THE VALUE GROUP

ANALYSIS OF THE TAXONOMY ALIGNMENT IN THE EUROPEAN FUND MARKET WITH A FOCUS ON THE DACH AND NORDIC REGIONS

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Summary

This study examines the alignment of investment funds with the European Union (EU) Taxonomy, focusing on the **DACH (Germany, Austria, Switzerland)** and **Nordic** regions within the European fund market. It provides an in-depth analysis of how funds incorporate sustainable economic activities as defined by the EU Taxonomy. Key areas of investigation include the degree of **Taxonomy-aligned turnover, capital expenditure (CapEx),** and **operational expenditure (OpEx)** reported by funds, as well as taxonomy **eligibility** and exposure to specific activities like nuclear energy and natural gas. The study uses a robust sample of European investment funds and considers various classifications (by asset class, Sustainable Finance Disclosure Regulation (SFDR) category, fund domicile, regional investment focus, and sustainability labels) to ensure comprehensive coverage. It also discusses the regulatory context, including SFDR and eco-label directives (such as Austria's UZ49 Ecolabel and the Nordic Swan Ecolabel), and proposes potential thresholds for what could be considered significant taxonomy alignment. The findings are intended to inform stakeholders about the current state of EU Taxonomy alignment in funds and to highlight areas for improvement or further regulatory guidance.

1. Introduction

1.1. Study Objectives and Scope

The primary objective of this study is to analyse the extent to which European investment funds are aligned with the EU Taxonomy for sustainable activities, with a particular focus on funds based in the DACH region (Germany, Austria, Switzerland) and the Nordic countries. The study investigates how investment portfolios integrate environmentally sustainable economic activities, as defined by the EU's sustainability classification framework.

The scope of the study includes a detailed examination of taxonomy-aligned turnover, capital expenditure (CapEx), and operational expenditure (OpEx) across different types of funds. It also considers taxonomy eligibility as a broader indicator of sustainability potential. Special attention is given to the differences in alignment levels across fund categories, regulatory classifications, domiciles, and investment strategies.

In addition to assessing quantitative alignment levels, the study evaluates how well funds comply with existing regulatory frameworks and voluntary sustainability standards. By analysing a broad and representative sample of funds and measuring multiple dimensions of sustainability performance, the study aims to identify prevailing trends, existing data and implementation gaps, as well as emerging best practices in taxonomy reporting and integration. The findings are intended to support policymakers, fund managers, and other stakeholders in advancing the transparency and effectiveness of sustainable finance across Europe.

1.2. Regulatory and Market Context

To interpret the findings of this study meaningfully, it is essential to consider the regulatory framework that defines and shapes sustainable investment in the European Union. Over recent years, the EU has introduced a comprehensive set of rules to direct capital flows toward environmentally sustainable economic activities.

At the heart of this framework is the EU Taxonomy Regulation, which establishes science-based criteria for identifying such activities. As of 2025, the Taxonomy covers all six environmental objectives: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. pollution prevention and control,

and protection and restoration of biodiversity and ecosystems. However, the Taxonomy does not yet cover all relevant economic activities yet and work is ongoing by the European Commission on included the remaining activities across all objectives. Investment funds are required to assess how much of their portfolios are aligned with these objectives, based on taxonomy-aligned turnover, capital expenditure, and operational expenditure. In this context, Article 4 of the EU Taxonomy Regulation is also relevant: it applies not only to binding legal requirements, but also to voluntary labelling schemes—provided they are established or endorsed by public authorities and refer to the environmental sustainability of financial products. Accordingly, national or regional ecolabels such as the Austrian Umweltzeichen UZ49 or the Nordic Swan Ecolabel fall within the scope of Article 4, insofar as they set criteria for products marketed as environmentally sustainable[1].

Closely linked is the Sustainable Finance Disclosure Regulation (SFDR), which obliges fund managers to explain how they incorporate sustainability into their investment decisions. Funds classified under Article 8 or Article 9 must disclose the degree to which their funds meet the criteria of the EU Taxonomy. While alignment levels appear relatively low across most funds, these disclosures are becoming increasingly important for evaluating the credibility of sustainability claims and preventing greenwashing. The Corporate Sustainability Reporting Directive (CSRD) complements this system by expanding corporate sustainability reporting requirements. Companies falling under its scope must report detailed sustainability data, including taxonomy-relevant metrics. These disclosures form the foundation for fund-level alignment calculations. However, delays and simplification proposals introduced in early 2025 may temporarily limit data availability, particularly among medium-sized enterprises.

In addition to EU-wide regulations, national and regional ecolabels - such as the Austrian UZ49 Umweltzeichen and the Nordic Swan Ecolabel - influence how funds are structured and how they communicate their sustainability ambitions. These labels often reinforce or go beyond EU requirements, setting stricter standards for fund selection and alignment. Taken together, this evolving regulatory landscape provides the necessary context for assessing the taxonomy alignment of investment funds. It defines not only what qualifies as sustainable, but also how such qualifications are measured, reported, and interpreted across the financial market.

[1] 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 (EU Taxonomy Regulation), Article 4. According to this provision, "Member States and the Union shall apply the criteria set out in Article 3 to determine whether an economic activity qualifies as environmentally sustainable for the purposes of any measure setting out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable."

2. Sample Overview

This chapter provides a comprehensive overview of the dataset selection process, and the characteristics of the fund sample used in the analysis. We outline how the fund universe was defined and filtered to ensure it is robust, representative, and relevant for evaluating EU Taxonomy alignment. We also describe the composition of the final sample, highlighting key attributes such as asset class distribution, regional focus, and sustainability classifications of the funds. By transparently documenting the sample construction, we ensure clarity about its relevance and suitability for the analysis.

2.1. Data Preparation and Selection Criteria

To build a sustainability-focused and relevant fund sample aligned with our research objectives, we applied specific inclusion criteria during the fund selection process. These criteria were designed to ensure the integrity and relevance of the dataset while allowing structured comparisons of funds based on their sustainability integration level. The following selection criteria are applied:

1. **Funds domiciled in Europe**: We included only funds domiciled in Europe. This geographic focus ensures consistency with European financial regulations and sustainability disclosure requirements, providing a relevant foundation for assessing taxonomy alignment within a European context.
2. **Asset classes (Equity, Bond, Mixed assets**): We concentrated on three primary asset class categories: equity funds, bond (fixed-income) funds, and mixed-asset funds. Focusing on these categories ensures a consistent and comparable dataset while covering the main investment types in sustainable finance. Including these diverse asset classes allows for a comprehensive analysis of how different types of funds approach and implement sustainability strategies.
3. **SFDR disclosures classification**: In line with the **Sustainable Finance Disclosure Regulation (SFDR)**, we included funds from each of the three SFDR classifications to compare different levels of sustainability commitment[2]. While the SFDR does not constitute a labelling regime, it offers a consistent regulatory framework for assessing the degree to

[2] European Union (2019), Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector.

which sustainability considerations are integrated into investment processes. The inclusion of all three categories allows for a differentiated analysis based on varying levels of sustainability ambition:

- Article 6 funds: These funds do not integrate sustainability considerations into their investment strategy. They serve as a baseline for comparison against sustainability-focused funds.
- Article 8 funds: These funds promote environmental or social characteristics, although sustainability is not their primary objective.
- Article 9 funds: These funds explicitly target sustainable investments or sustainable economic activities as their goal.

4. **Sustainability certifications**: We also included funds that hold recognized environmental sustainability labels to ensure a strong emphasis on proven sustainability commitments. Two key certifications were considered:
    a. **Austrian Ecolabel UZ49:** The **UZ49 Umweltzeichen 49** is Austria's national ecolabel for financial products, indicating the fund meets strict environmental and ethical investment criteria.[3]
    b. **Nordic Swan Ecolabel:** The **Nordic Swan** is a well-known sustainability label in Nordic countries, signifying compliance with stringent **Environmental, Social, and Governance (ESG)** standards and sustainability criteria for investment funds.[4]

    These labels serve as important indicators of a fund's alignment with sustainable investment principles beyond regulatory requirements, adding an extra layer to our analysis of the sample's sustainability profile.

5. **Exclusion funds of funds:** To maintain analytical clarity and prevent duplication of underlying assets, we excluded funds of funds from our dataset.

6. **Market Value**: To ensure financial relevance, we included only funds with a market value of at least 1 million USD.

7. **Portfolio Composition**: Funds were required to contain at least 20 holdings. This criterion prevents small, highly concentrated portfolios from skewing the results and ensures a diverse representation of assets within each fund.

[3] Austrian Ecolabel (2024), UZ 49 Guideline – Sustainable Financial Products (Version 6.0a).
[4] Nordic Swan Ecolabel (2024), Official Website.

8. **Data Recency**: We stipulated that the most recent portfolio holdings data had to be available within 2024. This requirement ensures an up-to-date analysis, reflecting the current state of sustainability integration in the European fund market.

9. **EU Taxonomy Coverage**: A relevant refinement criterion was EU Taxonomy coverage, where we required a minimum of 50% taxonomy data coverage[5]. This ensures that each fund has a sufficiently high share of companies for which reported EU Taxonomy data are available, thereby providing a robust foundation for assessing alignment levels.

SAMPLING STRATEGY AND REGIONAL BALANCING

A key objective of the study is to construct a sample that provides meaningful insights into taxonomy alignment across different fund types and regions at this point. To achieve this, a random sampling approach is applied to the broader fund universe. However, certain categories – namely Article 9 funds, as well as funds certified under the UZ49 Umweltzeichen and the Nordic Swan Ecolabel – are included in full rather than sampled. This is due to their relatively small numbers in the overall population and their relevance to the study's focus. Including them entirely ensures that their characteristics are adequately captured. To enable regional comparisons, the sample is also balanced across groups to maintain an approximately equal distribution of funds from the Nordic and DACH (Germany, Austria, Switzerland) regions, alongside funds from other European countries.

Following the application of these constraints through random sampling, the final dataset comprises approximately 3,750 funds. The regional distribution reflects a balanced yet strategically weighted selection, with 43% of the funds originating from the Nordic and DACH regions, while the remaining 57% represent other European markets. The dataset includes 165 funds in the sample carry the Austrian **UZ49 Umweltzeichen** (Eco-label 49) and 41 funds have the **Nordic Swan** Ecolabel. These certifications reflect a strong commitment to strict environmental and ethical standards. Including these labelled funds in the sample provides further insight into the sustainability profile of European funds, as these labels require meeting higher sustainability criteria than those mandated by regulations alone.

[5] EU Taxonomy Coverage refers to the share of a fund's assets invested in issuers for which reported EU Taxonomy data are available. This includes companies that provide disclosures on key elements of the Taxonomy framework, such as the Minimum Social Safeguards or the Do No Significant Harm (DNSH) criteria, even if full alignment figures are not reported.

By applying these selection criteria (geography, asset class, SFDR category, and sustainability labels), our dataset is focused and relevant, capturing a comprehensive picture of European funds with varying degrees of sustainability integration. This approach ensures that the subsequent analysis of taxonomy alignment is built on a solid and comparable foundation.

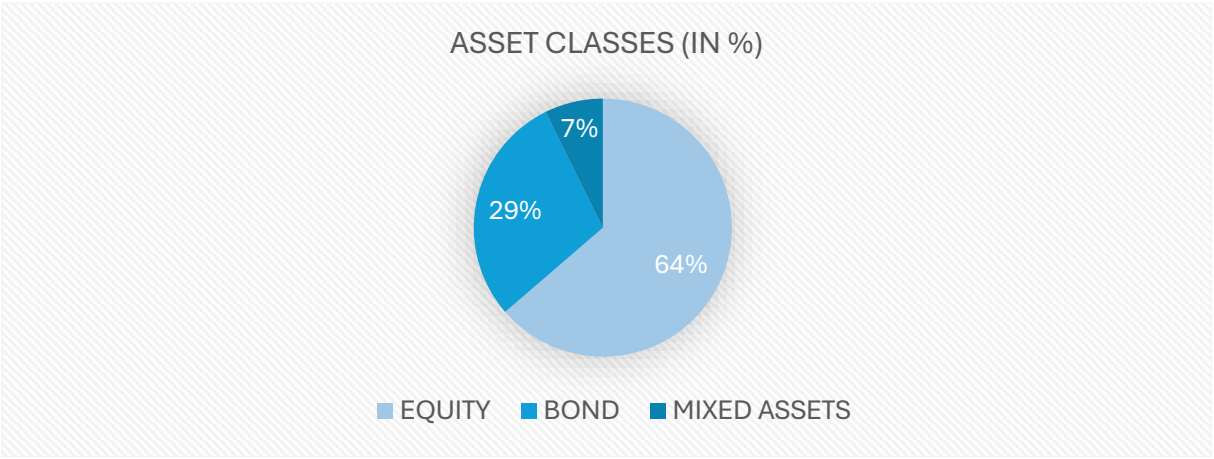
2.2. Composition of the Final Sample

The final sample comprises a broad range of funds that meet the above criteria, ensuring diversity in terms of fund characteristics and a balanced representation of different segments of the European fund market. This section examines the composition of the sample and highlights key attributes and distributions across various dimensions (asset classes, regions, and sustainability classifications).

DISTRIBUTION BY ASSET CLASSES

A closer look at the asset class distribution reveals clear differences in fund allocation within the sample. As illustrated in Figure 1, equity funds make up the largest share, accounting for more than half of the selected funds (approximately 64% of the sample). Fixed-income (bond) funds also represent a significant portion, covering nearly one-third of the sample (around 30%), reflecting the strong presence of bond-focused investment strategies. In contrast, mixed-asset funds (which combine equity and bond investments within a single portfolio) form a much smaller segment at roughly 7%. This distribution ensures broad representation of key investment categories and provides a solid foundation for analysing how each asset class category approaches sustainability integration.

Figure 1: Distribution of Funds by Asset Classes.

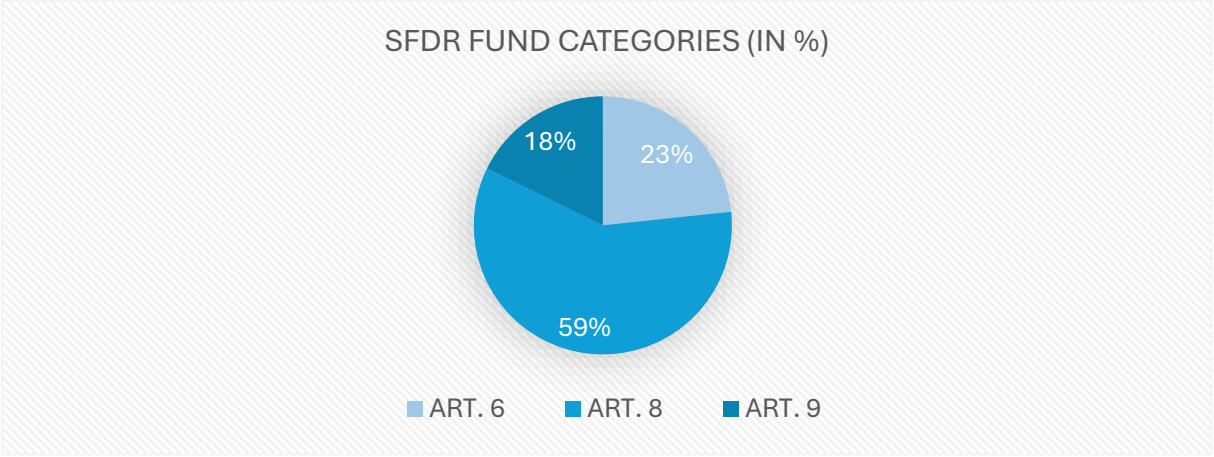


Source: The Value Group GmbH, own representation.

DISTRIBUTION BY SFDR CATEGORY

In addition to asset class, the sample is categorized by **SFDR classification**, distinguishing between different levels of sustainability commitment. As illustrated in Figure 2, Article 6 funds (no specific sustainability focus) make up nearly a quarter of the sample (23%). The majority of funds, about 59%, fall under Article 8, which promote environmental or social characteristics. Article 9 funds (fully sustainability-focused) account for the remaining 18%. This breakdown highlights the differences in sustainability approaches across fund types and provides an important basis for analysing how SFDR category relates to EU Taxonomy alignment.

Figure 2: Distribution of Funds under EU SFDR Articles 6, 8, and 9



Source: The Value Group GmbH, own representation.

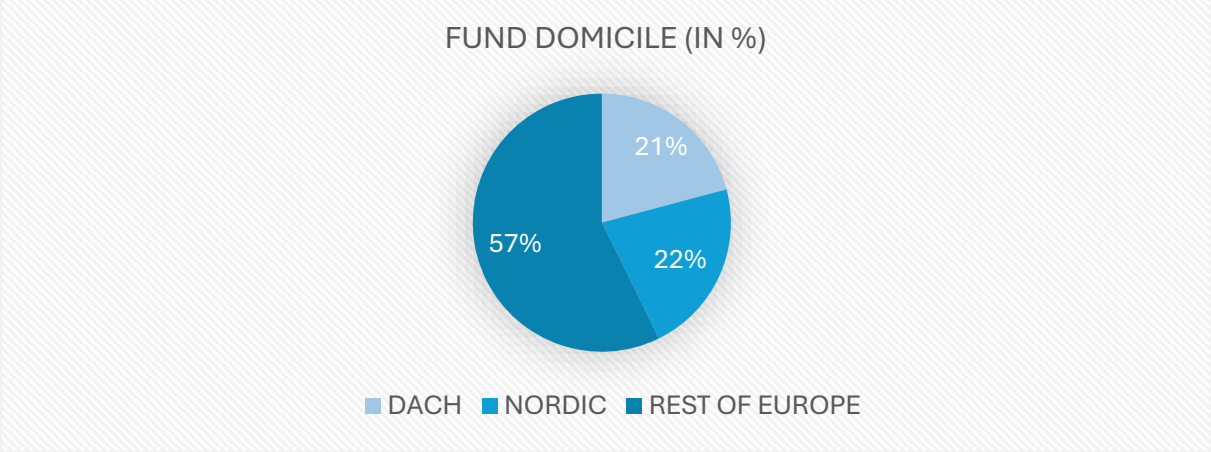
GEOGRAPHICAL DISTRIBUTION

The geographical distribution of the sample is examined from two perspectives: fund domicile (where the fund is registered) and regional investment focus (where the fund primarily invests).

Fund Domicile

As illustrated in Figure 3, the domicile distribution indicates that 21% of the funds in the sample are registered in the DACH region (Germany, Austria, Switzerland), with Germany alone accounting for 13%. A similar share of 22% of the funds originates from Nordic countries (Denmark, Sweden, Norway, Finland, and Iceland), led by Denmark. The remaining 57% are domiciled in other European countries, notably with Luxembourg and Ireland constituting the largest shares (approximately 32% and 15% of the total sample, respectively). This domicile spread aligns with the broader European fund landscape and ensures that our sample is consistent with where European funds are commonly based, underlining the influence of regional regulatory environments and disclosure practices.

Figure 3: Distribution of Funds by Country of Domicile.



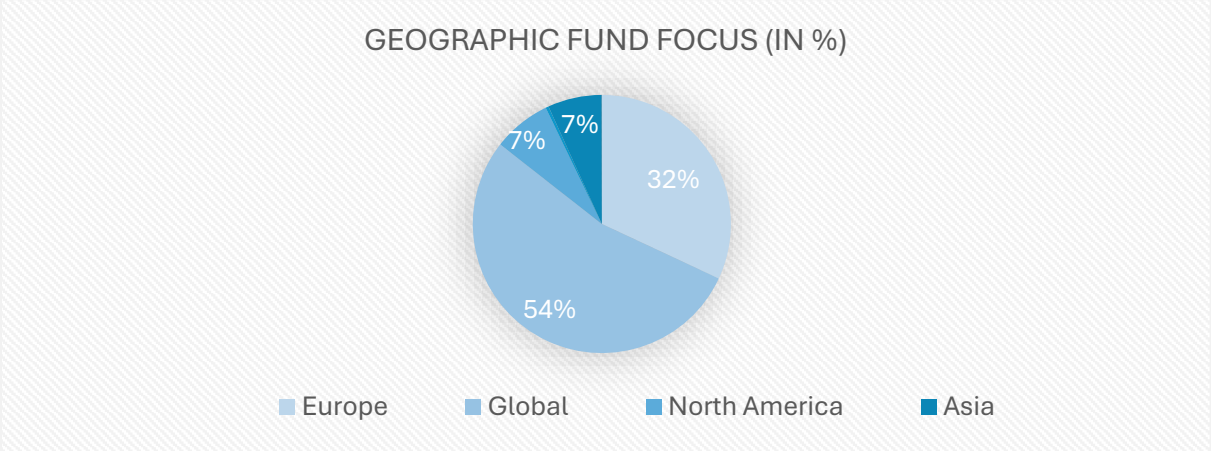
Source: The Value Group GmbH, own representation.

Regional investment focus

The sample's investment focus is largely global, as shown in Figure 4. A predominant portion of funds have a global investment mandate. European markets are the second-largest focus region. Smaller proportions of investments are primarily focused on North America and Asia. Investments in South America and Africa are marginal (approximately 0.4% and 0.1% of the sample's

investment focus, respectively). This distribution of investment focus allows for a structured assessment of sustainability strategies across different geographic investment landscapes and indicates that most funds in the sample aim for globally diversified portfolios, with Europe being a significant focus region as well.

Figure 4: Geographic Concentration of Fund Investments.



Source: The Value Group GmbH, own representation.

Overall, the final sample is well structured to support the analysis of sustainability trends, taxonomy alignment, and regulatory classifications in the European fund market. The diversity in asset classes, SFDR categories, domiciles, regional focuses, and sustainability labels ensures that the findings will be robust and relevant. In the following sections, we examine how these fund characteristics influence EU Taxonomy alignment, with particular attention to the roles of SFDR classification, geographic focus, and sustainability labels.

3. Definitions and Data Classification

This chapter clarifies important terminology and outlines how data is classified for the purpose of the analysis. We define key terms related to the EU Taxonomy and describe the types of data and parameters used. Providing clear definitions ensures that readers have a common understanding of the technical concepts and metrics discussed in the study.

3.1. Taxonomy Terminology

In this section, we define key terms and concepts from the EU Taxonomy framework as applied in this study. The methodology for assessing taxonomy activities is defined under the EU Taxonomy Regulation and its related delegated acts, which set out the requirements for disclosure and evaluation of sustainability-related economic activities[6].

EU TAXONOMY

The EU Taxonomy is a classification system established by the European Union to define which economic activities are environmentally sustainable. It aims to redirect capital flows toward activities that support the EU's environmental objectives, such as achieving net-zero emissions by 2050 under the European Green Deal. The taxonomy provides technical screening criteria to assess whether an activity[7]:

1) Substantially contributes to at least one of the **six environmental objectives**:
    - climate change mitigation
    - climate change adaptation
    - the sustainable use and protection of water and marine resources
    - the transition to a circular economy
    - pollution prevention and control
    - the protection and restoration of biodiversity and ecosystems.

[6] European Commission (2021), EU Taxonomy Article 8 FAQ.
[7] European Union (2020), Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

2) **Does No Significant Harm** (DNSH) to other objectives

3) Complies with **minimum social safeguards**, such as labor and human rights standards

ELIGIBLE AND ALIGNED ACTIVITIES

Within this framework, a distinction is made between eligible and aligned activities.[8]

Taxonomy-Eligible Activities

Taxonomy-eligible activities are economic activities that are listed in the delegated acts of the EU Taxonomy Regulation. Eligibility means only that the activity is within the scope of the Taxonomy – it does not require any assessment against technical screening criteria but is based on the economic activities included in Taxonomy delegated acts so far. For example, the construction of new buildings is taxonomy-eligible because it is covered by the Taxonomy, regardless of how energy-efficient the building is. Identifying eligibility is the first step in fund reporting and shows which parts of a portfolio are invested in sectors that could potentially be considered environmentally sustainable.

Taxonomy-Aligned Activities

Taxonomy-aligned activities are a subset of eligible activities that fully meet the EU Taxonomy's legal requirements. This includes making a substantial contribution to at least one environmental objective, doing no significant harm (DNSH) to the others, and complying with minimum social safeguards. For example, wind power generation is considered taxonomy-aligned if the installation meets technical efficiency criteria to substantially contribute to climate change mitigation, while avoiding harm to any other objective, such as biodiversity protection, and complying with labour rights and human rights standards. Only such fully compliant activities are considered environmentally sustainable under the EU framework and can be counted as Taxonomy-aligned in fund disclosures.

METRICS FOR ASSESSING TAXONOMY ALIGNMENT

To measure a fund's alignment with the EU Taxonomy, three financial indicators are used[8]:

Taxonomy-aligned Turnover: This refers to the percentage of a company's revenue (turnover) that comes from activities deemed sustainable according to the EU Taxonomy criteria. For funds,

[8] European Commission (2020), TEG Final Report on the EU Taxonomy.

this can be reported as the weighted average of taxonomy-aligned revenue of the fund's portfolio holdings. A higher percentage indicates a greater share of the fund's investments in environmentally sustainable activities.

Taxonomy-aligned Capital Expenditure (CapEx): CapEx alignment represents the proportion of a company's capital expenditures that are invested in taxonomy-aligned activities. For funds, this measure can be aggregated similarly to turnover, reflecting the share of portfolio companies' CapEx that is aligned with the Taxonomy.

Taxonomy-aligned Operational Expenditure (OpEx): OpEx alignment refers to the portion of operating expenses of portfolio companies that meet the Taxonomy criteria. It is another way to capture a company's efforts to maintain or achieve sustainability in its operations, and by extension, a fund's alignment through its investments.

By distinguishing between eligibility and alignment and analysing turnover, CapEx, and OpEx, the EU Taxonomy provides a transparent framework for assessing the sustainability of investment funds and guiding capital toward environmentally sustainable economic activities[9].

3.2. Data Characteristics and Methodological Considerations

This section explains the types of data collected and the parameters used in analysing the funds:

DATA SOURCE

The fund data for this study is sourced from MSCI's sustainability data platform, which provides taxonomy-related information for a broad universe of funds. Using this data source also for the fund selection helps ensure data quality and consistency.

REPORTED VS. ESTIMATED DATA

Funds disclose certain metrics in their reports (for example, taxonomy-aligned percentages for turnover, CapEx, OpEx) under regulatory requirements like SFDR Article 8 and 9 disclosures. For this study we primarily use **reported** data where available (i.e., data published by the funds themselves). It is important to note that the study does not rely on data reported directly by the

[9] European Union (2020), Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment, Article 1.

underlying portfolio companies. This distinction matters, as data availability and quality may be more advanced at the corporate level due to the increasing scope of sustainability reporting obligations, especially under the EU Corporate Sustainability Reporting Directive (CSRD).

In cases where funds have not reported a metric, we may refer to **estimated** data provided by the data provider, which uses methodologies (e.g. MSCI ESG Research models) to approximate alignment levels based on company activities. Estimated data might consider factors such as the revenue breakdown of portfolio companies (e.g. what portion of a company's revenue is derived from green activities) and apply the taxonomy criteria to those. While reported data offers high reliability and accuracy, its availability is often limited due to inconsistent reporting practices across sectors and jurisdictions. **Combined** data, using reported and estimated data, on the other hand, improves completeness and comparability by incorporating estimates but comes with a higher degree of uncertainty due to the use of modelled assumptions. The choice between these data types depends on the trade-off between precision and data availability when assessing taxonomy alignment in investment funds. This distinction will be examined in more detail later in the study to assess whether significant differences exist and how they may impact the analysis.

COVERAGE RATE

For a single fund, **coverage** refers to the share of its market value for which data is available. When looking at a sample of funds, we use the average coverage rate across all funds. For example, if we say that the coverage of aligned turnover is 50%, this means that, on average, 50% of a fund's market value is invested in companies that report data on aligned turnover - regardless of whether the reported value is zero or greater than zero. A higher coverage rate means that the results are based on a more complete data foundation. We often distinguish between coverage and non-zero coverage. While coverage includes all reported values (including zero), non-zero coverage only considers funds that report a value greater than zero for the metric - for example, funds that report some aligned turnover above 0%.

TIME FRAME

The funds were initially selected on January 2, 2025. After receiving additional updates, UZ49 and Nordic Swan-certified funds were integrated into the dataset on January 14, 2025. All data reflects the latest available information as of the study's reference date (December 31, 2024), ensuring consistency and comparability across the entire dataset.

4. EU Taxonomy Alignment

This chapter presents the findings of the study regarding the alignment of funds with the EU Taxonomy. It covers various dimensions of alignment, primarily focusing on the proportion of fund investments (turnover, CapEx, OpEx) that qualify as environmentally sustainable under the Taxonomy criteria.

The analysis is structured into sub-sections to examine overall alignment and then break it down by different categorisations (asset class, SFDR classification, fund domicile, regional focus, sustainability labels, and a sector-specific view). By doing so, we can identify patterns and differences in taxonomy alignment across different segments of the fund market.

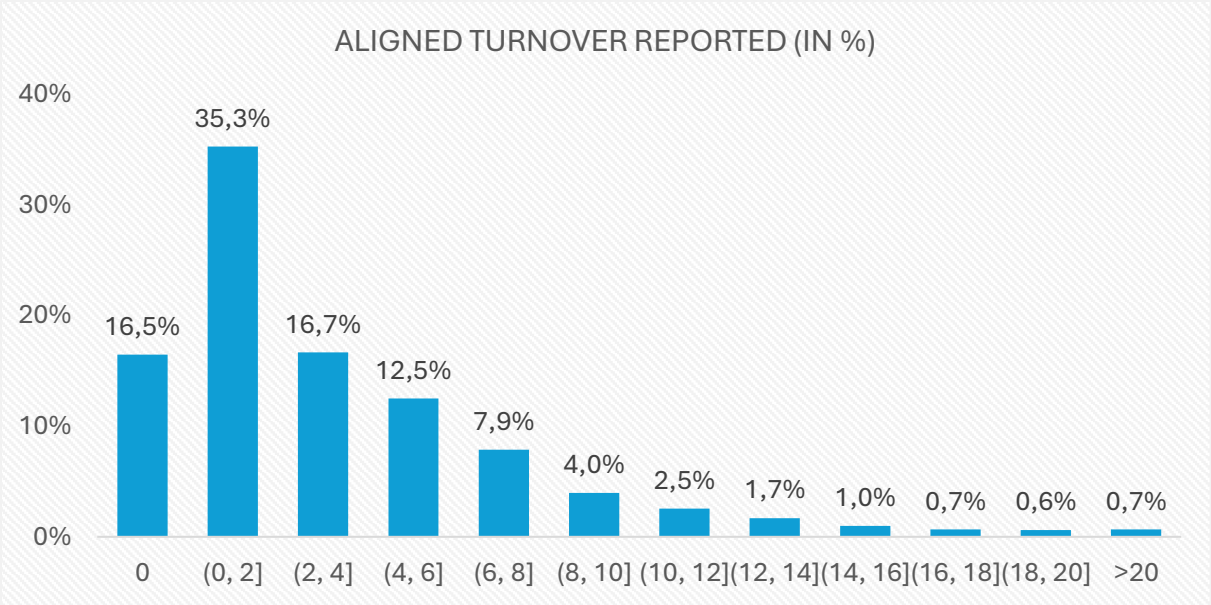
4.1. Taxonomy-Aligned Turnover

Taxonomy-aligned turnover, as defined by the EU Taxonomy Regulation, is a central measure of how much of a fund's underlying investments are in environmentally sustainable activities. This section begins with an overview of aligned turnover across the full sample, followed by a detailed analysis across various breakdowns.

4.1.1. Overview and Key Insights

On average, the funds in our sample report relatively modest levels of taxonomy-aligned turnover. A significant share of funds either report zero alignment or only minimal exposure to activities classified as sustainable under the EU Taxonomy criteria. Across the full dataset, **the average reported taxonomy-aligned turnover is 3.3%, with a coverage of 31.29%.** These values appear low, particularly when contrasted with the substantial share of economic activities in high-impact sectors—such as energy, mobility, or construction—that are technically covered by the Taxonomy but not yet reported as aligned. This gap can often be attributed to the stringency of the technical screening criteria, incomplete implementation at the corporate level, or limited disclosure practices. Many companies have only recently begun reporting under the Taxonomy framework or remain hesitant to do so, which constrains the quality and completeness of alignment data available to investment funds.

Figure 5: Distribution of Funds by EU Taxonomy – Reported Aligned Turnover.



Source: The Value Group GmbH, own representation.

Figure 5 illustrates the distribution of funds by their reported taxonomy-aligned turnover. More than 90% of the funds report alignment levels below 10%. The largest group of funds, representing 35.3% of the sample, falls within the range of more than 0% and up to and including 2% – that is, the interval (0%, 2%]. Another 16.7 % are within the 2% to 4% range. At the upper end of the distribution, 25 funds report alignment above 20%, with the highest value reaching 41.3%. Overall, only around 7% of funds show alignment levels above 10%, and very few exceed 20%. These findings underline the rarity of high alignment under current conditions. The intervals shown in the figure use mathematical notation. A round bracket "(" or ")" indicates that the boundary value is not included in the interval, whereas a square bracket "[" or "]" indicates that the value is included. For example, the interval "(0, 2]" means values greater than 0% and up to and including 2%.

A notable 16.5% of funds report zero taxonomy-aligned turnover. However, these values should not always be interpreted as genuine zeros. In many cases, this may reflect the fact that fund managers have not assessed or disclosed the taxonomy alignment of their holdings – rather than an actual absence of alignment at the portfolio level. A similar pattern is observed at company level. According to the Ernst & Young EU Taxonomy Barometer 2024[10], many companies report zero alignment either because they are not required to disclose such data or because their business activities fall outside the scope of the current Taxonomy framework. Given the size and

[10] EY (2024), The third year of EU Taxonomy reporting.

market capitalization thresholds applied in this study, the likelihood of a fund having truly zero aligned turnover is extremely low. It is therefore likely that reported zero values often reflect gaps in data availability, incomplete disclosures, or selective reporting. This indicates that missing alignment figures are more often the result of reporting limitations than of an actual absence of sustainable economic activities.

ALIGNED TURNOVER (%) – REPORTED AND COMBINED: AVERAGES AND COVERAGE

INDICATOR	AVERAGE (%)	COVERAGE (%)	NON-ZERO AVERAGE (%)	NON-ZERO COVERAGE (%)
REPORTED	3.30	31.29	3.95	35.66
COMBINED	7.29	92.46	7.42	92.69

Table 1: EU Taxonomy Aligned Turnover (%) – Reported and Combined Averages and Coverage.
Source: The Value Group GmbH, own representation.

To provide a more complete picture, Table 1 shows the average values and coverage rates for both reported and combined data, including separate figures that exclude funds with zero alignment. When excluding funds that report zero taxonomy-aligned turnover, the average increases to 3.95%, and coverage expands from 31.29% to 35.66%. This indicates that, once a fund demonstrates any degree of alignment, it typically allocates a small but measurable portion of its portfolio to taxonomy-aligned activities. However, the overall share of such activities in fund portfolios remains relatively low.

When using a broader measure that combines both reported and estimated data, the average taxonomy-aligned turnover increases from 3.3% to approximately 7.3%, with overall coverage expanding to 92.46%. This suggests that, although reported figures indicate low alignment, many funds demonstrate at least some degree of alignment once estimated values for non-reporting holdings are taken into account. Analysing both reported and combined data offers deeper insight into the current status and the ongoing challenges of achieving and disclosing taxonomy alignment.

This dual perspective not only reflects present limitations but also highlights potential future developments if data quality improves and more companies begin to report in line with taxonomy requirements. These differences underscore the role of estimation models and the critical importance of improved data availability for accurate and reliable assessments. The contrast between reported and combined figures also reveals substantial gaps in disclosure practices and

illustrates the current dependence on modelled assumptions to bridge these information gaps[11]. While combined data helps to create a more comprehensive picture of fund alignment, it also introduces a degree of uncertainty due to the inherent limitations of predictive modelling.

The overall taxonomy alignment (by turnover) in the European funds analysed is very limited so far. This is expected at this early stage of Taxonomy implementation and given the scope of the Taxonomy being limited to activities with potential for substantial contribution. It also highlights a significant gap between the ambitions of sustainable finance and the current state of corporate activities. Despite these challenges, the existence of funds with high aligned turnover (e.g., those above 20%) demonstrates that achieving substantial alignment is possible, but rare. A meaningful assessment of Taxonomy alignment needs to be based on the share of aligned activities that are eligible under the Taxonomy. As more companies enhance their reporting processes and align their activities with taxonomy criteria, we can expect these figures to improve over time, providing a clearer picture of sustainable economic activities within the European fund landscape.

4.1.2. Breakdown by Asset Class

To gain a more nuanced understanding of taxonomy alignment across different investments, we analyse the data by asset class, as alignment levels may vary depending on the types of assets held by a fund. Table 2 presents the average and coverage rates for equity, bond, and mixed asset funds.

ALIGNED TURNOVER (%) BY ASSET CLASSES AND DATA TYPE: AVERAGES AND COVERAGE

INDICATOR	EQUITY AVERAGE (%)	EQUITY COVERAGE (%)	BOND AVERAGE (%)	BOND COVERAGE (%)	MIXED ASSETS AVERAGE (%)	MIXED ASSETS COVERAGE (%)
REPORTED	2.71	26.86	4.31	38.70	4.34	39.94
COMBINED	7.83	95.94	6.04	85.48	7.51	90.14

Table 2: EU Taxonomy Aligned Turnover (%) by Asset Classes – Reported and Combined Averages.

Source: The Value Group GmbH, own representation.

[11] KPMG (2024), EU Taxonomy Report 2024: Navigating Progress and Pathways to Compliance.

Equity funds in the sample show an average reported aligned turnover of about 2.71%. When including combined data (reported plus estimates for holdings without disclosures), the average for equity funds rises to roughly 7.83%. Coverage of any alignment among equity funds is high (many equity funds have at least some holding that is aligned, leading to ~96% combined coverage), but most of those alignments are small fractions of the portfolio.

Bond funds (fixed-income funds) show a higher average reported alignment at 4.31%, and a combined average around 6.04%. The coverage for bond funds is a bit lower (approximately 85% in combined coverage, meaning some bond funds might have no holdings that are taxonomy aligned). The difference suggests that certain sustainable bonds contribute to alignment, whereas many bonds – especially those with a high share of sovereign or broadly diversified holdings – do not. Fixed-income funds composed entirely of sovereign bonds are excluded from the alignment calculation, as the EU Taxonomy applies only to economic activities undertaken by companies and does not cover public sector financing.

Mixed-Asset Funds (holding both stocks and bonds) have a reported aligned turnover average of about 4.34% as well and a combined average of 7.51%. Coverage is around 90% for combined data, indicating most mixed funds have at least one aligned holding when considering estimates.

These figures suggest that equity funds may, on average, report lower taxonomy alignment compared to bond and mixed funds. This could be attributed to differences in portfolio composition: fixed income funds often focus on larger, investment-grade companies from specific sectors that typically provide higher levels of transparency, which in turn can boost reported alignment. However, when considering combined data (reported and estimated), equity funds actually show the highest alignment rate at 7.83%. This may reflect their broader investment scope, including companies engaged in taxonomy-aligned activities that may not yet report alignment but are captured through estimation in the combined approach.

Overall, no asset class demonstrates high alignment on average - all remain within the single-digit percentage range. The differences between 2.71%, 4.31%, and 4.34% (reported) are relatively minor, indicating that taxonomy alignment is a widespread challenge across asset classes.

4.1.3. Breakdown by SFDR Fund Classification

The classification of funds under the EU Sustainable Finance Disclosure Regulation (SFDR) provides insights into their alignment with EU Taxonomy objectives. This section examines the extent to which Article 6, 8, and 9 funds exhibit taxonomy-aligned turnover, highlighting key differences in their sustainability focus.

ALIGNED TURNOVER (%) BY SFDR FUND CLASSIFICATION *AND DATA TYPE: AVERAGES AND COVERAGE*

INDICATOR	AVERAGE (%)	COVERAGE (%)	NON-ZERO AVERAGE (%)	NON-ZERO COVERAGE (%)
ARTICLE 6	2.24	28.57	2.95	37.28
ARTICLE 8	3.06	33.25	3.59	38.81
ARTICLE 9	5.49	28.32	6.22	31.76

Table 3: EU Taxonomy Aligned Turnover (%) by SFDR Fund Classification – Reported and Combined Averages.
Source: The Value Group GmbH, own representation.

Table 3 presents the average and coverage of EU Taxonomy-aligned turnover for SFDR Articles 6, 8, and 9 funds. Article 9 funds (funds with a sustainability objective) display the highest average aligned turnover, at about 5.49%, followed by Article 8 funds at approximately 3.06%. Article 6 funds (which do not specifically pursue sustainability) report the lowest average aligned turnover, around 2.24%. Coverage also varies: Article 8 funds show the highest reported data coverage at about 33.3%, whereas Article 9 funds have slightly lower coverage at 28.3%. Notably, if we look at the non-zero averages (averages calculated excluding any funds that reported zero alignment), Article 9 funds lead with about 6.22% aligned turnover, reinforcing their focus on sustainable investment.

These differences align with expectations: funds that explicitly aim for sustainability (Article 9) tend to invest more in Taxonomy-aligned activities than those that only promote characteristics (Article 8), and both are ahead of funds with no sustainability focus (Article 6).

ALIGNED TURNOVER (%) - SFDR ARTICLE 8 & 9 FUNDS*: AVERAGES AND COVERAGE*

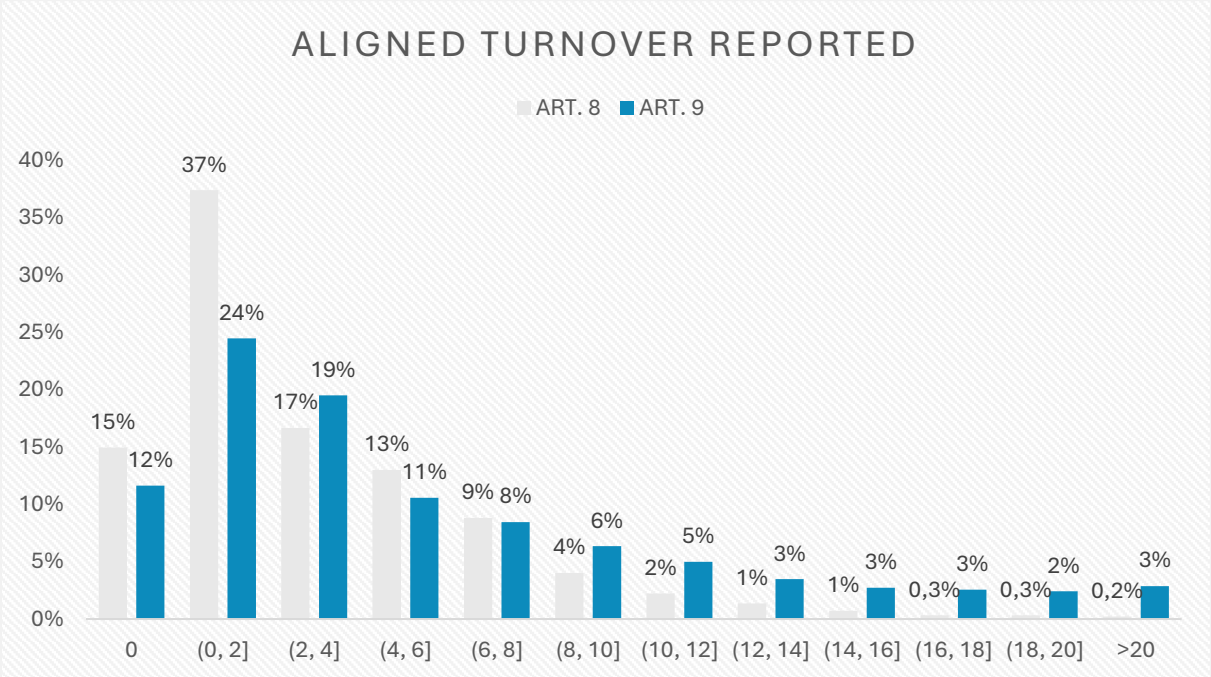
INDICATOR	AVERAGE (%)	COVERAGE (%)	NON-ZERO AVERAGE (%)	NON-ZERO COVERAGE (%)
REPORTED	3.62	32.11	4.22	37.13
COMBINED	7.87	92.84	7.89	92.87

Table 4: EU Taxonomy Aligned Turnover (%) SFDR Article 8 and 9 Funds – Reported and Combined Averages.

Source: The Value Group GmbH, own representation.

Table 4 further refines the analysis by looking at the combination of Article 8 and 9 funds together (excluding Article 6). The reported average aligned turnover for the combined group of Article 8 and 9 funds is approximately 3.6%, with a coverage of around 32%. However, when considering the combined data (including estimates for non-reporting holdings), the average aligned turnover more than doubles to about 7.87%, with an extensive coverage of over 92%. The non-zero average turnover (excluding funds that had zero alignment reported) also increases significantly, from 4.22% in reported data to 7.89% in the combined dataset. This indicates that when we account for estimated alignment in funds that did not report it, we see a broader representation of aligned activities. In practical terms, many Article 8 and 9 funds have at least some green investments that might not be captured in reported data but are revealed when estimates are included.

Figure 6: Fund Distribution by EU Taxonomy Reported Aligned Turnover by EU SFDR Article 8 and 9 Funds.



Source: The Value Group GmbH, own representation.

Figure 6 illustrates the distribution of aligned turnover for SFDR Article 8 and 9 funds. A notable share of funds report 0% alignment, including 15% of Article 8 funds and 12% of Article 9 funds. The most common range for Article 8 funds is *(0%, 2%]* – that is, greater than 0% and up to and including 2% – which accounts for 37% of the sample. For Article 9 funds, 24% fall within the same interval. Higher alignment is observed more frequently in Article 9 funds, with approximately 3% reporting aligned turnover above 20%, compared to only 0.2% in Article 8 funds. This confirms that Article 9 funds generally exhibit stronger alignment with EU Taxonomy principles.

In summary, this analysis highlights significant differences in EU Taxonomy alignment across SFDR fund classifications. **Article 9** funds show the highest alignment, reflecting their explicit sustainability focus. **Article 8** funds have moderate alignment, and **Article 6** funds show very limited alignment. These findings underscore the role of funds' self-declared sustainability ambition: the more a fund is oriented toward sustainability (as indicated by SFDR category), the higher its Taxonomy alignment tends to be.

4.1.4. Breakdown by Fund Domicile

The domicile of investment funds (the country or region where a fund is legally registered) plays a significant role in determining the extent to which portfolios are aligned with the EU Taxonomy framework. Differences in regulatory environments, investor preferences, and sustainability reporting standards across countries can contribute to variations in Taxonomy-aligned turnover.

AVERAGE ALIGNED TURNOVER (%) BY FUND DOMICILE AND DATA TYPE

INDICATOR	DACH (%)	NORDIC (%)	REST OF EUROPE (%)
REPORTED	3.71	3.46	3.09
COMBINED	7.00	6.72	7.61

Table 5: EU Taxonomy Aligned Turnover (%) by Fund Domicile – Reported and Combined Averages.
Source: The Value Group GmbH, own representation.

Table 5 provides an overview of taxonomy-aligned turnover by fund domicile, showing both reported and combined values across three regional groups: DACH (Germany, Austria, Switzerland), Nordic (Denmark, Norway, Sweden, Finland), and the rest of Europe (all other European

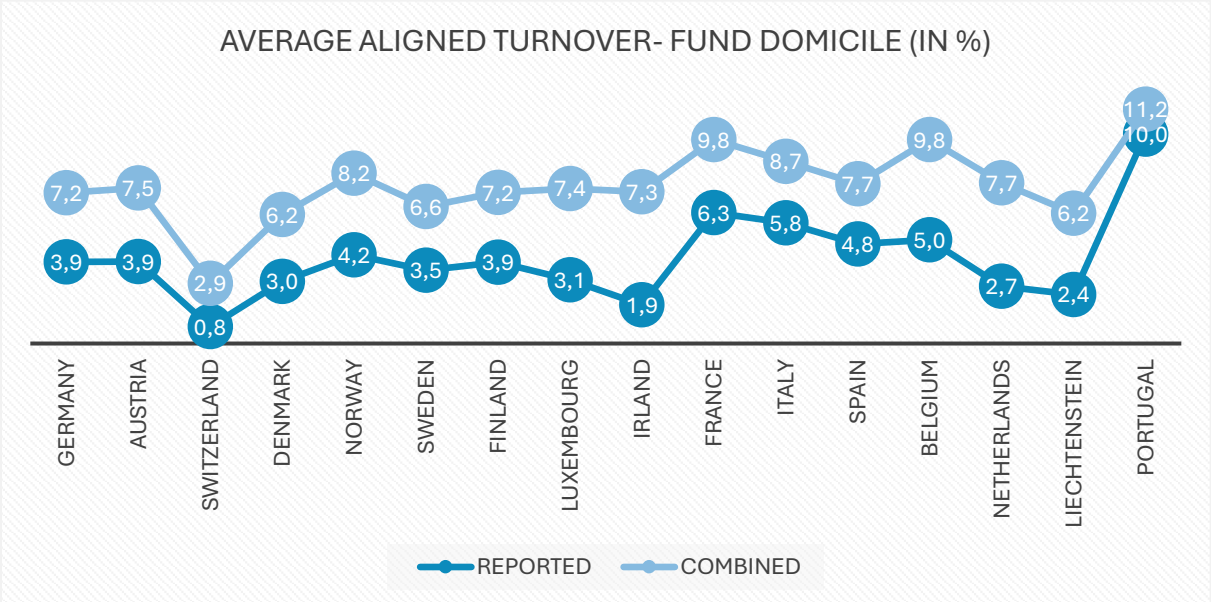
countries in the sample). The table includes average alignment levels and highlights differences between reported and estimated data.

Funds domiciled in the DACH region exhibit an average reported taxonomy-aligned turnover of 3.71%, while those in Nordic countries report an average of 3.46%. The rest of Europe shows the lowest reported alignment at 3.09%. When we incorporate estimated data, the combined Taxonomy-aligned turnover rises significantly for all regions. In combined terms, the rest of Europe actually shows the highest average at about 7.61%, as many funds outside DACH/Nordic had non-reported alignment that was captured by estimates. The DACH and Nordic groups also increase in combined alignment (the data roughly double), reaching combined averages in the 7% range as well.

These figures indicate that DACH and Nordic countries have a slightly stronger alignment with the EU Taxonomy in reported terms compared to the rest of Europe, but the inclusion of estimated data narrows the differences between regions. The combined data suggest that a higher proportion of assets in European funds could potentially meet EU Taxonomy criteria if comprehensive reporting were available across the board.

Although the average alignment values across the three regional groups – DACH, Nordic, and the rest of Europe – are relatively close (and remain in the low single-digit range based on reported data), a closer look at individual countries reveals more distinct differences in alignment levels.

Figure 7: Average of EU Taxonomy Aligned Turnover by Fund Domicile.



Source: The Value Group GmbH, own representation.

Figure 7 illustrates that certain countries stand out with significantly higher or lower alignment compared to their regional peers. Within the **DACH region**, Germany and Austria show the highest reported alignment at 3.9%, while Switzerland lags at just 0.8%. When including estimates, alignment for Germany and Austria increases to around 7.2% and 7.5% respectively, compared to 2.9% for Switzerland. This suggests that Swiss funds may have more gaps in reporting or fewer Taxonomy-aligned investments relative to German and Austrian funds.

In the **Nordic region**, Norway leads with 4.2% reported alignment (8.2% with combined data). Denmark is much lower, with about 3.0% reported (6.2% combined). Sweden and Finland report roughly between 3.5% and 3.9%, and around 7% in combined terms. These differences likely reflect varying national approaches to disclosure and sustainability integration; for example, Norwegian funds might include more renewable energy companies (hence higher alignment), whereas Danish funds might have less, or simply report less.

In the **rest of Europe**, a few countries stand out. Portugal shows a reported alignment of 10.0%, which is quite high relative to others (though this could be based on a small number of funds in our sample). France and Italy also have above-average reported alignment (around 6.3% for France and 5.8% for Italy). On the lower end, Ireland (1.9%), Liechtenstein (2.4%), and the Netherlands (2.7%) show very limited alignment. These extremes point to challenges in adopting EU Taxonomy standards uniformly across jurisdictions – for instance, local market composition or less stringent enforcement might lead to lower alignment figures in some countries.

In summary, **fund domicile does have an impact on reported Taxonomy alignment**, with funds in some countries (like Germany, Austria, Norway, Portugal) showing somewhat higher alignment and others (Switzerland, Ireland, etc.) showing very low alignment. However, overall differences are not very large when averaged by region, indicating that low Taxonomy alignment is a Europe-wide phenomenon at this stage. The country-level variation underscores the influence of national policies and market practices: for example, countries with strong sustainable finance regulations or investor demand may push funds to higher alignment. But even in the leading countries, average alignment percentages remain in the single digits. This underlines that improving Taxonomy alignment is a challenge common to all regions in Europe, not just a few.

4.1.5. Breakdown by Regional Investment Focus

Beyond where a fund is domiciled, it is insightful to consider where a fund invests geographically. A fund's regional investment focus (for example, focusing on global markets, Europe, or specific countries) might influence its Taxonomy alignment. Funds that focus on regions with higher regulatory standards or a higher concentration of sustainable activities could potentially show higher alignment. The following data outlines the average EU Taxonomy-aligned turnover across different regional investment focuses, providing insights into the variations in sustainability alignment across global, European, and other market segments.

AVERAGE ALIGNED TURNOVER (%) BY GEOGRAPHIC FOCUS AND DATA TYPE

INDICATOR	GLOBAL (%)	EUROPE (%)	NORTH AMERICA (%)	LATIN AMERICA (%)	ASIA (%)	AFRICA (%)
REPORTED	2.83	5.56	0.06	0.17	0.22	0.0001
COMBINED	7.97	6.88	6.93	4.25	4.39	0.73

Table 6: EU Taxonomy Aligned Turnover (%) by Regional Investment Focus of Fund Investments – Reported and Combined Averages.

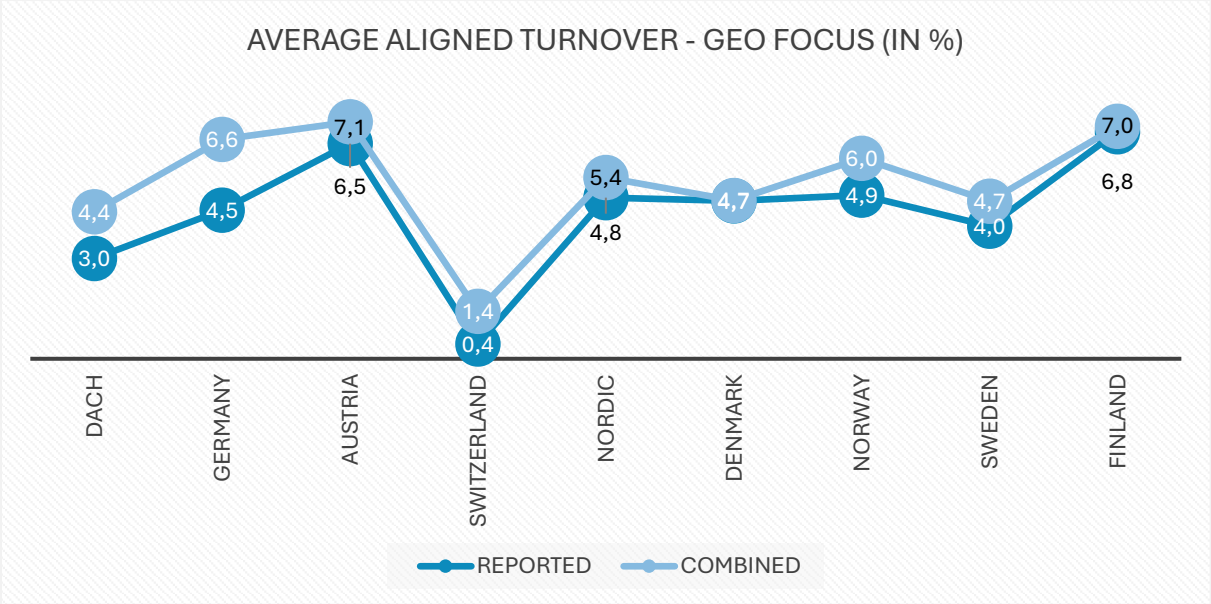
Source: The Value Group GmbH, own representation.

As shown in Table 6, funds investing in Europe report the highest taxonomy-aligned turnover at 5.56%, outperforming all other regions. In contrast, funds focused on North America, Latin America, Asia, and Africa exhibit notably lower reported alignment, with Africa showing almost no taxonomy-aligned exposure. In contrast, global funds show a lower reported alignment but achieve one of the highest combined alignment figures, suggesting that while direct reporting may be limited, estimation models capture a broader sustainability potential. With estimated data included, alignment figures improve across all regions. Global funds reach a combined alignment of 7.97%, while Europe follows at 6.88%. North America, Latin America, and Asia show moderate increases, but Africa remains the lowest at just 0.73%.

Figure 8 highlights differences in taxonomy-aligned turnover based on the geographic investment focus of funds within the DACH and Nordic regions. Among DACH-focused funds, Austria shows the highest reported alignment at 6.5%, followed by Germany at 4.5%, while Switzerland trails at just 0.4%. Combined data increases Austria and Germany's alignment to 7.1% and 6.6%, whereas Switzerland remains low at 1.4%. In the Nordic group, Finland-focused funds lead with

6.8% reported alignment (7.0% combined), while Norway follows at 4.9%. Sweden and Denmark show lower alignment, with both reaching 4.7% in combined figures.

Figure 8: Average of EU Taxonomy Aligned Turnover by Geographic Concentration of Fund Investments.



Source: The Value Group GmbH, own representation.

In summary, funds that invest heavily in Europe have a slight edge in Taxonomy alignment over purely global funds, likely due to the European policy environment. However, when considering estimated alignments, global funds demonstrate comparable exposure levels, though less transparently reported. Funds focusing outside of Europe unsurprisingly register very low alignment under the EU's framework.

4.1.6. Role of Sustainability Labels

Sustainability labels such as the Nordic Swan and UZ49 play a crucial role in evaluating the environmental performance of investment funds. These labels aim to provide transparency and credibility by ensuring that funds meet specific sustainability criteria, and they also help shape the market discourse in areas where regulatory guidance is not yet clearly defined. The degree of EU Taxonomy alignment varies between funds with different sustainability labels, as illustrated in Table 7.

ALIGNED TURNOVER BY SUSTAINABILITY LABEL AND DATA TYPE

INDICATOR	REPORTED – AVERAGE (%)	REPORTED – COVERAGE (%)	COMBINED – AVERAGE (%)	COMBINED – COVERAGE (%)
UZ49 ALIGNED TURNOVER	4.62	33.35	9.54	94.72
NORDIC SWAN ALIGNED TURNOVER	5.62	34.55	13.63	95.06
UZ49 NON-ZERO ALIGNED TURNOVER	4.92	35.46	9.97	95.31
NORDIC SWAN NON-ZERO ALIGNED TURNOVER	6.22	38.29	14.34	95.33

Table 7: EU Taxonomy Aligned Turnover (%) by Sustainability Label – Reported and Combined Averages and Coverage. Source: The Value Group GmbH, own representation.

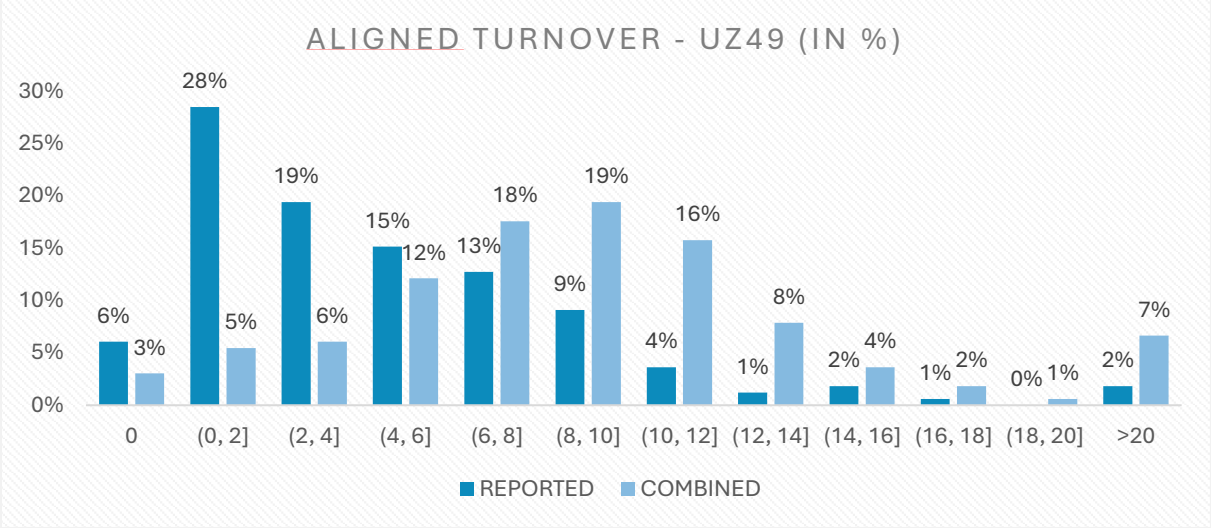
Our analysis finds that **funds with sustainability labels report higher Taxonomy alignment than those without such labels**. Funds with the Nordic Swan label show higher taxonomy-aligned turnover than those with the UZ49 label. On average, **Nordic Swan** funds report **5.62%** aligned turnover, compared to **4.62%** for **UZ49** funds. This is noticeably higher than the reported average of 3.30% across all funds. When we include combined data (adding estimates), these figures for labelled funds rise further – roughly into the 9-10% range for total aligned turnover. This suggests that labelled funds not only invest more in eligible activities, but also have a greater share of their investments meeting the full criteria for alignment (or at least estimated to meet them).

Coverage of taxonomy data is also stronger for labelled funds. In the combined dataset, both Nordic Swan and UZ49 exceed 95% coverage, compared to an average of 92.46% across all funds. This suggests that sustainability-labelled funds tend to have more complete and detailed data,

which may reflect stricter disclosure standards or a stronger focus on sustainable investment practices.

Figure 9 and Figure 10 illustrate the distribution of funds based on their reported and combined EU Taxonomy-aligned turnover under the UZ49 and Nordic Swan labels.

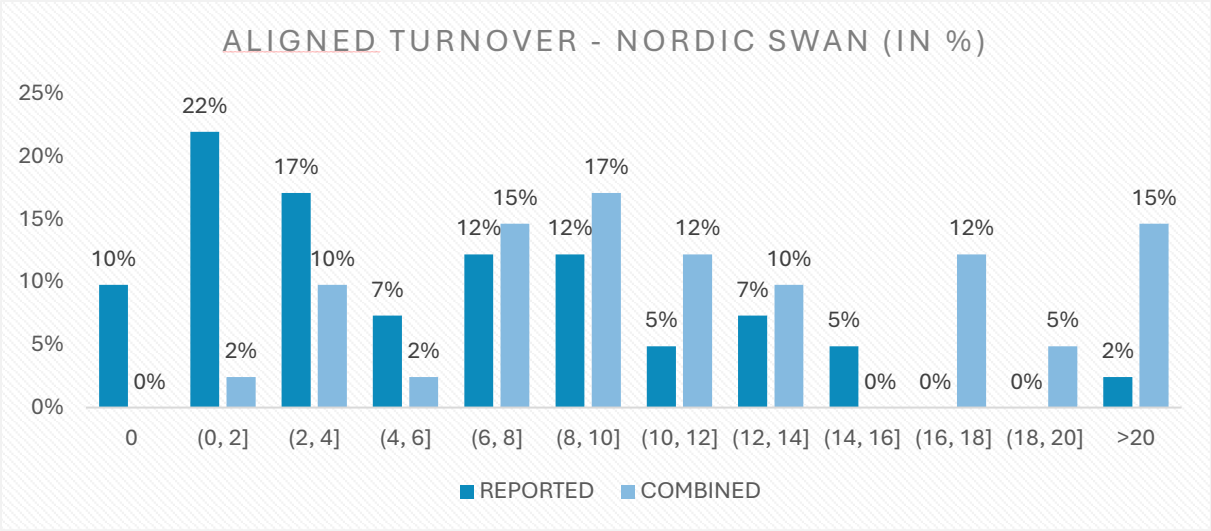
Figure 9: Fund Distribution by EU Taxonomy Reported Total Aligned Turnover by Sustainability Label UZ49.



Source: The Value Group GmbH, own representation.

A significant 6% of UZ49 funds report a taxonomy-aligned turnover of 0%, indicating a lack of reported sustainability contributions. However, in the combined dataset, only 3% of these funds remain at 0%, highlighting the role of estimations in improving taxonomy alignment assessments. The largest share of UZ49 funds (28%) falls within the interval (0%, 2%], meaning they report values greater than 0% and up to and including 2%. When estimations are included, the distribution shifts towards higher alignment: 19% of funds achieve between (8%, 10%], and another 16% fall within (10%, 12%].

Figure 10: Fund Distribution by EU Taxonomy Reported Total Aligned Turnover by Sustainability Label Nordic Swan.



Source: The Value Group GmbH, own representation.

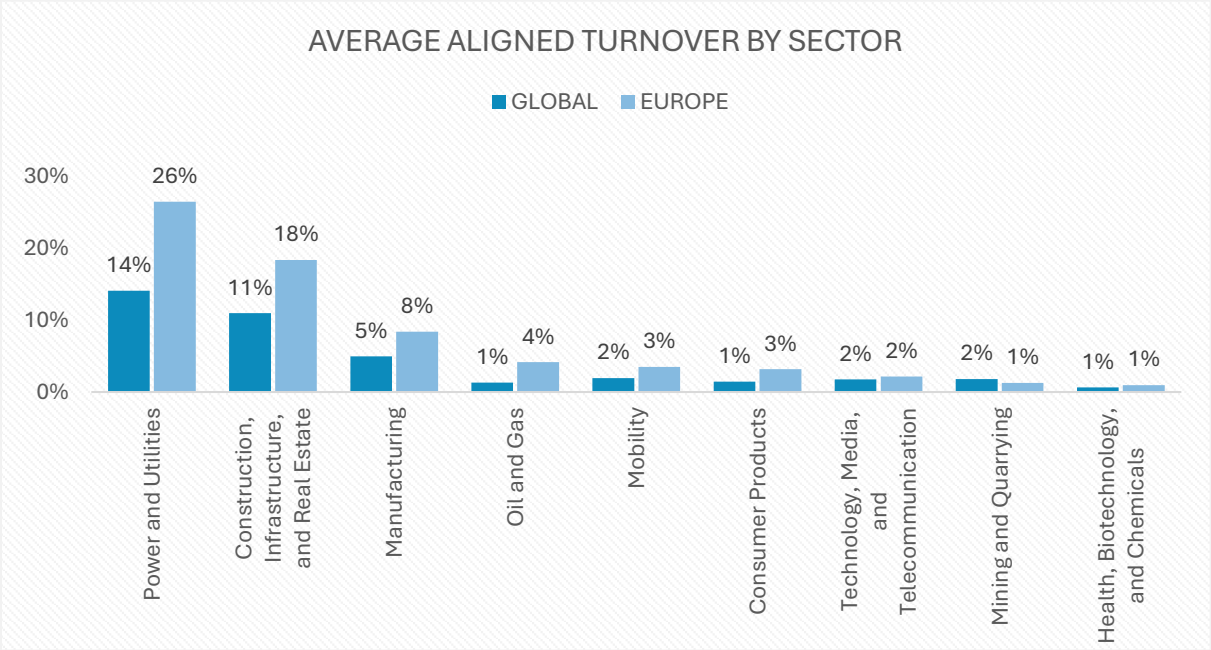
Nordic Swan funds show more funds with 0% reported alignment (10%) compared to UZ49. The distribution of these funds is slightly more balanced, with 22% reporting taxonomy-aligned turnover in the range (0%, 2%] – that is, greater than 0% and up to and including 2% – and 17% falling within (2%, 4%]. When estimated values are included, the alignment appears stronger: 17% of funds are in the (8%, 10%] range, and 15% report alignment exceeding 20%. These findings imply that the labelling schemes, even though they do not explicitly require EU Taxonomy alignment, encourage behaviours that lead to higher alignment. UZ49 and Nordic Swan criteria often demand extensive ESG integration, exclusion of certain unsustainable activities (like heavy fossil fuels), and a tilt toward environmentally friendly investments. Naturally, a fund that meets these stringent label criteria will likely hold more green companies (renewables, clean tech, etc.) and fewer unsustainable ones, thereby boosting its Taxonomy alignment.

In summary, both the Austrian UZ49 and Nordic Swan labels, while separate from the EU Taxonomy framework, correlate with higher Taxonomy alignment in practice. This indicates that stringent national/regional labelling schemes can be effective in raising the sustainability performance of funds to a level that also meets EU-wide criteria. Funds with these labels are, effectively, among the leaders in Taxonomy alignment, showing that voluntary certifications and standards can complement regulatory efforts in driving sustainable finance.

4.1.7. Sector-Specific Analysis

The degree to which investment funds align with the EU Taxonomy differs depending on the economic sectors in which they invest. Some sectors contribute significantly to Taxonomy-aligned turnover, while others contribute very little or not at all. This section provides a closer look at sectoral differences and how they influence alignment outcomes. To conduct this analysis, we evaluated all companies included in the study's funds, examining approximately 8,500 companies across various regions and sectors. Since sector alignment cannot be meaningfully calculated at the fund level, assessing individual company holdings offers a clearer view of how investments align with taxonomy criteria.

Figure 11: Average of EU Taxonomy Aligned Turnover by Sector.



Source: The Value Group GmbH, own representation.

Different sectors exhibit varying degrees of alignment with the EU Taxonomy, as seen in Figure 11. Power and Utilities lead with the highest alignment, reaching 14.1% globally and an even more pronounced 26.4% in Europe. This suggests a strong push for decarbonization and sustainable energy production, particularly in the European market. The Construction, Infrastructure, and Real Estate sector follows closely, with 10.9% global alignment and 18.4% in Europe, reflecting regulatory efforts to promote energy-efficient and green building practices. While Manufacturing shows moderate alignment, with 4.9% globally and 8.4% in Europe, sectors such as Oil and Gas, Mobility, and Consumer Products exhibit relatively low levels. The Oil and Gas sector remains

minimally aligned, with only 1.3% globally and 4.1% in Europe, suggesting that sustainability-linked revenue streams are still limited in this high-emission industry. The Health, Biotechnology, and Chemicals sector records the lowest alignment, with just 0.6% globally and 0.9% in Europe, indicating that this sector has yet to integrate sustainability principles into its core business operations significantly and reflecting the limited coverage of these activities in the Taxonomy. A more detailed overview of all sectors can be found in the Appendix of this study.

The sectoral analysis underscores significant differences in taxonomy-aligned turnover, with industries such as Power and Utilities and Construction leading the transition towards sustainability. European markets generally report higher alignment levels compared to global averages, likely driven by stricter regulations and sustainability incentives. However, sectors with traditionally high environmental impact, such as Oil and Gas and Mining, continue to lag in alignment, highlighting the need for further policy support and industry transformation.

Overall, this sectoral perspective highlights that alignment with the EU Taxonomy depends heavily on where and how funds invest. Investment in sectors that are central to the transition to a sustainable economy – such as renewable energy or energy-efficient infrastructure – can lead to higher alignment levels. Meanwhile, investments in sectors not yet addressed by the Taxonomy or those that lack sufficient disclosure remain a limiting factor.

4.2. Taxonomy-Aligned Capital Expenditure (CapEx)

Capital expenditure (CapEx) is another key metric in the EU Taxonomy for assessing how investment funds support the sustainability transition. Taxonomy-aligned CapEx shows how much funds invest in sustainable projects and infrastructure, reflecting their contribution to long-term environmental goals.

This section provides an overview of CapEx alignment and highlights key patterns across SFDR fund classifications, fund domiciles, and sustainability labels. In our fund sample, **reported Taxonomy-aligned CapEx remains relatively modest on average**. As shown in Table 8, the average reported taxonomy-aligned CapEx across all funds is almost **5%**, with a coverage rate of higher than 30%. While this is slightly higher than the corresponding turnover alignment, it remains well below the average eligibility rates observed in the dataset. This suggests that although many portfolio companies may undertake capital projects in Taxonomy-eligible sectors, these investments often fail to meet the technical screening criteria or are not yet reported as aligned.

REPORTED ALIGNED CAPEX (%) – AVERAGE AND COVERAGE BY SFDR FUND CLASSIFICATION

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	4.93	31.61
ARTICLE 6 SFDR CLASSIFICATION	4.21	29.23
ARTICLE 8 SFDR CLASSIFICATION	4.49	33.47
ARTICLE 9 SFDR CLASSIFICATION	7.29	28.57

Table 8: EU Taxonomy Aligned CapEx (%) by SFDR Fund Classification – Reported Averages and Coverage.
Source: The Value Group GmbH, own representation.

Looking at the SFDR fund classifications, Article 9 funds report the highest aligned CapEx at 7.29%, reflecting their stronger focus on sustainability. Article 8 and Article 6 funds follow with 4.49% and 4.21%, respectively. Interestingly, Article 9 funds show the lowest coverage (28.57%), while Article 8 funds have the highest (33.47%). This suggests differences in how consistently funds in each category report on sustainable capital expenditure.

Regional differences in taxonomy-aligned CapEx are evident in Table 9, which highlights variations among fund domiciles. Funds domiciled in the DACH region (Germany, Austria, Switzerland) show the highest average aligned CapEx at 5.76%, with a coverage rate of nearly 39%. Funds domiciled in the rest of Europe follow with an average aligned CapEx of 4.72% and a coverage rate of around 29% – more than 10 percentage points lower than in the DACH region. Nordic funds follow closely with an average aligned CapEx of 4.66% but achieve the highest coverage overall at just under 40%, indicating strong reporting practices.

REPORTED ALIGNED CAPEX (%) – AVERAGE AND COVERAGE BY FUND DOMICILE

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	4.93	31.61
DACH DOMICILE	5.76	38.88
NORDIC DOMICILE	4.66	39.96
REST OF EUROPE DOMICILE	4.72	28.57

Table 9: EU Taxonomy Aligned CapEx (%) by Fund Domicile – Reported Average and Coverage.

Source: The Value Group GmbH, own representation.

Funds with recognized sustainability labels exhibit stronger taxonomy-aligned CapEx, as detailed in Table 10. Funds certified under the UZ49 label report an average aligned CapEx of 5.79% with a coverage of 33.27%, while those with the Nordic Swan label demonstrate even higher alignment at 6.77% and a coverage rate of 34.51%. These figures indicate that funds with formal sustainability certifications tend to allocate a greater share of their CapEX toward sustainable investments, reinforcing the role of such labels in driving environmentally conscious capital allocation.

REPORTED ALIGNED CAPEX (%) – AVERAGE AND COVERAGE BY SUSTAINABILITY LABELS

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	4.93	31.61
UZ49 SUSTAINABILITY LABEL	5.79	33.27
NORDIC SWAN SUSTAINABILITY LABEL	6.77	34.51

Table 10: EU Taxonomy Aligned CapEx (%) by Sustainability Label – Reported Average and Coverage.

Source: The Value Group GmbH, own representation.

In summary, Taxonomy-aligned CapEx is low but slightly highlights different aspects than turnover. It underscores the importance of companies' investment behaviour: some funds might be backing companies that are transitioning (investing in sustainable projects for the future), which can be a positive sign not immediately visible in revenue-based metrics. The overall low averages again point to a need for better reporting and more sustainable investment opportunities to improve these figures.

The analysis reveals notable variations across fund classifications, domiciles, and sustainability labels. Article 9 funds exhibit the highest alignment, consistent with their sustainable investment mandate, while regional differences highlight varying regulatory and market influences on capital allocation. Additionally, funds with recognized sustainability labels tend to invest more in taxonomy-aligned activities, reinforcing the importance of certification in driving sustainable financial practices.

4.3. Taxonomy-Aligned Operational Expenditure (OpEx)

In addition to capital expenditure, Operational Expenditure (OpEx) also plays an important role in assessing a fund's commitment to sustainable investments. Operational Expenditure alignment deals with the ongoing expenses of companies in the fund's portfolio (such as maintenance, R&D, or day-to-day operations) and the extent to which these are directed toward sustainable activities. OpEx alignment shows whether companies are operating in a sustainable way, not just investing or earning from sustainable activities.

Our analysis finds that **OpEx alignment is typically lower than CapEx alignment in reported figures**. As illustrated in Table 11, the average reported taxonomy-aligned OpEx across all funds is **3.57%**, with a coverage of around 22%. This suggests that operational spending is currently less aligned with EU Taxonomy criteria compared to capital expenditure. The relatively low coverage indicates that taxonomy-aligned OpEx is still a developing area in sustainability reporting. Compared to the average eligibility level for OpEx, this alignment figure remains limited. While a notable share of operational activities might be eligible under the EU Taxonomy framework, relatively few currently meet the stringent alignment criteria or are disclosed as such.

REPORTED ALIGNED OPEX (%) – AVERAGE AND COVERAGE BY SFDR FUND CLASSIFICATION

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	3.57	22.07
ARTICLE 6 SFDR CLASSIFICATION	2.66	20.21
ARTICLE 8 SFDR CLASSIFICATION	3.25	22.83
ARTICLE 9 SFDR CLASSIFICATION	5.81	22.01

Table 11: EU Taxonomy Aligned OpEx (%) by SFDR Fund Classification – Reported Averages and Coverage.

Source: The Value Group GmbH, own representation.

Taxonomy-aligned OpEx also varies across SFDR fund classifications. Article 9 funds report the highest average alignment at 5.81%, which is nearly double the proportion of Article 8 funds (3.25%) and more than twice the proportion observed in Article 6 funds (2.66%). This reflects the stronger sustainability focus of Article 9 funds. Notably, coverage remains relatively consistent across all fund types, ranging between 20% and 23%, with Article 8 funds showing the highest rate at 22.83%.

REPORTED ALIGNED OPEX (%) – AVERAGE AND COVERAGE BY FUND DOMICILE

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	3.57	22.07
DACH DOMICILE	4.05	26.36
NORDIC DOMICILE	3.40	26.22
REST OF EUROPE DOMICILE	3.45	18.93

Table 12: EU Taxonomy Aligned OpEx (%) by Fund Domicile – Reported Average and Coverage.

Source: The Value Group GmbH, own representation.

Table 12 highlights regional variations in taxonomy-aligned OpEx. Funds domiciled in the DACH region show the highest alignment at slightly over 4%, followed by the rest of Europe at 3.45% and Nordic funds at 3.40%. However, coverage rates differ significantly, with DACH (26.36%) and Nordic (26.22%) funds leading in reporting, whereas funds from the rest of Europe have a notably lower coverage of 18.93%. This suggests that transparency and regulatory factors may influence

reporting practices. Funds with sustainability labels exhibit higher taxonomy-aligned OpEx, as shown in Table 13. Funds carrying the UZ49 label report an average OpEx alignment of 4.66% with a coverage of 21.12%, while funds certified under the Nordic Swan label demonstrate even higher alignment at 5.74% with a coverage of 27.52%. These findings indicate that sustainability-labelled funds are more likely to integrate taxonomy-aligned operational expenditures into their investment strategies.

REPORTED ALIGNED OPEX (%) – AVERAGE AND COVERAGE BY SUSTAINABILITY LABELS

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	4.93	31.61
UZ49 SUSTAINABILITY LABEL	4.66	21.12
NORDIC SWAN SUSTAINABILITY LABEL	5.74	27.52

Table 13: EU Taxonomy Aligned OpEx (%) by Sustainability Label – Reported Average and Coverage.

Source: The Value Group GmbH, own representation.

In analysing Taxonomy-aligned OpEx, we see that – similar to CapEx – Article 9 funds exhibit the highest alignment, reinforcing their strong commitment to sustainability across all measures. Regional disparities in OpEx (especially in reporting) suggest that regulatory and market influences impact how transparently companies report their sustainable operations. Additionally, sustainability-labelled funds continue to demonstrate stronger alignment, underscoring the importance of these certifications in promoting truly sustainable investment practices. As reporting frameworks evolve (for example, companies might start disclosing aligned OpEx under new regulations), greater transparency in OpEx alignment will be crucial for assessing the deep, long-term sustainability commitments of investment funds.

4.4. Taxonomy Alignment Under the Eco-Label Directive

Several European countries have introduced, or are considering, dedicated sustainability labels for investment funds. These national or regional eco-labels often incorporate criteria that relate to EU Taxonomy alignment, either directly or indirectly. This section examines how taxonomy alignment is operationalised within two prominent frameworks: Austria's Umweltzeichen UZ49 and the Nordic Swan Ecolabel.

4.4.1. Taxonomy Alignment According to the UZ49 Directive

Austria's UZ49 Ecolabel sets criteria for sustainable investment funds[12]. While UZ49's requirements are not identical to the EU Taxonomy, they cover broad sustainability considerations. A fund awarded the label must meet strict sustainable standards, which likely include investing in green projects and excluding harmful activities. Therefore, funds with UZ49 are likely to align with Taxonomy principles to some extent, due to overlapping goals of environmental performance and responsible investment. Taxonomy alignment under the UZ49 directive is calculated by measuring how much of a fund's portfolio is invested in environmentally sustainable activities, based on the EU Taxonomy. This includes currently both aligned turnover and capital expenditure (CapEx) at the level of each company in the portfolio. The calculation uses audited or estimated data and ensures that no single holding exceeds 100% alignment.[13]

AVERAGE TAXONOMY ALIGNMENT (%) ACCORDING TO THE UZ49 BY SUSTAINABILITY LABELS

INDICATOR	AVERAGE ALIGNMENT (%)
OVERALL	12.21
UZ49 SUSTAINABILITY LABEL	15.33
NORDIC SWAN SUSTAINABILITY LABEL	20.39

Table 14: Taxonomy Alignment (%) by Sustainability Label – According to the UZ49 Criteria.

Source: The Value Group GmbH, own representation.

[12] The Austrian Ecolabel UZ 49 defines comprehensive criteria for sustainable investment funds. In addition to requiring environmental performance, the label mandates strict exclusion of harmful activities (e.g. fossil fuels, nuclear energy, weapons) and demands clear ESG selection processes, transparency on holdings, and sustainability impacts. The label also covers sustainable investment strategies, including labour rights, human rights, and governance standards, thereby promoting both environmental and social responsibility.
[13] Austrian Ecolabel (2024), UZ 49 Guideline – Sustainable Financial Products (Version 6.0a).

Table 14 shows the average taxonomy alignment by sustainability label, based on the UZ49 methodology. Unlike earlier sections of this report, the calculation includes both **reported and estimated data** and combines **taxonomy-aligned turnover and capital expenditure (CapEx)** at the holding level. Using this approach, **UZ49-labelled funds** reach an average alignment of **15.33%**, compared to **12.21%** across all assessed funds. **Nordic Swan-labelled funds** perform even better, with an average of **20.39%**. These results underline the stronger sustainability performance of ecolabelled funds under the UZ49 logic.

In addition, the UZ49 framework links taxonomy alignment to a **point-based scoring system**, which rewards funds according to their level of EU Taxonomy alignment. As shown in Table 15, these points are currently treated as **bonus percentage points**, offering better-aligned funds a temporary scoring advantage within the label's evaluation process. This mechanism aims to encourage transparency and ambition in sustainable portfolio design during the current transition phase, which runs until the end of 2025.

REPORTED TAXONOMY ALIGNMENT (%) – THRESHOLDS AND SCORING ACCORDING TO UZ49 LABEL

TAXONOMY ALIGNMENT	≥ 5%	≥ 10%	≥ 20%	≥ 30%	≥ 40%	≥ 50%
POINTS	5	6	7	8	9	10

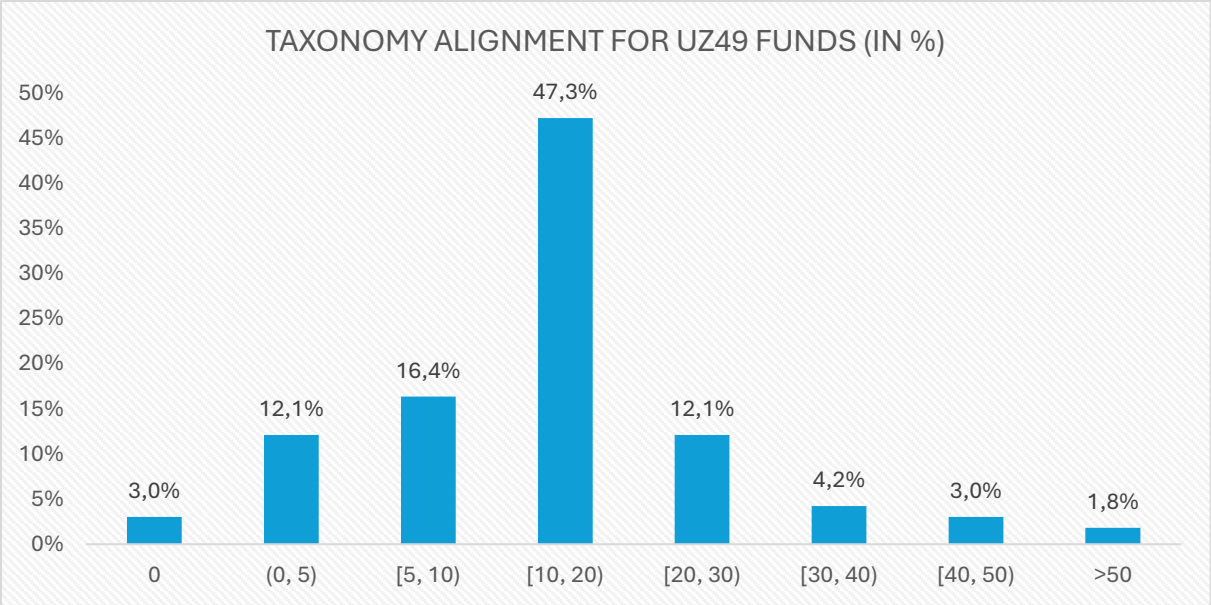
Table 15: EU Taxonomy alignment thresholds and scoring according to the UZ49.

Source: The Value Group GmbH, own representation based on Austrian Ecolabel (2024)[14].

Figure 12 shows how UZ49-labelled funds currently distribute across the alignment spectrum. Approximately 15.1% of these funds fall below the 5% threshold and receive no bonus points. Another 16.4% lie between 5% and 10%, corresponding to the minimum point score. Around 47.3% achieve alignment between 10% and 20%, while only 21.2% exceed 20%. Merely 1.8% of funds surpass the 50% alignment threshold necessary for the maximum score. This distribution suggests that although most UZ49 funds incorporate Taxonomy-aligned holdings, relatively few attain high levels of alignment. Nonetheless, the trend points to increasing integration of Taxonomy criteria in UZ49 strategies.

[14] Austrian Ecolabel (2024), UZ 49 Guideline – Sustainable Financial Products (Version 6.0a).

Figure 12: Fund Distribution by Taxonomy Alignment According to the UZ49 for UZ49 Funds.



Source: The Value Group GmbH, own representation.

4.4.2. Taxonomy Alignment According to the Nordic Swan Directive

The Nordic Swan Ecolabel adopts a broader approach to measuring EU Taxonomy alignment. Unlike UZ49, which includes only turnover and CapEx, the Nordic Swan framework incorporates all three alignment dimensions: turnover, CapEx, and OpEx. The Nordic Swan system also permits the use of estimated alignment figures when official data are unavailable. In addition, it allows proxies for companies outside the scope of the Corporate Sustainability Reporting Directive (CSRD). This methodology facilitates the inclusion of a wider range of holdings, particularly relevant for globally diversified funds.[15]

Taxonomy alignment is then translated into a point-based scoring system, as shown in Table 16. Funds can receive between 1 and 6 points, depending on the degree of taxonomy alignment in their portfolio:

[15] Nordic Swan Ecolabel (2025), Investment Funds and Investment Products – Criteria Document 101, Version 2.5.

REPORTED TAXONOMY ALIGNMENT (%) – THRESHOLDS AND SCORING ACCORDING TO NORDIC SWAN ECOLABEL

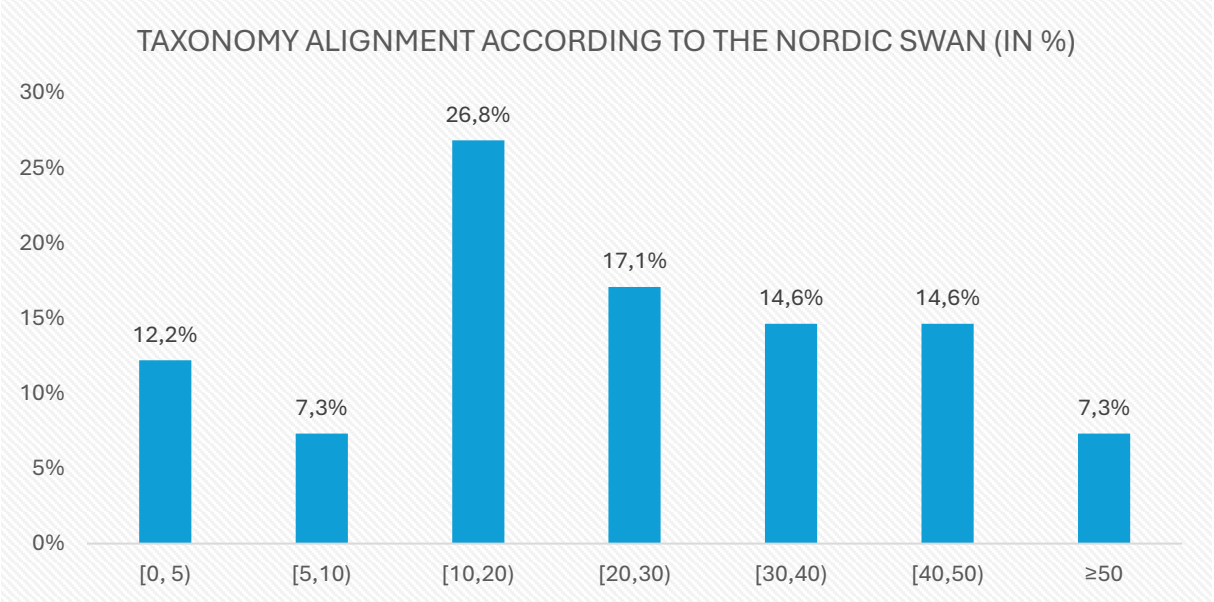
TAXONOMY ALIGNMENT	≥ 5%	≥ 10%	≥ 20%	≥ 30%	≥ 40%	≥ 50%
POINTS	1	2	3	4	5	6

Table 16: EU Taxonomy alignment thresholds and scoring according to the Nordic Swan Ecolabel.

Source: The Value Group GmbH, own representation based on Nordic Swan Ecolabel (2025)[15].

This score forms part of the overall assessment within the Nordic Swan criteria. In contrast, UZ49 currently awards taxonomy alignment points as a temporary bonus within its scoring model, applicable until the end of 2025. While the integration and weighting of taxonomy alignment differ, both systems provide structured ways to reflect alignment performance within a broader sustainability evaluation.

Figure 13: Fund Distribution by Taxonomy Alignment According to the Nordic Swan for Nordic Swan Funds.



Source: The Value Group GmbH, own representation.

Figure 13 illustrates the distribution of alignment scores for Nordic Swan-labelled funds. A relatively small share (12.2%) falls below the 5% threshold and receives no points. Another 7.3% qualify for 1 point (5% to 10% alignment). The largest group (26.8%) reaches alignment between 10% and 20%, corresponding to 2 points. As alignment levels increase, 17.1% of funds achieve 20% to 30% alignment (3 points), followed by 14.6% in the 30% to 40% and 40% to 50% ranges (4

and 5 points, respectively). Finally, 7.3% of the funds reach or exceed 50% alignment, earning the maximum score.

These results demonstrate that a substantial share of Nordic Swan funds already meets moderate to high Taxonomy alignment thresholds. Compared to UZ49, a larger portion of the sample reaches advanced alignment levels, reflecting the framework's broader data inclusion approach and its emphasis on future-oriented sustainability integration.

4.5. Proposals for Potential Thresholds for Taxonomy Alignment

One policy-relevant question is what level of EU Taxonomy alignment could be considered significant or ambitious for investment funds at this stage. To support informed decision-making, we propose threshold values based on an aggregated alignment metric that incorporates not only combined Taxonomy-aligned turnover, but also reported capital expenditure (CapEx) and operational expenditure (OpEx). By including both reported and estimated data, this approach addresses current reporting gaps and provides a forward-looking and more comprehensive measure of sustainability alignment.

The aggregated alignment percentage (G) is calculated as follows:

$$G = \sum_{i=0}^{n} PC_i * \frac{GT_i + GC_i + GO_i}{T_i}$$

where:

- PC_i is the portfolio weight of holding *i*
- GT_i is combined Taxonomy-aligned turnover (reported and estimated)
- GC_i is aligned CapEx (reported)
- GO_i is aligned OpEx (reported)
- T_i is total turnover of the company

This formula reflects not only current sustainability performance but also future-oriented investments and operational practices.

ADVANTAGES OF THE AGGREGATED APPROACH

Incorporating CapEx and OpEx creates a more forward-looking assessment, especially for companies that are in transition and not yet generating significant sustainable revenue. A company with low current alignment but high CapEx in Taxonomy-aligned areas may become highly aligned in the future. CapEx reflects strategic investment in future sustainable activities, making it a key indicator for transition readiness.

Operational expenditure (OpEx), by contrast, includes a mix of expenditure types. While some components—such as research and development—may also point to future improvements in sustainability alignment, other elements, such as maintenance of existing green assets, primarily

reflect the continuation of current operations. As such, OpEx alignment contributes to the overall picture but should be interpreted more cautiously in terms of future orientation.

In addition, using estimated Taxonomy-aligned turnover data increases coverage and reduces biases against non-reporting entities. Instead of treating missing data as zero, the metric reflects best-available approximations based on business activity, ensuring that investment funds are not penalized for holding companies with sustainable profiles but incomplete disclosures. This holistic method better reflects the breadth of sustainability efforts and transition financing, making it more suitable for guiding policy and labelling decisions than turnover data alone.

SUGGESTED THRESHOLDS BASED ON DISTRIBUTION

Based on the dataset, we propose the following thresholds for potential policy application. These values correspond approximately to the 33rd, 50th and 66th percentiles of our fund sample:

- 7% Taxonomy Alignment – Moderate Ambition
  At this level, a fund clearly goes beyond minimum sustainability standards. It marks the entry into the upper third of the market and signals meaningful integration of Taxonomy-aligned activities.
- 11% Taxonomy Alignment – Mid-level/Median Benchmark
  This value reflects a substantial commitment to sustainability and corresponds to the median in our dataset. Funds exceeding this threshold have allocated a significant portion of their portfolios to Taxonomy-aligned activities, indicating a solid and measurable sustainability orientation.
- 17% Taxonomy Alignment – Advanced Ambition / Market Leadership
  This threshold reflects a high level of sustainability ambition and corresponds to the 66th percentile of the sample. Funds above this level are among the current frontrunners in Taxonomy integration and may serve as benchmarks for future policy or labelling initiatives.

These thresholds can be applied flexibly depending on regulatory or labelling goals – whether to define minimum eligibility, moderate ambition, or leadership standards. The proposed percentages offer a tiered set of benchmarks that regulators or market actors could use to define what constitutes “significant” Taxonomy alignment in investment funds. Because they are grounded in actual market data, they strike a balance between realism and aspiration, offering a pragmatic yet forward-looking benchmark for sustainable fund classification.

ALTERNATIVE APPROACH: REPORTED DATA WITH MINIMUM COVERAGE THRESHOLD

An alternative to using reported and estimated data is a methodology that relies exclusively on reported alignment metrics, while applying a minimum coverage threshold to ensure data robustness. In this context, the coverage rate refers to the share of a fund's portfolio for which EU Taxonomy-reported turnover data is available. Specifically, this indicator measures the proportion of fund assets that are invested in issuers for which actual EU Taxonomy-reported data exists.

This approach ensures that alignment calculations are based on verifiable, audit-ready disclosures rather than approximations. By excluding funds with insufficient coverage, the resulting alignment values rest on a more solid and comparable foundation. A key advantage of this method is that it enhances methodological clarity and integrity, particularly for regulatory schemes that prioritise transparency and data quality over maximum inclusiveness.

In addition, the coverage-based approach is particularly useful under current market conditions, where no consistent standard yet exists for calculating estimated Taxonomy alignment across data providers. Estimated values vary in their underlying assumptions and methodologies, and a harmonised regulatory framework for such estimations may still take several years to emerge. For some funds, especially those with smaller or more globally diversified portfolios, estimated data may be entirely unavailable.

To mitigate these issues, we recommend a hybrid approach: using only reported data, but applying a minimum coverage threshold to ensure analytical robustness. This allows for reliable alignment calculations while avoiding undue penalisation of funds for which no valid estimates exist. Until estimation practices become standardised and more universally available, this method offers a balanced and transparent way to assess Taxonomy alignment across diverse fund types.

IMPLICATIONS FOR SUSTAINABILITY-LABELLED FUNDS: THE CASE OF UZ49

Drawing on the full set of analyses presented in this study, the most suitable approach for sustainability labelling under current data conditions within the UZ49 fund universe is to base Taxonomy alignment evaluations exclusively on reported data—combined with a minimum coverage threshold. This recommendation reflects both empirical insights and methodological considerations: estimated data, while valuable in principle, currently lack standardisation and are not consistently available across funds or data providers. As a result, relying solely on reported figures ensures greater transparency, auditability, and comparability.

To operationalise this approach, we recommend a minimum coverage rate for reported Taxonomy-aligned turnover to ensure analytical robustness. This prevents results from being driven by isolated or unrepresentative datapoints. An analysis of the full sample shows that a 20% threshold would exclude approximately one third of funds with insufficient reporting, while retaining a large and diverse base for meaningful evaluation. This value thus balances methodological rigour with broad applicability.

Using this refined dataset, alignment is then calculated based on three components: reported Taxonomy-aligned turnover (for funds meeting the coverage threshold), reported capital expenditure (CapEx), and reported operational expenditure (OpEx). Estimated or proxy data are deliberately excluded. This ensures that the alignment metric reflects only verifiable, audit-ready disclosures—an essential requirement for regulatory-aligned labelling schemes.

Revisiting the previously proposed thresholds under this more conservative framework yields adjusted benchmarks. For example, the original mid-level alignment benchmark of 11%—based on the full sample using combined data—no longer reflects the distribution of the refined sample. A revised range of 6% to 9% is empirically supported, representing a high yet realistic level of alignment among UZ49-labelled funds that meet the coverage criterion. This ensures the benchmark remains both aspirational and grounded in actual market conditions.

Anchoring the threshold in publicly reported data, subject to a clearly defined minimum coverage, strengthens the credibility of the UZ49 label. It also creates a measurable incentive for fund managers and investee companies to improve their Taxonomy-related disclosures—thus reinforcing the label's role in driving forward data quality and sustainable market transformation. As corporate reporting continues to mature, this approach offers a scalable framework that can be tightened over time through increased coverage expectations or higher threshold requirements.

CONCLUSION

Establishing thresholds for EU Taxonomy alignment on the basis of reported data—combined with a minimum coverage requirement—offers a conservative yet practical framework for sustainable fund classification. The recommended threshold, grounded in observed market behaviour and filtered for data quality, provides a robust and transparent reference point for identifying funds with a measurable contribution to environmental objectives.

While the combined approach—including both reported and estimated data—remains a valid methodology, especially for universes with high reporting coverage, its effectiveness depends heavily on the availability and consistency of underlying estimation models. In contexts where

estimation practices are not yet harmonised across data providers, and where transparency and auditability are of central importance—as in the case of sustainability labels or regulatory classifications—a reported-data-only approach with a coverage threshold currently offers a more stable and verifiable solution.

This methodology not only enhances clarity and comparability, but also incentivises asset managers and investee companies to expand their Taxonomy disclosures. It creates a structured path toward progressively higher standards, without compromising current integrity. As EU sustainability regulation evolves, this approach offers a scalable foundation that can adapt to new data realities and future threshold revisions.

Ultimately, applying a coverage-filtered, reported-only alignment methodology supports a more credible, consistent, and future-oriented architecture for sustainable finance—while leaving room for future convergence with combined models as data ecosystems mature.

5. EU Taxonomy Eligibility

While alignment is the strictest measure in the EU Taxonomy framework – requiring that an activity meet all technical screening criteria – eligibility is a broader and more basic concept. An economic activity is considered *taxonomy-eligible* if it is listed in the delegated acts of the EU Taxonomy Regulation, meaning it falls within the scope of activities that may contribute to environmental objectives. This does not imply that the activity already meets any specific environmental performance thresholds or safeguards. In essence, eligibility identifies the share of investments in sectors or business activities that are covered by the EU Taxonomy. These activities *could* potentially become taxonomy-aligned if they meet the necessary environmental criteria (substantial contribution), do no significant harm to other objectives, and comply with minimum social safeguards – but eligibility alone does not confirm any of these conditions.

5.1. Overview

Taxonomy-eligible activities include all economic activities defined in the Taxonomy for the currently covered objectives (initially mainly climate change mitigation and adaptation), regardless of whether they meet all the detailed criteria. It is a useful measure to see the maximum potential a fund could have in terms of sustainability if all those activities were carried out in an aligned way. In our study, funds have a much higher percentage of Taxonomy-eligible investments compared to aligned investments. Where the average aligned turnover is 3.3%, the average **eligible turnover** (reported) is **12.68%**. This indicates that over a tenth of fund holdings (by revenue) are in sectors or activities that could be environmentally sustainable under the Taxonomy, even if, at present, they do not meet all the criteria for alignment. In other words, there is a significant pool of potentially sustainable investments in these portfolios.

The gap between 12.68% eligible and 3.3% aligned represents investments in Taxonomy-defined areas that are failing one or more tests for alignment:

- They do not meet the technical screening criteria fully,
- Or they violate the “Do No Significant Harm” requirement in some way,
- Or the company has not adopted the necessary social safeguards,
- Or the company has not provided enough evidence or disclosure to confirm alignment.

EU TAXONOMY ELIGIBILITY (%) – AVERAGE AND COVERAGE BY INDICATOR AND DATA TYPE

INDICATOR	REPORTED – AVERAGE (%)	REPORTED – COVERAGE (%)	COMBINED – AVERAGE (%)	COMBINED – COVERAGE (%)
TURNOVER	12.68	32.52	41.90	91.84
CAPEX	14.36	24.27	/	/
OPEX	9.33	23.39	/	/

Table 17: EU Taxonomy Eligibility (%) – Reported and Combined Average and Coverage by Indicator (Turnover, CapEx, OpEx).

Source: The Value Group GmbH, own representation.

Table 17 presents an overview of taxonomy-eligible turnover, capital expenditure (CapEx), and operational expenditure (OpEx). The reported average eligible turnover is 12.68%, with a coverage rate of 32.52%. For CapEx, the reported average eligible investment stands at 14.36%, though the coverage rate is lower at 24.27%. Similarly, OpEx follows this trend, with an average of 9.33% and a coverage rate of 23.39%. These variations highlight that while investments in potentially sustainable activities exist, their full integration into taxonomy-aligned frameworks remains an ongoing process.

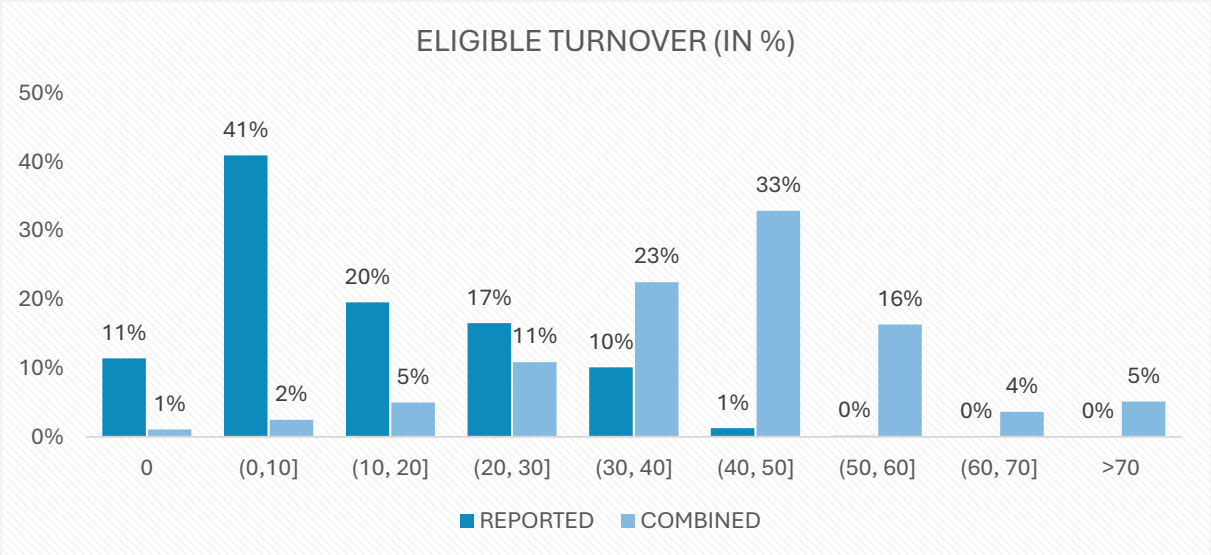
When including estimated data (combined figures), the coverage and eligible turnover increase considerably – for example, to an average of 41.90% eligible turnover with over 90% coverage. This suggests that a lot of holdings are in sectors covered by the Taxonomy – for example, many companies might be doing things that fall under the Taxonomy categories (like energy, transport, manufacturing in potentially sustainable ways) – even if those companies are not yet reporting them as eligible or aligned. This underscores the considerable untapped potential for Taxonomy alignment, as many portfolio companies are active in eligible sectors but have not yet disclosed or met the formal alignment requirements.

Interestingly, almost all funds have some Taxonomy-eligible investments. Very few funds show a true 0% eligible share – practically every fund holds at least something in a Taxonomy-covered sector (this is not surprising, because the Taxonomy's list of economic activities is broad and covers a large portion of the economy when you include things like energy, transportation, manufacturing, buildings, etc.). In contrast, a notable fraction of funds had 0% aligned (as we discussed, many reported zeros for alignment). This means that nearly every portfolio has the opportunity to be aligned to some extent (since they hold eligible assets), but not all are realising that opportunity (since a portion remain at zero aligned due to stricter criteria not being met).

Coverage for eligibility data is also generally higher than for alignment. This makes sense: determining if something is eligible or not is easier and often possible even if the company is not reporting alignment. Eligibility is largely about whether the company's activities fall into the categories – one can often figure that out from the nature of the business (for example, we know if a company builds wind turbines, that revenue is Taxonomy-eligible, even if the company has not reported an alignment percentage). Therefore, even without company disclosures, data providers can often identify eligibility. Alignment requires knowing more (technical details, checking DNSH, etc.), which often needs company input. So, we see that the concept of eligibility casts a wider net: we can see much more of the portfolio in terms of eligibility than we can in terms of confirmed alignment.

Building on this foundation, Figure 14 shows how taxonomy-eligible turnover varies across funds, with clear patterns and some unusual cases. The data reveals that 41% of funds have low reported taxonomy-eligible turnover, with turnover between 0% and 10%. Only 1% of funds report more than 40% eligibility, showing that the overall level of reported eligible turnover is still relatively low. When combined data is considered, the picture changes clearly. About one third of funds show eligibility between 40% and 50%, and another 16% fall between 50% and 60%. This difference suggests that many funds are invested in potentially sustainable activities but have not yet reported them fully or do not yet meet all the requirements for taxonomy eligibility.

Figure 14: Distribution of Funds by EU Taxonomy – Reported versus Combined Eligible Turnover.



Source: The Value Group GmbH, own representation.

This discrepancy highlights two critical aspects. First, the gap between reported and combined data likely stems from incomplete classifications or delays in the implementation of taxonomy reporting requirements. Second, the higher eligible turnover observed in combined data points to growth potential, as funds gradually adapt and adjust their portfolios with evolving sustainability goals.

In summary, **eligibility can be seen as the upper bound or opportunity set for alignment**. Our findings show that this opportunity is much larger than what is currently realized. The EU Taxonomy casts a wide net of activities that are considered sustainable in principle, and indeed many funds already invest in these areas at least partially. However, only a fraction of those investments currently meets all the criteria for alignment. This highlights both the challenge and the promise: there is room to improve (companies can move their eligible activities into the aligned category by improving practices and reporting), and funds already have a substantial base of assets that could become aligned given time and effort.

5.2. Taxonomy Eligibility Across Fund Categories

While the previous section analysed taxonomy eligibility across all available funds, this section categorizes them based on SFDR fund classifications, fund domiciles, and sustainability labels, offering deeper insights into how different fund types integrate potentially sustainable activities.

SFDR CATEGORY

ELIGIBLE TURNOVER (%) BY SFDR FUND CLASSIFICATION AND DATA TYPE: AVERAGE AND COVERAGE

INDICATOR	REPORTED – AVERAGE (%)	REPORTED – COVERAGE (%)	COMBINED – AVERAGE (%)	COMBINED – COVERAGE (%)
ARTICLE 6	11.06	29.71	38.46	90.73
ARTICLE 8	13.13	34.56	40.50	91.85
ARTICLE 9	13.34	29.44	51.07	93.27

Table 18: EU Taxonomy Eligible Turnover (%) by SFDR Fund Classification – Reported and Combined Average and Coverage.

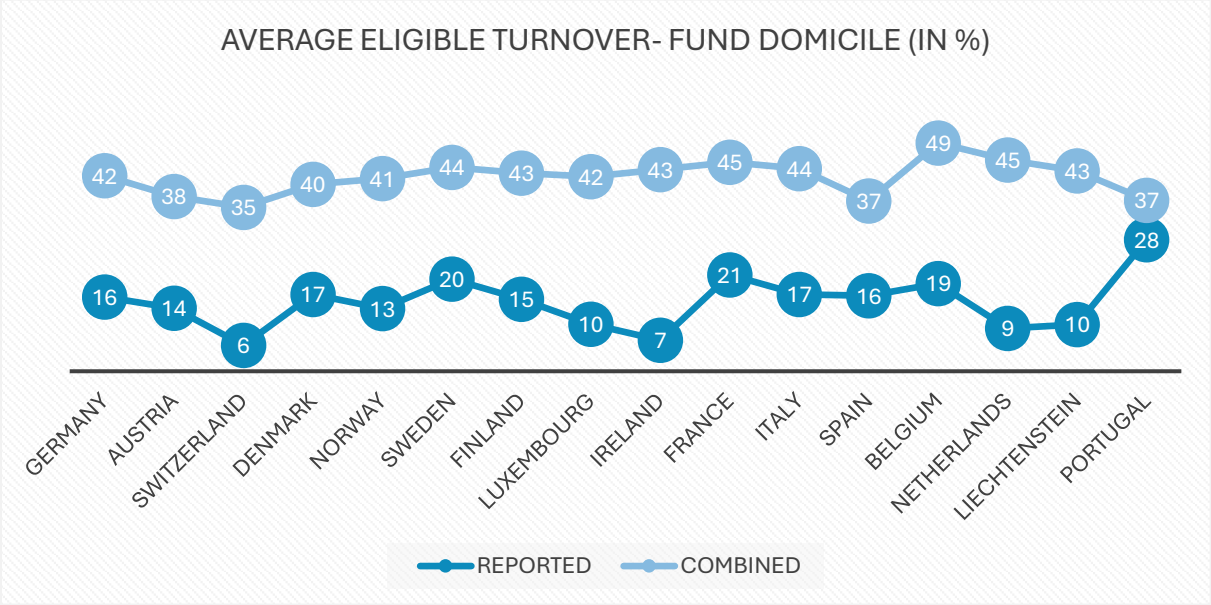
Source: The Value Group GmbH, own representation.

Breaking eligibility down by SFDR classification reveals notable differences. Table 18 shows that Article 6 funds report the lowest eligible turnover at slightly over 11%, with a coverage of almost 30%. In contrast, Article 8 funds demonstrate stronger eligibility at 13.13%, with a coverage of 34.56%, while Article 9 funds lead with 13.34% eligible turnover, though with slightly lower coverage of 29.44%. When considering combined data, the differences become more pronounced, with Article 9 funds reaching above 51% eligible turnover, significantly higher than Article 8 at around 40% and Article 6 at around 38%.

DOMICILE

Beyond SFDR classifications, fund domicile plays a crucial role in taxonomy eligibility. Figure 15 highlights regional variations in taxonomy-eligible turnover. Portugal stands out with the highest reported eligibility at around 28%. However, Portugal shows a relatively low level in combined turnover at around 37%. Belgium and the Netherlands show high combined eligibility over 45%, while Switzerland and Ireland have some of the lowest levels of reported eligible turnover.

Figure 15: Average of EU Taxonomy Eligible Turnover by Fund Domicile.



Source: The Value Group GmbH, own representation.

Table 19 further aggregates eligibility by region, showing that the DACH region (Germany, Austria, and Switzerland) has a reported turnover of 14.51%, increasing to 40.15% in combined data. Nordic funds, comprising Denmark, Norway, Sweden, and Finland, show even higher eligibility, with

slightly over 17% reported turnover and almost 42% in combined figures. Funds domiciled in the rest of Europe have the lowest reported eligibility at 10.37%, though combined figures rise to 42.52%, indicating that these funds hold potential taxonomy-eligible investments that are not yet fully recognized.

ELIGIBLE TURNOVER (%) BY FUND DOMICILE AND DATA TYPE: AVERAGE AND COVERAGE

INDICATOR	REPORTED – AVERAGE (%)	REPORTED – COVERAGE (%)	COMBINED – AVERAGE (%)	COMBINED – COVERAGE (%)
DACH	14.51	39.40	40.15	92.51
NORDIC	17.02	42.05	41.93	91.01
REST OF EUROPE	10.37	26.39	42.52	91.91

Table 19: EU Taxonomy Eligible Turnover (%) by Fund Domicile – Reported and Combined Average and Coverage. Source: The Value Group GmbH, own representation.

SUSTAINABILITY LABEL

Sustainability labels offer an additional dimension for understanding taxonomy eligibility. Table 20 presents a comparative analysis of funds with UZ49 and Nordic Swan labels, revealing intriguing patterns. Nordic Swan funds demonstrate relatively high taxonomy eligibility, with a reported average of 16.04% and a data coverage of 36.21%. These figures rise significantly when including estimated values: the combined average eligibility reaches 50.16%, with 94.39% coverage. UZ49-labelled funds show slightly lower values yet still reflect a strong degree of taxonomy eligibility. Their reported average is 13.28%, increasing to 43.50% under the combined approach, with coverage rising from 34.14% to 93.27%. For comparison, the overall reported average across all funds is 9.81%, and the combined average is 36.63%. Both labelled fund categories therefore exceed the general market average in terms of taxonomy-eligible turnover, especially when considering estimated data.

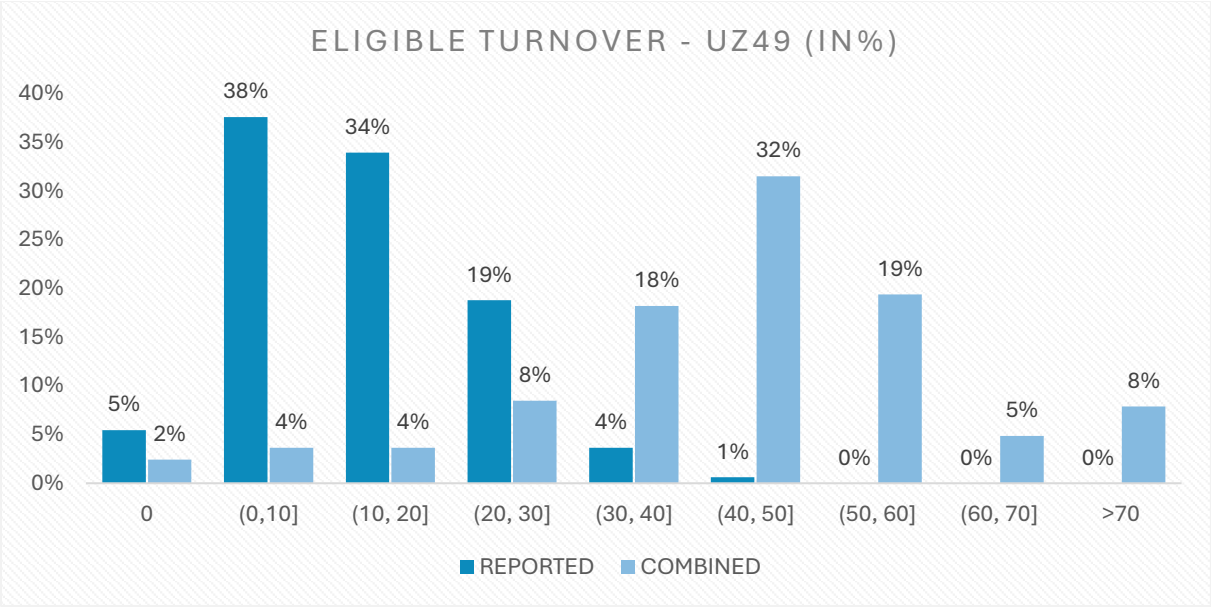
ELIGIBLE TURNOVER (%) BY SUSTAINABILITY LABEL AND DATA TYPE: AVERAGE AND COVERAGE

INDICATOR	REPORTED – AVERAGE (%)	REPORTED – COVERAGE (%)	COMBINED – AVERAGE (%)	COMBINED – COVERAGE (%)
UZ49	13.28	34.14	43.50	93.27
NORDIC SWAN	16.04	36.21	50.16	94.39

Table 20: EU Taxonomy Eligible Turnover (%) by Sustainability Label – Reported and Combined Average and Coverage. Source: The Value Group GmbH, own representation.

To gain a more nuanced understanding of these labelled funds, Figure 16 provides a detailed distribution analysis of UZ49 funds. The reported data initially paints a conservative picture, with 38% of funds showing eligible turnover between 0 and 10%, and only 1% exceeding the 40% threshold. However, a dramatic shift occurs when examining the combined data. In this more comprehensive view, a substantial 32% of funds fall within the 40–50% eligibility range, and notably, 8% surpass the 70% mark. This stark contrast between reported and combined data underscores a significantly stronger potential for taxonomy alignment than initially apparent, highlighting the importance of thorough analysis in assessing the true sustainability profile of these funds.

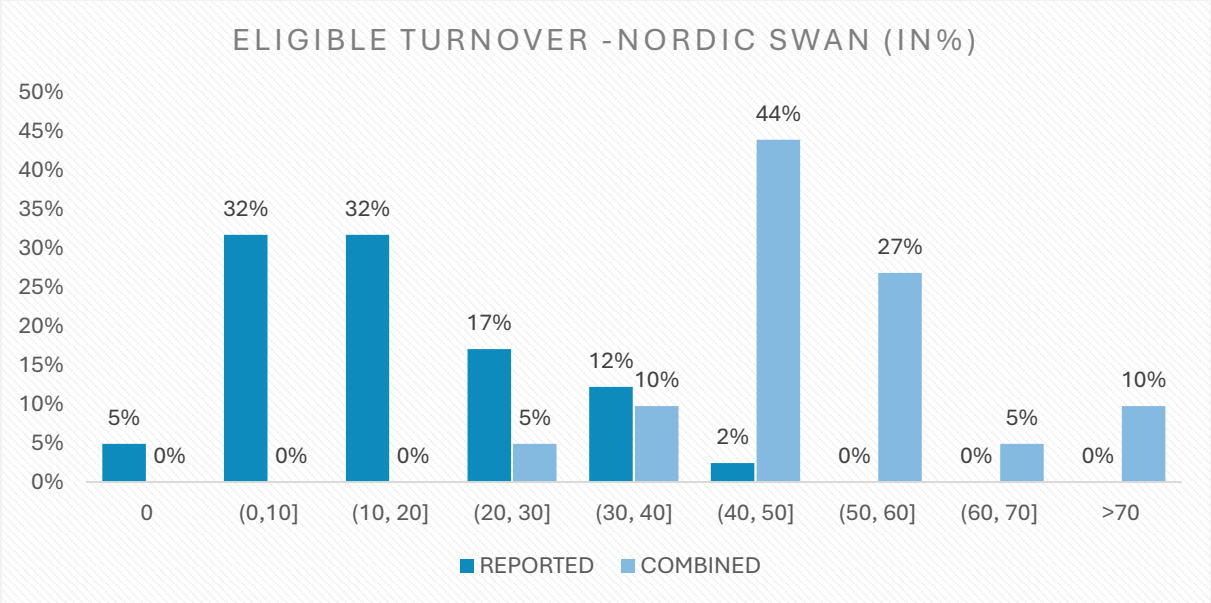
Figure 16: Fund Distribution by EU Taxonomy Reported/Combined Eligible Turnover by Sustainability Label UZ49.



Source: The Value Group GmbH, own representation.

A similar pattern emerges for Nordic Swan funds, as shown in Figure 17. Reported data indicate that 32% of funds fall within both the (0%, 10%] and (10%, 20%] intervals, while only 2% exceed 40% alignment. However, the inclusion of estimated values reveals a notable shift: 44% of funds now fall within the (40%, 50%] range, and 10% surpass the 70% mark. Notably, under the combined data approach, no funds remain below 20% eligibility. These findings highlight that funds with sustainability labels generally have higher taxonomy eligibility and a stronger investment focus on activities that could align with the EU's sustainability framework.

Figure 17: Fund Distribution by EU Taxonomy Reported/Combined Eligible Turnover by Sustainability Label Nordic Swan.



Source: The Value Group GmbH, own representation.

The analysis reveals significant variations in taxonomy eligibility across different fund categories. SFDR Article 9 funds, Nordic-domiciled funds, and those with sustainability labels demonstrate higher levels of taxonomy eligibility, particularly when considering combined data. This suggests that these fund types have a stronger focus on potentially sustainable activities. However, the substantial differences between reported and combined data across all categories highlight the evolving nature of taxonomy reporting and the potential for increased alignment as reporting practices mature. These findings underscore the importance of comprehensive assessment methods in evaluating the true sustainability potential of investment funds.

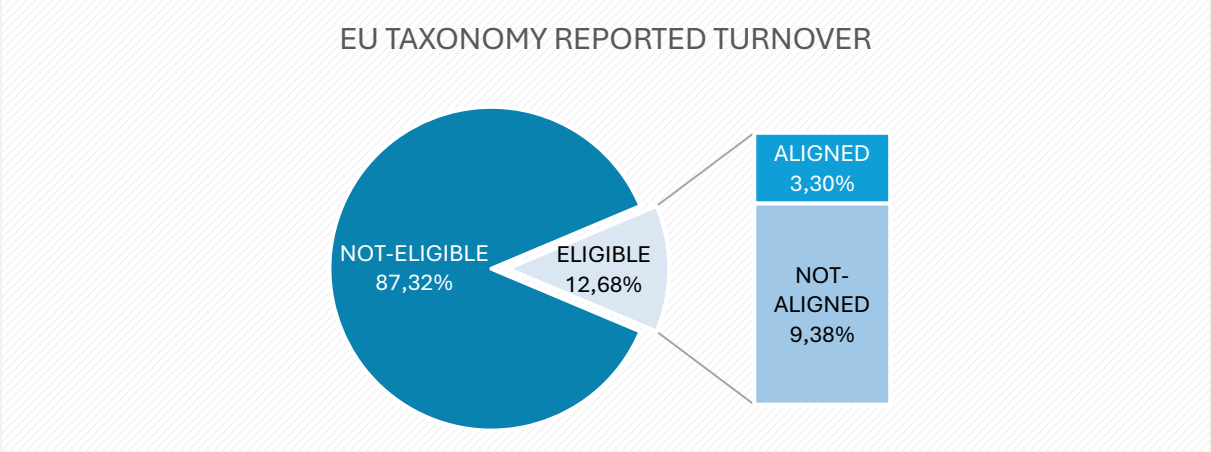
5.3. Comparison of Eligible and Aligned Data

The contrast between eligible and aligned investments is a key part of the narrative. It essentially tells us how much of the potential is realized in terms of sustainability performance. For example, if a fund has 50% of its portfolio eligible but only 5% aligned, it means the fund is mostly invested in sectors that could be green, but for some reason (either the companies have not met criteria or have not reported) only a small portion of that actually qualifies as green right now. This fund has a lot of "pending" sustainability – investments that are environmentally relevant but not yet up to the standard. In our sample, using combined data, we observe that the average taxonomy-eligible turnover is approximately 40%, while the average aligned turnover is about 7%. This substantial gap highlights how many companies operate in Taxonomy-covered sectors but either do not (yet) fulfill all alignment criteria or fail to report them.

A useful indicator here is the alignment rate within eligible activities – that is, the percentage of a fund's eligible investments that are also aligned. This metric helps illustrate how effectively eligible exposure is being converted into true sustainable performance.

Figure 18 illustrates that while 12.68% of total reported turnover is classified as eligible, only 3.30% is fully aligned, with 9.38% falling into the not-aligned category. This indicates that a substantial portion of eligible economic activities does not yet meet the stringent requirements for alignment, highlighting the challenges funds face in fully integrating taxonomy-aligned investments.

Figure 18: EU Taxonomy Reported Turnover Eligible and Aligned.

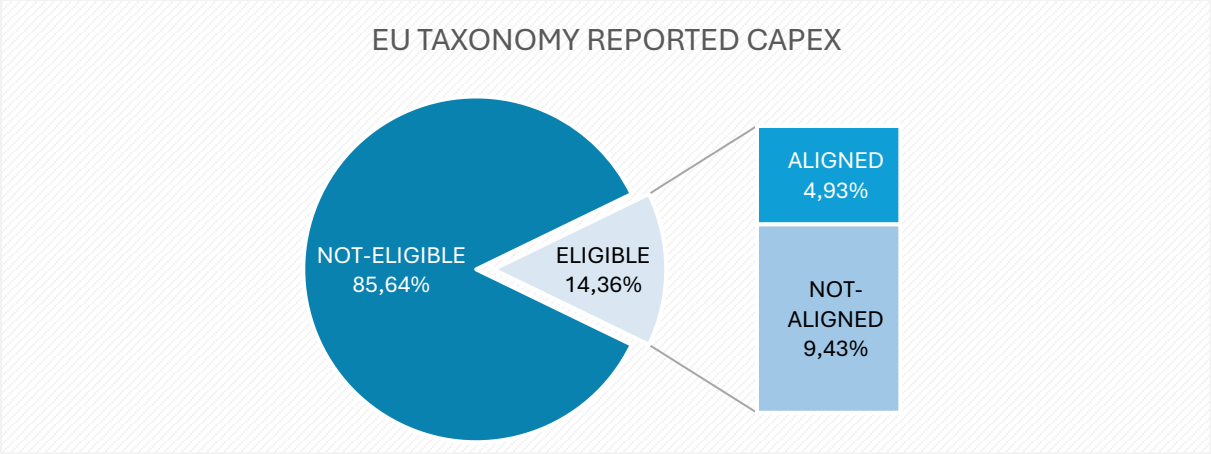


Source: The Value Group GmbH, own representation.

Similarly, Figure 19 shows that 14.36% of reported CapEx qualifies as eligible, yet only 4.93% is aligned, leaving 9.43% in the not-aligned category. This suggests that while investment in

potentially sustainable projects is evident, alignment remains constrained, likely due to regulatory compliance hurdles and the time required for infrastructure transitions.

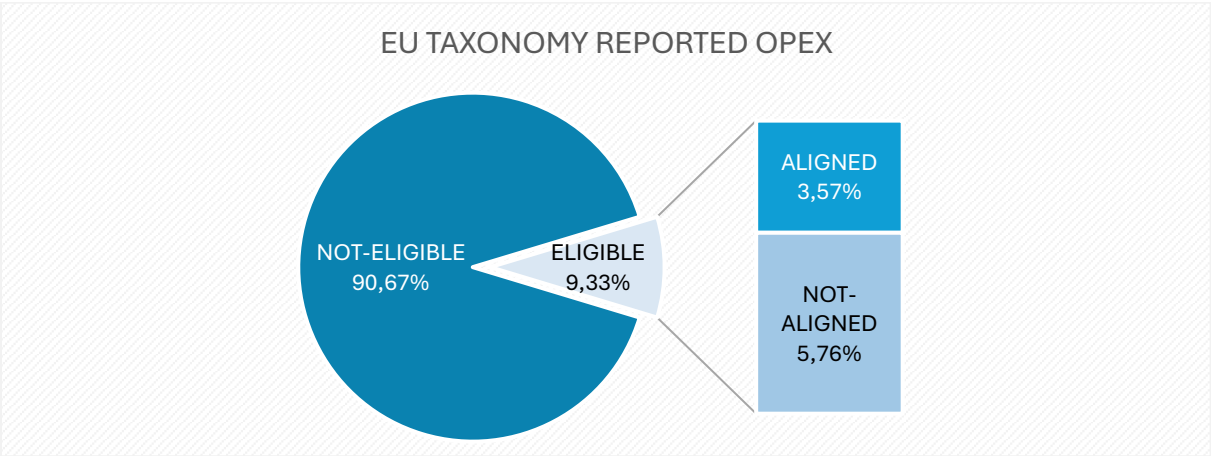
Figure 19: EU Taxonomy Reported CapEx Eligible and Aligned.



Source: The Value Group GmbH, own representation.

A more pronounced gap is observed in OpEx, as depicted in Figure 20, where only 3% of reported expenditures are aligned with the EU Taxonomy, despite 9% being classified as eligible. With 91% of OpEx outside the eligible scope, this suggests that operational spending related to sustainability efforts remains marginal compared to turnover and CapEx.

Figure 20: EU Taxonomy Reported OpEx Eligible and Aligned.



Source: The Value Group GmbH, own representation.

These disparities underscore the importance of ongoing regulatory refinements, clearer alignment criteria, and improved data disclosure to bridge the gap between eligible and aligned activities, ensuring that financial flows increasingly support fully sustainable investments.

In conclusion for this section: Taxonomy eligibility shows that funds already have substantial exposure to potentially sustainable activities – significantly more than their current alignment figures suggest. The main task ahead is to convert this potential into actual alignment. This requires improved company performance, stricter compliance with the technical screening criteria, and more consistent reporting. In addition, active investor engagement can play a key role in accelerating progress, by encouraging companies to meet alignment requirements and improve transparency.

6. EU Taxonomy-Reported Exposure to Nuclear Energy and Natural Gas

The EU Taxonomy's Complementary Climate Delegated Act (adopted in 2022) included specific provisions for certain **nuclear energy** and **natural gas** activities, labelling them as Taxonomy-eligible (and potentially aligned) under strict conditions. These were contentious additions, recognizing the role these might play as transitional activities in the shift to a low-carbon economy.

It is insightful to see how much funds are actually exposed to these specific areas, given the debate around them. Nuclear and gas are often closely watched by regulators and investors because of their controversial status – nuclear due to waste and safety, gas due to being a fossil fuel – even though they are now partly included in the Taxonomy as transitional.[16]

This analysis examines the reported turnover, capital expenditure (CapEx), and operational expenditure (OpEx) associated with nuclear energy and natural gas activities as outlined in the EU Taxonomy framework. The examination highlights the level of exposure and coverage of these activities within funds, providing insights into their classification and financial significance.

6.1. Reported Exposure to Nuclear Energy Activities

Under the Taxonomy, nuclear energy is considered a transitional activity for climate change mitigation, provided it meets certain conditions (for example, the plant must satisfy nuclear waste disposal and safety standards, and new plants must receive construction permits before a certain date, etc.).[16] [17]

ELIGIBILE/ALIGNED NUCLEAR ENERGY ACTIVITIES (%): REPORTED AVERAGES AND COVERAGE

INDICATOR	AVERAGE (%)	COVERAGE (%)
TURNOVER	0.05	0.41
CAPEX	0.04	0.41
OPEX	0.06	0.27

Table 21: Eligible & Aligned Nuclear Energy Activities (%) Reported Average and Coverage by Indicator (Turnover, CapEx, OpEx).

Source: The Value Group GmbH, own representation.

The data show a limited but measurable integration of nuclear energy into investment funds:

1. **Turnover**: The average percentage of turnover from taxonomy-eligible and aligned nuclear activities is 0.05%. This indicates a small but present exposure. The coverage of 0.41% suggests that a small but significant portion of funds invest in companies with nuclear energy activities.
2. **Capital Expenditure (CapEx)**: With an average of 0.04% and the same coverage as turnover, investments in nuclear energy projects appear to be on a similar level to turnover generation.
3. **Operational Expenditure (OpEx)**: This is slightly higher at 0.06%, indicating somewhat higher ongoing costs compared to turnover and investments. The lower coverage of 0.27% might suggest that fewer companies disclose detailed information about their operational expenditures.

[16] European Commission (2022), Commission adopts Complementary Climate Taxonomy Delegated Act.
[17] European Commission (2022), Questions and Answers on the EU Taxonomy Complementary Climate Delegated Act.

From our data, **the average exposure to Taxonomy-eligible nuclear activities is very low** – only around **0.05% of turnover**, on average, comes from nuclear in funds' portfolios. Additionally, the coverage of funds that have any nuclear exposure is maybe 0.4% of funds, meaning very few funds in the sample invest in companies with nuclear activities at all. And even when they do, it's a tiny part of the portfolio.

This extremely low exposure is not surprising for a few reasons:

- Nuclear energy is a relatively small sector in terms of the number of publicly listed companies. Many nuclear plants are state-owned or part of larger utilities.
- Also, nuclear energy operations are often bundled within big utilities which might also have other energy sources, so only a portion of those companies' revenue is nuclear.
- Many sustainable funds have historically avoided nuclear due to its controversial nature (especially in certain countries like Germany or Austria).
- Prior to the Taxonomy's Complementary Act, nuclear was often outright excluded by ESG policies, so fund managers may have no holdings at all as a matter of policy.

In our sample, there are a few funds (particularly broad energy or utility sector funds) that have higher nuclear exposure. The maximum reported eligible nuclear turnover in any fund we saw might be a few percent at most. So no fund is, say, 10% or more in nuclear; the ones that do hold nuclear-related companies still have it as a small slice.

Aligned nuclear (not just eligible) would require meeting all the conditions specified by the EU (which include technical screening criteria like safety standards, etc.). We suspect that aligned nuclear exposure is similarly tiny, if it exists at all. It could be near zero in practice, because as of now, companies might not be fully assessed or reporting against those new nuclear criteria. So even if a fund holds a nuclear-inclusive utility, whether that portion is counted as aligned depends on if the utility has declared it meets the criteria, which is unlikely so soon after the rules came out. In practice, based on these numbers, nuclear does not play a major role in funds at present, at least not in those focusing on Taxonomy alignment or general ESG principles. Most funds have no exposure to nuclear, and those that do have very little. This varies also by region, for example some French or UK funds have a bit more because nuclear is more accepted there, but overall it is a minor component.

6.2. Reported Exposure to Natural Gas Activities

Natural gas is included in the Taxonomy also as a transitional energy source, particularly for power generation, but with very strict criteria (for example, it must be replacing coal and have certain emissions limits, and new plants must plan to use low-carbon gases like hydrogen or have carbon capture in the future). These criteria include emissions thresholds and a mandatory transition to renewable or low-carbon gases by December 31, 2035.[18][19]

ELIGIBILE/ALIGNED NATURAL GAS ACTIVITIES (%): REPORTED AVERAGES AND COVERAGE

INDICATOR	AVERAGE (%)	COVERAGE (%)
TURNOVER	0.00	0.71
CAPEX	0.00	0.71
OPEX	0.00	0.71

Table 22: Eligible & Aligned Natural Gas Activities (%) Reported Average and Coverage by Indicator (Turnover, CapEx, OpEx).

Source: The Value Group GmbH, own representation.

The data for natural gas activities present an interesting picture:

1. **Turnover, CapEx, and OpEx**: All three metrics have an average of 0.00%. This indicates that the reported taxonomy-aligned natural gas activities in the examined funds are practically nonexistent.
2. **Coverage**: Despite the zero average, the coverage is consistently at 0.71%. This is higher than for nuclear energy activities and shows that a larger portion of funds invest in companies that potentially engage in natural gas activities.

This discrepancy between coverage and average values could be due to several factors. The strict criteria set by the Taxonomy for natural gas activities may result in many activities not being classified as compliant. Additionally, companies might face difficulties in properly classifying or reporting their natural gas activities in accordance with the Taxonomy framework.

[18] European Commission (2022), Commission adopts Complementary Climate Taxonomy Delegated Act.
[19] European Commission (2022), Questions and Answers on the EU Taxonomy Complementary Climate Delegated Act.

Another contributing factor could be delays in reporting or adapting to the Taxonomy requirements, leading to inconsistencies between coverage and average values.

6.3. Conclusion and Implications

The minimal exposure to nuclear energy and fossil gas in our dataset indicates that Taxonomy alignment is currently being driven primarily by other sectors – such as renewable energy, energy efficiency, clean transportation, and sustainable construction. Although the EU Taxonomy has classified certain nuclear and gas activities as eligible under strict conditions, these transitional technologies have not yet become a significant component of taxonomy-aligned fund portfolios.

This limited uptake may change over time if more funds begin to consider nuclear and gas as acceptable transitional investments and if more companies publish taxonomy-relevant data for these activities. However, current investor preferences – particularly in the DACH and Nordic regions – tend to reject nuclear energy and increasingly question the role of fossil gas. This likely contributes to the low reported alignment figures: even where the Taxonomy provides a regulatory basis for inclusion, many fund managers appear to avoid these activities due to sustainability policies or client expectations that call for the exclusion of controversial technologies.

For regulators and stakeholders, these findings indicate that the inclusion of nuclear and gas in the Taxonomy has, to date, not led to a substantial shift in fund composition. Most funds appear to maintain limited or no exposure to these activities. The regulatory classification may allow for their inclusion in specific fund types, but market behaviour suggests a continued preference for other forms of sustainable investment. Future developments should be observed carefully, particularly in light of ongoing legal and political debates around the role of transitional technologies within the sustainable finance framework.

The analysis of EU Taxonomy-reported exposure to nuclear energy and natural gas in investment funds reveals several key insights:

1. **Limited Integration**: Despite their inclusion in the Taxonomy, both energy sources play a minor role in sustainable investment portfolios. This could be due to the complexity of the Taxonomy requirements or ongoing concerns about the long-term sustainability of these energy sources.

2. **Different Patterns**: Nuclear energy shows a slightly higher alignment with the Taxonomy than natural gas, particularly in operational expenditures. This might indicate different challenges in meeting the Taxonomy criteria or different investment strategies.

3. **Potential for Change**: The relatively high coverage for natural gas activities despite low average values suggests potential for future changes. If companies improve their reporting or adapt their activities to meet the Taxonomy criteria, exposure could increase over time.

4. **Challenges in Reporting**: The discrepancy between coverage and average values, especially for natural gas, highlights potential difficulties in classifying and reporting activities according to the Taxonomy.

5. **Implications for Investors**: For investors, these results mean that they should carefully evaluate the actual Taxonomy compliance of funds investing in nuclear energy or natural gas.

In summary, it remains to be seen how the exposure of nuclear energy and natural gas will develop in the coming years, especially given ongoing debates about the role of these energy sources in the energy transition and potential adjustments to the Taxonomy criteria.

7. Outlook on EU Taxonomy Implementation

Looking forward, several developments are likely to influence the landscape of Taxonomy alignment in investment funds. Regulatory developments, market dynamics, and data availability are all likely to play a decisive role in determining the pace and depth of implementation.

KEY DRIVERS OF FUTURE TAXONOMY ALIGNMENT

Improved Corporate Reporting: With regulations like the Corporate Sustainability Reporting Directive (CSRD) coming into effect, more companies will be required to report their Taxonomy alignment. This should improve the availability and reliability of data for funds. We expect coverage rates to increase (fewer instances of "no data" for a holding) and reported alignment figures to gradually catch up to where our current estimates are. As companies publish alignment information, funds will not have to rely as much on estimates, and the reported vs combined gap should narrow.

In addition, the ongoing **Omnibus legislative package**[20] currently under negotiation at the EU level introduces targeted amendments to the CSRD, including clarifications on proportionality, transitional measures for smaller undertakings, and simplified disclosure obligations. While these adjustments do not directly amend the EU Taxonomy Regulation, they have important implications for Taxonomy-related reporting, as they affect which companies are required to disclose alignment data, and when. For instance, certain reporting obligations may be deferred or limited to companies above specific size thresholds. Although these changes are designed to reduce administrative burden and improve the practicality of sustainability reporting, they may initially constrain the availability and comparability of Taxonomy data. As a result, fund-level alignment will continue to rely heavily on estimates, proxies, and voluntary disclosures in the near term. However, over time, these regulatory refinements are expected to enhance the quality and consistency of corporate data, thereby supporting more robust and scalable alignment assessments across the investment fund market.

[20] European Commission (2024): Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU as regards the time limits for the adoption of sustainability reporting standards for certain sectors and third-country undertakings (COM(2024) 211 final), also referred to as the "Omnibus" proposal. The initiative introduces targeted adjustments to the CSRD and related frameworks, including phased reporting obligations, proportionality rules, and simplified Taxonomy disclosures for mid-sized companies.

Investor Demand: If investor demand shifts toward higher alignment, funds will respond by adjusting portfolios. For example, if being "Taxonomy-aligned" becomes a selling point (perhaps via labels or investor awareness), we might see new fund products launched that advertise their high alignment, or existing funds rebalancing to include more green pure-play companies. Already, some investors use alignment percentages to evaluate funds; increased demand for greener funds could incentivize fund managers to improve those metrics.

Regulatory Thresholds: As discussed in Section 4.5, regulators (EU or national) might eventually set thresholds or minimum alignment requirements for certain labels or marketing (e.g., you can only call a fund "green" if it has X% alignment). If such rules come into force, it would likely push average alignment up, as funds will strive to meet any official benchmarks to remain competitive. We could see a scenario where funds that want to be seen as sustainable must hit, say, 10% alignment by 2025 or some target. That kind of rule would force managers to increase their alignment metrics.

Data and Methodology Evolution: Data providers will continue to refine their models for estimating alignment. Possibly, a market consensus might emerge on how to deal with non-reported data, which could even influence how funds report (they might start including estimated alignment in their disclosures with caveats, or push companies to report so they do not have to estimate). Also, if any inconsistencies or errors in early Taxonomy data are identified, those will get corrected over time, making the data more accurate. For instance, if it turns out some estimates are overestimating alignment, adjustments will be made, or if some are underestimating, models will improve. This all affects alignment figures in funds – we might see some volatility initially as methodologies align, but eventually a more stable, standard way of measuring Taxonomy alignment should develop.

Transition Activities Clarification: More clarity might come on potential transition or enabling activities. If companies see value in Taxonomy aligning these, they will try to meet criteria. As these transitional activities become better defined and companies possibly comply, funds might incorporate them more if they can genuinely count as aligned without reputational risk.

Global Influence: Other countries are developing their own taxonomies (e.g., the UK, Canada, China). Funds that invest globally might have to reconcile different systems. An EU fund will still report under the EU Taxonomy for legal purposes, but there could be a future mapping or mutual recognition. For instance, if a Canadian Taxonomy says a certain company is green, an EU investor might note that, but officially it might not count for EU alignment unless recognized. Over time, there may be moves to harmonize or at least make these classification systems interoperable, which could bring more data from non-EU companies into play (if, say, a U.S. company does not

report EU alignment but a similar taxonomy in another jurisdiction covers it, maybe that data can inform EU investors).

ANTICIPATED CHALLENGES

There will also be challenges ahead:

Potential greenwashing: As Taxonomy alignment becomes a marketing point, some funds might be tempted to overstate their alignment or use creative interpretations. This reinforces the need for audit and verification, which EU regulations do plan to require.

Sectoral limitations: Certain sectors might struggle to ever be aligned (for example, aviation or shipping might find it hard to meet criteria until new tech emerges). Funds wanting high alignment might simply divest from those sectors, which could have economic implications (and raise questions about transition vs exclusion).

Data overload or complexity: As more objectives come in, reporting could become burdensome and complex, both for companies and funds, at least in the short term.

REGIONAL OUTLOOK: DACH AND NORDIC REGIONS

For the DACH and Nordic regions specifically (since our study focuses on them), these areas have been quite proactive in sustainable finance historically. We expect them to remain leaders in adopting Taxonomy practices:

Nordic countries, with their cultural emphasis on sustainability and the Nordic Swan label, may push alignment higher quickly and innovate in green investments.

DACH, with strong regulatory signals (e.g., Germany's BaFin actively enforcing SFDR, Austria's eco-label, etc.) and strong investor interest in ESG, will also drive alignment.

ALIGNMENT TRAJECTORY UNDER EVOLVING POLITICAL CONDITIONS

In summary, the outlook is that Taxonomy alignment in investment funds could grow from a currently low baseline to more meaningful levels over the next 5-10 years. This development will depend not only on improved data availability and expanded Taxonomy scope, but also on the political willingness to enforce meaningful implementation – through clear thresholds, mandatory disclosure, or integration into fund classification regimes. While the Omnibus package signals a

willingness to ease certain reporting burdens in the short term, stricter fund-level alignment requirements - such as minimum alignment thresholds – could in turn incentivize companies to improve their reporting indirectly.

In the short term, progress is likely to be incremental – for instance, average turnover alignment may rise from around 3% to 5% as corporate disclosures improve. However, whether more ambitious alignment levels are reached will largely depend on the evolution of political priorities and whether regulators choose to make taxonomy disclosure or alignment a prerequisite for certain fund categories or sustainability claims.

Aligning investment funds with the EU Taxonomy will therefore require not just technical improvements in data and methodology, but also regulatory clarity and political commitment. Early movers – particularly Article 9 and sustainability-labelled funds – are already approaching double-digit alignment levels and may help set benchmarks for the broader industry. Still, achieving widespread taxonomy alignment will require persistence, transparency, and possibly stronger policy instruments than those currently in place.

8. Conclusion

This study provides a comprehensive snapshot of the current state of EU Taxonomy alignment in the European fund market, with a particular focus on the DACH and Nordic regions. The results are based on a broad and representative dataset of over 3,750 funds and offer key insights into how different fund types, labels and domiciles engage with the Taxonomy framework. Rather than focusing solely on one methodological approach, the study aims to reflect market realities as they stand today, capturing both existing alignment and the broader transition potential embedded in current portfolios.

By examining multiple sustainability dimensions – turnover, capital expenditure and operational expenditure – the analysis provides not only a picture of measurable alignment but also sheds light on how the fund industry is preparing for deeper integration of sustainable investment criteria. The findings highlight both the opportunities and the challenges involved in scaling Taxonomy implementation, offering a foundation for future policy development, data standardisation and market guidance.

LOW BUT MEASURABLE TAXONOMY ALIGNMENT

A central finding is that Taxonomy-aligned turnover remains low across the market. On average, funds report just over 3% alignment; with estimated data included, the aggregated average rises to around 7%. When compared to the average reported eligibility of approximately 12.7%, this suggests that only about one quarter of potentially sustainable activities currently meet all criteria for Taxonomy alignment. This reflects both the early stage of Taxonomy implementation and the current limitations in data availability and corporate disclosure. Nonetheless, the presence of alignment—even at these initial levels—demonstrates that a portion of the market is already actively engaging with the framework, and that meaningful insights can be derived despite ongoing reporting challenges.

CapEx and OpEx alignment show similar patterns. While figures remain modest overall, these dimensions provide a forward-looking perspective on how companies are preparing for sustainability transitions. Capital expenditure alignment in particular reflects investments in future sustainable capacity, which may become increasingly relevant as the scope of the Taxonomy expands and its link to transition finance strengthens.

SUBSTANTIAL ELIGIBILITY – UNREALISED POTENTIAL

In contrast to the low levels of alignment, Taxonomy eligibility is substantially higher. The average aggregated eligible turnover across all funds is approximately 40%, with many funds showing eligibility rates above 50%. This indicates broad exposure to economic activities covered by the Taxonomy – such as energy, mobility and construction – that are not yet fully aligned due to unmet technical criteria, limited data disclosure or non-compliance with minimum safeguards.

This gap between eligibility and alignment is one of the defining findings of the study. It reflects a market that is thematically oriented towards sustainability, but still in transition in terms of technical compliance and verifiable outcomes.

DIFFERENTIATION BY FUND TYPE, LABEL, AND REGION

The analysis reveals significant variation across fund classifications, sustainability labels, and regional domiciles. Article 9 funds, as expected, show the highest average alignment – especially when estimates are included or CapEx/OpEx are considered. Similarly, funds labelled under national or regional sustainability standards, such as Austria's UZ49 or the Nordic Swan Ecolabel, consistently outperform the broader market in terms of both alignment and eligibility. For instance, Nordic Swan funds show combined eligibility of over 50% and combined alignment over 13%. Regionally, funds domiciled in the DACH and Nordic countries show slightly higher alignment levels in the reported data compared to the European average. This may reflect stronger investor demand for sustainable products, supportive national regulations, or more advanced ESG integration.

ROLE OF CONTROVERSIAL AND TRANSITIONAL ACTIVITIES

The study also explores the role of activities controversially included in the EU Taxonomy, such as nuclear energy and fossil gas. While these have been classified as eligible under specific conditions, their presence in fund portfolios remains marginal – particularly in the DACH and Nordic regions, where investor sentiment often leans toward exclusion. The findings suggest that the formal inclusion of these activities has not yet translated into significant market uptake.

THRESHOLDS FOR REGULATORY AND MARKET GUIDANCE

To support regulatory and labelling applications under current market conditions, this study adopts a threshold model based exclusively on reported Taxonomy data—tailored to the specific characteristics of the Austrian Ecolabel (UZ49) fund universe. The chosen methodology applies a minimum coverage threshold of 20% for reported turnover, ensuring that alignment calculations are grounded in sufficiently robust and verifiable data. Funds meeting this criterion are assessed based on their reported Taxonomy-aligned turnover, capital expenditure (CapEx), and operational expenditure (OpEx), without recourse to estimated or proxy values. Within this filtered dataset, a Taxonomy alignment threshold in the range of 6–9% is proposed as a realistic and meaningful benchmark.It captures a level of sustainability engagement that goes beyond basic compliance and reflects a measurable, auditable commitment to environmentally sustainable investment practices.

While this reported-data-based model is particularly appropriate for the UZ49 context, it is important to emphasise that the combined approach, which incorporates estimated data alongside reported values, remains a valid and conceptually sound methodology in other contexts. The combined model can be especially useful in universes with broader diversification or limited reporting coverage, as it improves completeness and allows for forward-looking assessments. However, given the current state of Taxonomy disclosures and the specific requirements of the UZ49 label, the reported-only variant with a defined coverage threshold currently offers the most robust and comparable solution for threshold setting in this specific case.

By anchoring the methodology in actual disclosures and clearly defined inclusion criteria, this framework not only enhances the credibility of Taxonomy-based labelling but also provides a scalable foundation for future regulatory refinement—driving improvements in both fund-level transparency and corporate sustainability reporting.

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OUTLOOK: GRADUAL IMPROVEMENT, LONG-TERM IMPACT

The overall outlook for EU Taxonomy alignment in the fund sector is cautiously optimistic. Progress will likely be gradual rather than transformative in the short term. Average alignment levels may increase slowly – from 3-7% today to around 10% over the next few years – as corporate reporting improves, data standardisation advances, and market actors develop dedicated Taxonomy strategies. This outlook is closely linked to the phased implementation of the Corporate Sustainability Reporting Directive (CSRD) and the accompanying Omnibus package, which will shape the future availability and quality of alignment data.

A potential shift in market segmentation is already emerging: while many funds show minimal alignment, a smaller group – including Article 9 funds and impact-focused strategies – are moving towards double-digit figures. These frontrunners may set new benchmarks for fund design, and potentially attract increasing regulatory and investor attention. New fund products focused explicitly on Taxonomy alignment – such as green bond or sustainability-themed equity funds – may also grow in relevance.

CONCLUDING REMARKS

This study highlights both the progress made and the structural challenges that remain. The EU Taxonomy is a powerful tool, but its practical implementation in the fund market is still at an early stage. Building credibility, comparability, and transparency around alignment will require continuous methodological development, regulatory support, and improved corporate disclosures. Estimated data and combined metrics help bridge the current gaps, but long-term success will depend on the market's ability to transition from modelled to reported alignment.

In conclusion, Taxonomy alignment today is modest but visible. It has the potential to become a central measure of sustainability performance in the European financial market. For this to happen, stakeholders must balance technical rigor with market feasibility, and support a transition pathway that includes both today's leaders and tomorrow's transformers. The distribution-based thresholds and alignment metrics introduced in this study offer one possible building block for achieving that goal.

Appendix

I. REPORTED TAXONOMY-ALIGNED CAPITAL EXPENDITURE (CAPEX) BY ASSET CLASS

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	4.93	31.61
EQUITY	4.16	27.44
BOND	6.07	38.43
MIXED ASSETS	7.00	40.48

Source: The Value Group GmbH, own representation.

II. REPORTED TAXONOMY-ALIGNED OPERATIONAL EXPENDITURE (OPEX) BY ASSET CLASS

INDICATOR	AVERAGE (%)	COVERAGE (%)
OVERALL	3.57	22.07
EQUITY	3.01	23.56
BOND	4.47	17.33
MIXED ASSETS	4.76	27.87

Source: The Value Group GmbH, own representation.

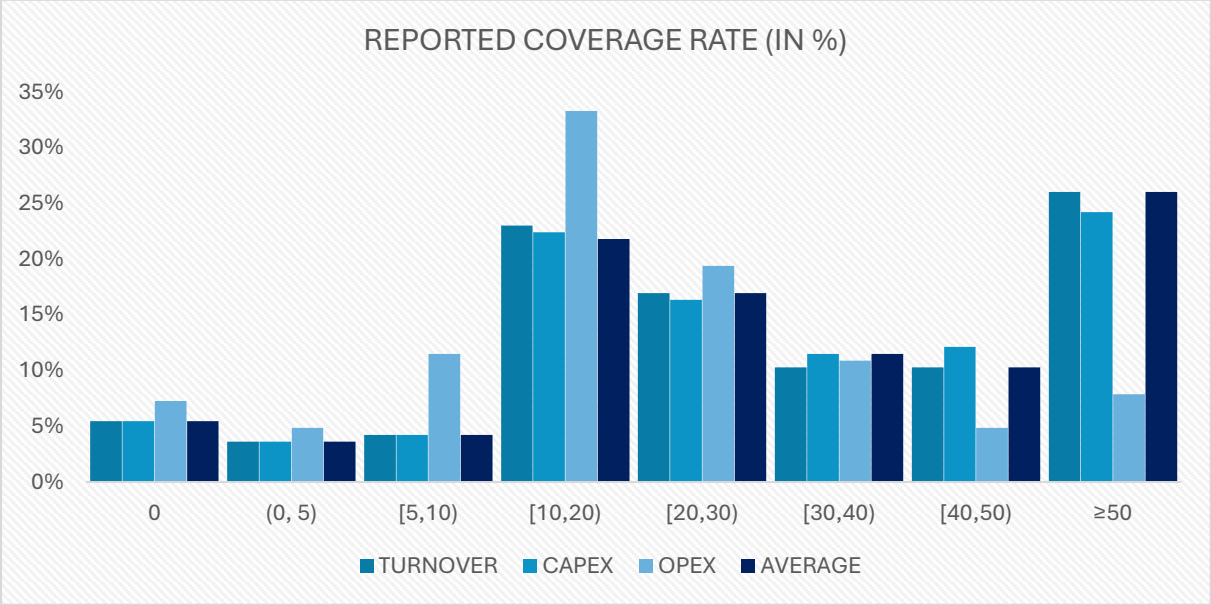
III. AVERAGE EU TAXONOMY ALIGNMENT & ELIGIBILITY BY INDUSTRY (TURNOVER-BASED, IN %)

INDUSTRY	ALIGNMENT (%)	ELIGIBLE (%)
INDEPENDENT POWER AND RENEWABLE ELECTRICITY PRODUCERS	34.13	60.66
INDUSTRIAL REITS	27.22	100.00
DIVERSIFIED REITS	23.73	99.08
WATER UTILITIES	15.21	99.32
SPECIALIZED REITS	12.72	82.34
ELECTRIC UTILITIES	11.18	59.29
REAL ESTATE MANAGEMENT & DEVELOPMENT	9.32	81.82
BUILDING PRODUCTS	8.74	96.37
CONSTRUCTION & ENGINEERING	8.73	95.21
MULTI-UTILITIES	8.47	62.80
GROUND TRANSPORTATION	6.57	88.58
MACHINERY	6.23	94.46
HOUSEHOLD DURABLES	5.67	86.65
RESIDENTIAL REITS	5.51	99.83
IT SERVICES	5.48	89.58
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT	4.46	98.18
AUTOMOBILE COMPONENTS	4.41	96.97
HEALTH CARE REITS	4.32	100.00
INDUSTRIAL CONGLOMERATES	4.20	54.59
TRANSPORTATION INFRASTRUCTURE	3.03	80.17
FOOD PRODUCTS	3.03	2.27
CHEMICALS	2.94	67.44
SOFTWARE	2.75	8.79
ELECTRONIC EQUIPMENT, INSTRUMENTS & COMPONENTS	2.44	88.19
OIL, GAS & CONSUMABLE FUELS	2.00	31.70
METALS & MINING	1.79	39.38
GAS UTILITIES	1.37	79.06
HEALTH CARE TECHNOLOGY	1.35	6.29
SPECIALTY RETAIL	1.33	26.82
DIVERSIFIED TELECOMMUNICATION SERVICES	0.99	97.91
ENERGY EQUIPMENT & SERVICES	0.60	70.15
AEROSPACE & DEFENSE	0.60	41.21
WIRELESS TELECOMMUNICATION SERVICES	0.46	94.61
INTERACTIVE MEDIA & SERVICES	0.40	0.88
TECHNOLOGY HARDWARE, STORAGE & PERIPHERALS	0.34	98.45
AIR FREIGHT & LOGISTICS	0.10	80.74
MEDIA	0.05	47.26
LIFE SCIENCES TOOLS & SERVICES	0.03	26.31
MARINE TRANSPORTATION	0.01	97.46

INDUSTRY	ALIGNMENT (%)	ELIGIBLE (%)
HOUSEHOLD PRODUCTS	0.01	24.59
HEALTH CARE EQUIPMENT & SUPPLIES	0.01	41.39
PHARMACEUTICALS	0.01	1.61
ENTERTAINMENT	0.01	40.16
PASSENGER AIRLINES	0.00	2.17
LEISURE PRODUCTS	0.00	40.65
TEXTILES, APPAREL & LUXURY GOODS	0.00	5.00
BEVERAGES	0.00	0.32
TOBACCO	0.00	1.10
PERSONAL CARE PRODUCTS	0.00	3.28
HEALTH CARE PROVIDERS & SERVICES	0.00	21.63
BIOTECHNOLOGY	0.00	0.46
HOTEL & RESORT REITS	0.00	100.00

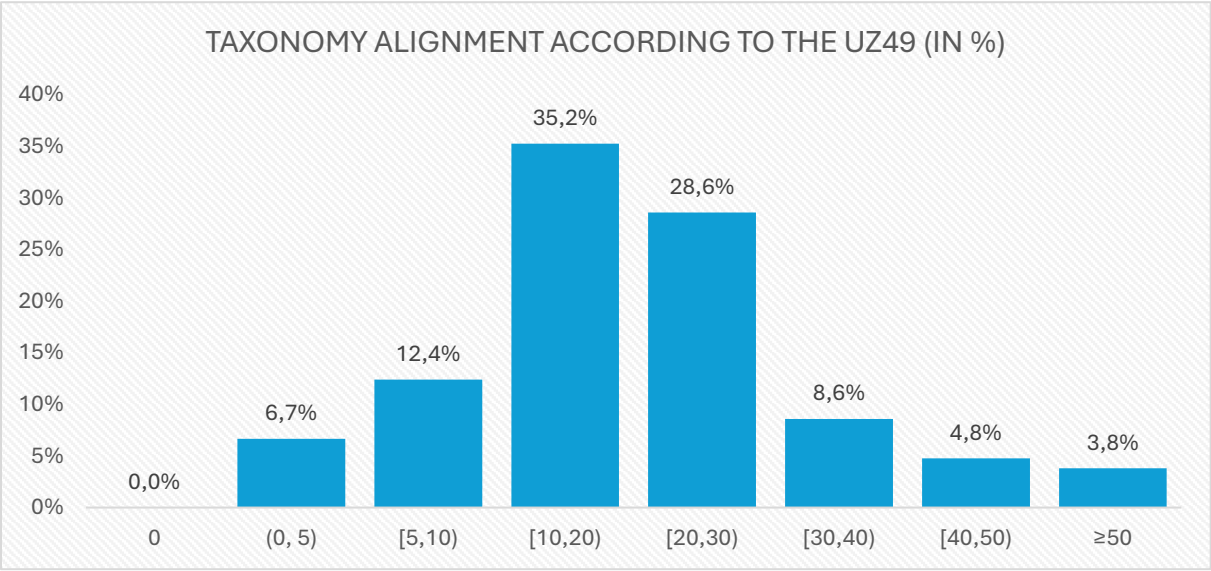
Source: The Value Group GmbH, own representation.

IV. DISTRIBUTION OF REPORTED COVERAGE RATES BY INDICATOR (TURNOVER, CAPEX, OPEX) AND OVERALL AVERAGE FOR UZ49 FUNDS



Source: The Value Group GmbH, own representation.

V. FUND DISTRIBUTION BY TAXONOMY ALIGNMENT BASED ON REPORTED TURNOVER (≥ 20% COVERAGE), CAPEX, AND OPEX FOR UZ49 FUNDS



Source: The Value Group GmbH, own representation.

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