

Deep dive into the EU Taxonomy requirements with practical cases, how to avoid the common pitfalls and leverage on industry best practices

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Tom Renders

Partner at Deloitte – Sustainable Finance expert



- Tom is the leading partner of Deloitte’s Sustainable Finance platform in Belgium.
- Tom oversees knowledge & training, eminence, talent and international collaboration for this initiative. Next to these responsibilities, Tom also actively contributes on client projects related to sustainability such as on EU Taxonomy and CSRD requirements, both in the capacity as engagement lead as in a quality assurance role.
- Tom is a key contributor to Deloitte’s EU Sustainability Reporting and EU Taxonomy communities, which in their turn are closely connected to the European Contact Group (ECG) which brings together the largest professional services firms.

Zhou-Heng Yang

Manager at PwC – Sustainable Business Solutions



- Zhou is a manager within the Sustainable Business Solutions team of PwC Belgium.
- Zhou assists companies to get up to speed with the changing EU regulatory landscape related to sustainability (EU Taxonomy, CSRD, etc.). He contributes to the upskilling and coaching of relevant stakeholders (finance, legal, HR, operations,...) on complex sustainability reporting challenges and regularly provides training sessions to management on CSRD, incl. the EU Taxonomy.



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EU Taxonomy | Introduction

The EU Taxonomy at a glance

Why do we need an EU Taxonomy?

- To meet the objectives of the **EU Green Deal**, it is key that investments are directed towards sustainable projects. To do so, investors need a common language and clear definition of what is ‘sustainable’.

What is the EU Taxonomy?

- The EU Taxonomy is a classification system of environmentally sustainable activities, using science-based criteria. It translates the EU’s climate and environmental objectives into specific economic activities.
- The Taxonomy sets performance thresholds (referred to as ‘technical screening criteria’) for economic activities.

- Who?**
- Companies in scope of the current Non-Financial Reporting Directive (ca. 11,600 companies), meaning large PIEs with:
 - > 500 average number of employees during FY
 - > €25m balance sheet total or
 - > €50m net turnover
 - As 2024, the NFRD will be replaced with an extended scope by the new EU Corporate Sustainability Reporting Directive (ca. 49,000 companies).

-
- When?**
- Applicable to any annual report published as of 01/01/2022 (for CCM and CCA) – gradually depending on the objectives

EU Taxonomy | Introduction

What it is, what it is not



It is

- A list of economic activities and technical criteria
- Flexible to adapt to different investment styles and strategies
- Based on the latest scientific and industry experience
- Dynamic, responding to changes in technology, science, new activities and data



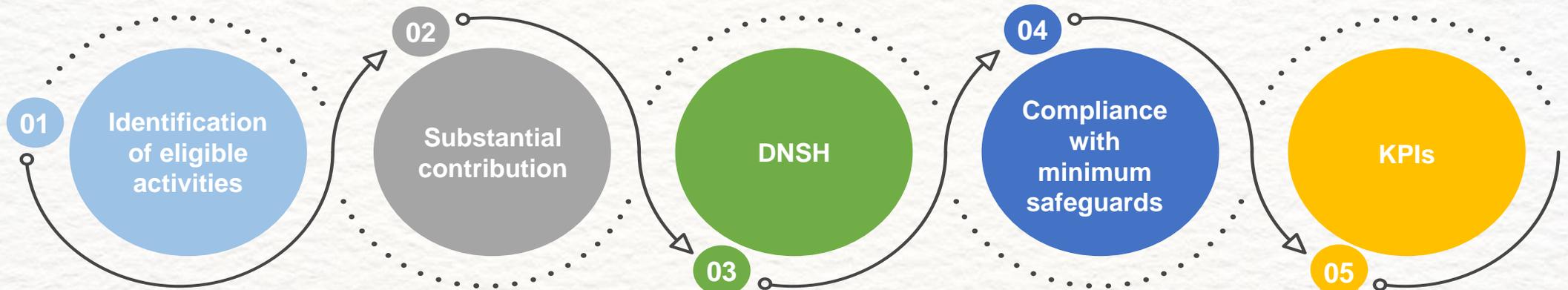
It is not

- A rating of good or bad companies
- A mandatory list to invest in
- Making a judgement on the financial performance of an investment (only focus on env. performance)
- Inflexible or static (regularly reviewed/adapted)

Source: EU Taxonomy TEG report (June 2019)

EU Taxonomy | Introduction

Breakdown of the assessment



Revenue breakdown

Clustering and aggregation of activities

Assignment to respective **NACE Codes**

Classification into EU-Taxonomy activities according to NACE Codes

Identification of **technical screening criteria (TSC)** for making a substantial contribution to one climate objective

Analysis of **compliance** with TSC

Identification of technical screening criteria (TSC) for **do no significant harm (DNSH)** for remaining environmental goals

Assessment of compliance with minimum safeguards:

- ILO Guidelines
- OECD guidelines
- UN Guiding Principles
- Universal Declaration of Human Rights

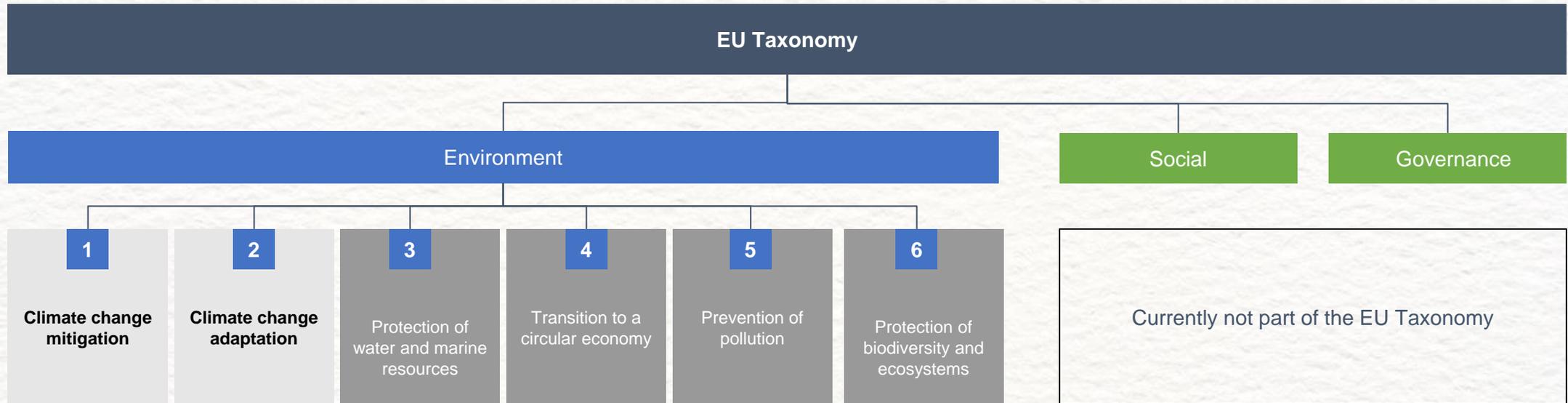
Reporting of proportion of:

- Eligible and non-eligible
- Aligned and non-aligned

Turnover, CapEx and OpEx

EU Taxonomy | Introduction

The delegated acts



The delegated act on Climate change mitigation and adaptation was adopted early January 2022.

The delegated act for the other 4 environmental objectives was adopted in June 2023 and is applicable as of January 2024.

What are delegated acts?

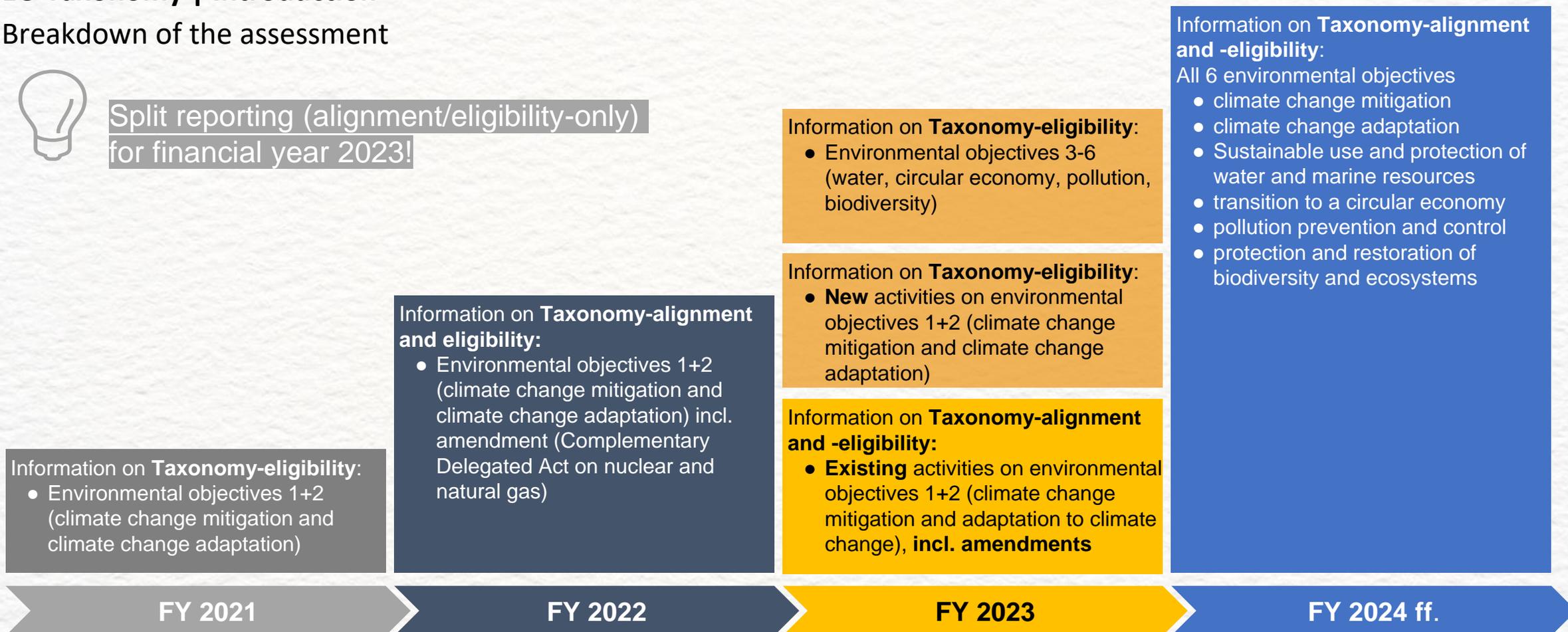
The **Taxonomy Regulation** established the legal basis for the EU Taxonomy and sets out the overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable. In the Regulation, the Commission was delegated to come up with an actual list of environmentally sustainable activities by defining technical screening criteria through so-called delegated acts.

EU Taxonomy | Introduction

Breakdown of the assessment



Split reporting (alignment/eligibility-only)
for financial year 2023!



Above represents non-financial undertakings timeline. Financial undertakings follow slightly different timeline



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What will be covered in this section?



Challenges
observed in the
market



The opportunities
behind the
challenges



How to overcome
these challenges

EU Taxonomy | Challenges and opportunities

Some key facts

48%

of non-financial companies **publish** Taxonomy information in the sustainability report

51%

of financial institutions publish Taxonomy information in a **section** of the annual report

66%

of non-financial companies use the mandatory EU **templates** for their Taxonomy reporting

23%

of financial institutions do not provide details on the **calculation** of the Taxonomy KPIs

[Source](#)

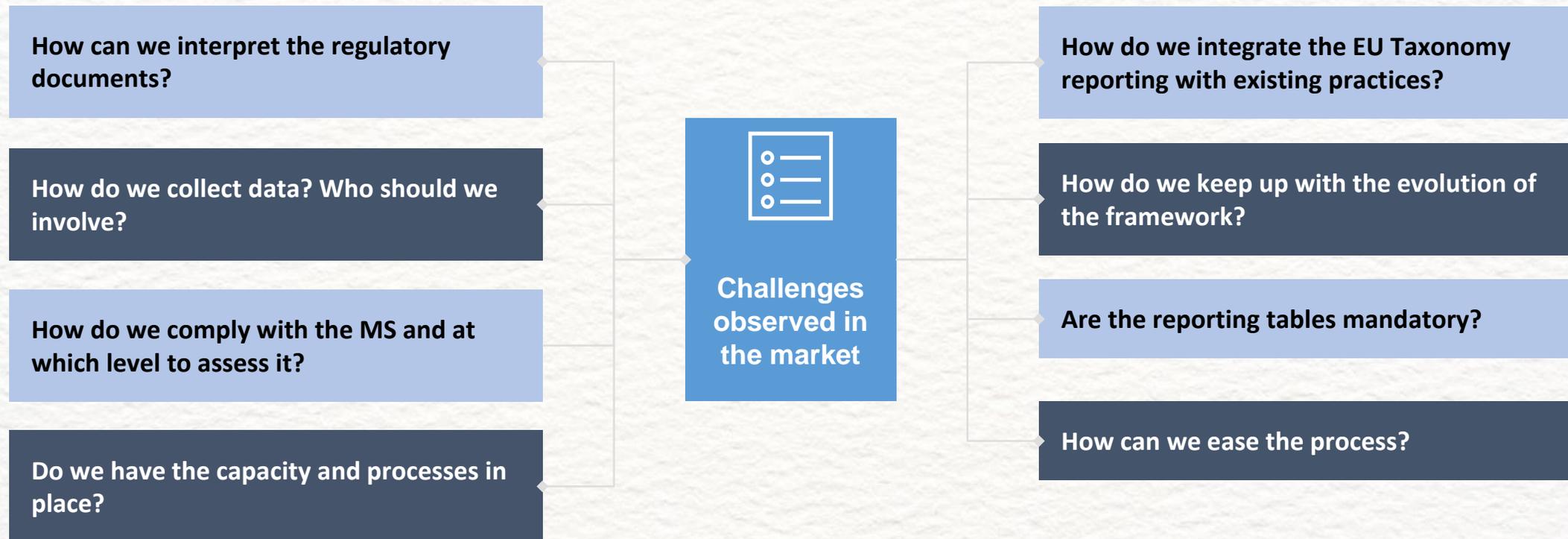


Who is currently taking the overall lead on EU Taxonomy reporting exercise within your company?

- A. Finance
- B. Legal & compliance
- C. Sustainability
- D. Other
- E. Combination of above.
- F. Not applicable as not in scope (yet) of EU Taxonomy

EU Taxonomy | Challenges and opportunities

What are the challenges observed in the market?



EU Taxonomy | Challenges and opportunities

Opportunities



Future-proof your business: The more exposed to ‘non- sustainable’ activities, the more vulnerable to losing market share and your license to operate. Evaluating Taxonomy-alignment of a business is essentially one way to assess its exposure to those risks.

Enhanced Sustainability Performance: Taxonomy evaluation also helps to set strategic targets for mitigating negative sustainability impact in order to improve the performance of business and stand out to buyers assessing their suppliers against Taxonomy-related criteria.

Access to Green Finance: Companies that have higher proportions of Taxonomy-eligible and -aligned activities are likely to be favored by ESG and impact-focused investors, potentially lowering their cost of capital.

Innovation and Product Development: The Taxonomy framework encourages innovation and development of new products and services that meet the established environmental criteria

Attract talent: Demonstrating a commitment to sustainability through EU Taxonomy reporting can attract and retain conscious and innovative talent, leading to a more engaged workforce.



What dynamics do you experience on the EU Taxonomy, especially in terms of opportunities?

What is your experience on this matter?

- A. Our EU Taxonomy performance is key, not only to reach strategic objectives, but also to get access to green funding. We get questions from our stakeholders.
- B. Our stakeholders have not been vocal yet on our EU Taxonomy performance. For the moment, we see the EU Taxonomy as an enabler or accelerator to drive change internally in our organization and to drive investment decisions to reach our sustainability objectives
- C. We do not see any opportunity at the moment, we purely see the Taxonomy reporting as a compliance exercise.
- D. Not applicable as not in scope (yet) of EU Taxonomy
- E. I don't know

EU Taxonomy | Challenges and opportunities

Best practices to overcome challenges

Timing: Ensure you start on time with the assessment as it can be complex and challenging. It can also be a lot of back and forth with different people to gather information.

Involvement: Ensure key people inside your organisation and key stakeholders are involved. Indicate the responsible persons involved in your documentation to be able to reach out to them easily in the next year.

Be active: Actively use the assessment to improve performance (e.g. in terms of alignment % but also on a process level to ensure proper documentation and more robust processes).

Have a clear process in place: And document your assessment to prepare for mandatory limited assurance and have a consistent and efficient process in place over the years.

Do not start from scratch: Leverage on existing information and experience. Performing the exercise requires detailed knowledge about the company's activities and how ESG risks/topics are managed.



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The EU offers a series of online tools to help users better understand the EU Taxonomy in a simple and practical manner, ultimately facilitating its implementation and supporting companies in their reporting obligations.

Which one of these tools did you already consult? (more than one response possible)

- A. EU Taxonomy Compass
- B. EU Taxonomy Calculator
- C. FAQs repository
- D. EU Taxonomy User Guide
- E. Report of PSF – A Compendium of Market Practices

EU Taxonomy | EU Guidance

EU Taxonomy Navigator: Overview

EU Taxonomy Compass

Visual representation of sectors, activities and criteria included in the EU Taxonomy delegated acts

EU Taxonomy Calculator

Step-by-step guide on calculating the KPIs and completing the templates

FAQs repository

Overview of questions and answers on the EU Taxonomy and its delegated acts

EU Taxonomy User Guide

Guidance document on the Taxonomy for non-experts

EU Taxonomy | EU Guidance

EU Taxonomy Navigator: Compass

- Offers a visual representation of the contents of the EU Taxonomy for easier access and comprehension.
- Enables users to check which activities are included in the EU Taxonomy, the relevant objectives, and the criteria for being identified as “Taxonomy-aligned”.
- Aims to make it easier to integrate the criteria into business databases and other IT systems.
- The EU Taxonomy Compass will be updated to 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. It will also reflect reviews of the delegated acts in the future.

EU Taxonomy Navigator

Home EU Taxonomy Compass ▾ Activities by sector ▾ EU Taxonomy Calculator FAQ

Home > EU Taxonomy Compass > EU Taxonomy Compass

EU Taxonomy Compass

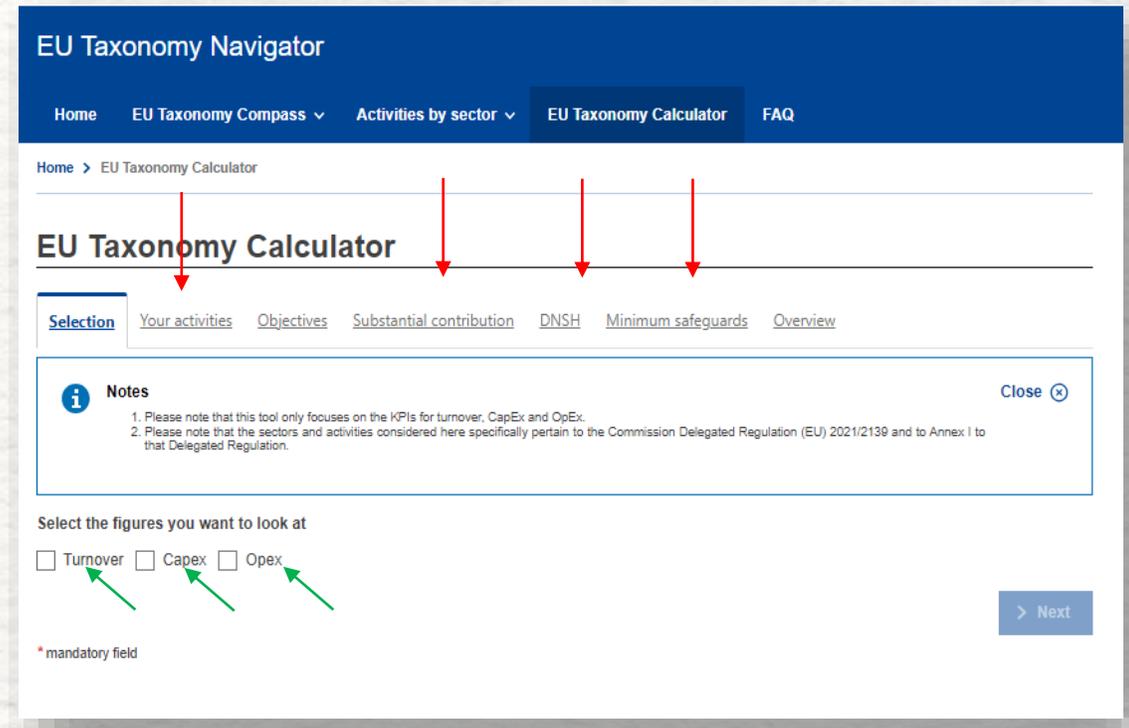
Filter by sector or activity Transitional Enabling

↕	Sector	↕	Activity	Climate mitigation	Climate adaptation	Water	Circular economy	Pollution prevention	Biodiversity
	Arts, entertainment and recreation		Creative, arts and entertainment activities		⊕ E				
	Arts, entertainment and recreation		Libraries, archives, museums and cultural activities		⊕ E				
	Arts, entertainment and recreation		Motion picture, video and television programme production, sound recording and music publishing activities		⊕ E				
	Construction and real estate		Acquisition and ownership of buildings	⊕	⊕				
	Construction and real estate		Construction of new buildings	⊕	⊕				
	Construction and real estate		Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	⊕ E	⊕				

EU Taxonomy | EU Guidance

EU Taxonomy Navigator: Calculator

- Provides a step-by step guide to ESG reporting obligations
- Aims to help users understand and support with the reporting obligations laid down in the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation.
- Provides users with an example of the different steps that a non-financial undertaking would need to go through to fill out the templates provided in the Disclosures Delegated Act for the purpose of identifying their Taxonomy-eligibility and alignment and calculating their KPIs.
- So far, the EU Taxonomy Calculator is only available to calculate the turnover, CapEx and OpEx KPIs of **non-financial undertakings** for the objective of Climate Change Mitigation.



EU Taxonomy Navigator

Home EU Taxonomy Compass ▾ Activities by sector ▾ **EU Taxonomy Calculator** FAQ

Home > EU Taxonomy Calculator

EU Taxonomy Calculator

[Selection](#) [Your activities](#) [Objectives](#) [Substantial contribution](#) [DNSH](#) [Minimum safeguards](#) [Overview](#)

Notes Close

1. Please note that this tool only focuses on the KPIs for turnover, CapEx and OpEx.
2. Please note that the sectors and activities considered here specifically pertain to the Commission Delegated Regulation (EU) 2021/2139 and to Annex I to that Delegated Regulation.

Select the figures you want to look at

Turnover Capex Opex

* mandatory field

[Next](#)

EU Taxonomy | EU Guidance

EU Taxonomy Navigator: FAQ Repository

- The FAQs repository aims to help users find answers to questions on the EU Taxonomy in general, its reporting obligations and the technical screening criteria defined in the Taxonomy delegated acts.
- It gathers all Frequently Asked Questions documents that the European Commission has published on the EU Taxonomy so far in one place.
- Note: FAQ released focusing on financial undertakings in December 2023:

— FAQs on the EU Taxonomy and its delegated acts

December 2023

- [Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU taxonomy Regulation on the reporting of taxonomy-eligible and Taxonomy-aligned economic activities and assets \(approved in principle\)](#) 

— FAQs on the EU Taxonomy and its delegated acts

June 2023

- [Commission notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation](#) 

April 2023

- [Questions and answers on the Sustainable Finance Disclosures Regulation \(SFDR\)](#)

December 2022

- [Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act](#) 
- [Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets](#) 

February 2022

- [Commission notice on the interpretation of certain legal provisions of the Taxonomy Regulation Article 8 Disclosures Delegated Act on the reporting of eligible economic activities and assets](#) 

December 2021

- [How should financial and non-financial undertakings report taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act?](#) 

July 2021

- [What is the EU taxonomy Article 8 Delegated Act and how will it work in practice?](#) 

April 2021

- [What is the EU taxonomy and how will it work in practice?](#) 
- [Questions and Answers: Taxonomy Climate Delegated Act and Amendments to Delegated Acts on fiduciary duties, investment and insurance advice](#) 

EU Taxonomy | EU Guidance

EU Taxonomy Navigator: FAQ Repository

EC Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act, Dec 2022 - Zoom on Q13, Materiality thresholds for the EU Taxonomy 3 KPIs

Is there any minimum turnover, CapEx and OpEx threshold below which undertakings are not obliged to report Taxonomy-eligibility or alignment of their economic activities ('materiality thresholds')?

Where the relevant undertakings are not able to ascertain compliance of Taxonomy-eligible activities that are *not material* for their business with the technical screening criteria due to a lack of data or evidence, they should report those activities as not Taxonomy-aligned without any further assessment.

In the case where the OpEx is considered as “*not material*” for the business model of a non-financial undertaking, the undertaking:

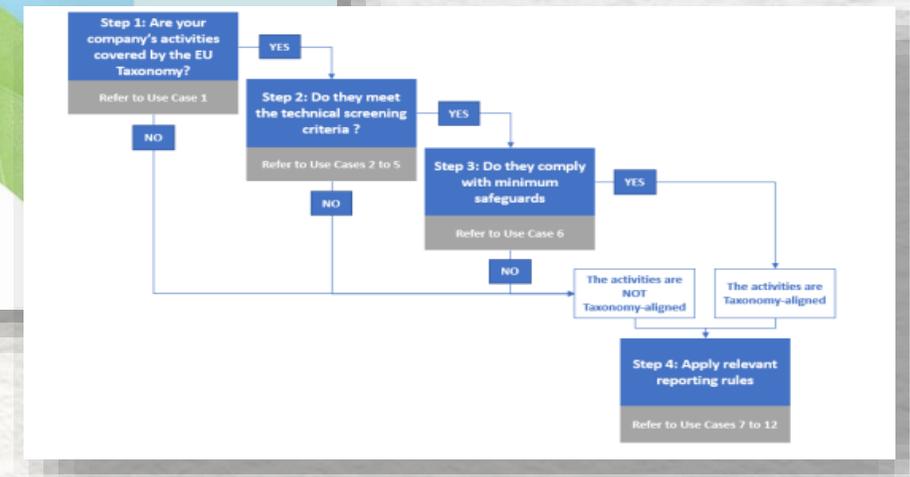
- ✓ Is exempted from the calculation of the numerator of the OpEx KPI and disclose that numerator as being equal to zero;
- ✓ Discloses the total value of the OpEx denominator;
- ✓ Explains the absence of materiality of OpEx (i.e., of the total OpEx, corresponding to the denominator, as defined by Disclosures Delegated Act) in their business model.



EU Taxonomy | EU Guidance

EU Taxonomy Navigator: User Guide

- Guidance document for **non-experts**.
- Explains EU Taxonomy and how it fits within the wider sustainable finance regulatory framework.
- Provides a step-by step guide to assess Taxonomy-alignment.



EU Taxonomy | EU Guidance

Platform on Sustainable Finance report - A Compendium of Market Practices



Compendium of early practices, financial products, instruments and initiatives that market participants are employing to transition their business models and investments towards net zero.

Market practices span **three areas**: 1. business strategy, transition planning and target setting; 2. finance and transactions; and 3. reporting, monitoring and assurance.

Based on **contributions of seven stakeholder** groups, including large corporates, credit institutions, investors, insurers, public institutions, auditors and consultants, and SMEs (small and medium-sized enterprises).

Peer-to-peer recommendations, case studies.

EU Taxonomy | EU Guidance

Platform on Sustainable Finance report - A Compendium of Market Practices - *Takeaways*

How the EU's Taxonomy and sustainable finance framework (GBS, SFDR, etc.) are helping financial and non-financial actors transition to net zero



Corporates are starting to **integrate** the EU Taxonomy framework and other EU sustainable finance regulations into strategy and business models.



Banks have started to use elements of the EU Taxonomy, as part of both their **lending** (e.g. green loan origination thresholds based on the EU Taxonomy TSC) and their **ESG risk management strategies**.



Public actors issued **over 40% of green bonds with external assurance** in the EU. 90% of them referenced the EU Taxonomy



Green financing market is beginning to adopt the EU Taxonomy and the EU GBS to **back up claims of sustainability performance and improve transparency and credibility**.



Investors are starting to use the EU Taxonomy to **complement their net-zero target-setting strategies** as well as to **support shareholder engagement**.



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Based on our experience, we note that many companies (mainly large PIEs) already received questions from the FSMA on their EU Taxonomy reporting.

What is your experience on this matter?

- A. We received questions but no adjustments were required to our reporting
- B. We received questions and had to make some adjustments to our reporting
- C. We did not receive any questions so far
- D. Not applicable as not in scope (yet) of EU Taxonomy
- E. I don't know

EU Taxonomy | ESMA & FSMA

The role of The European Securities and Markets Authority (ESMA) in EU Taxonomy



25 October 2023
ESMA/23/9228/1010-1028

SUMMARY OF FINDINGS

Results of a fact-finding exercise on corporate reporting practices under the Taxonomy Regulation

Executive summary

The Taxonomy Regulation¹ requires, in its Article 8, undertakings subject to an obligation to publish non-financial information pursuant to Article 19a or Article 20a of the Accounting Directive² to include in their non-financial statements or consolidated non-financial statements information on how, and to what extent, their activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of the Regulation.

The Disclosures Delegated Act³ specifies the information to be disclosed as well as the fit the disclosure. For non-financial undertakings within the scope of these requirements, 20 first year of reporting of alignment information regarding the climate mitigation and ad objectives (including regarding activities covered by the complementary climate Delegate gas and nuclear⁴), in addition to eligibility information.

As part of its objective to coordinate European supervision and enforcement activities r disclosures under Taxonomy Regulation, ESMA has collected information from national e with respect to the Fiscal Year 2022 non-financial statements published by Europe financial undertakings listed in regulated markets. The focus of this fact-finding exerc evaluate the quality of the disclosures with which issuers have responded to t requirements.

More specifically, ESMA sought to assess the different points on which it had drawn the : of market participants in its 2022 European common enforcement priorities⁵ (Section 2: 9-11). With regards to quantitative information, these points related to the use and comp of the templates in Annex II of the Disclosures Delegated Act, to the adequate reporti different Key Performance Indicators (KPIs) and to the avoidance of double counting for : contributing to both climate objectives (mitigation and adaptation). As far as qualitative inf is concerned, in relation to Sections 1.2.1 and 1.2.3 of Annex I to the Disclosures Deleag the transparency regarding accounting policy and assessment of compliance was asse well as the existence of references to other parts of the financial or non-financial stat Finally, the disclosure of supplementary voluntary information was considered.

¹ Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment
² Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain companies
³ Commission Delegated Regulation (EU) 2022/1278
⁴ Commission Delegated Regulation (EU) 2022/1278
⁵ ESMA/23/9228/1010 - Public Statement - European common enforcement priorities for 2023 annual financial reports



25 October 2023
ESMA/23/9227/08-17/21

PUBLIC STATEMENT European common enforcement priorities for 2023 annual financial reports

INTRODUCTION
The European Securities and Markets Authority (ESMA) issues its annual Public Statement setting out the European common enforcement priorities (ECEP) for the 2023 annual financial reports of issuers admitted to trading on European Economic Area (EEA) regulated markets.

ESMA, together with national enforcers in the EEA (enforcers), will pay particular attention to these areas when examining the application of the relevant reporting requirements. In addition, enforcers will continue to focus on other entity-specific issues. Based on the examinations performed, enforcers will take enforcement actions whenever material misstatements are identified and ESMA will report subsequently on their findings. In addition to these European priorities, enforcers may also set national priorities.

ESMA underlines the responsibility of management and supervisory bodies of issuers as well as the importance of the oversight role of audit committees (i) to ensure the overall internal consistency of the annual financial report, (ii) to implement and supervise internal controls, and (iii) ultimately to contribute to high-quality annual financial reports.

The following table sets out the ECEP for 2023 financial statements and non-financial statements and in the other considerations in relation to Alternative Performance Measures (APMs) and European Single Electronic Format (ESEF).

Area	Priority related to 2023 financial statements	Priority related to non-financial statements	Other considerations on APMs and ESEF
	Section 1	Section 2	Section 2
Climate and other environmental matters			
• Quality of the financial statements	✓		
• Article 8 of the Taxonomy Regulation		✓	
• Transparency, clarity and consistency		✓	
• Scope 2 emissions		✓	
Non-financial statements			
Identification and consistency of APMs			✓
ESEF data formats			✓

ESMA urges issuers, supervisory bodies and auditors to consider the track and related recommendations included in this Public Statement when preparing, supervising and auditing the 2023 annual financial reports. These recommendations should be taken into account by issuers in light of their materiality and relevance for the issuer's operations and annual financial report.

¹ As defined by Article 4 of Directive 2004/108/EC (Transparency Directive or TD).

- ESMA collected information from national enforcers with respect to the Fiscal Year 2022 non-financial statements published by European non-financial undertakings listed in regulated markets.
- For this exercise, ESMA considered a sample of **54 non-financial issuers** from **22 EU Member States**.
- ESMA focused on evaluating the **quality of the disclosures** with which issuers have responded to the new requirements.
- ESMA has announced the priority issues that the assessment of listed companies' 2023 financial statements will focus on.

EU Taxonomy | ESMA & FSMA

The role of The European Securities and Markets Authority (ESMA) in EU Taxonomy : *Highlights*

- **Disclosure of mandatory KPIs:**

Almost all issuers, selected by the national enforcers among those being active in four main sectors covered by the Taxonomy Climate Delegated Act, disclosed the required Taxonomy alignment KPIs.

- **Use and completeness of the mandatory reporting templates:**

The reporting templates have generally been used, but for 30% of the sample they were either modified or not fully completed, which may impact comparability and make access to the data more difficult for users.

- **Disclosure of mandatory qualitative information:**

At least some of the mandatory qualitative information regarding the issuers' assessment of their compliance with transparency requirements in relation to the nature of their activities, the technical screening criteria, the Do No Significant Harm – DNSH criteria, and the minimum safeguards was missing or insufficient for more than 40% of the assessed issuers. In addition, only 40% of the sample provided comments on their eligibility or alignment rates.

- **Materiality exemption:**

The OpEx alignment KPI was the KPI most often **not reported** or **reported as zero**. Subject to conditions and specific disclosures, the Disclosures Delegated Act makes it possible to claim a **materiality exemption** for the OpEx KPI. In the cases where such claim was made, however, the available information did not in general allow an external reader to assess whether the conditions for applying the exemption were met and/or some of the criteria attached to it were not respected.

- **Other areas of incorrect application**

In addition to the points mentioned above, areas of incorrect application were spotted in relation to the *transparency* on the avoidance of double counting, the screening of activities against one climate objective only or the reconciliation with financial reporting. **Good reporting practices** were also encountered, such as *detailed explanations* on the nature of activities or compliance tests, as well as links to the corporate sustainability strategy.

Good reporting practices were also encountered, such as detailed explanations on the nature of activities or compliance tests, as well as links to the corporate sustainability strategy.

EU Taxonomy | ESMA & FSMA

The role of The Financial Services and Markets Authority (FSMA) in EU Taxonomy

- The FSMA's purpose is to draw the attention of listed companies to the sustainability rules that are or will be applicable to them.
- FSMA presents regulations in a simplified manner.
- It is up to listed companies to carry out their own analysis of the regulations in order to determine the impact for them.





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General assurance approach - Steps

Objectives

- Provide a conclusion, based on the procedures performed, that nothing has come to our attention causing us to believe that EU Taxonomy reporting has not been prepared in line with the EU Taxonomy legislation (**'negative statement'**).
- Provide a **limited assurance report** communicating the scope of work performed, findings, and any identified material issues or limitations.

Outcome

- **Independent limited assurance report** on EU Taxonomy reporting.
- **Management letter** intended to include findings and recommendations.

Key activities

Step 1 – Understanding & Planning

- Understand **the entity** and the project's **scope** including:
 - organizational **structure**
 - **activities** and **KPIs** in view of the EU Taxonomy reporting
- Identify and understand **the methodology** used to determine if an activity is eligible and/or aligned with the EU Taxonomy.
- Determine **materiality** and **select a sample** of information for testing, verification and evidence gathering.
- Identify and assess areas where **risks of misstatement** are likely to arise.
- Perform **analytical review** procedures including a comparison to the prior period's EU Taxonomy KPI disclosures.

Step 2 – Verification

- For the selected sample, **verify** the correct **assessment** of:
 - **eligibility** criteria – activity description
 - **alignment** criteria – (a) TSC – Technical Screening Criteria: (b) SC – Substantial Contribution, (c) DNSH – Do No Significant Harm, (d) MSS – Minimum Social Safeguards.
- For the same sample, **verify** the correct **calculation** of the **3 KPIs**:
 - Revenues, CapEx and OpEx.
- For the same sample, **verify presentation** of the information
- Verify **consistency**: (1) with the **financial statements** (2) between **quantitative** and **qualitative EU Taxonomy** disclosures and (3) **overall non-financial** disclosures
- Verification will be done based on a **set of procedures** including amongst others: inquiries, collection and review of supporting evidence for recalculation, analytical procedures and review of reporting.

Step 3 – Conclude & Report

- **Draft** limited assurance report
- Prepare and share **Management Letter** including main findings and recommendations
- **Issue final limited assurance report** on the **EU Taxonomy reporting**.



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Guest Speaker Werner Van Peteghem
Director Sustainability & Communications at Recticel



Guest Speaker Sarah Fialon
ESG Expertise – CEO Office at Belfius

EU Taxonomy workshop

Insights from

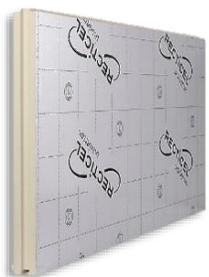
RECTICEL GROUP

RECTICELGROUP

Smart insulation for greener buildings

Recticel's portfolio of climate mitigation insulation products are key assets in reducing global greenhouse gas emissions

Insulation boards



Thermal insulation



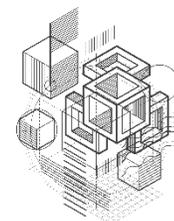
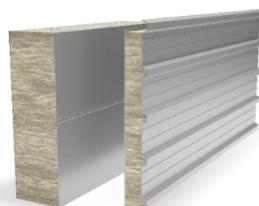
Thermo-acoustic insulation



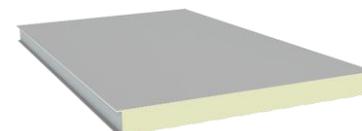
Vacuum insulation



Insulated panels



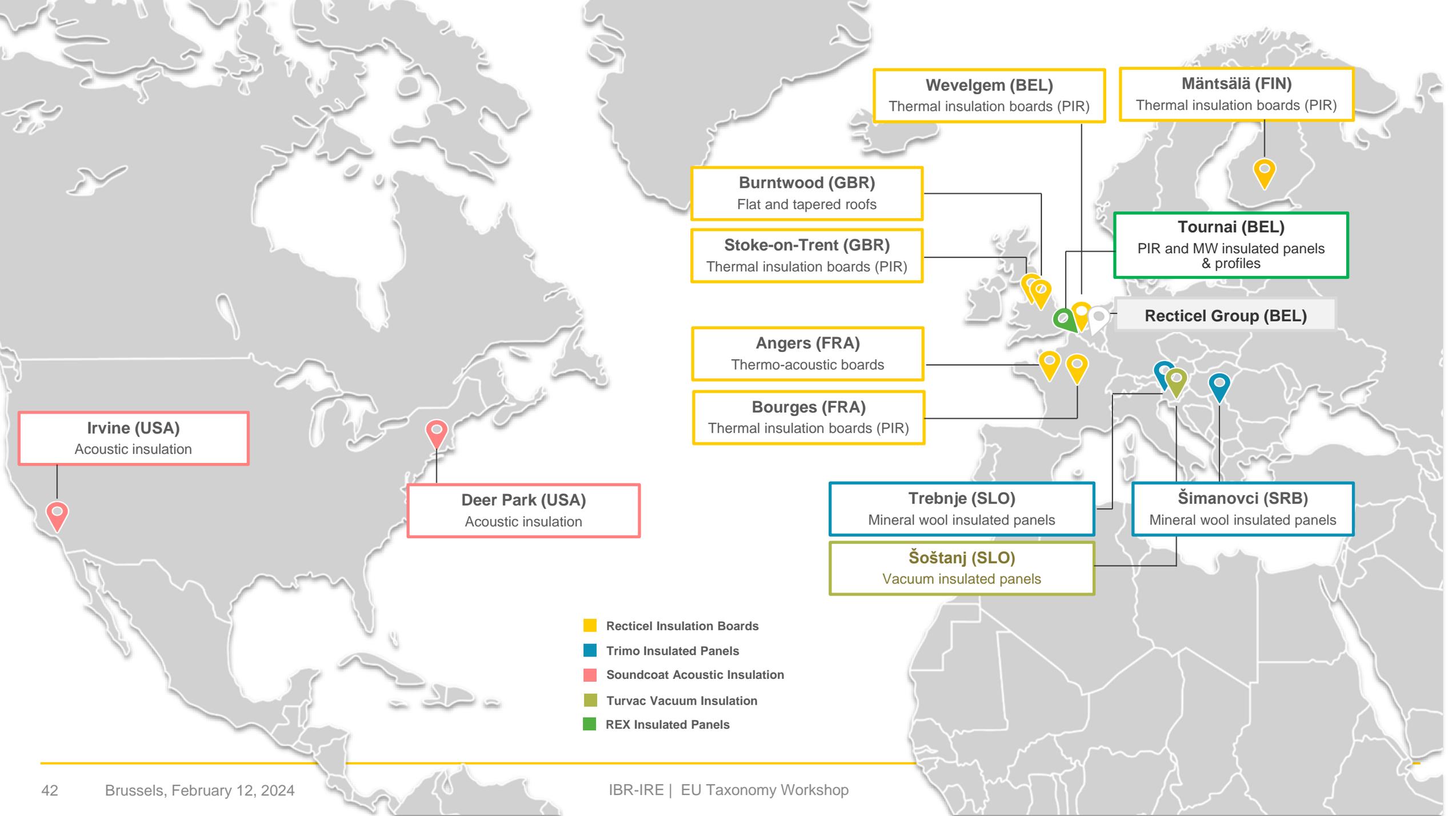
Modular Space Solutions



Acoustic solutions







Irvine (USA)
Acoustic insulation

Deer Park (USA)
Acoustic insulation

Burntwood (GBR)
Flat and tapered roofs

Stoke-on-Trent (GBR)
Thermal insulation boards (PIR)

Angers (FRA)
Thermo-acoustic boards

Bourges (FRA)
Thermal insulation boards (PIR)

Wevelgem (BEL)
Thermal insulation boards (PIR)

Mäntsälä (FIN)
Thermal insulation boards (PIR)

Tournai (BEL)
PIR and MW insulated panels & profiles

Recticel Group (BEL)

Trebnje (SLO)
Mineral wool insulated panels

Šoštanj (SLO)
Vacuum insulated panels

Šimanovci (SRB)
Mineral wool insulated panels

- Recticel Insulation Boards
- Trimo Insulated Panels
- Soundcoat Acoustic Insulation
- Turvac Vacuum Insulation
- REX Insulated Panels

How do we create value?



- We fight climate change with leading products that lower the carbon footprint of buildings
- We help architects and clients to develop exciting spaces
- We contribute to well-being with thermo-acoustic & acoustic solutions



2022 Recticel carbon footprint
(Scopes 1+2+3):
751,6 ktCO₂e



**Avoided emissions
Multiple: 33.9**

Estimated avoided emissions from
all our building insulation products
sold in 2022 over its lifetime:
24,456 ktCO₂e



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- Min. 90% reduction Scopes 1,2 by 2030
- Net zero Scopes 1,2,3 by 2050

Our approach to EU Taxonomy





2021

✓ **Challenge:**
understanding technical
criteria for economic activity

✓ **Eligibility**
high level assessment:
climate change mitigation,
climate change adaptation

✓ **In scope**
Recticel Insulation Boards
Turvac Vacuum insulation (for
buildings)



2022

✓ **Challenge:**
DNSH & minimum safeguards

✓ **Eligibility**
detailed assessment
✓ **Alignment DNSH**
✓ **Alignment Minimum Safeguards**

✓ **In scope**
Recticel Insulation Boards
Turvac Vacuum Insulation (JV 74%)
Trimo Insulated Panels

✓ **Outcome:**
90.7% eligible, but not aligned

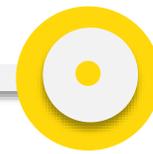
✓ **TO + CAPEX + OPEX**

✓ **EU Taxonomy table in AR2022**

✓ **Sustainability Task Force**

✓ **EU Taxonomy Team**
- Finance
- Product Development
- Sustainability

✓ **External Support**
- clarity on scope & definitions
- pre-assurance00



2023

✓ **Challenge:**
context CAPEX/OPEX
+ FSMA compliance

✓ **Eligibility**
✓ **Alignment DNSH**
✓ **Alignment Minimum Safeguards**
✓ **Screening 4 delegated acts**

✓ **In scope**
Recticel Insulation Boards
Turvac Vacuum Insulation (JV 74%)
Trimo Insulated Panels
Soundcoat (re-integrated)

✓ **Outcome**

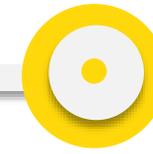
✓ **TO + CAPEX/OPEX & context!**

✓ **EU Taxonomy table in AR2023**

✓ **Sustainability Task Force**

✓ **EU Taxonomy Team**

✓ **External Support**
- pre-assurance000



2024

✓ **Challenge:**
audit & CSRD compliance

✓ **Eligibility**
✓ **Alignment DNSH**
✓ **Alignment Minimum Safeguards**
✓ **Screening 4 delegated acts**

✓ **In scope**
Recticel Insulation Boards
Turvac Vacuum Insulation (JV 74%)
Trimo Insulated Panels
Soundcoat
REX (acquisition)

✓ **Outcome**

✓ **TO +CAPEX/OPEX & context**

✓ **EU Taxonomy table in AR2023**

✓ **Audit & CSRD alignment**

Key take-aways



Key take-aways

- Manage EU Taxonomy as part of your sustainability strategy
- Involve a cross divisional, cross functional EU Taxonomy team
Financial Management, Product/Technical Management, Sustainability Management
- Understand in-depth what EU Taxonomy means
- Consider pre-assurance
- DNSH
 - Evaluate at corporate level AND local level
 - Be critical & transparent
 - keep in mind: audit requirement & CSDDD compliance
- Report EU Taxonomy under ESRS E-1 (!)

EU Taxonomy is of value in combination with CSRD compliance

Deep dive into the EU Taxonomy requirements with practical cases, how to avoid common pitfalls and leverage on industry best practices

Belfius' testimonial on the implementation of the EU Taxonomy

Sarah Fialon, ESG Central Team of Belfius

12/02/2024



Sarah Fialon

Associate at Ethikos Lawyers

Seconded in the ESG Central Team of Belfius

Agenda

Introduction

Belfius' approach to the EU Taxonomy

Overcoming challenges

Future perspectives and outlook

Introduction

*“The **EU taxonomy is working** – and so is the wider EU sustainable finance framework.”*

Mairead McGuinness, Commissioner for Financial Services, Financial Stability and Capital Markets Union



Introduction

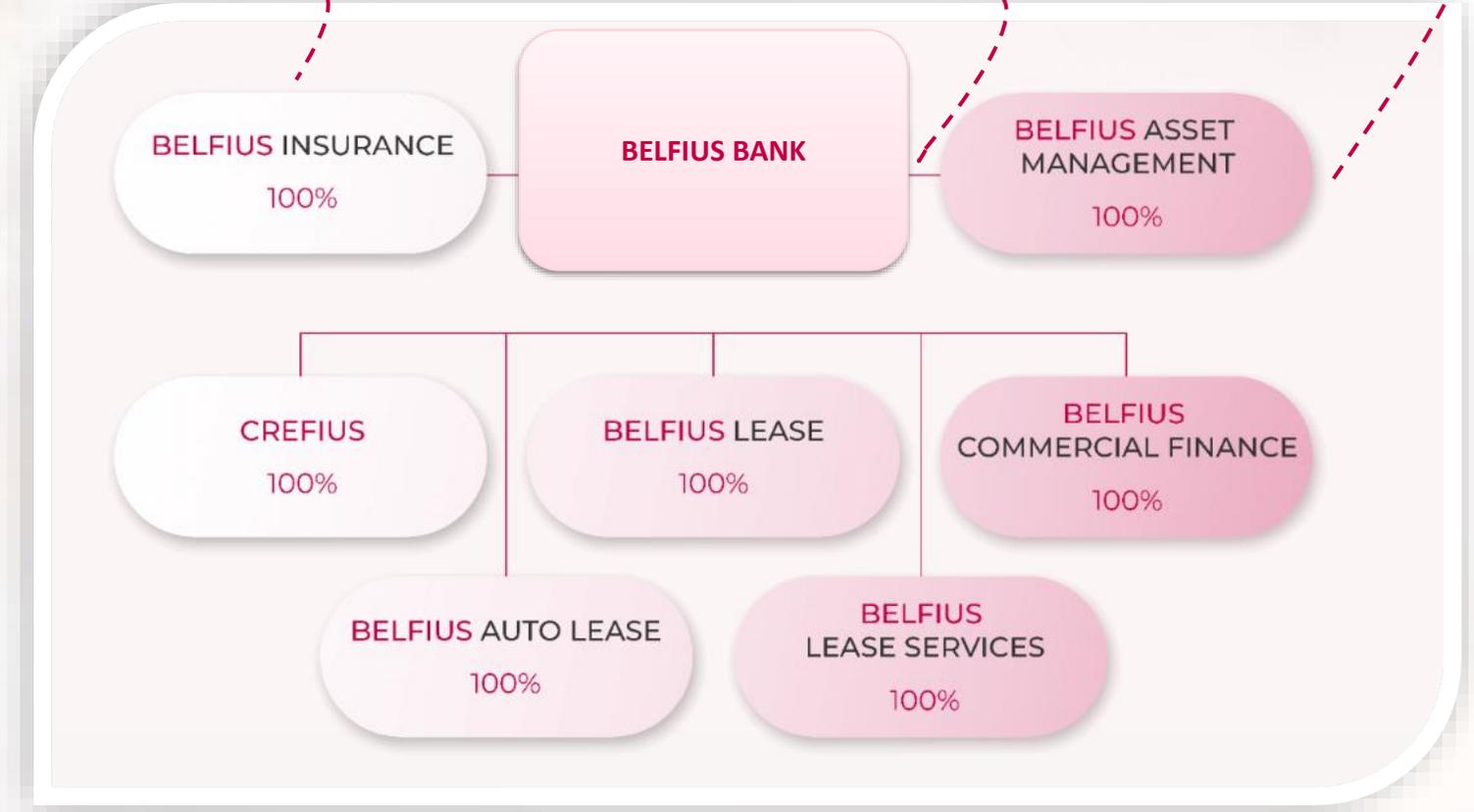
ANNEX IV
TEMPLATE FOR THE KPI OF ASSET MANAGERS

ANNEX X
TEMPLATE FOR KPIs OF INSURANCE AND REINSURANCE UNDERTAKINGS

ANNEX VI
TEMPLATE FOR THE KPIS OF CREDIT INSTITUTIONS

As a bancassurance group, Belfius must report pursuant to the EU Taxonomy:

- as a bank
- as an insurance company
- as an asset manager



Belfius' approach to the EU Taxonomy

Belfius prioritises accuracy and strict compliance with the EU Taxonomy



To steer clear of greenwashing pitfalls (i.e., by committing to avoiding exaggerated or misleading information).



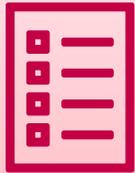
To uphold its genuine commitment to sustainability (i.e., rooted in the belief that **genuine sustainability efforts go beyond mere compliance** and actively contribute to positive environmental outcomes).

Overcoming challenges

Belfius experiences most of the challenges observed in the market, in particular those linked to:



Overcoming challenges



**Challenges
observed in
the market**

**How can we interpret regulatory
documents?**

**How do we comply with the MS and at
which level to assess it?**

Overcoming challenges

How can we interpret regulatory documents?

- **FAQ Navigator:**

In our day-to-day, we **frequently use the FAQ Navigator**, a valuable tool for finding precise answers.

E.g.: **EU Taxonomy Navigator**

For the application of the Taxonomy criteria, the date of the application for a construction permit is relevant.

- **Additional guidance sources:**

We regularly **refer to guidance and publications** from the Platform on Sustainable Finance, Supervisory Authorities (EBA, ESMA, EIOPA), and the European Commission.

- **Participation in sectoral discussions:**

We **actively engage in industry-level discussions** (e.g., financial federations, construction federations, etc.) to **discuss practical challenges, share best practices, and collaboratively improve the legal and regulatory framework.**

Overcoming challenges

How do we comply with the MS and at which level to assess it?

- **Comprehensive compliance approach:**

We give every condition of the Taxonomy equal importance as there should be **no hierarchy** among them. It is our understanding that compliance with the MS should be checked at the **entity level**.

- **Internal questionnaire:**

In the absence of official guidance from the European Commission, our approach aligns with the **recommendations of the Platform on Sustainable Finance**. We have developed an **exhaustive internal questionnaire** with questions on human rights, corruption, fair competition and taxation.

Future perspectives and outlook

The evolution to greater EU Taxonomy alignment is a worthwhile pursuit that will require time and effort from all actors

- **The EU regulator** needs to **provide clarification** on the interpretation challenges arising from the EU Taxonomy conditions and criteria.
- **Third-party entities** should **create robust tools** for assessing, documenting, and ensuring compliance with all criteria (e.g., DNSH°).
- **Non-financial entities** can **collaborate** through their sector federations to establish a shared interpretation of ambiguous criteria and **address their concerns with their auditors**.



Agenda

Introduction

Challenges and opportunities

EU guidance

ESMA & FSMA

Assurance perspective

Testimonials

Key messages and Q&A

EU Taxonomy | Key messages

Strategic steps for EU
 Taxonomy Assessment and
 reporting



Get familiar

Get to thoroughly understand the EU Taxonomy regulation and its requirements by studying the specific criteria for sustainable economic activities and trying to identify which of your activities are eligible under the EU Taxonomy Delegated Acts.

Mobilize

Consider conducting a draft assessment of the company's most material eligible economic activities to identify the extent to which they align with the EU Taxonomy criteria and to potentially create a roadmap to align the company's operations with the EU Taxonomy criteria.

Get ready

Map the (non-)financial data required for i) alignment assessment ii) calculation of the three KPIs required by the EU Taxonomy Regulation (CapEx, OpEx, Turnover) and set-up data collection processes as well as internal controls to ensure compliance with the EU Taxonomy regulation.

Stay up to date

Stay informed about any changes or updates to the EU Taxonomy regulation leading up to the first reporting year. Compliance requirements may evolve over time, and it's crucial to remain up-to-date.



Q&A

Evaluation form



Thank you for your attention