

# THE “DO NO SIGNIFICANT HARM (DNSH)” CRITERIA: PRACTICAL INSIGHTS

The application of DNSH criteria under the  
EU taxonomy by companies in Austria  
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SUMMARY  
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# 1 EXECUTIVE SUMMARY

The Do No Significant Harm (DNSH) principle represents a safeguard against new investments with environmentally counterproductive effects that could undermine the EU's climate and environmental objectives. It was first defined under the EU Taxonomy Regulation (Regulation (EU) 2020/852). In Article 17, the regulation sets out criteria for each climate and environmental objective according to which economic activities are considered to cause significant harm. Based on this, the EU Taxonomy Delegated Regulations<sup>1</sup> define specific DNSH criteria per economic activity, alongside the technical screening criteria for substantial contribution. Next to the assessment of whether economic activities are associated with significant harm to any of the EU Taxonomy's environmental objectives, the DNSH criteria also support the early identification of potential climate and environmental risks and possibly conflicting environmental objectives<sup>2</sup>.

Besides the implementation of specific DNSH criteria within the EU Taxonomy, the principle of DNSH is increasingly being integrated into public funding frameworks, including EU funds and other financial instruments. This typically involves taking a procedural approach and defining generally applicable principles to ensure DNSH compliance.

## 1.1 Structure of the report and methodology

The analysis is focused on non-financial companies operating in Austria and the application of DNSH criteria under the EU Taxonomy within their business. Financial institutions are also included in the analysis, as they rely on DNSH-related data from counterparties to comply with disclosure obligations.

Companies' experience regarding the EU Taxonomy application over recent years suggests that compliance with DNSH criteria can act as a barrier to achieve taxonomy alignment. The aim of this analysis is to identify specific challenges for companies in fulfilling DNSH criteria as well as to determine practical solutions for addressing them.

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<sup>1</sup> Delegated Regulation (EU) 2021/2139 (Climate DR) and Delegated Regulation (EU) 2023/2486 (Environment DR)

<sup>2</sup> One example of a conflict of objectives is where a project is climate-friendly, but at the same time has a harmful impact on biodiversity.

Furthermore, the analysis examines synergies between the requirements of the DNSH criteria under the EU Taxonomy and other regulatory provisions, in particular the Austrian Environmental Impact Assessment Act (Federal Law Gazette No. 697/1993, version dated 22.01.2025), and selected public financial instruments using the example of the Social Climate Fund (Regulation (EU) 2023/955). It assesses the extent to which overlaps in (regulatory) requirements exist and discusses their implications for companies.

The report also examines how state actors and European institutions can support companies in meeting DNSH criteria.

Methodologically, the report is based on expert analysis and on interviews with eleven companies from the energy, industrial, building, transport and banking sector. In addition, it draws on selected publications addressing challenges and solutions related to fulfilling DNSH criteria under the EU Taxonomy, along with four sector-specific case studies.

## **1.2 Challenges in fulfilling DNSH criteria under the EU Taxonomy**

Besides the various benefits of the DNSH criteria, such as increasing the resilience of economic activities and investments against climate and environmental risks, companies also report challenges in terms of applying them. These include the unclear wording of certain DNSH criteria, extensive cross-referencing to EU legislative acts, and the lack of or insufficient national implementation of EU directives. According to interviewees, this results in uncertainties in interpretation and application, thereby limiting the comparability of taxonomy reporting.

In addition, the surveyed companies point to organisational constraints, including insufficient personnel and financial resources. For a number of DNSH criteria, interviewees report collecting relevant data, particularly along the supply chain entails considerable time and effort and is constrained by a lack of product-level information. The complexity of certain DNSH criteria, combined with limited financial incentives or market advantages and low investor demand for taxonomy data, is perceived by interviewees to diminish the prioritisation of DNSH compliance at management level. The issue of demonstrating retrospective DNSH compliance within collaborative projects also presents a challenge if responsibilities for this are not clearly defined. Furthermore, multinational

companies face barriers regarding the application of EU Taxonomy requirements to economic activities in third countries.

Sector-specific feedback from interviewees reveals further challenges in applying the DNSH criteria: in the building sector, the absence of a centralised national database for energy certificates in Austria makes it difficult to collect comprehensive data. In the energy sector, demonstrating compliance with DNSH criteria for complex technical systems, such as district heating distribution systems, is described as a demanding process since these systems contain a large number of components from different manufacturers. In the industry sector, some DNSH criteria are described as overly generic, which complicates their application across a wide range of product groups. In the transport sector, companies report difficulties in demonstrating compliance with specific technical requirements, for example those related to tyres. Banks, meanwhile, emphasise difficulties arising from non-reporting customer groups, as the data required for DNSH compliance is often unavailable.

### **1.3 Possible solutions for fulfilling DNSH criteria under the EU Taxonomy**

While companies report various obstacles in meeting certain DNSH criteria, interviewees also identify some requirements that are comparatively straightforward to implement, especially if they relate to existing legal frameworks or established business processes. According to the companies interviewed, processes include integrating the requirements of the DNSH criteria into tenders or into existing company-wide sustainability strategies and systems. The use of information from environmental management systems, operating or plant permits, and sustainability certifications is also perceived as helpful.

Establishing a central team of experts, developing internal databases and involving relevant departments at an early stage can support the development of organisational structures and processes that facilitate compliance with DNSH criteria. A structured inventory of existing processes and legal requirements further allows companies to assess which DNSH criteria are already fulfilled, where evidence of DNSH compliance is lacking and which business processes are not yet in place.

Both state actors and European institutions can play an important role in shaping the conditions under which companies fulfil DNSH criteria. In particular, companies interviewed point out the need for improved

readability and interpretability of the DNSH criteria. An option for support is the provision of an accompanying document that consolidates DNSH requirements, including relevant thresholds and other conditions set out in the referenced EU regulations. An overview, for example, as an additional function of the EU Taxonomy Compass, indicating where referenced EU directives have been transposed into national laws, could facilitate the compliance of DNSH criteria at national level. Finally, the development of international equivalence tables is perceived as a way to facilitate the application of DNSH criteria in third countries.

Interviewees and experts point to a range of measures that could support the implementation of DNSH criteria. Interviewees emphasise the value of technical guidance to promote consistent interpretation of DNSH criteria, alongside sector-specific case studies and structured formats for sharing practical experiences. In addition, the establishment of a centralised database containing technical indicators and thresholds for DNSH criteria is perceived as a means for improving data consistency and reducing time and effort required by each individual company. According to experts, the possibility of gradually fulfilling the DNSH criteria and communication materials outlining the relevant requirements may lead organisations to prioritise DNSH compliance, especially at management and board level. Beyond these points, experts suggest that increasing awareness of existing support tools, such as the EU Taxonomy Navigator, may further facilitate companies' engagement with DNSH criteria requirements.

The interviews and the literature consulted show that simplifying the DNSH criteria for customer groups not subject to reporting requirements could provide relief for banks in terms of DNSH compliance.

According to the expert analysis aligning the DNSH requirements of public financing instruments with the EU Taxonomy's DNSH principle and criteria creates synergies that could generate benefits for companies, particularly through the ability to leverage the same data for multiple compliance purposes (for example for application for public funding and fulfilment of reporting requirements). Linking the fulfilment of DNSH criteria with other regulatory requirements, such as those of the Environmental Impact Assessment (EIA), could also create synergies. For example, the EIA itself or elements of the assessment can be used to show DNSH compliance. To be able to evaluate in detail whether content and findings from the EIA could be used to meet the DNSH criteria and vice versa, sector-specific follow-up studies are recommended.

The proposed solutions could enable greater taxonomy alignment amongst companies. However, it is important to note that the results of

this report are limited due to the sample size of the companies surveyed. To verify the results and obtain in-depth insights, the authors of the report recommend a follow-up analysis with a larger sample of companies. This would make it possible to examine individual sectors and economic activities in more detail and develop appropriate solutions. Any future analysis should also involve other key stakeholders who have to deal with the DNSH requirements from the EU Taxonomy (such as auditors, administrative actors and supervisory institutions).

## 2 ANNEX: GRAPHICAL SUMMARY OF THE RESULTS

### 2.1 Challenges in fulfilling DNSH criteria under the EU Taxonomy

Figure 1: Overview of non-sector specific challenges in fulfilling DNSH criteria mentioned in interviews with selected companies

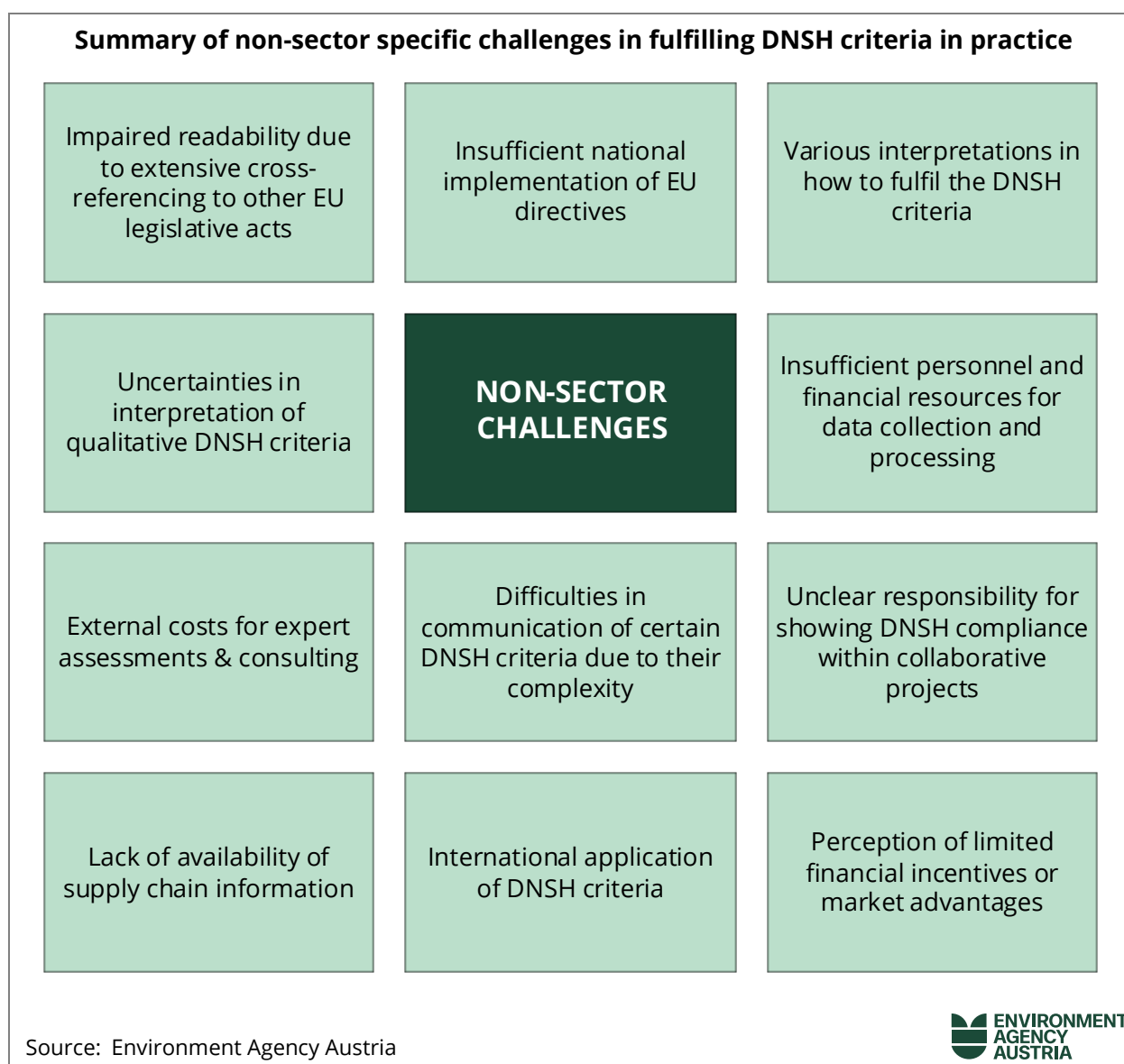


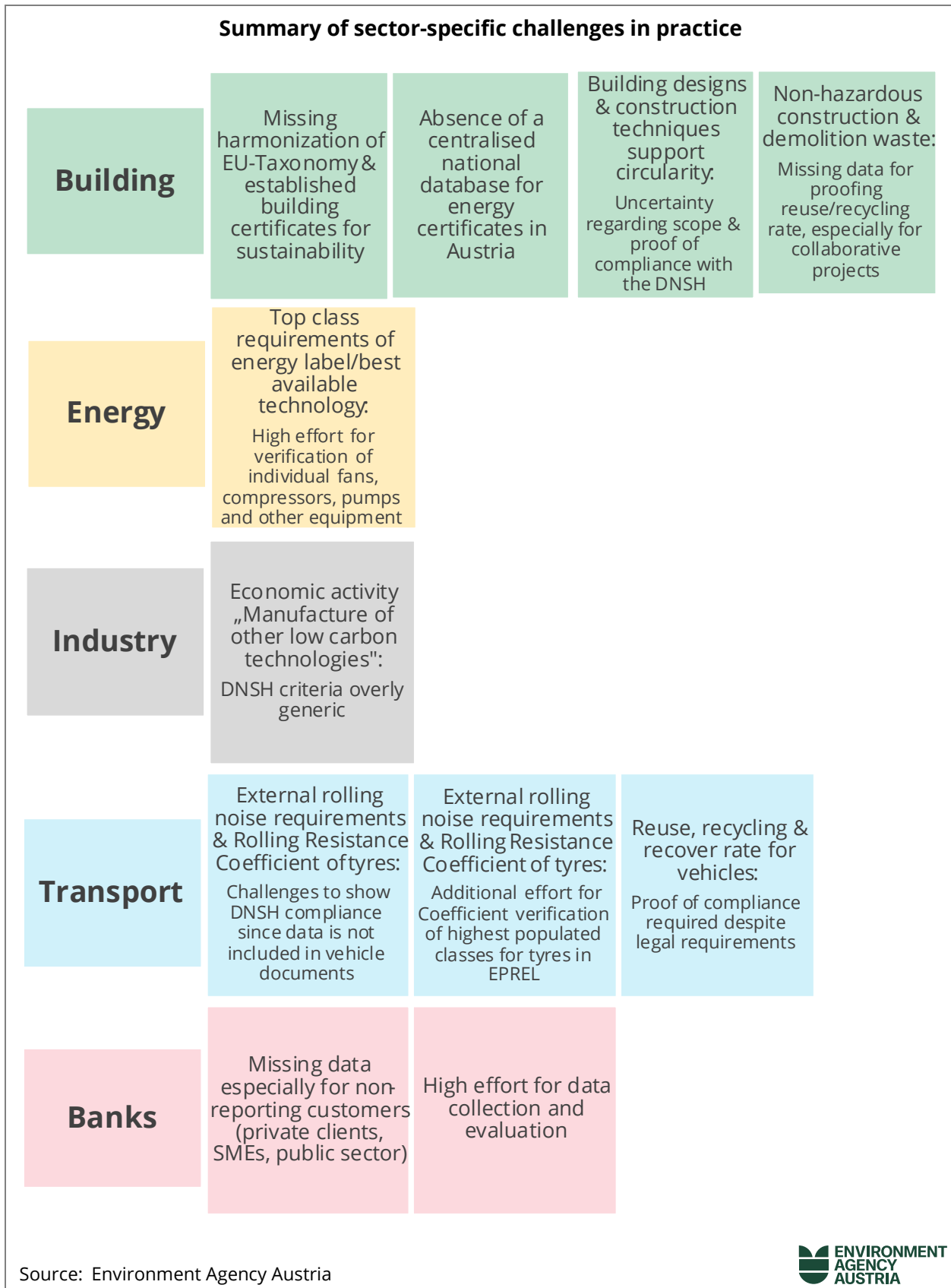
Table 1: Summary of challenges for fulfilling DNSH criteria by environmental objectives based on results of interviews with selected companies

<b>Climate change adaptation<sup>3</sup></b>	<b>Transition to a circular economy</b>	<b>Pollution prevention and control</b>	<b>Protection and restoration of biodiversity and ecosystems</b>
Different approaches and definitions e.g. Definition of high risk, proof of risk reduction	Uncertainties in interpretation of qualitative criteria e.g. Measures for managing waste, use of equipment and components of high durability and recyclability and that are easy to dismantle and refurbish	High costs for compliance with criteria set out in Appendix C <sup>4</sup>	Uncertainties for compliance with Appendix D due to insufficient national implementation of the EIA directive
External expertise for (initial) implementation often necessary		Missing product information or missing product alternatives for compliance with Appendix C	
Uncertainty regarding the frequency of assessment			

<sup>3</sup> All challenges listed in this column are dedicated to the climate risk and vulnerability assessment of Appendix A of the delegated regulation 2021/2139.

<sup>4</sup> The interviews were conducted before the changes of Appendix C through the European Commission.

Figure 2: Summary of sector specific challenges in fulfilling DNSH criteria mentioned in interviews with selected companies



## 2.2 Possible solutions for fulfilling DNSH criteria under the EU Taxonomy

Table 2: Summary of possible solutions for fulfilling DNSH criteria by environmental objectives based on results of interviews with selected companies

Climate change adaptation	Sustainable use and protection of water and marine resources	Transition to a circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems
Standardisation of climate risk and vulnerability assessment	<b>Appendix B in EU:</b> Compliance with Water Framework Directive	Use of waste management plans	Use of best available techniques (BAT) conclusions	Conducting an EIA
	<b>Appendix B international:</b> Use of operating and plant licenses, standardised environmental management systems or official water reports	Use of equipment and components of high durability and recyclability and that are easy to dismantle and refurbish	Use of <i>DGNB certificate for sustainable construction site</i> for compliance with DNSH criterion regarding measures taken to reduce noise, dust and pollutant emissions during construction or maintenance works	Use of operating and plant licenses
			Systematic use of materials with low pollutant emissions for building components and materials in new buildings or within a renovation of existing buildings	

## 2.3 Public institutions in focus: Support for successful DNSH Application

Figure 3: Summary of approaches for support from public institutions for an easier DNSH application.

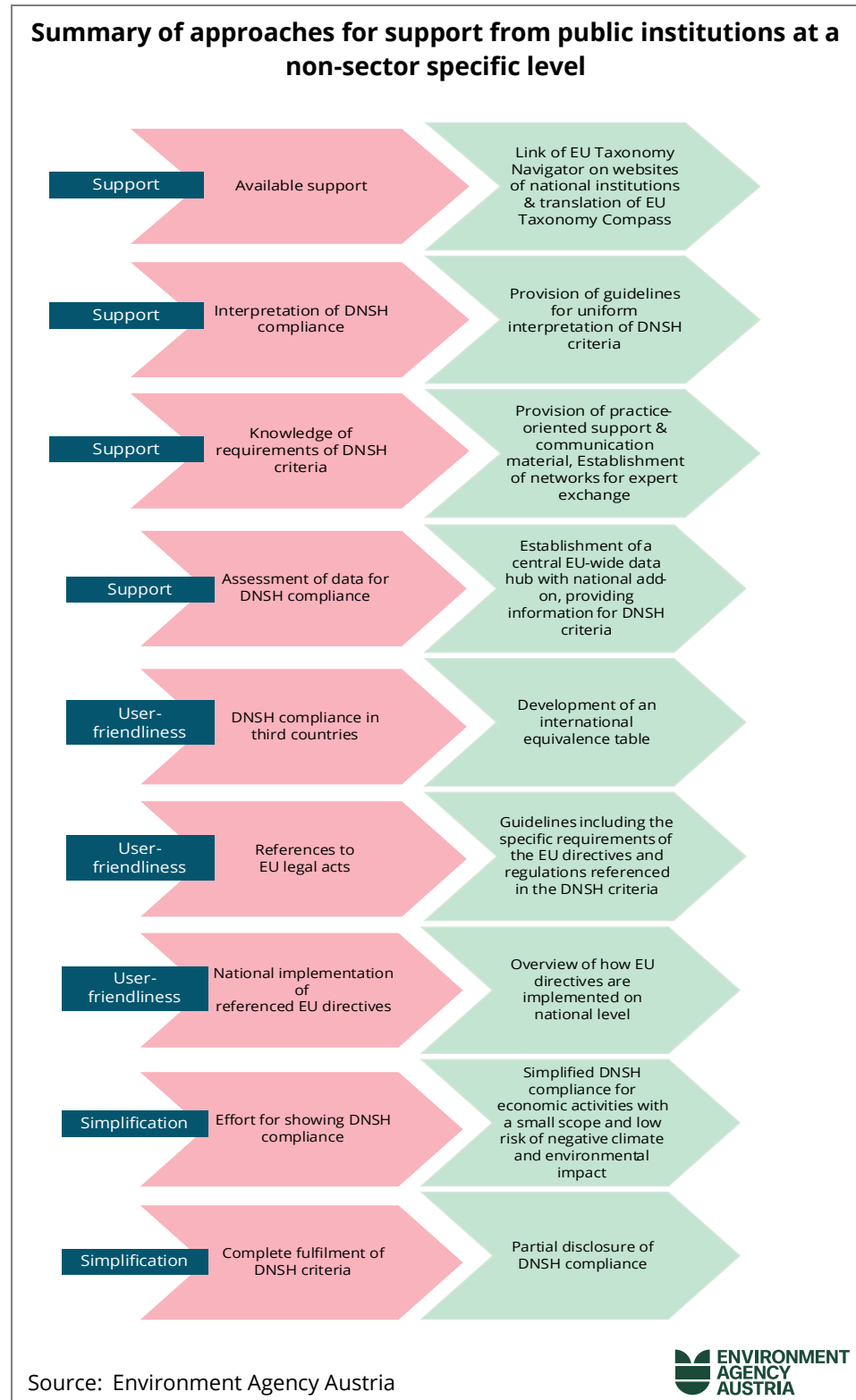


Figure 4: Summary of approaches for support from public institutions at DNSH criteria level structured according to three environment objectives.

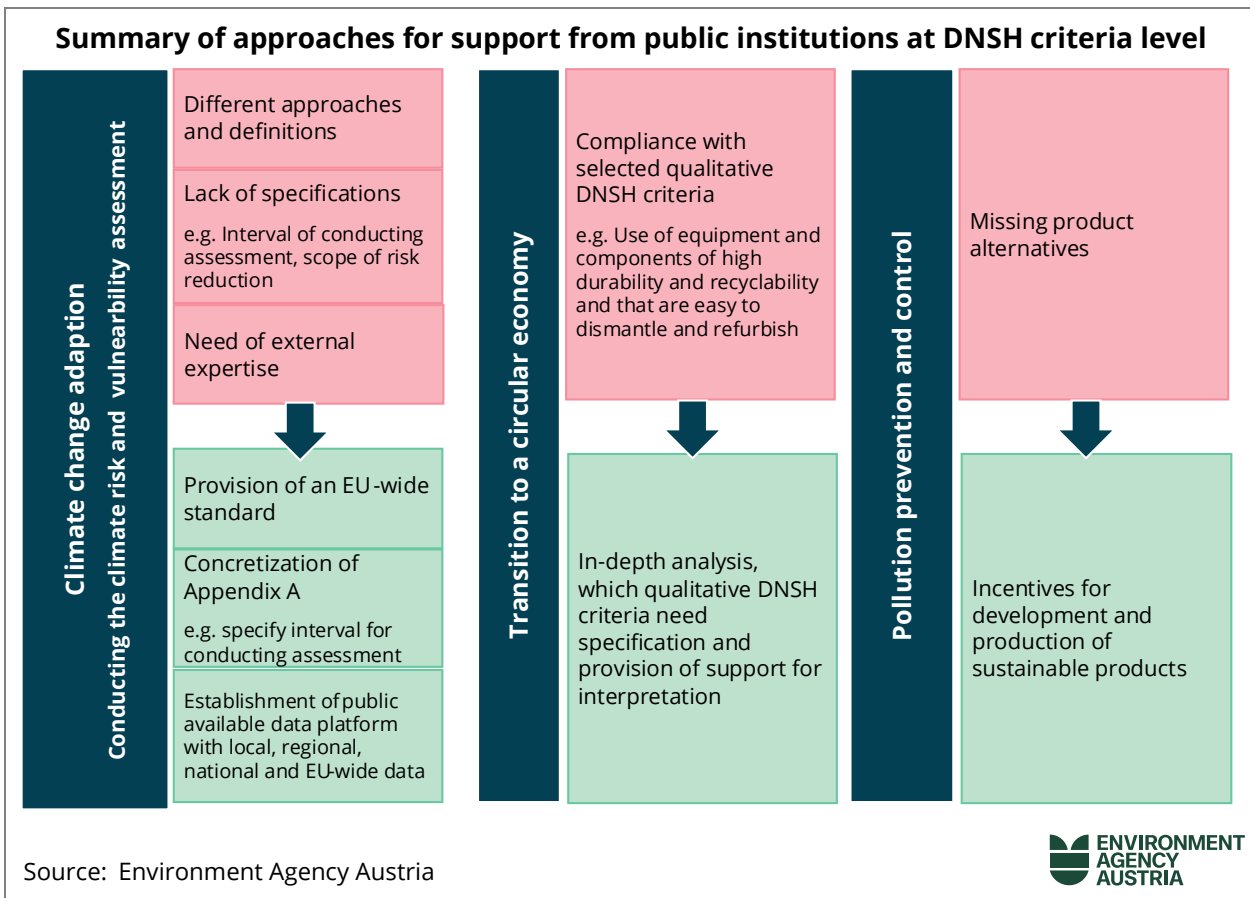
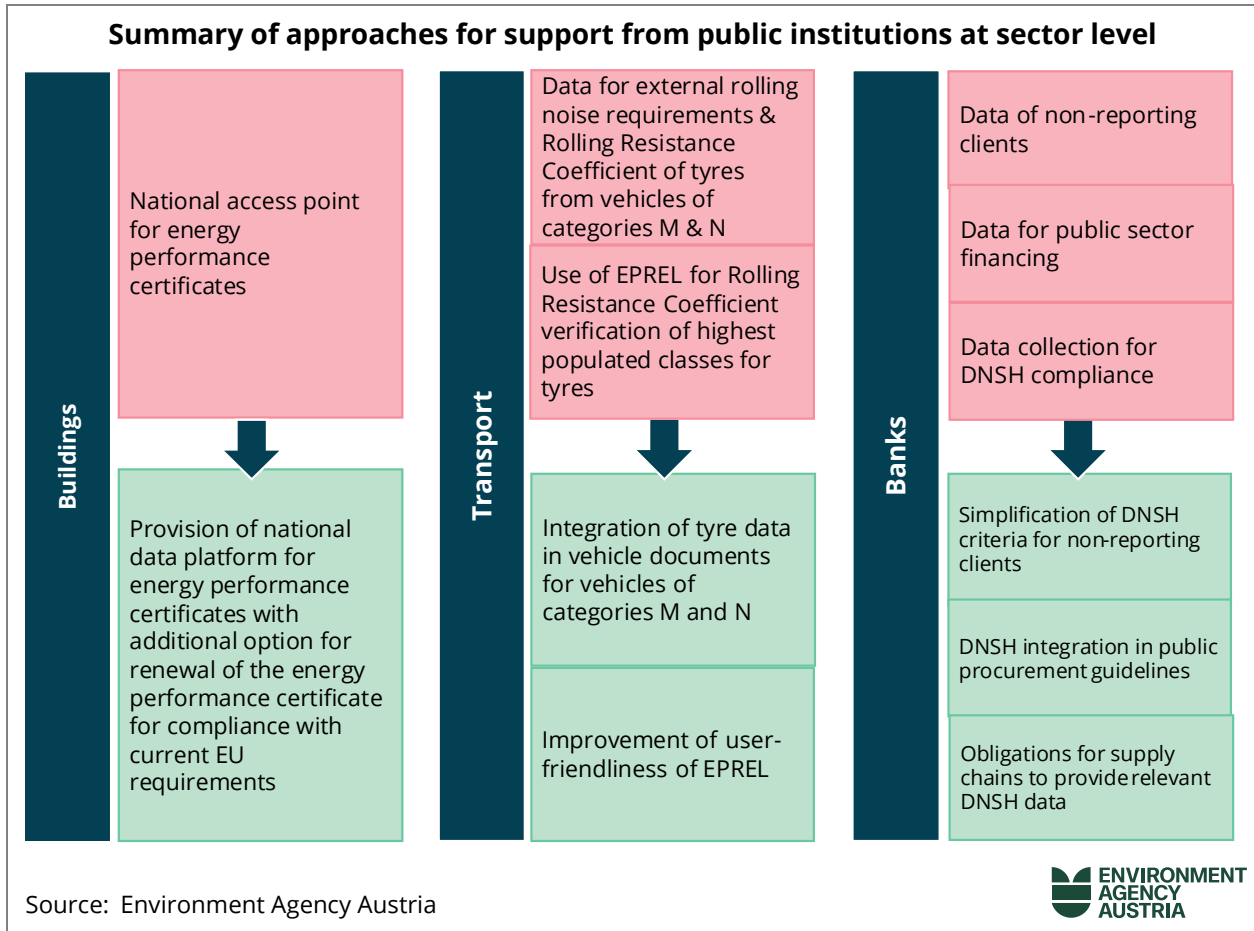


Figure 5: Summary of approaches for support from public institutions at sector level.





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