



**The EU Taxonomy for Sustainable activities  
Disclosure requirements and implications for corporates**

# The EU Taxonomy for Sustainable activities

## Disclosure obligations and implications for corporates

### Context

The EU Taxonomy on Sustainable activities has been first introduced in 2018 in the context of sustainable finance as a classification system that would universally identify sustainable activities towards which investments should be directed. Since then, this classification and the criteria for assessing economic activities are being defined. The [Taxonomy Regulation](#) adopted in June 2020 implies disclosure requirements for the financial and non-financial sectors from 2022 and induces significant changes in the European sustainability reporting framework (defined in Delegated Acts).

### Who should disclose ?

**Companies** under the scope of the Non-Financial Reporting Directive (large public-interest companies with more than 500 employees) – possible scope enlargement with the Corporate Sustainability Reporting Directive (from 2023)

To feed Green  
Asset Ratios  
based on  
information from  
companies

**Financial Market Participants** (FMPs) that make available financial products (insurance firms, pension funds, asset managers)

### How to review economic activities for corporates?

#### 1 Eligibility review



100+ eligible activities in various sectors:

- Forestry
- Environmental protection and restoration activities
- Manufacturing (of which: Renewable energy equipment, hydrogen, primary plastics, low carbon technologies...)
- Energy
- Water supply, sewerage, waste management and remediation activities
- Transport
- Construction and real estate
- I&C technologies
- Professional, scientific and technical activities
- Financial and insurance services
- Education
- Human health and social work
- Arts, entertainment and recreation

#### 2 Alignment review (environmentally sustainable )

Substantial contribution to one of the 6 environmental objectives\*

Do no significant harm to the 5 other objectives\*

Compliance with minimum social and governance safeguards

\* Technical screening criteria for assessing the alignment of activities have been defined in the Delegated Act published in OJ L 442 on 9.12.2021 (only for [climate change mitigation and climate change adaptation](#)).

Delegated acts covering the criteria for the 4 other environmental objectives are expecting to be adopted in the first half of 2022. ([Draft report available](#)):

- 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

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### How to prepare Taxonomy disclosures for corporates?

#### Calculation and publication of Taxonomy KPIs

$$\begin{array}{l} \% \text{ "green" revenue} = \frac{\text{Revenue meeting the green activity criteria}}{\text{Total Revenue}} \end{array} \quad \begin{array}{l} \% \text{ Capex "green"} = \frac{\text{CAPEX on assets and processes related to green activities}}{\text{Total Capex}} \end{array} \quad \begin{array}{l} \% \text{ Opex "green"} = \frac{\text{OPEX on assets and processes related to green activities}}{\text{Total Opex}} \end{array}$$

Analysis of KPIs by activity (inc.. transition and enabling activities), by objective and dissociating eligible activities and aligned activities (transition period with simplified disclosures is expected for 2021)

#### Publication of additional information

In addition to the KPIs, corporates should provide information “to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, inter alia, environmental matters” (NFRD). This includes:

- Accounting policy (on the calculation of “green” turnover, OPEX and CAPEX and allocation to the numerator)
- Assessment of compliance with Taxonomy Regulation (information on assessment of Taxonomy-alignment including issues around contribution to multiple objectives and disaggregation of KPIs)
- Contextual information about the three KPIs (explanation of the figures for each KPIs and reasons for any change in those figures in the reporting period)

For more details on the disclosures, see the [Article 8 Delegated Act](#)

### Key challenges and implications for corporates

Get ready regulatory compliance: conclude on eligible and aligned activities, and related KPIs

Mobilise a multi-disciplinary taskforce, lead the screening of eligibility and alignment of activities by activity/project and the diagnostic of systems and processes

Implement reporting processes and tools to ensure reliable and industrialised data collection and reporting

Review the adaptation of information and control systems aiming at the traceability and reliability of environmental and financial data

Manage the expectations of investors and stakeholders and leverage on taxonomy as a strategic tool

Anticipate external communication: sensitive information per activity, eligible activities not aligned, consistency with sustainable policies and your business model

Follow and anticipate taxonomy evolutions (circular economy, biodiversity etc.) and upcoming legislations (CSRD etc.)

Follow up the next 4 environmental objectives and the future Taxonomy developments (social, no significant impact, significant harm), share best practices per industry at EU level

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