WE MEAN BUSINESS COALITION

EU GREEN TAXONOMY IN PRACTICE

WHITE PAPER 2023

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EXECUTIVE SUMMARY

The EU Green Taxonomy is currently being rolled out, and it aims to define which of a company's activities are 'green', thereby making it easier for financial companies to funnel capital towards green companies/projects while minimizing their risks of greenwashing. The idea is a good one – but how is the implementation going in practice? We Mean Business Coalition has in this white paper sought greater insights into what the EU Green Taxonomy reporting practice is for both financial and non-financial companies. We have done so, because the legislation has been criticized for not being accurate, and at times not being relevant for those companies that are requested to report.

We have analyzed the 100 largest, listed EU companies' Taxonomy reporting, both to see how they apply the new legislation at its current stage – it is not fully implemented yet – but also to investigate if the legislation could be better and more precisely defined. We have also analyzed whether the Taxonomy activities are relevant for the companies being asked to report.

From our analysis we find both good practice and things that need attention. We have identified areas of improvement for both non-financial companies and financial companies. We also find legislation that could be more precise and that could often be drastically simplified. In short, our findings reveal:

- Financial and non-financial companies can do better in applying the regulations;
- Regulators can do better in defining key terms in the legislation to minimize very different interpretations, and via simplifying the reporting requirements – hence increasing comparable and useful reporting;
- Regulators can increase relevance by either developing significantly more taxonomy activities, or by narrowing the reporting burden to specific relevant sectors.

The good news is that all the companies' reports that we looked at refer to the Taxonomy, and they publish information in the right reports. They even, to a large extent, get voluntary assurance, just as many companies already work with/issue Taxonomy labelled bonds. Given that the EU Green Taxonomy is not fully implemented yet, this is a positive sign, and it gives great hope that investment can flow into businesses that are leading the way on climate action in Europe, at the speed and scale necessary for halving global emissions by 2030. With adjustments to some of the practices by companies and revisions to the legislation, reporting can be made truly useful.

INTRODUCTION – PURPOSE OF THE ANALYSES

This white paper seeks to investigate how the new EU Green Taxonomy reporting legislation is working in practice. Many companies affected by the new rules have commented that the EU Green Taxonomy is not always precise enough[1]. In the 100 reports analyzed for this white paper, 35 of them mention how the legislation is 'still up for interpretation' or something similar. Here is an example of a common comment:

> The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, management has disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Sustainable Finance: EU Taxonomy Disclosures" of the combined non-financial statement.' (Anonymized company)

The same is also relevant for the assurance statements given, as they are most often provided with some sort of disclaimer about the lack of regulation clarity. For instance:

> 'Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.' (Anonymized auditor)

This paper will investigate the reporting practice. We will focus on whether the reporting practice appears to be in line with the regulation or not – or if the regulation is so imprecise at its current stage, that the comparability and usability of the reports made by companies is jeopardized.

The analyses will also focus on, whether the activities included in the EU Green Taxonomy appear to be relevant and useful for the majority of large, listed companies, who currently are covered by the regulation. Are the right activities included in the EU Green Taxonomy for the companies that are required to report?

This paper aims to provide advice for both companies[2] and the European Commission about potential improvements, to deliver on our collective goals of reducing corporate emissions, and making it easier for investors to know which are the greenest companies/projects in Europe.

We will not refer to any specific company report in the paper, as there is a risk of diluting and derailing the dialogue about potential improvements from the generic to specific incidents, which is not the purpose.

1. See also Platform on Sustainable Finance (2022b) and Jagd (2022)

2. The reporting advice could potentially also be helpful for the companies' assurance providers and the national business authorities.

THE LEGISLATION – RECAP

The EU Green Taxonomy is the short name for this regulation: 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.

PURPOSE OF THE EU GREEN TAXONOMY

The EU Green Taxonomy is a classification system that will define criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate. The EU Green Taxonomy will explain for each sector, which economic activities are green, and which are not. This should make it clear to what degree the company, project or investment portfolio complies with the EU Green Taxonomy.

The intentions with the EU Green Taxonomy are[3]:

- To create a frame of reference for investors and companies;
- To support companies in their efforts to plan and finance their transition;
- To protect against greenwashing practices;
- To help accelerate financing of those projects that are already sustainable and those needed in the transition.

> 'Large financial and non-financial undertakings[4] can use the information disclosed to design credible green financial products such as green bonds or investment funds and, through the public disclosures under the Delegated Act, channel investor demand towards sustainable projects' (Supplementing Regulation (2021), p 3).

THE EU GREEN TAXONOMY'S CONNECTIONS TO OTHER EU REGULATIONS

In 2018, the EU announced a comprehensive package[5] called the EU Action Plan, proposing ten reforms in three areas, which should encourage investors to direct more capital into activities and sectors that make the economy more sustainable and can secure sustainable growth.

- Reorient capital flows towards sustainable investment, in order to achieve sustainable and inclusive growth
    - Establishing an EU classification system for sustainability activities
    - Creating standards and labels for green financial products
    - Fostering investment in sustainable projects
    - Incorporating sustainability when providing investment advice
    - Developing sustainability benchmarks

3. EU Taxonomy Navigator (europa.eu)

4. Undertakings – a technical term used in the regulations to refer to companies or enterprises that are to undertake reporting. In this chapter about the legislation, we will therefore use this term – but in the more practice oriented analyses-chapter, we will use the more common word: companies.

5. https://finance.ec.europa.eu/publications/renewed-sustainable-finance-strategy-and-implementation-action-plan-financing-sustainable-growth_en

- Mainstreaming sustainability into risk management
    - Better integrating sustainability in ratings and research
    - Clarifying institutional investors and asset managers' duties
    - Incorporating sustainability in prudential requirements
- Foster transparency and long-termism in financial and economic activity
    - Strengthening sustainability disclosure and accounting rule-making
    - Fostering sustainable corporate governance and attenuating short-termism in capital markets

As can be seen, the EU Green Taxonomy is the first reform in this package, and is the cornerstone of a suite of new legislations and regulations, and it may be helpful to understand their connections:

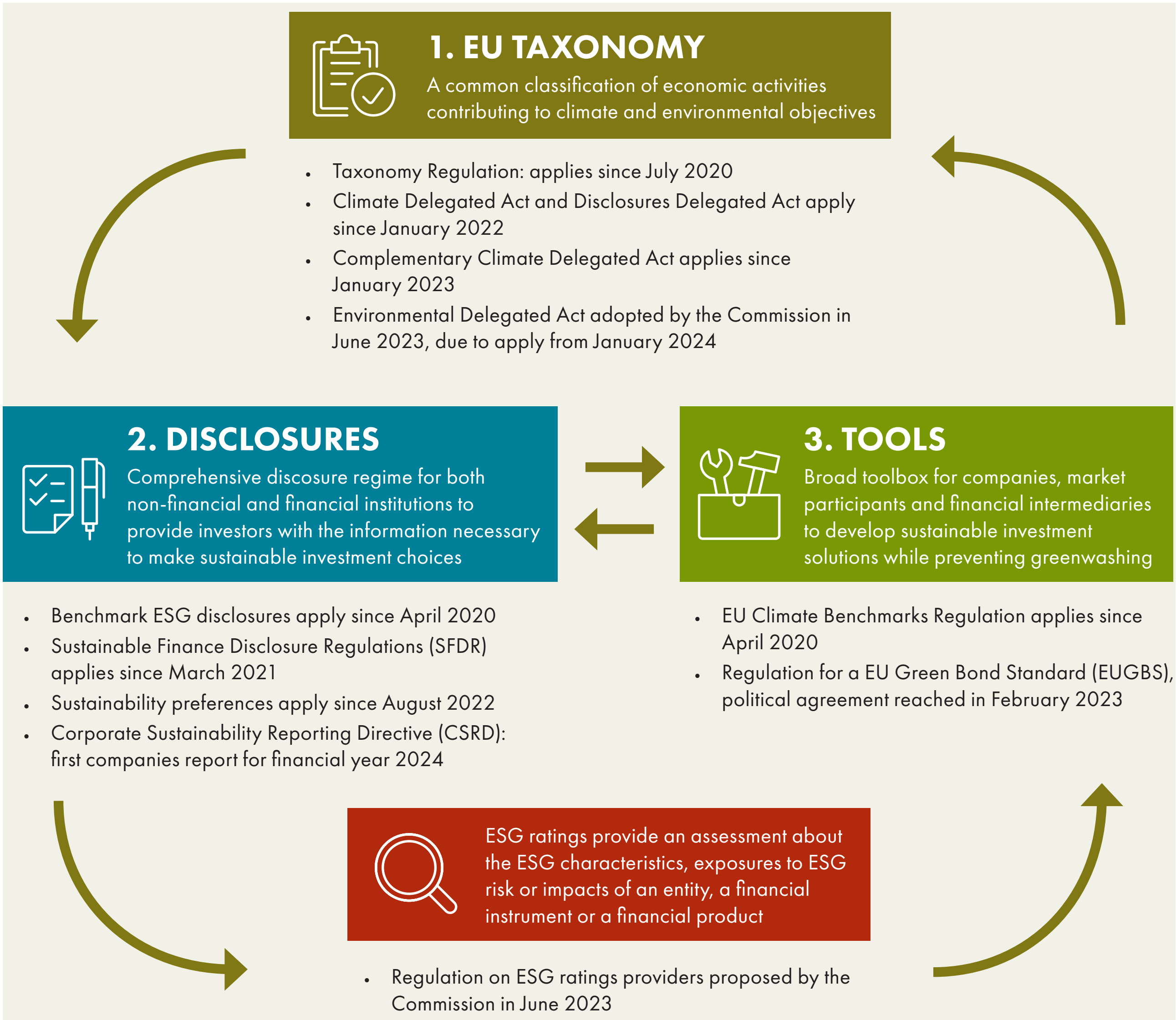

Figure 1: EU Green Taxonomy and all the new legislations and regulations, source: Commission Staff Working Document 317 (13.06.2023)

The EU Green Taxonomy is the driver of many other pieces of legislation, therefore it is essential that both the financial and non-financial undertakings understand the purpose and the use of the regulation and disclosure requirements.

DISCLOSURE REQUIREMENTS

The EU Green Taxonomy applies to undertakings subject to the obligation to publish non-financial statements in accordance with the Non-Financial Reporting Directive (NFRD)[6].

The disclosure requirements are differentiated between the non-financial and financial undertakings. Financial undertakings are those that offer financial products in the EU. Sometimes undertakings can fall into both categories (depending on their size and economic activities), but it is not common. The only common rule for both financial and non-financial undertakings is that the Taxonomy reporting must be part of the reporting of non-financial statements, or it shall provide cross-references to this.

Disclosure requirements for non-financial undertakings:

The EU Green Taxonomy covers 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
- protection and restoration of biodiversity and ecosystems

For the reporting year 2022, it was only the two first objectives, climate change mitigation and adaptation, that were in force. They are defined as follows:

- Climate change mitigation activities should contribute substantially to the stabilization of greenhouse gas emissions by avoiding or reducing them or by enhancing greenhouse gas removals (EU Green Taxonomy, para 24).
- Climate change adaptation activities should contribute substantially to reducing or preventing the adverse impact of the current or expected future climate, or the risks of such adverse impact, whether on that activity itself or on people, nature or assets (EU Green Taxonomy, para 25).

For the reporting year 2022 climate change mitigation and adaptation covered a total of 101 economic activities spanning over 12 economic sectors[7].

The non-financial undertakings are to identify, if they contribute substantially to at least one of the two objectives (next year six objectives) – these activities are called **eligible activities.** These eligible activities are then to be assessed for, whether they are **aligned** with the EU Green Taxonomy. That is done by assessing whether the activity:

- Contributes significantly to one or more of the six environmental objectives
- Does no significant harm to any of the other five environmental objectives (also known as DNSH)
- Comply with minimum safeguards (meaning in line with OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights to not have a negative social impact)
- Comply with the technical screening criteria set out in the Taxonomy delegated acts[8].

6. From the reporting year 2023, all companies that fall under the Corporate Sustainable Reporting Directive (CSRD) will be required to report according to the EU Green Taxonomy. Since this will gradually be enlarged to cover more than 50,000 companies, the amount of taxonomy reporting will also increase substantially.

7. From the reporting year 2023, the four remaining objectives will be in force, and it is the expectation that new economic sectors and activities will continue to be added and existing ones refined and updated where needed. See more in the EU Green Taxonomy and the supplement adopted in June 2023. To see an overview of the current activity codes, see this: sustainable-finance-taxonomy-nace-alternate-classification-mapping_en.xlsx (live.com)

8. See more in the Climate Delegated Act (2021) and Complementary Climate Delegated Act (2021)

The non-financial undertaking shall[9] provide the Turnover, Operational Expenditures (OpEx), and Capital Expenditures (CapEx) data per:

- Eligible and aligned activity
- Eligible but non-aligned activity
- Non-eligible activities

All non-financial undertakings shall use the tabular form by using the templates set out in Annex II of the Disclosure Delegated Act (2021)[10] – even if they do not have any Taxonomy eligible activities.

The Disclosure Delegated Act (2021) defines the three financial elements this way:

- The **Turnover**[11] shall cover the revenue recognized pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No 1126/2008.
- **CapEx** shall cover additions to tangible and intangible assets during the financial year considered before depreciation, amortization, and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. It shall also cover additions to tangible and intangible assets resulting from business combinations. So, CapEx shall cover costs that are accounted based on:

  (a) IAS 16 Property, Plant and Equipment, paragraphs 73, (e), point (i) and point (iii);

  (b) IAS 38 Intangible Assets, paragraph 118, (e), point (i);

  (c) IAS 40 Investment Property, paragraphs 76, points (a) and (b) (for the fair value model);

  (d) IAS 40 Investment Property, paragraph 79(d), points (i) and (ii) (for the cost model);

  (e) IAS 41 Agriculture, paragraph 50, points (b) and (e);

  (f) IFRS 16 Leases, paragraph 53, point (h)

- **OpEx** shall cover direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. Non-financial undertakings that apply national GAAP and are not capitalizing right-of-use assets shall include lease costs in the OpEx in addition to the costs listed in the first subparagraph of point 1.1.3.1 of Annex I of the Disclosure Delegated Act (2021).

The non-financial undertaking shall also provide accounting policies and methodologies used, provide information on assessment of compliance with the regulation, and how they avoid double-counting and make reconciliations towards the financial line items. There is currently no EU requirement for assurance of the Taxonomy reporting[12].

9. There is an exemption - possibility not to provide the OpEx activity split, if the OpEx is not material for the business model. But if this exemption is used, the total value of OpEx must still be disclosed in the tabular form and an explanation of the absence of activity-split must be given.

10. See Disclosure Delegated Act (2021) Article 2 (2)

11. Turnover is typically called Revenue in the financial reporting legislation.

12.Once the CSRD reporting apply, according to the phased solutions for this, limited assurance of the Taxonomy reporting will also apply, as for the rest of the CSRD reporting. See also FAQ number 4 of European Commission (2022)

Disclosure requirements for financial undertakings:

The disclosure requirements for financial undertakings are quite different from the requirements for the non-financial undertakings, as Turnover, CapEx and OpEx are irrelevant for assessing the financial activities, including lending, investment, and insurance. The special financial undertaking disclosure requirements can be found in the Supplementing Regulation (2021), which is based on Article 8 of the EU Green Taxonomy Regulation (2020).

The financial undertakings are not to use the same tabular form as the non-financials, but instead they have their own tabular forms, which are different dependent on the type of financial undertaking:

- Asset managers
- Credit institutions (incl. banks)
- Investment firms
- Insurers and reinsurers

Most reporting requirements for the financial undertakings kick in from reporting year 2023 or later, but the few requirements for reporting year 2022 will of course be investigated. They are:

(a) the proportion of their total assets exposed to Taxonomy non-eligible and Taxonomy-eligible economic activities;

(b) the proportion of their total assets of the exposures referred to in Article 7, paragraphs 1 and 2;

(c) the proportion of their total assets of the exposures referred to in Article 7(3);

(d) the qualitative information referred to in Annex XI;

(e) Credit institutions shall also disclose the proportion of their trading portfolio and on demand inter-bank loans in their total assets;

(f) Insurance and reinsurance undertakings shall also disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible non-life insurance economic activities.

THE EU GREEN TAXONOMY TIMELINE

The EU Green Taxonomy has been in force since 12th July 2020, and follows the below progression of disclosure obligations according to the Disclosures Delegated Act[13] supplementing Article 8 of the EU Green Taxonomy regulation.

As of January 2022	• Non-Financial entities report Taxonomy elegibility for the previous calendar year* • Financial entities report Taxonomy elegibility for the previous calendar year*
As of January 2023	• Non-Financial entities report elegibility and alignmentfor the previous calendar year • Financial entities report Taxonomy elegibility for the previous calendar year
As of January 2024	• Non-Financial entities report elegibility and alignment for the previous calendar year • Financial entities report Taxonomy elegibility and alignment for the previous calendar year
As of January 2025	• Financial entities may include estimates on Taxonomy alignment for DNSH assessments of third-country exposures subject to the 2024 review period
As of January 2026	• Credit instutions include Taxonomy alignment of their traiding book and fees and commisions for non-banking activities

Figure 2: The reporting obligations and timelines as set out in the Disclosures Delegated Act, source: https://ec.europa.eu/sustainable-finance-taxonomy/

13. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2178

METHOD AND OVERALL ANALYSES

This white paper investigates how the new EU Green Taxonomy reporting legislation is working in practice. We have analyzed the Taxonomy reporting for the 100 largest, listed companies in EU, which were subject to report from the reporting year 2022. We have identified the companies via Forbes' The Global 2000 list from 2023, which is based on 2022 reporting, where Forbes rank listed companies based their Sales, Profit, Assets, and Market value in USD. See the Annex to find a list of the companies included in the analyses. We have added the official GICS-codes (Global Industry Classification Standard) as well, whereby potential sector representations can also be found.

All 100 companies have been analyzed via manual reading and analyses of their sustainability/ integrated/ Universal Registration Document 2022 reports, as they were found on the companies' homepage with a deadline of 30th June 2023. We have developed and used a standard analyses template, which we based on a trial analyses of ten companies' reports. We have also gathered and consolidated the activity reporting from all the non-financial companies' reports per activity level, whereby we can see the total eligible & aligned, the eligible but non-aligned, and non-eligible Turnover, CapEx and OpEx from the non-financial companies (see Appendix II). Finally, we have also accumulated the mandatory financial company reporting as far as possible – see the chapter 'Issue on proportions' within the analyses of the financial company reporting.

The geographical split is reasonable with representation of 15 different countries out of the 27 EU Member States. However, Eastern Europe with only two companies is not well represented, due to the limited number of large, listed companies with headquarters in Eastern Europe. Given a search on the Forbes list, to see if we reasonably could add extra Eastern European companies to maximize representation, it became clear that the next ones on the list are significantly smaller, and we would then just add more noise rather than clarity given the different sizes of companies. Thus, we have chosen not to add additional Eastern European companies.

No 1: Geographical split of companies

	No of companies per country	Market value per country
		Bill. EUR
Austria	3	33
Belgium	2	148
Czech Republic	1	28
Denmark	5	460
Finland	4	116
France	29	2,324
Germany	25	1,339
Ireland	1	34
Italy	6	239
Luxembourg	1	20
Netherlands	5	385
Poland	1	17
Portugal	1	21
Spain	8	367
Sweden	8	252
Total	**100**	**5,783**

The GICS sector split is quite diverse with representatives from ten out of the eleven standard GICS, leaving only Real Estate as not represented. We therefore conclude these analyses are as good as fully sector-representative.

No 2: GICS split

	No of companies per GICS sector	Market value per GICS sector
		Bill. EUR
Communication Services	4	185
Consumer Discretionary	11	1,246
Consumer Staples	8	557
Energy	6	273
Financials	27	917
Health Care	6	706
Industrials	16	784
Information Technology	5	457
Materials	5	202
Real estate	0	0
Utilities	12	455
Total	**100**	**5,783**

GICS = Global Industry Classification Standard [GICS - classification codes]

According to the company overview there are 27 financial companies as defined by the GICS categories – but two of them are not offering any financial products to the market, so they are considered as non-financial companies in this paper, and they also report accordingly. Hence, there are 75 non-financial companies and 25 financial companies in this analysis.

14. 'The total population of companies within the scope of the NFRD in the EU27 was in 2020 1,956 (excluding exempted subsidiaries), made up of 1,604 listed companies (excluding listed banks and listed insurance companies), 278 banks and 74 insurance companies.' (European Commission, 2020, p 8). Testing 100 companies' reports gives us a confidence level of 95%, an error margin of +/-9.55%, assuming the population proportion is 50%. Even if we assume the population is 11,500 (excluding exempted subsidiaries), which would be the case if the companies that are added through national transposition of the Accounting Directive and NFRD are also considered – then the error margin only increases to 9.76%. Hence, we conclude a sample of 100 is satisfactory for our purpose. It can rightly be argued that the 100 largest, listed companies are not size-wise representative for the entire population. But the importance of these cannot be discussed.

15. Nine companies were taken out since they are listed outside of EU on non-EU regulated markets, and hence, currently not covered by the Taxonomy regulation. They were replaced with the next EU-headquartered companies in Forbes ranking.

ANALYSIS OF THE NON-FINANCIAL COMPANIES' REPORTS

All the 75 non-financial companies refer to the Taxonomy, which is positive. But seven of the companies report so poorly, that we must conclude they do not fulfil the basic formal requirements. Five of those seven companies do not provide any quantitative data and do not use the mandatory tabular forms. Two companies do provide some quantitative data, but either invent their own much smaller forms or simply provide the data in the text. It is not satisfactory that 9% of these large, listed companies do not fulfil even the most basic formal mandatory elements.

We also tested to see where the reporting is placed. The legislation is clear that the reporting must be placed alongside the non-financial reporting. All companies got that right. We see 17% report in sustainability reports, 50% report in integrated reports, and the rest in Universal Registration Documents –the latter especially is very much a French solution. One company unfortunately did not provide all elements in one report, so we had to piece the reporting together from both the sustainability and the integrated report – this is not a good user-friendly solution.

All companies that report quantitative data (70 of the 75 reports) also provide, in some shape or form, the mandatory accounting principles. But regarding the mandatory reconciliations and references to the financial reporting (see Disclosure Delegated Act (2021), Annex I, 1.2.1), these are still not often very well made (85% could do better – some a lot better). However, some French and German companies especially are good at making explicit reconciliations and references to their financial report. This is a simple and important improvement, which the companies should be able to do, also with the current legislation.

As indicated, it is still not EU mandated to get assurance of the Taxonomy reporting. Yet, we actually see 30 companies (40%) that have chosen voluntarily to get either limited or even reasonable assurance of the Taxonomy reporting. It is also interesting to see that of the 45 companies, who do not get any Taxonomy assurance, only two do not get any assurance of their sustainability reporting as such, while 43 do get some assurance, but which does not cover the Taxonomy reporting.

THE ISSUES OF THE COMPLICATED TABULAR FORMS

As we indicated at the beginning of this chapter, companies are experiencing issues with using the mandatory tabular forms. For the readers' convenience, we have included a copy of the first section-template of these forms in Appendix I, whereby it is possible to follow the headers and numbers of each column of the forms, when we go through the issues in this section. They can also be found in their entirety in the Disclosure Delegated Act (2021), Annex II.

Looking at all 75 non-financial companies' reports, 45 (60%) successfully make use of the forms without any obvious shortcomings – but 40% do have issues to some degree. That is a lot of issues.

Firstly, several companies fail to use the forms at all, as previously mentioned.

A less severe, but yet practical issue, arises around the use of activity codes in column 2. Most companies (56 or 75%) use the Delegated Act codes, as they should. We also see eight companies, which both provide Delegated Act codes and NACE codes[16], whereby they make things unnecessarily complicated for themselves. But we also see a few companies, who only provide NACE codes, which is not right, but not completely impossible to use, since an eager report user can via a mapping[17] table usually[18] find the right codes – but it is of course not user-friendly. The worst issue we see is that a few companies, who in the lack of activities they would have liked to be included in the Taxonomy, simply invent, and use homemade activities or do not provide any codes but just add numbers to the various categories of data. This is unacceptable.

Another issue arises from the use of the columns 5-10 on 'substantial contribution'. The intention with these columns is that the company should define, which of the two (next year six) environmental objectives the activity contributes substantially to. As can be seen, the unit is a percentage, and most companies do what they should, namely assign how much of the activity contributes to the individual objectives, which should add up to 100% per activity – to ensure the activity is not double counted. But a few companies 'copy-paste' the % from column 4, the proportion of Turnover, CapEx or OpEx – which is wrong. But fundamentally one could ask, why make the form so complicated? If the companies did make the reconciliations to the financial reporting line items, as they should (see previously), there would be no risk of double-counting – it would tally all the time – then columns 5-10 are redundant.

The last issue with the forms we would like to highlight, concerns columns 11-16, which are related to the DNSH assessment towards the other objectives. Not all activities have requirements for all 6 DNSH-elements (Complementary Climate Delegated Act (2021), Annex I) – but yet, we fairly often see companies fill in all fields in the DNSH columns with a 'Y', indicating 'yes', they are aligned on everything – and not a 'N/A', '-', or simply blank spaces, which they should have used where there are no DNSH requirements. It is obviously wrong, and perhaps it indicates the company did not read and assess the DNSH requirements, but just assumed they were aligned on everything. But another and perhaps simpler explanation could also be that the companies just thought, it looked 'better' to be 100% aligned on everything and did not leave anything open/blank/unanswered. But one fundamental question should be raised about these columns – what is the purpose of them? Who is going to use them – and for what? As given by the rules, if just one of the DNSH-requirements are not fulfilled, then the activity is not aligned – but only eligible. That means, it is given that all relevant DNSH requirements are fulfilled, if the activity is assigned to be aligned – it is an implicit conclusion – no further explanation is needed, and columns 11-16 are redundant.

Given all these practical problems and redundant information in the tabular forms, we wonder if it would be beneficial and provide much more useful reporting, if these forms were drastically simplified. We also wonder, who will use all these complicated elements, when evaluating the companies' taxonomy activities – and how?

In fact, we would suggest that columns 5-17 and 19-21 are removed. If the reason for having all these columns is related to the fact that the legislators do not trust the companies will report correctly (and as we can see from above, that assumption is sometimes not completely wrong), then await the mandatory limited assurance[19] - do not compensate by making the requirements overcomplicated. But when mandatory assurance kicks in, it will on the other side also require better and more precise regulation from the legislators. This will also ensure that the assurance providers do not have to make these broad disclaimers, as we are currently seeing.

16. The statistical classification of economic activities in the European Community, commonly referred to as NACE, which is an abbreviation for the French term 'Nomenclature statistique des Activités économiques dans la Communauté Européenne'.

17. See more here: sustainable-finance-taxonomy-nace-alternate-classification-mapping_en.xlsx (live.com)

18. Usually possible – but as the Platform rightly indicates, it is not always straightforward (Platform on Sustainable Finance (2022a), p 39), therefore this mapping tool has been created: Platform on Sustainable Finance's report on environmental transition taxonomy (europa.eu)

19. And may we suggest that the primary test direction for eligibility is completeness, while the primary test direction for alignment is validity. In that way the pool of activities that potentially could be green will be maximized, while the alignment reporting can easily be the base for green bonds.

A practical outcome of simplifying the forms would also be to allow them to fit into an ordinary reporting page, without having to turn them into landscape view or having to minimize the font into something unreadable. Presently, we see many creative attempts to make the forms fit into the reports, however they usually end up in the back of the reports, not the least because size-wise they do not fit anywhere.

THE ISSUE OF LACK OF ACTIVITY-DEFINITION

One of the most prominent issues with the current legislation is the lack of definition of an 'economic activity' (see also Platform of Sustainable Finance, 2022b). We do recognize that attempts have been made – especially in the FAQs . But often the information is vague and sometimes contradictory. See this example (European Commission (2022), no 2 – How is an 'economic activity' defined in the Disclosures Delegated Act?)

> 'An economic activity takes place when resources such as capital, goods, labour, manufacturing techniques or intermediary products are combined to produce specific goods or services. It is characterised by an input of resources, a production process and an output of products (goods or services).'

But in the same FAQ – in the reply to question number 3 What is a Taxonomy-eligible economic activity? it is stated that:

> 'In principle, if an undertaking generates turnover or invests in capital expenditure (CapEx) or operating expenditure (OpEx) corresponding to an economic activity that is described in the Climate Delegated Act, it would count as eligible for Taxonomy-eligibility disclosure.'
>
> 'Finally, the Taxonomy Regulation, the Climate Delegated Act and the Disclosures Delegated Act do not differentiate between core and non-core economic or business activities. Therefore, undertakings should report all of their economic activities in line with the definition of eligibility under Article 1(5) of the Disclosures Delegated Act, as explained above.'

The latter reply indicates that an activity does NOT have to generate turnover – it can simply be a capital[21] or operational expenditure – but the first reply indicates an activity will require some sort of production process given a classic input-output model. These are VERY different replies, and the outcome is that we see VERY different interpretation of what an activity is, whereby the reports often become incomparable.

For instance, in the sample we can see a Nordic utility provider and its French peer report quite differently – despite being almost the same size and, from a financial point of view, have more or less the same profile. The Nordic company reports solely according to their segment reporting[22] – which means they report on three activities. The French company reports according to the assets' nature, and hence reports on 21 activities.

We do not know, which solution is the right one. But we can see that it is almost as if the different interpretations are agreed upon in the geographical areas. So, in the Nordics and in Germany we primarily see segment-reporting – while the rest of EU are more inclined to report according to the assets' nature, though still also prefer segment reporting for OpEx. See this overview of the OpEx reporting on the next page.

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20. FAQs = Frequently Asked Questions. The European Commission has issued a plethora of FAQ-letters – see also the EU Taxonomy Navigator to get an overview of the FAQs issued. The legal status of these is not completely clarified, but we must assume they are not legally binding – but guiding.

21. It could be CapEx for installing solar power on the rooftop of the headquarters. It will most likely not generate Turnover, it will not be part of the production process – but it will reduce the fossil fuel consumption at the headquarters, and it could be the base for a green bond issuance.

22. IFRS 8, Operating Segments

No 3: OpEx reporting

	All companies	Nordic & German companies	Other EU
No OpEx-data, or difficult to tell given the accounting principles	13	4	9
Segment driven	41	21	20
Assets' nature driven	21	6	15
Total	**75**	**31**	**44**

From a practical point of view, we do understand why the segment reporting might seem most appealing for companies, as they can re-use the data-split they have already in their bookkeeping/ERP and consolidation systems. But to be able to use the Taxonomy reporting to support issuance of green bonds or other green financial instrument solutions – also sometimes for non-core activities like fossil-free electricity for the headquarters or similar projects, the 'assets' nature' reporting might actually be more useful for both the companies and the investors.

Looking at the CapEx reporting, the habits of each geographical split become even clearer. We have looked at, whether the CapEx only was provided driven by the segment reporting, or whether the company for instance also added transport and/or real estate activities, as one must assume that most companies, regardless of their line of business, will own/lease buildings[23] and will have some sort of transportation needs of either goods and/or services (human beings)[24] – if these activities were not part of the 'core activities'. The outcome looks like this:

No 4 CapEx activity method

	All companies	Nordic & German companies	Other EU
No CapEx-data	5	2	3
Segment driven	26	15	11
One additional activity applied	16	6	10
Two additional activities applied	28	8	20
Total	**75**	**31**	**44**

As noted, based on the current legislation we cannot indicate which practice is the right one – but we can say, that it is applied very differently across the EU. It is not useful for companies, their assurance providers, or the national business authorities – and eventually neither for the investors, that the legislation is unclear, and the reporting is not comparable. So, a clarification of the term 'activity' is needed to produce more efficient and useful reporting.

23. Real estate activities could for instance be 7.2 Renovation of existing buildings.

24. Transport activities could for instance be 6.5 Transport by motorbikes, passenger cars and light commercial vehicles.

THE ISSUE OF FINANCIAL MATERIALITY

A third issue we will raise for the non-financial reporting is related to financial materiality. Financial materiality is not to be confused with 'contribute substantially', where the entire Complementary Climate Delegated Act (2021) and other subsequent guidelines and FAQs make an effort to define how the activity can be determined if it 'contributes substantially'. Some of these definitions do actually have some quantitative thresholds – but they are all defined non-financially, because the aim is that the activity should 'contribute substantively' to the climate mitigation or adaptation to be aligned – not necessarily financially.

According to European Commission (2022) FAQ number 13 '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')?' The reply is:

> 'According to Article 8(2) of the Taxonomy Regulation, undertakings subject to the NFRD/ CSRD) are under the obligation to report the proportion of their turnover, CapEx and OpEx associated with Taxonomy-aligned economic activities. The Disclosures Delegated Act specifies further the content and presentation of the relevant information to be reported. No exemption is foreseen from the obligation to report.
>
> Section 1.1.3.2. of Annex I provides for a certain degree of flexibility in the reporting of the OpEx...' (and the rest of the reply is solely on the OpEx exemptions).

So, the reply is still unclear, as the Disclosure Delegated Act does not indicate, whether a financial materiality threshold is allowed for Turnover or CapEx – it is only defined specifically for OpEx. But given the more generic reply in this FAQ that: 'No exemption is foreseen from the obligation to report', it could be interpretated that it is not allowed to make any materiality thresholds for Turnover or CapEx – but we are not certain.

In our analyses of non-financial companies, we can see 40% of the companies openly state they start by making some sort of materiality assessment of the financials. Most often are the financial thresholds uprightly and openly defined and reported – but sometimes not. From what we can see, the threshold definitions vary quite significantly, as it can be anything from 1% to 5% or a specific monetized amount of the Turnover, CapEx or OpEx. One can also argue, that if the company solely uses the segment reporting as driver for the activity reporting, that will also bring some substantial financial materiality thresholds, as many companies use a 'rule of thumb-threshold' of 5-10% to make their IFRS segment split.

At the same time, we can also see some companies, who surely have not assigned any financial materiality thresholds and have included even the smallest amounts to be eligible and perhaps even aligned – so small, that the %s of Turnover, OpEx or CapEx are less than 0.0% - and then one could ask: is that really material? Though it is not certain that financial materiality equals climate impact, one could perhaps question: do activities of that magnitude 'contribute substantially', and are they important for the financial companies' evaluation of the non-financial companies' activities?

As for the activity definition, we cannot be fully certain, which reporting practice is right. But we do understand why so many companies choose to use 'homemade' financial thresholds. The Taxonomy reporting process in most of the non-financial companies is initially very much driven by the financial data – and hence, when the companies are to evaluate what to include and what not to include in the Taxonomy reporting, they start by looking at the financial significance of the postings, not the least because the subsequent work related to the technical screenings criteria, DNSH assessments, and Minimum Safeguards can be very time and resource consuming. So, it is useful for the companies to be able to segregate up front between what to spend time and resources on – and what not to.

We therefore recommend that the European Commission allow for companies to make initial financial materiality thresholds, but of course require that these are defined and reported. Ensuring that these are used uniformly in the entire EU, which will maximize comparability and usefulness, one could also consider defining them up front – for instance: all activities > 1% of the Turnover, CapEx or OpEx are to be included as eligible and then tested for alignment. In that way it will also be much easier for the companies and their assurance providers to ensure reporting is complete.

THE ISSUE OF RELEVANCE

The final issue to investigate, is whether the Taxonomy is relevant for the large, listed non-financial companies, who are covered by the legislation and hence are required to report? Are the Taxonomy activities part of the activities which most large, listed companies work with, whereby the Taxonomy also could work as a guide for how the companies can make their business green, or is it only a few companies within a few sectors who will be able to work actively with the Taxonomy? We have investigated it in two ways:

- How many companies report on any Taxonomy eligible activity?
- What are the accumulated values of eligible & aligned, eligible but non-aligned, and non-eligible activities per the Turnover, CapEx and OpEx per company reporting in mill. EUR – see Appendix II.

Looking only at the eligibility frequency, we can see 14 companies, who do not have any eligible Turnover. 25 companies have less than 5% eligibility, if we add up the eligible Turnover, CapEx and OpEx and compare to the total. If we add the five companies, who do not report any data, where four out of five specifically indicate it is due to lack of being covered by the Taxonomy activities, we conclude that 30 companies are, not at all, or only marginally covered by the Taxonomy activities – that represents 40% of the companies caught up in the regulations. A lot of large, listed companies, are now required to spend time and resources on reporting on the Taxonomy – but for whom it is not relevant, because the EU Green Taxonomy activities are not their activities.

As can be seen from Appendix II, of the 101 activities, 15 are not used at all, and another 24 activities are hardly used[25], which means 39 of 101 are never or rarely used[26]. It indicates that a lot of the activities are not even remotely aligned with the large, listed companies' core activities. Remember, we focus on the large, listed companies because they are the companies who are required to report – it is not the small entrepreneurs.

We are sure that the activities chosen to be included in the initial Taxonomy-activities were selected due to their green potential[27] – and that is a fine principle. But it is also clear that these activities are not necessarily the activities which the large, listed companies primarily work with as their core business, since in fact, 63% of their Total Turnover is non-eligible. This poses questions about the relevance of the Taxonomy.

In contrast, we can only see six activities which are heavily[28] used:

- 3.3 Manufacture of low carbon technologies for transport
- 3.9 Manufacture of iron and steel
- 4.9 Transmission and distribution of electricity
- 4.29 Electricity generation from fossil gaseous fuels
- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles[29]
- 6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities

25. The aligned and non-aligned but eligible value is less than 100 mEUR per Turnover, CapEx and OpEx

26. Remember though, that these analyses cover 10 out of 11 GICS sectors.

27. As indicated in Commission Staff Working Document 152 (2021) and in European Commission (2022), no 2.

28. The aligned and non-aligned but eligible value is larger than 50,000 mEUR per Turnover.

29. If the 'activity' definition is clarified, and assets' nature driven activity reporting is selected as the right solution, in contrast to the simpler segment driven reporting, we foresee that perhaps '6.5 Transport by motorbikes, passenger cars and light commercial vehicles' but especially '7.2 Renovation of existing buildings' would be reported far more frequently, whereby many more green alignment-potentials can be identified.

Ideally statistical analyses would have been made prior to issuing the regulation, whereby the green potential (eligible activities) could have been maximized for the large, listed companies covered by the reporting burden – perhaps topped up with the activities with the best green potentials, as inspiration.

Alternatively, the reporting requirement could have been made narrower and more directed towards the companies in the sectors, who appear to be covered by the Taxonomy activities. In this table we have made an overview of the companies per GICS sector, compared to how many that report who are only marginally covered (eligible) by the EU Green Taxonomy activities:

No 5 Eligible activity reporting – sector split

	No of companies per GICS sector	Marginally covered companies by Taxonomy activities
Communication Services	4	2
Consumer Discretionary	11	3
Consumer Staples	8	8
Energy	6	0
Financials	2	1
Health Care	6	6
Industrials	16	6
Information Technology	5	4
Materials	5	0
Real estate	0	0
Utilities	12	0
Total	**75**	**30**

The Taxonomy activities do not appear to cover the major companies within Consumer Staples, Health Care, and Information Technology, whereas companies within Energy, Materials, Utilities, and the car manufacturers (part of Consumer Discretionary) are fully covered.

We hope the inclusion of the last four environmental objectives in 2023, and an enlargement of activities for the climate adaptation and mitigation objectives, also will enlarge the realistic pool of potential eligible activities, whereby the ability to identify potentially green activities (i.e., aligned), grows significantly. This will increase the relevance for the non-financial companies to report, and it will enhance the financial companies' ability to identify more green activities to funnel capital towards.

BONDS

We have also investigated the use of issuing corporate bonds – and whether these are 'green', 'sustainability' or perhaps even Taxonomy labelled. Firstly, it is interesting to notice that 73 of the 75 non-financial companies actually issue corporate bonds. 53% of these have only issued 'ordinary' bonds – meaning, they are not 'green' or 'sustainability' labelled – or even Taxonomy labelled. But that also means that 47% of the companies actually do issue bonds to raise 'green' capital. That means, there is a significant opportunity for the Taxonomy to play an even larger role in the future– and we are already seeing 20% of the companies also issuing 'taxonomy' labelled bonds[30].

30. Despite the fact that the European green bond standard (europa.eu) is not live yet. Usually, the companies also refer to ICMA = International Capital Market Association – see more here: Green Bond Principles » ICMA (icmagroup.org)

No.6 Non-financial companies and bonds

	# of companies
No bonds issued	2
Bonds issued, but no green bonds	39
Green bonds issued, but not Taxonomy related	27
Taxonomy related bonds issued	7

That is a quite remarkable development in a reasonably short timeframe, which indicates the market for 'green finance' is developing fast in recent years and the prospects for Taxonomy-use could be there as well.

ANALYSES OF THE FINANCIAL COMPANIES' REPORTS

The analyses of the 25 financial companies are quite different – not least because the current reporting requirements are significantly reduced given the agreed phasing of the requirements. The financial companies are required to publish the following indicators:

(a) the proportion of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities;

(b) the proportion of exposures to undertakings that are not obliged to publish non-financial information (NFRD);

(c) the proportion of the exposures to derivatives;

(d) the proportion of the exposures to central governments, central banks, and supranational issuers;

(e) the proportion of their trading portfolio and on-demand inter-bank loans (only for credit institutions);

(f) the proportion of Taxonomy-eligible and Taxonomy non-eligible non-life insurance economic activities (only for insurance and reinsurance companies).

All financial companies refer to the Taxonomy, which is positive. We also notice that the reporting is placed in the right place – namely in the non-financial reporting. The Taxonomy reporting is typically part of an integrated report (15), while six are part of the sustainability report, and only four are part of a Universal Registration Document – as for the non-financial companies, the latter choice is very much a French habit.

One financial company does not report any proportions, as it claims not to be covered by the Taxonomy regulation. Since no further arguments are provided for this lack of requirement, we cannot test the validity of the claim. Another financial company does not consolidate the taxonomy reporting data but provides the proportions per IFRS-segment, but with no consolidated proportions as requested. This is not correct.

With regards to assurance, all financial companies get limited assurance of all or parts of their non-financial statements, but it is only half (12) which also cover the Taxonomy reporting. As mentioned, it is currently not required to get assurance of the Taxonomy reporting – but it is interesting to notice that the two financial companies mentioned above with peculiar reporting did not get assurance of their Taxonomy reporting – the auditors specifically state it is not covered.

THE ISSUE OF PROPORTIONS

As mentioned, the reporting requirements for 2022 are quite reduced and only require the mentioned proportions to be reported, while neither the values, a range of KPIs or the tabular forms as mentioned in the Disclosure Delegated Act (2021) are required yet. Though, just seven did only provide the proportions – so, 17 did also voluntarily report the values. It is unclear how is it a reduction not to require the values to be reported, since the non-financial companies will need the values to calculate the proportions? It does not make a lot of sense.

But another problem with the proportions is that it appears as if the denominators used are not the same across the companies. Some companies only use Total assets, others only use Taxonomy covered assets (which they also sometimes do not get right)[31], while some rightly make some of their proportions compare to the Assets subject to eligibility scoping, some to the total assets covered in the Taxonomy and some to Total assets.

31. See more on this issue already flagged last year (Platform on Sustainable Finance, 2022b, p 44)

But this confusion about the denominators and what to include where, with no requirement to provide the actual values of the numerators, means the reports are not necessarily right and neither are they comparable. We appreciate the simplification provided by the European Commission, but more specific formula guidance is needed.

Since it is only the proportion that is required for the reporting year 2022 and not the values in monetary units, it is less straightforward to accumulate the values for all 25 financial companies. But we would like to make an attempt to accumulate the data both to illustrate how simple the reporting instruction could have been made by the European Commission[33] – but also to investigate how Taxonomy eligible the large, listed financial companies' assets are considered to be from the financial companies' point of view – and compare it to the non-financial companies' reports. So, we have made an attempt to accumulate at least the reporting elements for credit institutions and asset managers with some limitations and assumptions. They are:

- One company did not provide any data – hence not included
- One company did not consolidate the data, hence the consolidated data for the company is deduced
- Seven of the financial companies did not provide values but only proportions (which is allowed), hence the values for these are deduced
- For the data, which is both provided CapEx and Turnover based, we have for simplicity reasons only included the Turnover based[33]
- Insurance and re-insurance eligibility data is not included, as it is differently based

No 7 Accumulated financial companies

Accumulated reporting elements from financial companies		Proportion subject to eligibility	Proportion subject to taxonomy coverage	Proportion of total assets
	mill. EUR	%	%	%
Taxonomy eligible assets	3,630,254	60%	29%	20%
Taxonomy non-eligible assets	2,380,335	40%	19%	13%
Assets subject to eligibility scope	**6,010,589**	**100%**		
Assets related to non-NFRD undertakings	4,545,189		36%	25%
Derivatives, hedge accounting	648,684		5%	4%
On demand inter-bank loans	87,091		1%	0%
Other assets	1,181,382		9%	7%
Total assets covered in taxonomy	**12,472,936**		**100%**	
Exposures to central governments, central banks and supranationals	3,788,988			21%
Trading portfolio	1,648,270			9%
Assets excluded from covered assets in taxonomy	**5,437,258**			
Total Assets	**17,910,193**			**100%**

32. And if they also had made a reconciliation requirement for financial companies to reconcile against the financial report, as there is for non-financial companies' data, we would probably see fewer odd reports.

33. The differences are usually very small.

As can be seen from the overview, the proportion of eligible assets is quite high – 60% compared to the Total assets subject to eligibility scoping. Compared to this, we were only able to demonstrate 37% eligible turnover for the 75 largest, listed non-financial companies, this is a significant difference. The difference could be due to the simple fact that our sample is relatively small, though it is the 75 largest companies. It could also be due to the described imprecisions of the accumulated data, though, we have also looked at the proportion for the 16 financial companies, who do report the exact values; and the proportion is exactly the same: 60% eligible and 40% non-eligible. But another reason could also simply be, that the data, which the financial companies use for their calculations, is not right – as it is most likely either one year old data or estimates[34].

THE ISSUE OF TIMING AND USE OF ESTIMATES

One of the fundamental issues for the Taxonomy reporting, is the fact that the financial companies in theory are relying on the non-financial companies to have reported before they can report. But since the two company-types report at the same time (typically the 1st quarter, and for a few also the 2nd quarter, of the following year), there is a good chance/risk that the financial companies do not have the data from the non-financial companies, yet. This problem will persist year-on-year – even after the full Taxonomy reporting regulation has kicked in – this is an inbuilt issue.

We are not certain that EU legislators have acknowledged the likelihood that this issue will persist. In fact, in the Commission Staff Working Document 317 (2023) (Measure 4) it is stated that: 'Now that companies are gradually starting to publish their taxonomy figures, this data gap is expected to close for investments in EU entities in scope.' That indicates, they either believe reporting one year old data is useful – or they think the financial companies can/will wait to publish their annual reports to the market, until all the non-financial companies under NFRD (later CSRD) have reported. Both solutions are unrealistic – and the usability of the report is highly questionable.

In the original EU Green Taxonomy Regulation (2020) (21) as well as in the Disclosure Delegated Act (2021), Article 7 (7), it is stated that the financial companies should explain how much of their aligned assets[35] are estimated, and they should explain how the estimations are made - and it is only to be used in 'such exceptional cases and only for those economic activities for which complete, reliable and timely information could not be obtained'. Based on our dialogues with banks, we believe these exceptional cases are the norm. But at the same time the Platform stresses in relation to potential voluntary reporting that estimates are not allowed (Platform on Sustainable Finance (2021), p 11). So, we appreciate that it is now also stated in the Commission Staff Working Document 317 (2023) (Measure 4) that 'the Commission will assess the feasibility of issuing guidance to stakeholders on how to construct robust and reliable taxonomy estimates.'

Looking at reporting practice from all the financial companies, only six of them indicate/admit having used estimates – and only three of them quantify it. As indicated, we find it highly unlikely to be complete[36], as we assume all have used estimates (or old data) – at least to some degree. We also notice that none explain how the estimations are performed, which of course is not satisfactory. Since we have no indications from the reporting on how the estimations are made, we have instead looked at the material the external ESG data providers provide to the financial companies – as they are typically the vendors selling the data to the financial companies. Unfortunately, the data providers are not very specific about how the data is estimated[37]. Here is an anonymized example:

34. In accordance with the European Supervisory Authorities' (ESA's) suggestions, we use the term estimates instead of 'equivalent information'. (ESA, 2023)

35.Alignment is not mandatory to report yet for the financial companies – this will kick in from the next reporting year.

36. Even if the financial companies choose to use the actual reported data from reporting year 2021, we must assume a lot is estimated, since the reporting from the non-financial companies in 2021 was very sporadic and of very poor quality – see Jagd (2022).

37. It is the same companies, who sell ESG ratings. It might be useful to include the Taxonomy data into the coming regulation on the transparency and integrity of ESG rating activities (European Commission (2023c)).

> 'Identify Company Involvement in Taxonomy-Eligible Activities:
>
> What percentage of a company's revenues, capex, or opex is associated with eligible economic activities that could make a Substantial Contribution to the EU Taxonomy's Climate Change Mitigation and Climate Change Adaptation objectives?'
>
> We do that by: 'Looking at company reporting and using sophisticated estimation approaches, we provide the percentage of eligible revenue, capex and opex (each broken down by reported data vs estimated data)'

We do not know what 'sophisticated estimation approaches' means precisely, but a qualified guess based on dialogues with different banks and data providers indicate that it is most likely a model that uses a combination of the historical IFRS segment reporting per company, a simple assumption of whether activities within a given segment are either 100% eligible or non-eligible, and on top of this estimates of the companies' future segment revenue, OpEx[38], and CapEx.

But as discussed, we do not know for certain. But it could explain why we see something that appears to be a rough overstatement of the eligible assets within the financial companies of approximately +20% points. If the estimations are made in such a dualistic manner, where segment activities are either 100% eligible or not, then there is a significant risk that eligibility will be overstated, because in the real world companies are rarely 100% eligible. Looking at the 75 largest, listed non-financial companies in EU, none are 100% eligible, and only four are more than 95% eligible.

We look forward to the promised estimation guidance from the European Commission, and one can also hope the Taxonomy eligibility (and from next year also alignment) models get more precise in the future, when more real data from the non-financial company reports are fed into these models.

THE ISSUE OF PURPOSE – THE BIG WHY?

The most fundamental question to raise around the financial company Taxonomy reporting is – why? What is the purpose of that reporting, who will use it – and how? The financial companies seem to be the end-users of the Taxonomy data. The purpose of the EU Green Taxonomy is to be used for investment-evaluations, helping investors identify green companies/projects and accelerate the financing they receive, to support transition plans, and avoid greenwashing – so why should the financial companies also make Taxonomy reports, when they also have the SFDR obligations?

One argument could be that other investors could buy the stocks of these financial companies as well, and hence also have a need to evaluate how 'green' the financial company is compared to other financial companies. If that is the purpose, then one can wonder: What is the purpose of the complicated KPIs and not to mention enormous tabular forms[39] with endless details, that kicks in next year (see Disclosure Delegated Act (2021), Annex III – X)? Who will use these – and for what?

Another argument could be, that the very detailed reporting, which we claim still to a large extent will be based on either old data or estimates due to the timing issue we described in the last section, is needed for the authorities to check if the reporting is carried out correctly. But if that is the case, may we then suggest a drastically simpler reporting, which other investors can use – and await the mandatory assurance to kick in. The outcome would be more useful and lead to good quality reporting – instead of something that appears to be reporting for reporting's sake.

38. OpEx - how do they estimate that? The companies have so many issues measuring it in real life, and it is impossible to find in the financial report, which is what the financial companies have access to. We assume it is an even rougher estimate.

39. For illustration and for the readers' convenience, we have included a copy of one of them in Appendix III.

BONDS

The EU Green Taxonomy is a cornerstone of the forthcoming European Green Bond Standard (EUGBS)[40] as it provides the definitions of 'green' for European Green Bonds. We have therefore investigated whether the financial companies work with (buy, sell, issue, facilitate, etc.) corporate bonds – and whether these are green or perhaps even Taxonomy labelled bonds.

Not surprisingly, all financial companies work with corporate bonds. A bit more surprisingly, however, is the fact that only one financial company is not working with green bonds at all (or at least, it does not report about it). That means 24 out of 25 openly work with green bonds at least to some degree, of which five also work with Taxonomy labelled bonds. Given the relatively short period of time the Taxonomy has been in force, and given that it is not fully implemented yet, that is quite impressive. But at the same time, we also notice this recent statement in an analysis of the Taxonomy reporting from Nordea:

> 'In light of our findings[41], if all companies were to align their green bond frameworks and subsequent green bond issuances with the EU Taxonomy, there would be a substantial decrease in green bond supply. Although the EUGBS does offer a provision for companies to issue green bonds based on 10-year capex plans, Nordea finds it unlikely that the EUGBS will be widely adopted in the coming years.
>
> Consequently, this predicament could result in two potential scenarios in the short-term: either a diluted format of the EUGBS or the coexistence of two parallel green bond formats (EUGBS and ICMA Green Bond Principles) moving forward. With the latter, we could expect a mid-way step of issuers more often declaring their green use-of-proceeds EU Taxonomy alignment in their «regular» green bond frameworks'. (Nordea, 2023)

It will be very interesting to follow the development in the coming years, when the EUGBS is released and will be in force, to see whether Nordea is right in their predictions – and they might be. Regardless of which framework will be used for issuance of green bonds in the future, the positive indications we have already got from the analyses of issuance of Taxonomy labelled bonds from the non-financial companies, gives us high hopes for the future of green bonds. But whether the new bonds will still primarily refer to the ICMA Green Bond Principles[42], as they may appear easier to implement, remains to be seen.

40. See more here: European green bond standard (europa.eu)

41. Nordea is, in their recent analysis of the eligibility and alignment of 210 companies of their 'Nordea's universe', disappointed about how low both the eligibility but especially the alignment is, when looking at the data from the non-financial companies' reports. (Nordea, 2023).

42. See more here: Green Bond Principles » ICMA (icmagroup.org)

CONCLUSIONS AND RECOMMENDATIONS

Our analysis looked at the reporting practice of the 100 largest, listed EU companies. We have found some good and useful elements, where there seem to be no ambiguities, and even some positive surprises. But we have also seen a lot of reports with mistakes, different interpretations, and a lot of requirements, which appear to be redundant given the purpose of this legislation.

Positive findings: All companies refer to the Taxonomy, and all do it within the non-financial reporting, as they should. 98 out of 100 voluntarily get some sort of assurance of their non-financial reporting, of which 42 also voluntarily get assurance of their Taxonomy reporting. 58 companies work with or issue green bonds, of which 12 already are working with Taxonomy labelled bonds. That is impressive.

But as indicated, there are also some mistakes, ambiguities, and redundant requirements, which leads us to provide the following recommendations:

For non-financial companies:

- Ensure to use the mandatory tabular forms – even if you do not have any eligible activities;
- Ensure the reconcilement of reporting to the consolidated financial reporting;
- Do not invent your own activity codes - use the Delegated Act codes;
- Improve the accounting principles descriptions – include potential thresholds used.

For financial companies

- Reconcile the reporting to the consolidated financial reporting;
- Improve the accounting principles descriptions – especially for the KPI-formulas – and ensure they are right according to the legislation;
- Improve the estimation models, include descriptions of how estimates are made (also if they are bought from an external data provider) and explain how much is estimated.

For EU legislators:

- Consider carefully the purposes of the reporting. Who are the users? How are they to use the reporting? We suggest drastically reducing the reporting complexity – especially the tabular forms for both the non-financial and financial companies which appear heavily overcomplex containing many redundant elements with no users.
- If some of the reporting complexity is invented due to a desire for correct reporting, we suggest instead to consider enhancing the requirements for reconciliations to the financial report and awaiting the introduction of the mandatory assurance. This will maximize completeness and quality – and hence usability of the reports.
- Define the term 'activity'. Define it – once and for all – not in a FAQ but in a real Delegated Act, whereby the legal status cannot be debated. Consider also, specifically allowing for and perhaps defining a valid financial threshold.
- Consider, if the activities in the Taxonomy are right? Should the pool of covered activities be enlarged, so they cover the companies, which are required to report – or should the legislation be narrowed to the companies covered by the activities in the Taxonomy? In this way the sense of relevance could be increased.

In general, we think the ideas within the legislation are fantastic. But the implementation – both in terms of the companies and also in the legislation – needs some adjustment. The fast uptake of Taxonomy labelled bonds indicates there is a market for this idea, whereby more capital can be funneled to the green companies/projects. That is the positive conclusion from our analysis – but it could be even better with more clarity and simplicity and a stronger focus on usability.

REFERENCE LIST

MAIN REFERENCE:

EU Green Taxonomy Regulation (2020), 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

SUPPLEMENTARY REFERENCES:

Climate Delegated Act (2021), 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, EUR-Lex - 32021R2139 - EN - EUR-Lex (europa.eu)

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APPENDIX I : Copy of the first part of the tabular form for the non-financial undertakings

Template: proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year N

				Substantial contribution criteria						DHSH criteria ('Does Not Signify Harm')										
Economic activities (1)	Code(s)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, year N (18)	Taxonomy-aligned proportion of turnover, year N-1 (19)	Category (enabling activity or) (20)	Category '(transitional activity)' (21)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES									%											
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Activity 1 [1]				%	%	%	%	%	%		Y	Y	Y	Y	Y	**Y**			E	
Activity 2			%	%	%	%	%	%	%	Y	Y		Y	Y	Y	Y				

Source: Disclosure Delegated Act (2021), Annex II

APPENDIX II: Accumulated activity values of the non-financial companies

Million EUR			Eligbile and aligned			Eligbile but not aligned			Total		
Sector	Activity no.	Activity (combined mitigation and adaptation)	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
Forestry	1.1	Afforestation	0	4	0	0	0	0	0	4	0
Forestry	1.2	Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event	0	0	0	0	0	0	0	0	0
Forestry	1.3	Forest management	0	0	0	0	0	0	0	0	0
Forestry	1.4	Conservation forestry	0	0	0	0	0	0	0	0	0
Environmental protection and restoration activities	2.1	Restoration of wetlands	0	0	0	1	0	0	1	0	0
Manufacturing	3.1	Manufacture of renewable energy technologies	64	1	0	98	1	0	162	2	0
Manufacturing	3.2	Manufacture of equipment for the production and use of hydrogen	104	30	88	7	0	85	180	30	173
Manufacturing	3.3	Manufacture of low carbon technologies for transport	73,385	30,260	10,800	717,672	58,367	21,193	791,057	88,627	31,993
Manufacturing	3.4	Manufacture of batteries	786	34	71	1,645	319	34	2,431	353	105
Manufacturing	3.5	Manufacture of energy efficiency equipment for buildings	7,082	521	67	845	17	3	7,927	538	70
Manufacturing	3.6	Manufacture of other low carbon technologies	2,492	1,747	974	26,318	2,225	1,252	28,810	3,972	2,226
Manufacturing	3.7	Manufacture of cement	346	361	45	14,720	969	1,116	15,066	1,330	1,161
Manufacturing	3.8	Manufacture of aluminium	0	0	0	0	0	0	0	0	0
Manufacturing	3.9	Manufacture of iron and steel	0	0	0	71,221	2,298	3,688	71,221	2,298	3,688
Manufacturing	3,10	Manufacture of hydrogen	153	202	24	3,229	235	140	3,382	437	164
Manufacturing	3.11	Manufacture of carbon black	0	0	0	14	8	1	14	8	1
Manufacturing	3.12	Manufacture of soda ash	6	15	4	6	6	6	12	21	10
Manufacturing	3.13	Manufacture of chlorine	0	0	0	1	3	37	1	3	37
Manufacturing	3.14	Manufacture of organic basic chemicals	249	1,004	15	13,009	2,000	526	13,258	3,004	541
Manufacturing	3.15	Manufacture of anhydrous ammonia	0	0	0	555	13	23	555	13	23

Million EUR			Eligbile and aligned			Eligbile but not aligned			Total		
Sector	Activity no.	Activity (combined mitigation and adaptation)	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
Manufacturing	3.16	Manufacture of nitric acid	0	0	0	224	7	21	224	7	21
Manufacturing	3.17	Manufacture of plastics in primary form	72	36	56	27,375	620	560	27,447	656	616
Energy	4.1	Electricity generation using solar photovoltaic technology	5,036	12,787	171	152	93	12	5,188	12,880	183
Energy	4.2	Electricity generation using concentrated solar power (CSP) technology	0	0	0	0	2	0	0	2	0
Energy	4.3	Electricity generation from wind power	34,012	18,669	2,247	965	136	53	34,977	18,805	2,300
Energy	4.4	Electricity generation from ocean energy technologies	0	5	0	0	0	7	0	5	7
Energy	4.5	Electricity generation from hydropower	14,426	2,104	937	675	20	21	15,101	2,124	958
Energy	4.6	Electricity generation from geothermal energy	624	125	4	0	0	0	624	125	4
Energy	4.7	Electricity generation from renewable non-fossil gaseous and liquid fuels	0	0	0	6	0	0	6	0	0
Energy	4.8	Electricity generation from bioenergy	465	23	131	135	25	20	600	48	151
Energy	4.9	Transmission and distribution of electricity	82,495	21,575	3,357	9,569	691	759	92,064	22,266	4,116
Energy	4,10	Storage of electricity	3,839	1,158	70	1	5	3	3,840	1,162	73
Energy	4.11	Storage of thermal energy	2	5	0	0	5	0	2	10	0
Energy	4.12	Storage of hydrogen	0	8	2	2	4	0	2	12	2
Energy	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	8,481	2,001	139	1,351	308	43	9,832	2,308	182
Energy	4.14	Transmission and distribution networks for renewable and low-carbon gases	993	789	54	100	30	1	1,093	819	55
Energy	4.15	District heating/ cooling distribution	7,492	820	800	1,116	73	103	8,608	893	903
Energy	4.16	Installation and operation of electric heat pumps	10	8	0	28	0	1	38	8	1
Energy	4.17	Cogeneration of heat/cool and power from solar energy	0	0	0	0	0	0	0	0	0
Energy	4.18	Cogeneration of heat/cool and power from geothermal energy	0	0	0	1	0	0	1	0	0
Energy	4.19	Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels	29	1	0	0	0	0	29	1	0

Million EUR			Eligbile and aligned			Eligbile but not aligned			Total		
Sector	Activity no.	Activity (combined mitigation and adaptation)	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
Energy	4,20	Cogeneration of heat/cool and power from bioenergy	1,817	130	144	83	9	23	1,900	139	167
Energy	4.21	Production of heat/ cool from solar thermal heating	0	3	0	0	0	0	0	3	0
Energy	4.22	Production of heat/ cool from geothermal energy	13	0	0	2	8	1	15	8	1
Energy	4.23	Production of heat/ cool from renewable non-fossil gaseous and liquid fuels	0	19	0	0	10	9	0	29	9
Energy	4.24	Production of heat/ cool from bioenergy	223	29	45	2	16	0	225	45	45
Energy	4.25	Production of heat/ cool using waste heat	76	7	32	3	2	7	79	9	39
Energy	4.26	Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle	16	1	0	0	0	0	16	1	0
Energy	4.27	Construction and safe operation of new nuclear power plants, for the generation of electricity and/ or heat, including for hydrogen production, using best-available technologies	17	618	798	29	0	0	46	618	798
Energy	4.28	Electricity generation from nuclear energy in existing installations	20,933	4,722	3,081	129	10	0	21,062	4,732	3,081
Energy	4.29	Electricity generation from fossil gaseous fuels	0	31	0	57,661	2,257	878	57,661	2,288	878
Energy	4,30	High-efficiency co-generation of heat/ cool and power from fossil gaseous fuels	58	50	8	10,261	647	206	10,319	697	214
Energy	4.31	Production of heat/ cool from fossil gaseous fuels in an efficient district heating and cooling system	13	0	2	211	1	20	224	1	22
Water supply, sewerage, waste management and remediation	5.1	Construction, extension and operation of water collection, treatment and supply systems	3,702	308	1,018	2,399	88	317	6,101	396	1,335
Water supply, sewerage, waste management and remediation	5.2	Renewal of water collection, treatment and supply systems	14	0	3	16	5	10	30	5	13

Million EUR			Eligbile and aligned			Eligbile but not aligned			Total		
Sector	Activity no.	Activity (combined mitigation and adaptation)	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
Water supply, sewerage, waste management and remediation	5.3	Construction, extension and operation of waste water collection and treatment	1,027	47	226	3,017	221	1,034	4,044	268	1,260
Water supply, sewerage, waste management and remediation	5.4	Renewal of waste water collection and treatment	0	0	0	8	11	1	8	11	1
Water supply, sewerage, waste management and remediation	5.5	Collection and transport of non-hazardous waste in source segregated fractions	1,612	56	1,093	59	0	44	1,671	56	1,137
Water supply, sewerage, waste management and remediation	5.6	Anaerobic digestion of sewage sludge	1	0	1	5	0	1	6	0	2
Water supply, sewerage, waste management and remediation	5.7	Anaerobic digestion of bio-waste	87	146	12	76	29	5	163	175	17
Water supply, sewerage, waste management and remediation	5.8	Composting of bio-waste	109	6	71	33	0	7	142	6	78
Water supply, sewerage, waste management and remediation	5.9	Material recovery from non-hazardous waste	1,987	174	1,137	1,662	85	193	3,649	259	1,330
Water supply, sewerage, waste management and remediation	5,10	Landfill gas capture and utilisation	129	14	49	69	14	21	198	28	70
Water supply, sewerage, waste management and remediation	5.11	Transport of CO_2	0	0	0	0	0	0	0	0	0
Water supply, sewerage, waste management and remediation	5.12	Underground permanent geological storage of CO_2	0	98	33	0	0	9	0	98	42
Transport	6.1	Passenger interurban rail transport	0	0	0	0	0	0	0	0	0
Transport	6.2	Freight rail transport	31	0	0	161	52	1	192	52	1

Million EUR			Eligbile and aligned			Eligbile but not aligned			Total		
Sector	Activity no.	Activity (combined mitigation and adaptation)	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
Transport	6.3	Urban and suburban transport, road passenger transport	135	1	0	273	38	0	408	39	0
Transport	6.4	Operation of personal mobility devices, cycle logistics	2,078	1	26	134	3	2	2,212	4	28
Transport	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	3,067	1,097	56	65,420	24,293	459	68,487	25,390	515
Transport	6.6	Freight transport services by road	274	54	8	23,997	2,385	354	24,271	2,439	362
Transport	6.7	Inland passenger water transport	0	0	0	0	0	0	0	0	0
Transport	6.8	Inland freight water transport	0	0	0	0	0	0	0	0	0
Transport	6.9	Retrofitting of inland water passenger and freight transport	0	0	0	0	0	0	0	0	0
Transport	6,10	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	1,473	389	11	64,059	3,300	307	65,532	3,689	318
Transport	6.11	Sea and coastal passenger water transport	0	0	0	0	0	0	0	0	0
Transport	6.12	Retrofitting of sea and coastal freight and passenger water transport	0	23	0	0	797	0	0	820	0
Transport	6.13	Infrastructure for personal mobility, cycle logistics	291	141	10	746	19	0	1,037	160	10
Transport	6.14	Infrastructure for rail transport	3,448	169	0	1,802	45	4	5,250	214	4
Transport	6.15	Infrast. enabling low-carbon road transport and public transport	7,186	2,453	230	5,411	1,069	151	12,597	3,522	381
Transport	6.16	Infrastructure enabling low carbon water transport	1,173	101	42	2,216	552	181	3,389	653	223
Transport	6.17	Low carbon airport infrastructure	30	0	0	4	3	0	34	3	0
Construction and real estate	7.1	Construction of new buildings	1,299	59	0	12,122	939	3	13,421	998	3
Construction and real estate	7.2	Renovation of existing buildings	376	110	10	1,975	1,595	571	2,351	1,705	581
Construction and real estate	7.3	Installation, maintenance and repair of energy efficiency equipment	4,962	492	229	3,428	491	37	8,390	983	266
Construction and real estate	7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	172	64	2	29	4	1	201	68	3

Million EUR			Eligbile and aligned			Eligbile but not aligned			Total		
Sector	Activity no.	Activity (combined mitigation and adaptation)	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
Construction and real estate	7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	1,328	139	17	42	21	0	1,370	160	17
Construction and real estate	7.6	Installation, maintenance and repair of renewable energy technologies	2,393	667	402	6	18	3	2,399	685	405
Construction and real estate	7.7	Acquisition and ownership of buildings	9	1,209	0	116	13,561	225	125	14,770	225
Information and communication	8.1	Data processing, hosting and related activities	0	0	0	17,171	1,860	542	17,171	1,860	542
Information and communication	8.2	Data-driven solutions for GHG emissions reductions	1,477	43	16	869	131	103	2,346	174	119
Information and communication	8,3*	Programming and broadcasting activities	61	297	0	3,442	182	130	3,503	479	130
Professional, scientific and technical activities	9.1	Close to market research, development and innovation	3	70	157	50	24	88	53	94	245
Professional, scientific and technical activities	9.2	Research, development and innovation for direct air capture of CO2	0	0	0	0	0	0	0	0	0
Professional, scientific and technical activities	9.3	Professional services related to energy performance of buildings	8,725	385	1,818	401	22	22	9,126	407	1,840
Financial and insurance activities	10,1*	Non-life insurance: underwriting of climate-related perils	0	0	0	11	0	0	11	0	0
Financial and insurance activities	10,2*	Reinsurance	0	0	0	0	0	0	0	0	0
Human health and social work activities	12,1*	Residential care activities	0	0	0	0	0	0	0	0	0
Arts, entertainment and recreation	13,1*	Creative, arts and entertainment activities	0	0	0	11	0	0	11	0	0
Arts, entertainment and recreation	13,2*	Libraries, archives, museums and cultural activities	0	0	0	0	0	0	0	0	0
Arts, entertainment and recreation	13,3*	Motion picture, video and television programme production, sound recording and music publishing activities	17	6	0	1,500	201	1	1,517	207	1
	N/A	Homemade activities	4,572	613	153	2,687	369	115	7,259	982	268
		Total eligible activities	319,057	109,335	30,996	1,174,918	123,867	35,794	1,493,975	233,202	66,790
		Non-eligible activities							2,512,681	219,754	105,433
		Total							4,006,656	452,956	172,223

*Only adaption activity

(to see this specific table, see Disclosure Delegated Act (2021), Annex VI)

Assets for the calculation of GAR

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q	r	s	t	u	v	w	x	y	z	aa	ab	ac	ad	ae	af
		Disclosure reference date T																Disclosure reference date T-1															
	Million EUR	Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)					Total gross carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)					TOTAL (CCM + CCA)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)						Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)						Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)			
					Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling				Of which specialised lending	Of which transitional	Of which enabling			Of which specialised lending	Of which adaptation	Of which enabling			Of which specialised lending	Of which transitional/adaptation	Of which enabling
1	**GAR - Covered assets in both numerator and denominator**																																
2	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation																																
3	**Financial corporations**																																
4	Credit institutions																																
5	Loans and advances																																
6	Debt securities, including UoP																																
7	Equity instruments																																
8	Other financial corporations																																
9	of which investment firms																																
10	Loans and advances																																
11	Debt securities, including UoP																																
12	Equity instruments																																
13	of which management companies																																
14	Loans and advances																																
15	Debt securities, including UoP																																
16	Equity instruments																																
17	of which insurance undertakings																																
18	Loans and advances																																
19	Debt securities, including UoP																																
20	Equity instruments																																
21	**Non-financial corporations**																																
22	NFCs subject to NFRD disclosure obligations																																
23	Loans and advances																																
24	Debt securities, including UoP																																
25	Equity instruments																																
26	**Households**																																
27	of which loans collateralised by residential immovable property																																
28	of which building renovation loans																																
29	of which motor vehicle loans																																
30	**Local governments financing**																																
31	Collateral obtained by taking possession: residential and commercial immovable properties																																
32	Other local government financing																																
33	**Other assets excluded from the numerator for GAR calculation (covered in the denominator)**																																
34	**Non-financial corporations**																																
35	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations																																
36	Loans and advances																																
37	of which loans collateralised by commercial immovable property																																
38	of which building renovation loans																																
39	Debt securities																																
40	Equity instruments																																
41	Non-EU country counterparties not subject to NFRD disclosure obligations																																
42	Loans and advances																																
43	Debt securities																																
44	Equity instruments																																
45	**Derivatives**																																
46	**On demand interbank loans**																																
47	**Cash and cash-related assets**																																
48	**Other assets (e.g. Goodwill, commodities etc.)**																																
49	**Total GAR assets**																																
50	**Other assets not covered for GAR calculation**																																
51	**Sovereigns**																																
52	**Central banks exposure**																																
53	**Trading book**																																
54	**Total assets**																																
Off-balance sheet exposures - Corporates subject to NFRD disclosure obligations																																	
55	Financial guarantees																																
56	Assets under management																																
57	Of which debt securities																																
58	Of which equity instruments																																

1. This template shall include information for loans and advances, debt securities and equity instruments in the banking book, towards financial corporates, non-financial corporates (NFC), including SMEs, households (including residential real estate, house renovation loans and motor vehicle loans only) and local governments/municipalities (house financing).

2. The following accounting categories of financial assets should be considered: Financial assets at amortised cost, financial assets at fair value through other comprehensive income, investments in subsidiaries, joint ventures and associates, financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss, and real estate collaterals obtained by credit institutions by taking possession in exchange in of cancellation of debts.

3. Banks with non-EU subsidiary should provide this information separately for exposures towards non-EU counterparties. For non-EU exposures, while there are additional challenges in terms of absence of common disclosure requirements and methodology, as the EU taxonomy and the NFRD apply only at EU level, given the relevance of these exposures for those credit institutions with non-EU subsidiaries, these institutions should disclose a separate GAR for non-EU exposures, on a best effort basis, in the form of estimates and ranges, using proxies, and explaining the assumptions, caveats and limitations

4. For motor vehicle loans, institutions shall only include those exposures generated after the date of application of the disclosure

APPENDIX IV: OVERVIEW OF COMPANIES INCLUDED IN THE ANALYSES

Forbes 2000 ranking	Company name	HQ Country	Revenue	Profit	Assets	Market value	GICS sector
21.	TotalEnergies	France	$257.59 B	$21.12 B	$293.03 B	$151.64 B	Energy
29.	Volkswagen Group	Germany	$293.47 B	$15.63 B	$633.78 B	$70.16 B	Consumer Discretionary
33.	BNP Paribas	France	$99.47 B	$10.11 B	$2,845.69 B	$78.59 B	Financials
37.	Allianz	Germany	$134.26 B	$7.08 B	$1,139.49 B	$95.45 B	Financials
41.	Deutsche Telekom	Germany	$120.72 B	$8.41 B	$342.62 B	$117.18 B	Communication Services
42.	Mercedes-Benz Group	Germany	$158.78 B	$15.55 B	$286 B	$78.49 B	Consumer Discretionary
46.	BMW Group	Germany	$154.25 B	$11.67 B	$268.98 B	$75.77 B	Consumer Discretionary
47.	LVMH Moët Hennessy Louis Vuitton	France	$83.22 B	$14.8 B	$143.7 B	$482.45 B	Consumer Discretionary
48.	AXA Group	France	$110.92 B	$6.83 B	$701.25 B	$70.07 B	Financials
49.	Grupo Santander	Spain	$87.74 B	$10.09 B	$1,900.64 B	$56.18 B	Financials
61.	Stellantis	Netherlands	$188.75 B	$17.66 B	$198.68 B	$49.84 B	Consumer Discretionary
72.	Anheuser-Busch InBev	Belgium	$57.83 B	$6.06 B	$214.82 B	$128.21 B	Consumer Staples
81.	Eni Group	Italy	$132.38 B	$13.12 B	$154.13 B	$49.97 B	Energy
89.	Sanofi	France	$45.19 B	$8.8 B	$135.24 B	$140.17 B	Health Care
97.	Siemens	Germany	$77.3 B	$3.74 B	$153.61 B	$130.65 B	Industrials
102.	Iberdrola	Spain	$59.55 B	$4.89 B	$165.07 B	$81.39 B	Utilities
103.	BBVA-Banco Bilbao Vizcaya	Spain	$51.94 B	$6.72 B	$803.5 B	$41.23 B	Financials
112.	Intesa Sanpaolo	Italy	$36.36 B	$5.83 B	$1,037.75 B	$48.86 B	Financials
114.	Munich Re	Germany	$79.52 B	$3.61 B	$324.75 B	$51.22 B	Financials
127.	AIRBUS	France	$60.87 B	$3.63 B	$128.27 B	$106.13 B	Industrials
129.	Credit Agricole	France	$51.3 B	$5.28 B	$2,313.39 B	$34.4 B	Financials
129.	VINCI	France	$65.44 B	$4.48 B	$119.52 B	$67.8 B	Industrials
137.	Bayer	Germany	$53.33 B	$4.36 B	$139.69 B	$63.47 B	Health Care
152.	Generali Group	Italy	$91.78 B	$3.06 B	$552.89 B	$31.51 B	Financials
154.	Deutsche Post	Germany	$96.47 B	$5.12 B	$73.18 B	$55.25 B	Industrials
174.	A.P. Moller-Maersk	Denmark	$76.61 B	$24.83 B	$85.49 B	$30.17 B	Industrials
176.	UniCredit	Italy	$21.03 B	$6.79 B	$915.46 B	$40.14 B	Financials
178.	Enel	Italy	$132.19 B	$1.34 B	$229.91 B	$68.9 B	Utilities
182.	L'Oréal	France	$40.21 B	$6 B	$49.99 B	$250.39 B	Consumer Staples
188.	Deutsche Bank	Germany	$44.54 B	$5.59 B	$1,419.75 B	$21.65 B	Financials
195.	Porsche Automobil Holding	Germany	$41.27 B	$5.56 B	$50.07 B	$115.76 B	Consumer Discretionary
200.	ING Group	Netherlands	$19.51 B	$3.86 B	$1,032.9 B	$43.32 B	Financials
206.	Schneider Electric	France	$35.92 B	$3.65 B	$62.29 B	$97.63 B	Industrials
209.	E.ON	Germany	$121.56 B	$1.93 B	$163.48 B	$34.79 B	Utilities
213.	RWE Group	Germany	$40.32 B	$2.86 B	$188.79 B	$33.95 B	Utilities
214.	ArcelorMittal	Luxembourg	$79.53 B	$9.04 B	$94.55 B	$21.15 B	Materials
219.	Nordea Bank	Finland	$17.97 B	$4.64 B	$656.35 B	$38.57 B	Financials
221.	SAP	Germany	$32.48 B	$2.11 B	$79.89 B	$156.95 B	Information Technology

Forbes 2000 ranking	Company name	HQ Country	Revenue	Profit	Assets	Market value	GICS sector
230.	Volvo Group	Sweden	$48.07 B	$3.71 B	$63.11 B	$41.03 B	Industrials
236.	Novo Nordisk	Denmark	$26.32 B	$8.54 B	$36.47 B	$359.43 B	Health Care
240.	ASML Holding	Netherlands	$25.36 B	$7.16 B	$38.19 B	$254.33 B	Information Technology
248.	Air Liquide	France	$31.46 B	$2.9 B	$52.85 B	$93.96 B	Materials
251.	Orange	France	$45.69 B	$2.05 B	$120.79 B	$34.05 B	Communication Services
262.	EssilorLuxottica	France	$25.74 B	$2.26 B	$64.63 B	$90.12 B	Health Care
263.	Merck KGaA	Germany	$23.36 B	$3.49 B	$52.34 B	$79.2 B	Health Care
271.	Royal Ahold Delhaize	Netherlands	$91.42 B	$2.68 B	$51.82 B	$32.37 B	Consumer Staples
273.	KBC Group	Belgium	$18.46 B	$2.95 B	$379.8 B	$29.1 B	Financials
273.	Inditex	Spain	$34.1 B	$4.32 B	$32.56 B	$108.47 B	Consumer Discretionary
280.	Saint-Gobain	France	$53.81 B	$3.16 B	$59.1 B	$29.32 B	Industrials
282.	Daimler Truck Holding	Germany	$53.54 B	$2.8 B	$68.27 B	$26.35 B	Industrials
283.	PKN Orlen	Poland	$62.44 B	$7.94 B	$62.18 B	$17.6 B	Energy
286.	Telefónica	Spain	$42.03 B	$2.06 B	$117.02 B	$25.48 B	Communication Services
290.	Repsol	Spain	$76.12 B	$4.13 B	$65.31 B	$18.84 B	Energy
293.	EnBW-Energie Baden	Germany	$58.86 B	$1.83 B	$87.93 B	$26.95 B	Utilities
297.	CaixaBank	Spain	$15.43 B	$3.42 B	$672.2 B	$26.5 B	Financials
304.	CRH	Ireland	$32.84 B	$3.83 B	$45.19 B	$36.36 B	Materials
314.	Société Générale	France	$53.33 B	$1.49 B	$1,586.81 B	$16.19 B	Financials
328.	Kering	France	$21.39 B	$3.8 B	$36.22 B	$75.52 B	Consumer Discretionary
357.	OMV Group	Austria	$59.73 B	$3.62 B	$59.08 B	$15.17 B	Energy
368.	Nokia	Finland	$26.44 B	$4.49 B	$45.6 B	$23.06 B	Information Technology
382.	Naturgy Energy Group	Spain	$35.7 B	$1.73 B	$43.11 B	$30.16 B	Utilities
385.	Poste Italiane	Italy	$29.3 B	$1.61 B	$285.67 B	$13.54 B	Industrials
388.	Skandinaviska Enskilda Banken Group	Sweden	$10.84 B	$2.88 B	$366.63 B	$23.63 B	Financials
391.	Erste Group Bank	Austria	$17.55 B	$2.3 B	$372.57 B	$14.52 B	Financials
396.	Heineken	Netherlands	$30.18 B	$1.41 B	$57.01 B	$27.58 B	Consumer Staples
402.	EDF	France	$150.79 B	$-19.5 B	$414.23 B	$52.83 B	Utilities
411.	Fresenius	Germany	$42.71 B	$1.44 B	$81.55 B	$15.6 B	Health Care
415.	CEZ Group	Czech Republic	$15.16 B	$3.46 B	$48.93 B	$30.29 B	Utilities
418.	Talanx	Germany	$56.19 B	$1.23 B	$200.25 B	$12.11 B	Financials
429.	Carrefour	France	$87.32 B	$1.42 B	$60.35 B	$14.33 B	Consumer Staples
430.	Danone	France	$29.07 B	$993.2 M	$48.33 B	$42.51 B	Consumer Staples
439.	Pernod Ricard	France	$12.46 B	$2.52 B	$39.35 B	$60.47 B	Consumer Staples
440.	Michelin Group	France	$30.05 B	$2.1 B	$37.72 B	$23.13 B	Consumer Discretionary
446.	Orsted	Denmark	$16.9 B	$1.65 B	$44.72 B	$39.16 B	Utilities
452.	Investor AB	Sweden	$8.11 B	$2.62 B	$73.17 B	$65.58 B	Financials
456.	DSV Panalpina	Denmark	$30.12 B	$2.3 B	$22.57 B	$41.21 B	Industrials
457.	ENGIE	France	$98.65 B	$228.1 M	$251.33 B	$38.78 B	Utilities
474.	Commerzbank	Germany	$15.55 B	$1.51 B	$524.97 B	$13.46 B	Financials
479.	Henkel	Germany	$23.54 B	$1.32 B	$35.41 B	$34.28 B	Consumer Staples
480.	Veolia Environnement	France	$45.07 B	$752.3 M	$78.23 B	$21.9 B	Utilities
489.	Svenska Handelsbanken	Sweden	$10.09 B	$2.18 B	$347.37 B	$17.07 B	Financials

Forbes 2000 ranking	Company name	HQ Country	Revenue	Profit	Assets	Market value	GICS sector
496.	Swedbank	Sweden	$8.78 B	$2.39 B	$292.81 B	$19 B	Financials
497.	BASF	Germany	$87.6 B	$-297.4 M	$93.59 B	$48.04 B	Materials
514.	Capgemini	France	$23.12 B	$1.63 B	$27.19 B	$31.68 B	Information Technology
524.	Bouygues	France	$46.58 B	$1.02 B	$64.67 B	$12.95 B	Industrials
524.	Hermès International	France	$12.19 B	$3.54 B	$18.63 B	$229.4 B	Consumer Discretionary
529.	Ericsson	Sweden	$26.85 B	$1.66 B	$33.33 B	$18.11 B	Information Technology
532.	Thales	France	$18.46 B	$1.18 B	$36.73 B	$31.05 B	Industrials
577.	Heidelberg Materials	Germany	$22.17 B	$1.68 B	$36.38 B	$14.33 B	Materials
579.	Edp-energias De Portugal	Portugal	$21.89 B	$713.2 M	$62.77 B	$22.31 B	Utilities
583.	Deutsche Boerse	Germany	$5.74 B	$1.61 B	$299.63 B	$35.54 B	Financials
584.	Atlas Copco	Sweden	$14.54 B	$2.39 B	$16.97 B	$70.99 B	Industrials
599.	Neste	Finland	$26.5 B	$1.55 B	$17.03 B	$35.89 B	Energy
606.	Raiffeisen Bank International (RBI)	Austria	$14.67 B	$3.9 B	$229.22 B	$5.04 B	Financials
615.	Deutsche Lufthansa	Germany	$35.8 B	$944.3 M	$48.79 B	$12.1 B	Industrials
618.	Publicis Groupe	France	$14.92 B	$1.28 B	$38.31 B	$19.53 B	Communication Services
634.	Volvo Cars	Sweden	$33.83 B	$1.48 B	$31.48 B	$11.28 B	Consumer Discretionary
642.	Sampo Group	Finland	$9.45 B	$1.5 B	$42.46 B	$25.58 B	Financials
654.	Safran	France	$20.52 B	$-2.58 B	$49.98 B	$64.35 B	Industrials
689.	Danske Bank	Denmark	$16.94 B	$-384.7 M	$552.96 B	$17.22 B	Financials

Source: Forbes 2000, ranking from 2023 based on 2022 reporting. See more here: The Global 2000 2023 (forbes.com)
GICS sector assigned subsequently from Refinitiv