



Nordic Council
of Ministers

How the EU taxonomy has impacted companies in the construction and forest sector in the Nordics



Contents

Preface	4
Acronyms	5
Executive summary	6
Sammanfattning	8
1. Introduction	10
2. The EU Taxonomy Regulation (EU) 2020/852	12
2.1 SFDR & CSRD	15
2.2 Screening for taxonomy alignment	17
2.3 Consequences of non-compliance	18
3. Methodology & Approach	19
3.1 Literature review	19
3.2 Interviews	19
3.2.1 Categorisation and delimitations for the construction sector	20
3.2.2 Categorisation and delimitations for the forest sector	21
4. Construction sector	22
4.1 Sustainability impacts	22
4.2 Organisational impacts	24
4.3 Internal knowledge building	25
4.4 Preparational and future work	30
4.5 Cross-Nordic challenges and advantages	31
5. Forest sector	33
5.1 Sustainability impacts	34
5.2 Organisational impacts	35

5.3 Internal knowledge building	36
5.4 Preparational and future work	37
5.5 Cross-Nordic challenges	38
6. Comparative analysis of the two sectors	40
7. Conclusions	46
8. Recommendations	48
9. List of references	50
10. Appendices	53
About this publication	57

Preface

This report has been commissioned by the Nordic Working Group for Environment and Economics (NME). The report has been prepared by Norion Consult.

This report examines how companies in the forestry and construction sectors in Norway, Sweden, and Finland have responded to the EU taxonomy regulation during its early implementation period. The analysis provides an analysis of the current situation in both sectors, highlighting key barriers and opportunities that companies face in aligning with the taxonomy. The findings highlights commonalities and differences between the two sectors, particularly in their approach to sustainability impacts, organizational changes, knowledge building, preparatory work, and cross-Nordic challenges and advantages. Neither of the sectors perceive taxonomy alignment as a competitive advantage yet.

The analysis is based on a literature review and interviews with selected companies in both sectors across the three countries. Since the EU Taxonomy Regulation still is in its infancy, companies and industries are learning and adopting step by step to align company practices and reporting standards to live up to the reporting criteria from the EU Commission. At this stage the experiences of the implementation the regulation are still limited which is also reflected in the report.

Members of the Nordic Working Group for Environment and Economy have provided comments and inputs to the report during the work. The authors of the report are responsible for the content as well as the assessments and recommendations, which do not necessarily reflect the views and the positions of the governments in the Nordic countries.

October 2024

Magnus Cederlöf

Chair of the Nordic Working Group for Environment and Economics

Acronyms

BREEAM	Building Research Establishment Environmental Assessment Method
CapEx	Capital Expenditures
CSRD	Corporate Sustainability Reporting Directive
DNSH	Do No Significant Harm
EC	European Commission
EIA	Environmental Impact Assessments
EPA	Environmental Protection Agency
ESRS	The European Sustainability Standards
EU	European Union
FSC	Forest Stewardship Council
GBC	Green Building Council
NACE	Nomenclature of Economic Activities
NFRD	Non-Financial Reporting Directive
NME	The Nordic Working Group for Environment and Economy
OECD MNEs	Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises
OpEx	Operating Expenditures
PEFC	Programme for the Endorsement of Forest Certification
SFDR	Sustainable Finance Disclosure Regulation
SFM	Sustainable Forest Management
TSC	Technical Screening Criteria
UNGP	UN Guiding Principles on Business and Human Rights

Executive summary

This report examines how companies in the forestry and construction sectors in Norway, Sweden, and Finland have responded to the EU taxonomy Regulation during its early implementation period. The analysis provides a comprehensive view of the current market state in both sectors, highlighting key barriers and opportunities that companies face in aligning with the Taxonomy. The findings reveal commonalities and differences between the two sectors, particularly in their approach to sustainability impacts, organizational changes, knowledge building, preparatory work, and cross-Nordic challenges and advantages.

Key findings from the comparative analysis indicate that both sectors have strengthened cooperation, both internally as well as along the value chain. Both sectors also have substantial experience in sustainability reporting. Certification schemes used for sustainability reporting in both sectors are seen as a helping tool when scrutinising the Taxonomy criteria. Climate adaptation and mitigation measures have also been applied in both sectors for a long time, and the companies are used to working with this topic. Furthermore, neither of the sectors perceive Taxonomy alignment as a competitive advantage yet.

The analysis also highlights differences in how each sector experiences its challenges. The construction sector, for example, is still coping with the current economic recession, which hampers incentives for project investors to invest in sustainability measures beyond business-as-usual practices. These kinds of investments are necessary for the industry to improve alignment beyond the climate objectives stated in the Taxonomy. The sector also finds the Taxonomy criteria more ambitious than current business practices, which again requires additional resources and investments in order to realise in practice. In contrast, the forest sector considers the Taxonomy criteria less ambitious than the sustainability measures already in place in the Nordics and faces challenges with the Taxonomy's adaptation to Nordic forestry practices.

Overall, the Taxonomy has played a significant role in advancing the EU's sustainability goals. However, the lack of streamlined guidelines and clear interpretations limits its potential impact. To realise the full potential of a shift toward sustainability in both sectors, further investments in green technology, innovative business models, and increased participation from investors and consumers are essential to drive demand for sustainable solutions. The insights gained from this analysis have informed a set of policy recommendations aimed at creating a supportive policy landscape in the Nordics, which can enhance the Taxonomy's impact on sustainability efforts and sector priorities. The recommendations are:

- Study the synergies between certification schemes and the EU taxonomy regulation.
- Clarify the interplay between national regulation and the EU taxonomy regulation.
- Promote more research on the effects of the Taxonomy.
- Investigate the spread of significant contributions among companies.
- Promote funding and investment for further Taxonomy-alignment with the environmental objectives.

The analysis is based on a literature review and interviews with selected companies in both sectors across the three countries. The literature review provided critical insights into how Nordic companies engage with and implement the Taxonomy Regulation in practice. The interviews offered a deeper understanding of the barriers and opportunities companies are facing when understanding, implementing, building knowledge inhouse and aligning with Taxonomy criteria. Since the EU Taxonomy Regulation still is in its infancy, companies and industries are learning and adopting step by step to align company practices and reporting standards to live up to the reporting criteria from the EU Commission. The interviews gave insight into how the different sectors are coping and how implementation and practice is evolving. Findings from the interviews have also been outlined in a comparative SWOT analysis between the two sectors.

Sammanfattning

Denna rapport undersöker hur företag inom skogs- och byggsektorerna i Norge, Sverige och Finland har reagerat på EU:s taxonomiförordning under dess tidiga implementeringsperiod. Analysen ger en aktuell bild av marknadsläget i båda sektorerna, och lyfter fram viktiga barriärer och möjligheter som företag står inför när det gäller att anpassa sig till taxonomi-rapporteringskraven. Resultaten visar på likheter och skillnader mellan de två sektorerna, särskilt i deras syn på hållbarhetseffekter, organisatoriska förändringar, kunskapsuppbyggnad, förberedande arbete och gränsöverskridande utmaningar och fördelar.

Resultat från den jämförande analysen tyder på att båda sektorerna har stärkt samarbetet, både internt och längs värdekedjan. Båda sektorerna har också stor erfarenhet av hållbarhetsredovisning. Certifieringssystem som används för hållbarhetsrapportering i båda sektorerna ses som ett hjälpmedel vid granskning av taxonomikriterierna. Klimatanpassning och klimatminskande åtgärder har också tillämpats i båda sektorerna under lång tid och företagen är vana vid att arbeta med detta ämne. Ingen av sektorerna uppfattar heller förenlighet med taxonomin som en konkurrensfördel ännu.

Analysen belyser också skillnader i hur varje sektor upplever sina utmaningar. Byggsektorn, till exempel, befinner sig i en rådande ekonomisk lågkonjunktur, som hämmar incitament för projektinvestorer att investera i ytterligare hållbarhetsåtgärder utöver normal praxis. Den här typen av investeringar är dock nödvändiga för att industrin ska kunna förbättra hållbarhetsarbetet i linje med taxonomin, utöver de klimatåtgärder som branschen redan arbetar med. Sektorn anser också att taxonomikriterierna är mer ambitiösa än nuvarande affärspraxis, vilket återigen kräver ytterligare resurser och investeringar för att förverkligas i praktiken. Däremot anser skogssektorn att taxonomikriterierna inte ligger i linje med de hållbarhetsåtgärder som utövas i Norden och branschen står därmed inför utmaningar med taxonomins anpassning till nordiska skogsbruksmetoder.

Sammantaget har taxonomin spelat en betydande roll för att stärka arbetet gentemot EU:s hållbarhetsmål. Men bristen på gemensamma riktlinjer och tolkningar begränsar dess potentiella inverkan. För att realisera den fulla potentialen av en förändring för bredare hållbarhetsarbete i båda sektorerna är ytterligare investeringar i grön teknik, innovativa affärsmodeller och ökat deltagande från investerare och konsumenter avgörande för att driva efterfrågan på hållbara lösningar. Insikterna från denna analys har legat till grund för en uppsättning policyrekommendationer som syftar till att stödja policyutvecklingen i Norden, vilket kan öka taxonomins inverkan på hållbarhetsarbetet och sektorsprioriteringar. Rekommendationerna är:

- Studera synergier mellan certifieringssystem och taxonomiförordningen.
- Tydliggöra samspelet mellan nationell reglering och EU:s taxonomiförordning.
- Främja mer forskning om effekterna av taxonomin.
- Undersök spridningen av signifikant bidrag till miljömålen mellan företag.
- Främja finansiering och investeringar för ytterligare taxonomianpassning inom miljömålen områden.

Analysen baseras på en litteraturgenomgång och intervjuer med utvalda företag inom båda sektorerna i de tre länderna. Litteraturgenomgången gav kritiska insikter i hur nordiska företag engagerar sig och implementerar taxonomiförordningen i praktiken. Intervjuerna gav en djupare förståelse för de hinder och möjligheter som företag står inför för att förstå, implementera, bygga kunskap internt och anpassa sig till taxonomikriterierna. Eftersom EU:s taxonomiförordning fortfarande är i sin linda lär företag och branscher sig fortfarande och anpassar organisatoriska strukturer steg för steg för att ta fram nya standarder för att leva upp till rapporteringskriterierna från EU-kommissionen. Intervjuerna gav en inblick i hur de olika sektorerna arbetat hittills och hur implementering och praktik utvecklas. Resultaten från intervjuerna har också beskrivits i en jämförande SWOT-analys mellan de två sektorerna.

1. Introduction

In 2019, the European Commission (EC) adopted the growth strategy the European Green Deal. The key goals of the Green Deal is zero net greenhouse gas emissions by 2050 and reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. The Green Deal also includes environmental objectives within areas such as resilience, protection of biodiversity and ecosystems, transition to a circular economy, and sustainable use of water and marine resources. To achieve sustainable growth, several policy initiatives and regulations have been put in place since, to guide and make sure there is uniformity across the union.^[1]

To further support these ambitious goals, the European Union introduced a comprehensive framework to drive sustainable investment and economic activities across its member states. One of the key components of this framework is the EU taxonomy (the Taxonomy), which can play a crucial role in guiding the transition toward a sustainable economy. The Taxonomy provides a detailed common classification system defining sustainable economic activities to ensure uniformity, facilitate sustainable investments, and support the overall objectives of the EU Green Deal. The Taxonomy is part of a broader regulatory ecosystem designed to promote sustainable finance, together with the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR). CSRD (Directive 2022/2464) makes it mandatory for large and listed companies to disclose sustainability information, as of January 1, 2024. SFDR (Directive 2019/2088) requires financial market participants and financial advisers to disclose on sustainability. The aim is that these regulations together will ensure transparency through reporting obligations in corporate non-financial reporting and in relation to financial products and investments. Together, these three frameworks constitute the EU Sustainable Finance Framework and work together to direct investments toward Taxonomy-aligned activities by enabling investors to identify these activities.

However, there are implementation challenges seen across sectors, which among others have been addressed by Ernst & Young, in a survey in their 2023 Taxonomy Barometer.^[2] The survey showed that most company activities on the main European stock market were considered non-eligible. Furthermore, the survey concluded that "the 2022 disclosure requirements presented significant challenges for companies reporting taxonomy-related information, and it became apparent that further guidance is still needed to ensure a consistent approach across all sectors". In another report by Hummel & Bauernhofer where companies and

1. EU Commission (2019)
2. Ernst & Young (2023).

stakeholders were interviewed regarding the Taxonomy regulation, findings indicate that companies struggle mostly with qualitative challenges, setting up internal reporting systems to provide high quality reporting.^[3] In addition, several studies on the effects of the Taxonomy regulation suggest difficulties in interpretations of definitions and criteria of the regulation, resulting in insufficient reporting and confusion among companies.^{[4][5][6]}

Hence, there is a broad range of challenges and opportunities with the Taxonomy being applied across sectors and countries within the EU. This has been raised by the Nordic Working Group for Environment and Economy (NME), under the Nordic Council of Ministers, who has initiated this assessment of the EU taxonomy's impact on the forest and construction sector in three Nordic countries. This assessment is particularly focused on the areas of climate mitigation and protection and restoration of biodiversity. By evaluating selected sectors, the project aims to gain deeper insights into the current status of implementing the Taxonomy within the region. The findings from this evaluation will play a pivotal role in shaping future guidance and recommendations, which will be essential for strengthening the implementation of the Taxonomy regulation across sectors and member states in the coming years. The study has been carried through in 2024 by Norion Consult. The authors are Rikke Fischer-Bogason, Linda Stafsing, Elvira Borgman, Amalie Engelbrecht Hansen and Laura Schou Bagh.

3. Hummel, K., Bauernhofer K. (2024)
4. Arnesson, A., Gustafsson, C. (2023).
5. Andersson, K., Hellström, A., Lundahl, J. (2023).
6. Westerberg, J., Gren, S. (2023)

2. The EU Taxonomy Regulation (EU) 2020/852

The Taxonomy Regulation^[7] entered into force in July 2020. The regulation aims to provide technical screening criteria allowing companies, investors, and financial market participants to establish whether economic activities contribute significantly to environmental objectives, also referred to as taxonomy-eligible or taxonomy-aligned. If the activity is taxonomy-aligned, it means it qualifies as environmentally sustainable. If the economic activity is taxonomy-eligible, it means that it is within the scope of the taxonomy and must be assessed against.

The EU taxonomy has a guiding purpose and does not entail any obligations on companies or prohibitions against certain types of investments. Rather, it is expected to provide benefits through increased transparency, classification, and communication regarding which economic activities can be considered environmentally sustainable. The taxonomy is intended to prevent greenwashing and establish the basis for standards and labelling schemes for green financial products and instruments. As such, it is a tool designed to make it easier for actors in the financial markets to assess whether investments align with long-term European climate and environmental goals. At the core of this taxonomy lies a classification system outlining criteria for economic activities that resonate with a net-zero climate target by 2050 and broader environmental objectives. The Taxonomy consists of six environmental objectives defined by Article 9 of the Taxonomy Regulation. The objectives are outlined in Figure 1 below.

The six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

Figure 1 The six environmental objectives defined by the EU Taxonomy Regulation.

7. European Commission (2020). Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

Companies covered by the EU taxonomy are financial market participants and large companies. In total, there are 13 different sectors covered by the Taxonomy.^[8] Since 2021, these companies must disclose the proportion of their economic activities that are taxonomy eligible. As of 2022, the companies must further analyse and report which economic activities that are taxonomy aligned. All companies that are obliged to report according to the EU Taxonomy today, are required to disclose the proportion (%) of their activities that are eligible and aligned according to three key performance indicators: turnover, capital expenditures (CapEx) and operating expenditures (OpEx). The sustainability reporting must also include qualitative information that explains the three key performance indicators, the assessments and interpretations made.^[9]

From 2022, it became mandatory for EU countries (Norway one year later) to report on the share of economic activities that are taxonomy eligible. From 2023 it became mandatory for companies in Sweden and Finland^[10] to report on the share of economic activities that are both taxonomy-eligible and taxonomy-aligned. It must by then also be specified in sustainability reports (except for Norway being a non-EU member), which environmental objective the company has chosen for the assessment "contribute significantly to". Hence, there are no requirements from the EU which environmental objective to select, but mandatory to choose at least one out of the six environmental objectives. The Taxonomy includes six environmental objectives, which are divided between two different Delegated Acts. The Climate Delegated Act^[11] was adopted in 2021 and later in 2023 the Environmental Delegated Act^[12] was adopted. The two first environmental objectives fall under to the Climate Delegated Act. The Environmental Delegated Act contains the remaining four environmental objectives (3-6).

To assess whether the economic activities are eligible and aligned according to the Taxonomy, there are numerous Technical Screening Criteria (TSC) described for each environmental objective. The TSC are described in the Climate and Environmental Delegated Acts.^[13] TSC are not developed for all sectors, which means that there are some sectors that will automatically be excluded from the Taxonomy.

In the 2023 financial period, the reporting was extended to include an eligibility assessment of the four environmental objectives under the Environmental Delegated Act. There were in the same period also updates to the Climate Delegated Act. In the coming years, the scope will gradually broaden further,

8. See full list of sectors at the EU Commission website: <https://ec.europa.eu/sustainable-finance-taxonomy/sectors>

9. Ernst & Young. (2023).

10. In Norway it will be mandatory to report on alignment and which environmental objective that is chosen from 2025. Some companies have voluntarily reported on this already.

11. Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council

12. Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council

13. Ernst & Young. (2023).

including smaller size companies and non-listed companies as well.^[14] See the timeline below in Figure 2. However, for Norway, being a non-EU member, the EU taxonomy Regulation entered into force under Norwegian law on 1 January 2023. Listed companies are therefore obliged to publicly report for the first time on the Taxonomy in 2024, for fiscal year 2023.^[15] For non-listed companies in Norway, the first mandatory reporting will be for fiscal year 2024, with publication in 2025.

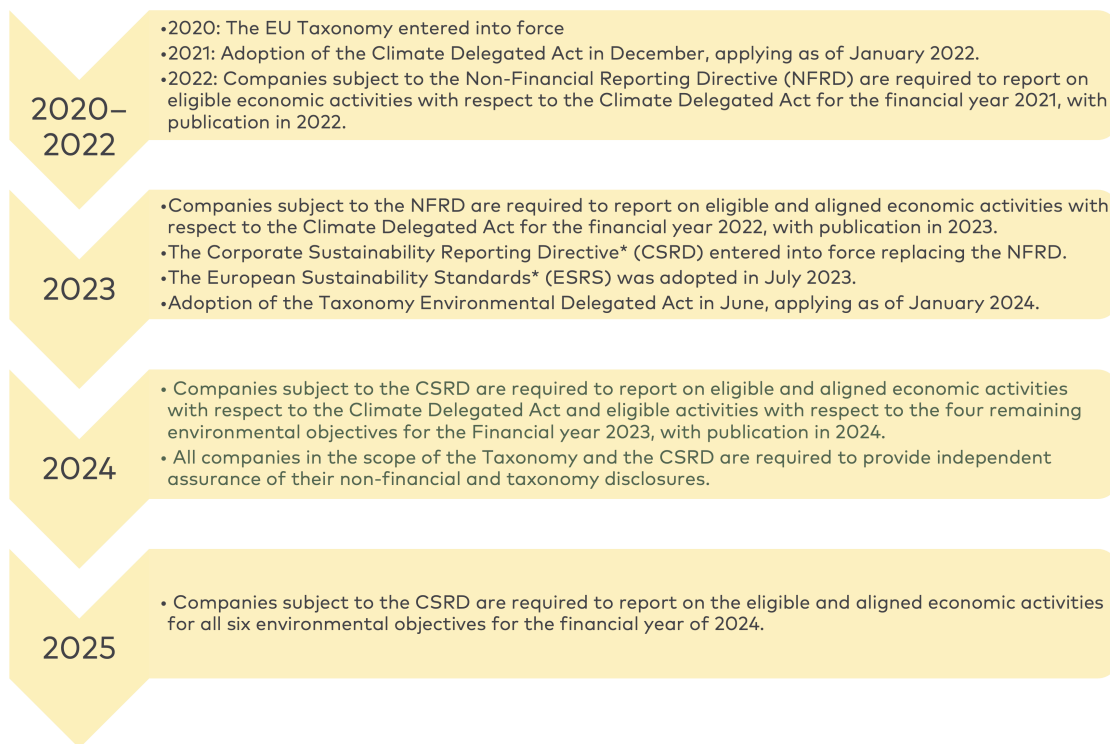


Figure 2 Timeline of the EU Taxonomy regulation and accompanying directives entering into force. *Both CSRD and ESRS will be described in section 2.1 below.

In this report, focus will be on environmental objective one and six, which are defined in the Taxonomy Regulation in Article 10 and 15. Articles 17 and 18 must also be included in the assessment for an economic activity to be classified as sustainable. The four different articles are described in detail below.

Article 10: Substantial contribution to climate change mitigation

The first environmental objective presented under the EU Taxonomy Regulation is Article 10, Substantial contribution to climate change mitigation. The overarching definition of the Article is that the economic activity substantially should contribute to climate change mitigation, stabilisation of greenhouse gas concentrations in the

14. EU Commission. (2023a).
15. Regjeringen. (2024).

atmosphere through avoidance or reduction of greenhouse gas emissions or an increase of greenhouse gas removals. The Article further lists (a-i) several processes and product innovations which broadly define how these mitigation activities can be achieved.^[16]

Article 15: Substantial contribution to the protection and restoration of biodiversity & ecosystems

The sixth environmental objective presented under the EU Taxonomy Regulation is Article 15, Substantial contribution to the protection and restoration of biodiversity and ecosystems. The main goal of the objective is that the economic activity should contribute to protecting, conserving or restoring biodiversity, to achieve good condition of ecosystems or protect ecosystems that already are in good condition. These objectives are further described through a set of actions (a-e) that are listed in the Article.^[17]

Article 17: Do No Significant Harm Criteria (DNSH)

The purpose of this Article is to clarify when an economic activity significantly harms an environmental objective and likewise applied when assessing whether an economic activity is environmentally sustainable. For an activity to be classified as sustainable, it is not sufficient to contribute to one of the six objectives. The activity must also not violate any of the other objectives. The DNSH refers to specific thresholds or requirements that should be met when an economic activity is carried out. The technical screening criteria help guide this assessment. The DNSH principle should be applied to all activities that are taxonomy eligible.^[18]

Article 18: Minimum Safeguards

Article 18 should be used as a due diligence procedure for the company to ensure alignment according to fundamental conventions and principles regarding human and labour rights. To comply with Article 18, company activities should follow the standards from the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (OECD MNEs) as well as UN Guiding Principles on Business and Human Rights (UNGP).^[19]

2.1 SFDR & CSRD

The Taxonomy is part of a broader sustainable finance framework under the EU Green Deal, which in terms of reporting consists of the Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive

16. Article 10, EU (2020): Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

17. Article 17, EU (2020): Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

18. European Securities and Markets Authority. (2023).

19. Article 18, EU (2020): Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

(CSRD). There is cross-referencing between the Taxonomy for sustainable investments and these reporting directives, with a broad overlap between those subject to reporting requirements and those required to disclose their investment information under the Taxonomy.^[20]

Regulation (EU) 2019/2088, known as the **Sustainable Finance Disclosure Regulation (SFDR)**, is a key legislation in the European Union aimed at increasing transparency in the financial services sector regarding sustainability. The SFDR requires financial market participants, such as asset managers, financial advisors, and insurance companies, to disclose how they integrate environmental, social, and governance (ESG) factors into their investment decisions and advisory processes. This includes their policies for integrating sustainability risks into their investment activities and the impact of their activities on sustainability factors. These disclosures must be presented at both the entity and product levels and communicated in a clear, precise, and balanced manner.^[21]

The **Corporate Sustainability Reporting Directive (CSRD)**, Directive 2022/2464, entered into force in January 2023. CSRD replaces and applies to all companies that were compliant to report under the Non-Financial Reporting Directive (NFRD), which makes it mandatory for large (>500 employees) and listed companies to disclose sustainability information. As of January 1, 2024, large and listed companies already subject to the NFRD will have to report according to CSRD. Companies subject to this are therefore preparing to have the reporting ready to be published in 2025 along with the annual report. During 2025 and 2026, small and non-listed companies will gradually be subject to reporting as well. CSRD provides standardised reporting rules on how companies must report on sustainability, aiming to increase transparency and ensure better accountability through more informed decisions.^[22] CSRD can be seen as a complement to the EU taxonomy reporting, where it is also referenced that the taxonomy must be reported under CSRD. The Taxonomy is micro level reporting on economic activities, whereas the CSRD focuses on macro level for the whole company. To a large extent, most companies covered by the Taxonomy are also required to provide a non-financial statement according to the CSRD.

To ensure more consistent and comparable sustainability reporting, according to CSRD, European Sustainability Reporting Standards (ESRS) were adopted in July 2023. ESRS aims to provide specific guidelines and standards for ESG reporting under CSRD. All companies that are mandated to report according to CSRD must follow the standards according to ESRS to be in line with reporting rules and standards. Therefore, ESRS is legally binding and must be reported in annual reports and financials. ESRS is built upon the ESG principles, hence there are environmental, social, and governance standards.

20. European Commission. (2023d).
21. European Commission (2019a)
22. European Commission. (2023a).

The themes addressed for reporting under the CSRD and the developed ESRS reporting standards are largely aligned with the six environmental objectives and the minimum safeguards part of the Taxonomy.^[23]

2.2 Screening for taxonomy alignment

A company must go through a four-step process to assess whether the business activity is taxonomy eligible and subsequently aligned or not. The four steps are:

- 1. Is the business activity associated with a taxonomy activity?**
The business activity is classified as eligible if it falls under a taxonomy activity. The Taxonomy activities are linked to the NACE code structure, which is an industry standard classification scheme that classifies economic activities in the EU. All activities that are taxonomy eligible are further defined in the accompanying technical screening criteria for that specific environmental objective.
- 2. Does the activity make substantial contribution to one of the six environmental objectives?**
If the business activity is eligible, it is important to categorise which environmental objective (1-6) the activity falls under.
- 3. Does the activity do no significant harm (DNSH) to any of the other environmental objectives?**
For an economic activity to be classified as sustainable, the economic activity must contribute to at least one of the environmental objectives, and not harm any of the remaining five objectives.
- 4. Does the activity meet the Minimum Safeguards?**
An economic activity complies with the minimum safeguards if certain human and labour right standards are followed, and therefore not causing any negative social impact.

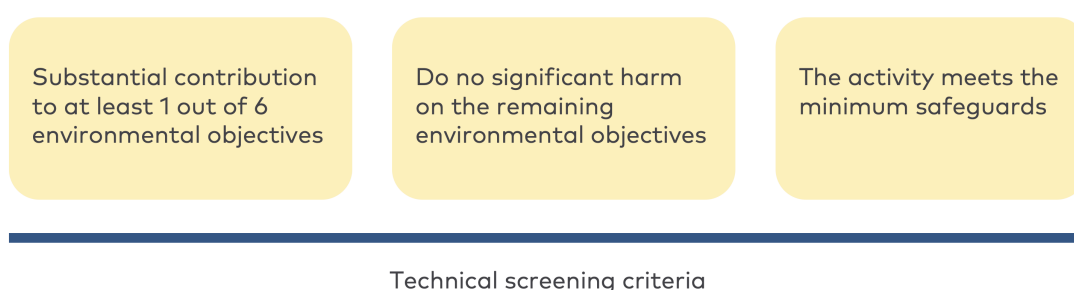


Figure 3 To fulfil the EU taxonomy reporting requirements, these three steps must be undertaken, using the TSC as guidance throughout the whole process.

2.3 Consequences of non-compliance

The EU taxonomy does not entail any sanctions for companies not complying with the reporting requirements. The Taxonomy Regulation does not entail direct sanctions for non-compliant financial institutions either. Instead, it calls on member states to establish measures and penalties of their own for non-compliance by financial institutions. The regulation states that any measures and penalties must be effective, proportionate, and dissuasive.

The authority responsible for monitoring compliance with disclosure obligations in Finland, Sweden, and Norway is the Financial Supervisory Authority in each respective country.^{[24][25][26]}

Risks that companies who do not follow the EU taxonomy guideline could face might include:^[27]

- Reputational risks
- Limited access to investments
- Financial penalties and fines
- Legal and regulatory risks
- Market access and trade barriers
- Missed business opportunities
- Long-term viability

In conclusion, while the EU taxonomy does not impose direct sanctions for non-compliance, the potential risks for companies that fail to adhere to its guidelines are significant. These risks extend beyond regulatory penalties and encompass broader challenges such as reputational damage, limited investment opportunities, and long-term viability. Therefore, companies in the Nordic countries and beyond should consider the implications of non-compliance carefully and ensure that they meet the necessary disclosure obligations to avoid these potential pitfalls.

24. Finansinspektionen. (2024).

25. The Financial Supervisory Authority of Norway. (2023).

26. FIN-FSA, Financial Supervisory Authority. (2023).

27. Conmy, S. (n.d.)

3. Methodology & Approach

This report covers Finland, Norway and Sweden and focuses on the forestry and construction sectors. Both sectors are subject to the Taxonomy Regulation, they are present in the three Nordic countries and have a significant impact on the relevant environmental objectives: Climate mitigation and protection, and restoration of biodiversity and ecosystems. In total, 15 companies have been interviewed across both sectors. The report has been conducted in several steps, with an initial literature review, followed by interviews with each company and finally an analysis of the findings and results both across sectors and countries.

It is important to acknowledge that the analysis has certain limitations, as it includes only a selected group of companies from each sector and country. However, these companies provide a good indication of the broader market, given that most firms within each sector actively cooperates to learn from each other. Since the EU taxonomy was adopted recently, its implementation is still a work in progress, with ongoing developments in interpretations and methodologies. As such, this analysis offers a current indication of the market's stance, the ways in which the Taxonomy is being interpreted and implemented, and how companies are structuring their collaborations and are meeting reporting requirements.

3.1 Literature review

The first step was a literature study of available and relevant documents. The information gathering provided a strong and informed starting point for the mapping and analyses of how Nordic businesses relate to and operationalise the EU taxonomy in practice. The overall strategic and practical information and knowledge attained from the literature on how Nordic companies prepare and report according to the EU taxonomy has been analysed across the three countries, providing an indication and direction of how powerfully the EU taxonomy will be enforced in the Nordics. More in-depth research in annual reports, sustainability reports and company websites provided added strategic and practical knowledge on how each company are preparing and reporting according to the Taxonomy.

3.2 Interviews

The literature study has been supplemented with dedicated interviews with selected companies. The interviews were conducted in a semi-structured approach. The interviews identified important additional qualitative and quantitative factors, as well as the most important barriers and opportunities. The interviews were designed to give the companies the opportunity to give their perspectives on the

preparational work, resources needed, and barriers and challenges to align with the requirements. The interviews give an in-depth understanding of the companies work with the Taxonomy to date and how they have prepared for the new requirements.

The forestry and construction sectors are relevant examples of sectors in the Nordic countries that entail a relatively large number of companies subdue to the Taxonomy, as well as both sectors are important for all three economies. To make a clear distinction which companies to include in each sector, NACE-codes have been used, which is an EU standard used for industry classification. The technical screening criteria are defined for each activity separately and based on EU's NACE industry classification system. The national codes derived from NACE have in turn been used to find the relevant companies in each country. The delimitations for which codes have been included for each sector are outlined in the sector specific sections below.

The aim has been to interview^[28] companies that are obliged to report on the EU taxonomy and fit within the chosen NACE codes. However, this has proven more challenging than expected, both in securing interviews with the selected companies and in identifying relevant companies (listed/non-listed as well size in terms of turnover and number of employees) that are obliged to report according to the Taxonomy Regulation.

3.2.1 Categorisation and delimitations for the construction sector

The construction sector is categorized as F41 according to the European industry classification standard NACE. The NACE codes that have been included in the identification of companies are:

- F41 - Construction of buildings
 - F41.1 - Development of building projects
 - F41.2 - Construction of residential and non-residential buildings

To delimit the analysis, construction work that is not directly related to buildings and residential buildings (infrastructure and railway etc) are excluded, hence only companies related to the above codes have been interviewed and assessed. However, some of the companies operate in multiple sectors, including buildings, infrastructure and railway. In these cases, the focus has been on buildings, particularly residential buildings, and the associated work.

Three construction companies from Finland, Norway and Sweden respectively have been interviewed, which adds up to nine in total.

28. The interview questions can be found in Appendix.

According to the TSC in the Taxonomy Regulation, key economic activities are listed for construction and real estate. The three that are relevant for this analysis, based on the NACE codes above, are listed below. The TSC that have been omitted (7.3–7.6) are related to maintenance.

7.1 Construction of new buildings

7.2 Renovation of existing buildings

7.7 Acquisition and ownership of buildings

3.2.2 Categorisation and delimitations for the forest sector

The forest sector is categorised as A2 according to the European industry classification standard NACE. The NACE codes included in the analysis are:

- A2 Forestry and logging
 - A2.1 - Silviculture and other forestry activities
 - A2.2 - Logging

Activities related to A2 that have not been included are gathering of wild growing non-wood products and support services to forestry.

The TSC listed for forestry (A2) are:

1.1 Afforestation

1.2 Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event

1.3 Forest management

1.4 Conservation forestry

The analysis is divided into two parts. The first part is divided per sector, where similarities, differences and outliers between the countries but within the sector are assessed. The second part of the analysis is a SWOT analysis (strength, weakness, opportunities, threats) comparing the two sectors, to show overlap and differences between the sectors.

4. Construction sector

The construction sector has substantial impact and relevance in Finland, Sweden and Norway. Construction activities have a vast negative impact on the environment and climate, accounting for a substantial portion of global energy use, greenhouse gas emissions, and resource consumption. Across the Nordic countries, the building sector holds a prominent position in economic activities and development initiatives. It is a key driver of economic growth, infrastructure development, and urban planning.

The following sections present the key findings from interviews with nine companies in the construction sector across Finland, Norway, and Sweden. As the study has been carried out with qualitative methods with a sample of nine companies, the findings cannot be considered as representative for the whole construction sector. They can however point to relevant considerations and focus points regarding the implementation of the EU Taxonomy. Based on the small sample of interviews, it has not been possible to specify specific findings as valid for the whole sector or for one country. Instead, the findings are presented in a more overarching manner, where company or country specific examples have been mentioned where relevant. Since the Taxonomy is still in its early stage of implementation and adaptation, it is work in progress among stakeholders on the market to learn and adopt to the reporting framework, hence no standardised way of reporting nor effects on market behaviour can be concluded yet.

The interview findings are organized into five thematic categories, each addressing specific aspects of the companies' work related to the EU taxonomy:

1. Sustainability impacts
2. Organisational impacts
3. Internal knowledge building
4. Preparational and future work
5. Cross-Nordic challenges and advantages

4.1 Sustainability impacts

This section explores whether or how the companies evaluate the Taxonomy for their sustainability work, and whether it is important for Nordic companies in the construction sector to be classified as sustainable.

General sustainability impact

All the interviewed companies have chosen environmental objective one – climate change mitigation – as their significant contribution. Additionally, environmental objective 2 – climate change adaptation – is also a key area of focus.

For most of the companies, sustainability is part of the strategy and has been for at least a few years, making it an integral part of the company culture and influencing decisions at all levels. Some of the interviewed companies have reported that the Taxonomy has played a role in elevating the sustainability agenda, making it more central to decision-making across the entire organization. This shift is not tied to any specific country but is instead influenced by each company's culture and historical drivers.

In the construction sector, there has been a long-standing focus on energy efficiency and low energy housing, particularly in building construction. Hence, the construction sector mostly aligns with the criteria under environmental objective one, climate change mitigation. The biggest challenge lies in meeting the DNSH criteria for environmental objective 3–6. Only one company (FI) has reported alignment above 50%. A few companies have reported around 20% whereas the majority have reported less than 5% alignment. This clearly highlights the challenges companies face in interpreting the various criteria. The primary reason for the low alignment percentage is the difficulty in demonstrating compliance with the DNSH criteria for Environmental Objectives 3–6.

What is particularly unique for construction companies, compared to other manufacturing companies, is that their work is project-based. As a result, taxonomy alignment can vary significantly between projects and from year to year. The EU taxonomy has not yet influenced overall company strategy and goals; instead, its impact is primarily experienced at the project level.

Investments

In general, it is not considered important yet for the interviewed companies whether they are aligned or not with the EU taxonomy and as such are classified as sustainable. This is primarily due to the limited interest from both investors and customers in aligning construction projects and investments with the EU taxonomy. It was raised from the companies a desire to in the long run align with additional environmental objectives apart from the two objectives part of the Climate Delegated Act. The concern is that investors or customers in the future might require this kind of alignment, and therefore preparational work is necessary. For construction projects to be aligned with the environmental objectives under the Environmental Delegated Acts, the technical criteria must be complied with for the economic activities to be considered sustainable. This alignment would require extra resources and investments beyond how "business-as-usual" projects are

carried out at the market today, in 2024. Therefore, for companies' economic activities to contribute to more than one of the six environmental objectives, more investments are needed. This is however, not a requirement by the Taxonomy Regulation as of 2024, since it is only a reporting requirement, but more of a desire from the companies to be able to achieve this kind of alignment in the future.

Nonetheless, there has been specific examples from all three countries where clients and banks have inquired about the Taxonomy and efforts needed to increase alignment on specific projects. Interest seems to be somewhat higher in the capital areas compared to less urban areas, but there does not seem to be any general difference between the three countries. Given the limited interest and the absence of mandatory requirements in the Taxonomy, companies find it difficult to justify the additional investments needed to build in accordance with Taxonomy criteria.

The significant potential for investors to influence the market has been emphasized. If the companies see an increased demand and investors are willing to pay for the extra effort that is necessary, the sector indicates they would be prepared to make those changes. For the future, the companies see it as an investment risk if only a small proportion of projects are Taxonomy aligned.

One company in Norway, which frequently collaborates with the public sector, identified the public sector as the primary driver of sustainability compared to the private sector. Conversely, a company in Finland found the private sector as the leading force behind sustainable development in the country within the construction sector.

Marketing purpose

Only a few companies have reported that they have begun marketing new building projects as Taxonomy aligned. Most companies and the majority of projects being sold do not mention the EU taxonomy. Neither has there been interest in the EU taxonomy reporting during annual general meetings.

4.2 Organisational impacts

This section presents how the requirements imposed by the EU Taxonomy legislation have affected the organisational structure within construction sector companies in the Nordic countries.

Since the enforcement of the EU taxonomy, it has somehow affected the internal organisational workload and responsibilities. The reporting obligations on the EU taxonomy has not led to major restructurings within the interviewed companies per se, but each company has appointed at least one person who is responsible for the overall sustainability reporting, including the EU taxonomy. A few companies have recruited specifically for the EU taxonomy purpose. For most companies, this new

role primarily involves reporting tasks related to the enforcement of the EU Taxonomy. Previously, the same individual often had a broader role that included a wider range of sustainability responsibilities. This shows that the Taxonomy does require new resources, even though it has been possible to reallocate internally so far. For most companies (especially the largest >1000 employees) it is nearly a full-time job to monitor and report on the Taxonomy and prepare for the upcoming CSRD reporting in 2025, with the responsibility distributed among different individuals across various countries and levels within the company (project level, country level, group level).

Regarding cooperations across departments, the EU taxonomy has within some companies managed to permeate existing structures and improve collaborations across departments. Companies from all three countries have mentioned this, so it is not possible to point out differences between countries, it is rather a difference only between company cultures. A specific example comes from a Swedish company that emphasised how the EU Taxonomy has significantly impacted their overall strategic work. Environmental issues have now taken on a more central role within the company. They explain that the Taxonomy has made it possible to cooperate and understand each other across the different departments within the company and that everybody must take responsibility and contribute to improve both sustainability work and the reporting part. Previously, sustainability efforts were largely confined to the sustainability department, but the Taxonomy has enhanced collaboration across various departments, including finance, human resources, communications, procurement, and project management on different construction projects.

4.3 Internal knowledge building

This section describes what the companies have done to build an understanding of the EU taxonomy, and what measures they have taken to build up competence within the company.

Documentation challenges

The Taxonomy requires extensive documentation to ensure proper implementation. However, all companies agree that they are used to reporting on sustainability data and collect data on climate impact and sustainability, and so the reporting per se has not been seen as the challenging part. It is the interpretations of the criteria that are hard to define and agree on. It has especially been the DNSH criteria for environmental delegated act 3–6 that have been hard to interpret. It can partly be explained by the fact that the sector has not to the same extent as for climate measures (climate delegated act), worked with these criteria previously, as climate measures have been prioritised. The companies have especially highlighted the challenges in interpreting the criteria for environmentally hazardous substances

and determining the necessary documentation. They noted that meeting these criteria would require extensive documentation, and that this is not available from the processes undertaken today.

Interpretation challenges

The TSC under each environmental objective is still work in progress from the EU Commission and is therefore being updated regularly, which also makes the interpretations hard to work with. Interpretations made a year ago can be outdated for the next reporting year. Everyone confirms though, that a common interpretation and understanding of the Taxonomy and CSRD would be appreciated. Both on national level (from authorities e.g.) and at Nordic level. Many of the companies in the construction sector operate in more than one Nordic country, and a common language would be helpful and ease the workload. The companies see it as a big risk that not even the Nordic countries have developed common interpretations on the Taxonomy criteria, as it might lead to even bigger discrepancies with other countries in Europe. At the same time, all companies acknowledge that they view this as a "learning by doing" process, as they continue to implement routines and refine their interpretations.

Another challenge with the interpretations is that banks and investors do their own interpretations, which is not necessarily in line with the industry's. The competence level between the different stakeholders varies a lot, which makes it difficult to talk the same language between the companies and the investors. It has been expressed that people from the financial sector are still hesitant to ask questions about the EU taxonomy, due to limited knowledge and a lack of understanding of its full potential and market impact. There is a need for increased knowledge across the whole market, to fully accelerate the financial impact the Taxonomy could have.

Interpretations of environmental objective six

So far, the industry across all three countries mainly focus on environmental objective 1 and 2, climate mitigation and adaptation. A Swedish company pointed out though, that there are ongoing discussions within the industry-wide network on how to interpret environmental objective 6, protection and restoration of biodiversity. While nothing concrete has been established yet, there is growing awareness that significant efforts will soon be necessary to meet the criteria. Another problematic aspect that is discussed across the industry is how to interpret the technical criteria on land use and land exploitation, which also belongs under environmental objective 6. The challenging aspect of this criterion is that, to ensure alignment with the DNSH criteria, land that has not been previously developed must not be exploited. However, the sector points out that many building projects require the use of undeveloped land due to the growing demand for housing and infrastructure. As a result, the industry advocates for updates to the significant contribution criteria on biodiversity, suggesting a shift in focus towards

improving land use and exploitation practices, rather than adhering to an all-or-nothing approach. Companies also agree that they expect future revisions to the biodiversity criteria to emphasize how land can be improved even as it is being developed.

The interpretation of the taxonomy is driven and understood by separate interpretations for each country. Common for all three countries (FI, NO, SE) is that the interpretations within a country are primarily impacted by:

- National legislation
- Business federations and Green Building Council
- Certification schemes
- Environmental impact assessments

National legislation

In all three countries, national legislation plays an important role in interpreting the TSC. This has been pointed out by the companies to be dangerous to do at such an early stage of the Taxonomy Regulation. A Norwegian company specifically said that:

The EU taxonomy aims to set new, more strict requirements and increase the bar on what is considered sustainable. Therefore, national legislation should perhaps not be seen as good enough.

Some criteria can as such be considered aligned by companies if national legislation is met. In the interviews, Sweden and Finland were specifically mentioned in this context. In Sweden, national laws more broadly fulfil the alignment requirements, whereas in Finland, the TSC has been interpreted more independently of national legislation.

Business federations and Green Building Council

All companies interviewed are part of an EU taxonomy working group within either the business federation for construction companies in each country respectively or working groups at the national Green Building Council (GBC), which is also present in the three countries. The collaboration between the two organisations seems to be close, and since there is no guidance that is considered "national", companies across the whole industry are leaning towards the available guidance from either the business federations or the GBC.

The business federations have taken on a significant role by bringing the sector together to jointly discuss and interpret the criteria, particularly those that have been more challenging for companies to understand. Through this collaborative

effort, the sector in each country has been able to establish common ground on some interpretations. However, many companies have expressed concerns about this approach, noting that it may be risky for business federations to assume this role rather than relying on a neutral third-party body. It was specifically pointed out by companies in Norway that the common interpretations in some cases have been less stringent than the primary interpretations made by the companies alone. A company in Norway initially reported 0% alignment at the beginning of 2024 because they interpreted the DNSH criteria very strictly and were unable to provide the necessary documentation to meet the criteria. However, the sector, through collaboration within the business federation, developed a less stringent interpretation that relied more on national laws. As a result, the company, by complying with national laws—which they already did—was able to bypass some of the extensive documentation requirements and subsequently demonstrate that their activities were aligned. As the company put it themselves:

Companies should not compete on interpretation, but rather on how the projects are executed.

Since the interpretations vary across companies, it is still difficult to compare both eligibility and alignment between companies and between countries. All companies that operate in more than one country have had to follow national interpretations and legislation to report on the Taxonomy. The screening process and calculations are all done nationally and then compiled at group level. That means, that each country is responsible for their own reporting, but reporting schemes and internal processes are established at group level.

Certification schemes

The construction sector is used to working with certification schemes, e.g. the Nordic Swan Ecolabel, BREEAM, LEED, Miljöbyggnad (SE) and Rakennustieto (FI). These certification schemes have started to harmonise their criteria with the EU taxonomy to ease the work for the companies. Hence, the companies can increase their alignment with the Taxonomy by following the criteria for the specific certification scheme.

Among most stakeholders, it is generally considered easier to obtain a BREEAM Excellence certificate, which simultaneously ensures taxonomy alignment, because the guidance and interpretations are clear and straightforward. In contrast, aiming for taxonomy alignment without the support of a certification scheme is seen as more challenging. Since the certification schemes are perceived as clearer and offer less room for individual interpretation, many companies have expressed a preference for using these methodologies to ensure alignment, rather than interpreting the Taxonomy on their own. However, companies from all countries have raised concerns that this approach could be risky, as the certification schemes

essentially dictate how interpretations are made, and these interpretations have not been validated by an independent body.

Environmental Impact Assessments:

Companies from Sweden have specifically mentioned that they do Environmental Impact Assessments (EIA) before starting a new construction project. The EIA is in turn partly used as documentation for the DNSH for environmental objective 6. It has not been clear though to what extent companies in Norway or Finland use this as documentation. As such, Sweden is only mentioned as an example.

Internal competences

Educating personnel responsible for Taxonomy reporting requirements has been recognized as both important and necessary by all companies. Resources have been allocated to send these individuals to external courses specifically dedicated to the EU Taxonomy, ensuring they gain a fundamental understanding of what the Taxonomy entails and its implications for the company. Additionally, this training helps ensure that they remain up to date with the frequent updates and new regulations released by the EU Commission, which are often issued without prior notice.

Some of the bigger companies (>1000 employees) have created internal webinars that can be seen by everybody to educate people across the whole organisation. It is seen as important that it is not only the person responsible for the Taxonomy that has knowledge, but people throughout the whole organisation and especially people working directly in the projects, to be able to talk to clients and make sure the Taxonomy becomes relevant and accurate at an early stage. Tools and training material is also something the majority of the companies have developed or invested in, to educate people all the way from C-suite level to project leads and people working at the building sites. One company from Finland mentioned that they have launched an internal EU taxonomy platform, which will be central in the future to inform and increase awareness across the whole company.

A company in Norway has bought an external software developed specifically for the Taxonomy reporting. The software is developed to help companies with the screening and structure around the Taxonomy for the entire company. It can be used by various employees simultaneously within the company who can answer questions related to their specific work and activities, but it can also be used to accumulate data on group level. The company that uses it says it is great support in that the questions are clearly scoped for each project activity and which financial figures that should be included. As the questions are project-based, they felt the need to use a software that both can handle data on project basis, but at the same time generate data for the entire company.

4.4 Preparational and future work

This section outlines the efforts made by companies to prepare for the upcoming legislation and explores the anticipated impact of the Taxonomy on their future operations.

Reporting and documentation

The Taxonomy has primarily driven the market to provide more detailed documentation and establish new routines for screening each activity at the product level, rather than just at the project level. This shift has led to the creation of new internal processes, particularly as departments that previously did not collaborate are now required to work together. For example, cooperation between the sustainability and financial departments, as well as across all construction projects, has increased. However, the reporting process itself and the companies' prioritization of climate mitigation measures have not necessarily changed since the enforcement of the Taxonomy.

The biggest challenge in the actual screening process is to map the value chain to get an overview of all the involved actors and to evaluate the impact. The Swedish companies have interpreted some of the DNSH for environmental objective 6, being fulfilled if an environmental impact assessment has been conducted before the project started. However, there is still considerable work to be done in mapping the impact of each project, as the involvement of numerous subcontractors in a single project adds complexity to this task.

Thoughts on future impact

All interviewed companies believe that the Taxonomy will likely have a greater impact on sustainability efforts in the future. However, to achieve this, it is essential to establish clear requirements or goals for the various activities under the EU Taxonomy. This would help push the market to change the way building projects are designed and manufactured today. The interviewed companies agree that guidelines alone are not sufficient, as the current market pressure has not been strong enough to drive significant changes to business as usual. Despite the introduction of the Taxonomy, companies continue to operate in compliance with existing laws and regulations without making substantial adjustments. Penalty, such as fees or sanctions for not living up to the EU taxonomy criteria has also been mentioned as an efficient way to put pressure on the market. Another suggestion that came up during the interviews was to assign a premium instead to taxonomy aligned construction projects, instead of doing business-as-usual. Both carrot and stick has been mentioned as necessary to help the market transition faster.

Another question for the future is whether the Taxonomy will replace any of the existing certification schemes used to ensure alignment in sustainability work in the construction sector. Some certification schemes (e.g. the Nordic Swan Ecolabel or BREEAM Excellence) have already begun harmonizing their criteria with the EU taxonomy, which shows that there has been some impact already on the market. However, this remains speculative on the part of the companies, as there are currently no indications of any impending changes or replacements.

An EU initiative, the EU Green Bond Standard,^[29] is an EU-wide standard to support the green transition and help investors tackle greenwashing. The Standard, which is voluntary, has been mentioned by companies as a potential supporting tool to define green economic activity, as it may help steer investments in the same direction as the Taxonomy.

4.5 Cross-Nordic challenges and advantages

Based on the interviews, there are challenges and advantages identified across Finland, Norway and Sweden. This section will summarize what some of the main challenges and advantages are across all countries.

Challenges:

There is very little (close to zero) guidance from national authorities on how to interpret the EU taxonomy on national level. The available information is fragmented, making it difficult to find comprehensive and easily accessible resources. At the moment, the sector to a large extent relies on interpretations made by the national Green Building Council and the national business federations. Hence, there is nothing yet that can be considered as "national guidance". A third neutral body that could provide national guidance has been requested by several of the companies. A national agency like the Environmental Protection Agency or similar has been highlighted as a suited candidate.

All countries seem to rely more or less on national regulation as proof for alignment. This has been highlighted as a risky approach, particularly so soon after the Taxonomy's enforcement, as the Taxonomy is intended to drive market change and go beyond existing national regulations. However, it is uncertain at the moment, to what extent this affects the overall taxonomy reporting results.

Another challenge for the construction sector across the Nordics is that the industry is severely affected by the economic recession, which means that there is little economic excess to do extra investment in sustainability measures. It is hard to make changes and have additional expenses outside of business-as-usual in

29. European Commission (2023c). Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

difficult times. The economic recession is not a hinder in itself to report on the Taxonomy, it is only seen as an obstacle by the companies to be able to achieve further alignment among the six environmental objectives in the long run to live up to more sustainability criteria. When the market shifts, companies understand what actions are necessary, but these changes require additional costs and investments to implement. If no investors are willing to cover these extra expenses, making the necessary changes will be challenging. All but two of the interviewed companies are listed, making them more dependent on investors to help drive the agenda and influence market demand.

Another challenge mentioned by the interviewed companies is that there might be interpretation discrepancies between the Nordics and other parts of the EU. The companies' own perception is that the Nordic countries tend to be detailed and strict in interpreting laws and regulations both nationally and at EU level. Furthermore, the Nordic countries have advanced significantly in terms of climate regulations and standards, resulting in a higher baseline compared to other parts of Europe. Because the interpretations of the EU Taxonomy are partly influenced by national standards and regulations, companies believe that their interpretations may be stricter relative to those in other countries.

Lastly, a big challenge for the sector is to start working on the Environmental Delegated Acts 3–6, which cover the environmental aspects. Several of the companies point out that there is an *urgent* need to start prioritising these four environmental objectives. A Finnish company has begun developing a roadmap for the entire organization to establish a strategy and direction for environmental improvements, focusing on identifying low-hanging fruits. While the EU Taxonomy emphasises best practices, the industry is seeking more guidance on what constitutes good versus bad practices, as there is a significant gap between current industry standards and the best practices outlined in the Taxonomy. To bridge this gap, the industry needs support in the form of guidance, investments, innovation, and funding.

Advantages:

The construction sector in the Nordics has been working with climate related measures for a long time (e.g. climate efficiency, low energy housing). The reasons are mainly due to the cold climate and ambitious regulations, and therefore the criteria in the EU taxonomy related to these are prioritised by the sector to align with. The sector also believes that the energy efficiency in general in the Nordics is better than in other parts of the EU.

Finally, all companies are positive to a Nordic collaboration, both in terms of interpretations as well as learning from each other to bridge gaps and build knowledge. Everyone sees great potential in a Nordic collaboration, since the countries are like-minded, and the industry is similar across the countries.

5. Forest sector

The forest sector in Finland, Norway, and Sweden each have significant forest resources and are among the largest exporters of pulp, paper, and timber. Finland is one of the largest producers of pulp and paper globally, with the forest industry exports' worth approximately EUR 15 billion in 2022.^[30] Sweden is the fourth largest exporter of pulp paper and sawn timber, with export value of EUR 16,5 billion.^[31] Norway's forest industry export value in 2022 was about EUR 1,8 billion.^[32] The forest industry is thereby an important sector for all three economies. From the perspective of EU taxonomy, the forest industry provides an interesting case study since it has been one of the most challenging in terms of the development of the Technical Screening Criteria.

In the forestry sector, six companies have been interviewed across the three countries, two in Norway, three in Sweden, and one in Finland. Since six companies were included in the study, the findings presented below are not to be regarded as valid for the entire forest industry, but rather as illustrative examples of implementation of the EU Taxonomy in forestry companies. When searching for forestry companies to interview for this study, several companies declined participation in an interview. Several companies expressed that they felt their progress in Taxonomy work was insufficient to participate in an interview.

In the following sections, findings from the interviews with all six companies within the forest sector from Finland, Norway and Sweden are presented. The findings are divided into five thematic sections, answering the following five themes around the work related to the EU taxonomy:

1. Sustainability impacts
2. Organisational impacts
3. Internal knowledge building
4. Preparational and future work
5. Cross-Nordic challenges and advantages

30. Luke, Natural Resource Institute Finland. (2023).

31. Swedish Forest Industries. (2024).

32. Landbruksdirektoratet. (2023).

5.1 Sustainability impacts

The EU taxonomy is purposed to be a valuable tool for sustainable investments. It is however unclear how companies see it as part of their sustainability work, and whether their operations are affected by reporting on the EU taxonomy. This section will describe whether and how the companies value the Taxonomy for their sustainability work, and whether it is important for Nordic companies in the forest sector to be classified as sustainable according to the taxonomy.

General sustainability work

All interviewed companies in the forestry sector have expressed that the Taxonomy does not significantly impact their sustainability efforts. They view Taxonomy reporting purely as a reporting and compliance exercise, rather than something that meaningfully influences their strategy or operations. All interviewed companies regard themselves as having sustainability at the core of their business model, and engaged in sustainability work within their operations, as well as communicating their efforts. The sustainability aspects of their operations are instead guided by certification schemes such as Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC).

Marketing

The interviewed companies do generally not use the EU taxonomy for marketing purposes. The only exception for this is one company that offers Green Bonds that are aligned with the EU taxonomy, which is communicated to relevant stakeholders.

Investments

All companies describe that there is a lack of interest in the Taxonomy from their investors. According to them, there is very little interest in whether their activities are aligned with the Taxonomy or not. It is a point of concern to some companies that the interest is low in the current situation. They anticipate that the EU taxonomy will have more impact on investments in the future, and then they could risk being "behind", as their sector generally has low eligibility and alignment with especially the environmental objectives under the Environmental Delegated Acts (objective 3–6). This is especially concerning to some if investments will be more data or AI-driven, and qualitative aspects of sustainability are overlooked. Other companies have stated that they are not concerned about the Taxonomy becoming a significant competitive factor for attracting investments, as they believe the legislation will not have a major impact in the future.

5.2 Organisational impacts

This section will outline how the requirements imposed by the EU taxonomy legislation have affected the organisational structure within the interviewed companies, describing the work division, acquirement of new staff, and workload.

The interviewed companies have organized their work on the EU Taxonomy in slightly different ways. For most, the reporting tasks are shared between the sustainability and finance departments, with some also involving the communications department. The companies do not view the EU Taxonomy work as a significant burden; instead, it is integrated into the annual reporting process. Typically, the personnel responsible for the annual report are also assigned the tasks related to the Taxonomy.

Generally, the companies have not hired additional staff to carry out these tasks, but instead they have made internal restructuring if needed. In few cases, the companies have hired external consultants for certain tasks, such as designing the reporting systems, or carrying out the first year's reporting. While the EU taxonomy is not seen as a large burden, and companies have not hired more resources to carry out the work, all of the companies that are obliged to report on the CSRD state that CSRD is a much larger workload, and that this has led to restructuring and in many cases new hirings in the company. These have been hired in roles such as ESG controller and new roles within the finance and sustainability departments.

Some companies have indicated that they do not currently see a willingness among clients or investors to pay for documented sustainability efforts. However, if this attitude shifts and it becomes clear that meeting the Taxonomy criteria enhances market competitiveness, they may be willing to invest more resources to the task.

Finally, on a more general note regarding the structure of the Taxonomy, as of 2024, there is still a selective coverage of sectors. While it is expected that more sectors will be included over time, this selective coverage creates challenges for the current reporting process. As such, the forest sector is included within the Taxonomy, but other related industries, such as the paper and pulp industry, are not. This lack of uniformity leads to inconsistencies in how sustainability is measured and reported across the value chain. Most of the large forest companies in the Nordics own the biomass-producing companies further downstream, which creates additional complexity as they must navigate differing regulatory requirements and standards. Since this downstream industry is not covered, it leaves a gap in how economic activities of these products and processes are assessed and reported. In general, the forest sector's eligibility and alignment with the Taxonomy criteria is very low. Even though the companies are owners of very large forestry areas and carry out

the forestry activities included in the Taxonomy, the forestry activities cannot be detected in the CapEx or OpEx as the products are used further down in their own value chain for biomass such as pulp and paper. The activities are only included in the company turnover when they are bought or sold. But this is rarely the case since the large forest companies own their own raw material feedstock. Hence these activities are not reflected in the annual reports neither included in the Taxonomy reporting. This could lead to incomplete or fragmented information about the overall environmental impact of forest-based products, making it difficult for stakeholders to get a clear picture of the entire supply chains. The selective coverage could in turn distort market and investment signals.

5.3 Internal knowledge building

This section will detail the steps companies have taken to build an understanding of the EU Taxonomy and the measures they have implemented to develop internal competence in this area. This includes education of personnel, understanding legal requirements and guidance from national authorities.

Several of the larger companies interviewed indicate that they already have the appropriate personnel to manage the Taxonomy requirements and that the primary task is to build Taxonomy-specific competencies. Nearly all companies have undertaken educational initiatives, including internal courses, knowledge sharing sessions, and webinars. Those that have not yet implemented these efforts are currently assessing their competence-building needs, after which they will determine the best course of action.

To build internal knowledge, companies have designated specific individuals to study the legal texts and additional resources provided by the EU. All companies have acknowledged that the EU Taxonomy Regulation is complex and contains a vast amount of information. A significant challenge, therefore, is in reading, digesting, and effectively communicating this information to the relevant departments within their organisations. Moreover, several companies state that it is difficult to find the correct information from EU. This was common across the three studied countries, which is to be expected, since they are consulting the same online resources from the EU. One of the Swedish companies also expressed that the translation of legal and guiding documents into Swedish was bad, making it more difficult to interpret the legislation.

There is wide agreement among the companies that they have not received guidance on the EU taxonomy from national legislation. Some companies state that they have consulted documents from the national authorities, and that these provided good explanations, but that they were not very applicable. Other

companies state that they have not encountered any written documents or guidance from national level. Several companies believe that this would help them in their taxonomy work, while two companies state that it may be more confusing with national guidelines in addition to the EU legislation.

5.4 Preparational and future work

This section describes the work undertaken by the companies to prepare for the upcoming legislation which covers knowledge building, dialogue with investors, legal interpretation and political work.

The companies undertook substantial preparatory work before the Taxonomy came into force. For many, there was uncertainty about the extent to which their activities would be eligible under the Taxonomy, making it challenging to determine the level of preparation required. Many describe the experience as a "learn-as-you-go" process, where they had to develop the necessary competencies while simultaneously carrying out the required tasks.

Many companies entered into dialogue with financial institutes and investors and tried to make a common projection for how to prepare for the Taxonomy. Also, there was widespread collaboration in the industry association, where companies participated in working groups where they developed common interpretations of the legislation. In Sweden, the relevant industry organisation was The Swedish Forest Industries, in Finland the collaboration is made through the Finnish Forestry Federation, and in Norway it was done through the Norwegian Wood Cluster. Through these working groups the companies were in some cases offered an audit for the first round of reporting. In Norway, the Norwegian Wood Cluster developed a guide on sustainability reporting.^[33] Several companies also state that they have taken part in the lobbying work before the directive was in place, and that they have taken part in stakeholder consultations for the technical screening criteria for the six environmental objectives. One of the forums this was organized through was the European Confederation of Paper Industries.

While climate adaptation and mitigation have been large topics for Taxonomy alignment, Environmental objective 6 on "Protection and restoration of biodiversity and ecosystems" has been in the background. The larger companies have reported the eligibility for environmental objective 6 in CapEx and Opex, and whether they fulfil DNSH criteria for biodiversity. Several of the interviewed companies express that the biodiversity work that they are doing in their operations is not mirrored in the taxonomy. Several companies express that they are unsure of how to fulfil and report on the DNSH criteria. The uncertainty regarding DNSH reporting is also seen in the biodiversity related questions in the FAQ issued by the EU. It is to be

33. Norwegian Wood Cluster. (2024).

expected that there will be more clarification on reporting of the DNSH criteria for forestry activities in the future.

Many of the interviewed companies have also used their accountants as advisors on the interpretation, as well as on the reporting format. It has been raised as a challenge, that the accountants may not be able to provide enough advice when it is the same firm that is consequently carrying out the audit. An example of a case where it has differed is in the guidance on how the reporting format should be set up, including how much it can diverge from the official EU format.

5.5 Cross-Nordic challenges

Based on the interviews, there are common challenges in implementing the EU taxonomy in the forestry sector across Finland, Norway and Sweden, which will be summarised below.

One challenge that was highlighted is that, according to the companies, the legislation is not tailored to the specific conditions of Nordic forestry. The production methods and market conditions are different in the Nordics than in the rest of Europe, since there are large forestry areas, and companies own the whole value chain from forest to biomass product. Several companies claim that the taxonomy criteria are not very accommodating towards this. Another factor is that Nordic forestry is largely made up by small forest owners – this is especially notable in Norway where 80-85% is privately owned. There are differences between state owned forests and privately owned, and according to some companies, the legislation does not account for this.

Another point that has been raised across the Nordics is that the Taxonomy legislation is not necessarily well adapted to forestry as a sector. One example of this is that the technical screening criteria contain requirements for a third-party audit after two years of the commencement of the activity. It has been raised that it can be difficult to set up a baseline within forestry since it is a continuous practice. This was mentioned specifically in relation to documenting environmental objective 6.

The interviewed companies noted that there is minimal compensation from banks for the sustainability efforts they undertake, and there is little interest in Taxonomy-aligned practices. This lack of financial incentive makes it challenging for companies to invest in the economic activities covered in the reporting, as they are uncertain whether these investments will ultimately be financially worthwhile.

Another common challenge is difficulty in providing evidence for the DNSH criteria. Even though the companies are confident in the sustainability work within their operations and, according to themselves follow the highest standards, it is sometimes too demanding to provide evidence to live up to the technical screening

criteria. In some cases, this instead results in "underreporting". The uncertainty regarding how to provide evidence sometimes stems from uncertainty regarding who "owns" the evidence. An example mentioned was when the companies sell forestry management services to customers who own the forest, which can be other forestry companies, private persons, or funds. The customer then owns the certification for the land.

In general, the companies have found that there has been very little guidance from national authorities across the countries. While this has not been an issue for most of the companies, two companies have expressed a desire for more concise written instructions, as opposed to relying on the full legal text. They believe that shorter, clearer formats would be more helpful.

Common challenges have thereby been connected to market conditions, compensation for sustainability efforts, providing evidence for Taxonomy reporting and guidance from national authorities.

6. Comparative analysis of the two sectors

For the comparative analysis between the two sectors, a SWOT analysis has been employed as the framework. The interpretations of strengths, weaknesses, opportunities, and threats are derived from the interviews, with each category reflecting the sector's current position (as of 2024) in relation to understanding and applying the Taxonomy. Additionally, the analysis considers what can be expected in the future as the market and the Taxonomy evolve. The key points are summarized in Tables 1-4 below. It should be noted, that the SWOT analysis is based on qualitative findings of knowledge from the 15 companies included in this study, and that it cannot be seen as representative for the construction or forestry sector at large. The comparative analysis thereby presents examples of factors that could be considered strengths, weaknesses, opportunities, and threats for EU Taxonomy implementation in the two sectors.

Strengths expressed by companies in both the forestry and construction sector include strong cooperation within business federations, while the construction sector also benefits from collaboration within the Green Building Council. Both sectors have embedded sustainability at the core of their organisations, are accustomed to reporting and certification practices, and have long applied climate adaptation and mitigation measures. This experience makes them well-prepared to handle Taxonomy-related reporting and communication.

Regarding **weaknesses**, the construction sector has expressed there are challenges to meet the "Do No Significant Harm" (DNSH) criteria for environmental objective 6. The lack of clear guidance from national authorities on how to interpret and comply with Taxonomy requirements further complicates their efforts. Additionally, the construction sector has expressed concern that the Nordic interpretation of the Taxonomy could be stricter than in other member states. None of the sectors find Taxonomy alignment as a competitive advantage yet. Both sectors have numerous small stakeholders along the value chain and complex company structures which makes it difficult to report accurately throughout the value chain.

Opportunities identified include a high demand for forest products with little competition, which positions the forestry sector favourably. Both sectors could benefit from common Nordic guidelines and improved cooperation across departments. Furthermore, the taxonomy provides a framework that helps companies map and prioritise what sustainability measures are needed to improve their operations. There is also a growing focus on building in-house competence, and the sectors are ready to adapt to future demand for Taxonomy-aligned projects. Green bonds are noted as a potential future impact.

Threats for the forest sector specifically include the perception that business-as-usual activities are more ambitious than what the Taxonomy criteria demand. The construction sector is still considered to be in an economic recession, which limits its ability to prioritize sustainability efforts outside of normal practice, because efforts require investments in the projects beyond business-as-usual, which is more restricted during economic recessions. However, this is only speculations on future drivers, since there are no requirements yet on EU Taxonomy alignment but only on reporting, which therefore not force neither the investors nor the companies to invest further for increased alignment. Nevertheless, this may change over time, if requirements for alignment are enforced. Both sectors face low interest from investors and customers, which could lead to falling behind if these criteria become critical for investments. Additionally, differences in production methods across the EU and the ambitious nature of the Taxonomy criteria make it difficult for companies to interpret and apply these standards effectively.

The analysis has been summarised in four tables below (table 1–4), divided into strengths, weaknesses, opportunities and threats. All of the conclusions in the SWOT analysis are solely based on the interviewed companies' views of the Taxonomy.

Table 1 SWOT analysis of the forest and construction sector. This table presents the strengths.

Strength (S)	S for both sectors	S for forest	S for construction
	Companies are used to reporting schemes	Cooperation in business federations	Cooperation in business federations and Green Building Council
	Companies are used to certification schemes	Rising trends in the market indicate increased investment in forests as part of companies' opportunities to act	Taxonomy has put sustainability at heart of the organization
	Companies from both sectors are knowledgeable within sustainability topics and are able to use this in a Taxonomy context in terms of reporting and communication		The sector is well aligned with Environmental objective 1 and 2
	Climate adaptation and mitigation measures have been applied in both sectors for a long time, and the companies are used to working with this topic		
	The taxonomy is to a large extent integrated into other reporting workflows, including the SFDR and CSRD, and in relation to value chain information and third-party verification.		

Table 2 SWOT analysis of the forest and construction sector. This table presents the weaknesses.

Weaknesses (W)	W for both sectors	W for forest	W for construction
	For the sector representatives, Taxonomy alignment is not perceived as a competition advantage on the market	Uncertainties in documenting DNSH criteria for Environmental objective 6	Difficult to live up to and document DNSH criteria for Environmental objective 6
	The Taxonomy criteria are interpreted differently within each sector, leading to unclear reporting and missing standardisation	Many small stakeholders on the market	Perception that Nordic countries interpret the Taxonomy more strict
		Limited resources for reporting	Investments and innovation needed for further Taxonomy alignment with environmental objective 3-6, to prepare for potential increased market pressure
		Company structure makes it Difficult to report throughout the value chain	Many stakeholders throughout the value chain which makes it hard to get data for the reporting

Table 3 SWOT analysis of the forest and construction sector. This table presents the opportunities.

Opportunities (O)	O for both sectors	O for forest	O for construction
	The Taxonomy has improved cooperation across departments		The Taxonomy helps the companies map and understand what sustainability measures are necessary to focus on
	Green bonds could have more impact on Taxonomy alignment in the future		Wish for common Nordic guidelines for increased uniformity in reporting standards
	Focus to build competence inhouse		
	When there is a demand and willingness to pay for Taxonomy aligned projects, the sector is ready to make the necessary changes to align to a larger extent with the Taxonomy		

Table 4 SWOT analysis of the forest and construction sector. This table presents the threats.

Threats (T)	T for both sectors	T for forest	T for construction
	There is a wish for further guidance on how to interpret and fulfil the Taxonomy requirements	Business-as-usual activities are seen as more ambitious than the Taxonomy criteria	The Taxonomy criteria is more ambitious than business-as-usual
	Still low interest on Taxonomy-criteria from investors and customers, risk of sector/companies falling behind if/when the Taxonomy will be seen as an investment criterion	Different production methods throughout the EU, which will affect Taxonomy-interpretation and development	The sector has been and is still considered to be in an economic recession
	Difficult for the companies to interpret the Taxonomy criteria	Nordic forestry sector finds discrepancies in how the Taxonomy criteria define sustainability and how the sector works today.	The EU taxonomy focuses on what is best practice, need more guidance on what is good and bad. Big gap between what the industry does today and best practice according to the Taxonomy

7. Conclusions

This study has examined the uptake of the EU Taxonomy among 15 companies in the forestry and construction sectors in Finland, Sweden and Norway, providing suggestive findings and examples of the implementation in both sectors. The implementation of the EU Taxonomy for companies in the construction sector has been a significant step towards defining sustainability in a uniform way. However, the Taxonomy have proven to leave room for quite extensive interpretation challenges among companies in both sectors. Both in terms of definitions and how to disclose information along the value chain. As such, actors along the value chain are becoming more codependent, which can be a strength to reduce climate impact in the long run, but also cause implications for data gathering and reporting.

For companies in the forest sector, the Taxonomy has increased focus on how to interpret and define sustainable forest management practices, which differs across the EU. However, the current gaps in the Taxonomy's sectoral coverage—such as the exclusion of the paper pulp industry—indicate that there may be a need for the Taxonomy to expand over time to include more sectors, especially those closely related to already covered industries. Doing so would help create a more comprehensive and coherent framework, reducing the discrepancies in reporting and providing clearer guidance across entire value chains.

In the construction sector, the EU taxonomy has fostered a greater focus on sustainable building practices, energy efficiency, circular economy principles and protection and restoration of biodiversity. However, especially two main challenges have been raised by companies in the sector, which regards the choice of materials and the DNSH criteria for environmental objective six, which is about protection and restoration of biodiversity. The historical work on sustainability within the construction sector, largely within climate mitigation and adaptation measures, has led to innovations in both design and materials. However, the sector still faces obstacles, e.g., exploitation of land and high demand for land use as well as the high costs of innovation and the need for transition within the sector. The detailed classification of the economic activity criteria has also raised concerns within the sector on the need for transition and the need for innovation and investments to realise it.

Although the implementation of the EU taxonomy among companies in the construction sector marks a pivotal shift towards sustainability, the market still depends on increased investments and a corresponding rise in market demand to realise its potential for sustainable practices. For the Taxonomy standards to be truly effective, significant financial resources are needed to support the development and adoption of green technologies and business models, as well as to

scale sustainable practices across the forestry and construction industries. Ultimately, the success of the EU taxonomy will depend not only on regulatory compliance and harmonisation across member states, but also on active participation and changed behaviour among investors and businesses in driving the demand for sustainable solutions. As investments and market demand for taxonomy related activities increases, the standards set by the Taxonomy can become more deeply embedded in industry practices.

Looking ahead, the outlook for implementation of the EU taxonomy in these sectors is optimistic but still somewhat uncertain. The regulation is expected to become more robust as it evolves, with potential expansions to cover more sectors, specific activities and additional guidance to address sector-specific challenges. Continued dialogue between regulators, industry stakeholders, and financial institutions will be crucial to refine the Taxonomy and make it more practical for diverse business environments. Additionally, the Taxonomy's role in guiding sustainable investments is likely to grow, further embedding sustainability into the strategic planning of companies within the two sectors.

8. Recommendations

The recommendations aim to support a broader understanding of the Taxonomy, for more effective implementation across the Nordics over the upcoming years. As the EU taxonomy is still in its early stages, current practices are primarily focused on development and learning by doing. Each of the interviews presented a unique case and understanding of how the EU Taxonomy reporting is being adapted and adopted into company structures. Hence, the recommendations given in this section on the basis of the findings are of a more general character, to highlight the need for further understanding and interpretation of the effects on sustainability reporting. It has not been possible to provide country or sector specific recommendations since everyone is still in a learning phase where interpretations, reporting standards, and best practice is being formed along the way.

The following five recommendations are presented below and directed towards policy makers in the Nordics, companies obliged to report on the Taxonomy as well as financial stakeholders.

Clarify the interplay between national regulation and the Taxonomy Regulation

National regulations are to some extent used by the companies as a baseline for fulfilling certain requirements of the EU taxonomy. However, further clarification is needed regarding whether, and if so, which regulatory compliance can be directly incorporated into taxonomy reporting and where actions beyond national legislation is required to align with the technical screening criteria outlined in the Taxonomy.

Investors and customers must encourage funding and investment to support greater alignment with the Taxonomy across all six environmental objectives

All the interviewed companies have chosen environmental objective one (climate change mitigation) as their primary focus for significant contribution. To align with environmental objectives 3-6 in the long term as outlined in the Environmental Delegated Acts, there is a recognized need for increased demand, investments and development within the sectors to move beyond business as usual which is currently focused primarily on reducing climate impact.

Investigate the spread of significant contributions among companies

The companies included in this study have all chosen environmental objective one, climate change mitigation, as their primary focus for significant contribution. A further investigation into the distribution of substantial contributions across all six environmental objectives is needed to ensure that further sustainability measures extend beyond standard practices.

Promote more research on the effects of the Taxonomy

Since the Taxonomy Regulation still is in its infancy and is being implemented step by step across sectors and company-sizes, very little is known about the impact on sustainability practice. Therefore, as the Taxonomy becomes more established and standard practice for both companies and investors, research on impact to understand what effects the Taxonomy has on the market and different sectors will be vital in order to strengthen perception of the relevance and importance.

Study the synergies between certification schemes and the Taxonomy Regulation

Many companies already use certification schemes to certify the sustainability work, and several of the most used certification schemes in the Nordics have begun the process of harmonising their criteria according to the Taxonomy. It is therefore important to further study the influence certification schemes might have on the interpretation and fulfilment of Taxonomy reporting, to which extent there are synergies between the requirements, and whether there is a need for third party audits of the claimed contributions.

On a final note, there are difficulties in interpreting the EU taxonomy, which has been a reoccurring theme for the companies. Several suggestions to solve this has been raised by the companies, e.g. specific guidance on both national and Nordic level. Further guidance is not included in the recommendations, since the regulative framework for the Taxonomy is still under design and being developed while this report is published. And since the Taxonomy Regulation is being implemented across all EU member states, there are uncertainties regarding whether a national or Nordic guidance would complicate interpretations and adaptations further. With that said, there is a need for clarifications on interpretations and reporting practice to minimise uncertainties and deviations across nations, but whether that responsibility lies within the EU solely or at member state level remains to be seen.

9. List of references

Andersson, K., Hellström, A., Lundahl, J. (2023). Challenges and opportunities with the EU Taxonomy Regulation – with focus on chemical safety and usage in complex products. Mistra SafeChem. ISBN: 978-91-89757-98-1.

Arnesson, A., Gustafsson, C. (2023). EU-taxonominns påverkan på ett byggtreprenör och en utvärdering av taxonomiuppfyllnad i 13 miljöcertifierade projekt (Dissertation). Available at: <https://urn.kb.se/resolve?urn=urn:nbn:se:ltu:diva-96978>

Celsia.(n.d). The easy way to comply. Available at: <https://www.celsia.io/?r=0>

Conmy, S. (n.d). What the EU Taxonomy means for businesses. The Corporate Governance Institute. Available at: <https://www.thecorporategovernanceinstitute.com/insights/guides/eu-green-taxonomy-explained/>

European Commission. (2019). Communication from the Commission - The European Green Deal. COM(2019) 640 final.

European Commission. (2019a). Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

European Commission. (2020). Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

European Commission (2023a). A user guide to navigate the EU taxonomy for sustainable activities. Publications office. Available at: <https://data.europa.eu/doi/10.2874/561427>

European Commission. (2023b). Questions and Answers on the Adoption of European Sustainability Reporting Standards. QANDA/23/4043. Available at: https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_4043 [Accessed 22nd March 2024].

European Commission. (2023c). Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds.

European Commission. (2023d). Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation 2023/C 211/01. Available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023XC0616\(01\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023XC0616(01))

European Securities and Markets Authority. (2023). 'Do No Significant Harm' definitions and criteria across the EU sustainable Finance framework. Available at: https://www.esma.europa.eu/sites/default/files/2023-11/ESMA30-379-2281_Note_DNSH_definitions_and_criteria_across_the_EU_Sustainable_Finance_framework.pdf

Ernst & Young. (2023). EY EU Taxonomy Barometer 2023. Available at: https://www.ey.com/en_gl/assurance/eu-taxonomy-report

FIN-FSA, Financial Supervisory Authority. (2023). Listed companies carry out reporting on environmentally sustainable activities for the first time. Market newsletter. Available at: <https://www.finanssivalvonta.fi/en/publications-and-press-releases/market-newsletter/market-newsletter-32023/listed-companies-carry-out-reporting-on-environmentally-sustainable-activities-for-the-first-time/> [Accessed 21st May 2024].

Finansinspektionen. (2024). Taxonomiinformation i årsredovisningar. Available at: https://www.fi.se/en/search/?f_categories=120&f_categories=68&f_type2=documentfile_dynamic&date=true&language=sv&f_categories=16

Hummel, K., Bauernhofer, K. (2024). Consequences of sustainability reporting mandates: evidence from the EU taxonomy regulation. DOI: <https://doi.org/10.1080/01559982.2024.2301854>

Landbruksdirektoratet. (2023)., Markedsrapport 2022. Markeds- og prisvurderinger av sentrale norske landbruksvarer og RÅK-varer. Rapport nr 6/2023. Labruksdirektoratet. Available at: <https://www.landbruksdirektoratet.no/nb/nyhetsrom/rapporter/markedsrapport-2022>

Luke, Natural Resources Institute Finland. (2023). Wood imports and the exports value of forest industry decreased in 2022. Available at: <https://www.luke.fi/en/news/wood-imports-and-the-exports-value-of-forest-industry-decreased-in-2022>. [Accessed 22nd March 2024].

Norwegian Wood Cluster. (2024). Veileder, Bærekraftsrapportering for skog- og trenæringen. Available at: <https://www.nwcluster.no/nyheter/veileder>

Regjeringen. (2024). Taksonomien for bærekraftig økonomisk aktivitet. Finansdepartementet. Available at: <https://www.regjeringen.no/no/tema/okonomi-og-budsjett/finansmarkedene/taksonomien-for-barekraftig-okonomisk-aktivitet/id2924859/>

Swedish Forest Industries. (2024). Facts & Figures. Sweden's forest industry in brief. Available at: <https://www.forestindustries.se/forest-industry/statistics/facts-and-figures/> [Accessed 22nd March 2024]

The Financial Supervisory Authority of Norway. (2023). Kontroll av noterte foretaks finansielle rapportering i 2023. Finanstilsynet. Available at: <https://www.finanstilsynet.no/nyhetsarkiv/nyheter/2023/kontroll-av-den-finansielle-rapporteringa-til-noterte-foretak-i-2023/>

Westerberg, J., Gren, S. (2023). Exploring implications of the EU Taxonomy on funding and disclosure for Swedish SMEs. Swedish University of Agricultural Sciences. ISSN: 1401-4084

10. Appendices

Interview questions for companies in both the construction and forest sector.

Question		Answer
Introduction		
1	Can you briefly present the company and your position here?	
2	If you were to rate your current knowledge of the EU Taxonomy on a scale from 1 to 10 (where 10 represents a thorough understanding), where would you place yourself? Can you elaborate on your choice?	
How important is it, that the companies are classified as sustainable?		
3	What role does sustainability play in your company?	
4	How does the taxonomy Regulation impact your sustainability efforts?	
5	Have you mapped out your value chains and your impact on climate, biodiversity, and ecosystems? <ul style="list-style-type: none"> • If yes, has your assessment been conducted from a double materiality perspective in accordance with CSRD? • If clarified - Where in your value chain do you see the greatest negative impacts on climate, biodiversity, and ecosystems? • Where in your value chain do you see the greatest potential? 	
6	In connection with your work on the taxonomy, have you interacted with customers or business partners?	
7	Which one of the six environmental objectives of the taxonomy have you chosen to focus on?	
8	How do you ensure that the other environmental objectives are not significantly harmed? The so-called DNSH principle: Do No Significant Harm (DNSH)	

9	What proportion of the company's activities are taxonomy-qualified activities?	
10	What proportion of the company's taxonomy-qualified activities comply with the taxonomy?	
11	Do you see it as an investment risk if only a small proportion of your taxonomy-qualified activities comply with the taxonomy?	
13	Do you currently use or plan to use your work on the taxonomy in communication contexts?	
14	Do you find any aspects of the reporting requirements in the taxonomy challenging? If yes, which parts and why? Is it particularly challenging for your industry?	

To what extent are the taxonomy requirements incorporated into the companies' organisation and strategy?

15	<p>Has the taxonomy Regulation and the new reporting requirements led to restructuring within the company?</p> <ul style="list-style-type: none"> • If yes, has it primarily been focused on reporting? • Or has it been aimed at implementing other measures? 	
16	<p>What do you see as the primary reporting objective?</p> <ul style="list-style-type: none"> • Is the primary purpose to comply with EU reporting requirements? • Does it have relevance for other stakeholders? • Does it enhance opportunities to attract investments? 	
17	<p>In addition to the technical screening tools, do you use other frameworks? For example, SBTN, TNFD/TCFD, or national certifications (BREEAM, Miljöbyggnad 3), etc. Does using other frameworks make the screening work easier or harder for you?</p>	

18	Do you experience that your customers, partners, or investors demand/focus on your company's taxonomy-qualified activities complying with the taxonomy?	
19	How have you screened your economic activities?	
20	Which (sustainability) initiatives do you expect to implement in the future to comply with the taxonomy? <ul style="list-style-type: none"> Are there any related to the taxonomy? 	
21	How do you approach any activities that are taxonomy-qualified but do not comply with the taxonomy? <ul style="list-style-type: none"> Do you have an ambition for taxonomy-qualified activities to comply with the taxonomy? 	
22	How do you plan to incorporate climate change and biodiversity to comply with the taxonomy?	
23	Where/how do you seek inspiration for what you can do to better align your economic activities with the taxonomy?	
24	Would you prioritize differently if it were not voluntary but mandatory for your taxonomy-qualified activities to comply with the taxonomy?	
25	How do you experience the interaction between the EU's new sustainability reporting directives? (primarily CSRD, ESRS) <ul style="list-style-type: none"> Do you find that it primarily leads to duplication of work, or do you see synergies in working with the different directives? 	
26	Do the Nordic countries in your industry have any particular advantages/disadvantages that other EU countries do not have regarding the taxonomy? For example, certifications or legal requirements to comply with.	

To what extent have companies understood and possibly built competence within their own company about the taxonomy rules and reporting criteria?

27 Which departments in your company are involved in the reporting work related to the taxonomy?

28	<p>Have you recruited new employees to strengthen the competencies in this field?</p> <ul style="list-style-type: none"> • If yes, which departments have you hired new employees for? • Have you hired employees to assist with reporting? • Have you hired employees to work on initiatives to ensure better compliance with the requirements? 	
29	<p>Have you hired consultants or external experts/speakers with expertise in the field?</p>	
30	<p>Are you part of forums/industry organisations or working groups related to this?</p>	
31	<p>Do you have ongoing competence development of your employees related to the Taxonomy Regulation?</p> <ul style="list-style-type: none"> • Do you have specific examples of activities aimed at developing competence in this area? 	
32	<p>Do you have any colleagues that I should talk to?</p>	
<p>To what extent have companies prepared for future reporting/documentation by the end of 2023?</p>		
33	<p>What specific measures have you taken to ensure proper documentation?</p> <ul style="list-style-type: none"> • Have you developed strategies and methods for how you report? 	
34	<p>Does the company specifically allocate resources to perform this type of reporting?</p> <ul style="list-style-type: none"> • Have you needed external assistance for reporting? 	
35	<p>Has there been sufficient guidance and assistance available from the authorities regarding the new reporting requirements?</p>	
<p>Concluding remarks</p>		
36	<p>Have the questions or your answers prompted you to think of other things you would like to mention?</p>	
37	<p>Is there anything else about the taxonomy, beyond what we've already discussed, that affects your work?</p>	

About this publication

How the EU taxonomy has impacted companies in the construction and forest sector in the Nordics

Linda Stafsing, Elvira Borgman, Laura Schou Bagh, Amalie Engelbrecht-Hansen, Rikke Fischer-Bogason

TemaNord 2024:553

ISBN 978-92-893-8101-7 (PDF)

ISBN 978-92-893-8102-4 (ONLINE)

<http://dx.doi.org/10.6027/temanord2024-553>

© Nordic Council of Ministers 2024

Cover photo: Getty Images/Unsplash

Published:

Disclaimer

This publication was funded by the Nordic Council of Ministers. However, the content does not necessarily reflect the Nordic Council of Ministers' views, opinions, attitudes or recommendations.

Rights and permissions

This work is made available under the Creative Commons Attribution 4.0 International license (CC BY 4.0) <https://creativecommons.org/licenses/by/4.0>.

Translations: If you translate this work, please include the following disclaimer: This translation was not produced by the Nordic Council of Ministers and should not be construed as official. The Nordic Council of Ministers cannot be held responsible for the translation or any errors in it.

Adaptations: If you adapt this work, please include the following disclaimer along with the attribution: This is an adaptation of an original work by the Nordic Council of Ministers. Responsibility for the views and opinions expressed in the adaptation rests solely with its author(s). The views and opinions in this adaptation have not been approved by the Nordic Council of Ministers.

Third-party content: The Nordic Council of Ministers does not necessarily own every single part of this work. The Nordic Council of Ministers cannot, therefore, guarantee that the reuse of third-party content does not infringe the copyright of the third party. If you wish to reuse any third-party content, you bear the risks associated with any such rights violations. You are responsible for determining

whether there is a need to obtain permission for the use of third-party content, and if so, for obtaining the relevant permission from the copyright holder. Examples of third-party content may include, but are not limited to, tables, figures or images.

Photo rights (further permission required for reuse):

Any queries regarding rights and licences should be addressed to:
Nordic Council of Ministers/Publication Unit
Ved Stranden 18
DK-1061 Copenhagen
Denmark
pub@norden.org

Nordic co-operation

Nordic co-operation is one of the world's most extensive forms of regional collaboration, involving Denmark, Finland, Iceland, Norway, Sweden, and the Faroe Islands, Greenland and Åland.

Nordic co-operation has firm traditions in politics, economics and culture and plays an important role in European and international forums. The Nordic community strives for a strong Nordic Region in a strong Europe.

Nordic co-operation promotes regional interests and values in a global world. The values shared by the Nordic countries help make the region one of the most innovative and competitive in the world.

The Nordic Council of Ministers
Nordens Hus
Ved Stranden 18
DK-1061 Copenhagen
pub@norden.org

Read more Nordic publications on www.norden.org/publications