

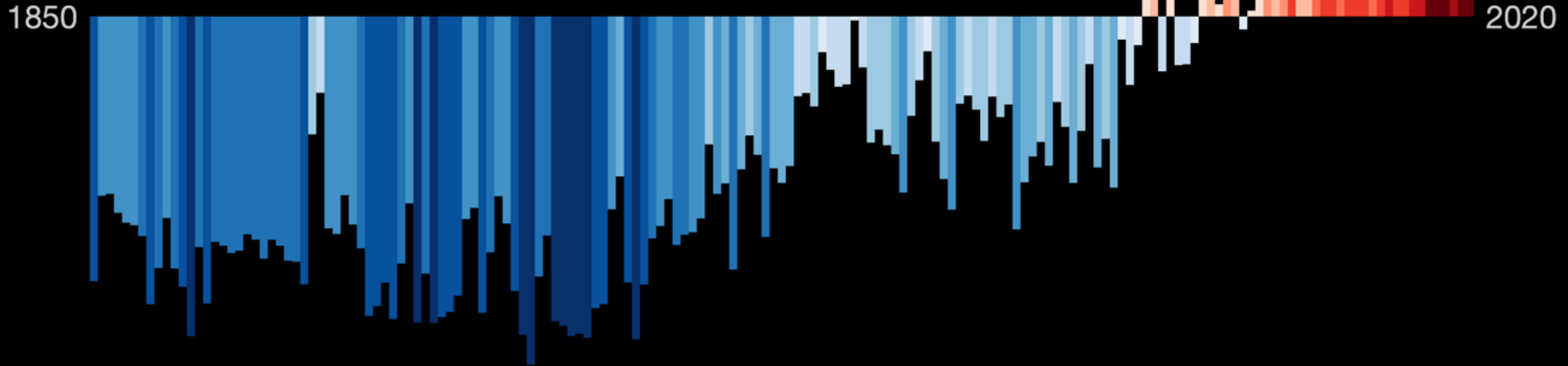
A photograph of a rock climber on a grey, textured cliff face. The climber is wearing a yellow helmet and a blue backpack. Two thick orange ropes are attached to the rock with silver carabiners. A yellow text box is overlaid on the left side of the image.

# The EU Taxonomy - Now and next

Hanne Thornam and Linn Anker-Sørensen

**January 2022**

The EU aims to cut climate emissions **by 55%** by 2030 and net zero by 2050



... and put biodiversity on a path to **recovery** by 2030



# Sustainable finance action plan

---



Mobilise  
capital



Manage  
financial risk



Promote  
transparency



# An ecosystem of reporting

Financial Markets  
(2021 and 2022)



**SFDR**

Sustainable Finance  
Disclosure Regulation

*Information to  
financial markets*



**ESEF**

**Classification**

(Eligibility 2021. Alignment 2022)



**EU taxonomy**

Classification of sustainable activities

Companies  
(2023)



**CSRD**

Corporate Sustainable  
Reporting Directive



# What is new in Norway

Now:

Changes to the Norwegian Accounting Act 3-3c

● Report «Material risk» related to ESG

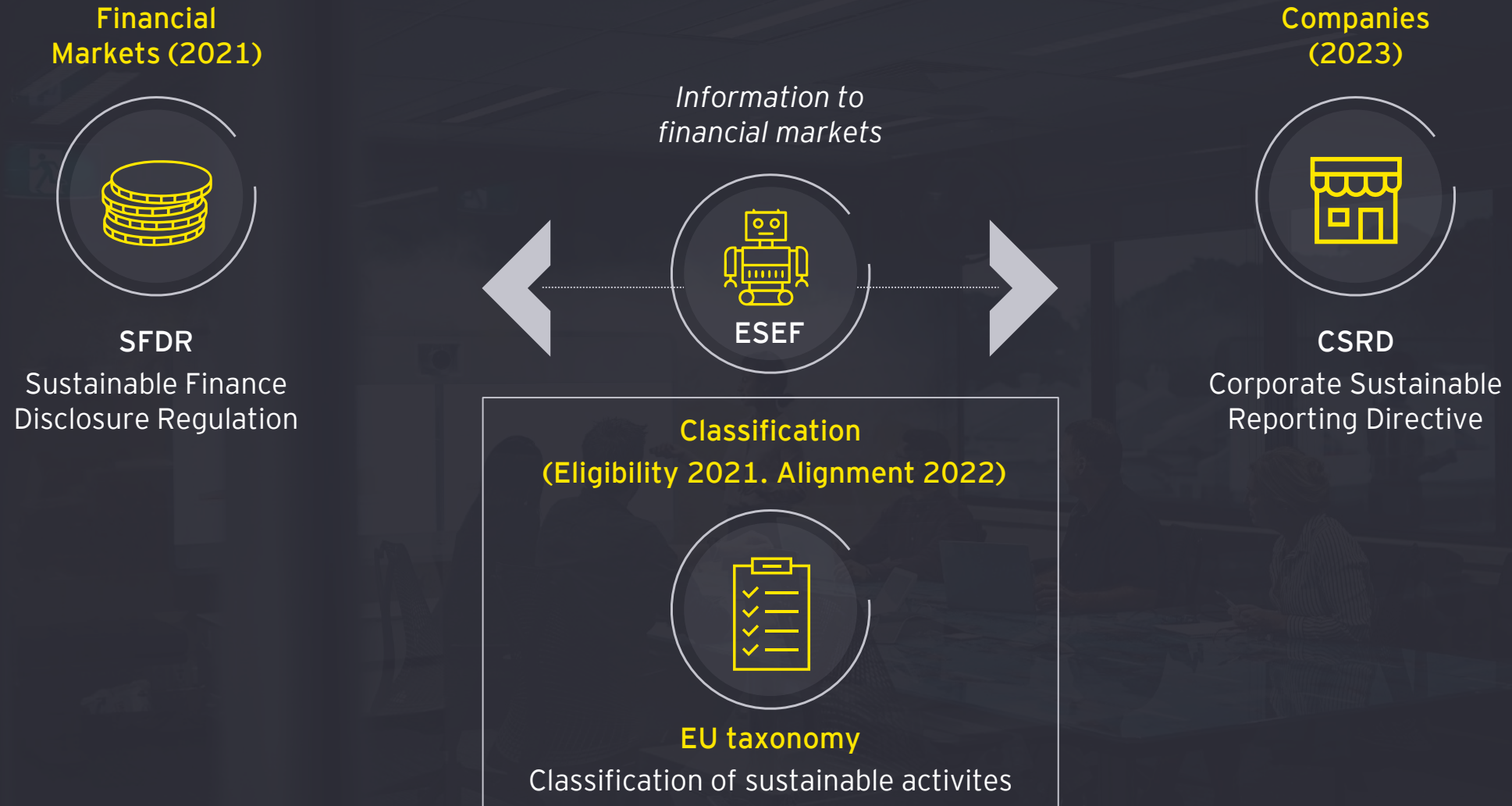
- ▶ *d) de vesentlige risikoene knyttet til foretakets virksomhet som omhandler forhold som nevnt i første ledd første punktum. Der det er relevant og vesentlig, skal det opplyses om forretningsforbindelser, produkter eller tjenester som kan forventes å ha negativ påvirkning på forhold som nevnt i første ledd første punktum, samt hvordan foretaket håndterer disse risikoene*

Next:

Requirement to report on Human rights due diligence from July 2022



# An ecosystem of reporting



# EU taxonomy at a glance: a regulatory classification system for sustainable economic activities



## Mandatory users



Large listed companies with over 500 employees, who are already required to provide a non-financial statement under Art. 19a or 29a of the EU Non-Financial Reporting Directive (NFRD)



Financial market participants or issuers offering financial products in the EU



EU and Member States when setting public measures, standards or labels for green financial products or green bonds

## Six environmental objectives



Climate change mitigation (CCM)



Climate change adaptation (CCA)



Sustainable use of water and marine resources



Circular economy



Pollution prevention



Healthy ecosystems

2021

### Disclosure requirements - Nonfinancial undertakings

Turnover



CapEx



OpEx

### Disclosure requirements - Financial undertakings

Green asset ratio (GAR)

### Eligibility



Identify macro sector in the Delegated Act



Identify economic activity in the Delegated Act



Eligible in accordance with EU Taxonomy



# Eligible (2021 report) and aligned (2022 report) Classification principles



## What is a sustainable activity according to the Taxonomy?

### Sustainable economic activities:

**1** make a substantial contribution to at least one of the following six environmental objectives:

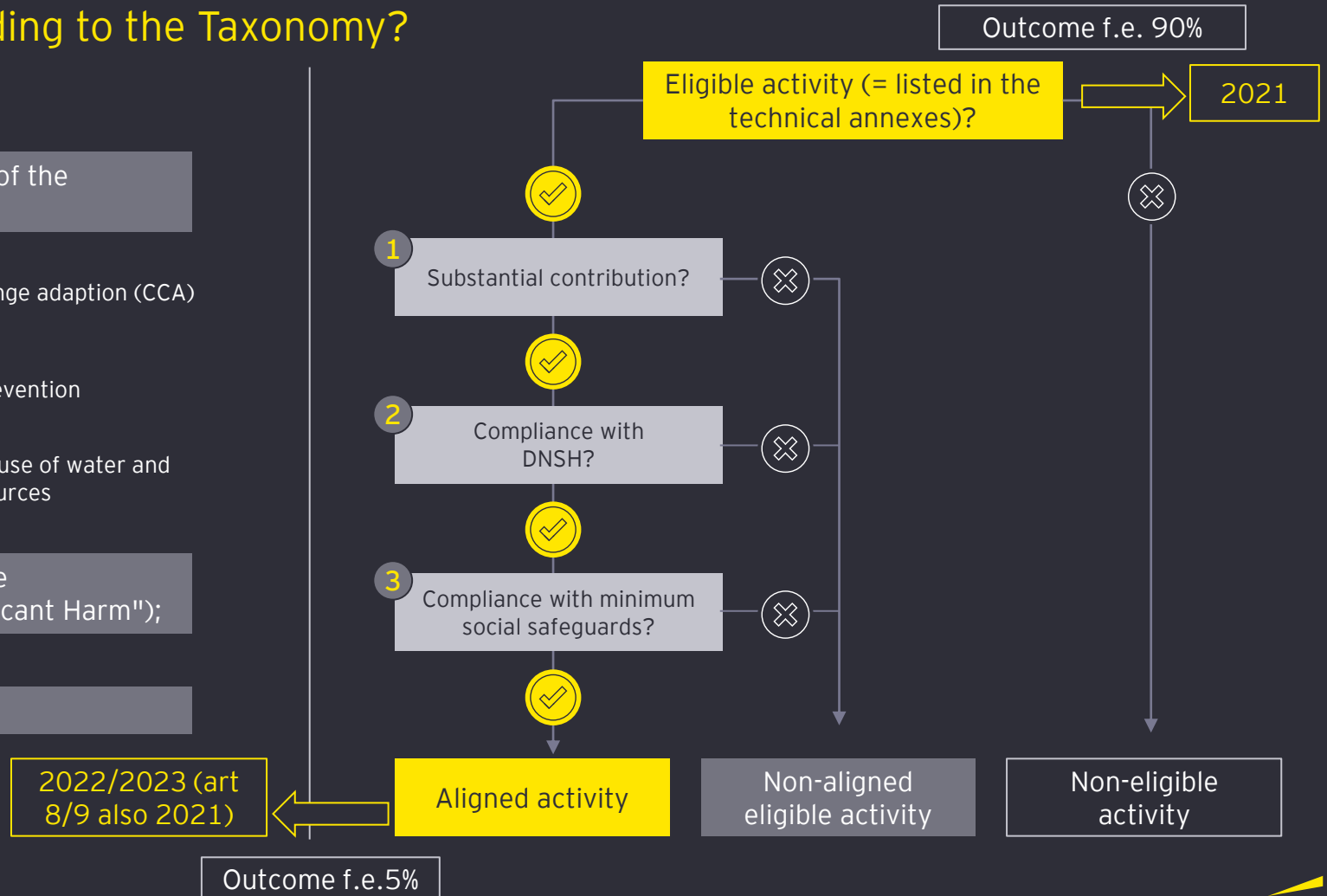
 Climate change mitigation (CCM)       Climate change adaption (CCA)

 Circular economy       Pollution prevention

 Healthy Ecosystems       Sustainable use of water and marine resources

**2** while avoiding negative effects on the other five environmental objectives (DNSH: "Do No Significant Harm");

**3** and respect minimum social safeguards.



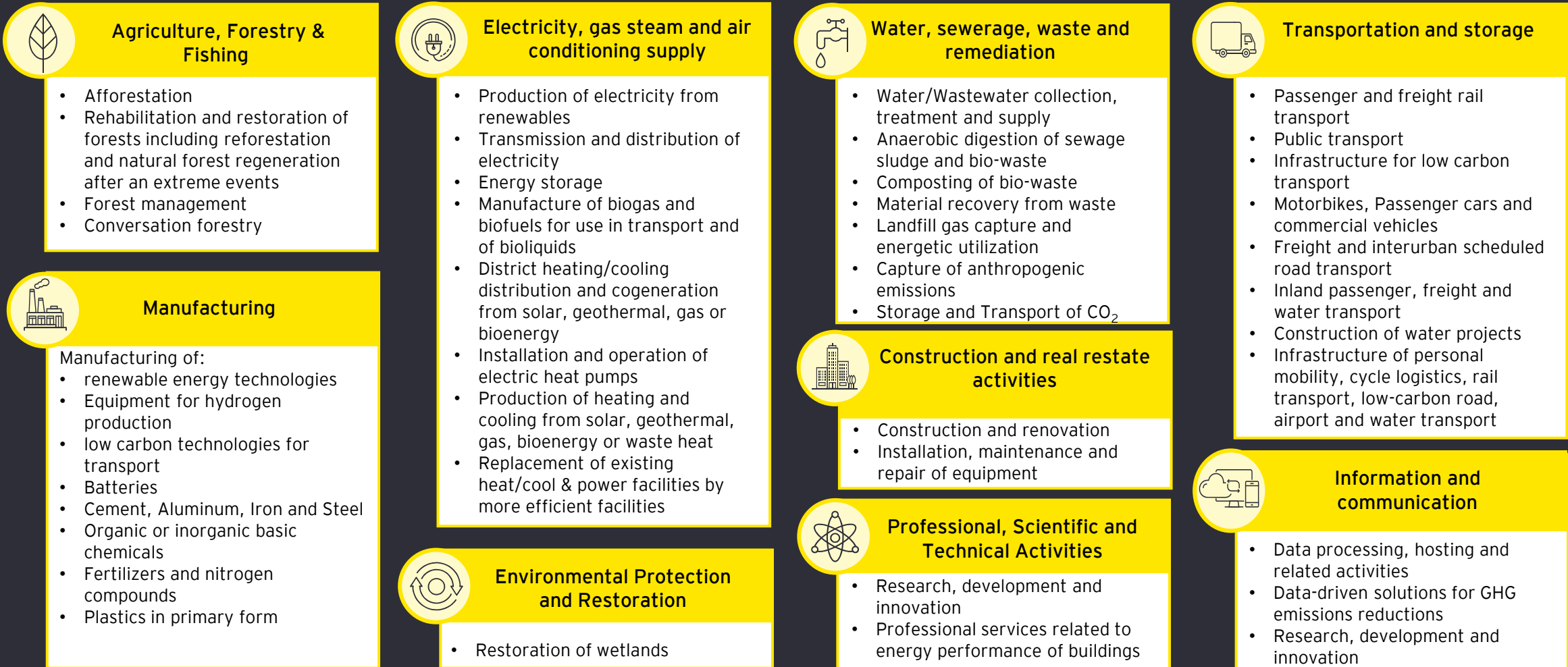


# Currently the EU Taxonomy covers a selection of NACE<sup>1</sup> macro-sectors

The TEG's approach for selecting **priority sectors for CCM** was based on two considerations:

1. **High-emitting NACE macro-sectors:** Quantitative data on GHG emissions by NACE code in the EU
2. **Enabling sectors:** Where economic activities have the potential to enable substantial GHG emissions reductions in other sectors

93.5% of GHG emissions from all NACE macro-sectors are represented by the selected sectors.<sup>2</sup>



<sup>1</sup> Nomenclature statistique des activités économiques dans la Communauté européenne (NACE) is a European industry standard classification system.

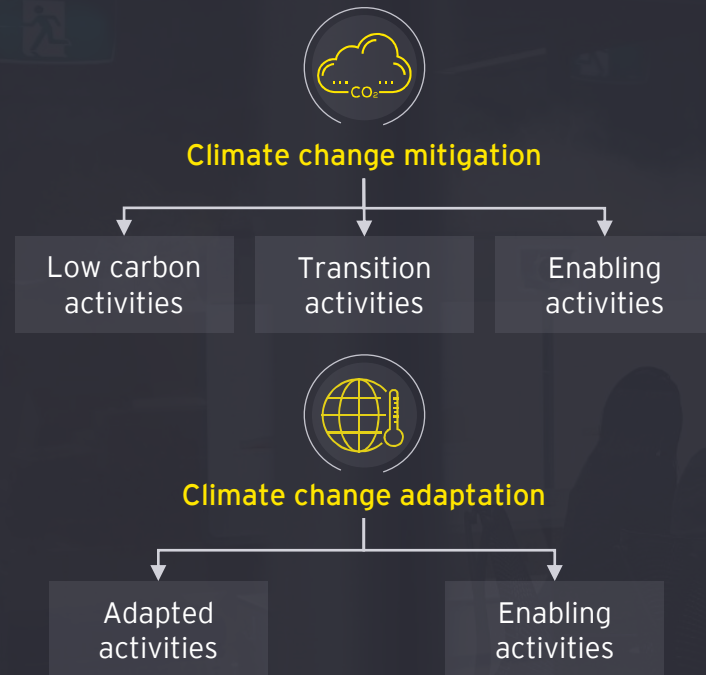
<sup>2</sup> Taxonomy Technical Report.

# Taxonomy-eligible and Taxonomy-aligned activities

1 

Check "taxonomy-eligible"

Different (types of) activities are "taxonomy-eligible"

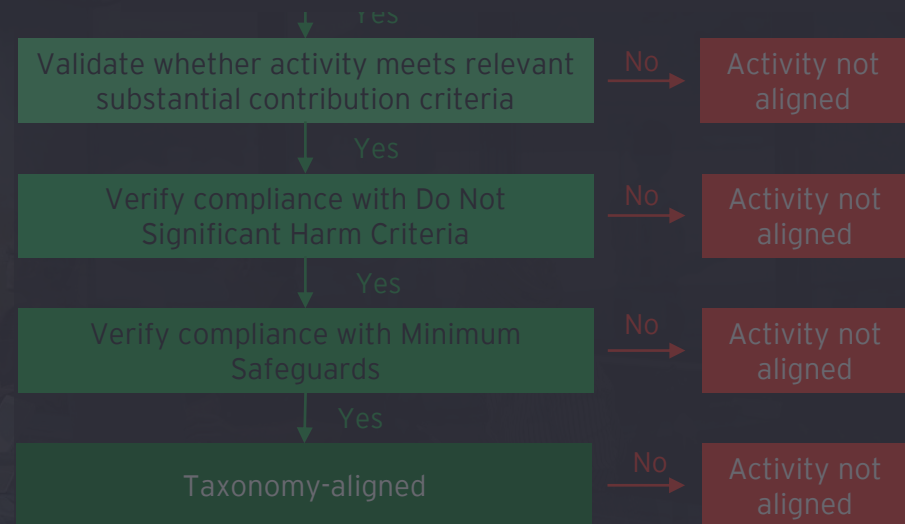


2 

Check "taxonomy-alignment"

Revenues / expenditures only "align" if they pass all steps

**!** No reporting obligation for 2021












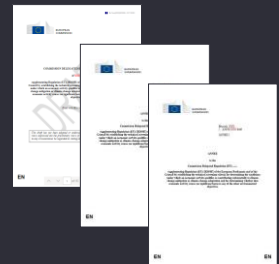
**2021** The Regulation only requires the first step of the assessment. Non-financial undertakings need to report based on their taxonomy-eligible activities.

**2022** Full Reporting requirements as set out Article 8 of the Regulation. Non-financial undertakings need to report based on their taxonomy aligned activities.


# 1. Identify macro sector and activity (2021 report)



Macro sector	
 Forestry	 Water, sewerage, waste and remediation
 Environmental protection and restoration	 Transport
 Manufacturing	 Construction and real estate
 Energy	 Information and communication
	 Professional, scientific and technical activities



The Technical Annex to the Commission Delegated Regulation contains sector-level headings and associated NACE codes, on which assessment can be based.

Economic activity
<p><b>Example:</b></p>  <p><b>4. ENERGY</b></p> <p><b>4.1. Electricity generation using solar photovoltaic technology</b></p> <p>Description of the activity</p> <p>Construction or operation of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology.</p> <p>Where an economic activity is an integral element of the 'Installation, maintenance and repair of renewable energy technologies' as referred to in Section 7.6 of this Annex, the technical screening criteria specified in Section 7.6 apply.</p> <p>The economic activities in this category could be associated with several NACE codes, in particular D35.11 and F42.22 in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.</p>

NACE details [Europa – RAMON – Nomenclature Detail View](#)



## 2. Assess alignment with criteria (2022 report)

### 4.1 Production of Electricity from Solar PV

Sector classification and activity	
Macro-Sector	D - Electricity, Gas, Steam and Air Conditioning Supply
NACE Level	4
Code	D.35.1.1
Description	<b>Construction and operation of electricity generation facilities that produce electricity from Solar Photovoltaic</b>
Mitigation criteria	
Principle	<ul style="list-style-type: none"> <li>Support a transition to a net-zero emissions economy</li> <li>Avoidance of lock-in to technologies which do not support the transition to a net-zero emissions economy</li> <li>Ensure that economic activities meet best practice standards</li> <li>Ensure equal comparability within an economic activity with regards to achieving net-zero emissions economy target</li> <li>Where necessary, incorporating technology-specific considerations into secondary metrics and thresholds</li> </ul>
Metric & Threshold	<p>Any electricity generation technology can be included in the taxonomy if it can be demonstrated, using an ISO 14067 or a GHG Protocol Product Lifecycle Standard-compliant Product Carbon Footprint (PCF) assessment, that the life cycle impacts for producing 1 kWh of electricity are below the declining threshold.</p> <p><b>Declining threshold: Facilities operating at life cycle emissions lower than 100gCO<sub>2</sub>e/kWh, declining to net-0gCO<sub>2</sub>e/kWh by 2050, are eligible.</b></p> <ul style="list-style-type: none"> <li>This threshold will be reduced every 5 years in line with a net-zero CO<sub>2</sub>e in 2050 trajectory</li> <li>Assets and activities must meet the threshold at the point in time when taxonomy approval is sought</li> <li>For activities which operate beyond 2050, it must be technically feasible to reach net-zero emissions in scope 1 emissions.</li> </ul> <p>However:</p> <ul style="list-style-type: none"> <li>Solar PV is currently derogated from performing a PCF or GHG lifecycle assessment subject to regular review in accordance with the declining threshold.</li> <li>Solar PV is currently deemed to be taxonomy eligible, which is subject to regular review.</li> <li></li> </ul>
Rationale	
An over-arching, technology-agnostic emissions threshold of 100g CO <sub>2</sub> e / kWh is proposed for the electricity generation. This threshold will be reduced every 5 years in line with a trajectory to net-zero CO <sub>2</sub> e in 2050.	

### Do no significant harm assessment

The main potential significant harm to other environmental objectives from the installation and operation of photovoltaic (PV) panels relate to:

- The PV installation siting: impacts on ecosystems and biodiversity if built in a designated conservation area or other areas with important ecosystem and biodiversity value.
- The impacts from the production and end-of-life management of the PV systems and its component/materials: potentially significant environmental impacts are associated with the sourcing/production of materials and components of PV systems (see '**Manufacture of Low Carbon Technologies**' for DNSH criteria)

(2) Adaptation	<ul style="list-style-type: none"> <li>Refer to the screening criteria for <a href="#">DNSH to climate change adaptation</a>.</li> </ul>
(3) Water	
(4) Circular Economy	<ul style="list-style-type: none"> <li>Ensure PV panels and associated components have been designed and manufactured for high durability, easy dismantling, refurbishment, and recycling in alignment with 'Manufacture of Renewable Energy Equipment' for DNSH criteria.</li> <li>Ensure reparability of the solar photovoltaic (PV) installation or plant thanks to accessibility and exchangeability of the components.</li> </ul>
(5) Pollution	
(6) Ecosystems	<p>Ensure an Environmental Impact Assessment (EIA) has been completed in accordance with the EU Directives on Environmental Impact Assessment (2014/52/EU) and Strategic Environmental Assessment (2001/42/EC) or in the case of activities located in non-EU countries other equivalent national provisions or international standards for activities in non-EU countries (e.g. IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks) – including ancillary services, e.g. transport infrastructure and operations). Ensure any required mitigation measures for protecting biodiversity/eco-systems have been implemented.</p> <p>For sites/operations located in or near to biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas (KBAs), as well as other protected areas), ensure that an appropriate assessment has been conducted in compliance with the provisions of the EU Biodiversity Strategy (COM (2011) 244), the Birds (2009/147/EC) and Habitats (92/43/EEC) Directives or in the case of activities located in non-EU countries, other equivalent national provisions or international standards (e.g. IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources) – based on the conservation objectives of the protected area. For such sites/operations, ensure that:</p> <ul style="list-style-type: none"> <li>a site-level biodiversity management plan exists and is implemented in alignment with the IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources;</li> <li>all necessary mitigation measures are in place to reduce the impacts on species and habitats; and</li> </ul>

# What to disclose for FY 2021: Quantitative and qualitative reporting obligations for two environmental objectives\*

## For **TWO ENVIRONMENTAL OBJECTIVES** ...



Climate change mitigation<sup>1</sup>

<sup>1</sup> Net zero by 2050, 60% reduction by 2030



Climate change adaptation<sup>2</sup>

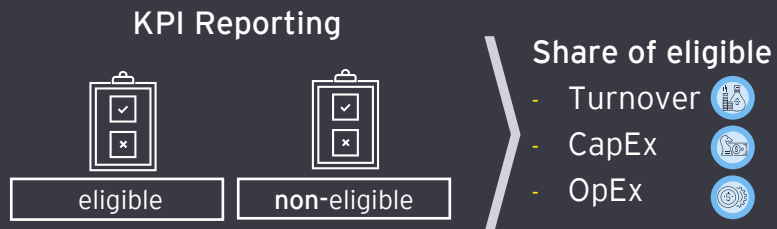
<sup>2</sup> Build capacity and increase resilience

## ... **QUANTITATIVE & QUALITATIVE** information have to be reported



### Quantitative Reporting

*"Proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure ..."*



### Qualitative Reporting

*... and the qualitative information referred to in Section 1.2. of Annex I relevant for this disclosure."*

Qualitative description of the procedures for determining the taxonomy-eligible share of Revenue, CapEx & OpEx.

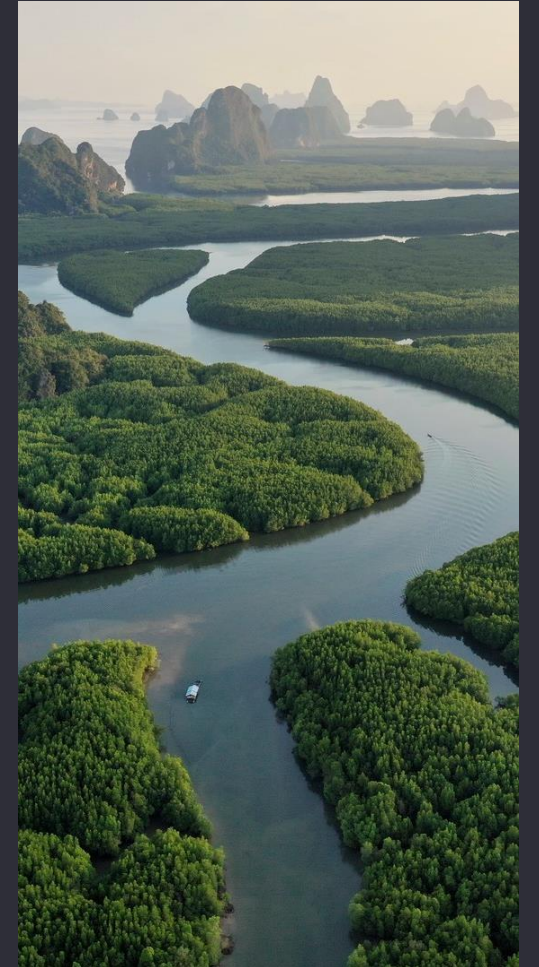
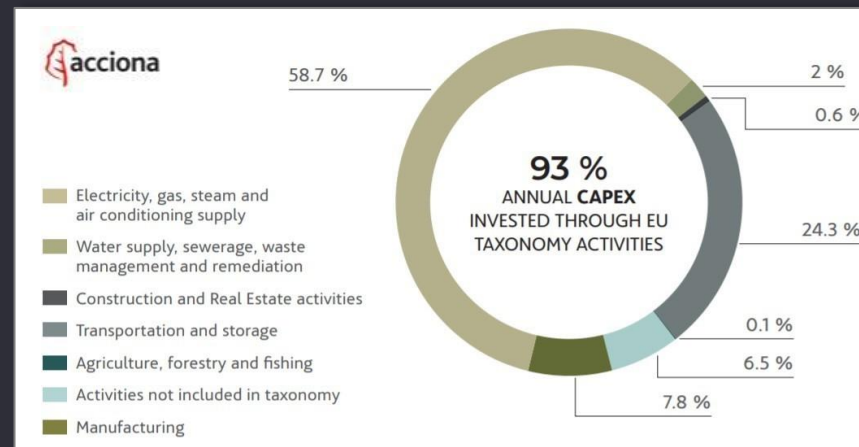
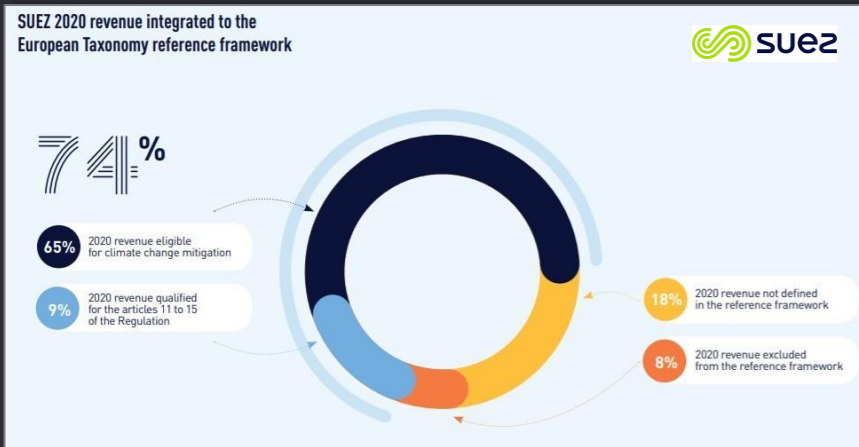
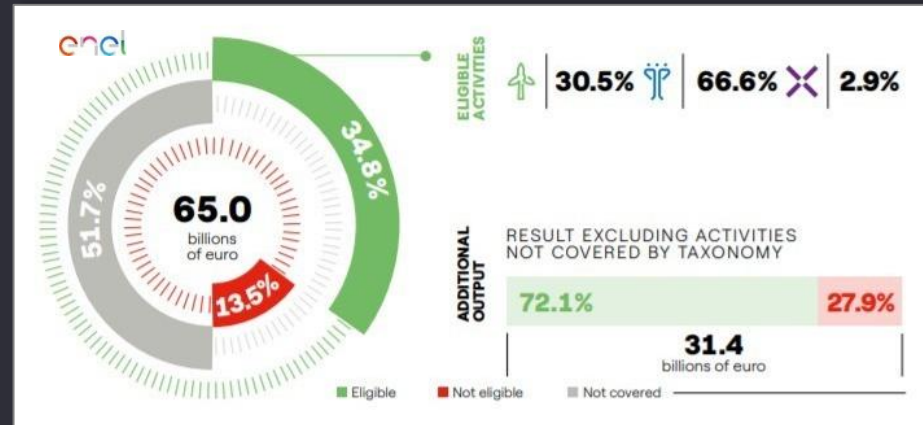
\*Reporting obligations according to Article 10 of the "Delegated Act Supplementing Article 8"

# The Green taxonomy is a new communication challenge for the equity story



## Existing EU taxonomy preliminary disclosures

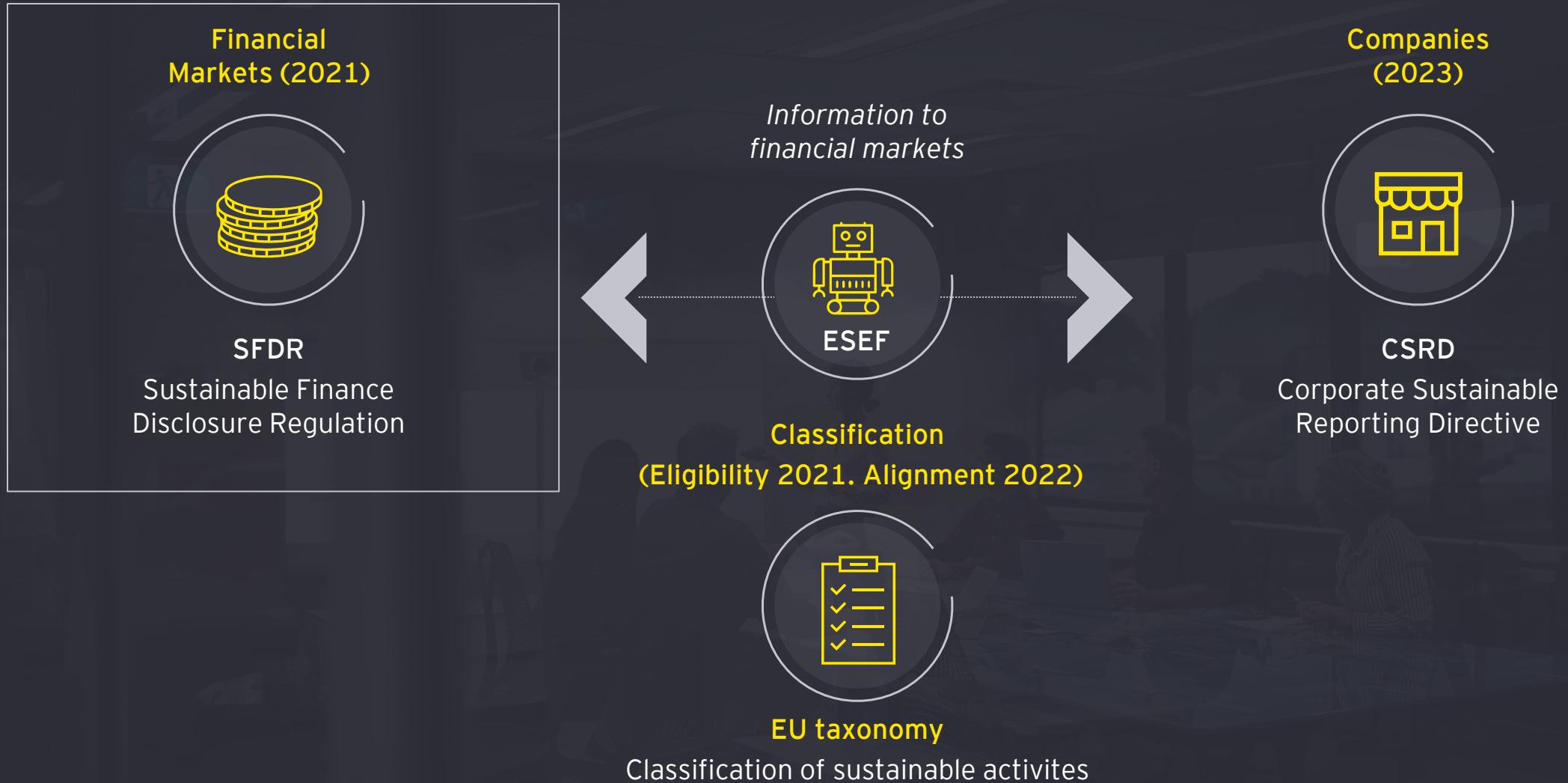
Companies with highly “taxonomy-aligned” activities have anticipated taxonomy communication in dedicated reports (Acciona and Suez) or in their sustainability reports (Enel).





VALUE CHAIN	Eligible activities (substantial contribution to mitigation of climate changes)	Revenue from third parties <sup>(1)</sup>				Ordinary gross operating profit (ordinary EBITDA)				Capital expenditure - CAPEX <sup>(2)</sup>				Ordinary operating expenditure (Opex)				
		2020		2019		2020		2019		2020		2019		2020		2019		
		mil euros	%	mil euros	%	mil euros	%	mil euros	%	mil euros	%	mil euros	%	mil euros	%	mil euros	%	
Power generation	Generation from thermal and nuclear sources	7,409	11.4	7,344	9.1	4,721	26.3	4,618	25.8	4,629	45.4	4,293	43.2	1,227	16.3	1,277	15.0	
		6,914	10.6	6,921	8.6	4,346	24.2	4,296	24.0	4,591	45.0	4,247	42.7	1,119	14.9	1,177	13.8	
		495	0.8	423	0.5	375	2.1	322	1.8	38	0.4	46	0.5	108	1.4	100	1.2	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Generation from thermal and nuclear sources	6,890	10.6	8,863	11.1	1,633	9.1	1,622	9.0	640	6.3	794	8.0	1,067	14.2	1,432	16.8	
		3	-	3	-	-	-	2	-	1	-	-	-	-	-	-	-	
		5,545	8.5	7,591	9.5	1,194	6.7	1,150	6.4	493	4.9	663	6.7	783	10.4	1,150	13.5	
		1,342	2.1	1,269	1.6	439	2.4	470	2.6	146	1.4	131	1.3	284	3.8	282	3.3	
	Energy sales (wholesale)	Trading	12,460	19.2	21,617	26.9	597	3.3	-37	-0.2	54	0.5	57	0.6	125	1.7	129	1.5
			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		12,460	19.2	21,617	26.9	597	3.3	-37	-0.2	54	0.5	57	0.6	125	1.7	129	1.5	
Energy distribution	Infrastructures and Networks	17,824	27.4	20,092	25.0	7,714	43.0	8,228	46.0	3,937	38.6	3,905	39.2	2,065	27.5	2,388	28.1	
		15,103	23.2	16,618	20.7	6,989	39.0	7,132	39.9	3,435	33.7	3,269	32.8	1,683	22.4	1,989	23.4	
		2,720	4.2	3,474	4.3	726	4.0	1,096	6.1	502	4.9	636	6.4	381	5.1	398	4.7	
		1	-	-	-	-1	-	-	-	-	-	-	-	1	-	1	-	

# An ecosystem of reporting



# Sustainable Finance Disclosure Regulation (SFDR)



Company level



Product level

What?

Sustainability Risk (SR)

Principle Adverse Impacts (PAI)

Where?



Public disclosures and websites



Pre-contractual



Periodic reporting





# Grading of information...



Article SDR	Description	Obligation
Article 9	Financial products Which have sustainable investment" as their objective.	Must complete Taxonomy disclosures where the investment concerns activities that contribute to an environmental Objective
Article 8	Financial products Which promote environmental or social characteristics of the investment, either alone or in combination with other characteristics.	Must complete Taxonomy disclosures where environmental Characteristics are promoted.
Article 6	All other financial products.	Must complete Taxonomy disclosures or carry a disclaimer that "the investment(s) underlying this financial product do not take into account the EU criteria for environmentally sustainable investments".



# Consequences for issuers

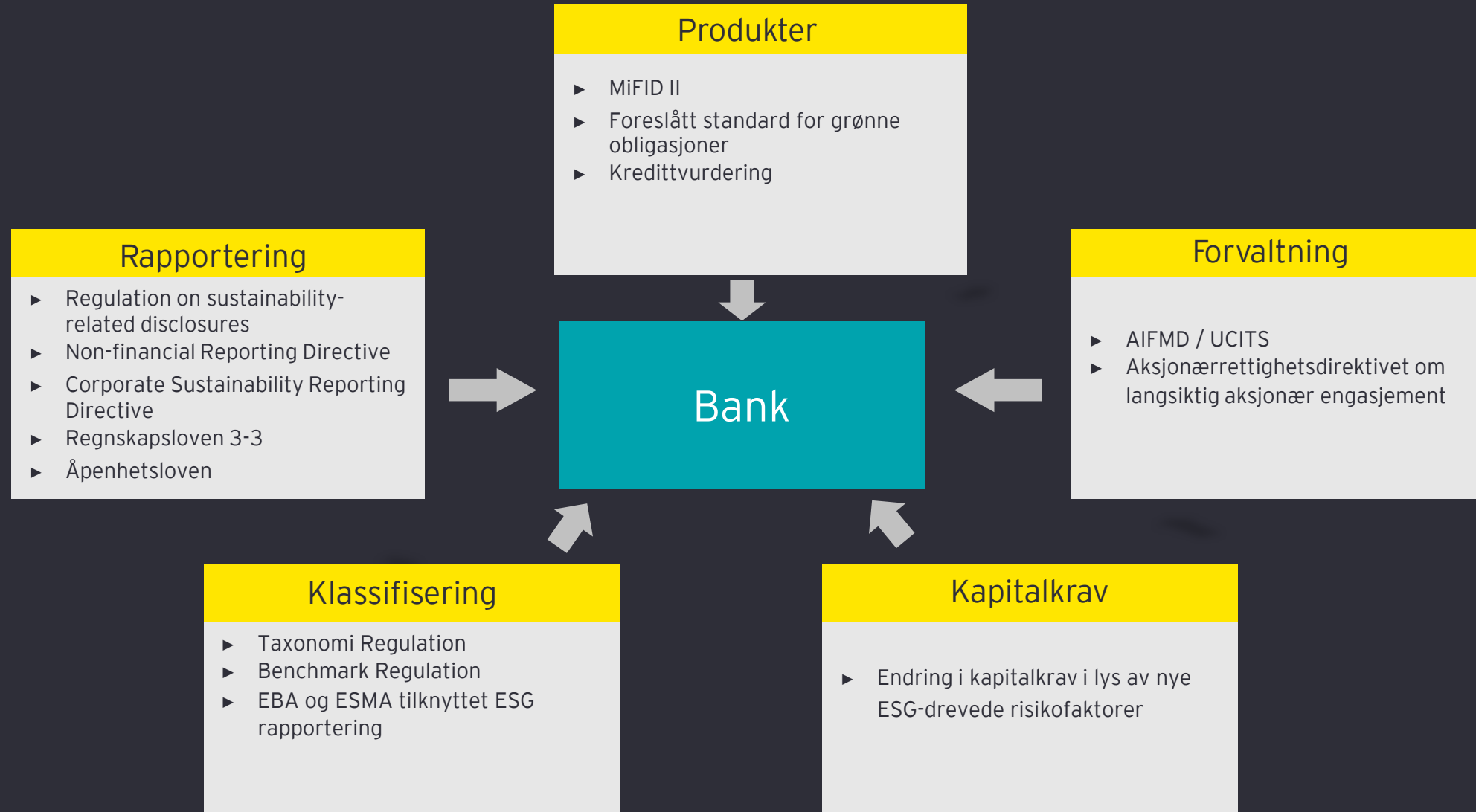
- ▶ Asset managers will require more granular and reliable information
  - ▶ Failure to comply with «incorrect investment» (including any incorrect proportion of investments stated to comply with EU Taxonomy)
  - ▶ Finanstilsynet will assess compliance and will be able to issue an order for rectification

Description of company	Value stake	Compliance	Remark
Car producer	€125m	50%	30% of cars electric + 20% are <50g CO <sub>2</sub> e/km
Dredging company	€100m	30%	30% of sales related to coastal protection work
Utility	€75m	80%	renewables + 20% gas <100g CO <sub>2</sub> e/kWh
Solar panel manufacturer	€50m	100%	Fully eligible
<b>Total portfolio</b>	<b>€350m</b>	<b>58%</b>	<b>✓ 58% Taxonomy-aligned(weighted sum)</b>







- ▶ Issuers will to a greater extent be held responsible for the information provided and the correspondence between information on sustainability and accounting information

# Regulatorisk landskap for norske finansaktører





# EUs strategi for bærekraftig finans

		L1	L2
<b>EU Taxonomy</b> 		Environmental Taxonomy <span>Q&amp;A</span> ✓	SFDR/Taxonomy RTS ⌚
			TSC/KPIs ⌚
		Social Taxonomy ⌚	More/Amended RTS ⌚
<b>Disclosures</b> 		SFDR <span>Q&amp;A</span> ✓	SFDR/Taxonomy RTS ?
		CSRD/NFRD <span>Q&amp;A</span> ⌚	NA ⌚
<b>Operations</b> 		Fiduciary Duties ⌚	L2 on MiFID 2 ✓
			L2 on CIS ⌚
<b>Tools</b> 		EU climate Benchmarks <span>Q&amp;A</span> ✓	L2 on ESG explanation ✓
			L2 on ESG content ✓
			L2 on min standards ✓
		EU Green Bonds Standard ⌚	NA ?

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