includes companies with NACE code xx or others, and then you have the criteria. But because our company doesn't as such have those NACE codes, or not much, so if that is the defining parameter and not the activity, makes a big difference. And because of that, we had quite a lot of dialogue with Dansk Industri and the ones sitting in Brussels for xx, I think he is called Andreas, about how to tackle this. And then it was decided that it would more so be the activity rather than the NACE code that would determine."*
Punishment	Reporting matters related to legal enforcement	*"And also given the also given the current environment where there's no sanction, so companies are not exactly incentivized to report too much. Yeah, you're right. No, I mean, there's the regulatory requirement. Absolutely to report. But there is no punishment so to speak for what is in the reporting and make this up inverted commas only 5% and not 2, right."*
Solutions	How can the EU Taxonomy be improved	*"I think this is going to be a method that is aligned across, you know - I don't know, maybe a FSR or someone would come up with the guidance of how to do it, at least here in Denmark."*
Stakeholders		

Auditors	Stakeholder matters related to auditors	*"So yes, those - Experts, I wouldn't say xx were experts I, would say more that they were - well, experts in terms of interpreting the legal text. Experts are my people here because they are truly experts and then we also had xx little bit. We spend a lot of time and energy understanding this and trying to do - actually trying to do the right thing."*
C25	Stakeholder matters related to C25 peers	*"So not really other companies because we couldn't really. I mean then it would be xx for infrastructure"*
Consultants	Stakeholder matters related to consultants	*"What have they of thoughts of what companies need to do there? And then the final one is the dialogue with our auditors. That is, of course not someone we can use as a consultancy company because the auditors are the ones third party validating it"*
Customers	Stakeholder matters related to customers	*"I think customers are still, from our company's perspective, are still the main driver, but if they are taxonomy reporting, then there might be a change for the customers to say, we want your feed to be more aligned, and then I think really then it will make a difference, and also be a bit more strict than just, you know, all of the different car commercials with all the green leaves and saying that it's the most green car that's ever been produced, right?"*
Government	Stakeholder matters related to the public sector	*"But I really hope that we can find a common ground now and agree on a definition that we can all work with because it's so much needed since the EU is not very helpful in this regard, and the Danish authorities are not very helpful in this regard. So we're trying to get there by defining ourselves what is good enough."*
Investors	Stakeholder matters related to investors	*"No, I mean, there's the regulatory requirement. Absolutely to report. But there is no punishment so to speak for what is in the reporting and make this up inverted commas only 5% and not 2, right. And that will come when, I guess, the investor push will come over the next couple of years right but you're right, there are no sanctions as you describe. I mean so that's one angle it's very, very conservative and I think absolutely rightly so. And also, I think you know, I think personally there will be."*

SFDR	Investor matters that relate specifically to the SFDR	*"You're developing and I think if you ask corporates in 2025 or 2026, it will be much more business as usual already and then investors will also already have, you know, the push from investors I personally believe will be will get stronger and stronger, because investors, you know, will want to sell, I think on average Article 9 funds, right? So and I think you cannot include companies unless they exceed, I believe a certain taxonomy alignment threshold. So the pool will get stronger from end investors who want Article 9 funds which means that asset managers want to sell more Article 9 funds which means that in order to do that they need companies to be very taxonomy aligned, let's say in order to be included in article 9 funds and corporations will want to be included as much as possible."*
Multistakeholder	Stakeholder matters related to multistakeholder initiatives (e.g., industry associations)	*"Not that much. Not directly, but because we both used xx, they have used the same methodology. But we ended up in the same working group together with xx where we analyze what we understand with those subpoints in alignment. If we write 70% alignment, then what type of documentation is that based on?"*
Network	Stakeholder matters related to personal networks	*"But I think it's it was very much like let's understand it ourselves, but then we have used, of course our network to again to benchmark, for example with my contact in xx for example, and having these calls with the xx and so on."*
Others	Stakeholder matters related to others	*"We've participated in different sort of workshops and meetings and classes and so forth, but on a very ad hoc basis.""*
Peers	Stakeholder matters related to industry peers	*"So in the beginning we have actually had quite a close collaboration with the German company xx, who are also doing their reporting where we sort of had session every once in a while discussing different things sort of so - actually, on a theme by theme one could be like, oh, how are you interpreting the OpEx calculations? How can we do that? We could bring up, hey, we've developed this on the linkage principle we think that's a reasonable way of doing it. How do you see it? And then we've sort of calibrated our approaches along the way. And that is what I went back to before is that in the lack of guidance we've had to figure out together with our peers what is a reasonable way of interpreting it."*

Suppliers	Stakeholder matters related to suppliers	*"So not really other companies because we couldn't really. I mean then it would be xx for infrastructure, it would be someone else for something else."*
Sustainability governance		
Code of conduct	Governance matters related to a company's code of conduct and broader due diligence	*"We're not in some of the major – what do you say – sectors or industries, except for maybe xx, which is, of course, sourcing a lot of different raw materials that you could point out is high material risk, and they are also the ones with the most structured approach to their sourcing and their responsible supply chain. Very much, of course, environmentally focused, but also on the social side."*
Compliance	Compliance matters	*"I mean, so we do have compliance and safety is always going to be number one for us either way, but yeah, sustainability is getting up there."*
CSRD	Comments made in relation to the CSRD	*"It introduces a common like, say ESG vocabulary into the market. So, between auditors, corporates and investors, there is a common vocabulary now being introduced into the market, which thirdly makes information disclosures via the taxonomy comparable across industries, very importantly, right, because financial reporting CapEx, you can't compare across sectors doesn't really matter, right? It's a comparable metric across industries. E.g. So far has always been a little bit siloed like sector by sector. The EU is changing that now with the taxonomy, as you will be aware of, right the Corporate Sustainability Reporting Directive. There are sector agnostic standards that are being developed right now, right? And the taxonomy also is kind of sector agnostic in that sense as well."*
Greenwashing	Comments made about greenwashing concerns, strategies etc.	*"Absolutely, and now that you mention it, we have also pulled the plug on some projects because of greenwashing. We for example had our xx division call us and ask why their eligibility is so low when their competitors in xx would have much higher scores. They couldn't understand why. So, where we had pulled out e.g., bridge constructions and harbour constructions, their competitors had written that as eligibility, where we then said we won't include it if we are not sure. We look into the projects we do tests on and consider if it will be difficult to fulfill some of those 3-4 parameters we have to fulfill when*

		aligning, then we'd rather make the conclusion that it is not worth including so we don't have to waste resources on examining future projects within the same area."
Sustainability Strategy	More general comments made about the company's sustainability strategy	*"One thing is for sure is that our management is super interested and we have an open and very close dialogue with them and in our xx and where we some board of directors representatives present there, they also wanted to know, so we had included a couple of slides about the taxonomy this year for them. They were, they were informed. But they didn't have any follow up questions."*