



# ESG

April 2023

## EU Taxonomy

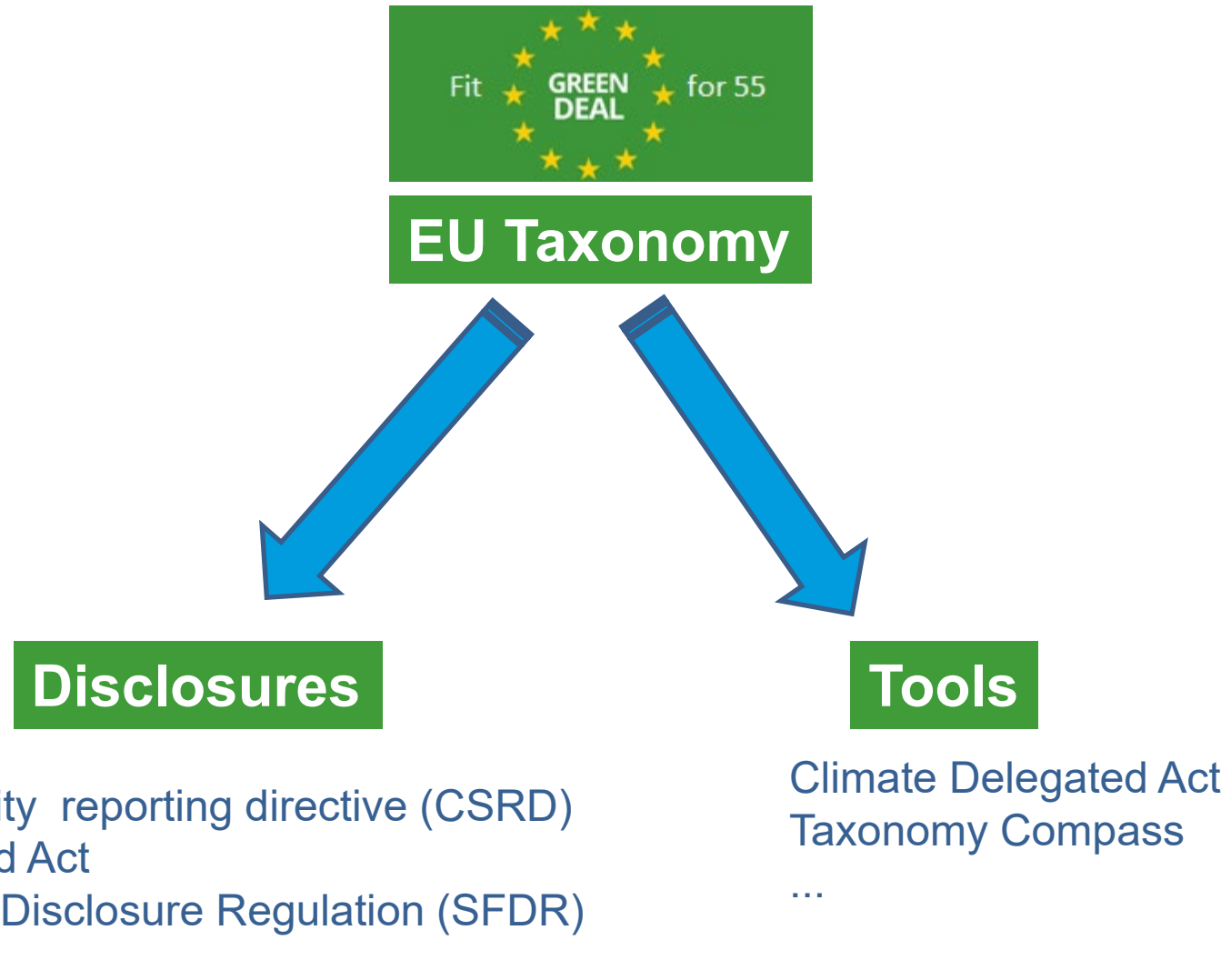
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# Global context





# EU Taxonomy

## Why is EU taxonomy needed ?

### Facts :

- meet EU's climate and energy targets for 2030 and reach the objectives of the European green deal => necessary to direct investments towards sustainable projects and activities;
- COVID-19 pandemic => reinforced need to redirect money towards sustainable projects.

### How to achieve :

- clear definition of what is 'sustainable' is needed;
- creation of a common classification system for sustainable economic activities.

## What is EU taxonomy ?

EU taxonomy is a classification system, establishing the criteria for determining whether an economic activity qualifies as environmentally sustainable:

- ⇒ provide companies, investors and policymakers with appropriate definitions : economic activity = environmentally sustainable.
- ⇒ create security for investors
- ⇒ protect private investors from greenwashing\*
- ⇒ help companies to become more climate-friendly
- ⇒ mitigate market fragmentation
- ⇒ help shift investments towards most needed

*\*greenwashing : practice of gaining an unfair competitive advantage by marketing a financial product as environmentally friendly, when in fact basic environmental standards have not been met*



# Regulation and delegated regulations

## Overview

- **Taxonomy Regulation** (Regulation (EU) 2020/852 of 18 June 2020) : establishment of framework to facilitate sustainable investment
- **Climate Delegated Act** (Delegated regulation (EU) 2021/2139 of 4 June 2021) : establishment of technical screening criteria for determining conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives
- **Disclosures Delegated Act** (Delegated regulation (EU) (EU) 2021/2178 of 6 July 2021) : specifying content and presentation of information to be disclosed by entities (subject to Articles 19a or 29a of Directive 2013/34/EU) concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation
- **Complementary Climate Delegated Act** (Delegated regulation (EU) (EU) 2022/1214 of 9 March 2022) amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities



Taxonomy  
Compass

# Regulation and delegated regulations

- **tool** : visual representation of the contents of the Taxonomy related to Climate Delegated Act and Complementary Climate Delegated Act
- **aim** : enable users 1. to check which activities are included in the taxonomy (taxonomy-eligible activities); 2. to which objectives they substantially contribute; 3. what criteria they have to meet. It is important to note that minimum safeguards (social standards) have to be met for an economic activity to be considered taxonomy-aligned
- **future updates** : 1. include future delegated acts specifying technical screening criteria for additional economic activities substantially contributing to the climate objectives and the other environmental objectives of the Taxonomy Regulation; 2. reflect reviews of the delegated acts in the future.

Taxonomy  
Calculator

- step-by-step **guide** on reporting obligations
- **aim** : help users to understand and support with the reporting obligations
- **so far** : the calculator is only available to calculate the turnover, CapEx and OpEx KPIs of non-financial undertakings for the objective of Climate Change Mitigation.
- the calculator does **not replace** the reporting of companies according to the Disclosures Delegated Act.



# Taxonomy Regulation

## Subject

The taxonomy regulation establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable - for the purposes of establishing the degree to which an investment is environmentally sustainable.

It establishes the basis for the taxonomy by setting out **four criteria** that an economic activity has to meet in order to qualify as environmentally sustainable and defines **six environmental objectives**.

## Scope

The taxonomy Regulation identifies :

- non-financial entity
- financial entity

**Non-financial entity** : entity subject to the obligation to publish a (consolidated) non-financial statement pursuant to articles 19bis / 29bis of Directive 2013/34/EU

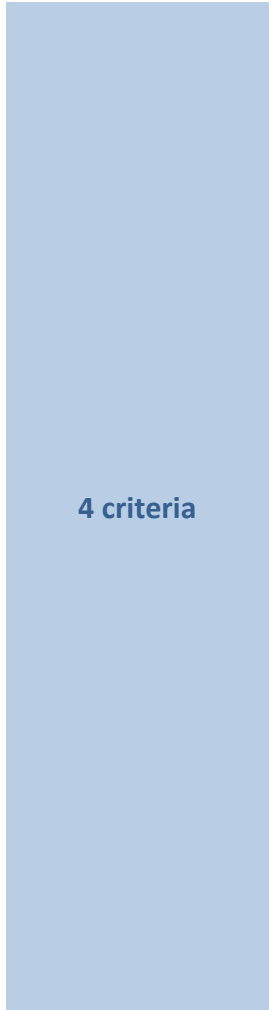
**Financial entity** :

- financial market participant making available financial products, such as asset manager, credit institution, investment firm, insurance entity or reinsurance entity
- EU and member states setting out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable



# Taxonomy Regulation

An economic activity qualifies as environmentally sustainable if following criteria are cumulatively met :



1 Substantially contribute

Contribute substantially to at least one of the environmental objectives.

Different means to make a substantial contribution. An activity can qualify :

- due to own performance
- by enabling another activity to substantially contribute
- climate change mitigation :“transitional activities”, for which no feasible low-carbon alternative exists, can qualify under certain conditions

2 Do no significantly harm

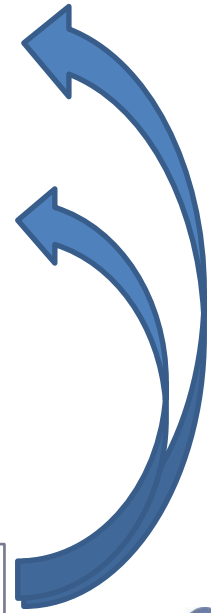
do no significantly harm (DNSH) to the other environmental objectives

3 Minimum-safeguards

carried out in compliance with the minimum safeguards

4 Technical screening

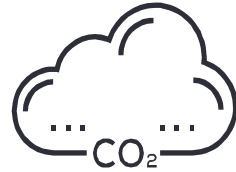
comply with technical screening criteria established by the Commission (specifying conditions under which an economic activity meets criteria point 1 and 2)





# Taxonomy Regulation

6 environmental objectives



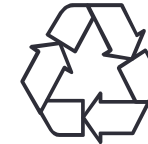
Climate change mitigation



Climate change adaptation



Sustainable use and protection of water and marine resources



Transition to a circular economy



Pollution prevention and control



Protection and restoration of biodiversity and ecosystems





# Taxonomy Regulation

Transparency in  
non-financial  
statements

## Where to disclose

Entity obligated to publish non-financial information pursuant to articles 19bis/29bis of Directive 2013/34 :

- Include the required information in the non-financial statement
- if non-financial information is published in a separate report, then the information shall be published in that separate report

## What to disclose

**General** : information on how and to what extent the activities are associated with economic activities that qualify as environmentally sustainable

### KPI :

- **Turnover**: proportion of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable
- **CapEx**: proportion of capital expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable
- **OpEx**: proportion of operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable

**Accompanying information** : specifications, methodology, ...





# Disclosures Delegated Act

## Subject

The disclosures delegated act specifies the content, methodology and presentation of information to be disclosed by financial and non-financial entities concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities.

## Reporting

- **Where** : include all additional disclosures accompanying the key performance in the same parts of the non-financial statement that contains those indicators, or provide cross-references to the parts of the non-financial statements that contain those indicators
- **How** : use of templates annexed to the Disclosures Delegated Act -> content of KPI, specification of disclosures accompanying KPI, methodology for reporting KPIs,...
- **Comparability** : to ensure comparability over time, the entity reports the KPIs covering the previous annual reporting period
- **Currency** : in disclosures same currency as in the financial statements to be used
- **Specific disclosures** for economic activities in certain energy sectors

## KPI - Calculation

For the calculation of the required KPIs, a good understanding of 3 categories of economic activities is important :

- **taxonomy-non-eligible economic activities** : economic activity that is not described in the Delegated Acts of the commission pursuant to Regulation (EU) 2020/852 (Climate Delegated Act and/or Delegated Acts for other objectives still to be published)
- **taxonomy-eligible economic activities** : economic activity that is described in the Delegated Acts, irrespective of whether that economic activity meets any or all of the technical screening criteria
- **taxonomy-aligned economic activities** : economic activity that is described in the Delegated Acts and that complies with the criteria



# Disclosures Delegated Act

## Specification of disclosures accompanying the KPIs of non-financial entity

- **Accounting policy**
  - ✓ how turnover, CapEx and OpEx were determined
  - ✓ basis on which turnover, CapEx and OpEx were calculated, including any assessment in the allocation of revenues or expenditures to different economic activities.
  - ✓ disclose any material changes that have occurred during the reporting period in relation to the implementation of the CapEx plans
- **Assessment of compliance with Regulation**
  - ✓ information on assessment of compliance with Regulation (EU) 2020/852
  - ✓ contribution to multiple objectives
  - ✓ disaggregation of KPIs in particular : if production facilities are used in an integrated manner, KPIs for an economic activity are to be disaggregated,
  - ✓ contextual information : explain the figures of each KPI and reasons for any changes in those figures in the reporting period

## Methodology for reporting of KPIs to be disclosed by non-financial entity

- identify each economic activity, including transitional and enabling economic activities
- disclose KPIs for each economic activity and total KPIs for all economic activities at the level of the relevant entity or group;
- disclose KPIs for each environmental objective and total KPIs for all environmental objectives at the level of the entity or group
- identify proportion of taxonomy-aligned economic activities and the proportion of taxonomy-eligible economic activities that do not meet technical screening criteria. Within taxonomy-eligible economic activity, identify proportion of activity that is taxonomy-aligned
- identify taxonomy-non-eligible economic activities
- KPIs to provide at the level of the individual entity if the entity only prepares individual non-financial statements, or at the level of the group if consolidated non-financial statements are prepared



# (Complementary) Climate Delegated Act

## General

The Commission had to come up with a list of environmentally sustainable activities by defining technical screening criteria for each environmental objective, through delegated acts.

If an **economic activity** is included (“**taxonomy-eligible**”) in a delegated act, it means that this activity has been assessed by technical experts and can make a substantial contribution to one or more environmental objectives. The activity appears in the delegated act and receives technical screening criteria. In order to be considered environmentally sustainable or “Taxonomy-aligned”, these criteria need to be met.

Important : if an activity is not included, it does not mean it is unsustainable. This means the activity could only marginally contributing, or simply was not assessed.

Goal is to assess the whole spectrum of economic activities.

## Climate Delegated Act

A first delegated act on was published in 2021. This concerns sustainable activities for the 2 climate objectives (climate change mitigation and climate change adaptation)

Delegated acts for the 4 remaining objectives are not disponible or published yet.

## Climate objectives

The technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation, and for determining whether that economic activity causes no significant harm to any of the other environmental objectives are set out in the climate delegated act.

## Complementary Climate Delegated Act

The Complementary Climate Delegated Act is including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities. The criteria for gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerate the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future.



# Disclosures Delegated Act

Timeline reporting  
General

As of January 2022

- Non-financial entity : report taxonomy eligibility for previous calendar year
- Financial entity : report taxonomy eligibility for previous calendar year

As of January 2023

- Non-financial entity : report taxonomy eligibility and alignment for previous calendar year
- Financial entity : similar to 2022

As of January 2024

- Non-financial entity : similar to 2023
- Financial entity : report taxonomy eligibility and alignment for previous calendar year

As of January 2025

- Non-financial entity : similar to 2023
- Financial entity : similar to 2024 + may include estimates on taxonomy alignment for DNSH assessments of third-country exposures subject to the 2024 review period

As of January 2026

- Non-financial entity : similar to 2023
- Financial entity : similar to 2024 + credit institutions include taxonomy alignment of their trading book and fees and commissions for non-banking activities



# Disclosures Delegated Act

Timeline reporting  
Non-financial entities phased

As of January 2022

Large public-interest company (or parent company on a consolidated basis) currently obliged to report under the NFRD

As of January 2026

Similar to 2022 AND  
Any large company (or parent company on a consolidated basis)








As of January 2027

Similar to 2026 AND

- SME public interest company and not qualifying as micro-entity
- Certain small and non-complex institutions (large entity or listed SME not a-qualifying as micro-entity)
- Captive (re)insurance (large entity or listed SME not a-qualifying as micro-entity)



# (Complementary) Climate Delegated Act – Taxonomy-eligible economic activity

 <b>Forestry</b> <ul style="list-style-type: none"><li>Afforestation</li><li>Rehabilitation and restoration of forests including reforestation and natural forest regeneration after an extreme events</li><li>Forest management</li><li>Conversation forestry</li></ul>	 <b>Professional, Scientific and Technical Activities</b> <ul style="list-style-type: none"><li>Close to market research, development and innovation</li><li>Research, development and innovation for direct air capture of CO<sub>2</sub> (climate change mitigation)</li><li>Professional services related to energy performance of buildings (climate change mitigation)</li><li>Engineering activities and related technical consultancy dedicated to adaptation to climate change (climate change adaptation)</li></ul>	 <b>Water supply, sewerage, waste and remediation</b> <ul style="list-style-type: none"><li>Construction, extension operation, renewal of (waste) water collection, treatment and supply systems</li><li>Collection and transport of non-hazardous waste in source segregated fractions</li><li>Anaerobic digestion of sewage sludge</li><li>Anaerobic digestion of bio-waste</li><li>Composting of bio-waste</li><li>Material recovery from non-hazardous waste</li><li>Landfill gas capture and utilisation</li><li>Transport of CO<sub>2</sub></li><li>Underground permanent geological storage of CO<sub>2</sub></li></ul>	 <b>Transport</b> <ul style="list-style-type: none"><li>Passenger interurban rail transport</li><li>Freight rail transport</li><li>Urban and suburban transport, road passenger transport</li><li>Operation of personal mobility devices, cycle logistics</li><li>Transport by motorbikes, passenger cars and light commercial vehicles</li><li>Inland passenger water transport</li><li>Inland freight water transport</li><li>Retrofitting of inland water passenger and freight transport</li><li>Sea and coastal freight water transport, vessels for port operations and auxiliary activities</li><li>Sea and coastal passenger water transport</li><li>Retrofitting of sea and coastal freight and passenger water transport</li><li>Infrastructure for personal mobility, cycle logistics</li><li>Infrastructure for rail transport</li><li>Infrastructure enabling (low-carbon) road transport and public transport</li><li>Infrastructure enabling (low carbon) water transport</li><li>(Low carbon) airport infrastructure</li></ul>
 <b>Manufacturing</b> <p>Manufacturing of:</p> <ul style="list-style-type: none"><li>renewable energy technologies</li><li>Equipment for production and use of hydrogen</li><li>low carbon technologies for transport</li><li>Batteries</li><li>Energy efficiency for buildings</li><li>Other low carbon technologies</li><li>Cement, aluminum, iron and steel, hydrogen, carbon black, soda ash, chlorine</li><li>Organic basic chemicals</li><li>Anhydrous ammonia</li><li>Nitric acid</li><li>Plastics in primary form</li></ul>	 <b>Environmental Protection and Restoration activities</b> <ul style="list-style-type: none"><li>Restoration of wetlands</li></ul>	 <b>Information and communication</b> <ul style="list-style-type: none"><li>Data processing, hosting and related activities</li><li>Data-driven solutions for GHG(mitigation emissions reductions (mitigation)</li><li>Computer programming, consultancy and related activities (climate change adaptation)</li><li>Programming and broadcasting activities (climate change adaptation)</li></ul>	



# (Complementary) Climate Delegated Act – Taxonomy-eligible economic activity



## Energy

- Electricity generation using solar photovoltaic technology
- Electricity generation using concentrated solar power (CSP) technology
- Electricity generation from wind power
- Electricity generation from ocean energy technologies
- Electricity generation from hydropower
- Electricity generation from geothermal energy
- Electricity generation from renewable non-fossil gaseous and liquid fuels
- Electricity generation from bioenergy
- Transmission and distribution of electricity
- Storage of electricity
- Storage of thermal energy
- Storage of hydrogen
- Manufacture of biogas and biofuels for use in transport and of bioliquids
- Transmission and distribution networks for renewable and low-carbon gases



## Energy

- District heating/cooling distribution
- Installation and operation of electric heat pumps
- Cogeneration of heat/cool and power from solar energy
- Cogeneration of heat/cool and power from geothermal energy
- Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels
- Cogeneration of heat/cool and power from bioenergy
- Production of heat/cool from solar thermal heating
- Production of heat/cool from geothermal energy
- Production of heat/cool from renewable non-fossil gaseous and liquid fuels
- Production of heat/cool from bioenergy
- Production of heat/cool using waste heat
- Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle



## Energy

- Construction and safe operation of new nuclear power plants, for the generation of electricity or heat, including for hydrogen production, using best-available technologies
- Electricity generation from nuclear energy in existing installations
- Electricity generation from fossil gaseous fuels
- High-efficiency co-generation of heat/cool and power from fossil gaseous fuels
- Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system



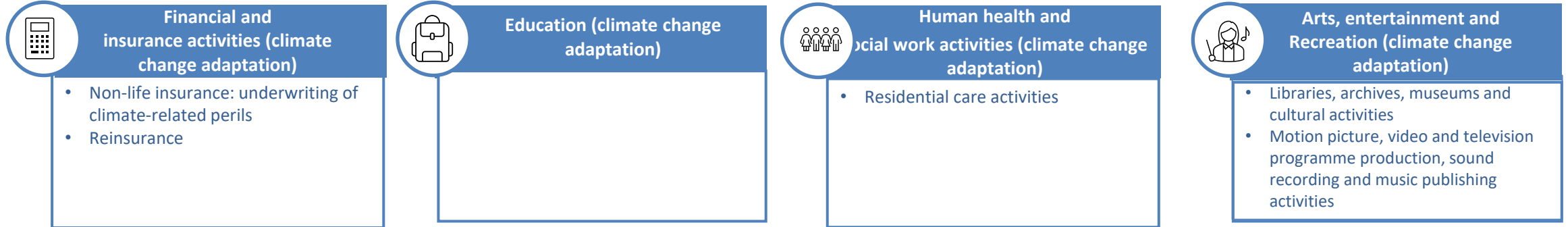
## Construction and real estate activities

- Construction of new buildings
- Renovation of existing buildings
- Installation, maintenance and repair of energy efficiency equipment
- Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
- Installation, maintenance and repair of renewable energy technologies
- Acquisition and ownership of buildings



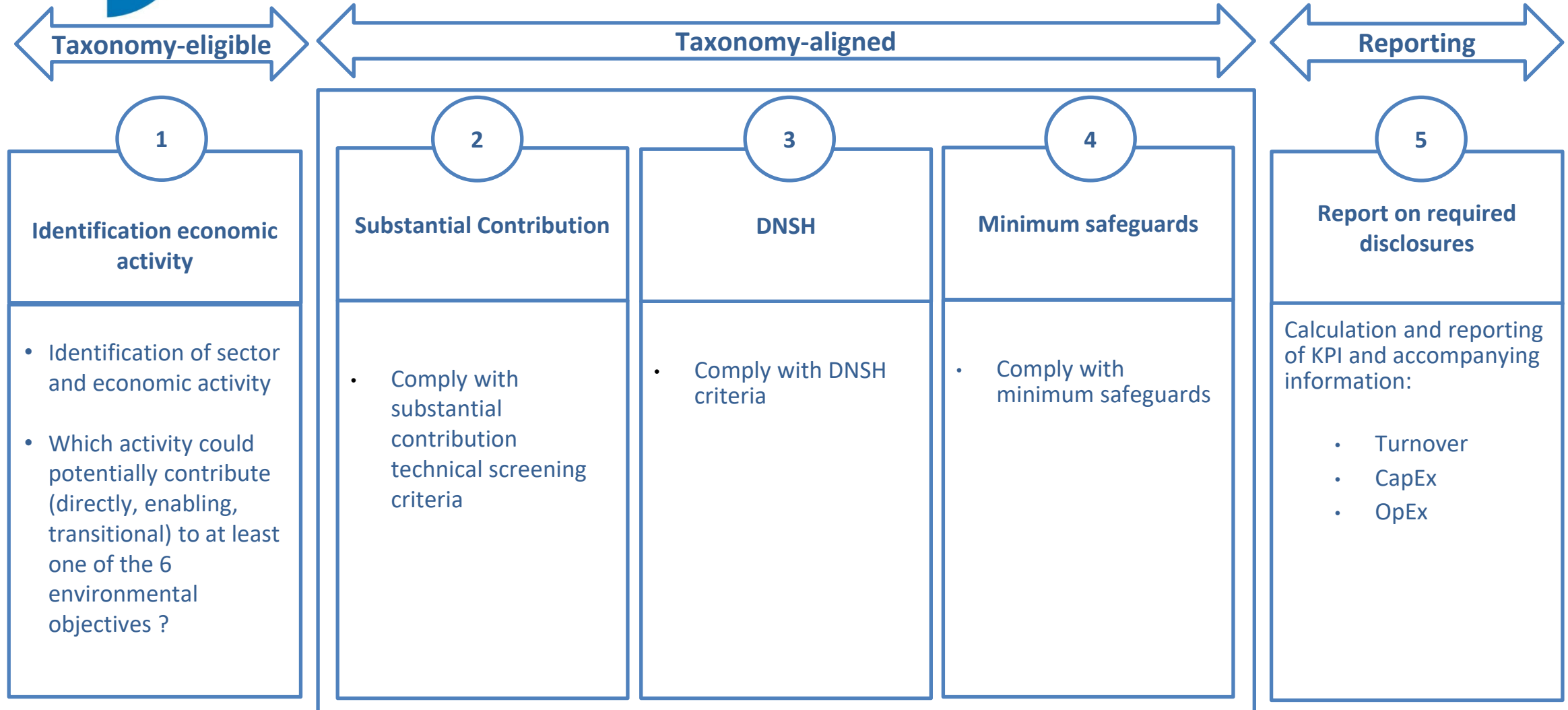


# (Complementary) Climate Delegated Act – Taxonomy-eligible economic activity





# Setting up EU Taxonomy reporting





**ESG**

Thank you for your attention

