SUSTAINABLE FINANCE

Insights into the first taxonomy reporting by listed companies

November 2022

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

INTRODUCTION

Faced with the challenges posed by climate change, and by environmental, social and governance issues more generally, sustainable finance regulation has developed at an unprecedented rate in Europe. In particular, the sustainability reporting obligations of companies and financial market participants have been increased significantly to facilitate the reorientation of investment towards a more sustainable economy. The Taxonomy Regulation – together with the SFDR (Sustainable Finance Disclosure Regulation) and CSRD (Corporate Sustainability Reporting Directive) – is the cornerstone of this new (more demanding) regulatory framework with regard to sustainable finance.

The European Taxonomy is a classification system for economic activities, common to the European Union which permits to identify the economic activites that are considered "sustainable" from the environmental viewpoint. The Taxonomy thus defines criteria for assessing the substantial contribution of activities to at least one of the European Union's environmental objectives, without harming the other objectives and while complying with minimum safeguards.

The Taxonomy also defines specific reporting obligations for financial market participants, non-financial companies and financial companies. As of their 2022 reports (on financial year 2021), companies are therefore required to publish indicators measuring the scope of their activities/investments eligible for the Taxonomy and then, subsequently, aligned with the Taxonomy. For this first year, the obligations are lighter and concern only the eligibility of activities for the Taxonomy (i.e. whether they are included in the classification of the Taxonomy without considering sustainability criteria). In 2023, non-financial companies will have to publish full reporting on alignment, while financial companies will continue to report on eligibility for an extra year, publishing their alignment indicators in 2024.

In order to assist issuers with regulatory developments in the area of sustainable finance, since 2010 the Autorité des marchés financiers (AMF) has undertaken to examine Corporate Social and Environmental Responsibility (CSR) issues and to publish reports on issuers' non-financial reporting practices.

The AMF's latest CSR report was published at the end of 2021 and contained an analysis of the climate issue reporting of a sample group of 19 French companies. This was preceded in 2019 by a report analysing the first non-financial information statements of a sample of 24 listed companies, and a report on implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) by ten French financial institutions in 2020. In October 2021, the AMF Climate and Sustainable Finance Commission also published, on its own initiative, a first report on carbon neutrality issues for enterprises.

Continuing these efforts, and from an ongoing approach of assistance to market participants, this 2022 study is devoted to an analysis of the publications of a sample of 27 companies in the context of the first application of these new Taxonomy reporting obligations.

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SUMMARY AND OUTLOOK

☐ A special context for this first Taxonomy reporting year

The application of the Taxonomy reporting obligations, although lighter for this first year, has meant that companies have had to meet a number of challenges, including:

- implementing complex reporting with a short preparation time;[1]
- organising production and collection of the data necessary for establishing these reporting systems: the logic and breakdown by economic activity of the Taxonomy are only very seldom aligned with the way in which companies monitor and report on their commercial or financial performance;
- adapting the companies' internal organisation around a new topic requiring various types of additional expertise in those companies (finance, sustainable development/CSR, operational business lines, public/European affairs, etc.).

To this can be added the difficulties that the stakeholders have sometimes experienced in comprehending and applying these new regulations, which, although detailed (Climate Delegated Act and Disclosure Delegated Act), remain imprecise regarding a number of aspects. While the clarifications provided by the European Commission, through its FAQs of December 2021 and February 2022, are of precious help for a good understanding of this legislation, their publication timetable was not always compatible with the timetable for the preparation and publication of companies' non-financial information statements.

Despite this special context, the AMF notes the mobilisation of the French issuers concerned by these new reporting obligations in this first year. Indeed, companies that produced no Taxonomy information in their non-financial statement published in 2022 and that received a reminder from the AMF represent slightly less than 5% of the population concerned.

☐ Main findings of the study

- **The AMF underlines the efforts made by the companies in the sample for this first year of application of the provisions of Article 8 of the European Taxonomy.**

- **For example, nearly all[2] the non-financial companies in the sample published in their non-financial statement the three eligibility ratios, turnover, CapEx and OpEx, required by the Taxonomy. The four credit institutions in the sample also published all the required indicators concerning eligibility reporting.**

- **This study highlights the key issue of the comparability of Taxonomy information, which as a whole remains limited, even for companies belonging to the same sector. Apart from the reasons intrinsic to the companies' business models (e.g. varied technology mixes for non-financial companies, or different asset portfolios and exposures for financial companies), two additional factors explain the contrasts that were observed: on the one hand, methodological differences in actual application of the regulations, and on the other hand the variable level of transparency provided by the companies concerning the published indicators.**

- **While the great majority of companies in the sample provided contextual information together with their indicators, this information and its granularity remain uneven on the whole. Some companies were able to provide more detailed narrative and/or quantitative information, often going beyond what was required by the regulations (not very prescriptive for the lighter reporting), e.g. concerning their eligible and non-eligible activities, their analysis approach, methods of calculation, composition of the indicators, etc.**

[1] Enactment of the legislation by the European Commission in July 2021 and entry into force in December 2021 for almost immediate application as of the 2022 reports

[2] Including companies stating that they had recourse to the materiality exemption for OpEx and de facto not calculating the eligible operating expenditure (OpEx) indicator through this arrangement provided for by the regulations.

Regarding this, many interesting practices were able to be identified in these first publications. They are shared in this report, with a view to assisting companies in establishing their future reporting statements.

- **Methodological issues may have led the companies to exercise their judgment in applying the legislation. These issues are often due to the insufficient precision of the regulations and the associated policy, but may also, in some cases, be a consequence of organisational constraints, such as those mentioned above, that led the companies to adopt methodological simplifications for these first reporting statements. Some of these issues are illustrated in this report.**

- **A handful of companies in the sample, moreover, chose to publish alternative indicators to those provided for by the Taxonomy, to reflect in their communications their own analyses in addition to what is provided for by the legislation (change of scope of analysis, inclusion of activities that are not eligible in the current state of the legislation, etc.). Moreover, some rare issuers made early allowance for alignment reporting in this first year.**

In addition to the "illustrations" and "case studies" presented for a closer look into the understanding of the legislation and methodological aspects on the basis of the information published by the companies, this report also gives a reminder of some essential provisions of the regulations and of the elements of European policy (FAQs of the European Commission, ESMA reports), with a view to preparation of the next publications concerning alignment, as of 2023 for non-financial companies.

□ Outlook

Because the ultimate purpose of the Taxonomy is to report on the alignment – i.e., the sustainability, from an environmental perspective – of companies' economic activities and assets, the reporting publications in 2022 on Taxonomy eligibility only were merely an intermediate step towards alignment reporting.

To respond to investors' high expectations, both for their investment decisions and for their own regulatory requirements (depending on issuers' publications), it is essential that future alignment reporting should be of good quality, transparent and in compliance with the regulations. In this context, it is also important that the applicable regulations should be clear and precise, leaving no room for ambiguity or diverging interpretations liable to harm the comparability of reporting.

The AMF therefore makes a twofold appeal:

- **to the European Commission and ESMA** to continue to work – in consultation with the stakeholders – to provide the necessary answers to the numerous questions of interpretation and/or application regarding the applicable regulations, within an appropriate timetable in view of the companies' publication time limits, and to guide companies in this reporting exercise;

- **to companies**, to continue, or even redouble the significant efforts made so far, in order to produce clear, transparent and comprehensive alignment reporting in 2023 (and in the following years), in compliance with the new regulations, and in order to prepare for the coming new obligations regarding sustainability reporting (CSRD and EFRAG standards, Taxonomy reporting on other environmental objectives, etc.). Moreover, since the sustainability issue is not confined to a pure compliance exercise, companies are strongly encouraged to link more closely the Taxonomy framework and the information provided for this purpose with their broader strategy regarding climate change and sustainability.

The AMF remains mobilised to provide support for issuers faced with regulatory developments, and in their process of continuous improvement of their financial and non-financial communications. The AMF also wishes to maintain dialogue and cooperation with all French and European stakeholders, in order to support a consistent and pragmatic regulatory framework. It is important that all the stakeholders should remain mobilised to achieve the European Union's sustainable finance ambitions and objectives, which the AMF supports.

CONTENTS

METHODOLOGY

This study proposes an analysis of the practices observed during the first Taxonomy reporting year, focused on Taxonomy "eligibility". For this purpose the AMF staff studied the information published by **27 French financial and non-financial companies**.

This study aims to:
- **Produce an overview of practices** in this first Taxonomy reporting year;
- **Assist companies** with the implementation of these new transparency obligations, by means of actual illustrations and case studies, and by identifying the main difficulties faced.

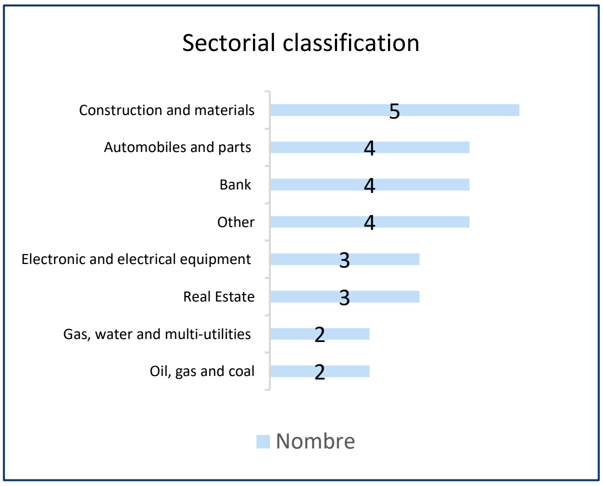
Sample

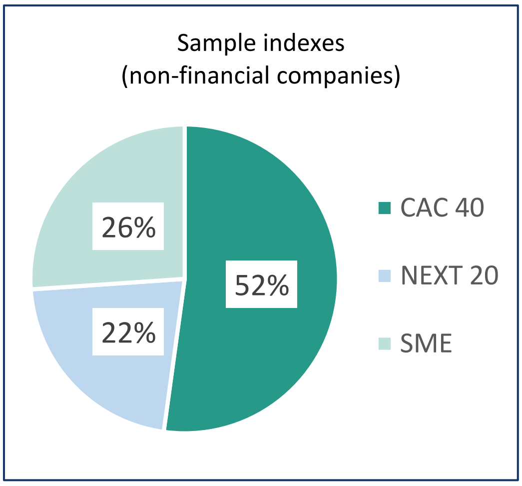
The 27 entities analysed for this study are **listed companies coming within the scope of application** of the Taxonomy Regulation.[3] The chosen sample comprises 23 non-financial companies and four credit institutions.

- The sample comprises 17 non-financial companies from the **CAC 40 or the CAC Next 20 index**, 6 **SMEs and intermediate-size companies** (market capitalisation less than €1bn), and 4 **credit institutions**, so as to cover a diversified set of entities faced with issues that may be different.
- The issuers in the sample belong to **varied sectors of activity** (see chart below), giving priority to **sectors having the highest carbon emissions.** This is because the Taxonomy has been developed only for the climate objectives so far, and therefore covers in priority the sectors having the highest emissions, which accounted for 93.5% of EU greenhouse gas (GHG) emissions in 2020.[4]
- The sample chosen for the financial sector concentrates on four leading large banking groups (cf. Part 3 of the study).

A detailed list of the companies covered by this study is provided in Annex 1.

For the purpose of the study, the sample may have been occasionally extended to other European market participants in the case studies proposed to examine certain methodological aspects more fully.





The study concerns the companies' non-financial statements, which must contain the regulatory Taxonomy information. This means the information published by the companies in 2022 covering their financial year 2021.

[3] These are companies listed on regulated markets, having at least 500 employees and with a balance sheet total of more than €20m and/or more than €40m turnover.

[4] https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf

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Analysis method

A detailed quantitative and qualitative analysis was carried out on the various aspects of eligibility reporting (see Annex 2). The process of analysis of the published information is based on the following key elements:

- verification of the presence of the required regulatory information in the non-financial statement;
- comparative analysis of the level of information and presentation modalities;
- identification of specific methodological issues, where applicable.

This study focuses on the companies' reporting practices: it does not aim to analyse the declared eligibility levels of the issuers in the sample, by sector of activity or overall. Note that studies on Taxonomy reporting published recently by other actors propose this analysis of sector trends.

Non-financial companies

Three central themes of this analysis are presented in this report for non-financial companies:

- theme 1: issuers' transparency concerning the eligibility of their activities and their investments;
- theme 2: transparency concerning determination of the Taxonomy key performance indicators;
- theme 3: presentation of early reporting on alignment and of Taxonomy-alternative performance measures.

Within each theme, various aspects are dealt with in this report:

- focus on regulatory requirements regarding calculations and information to be published;
- illustrated findings and analyses;
- key points of the chapter;
- a dossier "deep dive on methodological aspects", addressing methodological issues identified by the AMF and illustrated by case studies, for the first two themes.

Financial companies

The process of analysis of the information published by the credit institutions is similar to that adopted for the non-financial companies, but their presentation in this report has been adapted to the small sample studied (4 financial companies vs 23 non-financial companies), and to the specific features of the Taxonomy reporting indicators, methodologies and issues for the financial sector (see Part 3 of the report).

This study should not be construed as confirmation by the AMF of the accuracy of the Taxonomy information published by the companies studied. The AMF has endeavoured, where possible, to highlight excerpts from issuers' reporting to illustrate a specific aspect of the presentation of information. Regarding this, reference to a company in no way prejudges the general quality of that company's Taxonomy and non-financial reporting.

Part 1
Regulatory overview of the European Taxonomy

1. WHAT IS THE EUROPEAN TAXONOMY?

1.1. POSITION OF THE TAXONOMY IN THE EUROPEAN SUSTAINABLE FINANCE SYSTEM

The European Taxonomy, the key measure of the European Green Deal's sustainable finance strategy, is a The European Taxonomy is a **classification system**, common to the European Union which permits **to identify the economic activities that are considered "sustainable" from the environmental viewpoint**. The aim of this initiative is to stimulate **funding of the ecological transition** by facilitating the orientation of financial capital flows towards more sustainable activities and technologies.

To achieve this, the Taxonomy also introduces **new reporting obligations** forcing companies and market participants to communicate concerning the level of sustainability of their activities and financial products.

This classification of economic activities provides a shared language, enabling economic actors to have clear, reliable and comparable information regarding these issues. This legally enforceable repository is also a lever to **combat greenwashing**. Lastly, because it proposes detailed sustainability criteria for each activity, the Taxonomy can also serve as a **reference for companies that want to enter into the ecological transition** and set themselves ambitious targets.

The Taxonomy framework is therefore **the focal point of the European sustainable finance system** (see diagram below). Now, this repository is replicated in several other documents, and in particular:

- The **directive on corporate sustainability reporting** (NFRD), which will be superseded as of 2024 by the **CSRD** in order to harmonise and strengthen companies' reporting obligations. The Taxonomy information is to be included in these sustainability reports.
- The **Sustainable Finance Disclosure Regulation (SFDR)**, intended for financial market participants, which aims at transparency of financial institutions regarding environmental and social issues (at the level of the entity and its products). In order to comply with the provisions of the Regulation, financial market participants must calculate the alignment of their financial products with the Taxonomy, and will therefore need companies' "Article 8" Taxonomy alignment data. Moreover, this calculation will enable them to make Taxonomy-related commitments vis-à-vis their clients, thereby contributing to the satisfactory marketing of their financial products in accordance with the sustainability preferences introduced in MiFID II and the IDD.[5]

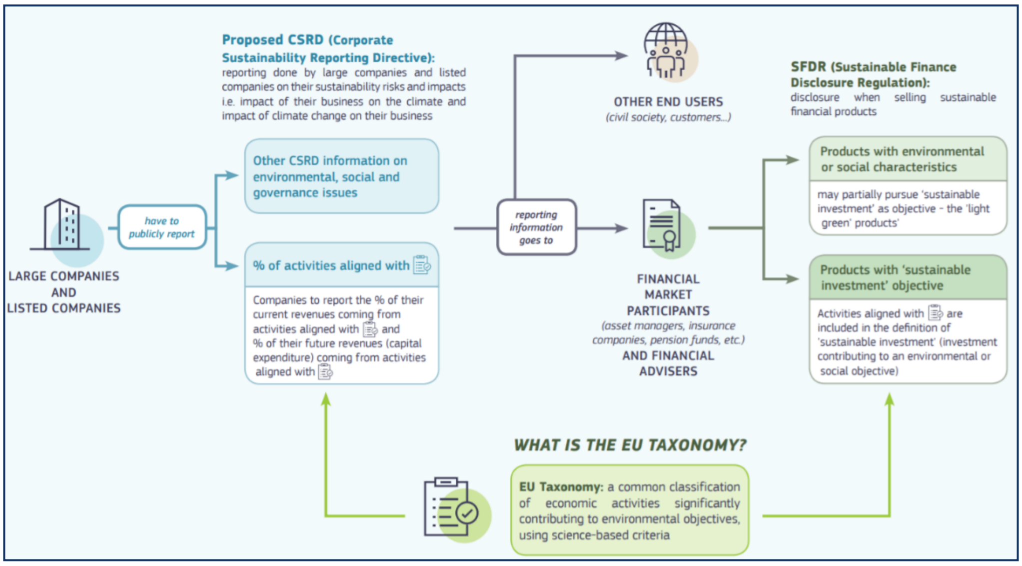
Regulatory references

Regulation (EU) 2020/852 (Taxonomy Regulation) defines the general regulatory framework and sets out the initial elements of this legislation. Several delegated acts specify this regulatory framework, in particular:

- The Climate Delegated Act (CDA) specifying the classification of activities that are sustainable with regard to the climate theme (delegated regulation (EU) 2021/2139);
- The Disclosure Delegated Act (DDA) specifying companies' Taxonomy-reporting obligations (delegated regulation (EU) 2021/2178).

The following diagram summarises this information:

[5] *MiFID II Delegated Reg. on sustainability preferences (link); Delegated Reg. 2021/1257 on insurance distribution (IDD) (link).*

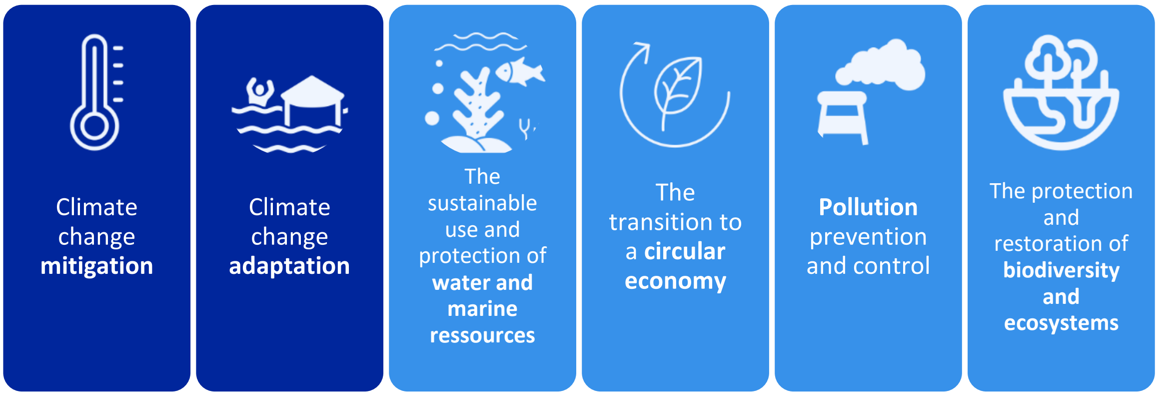


Source: *European Commission, "How does the EU taxonomy fit within the sustainable finance framework" (2021)*

1.2. THE SIX ENVIRONMENTAL SUSTAINABILITY OBJECTIVES COVERED BY THE TAXONOMY

The Taxonomy establishes a precise classification for determining whether an economic activity can be considered environmentally sustainable. The Taxonomy proposes **specific sustainability criteria** for **each economic activity** and **for each environmental objective**.

Accordingly, **six environmental objectives** are defined by the Taxonomy (Article 9 of the Taxonomy Regulation). As yet, **the sustainability criteria have been explained in detail only for the first two objectives, related to the climate theme (mitigation and adaptation)**. These criteria were published in December 2021 in the Climate Delegated Act "CDA" (commission delegated regulation (EU) 2021/2139).



1.3. ECONOMIC ACTIVITIES COVERED BY THE TAXONOMY (ELIGIBLE ACTIVITIES)

The Taxonomy currently covers around **one hundred economic activities** representing **13 sectors of activity**. These activities, listed in the delegated acts of the Regulation, are called Taxonomy-**"eligible" activities**. In other words, an eligible activity with regard to the so-called "climate" objectives is an activity **appearing in the Climate Delegated Act (CDA)** of the Taxonomy and for which specific sustainability criteria have been defined.
This list of eligible activities is expandable: it covers in priority the **activities having the greatest impact** on the environmental objectives. Hence, because at this stage only the two climate objectives have been described, the activities included in the EU Taxonomy at present are the activities having the greatest impact on the climate (cf. § 1.5, The Taxonomy, an evolving framework).

Moreover, the Taxonomy covers economic activities that can make different contributions to achieving the environmental objectives. To **account for these differences, several categories of activities** have been defined (see box below).

Various categories of economic activities

At present, the activities covered by the Taxonomy break down into several categories, which vary depending on the objectives aimed at (climate change adaptation or mitigation).

For the climate change mitigation objective:

- **"Low-carbon" activities**, activities with already low GHG emissions and which can therefore be compatible with achievement of the objective of the Paris Agreement.
- **"Transitional" activities**, i.e. activities for which there are no technologically and economically feasible low-carbon alternatives but that support the transition to a climate-neutral economy. Accordingly, the sustainability criteria defined for this category refer to the best environmental performances available to date and will therefore have to be revised regularly. The objective is to encourage a significant reduction in greenhouse gas emissions in these sectors.
- **Enabling activities (mitigation),** which are not necessarily sustainable but which enable other activities to make a susbtantial contribution to climate mitigation (for example, the manufacture of batteries for manufacturing electric vehicles).

For the climate change adaptation objective:

- **Adapted activities,** i.e. activities considered as resilient to climate risks (for which adaptation solutions have been put in place to counter the most important climate-related risks).
- **Enabling" activities (adaptation)**: according to the same principle, these activities are not necessarily sustainable, but they provide adaptation solutions themselves that contribute to strengthening other activities' or society's resilience to climate risks (for example, the education sector).

1.4. WHAT IS A SUSTAINABLE ACTIVITY ACCORDING TO THE TAXONOMY (ALIGNED ACTIVITY)?

An economic activity covered by the Taxonomy (i.e. eligible) is considered "environmentally sustainable" according to the Taxonomy if it meets the following three requirements:

✓ **contributes substantially to one of the six environmental objectives**

This means complying with technical criteria which measure the environmental performance of the activity. These criteria are explained in detail for each activity and each environmental objective.

Example: for the "Fright *rail transport*" activity to contribute to the climate change mitigation objective, one of the criteria to be complied with is: "2. *The trains and wagons are not dedicated to the transport of fossil fuels*".

✓ **does no significant harm to any other environmental objective (DNSH)**

This means complying with criteria which measure the negative impact of the economic activity with respect to the other environmental objectives. These criteria are sometimes more generic. Many of them also refer to European regulations.

Example: the manufacture of low-carbon vehicles can contribute to the climate mitigation objective. On the other hand, the company must also comply with "DNSH" criteria related to pollution, such as the fact that the components contain no lead or mercury.

✓ **complies with "minimum safeguards"**

The economic activity must also comply with minimum safeguards related to human rights and workers' rights, by complying with recognised international standards.

Example: compliance with the Conventions of the International Labour Organization, the principles of the UN Global Compact, and the OECD Guidelines for Multinational Enterprises (cf. *Article 18 of the Taxonomy regulation*).

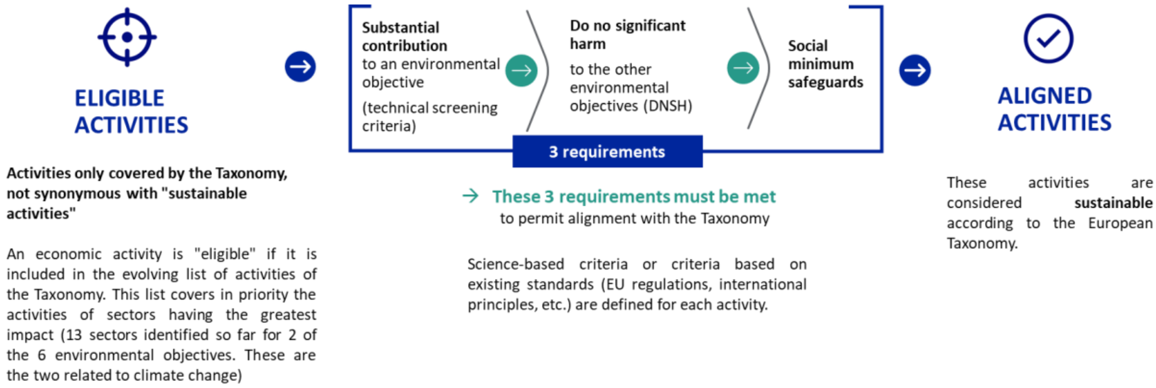
When an economic activity meets all these criteria, it is considered that the activity is "aligned" with the Taxonomy, which is synonymous with "environmentally sustainable" within the meaning of the Taxonomy.

Do not confuse: Taxonomy eligibility vs Taxonomy alignment

An economic activity included in the Taxonomy (eligible) is not necessarily environmentally sustainable (Taxonomy-aligned) or more sustainable than other non-eligible activities. Eligibility should therefore not be used as a sustainability indicator.

In particular, **it must be demonstrated that the eligible activity complies with the sustainability criteria defined by the Taxonomy to describe that activity as sustainable from an environmental point of view**. There is therefore a fundamental difference between Taxonomy-eligible activities and Taxonomy-aligned activities. Moreover, at present the European Taxonomy covers in priority the activities having the greatest impact on climate. Thus, certain sectors having a relatively small climate impact (e.g. certain service activities) are not eligible, unlike other activities that are major greenhouse gas emitters, such as cement production.

To summarise:



1.5. THE EUROPEAN TAXONOMY, AN EVOLVING FRAMEWORK

The regulatory framework of the Taxonomy is evolving and the classification of sustainable activities is currently still being prepared. The European Commission has chosen to develop in priority, as of 2021, a classification of sustainable activities covering in priority the two climate objectives (adaptation and mitigation), and focused on the main GHG-emitting activities. The objective of the Commission is therefore to develop the Taxonomy and extend it to a larger number of economic activities (for example, the agricultural and aerospace sectors) and define sustainability criteria for the other four environmental objectives: marine resources, circular economy, pollution and biodiversity. Moreover, the sustainability criteria defined by the Taxonomy shall be reviewed regularly to ensure their relevance, e.g. to take into account technological developments or become aligned with new transition roadmaps. These criteria should therefore be revised at least every three years.

The role of the European Sustainable Finance Platform

The European Sustainable Finance Platform, set up in October 2020, brings together experts and takes the form of a forum where sustainable finance issues are discussed. It takes over from the expert group (TEG) in working out the Taxonomy and its main role is to reflect on the definition and review of the technical criteria (e.g. for the four other environmental objectives). To this date, the Platform has published several report, including two recent studies on the Taxonomy related to "data and usability" and minimum safeguards.

2. COMPANIES' "ARTICLE 8" REPORTING OBLIGATIONS

The Taxonomy regulation introduces transparency obligations associated with the European Taxonomy on several levels:

- Transparency obligations **for financial and non-financial companies at the "entity" level,** concerning the degree of sustainability of their activities/assets (article 8 of the regulation)

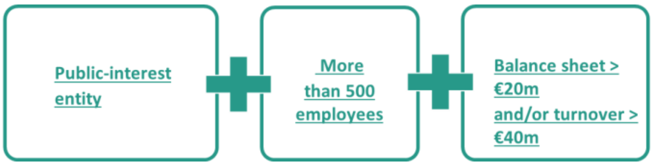
- Transparency obligations of financial market participants **at the "financial products" level,** concerning the degree of sustainability of their investments and products marketed on financial markets (articles 5, 6 and 7 of the regulation)

This report **covers exclusively "article 8" Taxonomy reporting,** at the "entity" level, for non-financial companies and for credit institutions.

2.1. SCOPE OF APPLICATION

Scope of application from January 2022

The obligation to produce sustainability indicators pursuant to Article 8 of the Taxonomy Regulation applies, since 1 January 2022, to companies subject to the obligation to publish sustainability information in accordance with Article 19a or 29a of the consolidated Accounting Directive (directive 2013/34/EU, amended by the NFRD directive).
It therefore concerns public-interest entities within the meaning of Directive 2013/34/EU, provided that their average number of employees over the financial year is more than 500, and that their balance sheet total is more than €20m or their turnover is more than €40m at the balance sheet date (see following diagram).



Provided that they are organised according to one of the corporate legal forms listed in Annex I or, in certain circumstances, in Annex II of Directive 2013/34/EU, the public-interest entities concerned, which are within the scope of this directive, are therefore:

- companies listed on a European regulated market;
- credit institutions defined in Article 4, point 1) of Regulation (EU) 575/2013;
- insurance companies within the meaning of Article 2, paragraph 1, of Directive 91/674/EEC;
- also the parent companies of large groups, when they are themselves public-interest entities within the meaning of Directive 2013/34/EU and when they exceed these thresholds.

Moreover, in line with the provisions of the NFRD directive, group subsidiaries whose parent company is also subject to the obligation to publish a (consolidated) Taxonomy report are exempted from these obligations.

Scope of application from January 2024

The revision of the NFRD directive by the new CSRD[6] directive will result in a **substantial enlargement of the scope relating to Article 8 Taxonomy reporting.**

Gradual entry into force of the CSRD directive
From January 2024 (publication in 2025), the following will gradually be concerned by the CSRD obligations: - large companies already within the scope of the NFRD **(as of 2024)**; - all other large unlisted (European) and listed companies, i.e. companies meeting at least 2 of these 3 criteria: Turnover > €40m, Balance sheet > €20m and number of employees > 250 **(as of 2025)**; - all SMEs listed on EU regulated markets **(as of 2026, with two additional years for opt-out)**; - certain large non-EU companies having European turnover > €150m and EU subsidiaries/branches **(as of 2028)**.

[6] CSRD legislative draft as at 30 June 2022: https://eur-lex.europa.eu/legal-content/FR/TXT/PDF/?uri=CONSIL:ST_10835_2022_INIT&from=EN

2.2. CONTENT AND LOCATION OF OBLIGATIONS

Delegated Regulation (EU) 2021/2178 of 6 July 2021 (the "Disclosure Delegated Act (DDA)") published in the Official Journal on 10 December 2021, specifies the conditions of application of the provisions of Article 8 of the Taxonomy regulation. The delegated act makes a distinction between the reporting obligations of non-financial companies and those of financial institutions for which specific sustainability indicators are defined.

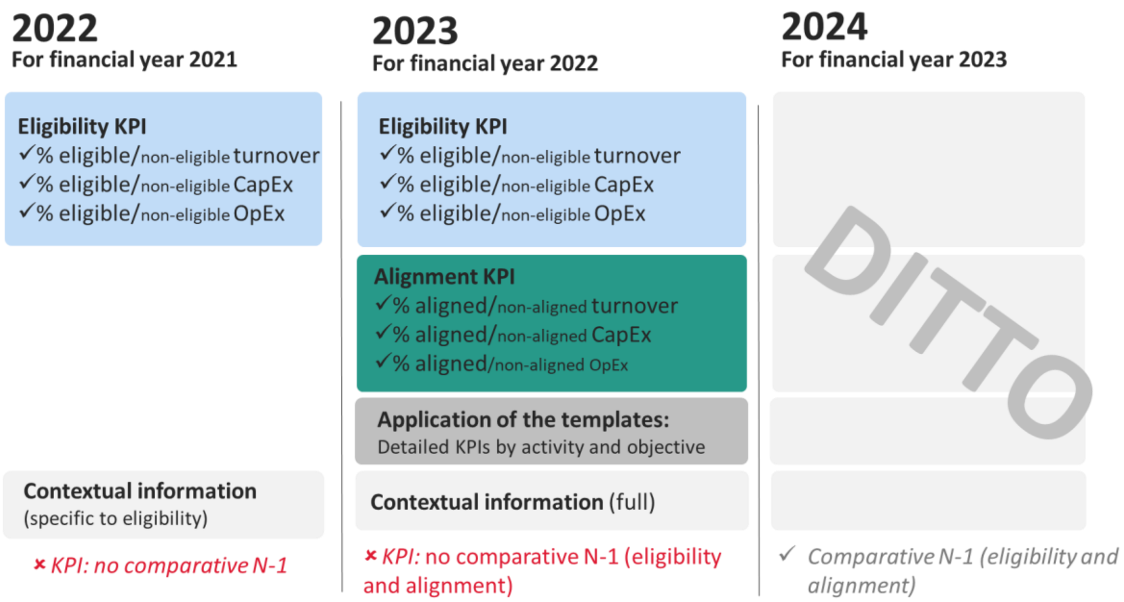
The Taxonomy information is to be presented in the **non-financial statement** (NFS). Likewise, it shall be included in the sustainability statements in accordance with the new CSRD directive from 2024. However, the new reporting standards of the CSRD will change neither the content nor the presentation rules for these obligations as required by the DDA (e.g. use of the templates remains compulsory*)*.

For non-financial companies:

Companies must publish Taxonomy information, covering the degree of eligibility and alignment of their economic activities. **Three types of key performance indicators** (KPIs) are required. In addition, companies must provide **narrative information** in order to contextualise the performance indicators and provide details of the methodologies for calculation of this data (see Part 2, *Regulatory focus* No. 1 to 4 for more details)

Simplified reporting for the 2022 publications
For the first year of application, the obligations only concern the three Taxonomy eligibility KPIs, and on an aggregate level (all activities combined). Moreover, this reporting **covers only the first two climate objectives** (climate change adaptation and mitigation).

The following diagram summarises the companies' reporting obligations, which are phased-in over several stages:



For credit institutions:

See Part 3 of the report for a detailed description of the obligations relating to credit institutions.

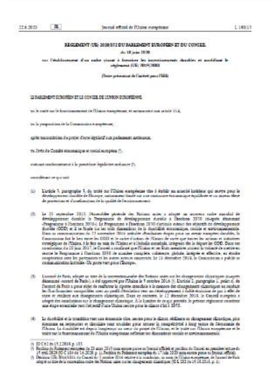
2.3. VERIFICATION OF TAXONOMY INFORMATION

At present, on the French level, Taxonomy information is not covered by the provisions of the Commercial Code relating to verification of the NFS by an independent assurance services provider (IASP). In other words, there is no opinion to be issued by the IASP in charge of the NFS verification regarding the compliance and sincerity of the Taxonomy information.

This information is nevertheless subject to the overall reading of the company's management report performed by the statutory auditor(s). In this context, the auditor shall verify in particular the existence of the Taxonomy information, and identify information that is clearly inconsistent. In the event of obvious omissions or inconsistencies, the auditor shall draw the consequences from this in its opinion on the financial statements, e.g. by expressing an observation or by pointing out an irregularity in the "specific verifications" section of its report on the consolidated financial statements.

The new CSRD directive (NFRD revision) will introduce at the European level, from January 2024, an obligation of verification of companies' sustainability information, also covering the information published in accordance with the Taxonomy Regulation. The level of assurance provided within this framework is initially a limited assurance, then eventually a reasonable assurance.

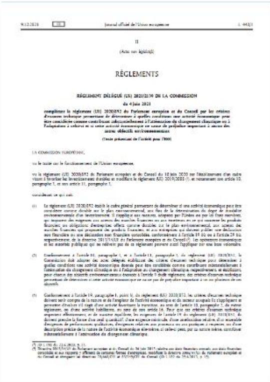
USEFUL REFERENCES



Taxonomy Regulation

06/06/2020

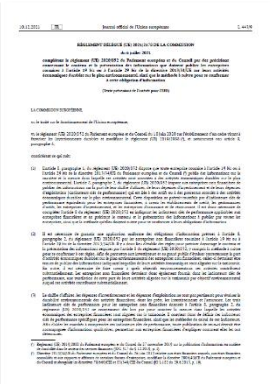
🗋 Taxonomy Regulation: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020



Climate Delegated Act

04/06/2021

🗋 Commission Delegated Regulation (EU) 2021/2139 on climate objectives and its annexes relating to alignment technical criteria:
Annex 1 relating to climate change mitigation;
Annex 2 relating to climate change adaptation



Disclosure Delegated Act (Article 8)

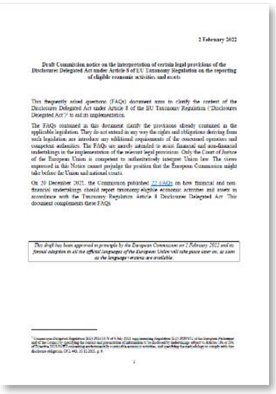
06/07/2021

🗋 Commission Delegated Regulation (EU) 2021/2178 and its 11 annexes

Complementary Delegated Act (Climate and Disclosure)

09/03/2022

🗋 Delegated Regulation (EU) 2022/1214, relating to activities performed in certain energy sectors (gas, nuclear power) and the associated transparency rules. **To apply for publications as of 2023**



FAQs – European Commission

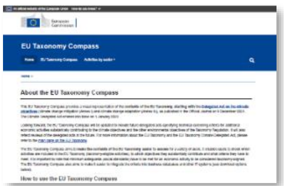
02/02/2022 (published in the OJEU the 6/10/2022)

🗋 Commission notice 2022/C 385/01: *" on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets"*

FAQs – European Commission

20/12/2021 (updated on 01/2022)

🗋 European Commission FAQs: *"How should financial and non-financial undertakings report Taxonomy-eligible economic activities and assets in accordance with the Taxonomy Regulation Article 8 Disclosures Delegated Act?"*



EU Compass

🗋 *Link to EU Taxonomy Compass*

Part 2
Taxonomy reporting study of non-financial companies

In this part

KEY FIGURES

Companies disclosing the eligible turnover ratio
100%
Companies disclosing the eligible CapEx ratio
100%
Companies disclosing the eligible OpEx ratio*
74%
* 100% of issuers not having published the OpEx ratio used the exemption clause
Companies disclosing a non-null eligible turnover ratio
83%
Companies disclosing a non-null eligible CapEx ratio
91%
Companies disclosing a non-null eligible OpEx ratio (excluding exemption)
94%
Companies locating the Taxonomy Report in the non-financial statement
100%
Average number of pages of the Taxonomy Report (from 0.5 to 9)
≈3p
Companies producing alternative performance indicators to the regulatory indicators
39%

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1. THEME 1: ELIGIBILITY ANALYSIS OF ACTIVITIES AND INVESTMENTS

Regulatory focus 1

Identification of eligible and aligned activities/investments

To determine the quantitative indicators required by the Taxonomy regarding eligibility and, as of 2023, regarding the alignment of their activities with the Taxonomy, non-financial companies must first identify their eligible activities and their non-eligible activities (their aligned activities, respectively). An eligible activity with regard to the climate objectives is an activity appearing in the Taxonomy Climate Delegated Act and for which specific sustainability criteria have been defined (Commission Delegated Regulation (EU) 2021/2139).

➔ *See Section I (1.4) for a description of the eligibility and alignment concepts*

Additional policy on this subject: issuers should refer to the FAQs published by the European Commission in December 2021 and February 2022 (Commission Notice published in the OJEU in octobre 2022).

To facilitate a reading of the Climate Delegated Act in which the eligible activities and the associated sustainability criteria are listed and defined, companies may usefully refer to **the European Commission's online navigation tool**: *the EU Taxonomy Compass*. This makes it easier for the reader to identify eligible activities and alignment criteria.

Presentation of information in the Taxonomy section

The Disclosure Delegated Act and its annexes define the following transparency rules concerning the identification of eligible activities:

Simplified reporting in 2022 publications:
For the first year of application, the reporting only concerns the taxonomy-eligibility of activities and only covers eligibility with regard to climate objectives. In addition to the KPIs, companies shall provide: a list of eligible and non-eligible economic activities, and additional contextual information necessary to understand the eligibility analysis. Moreover, use of the Disclosure Delegated Act templates[7] is optional for this first year.

Full reporting from 1 January 2023:

In each Taxonomy template (as of 2023):	Additional contextual information:
Annex II	*Annex I*
↗ List of all Taxonomy-eligible activities and investments (template section A). ⚠ This does not mean merely describing the main eligible activities/investments. ↗ The NACE codes associated with these activities, where they exist. ↗ Companies shall make a distinction between eligible and aligned activities (section A.1) and eligible but non-aligned activities (section A.2) ↗ The "transitional" activities or "enabling" activities subset to which some of these activities may belong.	↗ Description of the nature of their eligible economic activities and their aligned activities, with reference to the Climate Delegated Act (ref.: section 1.2.2.1, point (a)). ↗ An indication of the nature of the non-eligible economic activities (ref.: section 2, point (e)) ↗ For alignment: companies shall explain how they have evaluated compliance with sustainability criteria: substantial contribution, DNSH, or minimum safeguards. (ref.: section 1.2.2.1, point (b))

[7] Table format required as of 2023 by the Article 8 Delegated Regulation (Annex II). An excerpt is presented in Annex 3.

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1.1. OBSERVATIONS AND ANALYSIS – ELIGIBILITY ANALYSIS

1.1.1. Reporting scope

- Based on the information published by the companies in the sample, the scope chosen to build Taxonomy reporting **generally matches the accounting scope of consolidation** [Illustration 1]. However, a limited number of companies do not indicate this information explicitly.

Illustration 1 – Explicit indication of the match between the scope of Taxonomy analysis and reporting and the financial scope

The Klépierre and Latécoère groups present the scope of consolidation of Taxonomy reporting clearly.

3.5.6.1 Reporting scope

Turnover, capital expenditure (CapEx) and operating expenditure (OpEx) considered for this reporting cover the full array of Klépierre's activities and correspond to the scope of consolidation of its financial statements as described in note [4] to the 2021 consolidated financial statements (see p. 140 of this document).

The financial data presented here are extracted from said financial statements so that the turnover and expenditure figures given in the below section tie in with the consolidated accounts (see section 4.1 of this document).

Accordingly, entities over which Klépierre has joint control or a significant influence are excluded from the calculation of the ratios presented below.

Source: Klépierre, 2021 Universal Registration Document (URD)

SCOPE AND METHODS FOR CALCULATING FINANCIAL INDICATORS

- The revenue, capital expenditure and operating expenses considered cover all of the Group's activities corresponding to the scope of the companies under its control.
- Companies over which the Group exercises joint control or significant influence are excluded from the calculation of the ratios defined by the delegated instrument relating to Article 8 of the Taxonomy Regulation published on July 6, 2021.

Source : Latécoère, 2021 URD

- **A limited number of issuers mention specific exclusions**, for example by leaving out certain entities that are consolidated but considered immaterial. A practice observed in these cases, which should remain transitory and exceptional, is to specify the criteria analysed to determine immateriality (i.e. turnover, capital expenditure, environmental impact expressed according to such or such an aggregate, etc.) and present a coverage rate on the basis of the relevant Taxonomy indicators [Illustration 2].

Illustration 2 – Mention of exclusions, justifications provided and coverage ratio with reference to the Taxonomy indicators

EDF Group explains that it excluded from its analysis certain immaterial entities and transferred them to the "non-eligible" part of the ratio in question. EDF also specifies that it achieves a coverage ratio of more than 97% relative to its turnover or capital expenditures (CapEx).

3.8.3.3.1.3 Activities not eligible under current legislation

For this first year of implementation, the Group has excluded from the analysis the activities of certain entities that are not significant in terms of the indicators at the Group level, and the coverage rate is therefore over 97% for both turnover and CAPEX. The activities of entities that were not subject to detailed analysis are presented in "non-eligible".

Source: EDF, 2021 URD

1.1.2. Identification of eligible activities and investments

- A **very great majority of the companies studied were able to identify eligible economic activities** within their activities; four issuers explain that their activities are not covered by the Climate Delegated Act (CDA) at this stage and that they therefore have no eligible economic activity.
- However, it is interesting to note that **among the companies having no activities covered by the Taxonomy, half of them nevertheless identified eligible investments.** This is capital expenditure for the purchase of output from eligible activities or else expenditures, referred to in the CDA, which may contribute individually to an improvement in the company's environmental performance, such as, for example, the installation of

solar panels. These eligible expenditures are therefore not necessarily related to the company's core business. These observations illustrate the major principle according to which **all companies within the scope of application of Article 8** (cf. Part 1), **irrespective of their sectors of activity, are concerned by the Taxonomy and must therefore produce reporting.** The absence of an eligible economic activity does not necessarily imply the absence of eligible investments [Illustration 3].

- Moreover, **most companies identified eligible activities/investments not forming part of their core business or representing only a small part of their activities**. This finding highlights a key provision of the Disclosure Delegated Act, clarified by the European Commission's Notice (FAQs) requiring that companies should not merely report on their *main* eligible activities/investments, but on all their activities.

> Question 3 of he Commission Notice of October 2022 (FAQs) states: "*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.* "

Illustration 3 – Identification of eligible investments by an issuer having no eligible activities.

Chargeurs Group concluded that its activities are not covered by the Climate Delegated Act and are therefore not Taxonomy-eligible. The group nevertheless identified capital expenditure related to "individual measures" defined by the Taxonomy, enabling it to report eligible CapEx (see Theme 2, focus on CapEx).

CAPEX / OPEX

Due to ineligible revenue, capital expenditure (CAPEX) and operating expenditure (OPEX) related to the Group's main economic activities cannot be classified as eligible.

As a result, the review of CAPEX and OPEX eligibility focused exclusively on "individual measures" which enable targeted activities to become "low-carbon" or reduce greenhouse gas emissions, as defined in the EU Taxonomy Regulation.

Source: Chargeurs, URD 2021

1.1.3. Description of the eligibility concept

- A key requirement for this first eligibility reporting year was to **describe instructively the concept of eligibility** in order to contextualise the published indicators. The **great majority** of the companies studied gave additional context elements in this regard (definition of the concept, for example) [Illustration 4].
- In particular, the aim was to distinguish between this eligibility concept and the alignment concept and **thus prevent any confusion between eligibility and sustainability.** Unlike Taxonomy alignment, Taxonomy eligibility does not mean that the activity contributes substantially to climate objectives, that it causes no significant harm to other environmental objectives nor that it complies with the stipulated minimum safeguards. The eligibility of an activity in no way provides information on its possible alignment. [see Part 1 - definitions of the concepts of eligibility and alignment].
- This contextual and instructive information on the concepts of eligibility and alignment will be essential for subsequent reporting, in order to **explain, for example, the potentially significant differences, depending on the sector of activity, between the values of the eligibility indicators and the alignment indicators**.

> In its 2022 enforcement priorities (ECEP), ESMA reiterates that it is useful for users to have explanations regarding the major differences between the eligibility ratio and the alignment ratio.

Illustration 4 – Instructive description of the concept of eligibility and contextualisation of the results

An example of a clear definition of the eligibility concept adopted by the Klépierre group.

As of the publication date of this non-financial statement, the full set of regulations pertaining to the EU taxonomy had not yet been passed. In accordance with the ones already applicable to 2021 disclosures[1], Klépierre reports in this section only on the proportion of its economic activities that are "taxonomy-eligible" with respect to the first two objectives above.

Taxonomy-eligible activities are those listed as such by the European Union[2]. This eligibility analysis does not provide any information on the environmental sustainability of Klépierre's activities. The extent to which Klépierre's activities make a substantial contribution to, and do not significantly harm climate change mitigation and adaptation will be disclosed as from 2023 onwards, in accordance with the regulations in force as of the publication date of this non-financial statement.

Source: Klépierre, 2021 URD

1.1.4. Description of eligible and non-eligible activities

- When they describe their eligible activities or investments, **the great majority of companies refer directly to the activity categories as defined and described in the Climate Delegated Act**, e.g. **by citing the numbers and titles of associated activities** (e.g. Activity "7.2 *Renovation of existing buildings*"). This practice consisting of referring to the delegated acts is required by the legislation, since it facilitates comparability and improves the readability of the reports.
- **Most of the companies studied also complied with the requirements of the Disclosure Delegated act by describing the nature of their eligible activities**, i.e. by describing more specifically the company's activities corresponding to the activity categories of the Taxonomy. Such a description is especially important in that certain activity categories described in the Taxonomy may correspond to very different economic activities (for example, category "3.6 *Manufacture of other low carbon technologies*") [Illustration 5].

Illustration 5 – Detailed description of eligible activities

The Mersen (1), Renault (2) and CGG (3) groups propose precise information concerning their eligible activities, in narrative form (e.g. CGG) or table format. For each activity, for example, the following are indicated: the environmental objective concerned, the activity category listed by the Climate Delegated Actand its definition, the corresponding NACE code(s) and descriptions of activities that are more specific to the companies. This presentation makes it easier to understand the link between the "technical" activity categories of the Regulation and the companies' operational activities, and facilitates comparability of the published information with other firms in the sector.

1

NACE code [1]	Activity as described in the Delegated Act [2]	Description of the activity	Mersen's corresponding activities Materials: activities in the Advanced *Materials segment* Power: activities in the Electrical *Power segment*
C25, C27 and C28	3.1 Manufacture of renewable energy technologies	Manufacture of renewable energy technologies, where renewable energy is defined in Article 2 (1) of Directive (EU) 2018/2001.	Solar: • Materials: Manufacture of solar cells (graphite and insulation) • Power: Electrical protection of solar panels, Power conversion (PT&D)[3] Wind: • Materials: Generator brushes, Signal transfer • Power: Electrical protection, Power conversion (PT&D)[3] Hydro-power: • Materials: Generator brushes

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Environmental objective	Activity covered by the Taxonomy	Description of the Taxonomy activity	Associated NACE codes (for information purposes)	Corresponding Renault Group activities
Climate change mitigation	3.3 Low carbon-intensity manufacturing technology for transport	Manufacturing, repairing, maintaining, repurposing and upgrading low-carbon transportation vehicles, rolling stock and vessels.	C29.1	Vehicle manufacture, repair and sale
	6.5 Transportation by motorcycles, passenger vehicles and light commercial vehicles	The purchase, financing, rental, leasing and operation of vehicles designated as belonging to categories M1 and N1, both of which fall within the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council, or to category L (two- or three-wheel vehicles and four-wheel vehicles).	H49.32, H49.39 and N77.11	Financing, leasing of vehicles

3

Among CGG portfolio of activities, three of them make a substantial contribution to climate change mitigation:

NACE	Sector	Activity #	Activity
J63.11	Information and communication	8.1	Data processing, hosting and related activities
J61, J62, J63.11	Information and communication	8.2	Data-driven solutions for GHG emissions reductions
E39.00	Water supply, sewerage, waste management and remediation	5.12	Underground permanent geological storage of CO_2

3.6.2.1 **Data processing, hosting and related activities**

Through our activity in the geosciences, we transform seismic and geologic data into information and high-quality images of the subsurface. We process data for the needs of our external clients and our Multi-Client business line. We also reprocess previously processed data using new techniques to improve the quality of images. In order to do so, we require a very large data processing capacity and own our own internal servers and facilities.

Our scientific computing capacity in 2021 is split into three major sites at three different locations: Houston (USA), Redhill (UK) and Singapore. Each site acting as a regional hub for our smaller data centers throughout the world.

Source: Mersen (1), Renault (2) and CGG (3), 2021 URD

- In presenting their eligible activities, **some companies voluntarily refer to the NACE codes associated with eligible activities** for this first reporting year. This presentation notably allows them to describe the eligible activities with a more precise level of detail (see [Illustration 5]). As specified by the European Commission in its FAQs of February 2022 (Q6), if the eligibility analysis is based exclusively on the definitions of activities as described in the Climate Delegated Act, the NACE codes which can be associated with those activities are presented as an indication, without prevailing over the definitions provided. These NACE codes nevertheless provide useful support for navigating in the Taxonomy. In some cases, several NACE codes are referred to in the description of economic activities in the Delegated Regulation.

> Although there is no **NACE code** for all activities, it should nevertheless be remembered that it will be necessary to enter these codes, where they exist, in the compulsory templates for subsequent reporting years.

- The **great majority of companies in the sample specify for which objective(s) the identified activities are eligible** (i.e. eligible with regard to climate change mitigation and/or adaptation objectives). This information, provided voluntarily for the year 2022, will mandatorily have to be entered in the tables (templates) of Disclosure Delegated Act Annex II from 2023 (in columns (5) to (10) of the template, cf. table presented in Annex 3).
- Moreover, in order to contextualise the Taxonomy information and the results of the Taxonomy indicators (KPIs), the companies are also required **to indicate their non-eligible activities**. **Most of the companies** presented this information, with a variable level of detail. While most of these companies provided illustrative examples of non-eligible activities, some of them, particularly those having a significant proportion of activities not covered by the Taxonomy (hence non-eligible), have opted for more exhaustiveness in the list of non-eligible activities concerned. An example of communication is given below [Illustration 6].

Illustration 6 – Description of non-eligible activities

The TotalEnergies group describes its non-eligible activities at the date of its URD and specifies the discriminating analysis criteria selected, thereby providing information on the company's analysis approach (for example: electricity not produced by TotalEnergies, use of transport vehicles, etc.).

Source: TotalEnergies, 2021 URD

The analysis of the texts has led TotalEnergies to consider that, among its activities, are notably not eligible under the taxonomy regulation:

- Electricity marketing activities, if the electricity is not produced by the Company (see section 2.1.5.1 of chapter 2).
- The construction and operation of infrastructures for the distribution of energy from natural gas, such as NGV stations and marine natural gas supply infrastructures (see point 2.5.1 of chapter 2).
- Activities related to the use of means of transportation (road, sea) if the vessels or vehicles are dedicated to the transport of fossil fuels (see 2.4.2.2 in chapter 2).

1.1.5. Transparency concerning the approach to analysis of eligible activities/investments

- **Transparency concerning the methodology** used, the assumptions adopted and any choices made are also important contextual information for understanding the published information. Methodological issues may concern not only the calculation of performance indicators, but also the first stage of analysis regarding the identification of eligible activities and investments. [Illustration 7].
- **Some issuers indicated that they were uncertain regarding the interpretation of certain analysis rules** (i.e. application of sustainability criteria or not, treatment of the value chain, etc.) or regarding an understanding of the (more or less broad) definitions of the eligible activities listed in the Climate Delegated Act (see case studies in the section Deep dive on methodological aspects).

Illustration 7 – transparency concerning the analysis methodology

Eiffage Group mentions its uncertainty regarding the eligibility analysis concerning some of these activities. The company therefore gives in detail its main choices.

Source: Eiffage, 2021 URD

— Assumptions and interpretations

The eligibility of activities was assessed with regard to those listed in Annex I of the Delegated Regulation (EU) 2021/2139 for the first objective of climate change mitigation. Since this was the first year that the Group reported this information, its lack of experience required it to interpret the meanings of various sections and most notably the following.

Motorway Concessions [1]

According to section 6.15 of Annex I, only infrastructure that is conducive to low-carbon road and public transport can be qualified as eligible. As the Group is unable to identify directly the motorway revenues linked to electric vehicle traffic, to qualify for eligibility it has decided to apply an apportionment formula to the motorway revenues that reflects the proportion of electric vehicles among the total population of French automobiles.

Sections 6.15 to 6.17 of the Mitigation Objective [1]

Key points: eligibility analysis	Obligations / policy
1 Reporting required even without an eligible activity All companies within the scope of application of Article 8 of the Taxonomy Regulation must produce Taxonomy reporting. A company that has no eligible activity (i.e. an activity not yet described in the Delegated Regulation) is nevertheless not exempted from Taxonomy reporting.	- Delegated Regulation (EU) 2021/2178 (DDA) - Q6 FAQs of the European Commission (EC) (Dec. 2021): "*Undertakings that do not have eligible economic activities as defined in Article 1(5) of the Disclosures Delegated Act should (…) disclose the information that is required in relation to their non-eligible economic activities.*"
2 Analysis of individually eligible investments and expenditures The absence of an eligible activity [or subsequently an aligned activity] does not necessarily entail the absence of eligible [or aligned] investments or operating expenditure to be reported. Indeed, subject to certain conditions, the Taxonomy also identifies investment or operating expenditure categories that may be eligible [possibly, aligned], which are designed in particular to improve the companies' environmental performance and which are not necessarily related to their sectors of economic activity (e.g. installation of solar panels or insulating windows, etc.).	- DDA - Q11 of the EC Notice (FAQs Feb. 2022): "*For a non-eligible target activity, for example a restaurant purchasing and installing solar panels, such expenditures could fall under category (c). For renovation of buildings, category (c (…)) i.e. individual measures leading to greenhouse gas reductions*".
3 Scope of analysis aligned with the accounting scope The scope of analysis of the Taxonomy reporting must be identical to the accounting scope of consolidation. An explicit mention of this match is essential for an understanding of the reporting and analysis scope, as well as the mention, and justification, of specific and exceptional cases of exclusion, where applicable. A presentation of the relative weight of the turnover and/or CapEx that were covered by exclusion compared with the aggregates based on the financial statements usefully supplements these elements.	- DDA
4 Clear description of the concept of eligibility vs alignment with the Taxonomy Eligibility (which gives no indication regarding the sustainability of an activity) and alignment (synonymous with "sustainability") and their respective analyses, are two concepts to be differentiated clearly and instructively in the reporting. The contextualisation of the Taxonomy indicators along these lines allows interpretation of the published data, especially since significant differences will appear between the eligibility ratios and the alignment ratios presented in future reporting, depending on the sectors and the activities carried out, and will have to be explained.	- Q3 of the EC Notice (FAQs Feb. 2022): "*the fact that an economic activity is Taxonomy-eligible does not give any indication of the environmental performance and sustainability of that activity.*"; "*Eligible activities constitute the baseline universe of activities that have the potential to align with the technical screening criteria, including as transitional or enabling activities*". - ECEP 2022, ESMA: "*it is useful for users to have explanations regarding the major differences between the eligibility ratio and the alignment ratio of an issuer's activities (…) such major differences will very likely be due to the stricter conditions associated with alignment by comparison with eligibility.* »

	Key points: eligibility analysis	Obligations / policy
5	**Concrete presentation of eligible and non-eligible activities** A concrete presentation of the nature of the economic activities that are eligible and those that are non-eligible for the Taxonomy contributes to a better understanding of the information. For example, a link with the group's business units and lines provides clarity. For eligible activities, moreover, it is necessary to refer to the categories and technical definitions included in the Climate Delegated Act. This contextual information shall accompany the compulsory templates as of 2023.	- DDA, Annex I (sections 1.2.2.1 (a) and 2(e)) - ECEP 2022, ESMA: "*ESMA emphasises the importance of qualitative information […] Until now, some issuers have tended to provide excessively general information regarding the Taxonomy eligibility of their economic activities (in the form of statements limited to "our activities X, Y and Z are (or are not) eligible")*
6	**Transparency: identification of eligible activities and methodological options** Since the regulations are complex, great transparency regarding the methodology for analysis of eligibility (and, from 2023, alignment), the assumptions adopted, the judgments and the choices made where applicable, is essential for the understandability and comparability of the information. This is especially relevant in a context in which the regulations are still evolving, with clarifications or explanations required concerning their interpretation and their implementation. Moreover, significant variations, where applicable, in the eligibility ratios of activities will be usefully explained (methodological changes, consolidation scope effect, etc.) in future reporting.	- ECEP 2022, ESMA: "*ESMA reminds issuers of the importance of adopting great transparency concerning the methodological choices that they make when preparing the information to be provided. This transparency should cover information concerning the specific fields that have required their judgment and the methodological principles that they have followed (for example, how they have made sure to avoid double counting)".*
7	**Support from European policy (FAQs) for more homogeneous application of the regulations** When the legislative provisions are precise, or when clarifications are provided (via the FAQs of the European Commission in particular), their consistent application by all firms ensures the quality and comparability of the information issued.	- ECEP 2022, ESMA: "*ESMA reminds issuers that a number of resources are available to help them prepare their reporting in accordance with Article 8. First, the European Commission has published two documents containing guidelines on frequently asked questions*".

2. THEME 2: DETERMINATION OF TAXONOMY KEY PERFORMANCE INDICATORS

In this section:

TURNOVER KPI

Regulatory focus 2

This section presents **the general calculation rules for the Taxonomy eligible (and aligned) turnover KPI.** As a reminder, only the KPIs related to eligibility are required for 2022 reporting:

$$\text{Turnover} = \frac{\text{aligned* turnover}}{\text{Total net turnover}}$$

***Same ratio for the eligibility KPI : replace « aligned *» by « eligible »**

Numerator

Sum of net turnover resulting from Taxonomy-aligned* activities

Denominator

Net turnover as presented in the financial statements

does not include, e.g. under IFRS: intra-group turnover, turnover of joint ventures, turnover of discontinued operations (IFRS 5), etc.

Some notable exceptions:

Concerning the climate change adaptation objective, only the turnover resulting from "enabling" economic activities can be counted as eligible/aligned turnover. To find out more: see Q4 of the FAQs of the European Commission (Commission Notice, October 2022).

Contextual information

Several items of narrative information relating to the turnover KPI are to be provided, e.g.:

- how the turnover was determined and allocated to the numerator
- the basis on which the KPI was calculated, including any assessment of the allocation of revenues to the various economic activities
- a reference to the corresponding elements in the financial statements (reconciliation)
- other contextual information: variation of the indicator, etc. (if applicable)

2.1. OBSERVATIONS AND ANALYSIS: TURNOVER KPI

- **All the companies studied have entered the proportion of their turnover that is taxonomy-eligible**. For the great majority of them, the turnover eligibility ratio is non-null.
- With the exception of one issuer, this indicator was published **in the required quantitative form**, including for issuers that did not identify eligible activities and therefore reported "0%".

- **Most of the companies** presented the **proportion of their turnover that is non-eligible**, which is an indicator also required by the Disclosure Delegated Act.
- **Numerator (eligible turnover)**: Most of the companies presented as of this year, and on a voluntary basis, the amount of eligible turnover corresponding tor the numerator of the ratio. This information will be required in the templates as of the reporting published in 2023 for financial year 2022.
- **Denominator (total turnover)**: Most of the companies studied presented the total amount of turnover, reconcilable with the IFRS consolidated financial statements. Moreover, some companies facilitated this reading by referring precisely to the accounts or showing reconciliation details directly in the Taxonomy section [Illustration 8]. In some cases, reconciliation was unable to be verified (absence of information or unexplained difference).

Illustration 8- Reconciliation of total turnover with the consolidated financial statements

The URW and Maisons du Monde groups present information on reconciliation of the denominator (total turnover) with the accounts. URW also proposes detailed data, by specifying the various sources of revenue presented in the IFRS accounts.

RESULTS OF URW SHARES OF ELIGIBLE ACTIVITIES

TURNOVER (k€)	Eligible activities	Non-eligible activities	Total
Gross rental income ("GRI")	1,781,639	51,780	1,833,419
Service charge income	299,392	0	299,392
Property development and project management revenue	194,995	0	194,995
Property services and other activities revenues	0	191,902	191,902
Total Turnover	2,276,026	243,681	2,519,707
% Total turnover	**90.3%**	**9.7%**	**100%**
% Turnover excluding service charge income	**89.0%**	**11.0%**	**100%**

Source: URW, 2021 URD

Cross-reference

The Maisons du Monde consolidated net revenue can be reconciled with our financial statements, cf. the income statement in Section 6.1.1 ("Revenue").

Source: Maisons du Monde, 2021 URD

- **Methods for turnover allocation to economic activities**: The organisational breakdown of the companies' operational activities does not necessarily correspond to the categories of economic activities of the Taxonomy, and the companies' information systems therefore do not always make it possible to extract turnover, CapEx or OpEx data associated with the various eligible activities identified. **Some companies in the sample therefore indicated that they used special modalities (allocation base, etc.) to determine the turnover eligibility ratio**. Transparency in this respect is key in order to understand how the company proceeded, and to understand the work undertaken, where applicable, to be able to collect the information. [see 2.4 Methodological issues].

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CAPEX KPI

Regulatory focus 3

This section presents **the general calculation rules for the Taxonomy eligible and aligned CapEx KPI.**
As a reminder, only the KPIs related to eligibility are required for 2022 reporting.

$$\text{CAPEX} = \frac{\text{Aligned* CapEx}}{\text{Total CapEx}}$$

*Same ratio for the eligibility KPI : replace « aligned * » by « eligible »

Numerator

1. **CapEx related to aligned* activities:** CapEx related to assets or processes associated with aligned* activities
2. **CapEx Plan :** expenditures that are part of a plan to expand aligned* activities or enable activities to become aligned
3. **Individual CapEx** : CapEx related to
   - ✓ the purchase of output from aligned* activities
   - ✓ individual measures enabling the target activities to become low-carbon or lead to GHG emission reductions (and that are included in the Taxonomy)

Denominator

General definition of CapEx :

- ✓ acquisitions of fixed assets
- ✓ before depreciation, amortisation and revaluation of fair value
- ✓ acquisitions resulting from business combinations

Under IFRS

- ✓ tangible (IAS 16) and intangible assets (IAS 38)
- ✓ investment property (IAS 40)
- ✓ agricultural assets (IAS 41)
- ✓ rights of use relating to capitalised lease agreements (IFRS 16)

Under GAAP

- ✓ costs booked according to GAAP standards corresponding to the IFRS costs listed above.

⚠ IFRS-FR Gaap divergences. e.g. concerning lease agreements

Some notable exceptions

When it comes to CapEx related to "adapted activities", some specific rules also have to be followed. To find out more : see question 5 of the EC FAQs (Commission Notice, october 2022).

Contextual information

Several items of narrative information relating to the CapEx KPI are to be provided, e.g.:

- how the CapEx was determined and allocated to the numerator
- the basis on which the KPI was calculated, including any assessment of the allocation of expenditures to the various economic activities
- a reference to the corresponding elements in the financial statements (reconciliation)
- other contextual information: variation of the indicator, nature of the CapEx plan, etc.

2.2. OBSERVATIONS AND ANALYSIS: CAPEX KPI

- **All the companies studied have entered the proportion of their CapEx that is taxonomy-eligible**. Nearly all of them published this indicator **in the required quantitative form** (i.e. as a %). Two companies did not identify any eligible capital expenditure and therefore reported a CapEx KPI of "0%".
- Half of the issuers presented the proportion of their **CapEx that is non-eligible**, which is an indicator also required by the Disclosure Delegated Regulation.
- **Numerator (eligible CapEx):** Half of the companies presented on a voluntary basis the **amount of eligible CapEx**, in addition to the proportion of eligible CapEx expressed as a percentage (the only information required in this first reporting year). This information will be required in the templates as of the reporting published in 2023.
- **Denominator (total CapEx)**: Most of the companies presented the **total amount of CapEx**. For **half** of the issuers, **reconciliation of the "Taxonomy" CapEx denominator with the CapEx identified in the accounts could be performed**. Some, moreover, provided precise references to the accounts, as required by the legislation, or a detailed reconciliation in the Taxonomy section (e.g. table of correspondence) [Illustration 9]. The study also reveals that reconciliation with the accounts can only be performed for a quarter of the companies, for want of sufficient information (absence of a CapEx denominator, accounting items not listed).
- Analysis of the Taxonomy information shows that **eligible activities that are still not highly developed or generating little revenue can be highlighted by identifying CapEx** related to the development of those activities. This analysis is key in certain sectors in which innovative low-carbon activities are, for example, under development.

Illustration 9 - Presentation of the composition of total CapEx and precise references to the consolidated financial statements (denominator)

Maisons du Monde presents the composition of its CapEx and references in the notes to the financial statements, enabling the reader to reconstitute the denominator of the Taxonomy CapEx ratio.

Definition

The CapEx KPI defined as the CapEx eligible for taxonomy (numerator) divided by our total CapEx (denominator). Total CapEx consists of additions to property, plant and equipment and intangible assets during the year, before impairment, amortisation and any revaluation, including those resulting from revaluation and impairment, and excluding changes in fair value. It includes acquisitions of non-current assets (IAS 16), intangible assets (IAS 38) and right-of-use assets (IFRS 16). Goodwill is not included in CapEx as it is not defined as an intangible asset in accordance with IAS 38. For more details on our accounting methods related to our CapEx, cf. note 16-17-18 (p. 216-217).

Cross-reference

Total capital expenditure may be reconciled with the financial statements; see Notes 16 "Other intangible assets", 17 "Property, plant and equipment" and 18.1 "Right of use" of the Universal Registration Document. It corresponds to the total types of movements (acquisition and production costs):

- additions;
- additions from business combinations for intangible assets, right-of-use assets and property, plant and equipment.

Source: Maisons du monde, 2021 URD

- As described in Regulatory focus 3, there are **several categories of CapEx** that can be taken into account in the numerator. In terms of **transparency concerning the analysis methodology**, a good practice noted at several issuers consisted in specifying the composition of this indicator, e.g. by indicating the type of CapEx referred to (CapEx related to an eligible activity, CapEx related to individual measures to improve the company's energy performance, etc.). [Illustration 10]

Illustration 10 - Composition of the eligible CapEx indicator (numerator)

Maisons du Monde describes in detail the composition of the eligible CapEx numerator. In the absence of eligible economic activities at this stage, the group's eligible CapEx corresponds to the "individually eligible" CapEx consisting of the purchase of output from eligible activities (in green opposite) or individual measures to improve the company's environmental performance (in orange). [see Regulatory focus 3]

Eligible economic activity	Description of the activity within the Group
6.5. Transport by motorcycles, passenger cars and light commercial vehicles	CapEx for the acquisition and maintenance of the company car fleet (leased and owned)
6.6 Road freight	CapEx for the acquisition and maintenance of the company truck fleet (leased and owned)
7.2 Renovation of existing buildings	CapEx for the renovation of our existing buildings (structural work only)
7.3 Installation, maintenance and repair of equipment promoting energy performance	CapEx for the installation and maintenance of equipment promoting energy performance (replacement of lighting and A/C systems with lower-energy systems)
7.7 Acquisition and ownership of buildings	Lease payments for the Group's buildings

Source: Maisons du monde, 2021 URD

- **In the same way as for turnover, some companies in the sample indicated that they used special methods to determine the CapEx eligibility ratio (e.g. an allocation key),** when the information, by activity in accordance with the breakdown of the Taxonomy, was not available directly in the group's information systems [see below 2.4 Methodological issues].

OPEX KPI

Regulatory focus 4

This section presents **the general calculation rules for the Taxonomy eligible and aligned OpEx KPI.**
As a reminder, only the KPIs related to eligibility are required for 2022 reporting.

$$\text{OPEX} = \frac{\text{Aligned* OpEx}}{\text{Total CapEx}}$$

*Same ratio for the eligibility KPI : replace « aligned *» by « eligible »

Numerator

1. **OpEx related to aligned* activities:** CapEx related to assets or processes associated with aligned* activities
2. **CapEx Plan :** OpEx that are part of a plan to expand aligned* activities or enable activities to become aligned
3. **Individual OpEx** : OpEx related to
   - ✓ the purchase of output from aligned* activities
   - ✓ individual measures enabling the target activities to become low-carbon or lead to GHG emission reductions (and that are included in the Taxonomy)

Denominator

Total OpEx (restrictive definition): direct non-capitalised costs that relate to: R&D, building renovation, short-term lease, maintenance and repair and other costs related to day-to-day servicing of assets property, plant and equipment that ensure the continued and effective functioning of such assets

× does not include (examples): overheads, raw materials, purchase of electricity, fluids or reagents used for operations, costs of personnel operating a machine or managing an R&D project. (source: EC, FAQs of Feb. 2022)

Some notable exceptions

When it comes to OpEx related to "adapted activities", some specific rules also have to be followed. To find out more : see question 5 of the EC FAQs (Commission Notice, october 2022).

Contextual information

- a breakdown of the numerator showing the main factors of variation in the OpEx KPI during the financial year; and a clarification of variations in the OpEx KPI during the financial year;
- a clarification of other expenditures "related to the routine maintenance of tangible assets which are included in the OpEx calculation, whether it be in the numerator or the denominator";
- information on the OpEx included in a CapEx plan.

Exemption for reasons of immateriality:

The legislation allows companies to not calculate the OpEx alignment ratio if **the total OpEx (i.e. the denominator) proves immaterial with regard to their business model.** Where applicable, companies should publish contextual information (diagram opposite) ["Diclosure Delegated Act, Annex II, section 1.1.3.2]

1. **Declare** that the company is exempted from the calculation of the OpEx numerator
2. Disclose an OpEx **numerator** = 0
   Disclose the total value of the OpEx **denominator**
3. **Explain** the absence of materiality of OpEx

2.3. OBSERVATIONS AND ANALYSIS: OPEX KPI

- **A great majority of the companies published a non-null eligible OpEx ratio, almost all of them** in the **required quantitative form** (i.e. as a %). Some issuers put forward an **argument of the immateriality of OpEx**, provided for by the Delegated Regulation. One issuer, moreover, not availing itself of the exemption, published an OpEx ratio equal to zero (i.e. significant total OpEx but zero eligible OpEx numerator).

- **Nearly all the companies that used the OpEx immateriality exemption did not publish the contextual information required** in this case (i.e. present an eligible OpEx numerator of zero; give the total amount of OpEx in the denominator, and explain the immaterial nature of the OpEx), or only partially. A single issuer presented the required information [Illustration 11].

- The materiality levels indicated by the companies that applied the materiality exemption are between 5% and 10%. However, **divergences were noted concerning the level at which this materiality should be assessed**. Specifically, while most issuers assessed the materiality of the indicator at the level of total OpEx (denominator of the indicator) as required by the legislation, some nevertheless assessed it at the level of eligible OpEx (the numerator). Updating of these analyses will prove indispensable for subsequent reporting.

Illustration 11 - Presentation of an immaterial total OpEx

Justification by Vinci of the immateriality of OpEx and presentation of contextual information: (1) the numerator is non-significant (a numerator equal to zero must be published); (2) the total amount of OpEx in the denominator and (3) an explanation concerning the immaterial nature of the OpEx.

Companies are also asked to explain the fact that the company is exempted from calculation of the OpEx ratio because of its immateriality.

A first estimate shows that 36% of VINCI's revenue and 32% of its CapEx are eligible under the first two objectives of the EU Taxonomy. OpEx as defined in the Taxonomy Regulation accounts for less than 10% of the Group's total OpEx, which is not representative of its business model. Further analysis would not have resulted in a significant amount of eligible OpEx based on the EU Taxonomy, so the indicator is considered as immaterial.

Revenue, CapEx and OpEx of eligible(*) activities by business line at 31 December 2021

(in € millions)	Denominator at 31 December 2021	Eligibility *(%)*
Total revenue	**49,396**	**36%**
VINCI Autoroutes	5,550	0.4%
VINCI Concessions	1,496	6%
VINCI Energies	15,097	38%
VINCI Construction	26,282	41%
VINCI Immobilier	1,611	98%
Total CapEx(**)	**2,983**	**32%**
Total OpEx(**)	**< 3,000**	**ns**

Source: Vinci, 2021 URD

- **Some issuers** presented the **proportion of their OpEx that is non-eligible**, as required by the Disclosure Delegated Act (DDA).
- **Numerator (eligible OpEx):** some companies also presented, on a voluntary basis, the total amount of eligible OpEx adopted in the numerator of the ratio (in addition to the ratio as a %). This information will be required in the templates for reporting publications in 2023.
- **Denominator (total OpEx):** Half of the issuers presented the total amount of OpEx.
- **The precise (and restrictive) definitions of OpEx provided for in the DDA were not always complied with for calculation of the numerator and denominator of the published Taxonomy indicator**. Some issuers indicated that they adopt a broader definition of OpEx (e.g., by including certain energy expenditures or by taking into account asset operating costs in addition to maintenance costs). Conversely, other issuers chose a more restrictive scope of costs (e.g., by selecting only R&D costs). Based on the published information, it seems that these practices are motivated by operational constraints, (i.e. the unavailability of the required data in the companies' information systems), or by reasons of immateriality (i.e. a statement that the required components that were excluded from the calculation were considered non-significant). Some companies specify in this respect the work undertaken to be capable of complying with the regulations for subsequent reporting, since such situations can only be temporary given that the legislation is clear regarding the elements to be considered or not.
- The few items of information provided concerning "other expenditures related to the **day-to-day servicing of items of property plant and equipment** which are included in the OpEx calculation", required by the DDA, also show divergences concerning the composition of these elements.

Question 13 of the FAQs of the EC (Commission Notice, Oct.2022), specifies the scope of the "other direct expenditures" that can be included in OpEx: "*maintenance material, cost of employee repairing a machine, cost of employee cleaning a factory, IT dedicated to maintenance*". The FAQs also specify the exclusions: "*overheads, raw materials, cost of employee operating the machine, cost of managing research and development projects, electricity, fluids or reagents needed to operate property, plant and equipment*".

2.4. CROSS-CUTTING METHODOLOGICAL ISSUES

2.4.1. Transparency concerning the methodologies for determining KPIs related to the data collection process

- The organisational breakdown of the companies' operational activities does not necessarily correspond to the categories of economic activities of the Taxonomy, and the companies' information systems therefore do not always make it possible to extract turnover, CapEx or OpEx data associated with the various eligible activities identified. **Around half the companies in the sample therefore indicated that they used special modalities (allocation key, etc.) to determine the eligibility ratios**, particularly with regard to OpEx.
- When they are mentioned, **these modalities are very diverse and depend on the specific features of the organisation** and the companies' information systems and availability of data. For a given company, the methods used may vary depending on the three KPIs or, on the contrary, be consistent. Likewise, different modalities can be used within a given group depending on the nature of the activities, the business lines concerned, geographic locations, etc.
- A few **examples of approximation methods used**, for example, consisted of determining the eligible CapEx and OpEx ratios on the basis of the eligible turnover, or determining the eligible turnover on the basis of the production volume, or else extrapolating the eligible statistical data from a core activity to other activities for which the data are not available. The findings of this study do not prejudge the appropriateness of the approximation methods adopted by the companies. **Increased vigilance is necessary to ensure that the use of indicator approximation methods does not harm the fair presentation and appropriateness of the published data**.
- By the same approach, in the absence of granular data to calculate certain indicators, the companies may have adopted **more or less extensive/restrictive definitions of the KPIs** by comparison with the regulatory definitions (scope of expenditures included, etc.). This is especially true for OpEx (see above: OpEx KPI focus).
- These approaches **illustrate the great complexity of this new Taxonomy reporting**, and highlight the companies' difficulties in collecting and producing the required data in accordance with the segmentation and granularity defined by the Taxonomy regulation. Development or, depending on the case, adaptation of the companies' information systems is probably necessary to be capable of producing more precise and reliable data, in compliance with the Regulation. The companies are encouraged to conduct or continue their work within this framework.
- **The transparency adopted by certain issuers in this respect should be emphasised**: it is necessary to enable the reader to understand the challenges faced by the issuer, the approaches adopted and the choices made in this context, as well as the progress on work that might prove necessary. [Illustration 12]

Illustration 12 - Transparency concerning the methodologies for allocation of turnover and OpEx

Allocation of OpEx: Michelin Group explains the configuration of its information systems and the reasons leading it to adopt, for this first year, its approach for determining eligible OpEx.

Source: Michelin, 2021 URD

Operating expenses

In accordance with the European Taxonomy, the only operating expenses disclosed in this report are direct non-capitalized costs relating to research and development, building renovation measures, short-term leases, maintenance and repair and any other direct expenses related to the day-to-day servicing of the property, plant and equipment assets. These expenses, which constitute the denominator by which the eligible expenses will be divided to determine the KPI, are recorded in the Group's information systems at the level of the consolidated financial statements. These expenses are not recorded on a more granular level, however, making it impossible to calculate the amount to be included in the numerator to determine the proportion of eligible operating expenses without performing complex estimates, which would in any case be too approximate to be meaningful. Eligible operating expenses were therefore calculated proportionally to the percentage of eligible sales.

Allocation of turnover: Eiffage Group presents the approach followed in this first reporting year for calculation of the turnover eligibility ratio, explaining the differentiated approaches according to the activities/geographic regions

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1. Annual revenue indicator

The diversity of companies and activities within Eiffage has led the Group to employ a differentiated approach to determine the eligibility of revenue that makes the best possible use of the information systems and data available while pragmatically taking into account each company's contribution to the total consolidated revenue.

Thus four different types of companies were distinguished to assess revenue eligibility:

A. Companies that use the Group's ERP software (73% of Group revenue)
B. German, Belgian and Spanish companies (16% of Group revenue)
C. Companies in the European Union excluding Germany, Belgium and Spain (6% of Group revenue)
D. Companies outside the European Union (5% of Group revenue)

Denominator – In compliance with Eiffage's accounting regulations

The denominator is the Group's reported revenue, excluding "concession construction" revenue pursuant to IFRIC 12.

Numerator – Determination of eligible revenue

— Approaches used

To determine the eligible revenue for each of the above group of companies, an appropriate approach was selected to collect data and determine the eligibility of their activities.

A. For the companies that use the Group's ERP system, each site's revenue is categorised by market segment.
The eligibility of each market segment was reviewed.
B. For the German, Belgian and Spanish companies within the scope, the revenue data were collected using business activity codes that were similar to the aforementioned market segments.
C. The eligibility of companies from other EU countries was based on the NACE codes of their main activity.
D. The non-EU companies are responsible for reporting their eligible revenue.

Source: Eiffage, 2021 URD

2.4.2. Issue of double counting

- Problems of double counting (of turnover, CapEx or OpEx) may occur due to the allocation methods used by the company (see above) or else when an activity is eligible with regard to several environmental objectives, a situation which will become increasingly likely in the case of subsequent reporting on the eligibility and alignment of activities with the other four environmental objectives. Therefore, the legislation requires transparency specifically on this subject (DDA, Annex I, section 1.2.2.1 (c)). **Some companies mention double counting issues** for the allocation of turnover, CapEx or OpEx to the various eligible activities/investments, and explain how this risk was avoided. [Illustration 13].

Illustration 13 – Transparency concerning the risk of double counting

The Schneider Electric and Veolia groups mention the risk of double counting related to the method of allocation of turnover to eligible activities. Veolia mentions, in particular, double counting related to the eligibility of its activities having multiple objectives, by analysing on a voluntary basis the activities which could be eligible with regard to the other environmental objectives (apart from climate). Thus, within the framework of its eligibility methodology, the group has chosen to give priority to the objective having the greatest impact in its opinion, namely Objective No. 1 "Climate change mitigation".

2. Allocate revenue to the basic lines of activity	• The Group consolidated revenue was allocated at basic level to the various aforementioned activities. • In certain cases, the allocation of total revenue to basic activities required the use of a physical or financial allocation key selected for its availability and relevance. For example, in the case of collection, tonnages were used to separate taxonomy-eligible selective collection and mixed collection. For water concessions that do not distinguish between drinking water and wastewater in their revenue, OpEx was used to allocate revenue to basic taxonomy-related activities. • Accordingly, all Group consolidated revenue was allocated with no double counts to eligible or noneligible basic activities.

Definition of scopes	
A. Eligible activities to date	A. Eligible activities under objectives #1 and #2 excluding natural gas: mandatory scope for the first taxonomy-related publication
B. Expected → natural gas additional texts and → Environmental objectives 3, 4, 5 and 6	B.1 New* activities under review with respect to objectives 3 to 6, according to the document from the public consultation conducted by the Commission in Q3 2021 B.2 Activities completing list B.1 above, according to the proposed additional texts submitted to the Commission by Veolia, as part of its response to the public consultation B.3 Energy production activities from natural gas according to the Delegated Regulation of February 2, 2022

* *Several activities from list A feature in the activities studied in relation to objectives 3 to 6. Only supplementary activities are included in list B to avoid double counts.*

Source: Veolia, 2021 URD

For its part, Schneider Electric describes its eligibility analysis method based on two approaches that could result in multiple counting, which must be adjusted.

Double-counting between offer approach (by nature of technology) and segment approach (by nature of customers and infrastructure built such as renewable and low-carbon transport) are removed before consolidation.

Source: Schneider Electric, 2021 URD

2.5. OTHER CROSS-CUTTING TOPICS

2.5.1. Internal organisation and project governance

- Some issuers gave qualitative information concerning **the organisation adopted to produce Taxonomy reporting,** in particular concerning the process of data collection, stressing in particular the use of numerous sources of expertise (Finance Department, CSR Department, business unit experts, consultants, etc.) and the need for cooperation between them. [Illustration 14]
- To enhance the transparency associated with data quality, ESMA recommends, in its 2022 enforcement priorities for non-financial reporting (ECEP), reporting not only on the data collection process but also on the due diligence performed by the board of directors or other competent bodies on data supervision.

Illustration 14 - Process of data collection and supervision by the management bodies

Bouygues Group presents information in its Taxonomy section and in another section of the URD on the governance associated with Taxonomy reporting.

These analyses were performed at Group and business segment level, under the direction of a steering committee comprising the Finance department (consolidation, management control, financial communication), the Sustainable Development-QSE department and their related units.

Operation

Ethics, CSR and Patronage Committee meetings are called by the Chair of the Committee, or at the request of the Chairman of the Board of Directors. In the course of its work, the Committee may meet with the Chairman of the Board of Directors or any other person designated by him. The Committee reports on its work at the next subsequent meeting of the Board of Directors.

Work of the Ethics, CSR and Patronage Committee in 2021

The Ethics, CSR and Patronage Committee met **three** times in 2021. The attendance rate was **100%**.

The Committee paid particular attention to the defining the non-financial criteria used to set the Executive Officers' annual and long-term variable remuneration in line with the Group's Corporate Social Responsibility policy, and implementing the Taxonomy.

In addition, the Committee:

- monitored implementation of the CSR/Climate strategy and Taxonomy;
- updated the Code of Ethics and the Anti-Corruption Code of Conduct;
- reviewed French Anti-corruption Agency (AFA) inspections;
- reviewed various sensitive matters; and the Group's various ethics and compliance initiatives.

Source: Bouygues, 2021 URD

2.5.2. Verification of Taxonomy information

- As a reminder, in France Taxonomy information is not covered by the due diligence of independent assurance services provider (IASP), as part of the non-financial statement (NFS) review. This Taxonomy information is nevertheless covered by the "overall reading" of the NFS by the company's statutory auditors. Companies may request a more comprehensive voluntary verification of this information.
- **A limited number of companies in the sample** specify in their Taxonomy section the level of assurance regarding the information, i.e. whether the published information has been reviewed by an **IASP** [Illustration 15], or whether it is covered solely by the overall reading of the management report by the auditors.
- The statutory auditors' reports on the consolidated accounts of all the companies in the sample do not mention any observation or particular irregularity with regard to the Taxonomy information.

Illustration 15 – Transparency concerning the level of assurance regarding the information (reviewed by an IASP)

URW Group specifies that the methodology and main assumptions were reviewed by its IASP, while Bouygues Group states that its Taxonomy information is excluded from the review by the IASP.

> presented in this section. In addition to the regulatory review by the statutory auditors, the taxonomy methodology and main assumptions have been submitted by URW to the independent third party for examination.

Source: URW, 2021 URD

> The taxonomy information published in this SNFP chapter is excluded from the scope of the Independent Auditor's review in this first year of reporting but was submitted to the Statutory Auditors when carrying out their specific checks of the management report in relation to the financial year to 31 December 2021.

Source: Bouygues, 2021 URD

2.5.3. Link between Taxonomy information and Climate strategy[8]

- Several issuers presented the Taxonomy information in conjunction with the Climate strategy they have adopted. For example, issuers referred to their carbon neutrality objective or their ambitions in terms of the reduction of carbon emissions for certain activities. Also, some issuers made a link between the Taxonomy CapEx ratio and the company's need for investment to achieve the environmental objectives described in the non-financial statement. [Illustration 16]
- Establishing this link is of prime importance **to ensure overall consistency of non-financial information**. This link between Taxonomy and environmental strategy, which remained sometimes generic, **should, moreover, be strengthened in subsequent Taxonomy reporting, as of 2023**, because this reporting will deal more specifically with sustainability issues with an analysis of the Taxonomy alignment of activities.
- For example, it could be useful for an issuer belonging to a sector with high carbon emissions, having a low aligned turnover ratio and which has strong climate ambitions (e.g., a commitment to "carbon neutrality"), to establish a link with the various Taxonomy KPIs. In particular, the issuer could stress the importance of its aligned CapEx, required as of the next reporting year, which will be able to fund its transition.

> In its 2022 enforcement priorities (ECEP), ESMA reiterates the importance of "connectivity" between financial and non-financial information, notably to ensure consistency between the reports.

Illustration 16 - Connectivity with the company's Climate strategy

Gecina explains that an alignment of its CSR strategic plan with the Taxonomy frameworkis planned ("*match the thresholds for a significant contribution*").Source: Gecina, 2021 URD

> Gecina's CAN0P-2030 plan has enabled it to stay ahead of Taxonomy requirements by:
> - evolving its practices so that its own CSR requirements match the thresholds for a significant contribution to the six environmental challenges or for doing no significant harm (DNSH);
> - increasingly factoring CSR performance into budget planning, for example by ensuring that:
>   - the bulk of our capital expenditure (capex) goes to improving CSR performance,

[8] Focus on the Climate theme at this stage, since the Regulation at present concerns only 2 environmental objectives (of the 6 expected).

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Lastly, Saint-Gobain identifies in its eligible CapEx those associated with the group's CO_2 roadmap which aims to achieve carbon neutrality by around 2050.

Since 2021, a financial reporting category has been dedicated for monitoring investments linked to CO_2 emissions reduction, in line with the Group's CO_2 roadmap to achieve carbon neutrality by 2050 (see chapter 3, section 2.1.5.2).

CAPEX categories	CAPEX in 2021 (k€)	Proportion of CAPEX in 2021 (%)
1 - CAPEX linked to CO_2 emissions reduction plan	54,983	3.5%
2 - CAPEX linked to Taxonomy eligible activities (excluding point 1)	1,002,840	63.0%
Total Taxonomy-eligible CAPEX	**1,057,824**	**66.5%**
Total Taxonomy non-eligible CAPEX	**532,928**	**33.5%**
Saint-Gobain CAPEX	**1,590,752**	**100%**

Source: Saint-Gobain, 2021 URD

2.5.4. Link with the financial statements and other communications (connectivity)

- Several companies make a link between their eligible activities, as classified by the Taxonomy, and the sectors of activity identified in the "sector information" of the financial statements (IFRS 8). For example, some issuers presented, on a voluntary basis, a breakdown of the eligibility ratio on the basis of their operating segments [Illustration 17].
- This company-specific segmentation can thus usefully supplement the classification of the Taxonomy, to which it is still necessary to refer. But it is not always possible to establish a link with sector information, especially when it is based solely on a geographic breakdown. However, whenever it is possible, this good practice promotes connectivity between financial information and the Taxonomy information, and it makes it possible to link the often technical descriptions of the Climate Delegated Act to more operational elements (business lines, specific segments of activity, etc.).

Illustration 17 – Link between the presentation of activities in Taxonomy reporting and the sector information of the financial statements

Engie segments the 3 Taxonomy KPIs by operational segment (example of eligible turnover in Image 1). This segmentation is consistent with that adopted in the group's financial statements under IFRS 8 sector information (Image 2). This presentation also makes it possible to perform direct "reconciliation" of the turnover entered in the Taxonomy section.

Image 1: Taxonomy information (example of the eligible turnover aggregate)

2021 revenues used by the taxonomy

Segment	Eligible Revenue (€ million): A	Total Revenue (€ million): B	Percentage of eligibility of revenues: (A/B)
Renewables	3,661	3,661	100%
Networks	483	6,700	7%
Energy Solutions	5,732	9,939	58%
Thermal	482	4,089	12%
Supply	999	13,238	8%
Nuclear	0	56	0%
Others	19	20,183	0%
TOTAL	**11,375**	**57,866**	**20%**

Image 2: information in the financial statements (note to the financial statements)

7.2.2 Key indicators by reportable segment

The data by activity according to the new segmentation correspond to the data by Business Line under the previous secondary segmentation. Some minor reallocations were made during the reorganization, marginally impacting 2020 data compared to previous publications.

Revenues

In millions of euros	Dec. 31, 2021	Dec. 31, 2020 (1)
Renewables	3,661	2,971
Networks	6,700	6,718
Energy Solutions	9,940	8,840
Thermal	4,089	3,281
Supply	13,237	10,792
Nuclear (2)	56	39
Others (3)	20,183	11,664
TOTAL REVENUES	**57,866**	**44,306**

(1) Comparative data at December 31, 2020 have been restated due to the classification of EQUANS activities held for sale as "Discontinued operations" in application of IFRS 5 (see Note 2 "Restatement of 2020 comparative data")
(2) Revenues after elimination of intra-group transactions of €1,705 million at December 31, 2021 compared to €1,129 million at December, 31 2020
(3) Of which €10 billion of price effect compared to 2020

Source: Engie, 2021 URD

2.5.5. Location of Taxonomy information

- **All the companies in the sample** presented Taxonomy information in their non-financial statement (NFS).
- Within the NFS, the number of pages devoted to Taxonomy reporting for this first year of application varies from half a page to slightly less than ten pages, depending on the company, with an average of 3 pages.

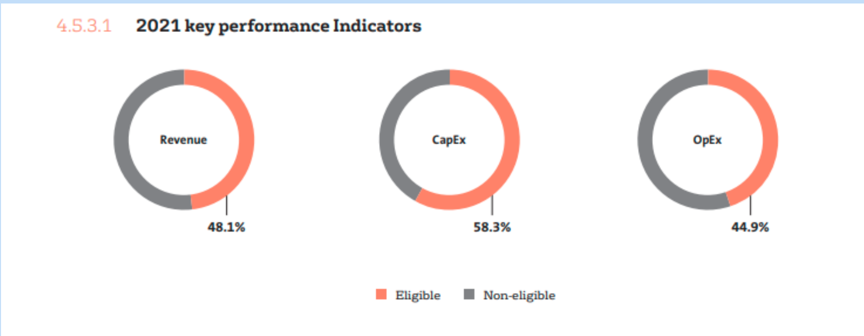
2.5.6. Presentation format

- **No company** in the sample used in advance the **templates stipulated by Annex II to the Disclosure Delegated Act.** Their application will be compulsory only for the next reporting year.
- On the other hand, **other presentation formats were proposed** by the companies. For example, the **very great majority present the Taxonomy indicators in table format**, and some companies add charts. For subsequent reporting, although the templates remain compulsory, such visual presentations could make it possible to summarise – graphically and instructively – the Taxonomy KPIs. [Illustration 18]

Illustration 18 – Graphic presentation of the Taxonomy indicators

Veolia graphically presents the results of its eligibility analysis.

Source: Veolia, 2021 URD



Key points: Taxonomy KPI		Obligations / policy
8	**Consistency and links between Taxonomy reporting and ESG strategy** It is important to ensure overall consistency between the information relating to the Taxonomy and that appearing elsewhere in the non-financial statement. A good practice is to place the Taxonomy information and the company's sustainability strategy opposite one another, particularly regarding transition plans.	- ESMA ECEP 2022: *"ESMA invites issuers to ensure <u>consistency</u> between the information that they provide in relation to Article 8 and the information provided elsewhere in non-financial reporting (e.g., consistency with the issuer's strategy and policies regarding climate change)".*
9	**OpEx immateriality exemption** Special attention is required when using the OpEx materiality exemption, regarding both the methodology and the associated transparency. On the one hand, the materiality analysis must cover the total OpEx (denominator) as defined by the Taxonomy disclosure delegated act (DDA) and, on the other hand, specific information is required by the DDA whenever this exemption is used (publish an eligible OpEx numerator equal to 0, the total amount of the OpEx denominator, and justification of the immaterial nature of the OpEx).	- Disclosure Delegated Act (DDA) : delegated Regulation (EU) 2021/2178, Annex I, section 1.1.3.1.
10	**Methodology for determining indicators, and adaptation of systems** In the absence of available data in the company's information systems to obtain information on the level required by the DDA (granularity of the items concerned, breakdown by economic activity, etc.), increased vigilance is necessary to ensure that the (measured) use of indicator approximation methods does not harm the fair presentation and appropriateness of the published statistical data. Likewise, indicators calculated in accordance with the defined rules should be the goal, with the eligibility reporting published in 2022 having constituted a running-in stage with a view to alignment reporting. The companies are encouraged to conduct or continue the work of development or adaptation of their information systems which might prove essential in this case to comply with the regulation.	- ECEP ESMA 2021: "ESMA nevertheless encourages issuers to use this extra time to adapt, if necessary, their data collection and production systems"; "ESMA recognises that the assessment of the level of sustainability of economic activities based on the criteria of the Taxonomy and the associated reporting year may imply, for issuers, that they collect data which would at present be not easy, or hard to access. ESMA therefore encourages issuers to prepare to be capable of responding on time and appropriately to their reporting requirements."
11	**Contextual information, essential for an understanding of the Taxonomy KPIs and the specific features of the entity** In addition to the required quantitative information (which as of 2023 will be presented in the templates stipulated by the DDA), narrative information accompanying the indicators is indispensable: methodological approaches adopted and judgments made, links with financial elements, etc. Moreover, special attention could be paid to the quantified reconciliation of the Taxonomy data (in particular CapEx) with the elements of the financial statements, whenever a reference to the financial aggregates concerned does not make it possible to reconstitute these data.	- ECEP ESMA 2022: *"ESMA reminds issuers of the importance of adopting great transparency concerning the methodological choices that they make when preparing the information to be provided. This transparency should cover information concerning the specific fields that have required their judgment and the methodological principles that they have followed (for example, how they have made sure to avoid double counting)."*

3. THEME 3: EARLY REPORTING ON ALIGNMENT AND REPORTING ON ALTERNATIVE TAXONOMY KPIS

This chapter concerns analysis of the early alignment reporting performed by certain companies in the sample and on the voluntary reporting of additional indicators to those required by the Taxonomy regulation. For example, this involves studying the narrative information and alternative indicators similar to the Taxonomy indicators (hereinafter "APMs" for "Alternative Performance Measures").

In this section:

Regulatory focus 5

The Disclosure Delegated Act (DDA) mentions the possibility of publishing **alternative taxonomy ratios including joint ventures**: "*Non-financial undertakings may disclose additional KPIs based on turnover, Capex or Opex, that include investments in equity accounted in joint ventures, pursuant to IFRS 11 or IAS28, on a pro rata basis corresponding to their share in the equity of the joint venture*." (Annex I, section 1.2.3 of the DDA)

These additional indicators come within the scope of application of the alternative performance measures (APMs). In addition to taking into account joint ventures, the APMs may include activities that are taxonomy-non-eligible but which, according to the company, have a positive impact for the environment.

The use of these alternative indicators is regulated by the ESMA guidelines on APMs.[9] ESMA thus expresses some key principles, among those listed below, which apply to the Taxonomy reporting context, and gives concrete examples via its Q&A:[10]

- **title** of the APM: do not foster confusion with the regulatory indicators;
- **sufficiently clear definition of the APM**, precise details regarding its calculation methodology;
- **no pre-eminence** of voluntary information compared with the Taxonomy indicators;
- **reconciliation** with the regulatory indicators.

These key principles are, moreover, repeated in the FAQs published by the European Commission regarding the Taxonomy in December 2021: "*voluntary disclosures should not contradict or misrepresent mandatory information under the Disclosures Delegated Act. Voluntary disclosures should also not be more prominent than mandatory disclosures*" (cf. Question 7 of the FAQs).

The **European Sustainable Finance Platform** also published in December 2021 **FAQs on the reporting of additional indicators** related to the Taxonomy. Issuers may usefully refer to this document to prepare their reporting.

[9] https://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415fr.pdf
[10] https://www.esma.europa.eu/sites/default/files/library/esma32-51-370_qas_on_esma_guidelines_on_apms.pdf

3.1. OBSERVATIONS AND ANALYSIS: EARLY REPORTING ON ALIGNMENT AND USE OF ALTERNATIVE PERFORMANCE MEASURES

3.1.1. Early reporting on Taxonomy alignment

- **Two issuers** performed early reporting on the Taxonomy alignment of their activities.
- **However, these anticipated alignment exercises are partial**, since only part of the future reporting requirements were covered by the two issuers. These issuers **analysed the three necessary conditions for defining the alignment** of economic activities (substantial contribution of the activity to one of the six environmental objectives; the fact of not causing major harm to other environmental objectives and, lastly, compliance with minimum safeguards), although this analysis covered only part of their activities, or was conducted in accordance with an initial limited approach requiring further additional work.
- This illustrates the **difficulties that companies may have faced in collecting and processing all the necessary data** for next year.
- Several **interesting items of information related to this early reporting and the difficulties faced** were identified, moreover. For example, the fact of describing the limitations of the exercise, of citing the data repositories relied on by the company to conduct this first partial analysis (ISO standards, description of internal reference frameworks, etc.) or again the fact of providing details concerning verification of the information (review by an independent third party or not, etc.). [Illustration 19]

Illustration 19 – Early reporting on alignment: transparency concerning the calculation methodology and scope of analysis

TotalEnergies presents its methodology and its approach (illustration 2) associated with the calculation of the Taxonomy alignment ratios which are published on a voluntary basis, such as those disclosed by EDF (illustration 1).

Economic activities	Turnover *(in millions of euros)*	Turnover ratio
A.1 Aligned activities		
Electricity distribution (1)	16,192	19%
Renewable energies (2)	5,390	6%
Electricity production by hydropower (3)	2,664	3%
Heating/cooling networks, Cogeneration of heat/cold and power from bioenergy (4)	1,759	2%
Energy efficiency and performance services (5) and others	1,062	2%
Total aligned activities	**27,067**	**32%**

Illustration 1: EDF, 2021 URD

The key contextual information disclosed by TotalEnergies, e.g. concerning the restricted scope of the analysis, is essential to contextualise the results. The group also specifies whether the quantitative information published was verified by third parties.

This classification, defined by the Taxonomy, confirms the 2021 growth of the eligible and aligned CapEx of the Company, which represent about a quarter of the total investments.

With regard to the assessment of the regulatory criteria named "Substantial Contribution":

- the majority of the Eligible Activities related to renewables have a substantial contribution to the objective of climate change mitigation as soon as they qualify as eligible.
- the electricity generation from natural gas meets this criteria for plants, the emissions of greenhouse gases (GHG) of which are lower than 100 gCO_{2e}/kWh or in transient configurations, for plants whose permit is granted before 31 December 2030, if:
  - the GHG emissions of the activity are lower than 270 gCO_{2e}/kWh or the average annual GHG emissions over 20 years are lower than 550 kg CO_{2e}/kW
  - a duly documented management commitment is taken for a switch to 100% renewable and decarbonated gas before end 2035,
  - the activity in question replaces a preexisting coal or liquid fuel activity and
  - a comparative assessment will have demonstrated that no 100% renewable alternative was possible.
- the manufacture of biofuels for use in transports complies with that criteria if the process uses a biomass that is not food-and feed crops that complies with the sustainability criteria of the Renewable Energies Directive (RED) and that allows savings in GHG emissions due to the manufacturing of these biofuels of at least 65% compared to fossil fuels.
- the manufacture of basic organic chemicals complies with that criteria if (i) the GHG emissions (manufacture) by product are lower than a threshold, or (ii) those products are manufactured from renewable feedstock and the life-cycle GHG emissions, verified by a third party, are lower than the equivalent chemical manufactured from fossil fuel feedstock.
- the manufacture of plastic in primary form complies with that criteria if it is (i) fully manufactured by mechanical recycling of plastic waste or (ii) where mechanical recycling is not technically feasible or economically viable, fully manufactured by chemical recycling and the life-cycle GHG emissions of the manufactured plastic, verified by a third party, are lower than the life-cycle GHG emissions of the equivalent plastic in primary form manufactured from fossil fuel feedstock or (iii) derived wholly or partially from renewable feedstock if its life-cycle GHG emissions, verified by a third party, are lower than the life-cycle GHG emissions of the equivalent plastics manufactured from fossil fuel feedstock.
- the manufacture of biogas by anaerobic digestion of bio-waste complies with that criteria if the methane leakage and the traceability of the feedstock and digestates are under control and if the share of food-and feed crops is lower than 10%.

The GHG emissions used correspond to the best available estimates at this stage and have not been verified by a third party.

With regard to the regulatory criteria named "Do no significant harm" any of the environmental objectives, TotalEnergies relies on the HSE division and the HSE departments within the Company's entities which seek to ensure that both applicable local regulations and internal requirements of One MAESTRO reference framework and the Company's additional commitments are respected (see 5.5.1 in chapter 5) to analyze if its Eligible Activities comply with this criteria. A census has been performed on the Eligible Activities of TotalEnergies in 2021, establishing, by activity, a preliminary assessment of the risk of non compliance with that criteria. For the activities localized outside Europe, a detailled analysis is necessary and on-going to ensure that the applicable regulations and local practices are compatible with the requirements of the European regulation.

With regard to the regulatory criteria named "Minimum Safeguards", TotalEnergies is committed to respecting internationally recognized human rights and standards, wherever the Company operates, in particular the Universal Declaration of Human Rights, the Fundamental Conventions of the International Labor Organization (ILO), the U.N. Guiding Principles on Business and Human Rights, the OECD guidelines for multinational enterprises and the Voluntary Principles on Security and Human Rights (VPSHR) (see 5.7 in chapter 5). The Company refers to those standards in the analysis of the compliance of its Eligible Activities.

Illustration 2: TotalEnergies, 2021 URD

3.1.2. Use of alternative performance measures (APMs)

- **In addition to early alignment reporting, a number of issuers** chose to present alternative indicators to the regulatory Taxonomy indicators (i.e. APMs). In most cases, these APMs entailed either an extension of the scope beyond the scope of consolidation, or a desire to highlight activities not included in the legislation in force and therefore not eligible, but, according to an analysis specific to the company concerned, having a positive impact on the environment.
- **Regarding APMs of the "alternative scope" type**, presented by a minority of companies: this mainly involves including associated companies in the eligibility ratio [Illustration 20]. Including joint ventures proved important for some issuers that have concentrated a large part of their R&D and other activities related to the development of low-carbon technologies in these initiatives, e.g. in order to reduce their cost. Accordingly, the Disclosure Delegated Act recognises the usefulness of this APM (see "Regulatory reminders" section).
- **Regarding APMs of the "alternative activities" type**: in most cases, issuers identified activities that are non-eligible within the meaning of the Taxonomy but which, in their opinion, could make an environmental contribution. In some cases, the issuers reasoned in terms of "ultimate use", building an APM incorporating activities which, although non-eligible, in their opinion supplied an eligible market within the meaning of the Taxonomy.
- **In most cases** the principles based on the ESMA Guidelines on APMs were complied with. The indicators were defined clearly and supported by sufficient transparency concerning the calculation methodology, the scope covered, and with an effort to avoid predominance over the regulatory Taxonomy indicators [Illustration 20].

Illustration 20 –Reporting of alternative indicators: application of the ESMA principles (non predominance, clear definition of the indicator)

Valeo describes its calculation methodology associated with the Taxonomy APM which includes an associated company. Moreover, this indicator is presented not in tables but in a dedicated narrative section, entitled "additional indicator", with such a presentation contributing to non-predominance of this indicator relative to the regulatory Taxonomy indicator (without the associated company).

Additional KPI: proportion of eligible sales within the Valeo & VSeA scope

In addition to the regulatory KPIs, Valeo has decided to include an additional KPI reflecting the 2021 sales of products for electric and hybrid vehicles emitting less than 50 g of CO_2/km[2] made by its joint venture with Siemens (VSeA – Valeo Siemens eAutomotive), considered eligible under activity 3.3. (as described below).

VSeA's total sales were used. The calculation method used is the same as that used to calculate the regulatory KPI[3].

In 2021, the proportion of sales of products for electric or hybrid vehicles emitting less than 50 g of CO_2/km within the Valeo and VSeA scope, presented in this additional KPI, was 15%.

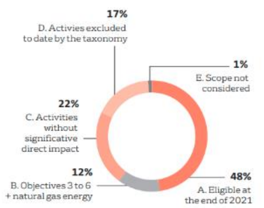
(3) To calculate the additional KPI on the proportion of eligible sales under the Valeo and VSeA scope, 100% of the joint venture's sales were added to the numerator and denominator of the regulatory KPI, i.e., the production of its products sold that are intended to be fitted on electric or hybrid vehicles emitting less than 50 g of CO_2/km (under WLTP conditions).

Source: Valeo, 2021 URD

Veolia chose voluntarily to shed light on its non-eligible turnover, in order to supplement the information concerning the eligible scope alone. The **approach and the methodology for establishing the indicators are described, so that** all the non-eligible activity was classified according to four complementary scopes (without double counting).

4.5.3.3 **Breakdown of non-eligible revenue**

With the breakdown of revenue presented in Section 4.5.2.2 above:



Definition of scopes

A. Eligible activities to date	A. Eligible activities under objectives #1 and #2 excluding natural gas: mandatory scope for the first taxonomy-related publication
B. Expected → natural gas additional texts and → Environmental objectives 3, 4, 5 and 6	B.1 New* activities under review with respect to objectives 3 to 6, according to the document from the public consultation conducted by the Commission in Q3 2021 B.2 Activities completing list B.1 above, according to the proposed additional texts submitted to the Commission by Veolia, as part of its response to the public consultation B.3 Energy production activities from natural gas according to the Delegated Regulation of February 2, 2022
C. With no major direct impact	C. Other activities with little direct impact for the environment and considered to date as falling outside the green taxonomy
D. Activities excluded to date by the European Commission	D. Veolia identified within its business portfolio: coal-based energy production, non-selective waste collection, non-hazardous waste storage, non-hazardous waste incineration, energy services for buildings without search for energy performance.
E. Not considered	E. Activities that are too minor to have been considered in detail during this first year

** Several activities from list A feature in the activities studied in relation to objectives 3 to 6. Only supplementary activities are included in list B to avoid double counts.*

Source: Veolia, 2021 URD

- The principle of the ESMA guidelines on **labelling of the alternative indicator** could be followed more closely. In particular, the title of the APM must not create any confusion with the regulatory indicators. The ESMA Q&A (Question 20) on APM recommends two methods to avoid this bias:

- ↗ indicate in the title of the APM whether or not it is established in accordance with the Regulation Taxonomy Regulation and/or
- ↗ specify explicitly (e.g. in a footnote) whether or not the indicator is calculated in accordance with the Taxonomy regulation.

- Some companies in the sample paid special attention to the name of their aggregate and the explanations concerning its use to avoid any risk of confusion [Illustration 21].

Illustration 21 – Reporting of alternative indicators: effort concerning the name of the APM

Schneider Electric changed the name of its historical "Green revenue" indicator, which was not produced according to the methodology of the European Taxonomy, in order to differentiate this APM from the regulatory Taxonomy indicators. The group communicates transparently and instructively regarding this change and the differences between this APM and the Taxonomy indicators. Lastly, the use of a footnote also corresponds to one of the recommendations of the ESMA Q&A.

In 2019, the Group was one of the first companies to proactively disclose information on the share of its revenue coming from offers that bring energy, climate, or resource efficiency to its customers, while not generating any significant harmful impact to the environment. Originally called "Green Revenues" to match market standards, such sales were renamed "Schneider Impact revenues"[1] to avoid any confusion with the new European Taxonomy coming into force.

(1) Schneider Impact revenues are calculated using Schneider's own consistent methodology and are distinct from turnover eligible under the EU Taxonomy

Source: Schneider Electric, 2021 URD

Key points: early reporting on alignment and use of alternative performance measures (APM)

Obligations / policy

12 Regulated use of APMs

The publication of alternative performance measures to the Taxonomy indicators (APMs) involves complying with the same principles of transparency as for financial APMs: clear definition, transparency concerning the methodology, reconciliation with the regulatory indicator, non-misleading name (labelling), and non-predominance over the regulatory indicators.

Moderate and justified use of APMs avoids diluting the regulatory information.

- ESMA Guidelines on APM (↗)

---

13 Early reporting on Taxonomy alignment

When a company chooses to meet a reporting requirement in advance, and given the evolving nature of the Taxonomy regulation, it is important to explain the methodological procedure and the scope of analysis, and to comply with the principle of non-predominance relative to the applicable regulatory indicators.

- Q7 of the FAQs of the European Commission (Commission Notice, Oct. 2022)

DEEP DIVE ON METHODOLOGICAL ASPECTS

Several **methodological issues related to determination of the eligibility of certain activities were identified** in the Taxonomy information studied. These issues cause divergences of application from one issuer to another. Indeed, the Taxonomy delegated acts that have been published may be very detailed, but they are not always sufficiently precise concerning the rules for determining, in some cases, whether or not an activity can be considered eligible.

While some of these rules were **clarified in the FAQs** published by the European Commission in December 2021 and then February 2022, the context of uncertainty which could have existed when establishing reporting for financial year 2021 could have **led the issuers to interpret the legislative provisions differently.**

To illustrate these issues, some of them are presented in this section.

Methodological aspect 1: the treatment of activities in the value chain of eligible activities

Regulatory background: eligibility and value chain

The European Taxonomy selects economic activities having the potential to contribute to the European environmental objectives and for which specific sustainability criteria have been defined. In a FAQ published in February 2022, the European Commission explains that only the economic activities referenced and described in the Climate Delegated Act are eligible. Therefore, activities which are in the value chain (e.g. supplier, subcontractor) of the eligible activities are not themselves eligible, unless they are specifically mentioned in the descriptions of the Delegated Act (the manufacture of batteries, for example).

For further details: European Commission, Question 8 of the Commission Notice (october 2022).

Observations

A **large number of companies**, out of those studied in this report, have identified "supplier" eligible activities, such as **activities for manufacturing of equipment** which is then used (by other firms) for the production of eligible activities (i.e. activities positioned in the value chain of other activities).

Several of these manufacturing activities are described in the Climate Delegated Act (CDA), and can therefore be considered eligible. This concerns, for example, the "manufacture of batteries" (3.4), the "Manufacture of energy efficiency equipment for buildings" (3.5) or the Manufacture of renewable energy technologies (3.1).

Certain companies, all or part of whose **manufacturing activities are not explicitly described or provided for in the CDA**, have nevertheless associated those activities with categories of economic activities of the Taxonomy which "were similar". For example, in the automotive sector, several equipment manufacturing activities not appearing in the CDA have been associated with categories 3.6 *"Manufacture of other low carbon technologies"* or 3.3 "*Manufacture of low carbon technologies for transport*" **[see case study]**.

The companies concerned were often led to describe their analysis method in greater detail and to explain their choices, in some cases indicating their uncertainty. This situation nevertheless raises the **question of the compliance of these practices, and the divergent approaches illustrate a major problem of comparability**, due to methodological choices, with the risk of encountering, within a given sector, and on the European level, divergences of application having a significant impact on the results of the Taxonomy KPIs.

Case study: automotive component suppliers

Issues: analysis of activities which are in the value chain of eligible activities

Companies studied: Valeo and Faurecia (French groups), and Gestamp Automocion and Continental (Spanish and German groups)

Context: Faurecia, Valeo, Continental and Gestamp Automocion **are four automotive component suppliers**, all or part of whose activities are not covered by the European Taxonomy. In particular, one of the activities of these component suppliers, associated with NACE code C29.32 ("manufacture of seats, chassis components, electronic equipment and interiors for motor vehicles"), is not indicated in the descriptions of activities in the Climate Delegated Act. It is noted that **these companies have adopted diverging approaches** to their understanding of the eligibility of this activity.

> Gestamp Automocion, considers – as indicated in the following excerpts, that its activities of manufacture of equipment/components for vehicles are not eligible: *"In addition, eligible activity 3.3 "Manufacture of low carbon technologies for transport" is not considered eligible as Gestamp does not manufacture electric vehicles, but rather metal components that may form part of them" (2021 Annual Report).*

The Spanish component supplier reports on its analysis method as follows (illustration opposite).

The conclusions reached are as follows:

- Gestamp is a company dedicated to the design, development and manufacture of metal components for automobiles.
- Gestamp's economic activity is classified as C29.32 within the NACE codes (statistical code for the classification of economic activities in the European Union). This code is not included in taxonomy-eligible activities.
- In addition, eligible activity 3.3 "Manufacture of low carbon technologies for transport" is not considered eligible as Gestamp does not manufacture electric vehicles, but rather metal components that may form part of them.

Source: Gestamp Automocion, 2021 Annual Report

> Valeo and Faurecia consider, on the contrary, that part of their production of components, necessary for the manufacture of electric vehicles, would be eligible under activity 3.3 ("Manufacture of low carbon technologies for transport"). Regarding this, both companies provide several explanations (reasoning by analogy with other eligible component supplier activities). However, Valeo Group mentions its uncertainty ("*could be interpreted as…*").

> Continental considers that part of its activities related to low-carbon transport (although without specifying which: construction of equipment such as chassis, tyres?) could be associated with category 3.6 "*Manufacture of other low carbon technologies".* None of its activities are associated with category 3.3, unlike for Faurecia and Valeo.

Analysis of Valeo's economic activities eligible for the European Taxonomy

The Delegated Act on sustainable activities for climate change adaptation and mitigation objectives sets out selection criteria that explicitly acknowledge the contribution of hydrogen, battery, and electric vehicle or low-emission vehicle manufacturing and components in achieving climate goals. However, the Delegated Act does not specifically address electric vehicle components.

Indeed, while activities specifically related to the design and production of components needed for hydrogen powered vehicles or the manufacture of batteries for mobility are clearly eligible in activities 3.2. and 3.4., the NACE codes provided in activity 3.3. could be interpreted as implying that the design and production of components for electric vehicles or vehicles emitting less than 50 g of CO_2/km are not eligible.

Vehicles are complex systems in which each individual component is of critical importance, which is why Valeo rejects that view. The eligibility of components of electric vehicles or vehicles emitting less than 50 g of CO_2/km is the logical conclusion to be drawn from Articles 10c and 10i of Regulation (EU) 2019/2088, which clearly recognize all activities promoting clean or climate-neutral mobility as contributing substantially to climate change mitigation.

For 2021, Valeo has declared its economic activity as Taxonomy-eligible in accordance with the conditions laid down for activities 3.3. Manufacture of low carbon technologies for transport and 3.4. Manufacture of batteries.

Source: Valeo, 2021 URD

- Eligible revenues:

In the absence of clarification of the taxonomy regulation on the activities of automotive equipment suppliers and given their essential role in achieving the carbon neutrality objectives of automotive manufacturers, Faurecia has analyzed its activities in accordance with the requirements of the latter and took into consideration the revenue from its business activities in the service of hybrid (<50gCO_2/km), hydrogen and electric vehicles as part of the activity "3.3 Low-carbon manufacturing technologies for transport" of the taxonomy regulation.

These vehicles are designed and produced as part of a joint effort between carmakers and equipment manufacturers. While manufacturers translate consumer preferences into clear parameters for the design and assembly of vehicles, Faurecia supplies the technologies and components that meet these parameters. Faurecia researches, designs and industrializes systems (including interiors, seats, electronics, chassis components) that are a part of low-carbon vehicles. These systems are inseparable from hybrid, hydrogen and electric vehicles and their environmental performance.

Source: Faurecia, 2021 URD

The allocated business with zero-tailpipe-emission vehicles therefore falls under category 3.6 ("Manufacture of other low-carbon technologies") of the delegated regulation for climate change mitigation, since it pursues the goal of developing clean or carbon-neutral mobility in accordance with Art. 10 (1) c) in conjunction with Art. 10 (1) i) of the EU Taxonomy Regulation. This expansion will substantially reduce CO_2 emissions from mobility use. The allocated low-carbon business beyond business with zero-tailpipe-emission vehicles primarily comprises the manufacture of products for wind turbines and photovoltaic systems, and therefore falls under category 3.1 ("Manufacture of renewable energy technologies"). To a lesser extent, this business also includes the manufacture of products for wastewater treatment and waste recycling plants as well as for infrastructure in the area of low-carbon water transport, which we likewise classify as category 3.6.

Source: Continental, 2021 Annual Report

Analysis:

Thus, while Valeo and Faurecia consider that this activity can partly come within the Taxonomy category 3.3 "*Manufacture of low carbon technologies for transport*", the component supplier Gestamp Automocion excludes the activity from its list of eligible activities. The German component supplier Continental presents yet a different analysis by associating its activities with another category.

These elements show a **different analysis and interpretation of the eligibility criteria** from one European firm to another. In view of the implications in terms of comparability between European firms, it is important that discussions be undertaken both to ensure uniformity of application of the regulations concerning eligibility and, if necessary, to adapt the regulations for appropriate and consistent treatment of economic activities.

Methodological aspect 2: economic activities having a "low-carbon" indication

Regulatory background:

Certain activities of the Climate Delegated Act contain in their title or description qualifiers such as "low-carbon", which refer to sustainability requirements. For example, activities 3.3 "Manufacture of low carbon technologies for transport" and 6.16 "Infrastructure enabling low carbon water transport".

In an FAQ, the European Commission explains that when these qualifiers are specified in the description of the activity, i.e. when the requirement of sustainability is explicit and specific, then only those activities that comply with these sustainability requirements can be classified as eligible.

This is the case, for example, of activity 3.6 "*Manufacture of other low carbon technologies for transport",* whose description specifies the objective of a substantial reduction in the carbon emissions of the activity:

3.6. **Manufacture of other low carbon technologies**

Description of the activity

Manufacture of technologies aimed at substantial GHG emission reductions in other sectors of the economy, where those technologies are not covered in Sections 3.1 to 3.5 of this Annex.

Conversely, it is not necessary to apply sustainability criteria for eligibility if the description of the activity qualified as "low-carbon" is not more precise in the Delegated Regulation. The European Commission gives as an example activity 3.3 "*Manufacture of low carbon technologies for transport*":

3.3. **Manufacture of low carbon technologies for transport**

Description of the activity

Manufacture, repair, maintenance, retrofitting, repurposing and upgrade of low carbon transport vehicles, rolling stock and vessels.

For further details: Question 9 of the EC FAQs, Commission Notice, Oct. 2022.

Observations

Several companies in the sample identified economic activities having, in their title or description, a mention of a low-carbon objective (e.g., "low-carbon activity", "with a view to reductions in GHG emissions", "designed to (..) absorb GHG emissions") etc.), and with which sustainability requirements are associated to determine eligibility (see box above).

First, it can be observed that **on the European level, companies have not all applied this methodological rule uniformly**. Indeed, while all the companies concerned in the sample have studied sustainability criteria in the particular case of these activities, other issuers sometimes belonging to the same sector have not adopted similar approaches [see case study].

The analysis of Taxonomy reporting also reveals **the importance of transparency concerning the methodology** used by companies to analyse and apply these sustainability criteria. In fact, the Climate Delegated Act does not always give precise technical criteria making it possible to determine whether the activity complies with the sustainability requirement or not **[see case study]**

This situation could therefore raise a question of **heterogeneity of practices**, due to **potential differences between the methodologies used** by the companies to apply these sustainability requirements.

Case study: motorway concession operators

Companies studied: Eiffage and Vinci, two French motorway concession operators

Context: The Eiffage and Vinci groups both have an activity related to the operation of road infrastructure (motorway concession operators), which could be covered by the Taxonomy under category 6.15 "*Infrastructure enabling low-carbon road transport and public transport*".

However, the description of this activity includes sustainability requirements, to be taken into account for the analysis of eligibility:

> 6.15. **Infrastructure enabling low-carbon road transport and public transport**
>
> *Description of the activity*
>
> Construction, modernisation, maintenance and operation of infrastructure that is required for zero tailpipe CO_2 operation of zero-emissions road transport, as well as infrastructure dedicated to transshipment, and infrastructure required for operating urban transport.

Source: Climate Delegated Act (CDA)

In the case of this activity, **however, the delegated act does not specify technical criteria** on which the companies could rely to demonstrate that their activity is "*necessary*" for low-carbon transport. In this context, the Vinci and Eiffage groups have developed an analysis methodology, presented below:

Vinci and Eiffage consider as eligible only part of this concession operator activity, **a part which would be due to the use of its infrastructure by "zero emission" vehicles**.

For this purpose, in the absence of directly available data, both use an allocation base as sustainability criterion, by comparing their turnover with **the proportion of electric vehicles in France.**

> **Motorway Concessions** (1)
>
> According to section 6.15 of Annex I, only infrastructure that is conducive to low-carbon road and public transport can be qualified as eligible. As the Group is unable to identify directly the motorway revenues linked to electric vehicle traffic, to qualify for eligibility it has decided to apply an apportionment formula to the motorway revenues that reflects the proportion of electric vehicles among the total population of French automobiles.

Source: Eiffage, 2021 URD

> The eligible revenue of VINCI Concessions includes the revenue of VINCI Railways and that of the companies Caraïbus, Turas and Cofiroute USA. The eligible revenue of VINCI Autoroutes is an estimation of the share of tolls collected from zero-emissions vehicles. This figure is estimated by applying the toll revenue from light vehicles at 31 December 2021 to the percentage of all-electric vehicles on the road in France (an average of 1% for 2020 and 2021) and a reduction coefficient of 0.5, which is subject to change, depending on the growth of the electric vehicle market and infrastructure equipment levels. Sources: data compiled by Avere-France (www.avere-france.org) and Insee (www.insee.fr).

Source: Vinci, 2021 URD

Analysis:
The **two companies therefore have a converging eligibility analysis**, due to a similar interpretation of the definition of activity 6.15 (need to apply sustainability criteria) and an identical method for applying these criteria, **in a context in which these methodological aspects were not specified by the regulation** (use of the same allocation base, for example).
The **transparency of these companies regarding their analysis approach and their methodology** made it possible to compare the published information.

However, it is worth noting that other European firms in the same sector have adopted different approaches; some, for example, have not used sustainability criteria and have considered the entire "motorway concession operator" activity as eligible. These divergences, which are reflected in the results of the Taxonomy KPIs, further underline the need to provide information concerning the methodologies and assumptions adopted to identify their eligible activities. In the case of activities having a "low-carbon" indication, it is therefore necessary to specify the sustainability criteria adopted, pursuant to the Climate delegated regulation (see box on the regulatory context).

Methodological aspect 3: the treatment of "transitional" and "enabling" activities

Regulatory background: treatment of transitional/enabling activities for eligibility

As a reminder, the Taxonomy provides for two specific categories of activities which contribute only indirectly or partially to the climate change adaptation or mitigation objectives: so-called "enabling" activities (related to the 2 climate objectives) and "transitional" activities (related to the climate change mitigation objective).

The "enabling" activities are not necessarily sustainable, but they contribute indirectly, as facilitators, to achievement of the environmental objectives: for example, activity 13.3 "television programme production", could be classified among enabling activities, in that it can educate the public regarding climate change adaptation issues.

The "transitional" activities are key activities of the economy, such as cement manufacturing, which are not yet low-carbon but that it is essential to decarbonise in order to achieve a successful ecological transition.

However, economic activities can only be classified as "enabling" or "transitional" when they meet a number of requirements, as specified in the description of activities covered in the Climate Delegated Act. These requirements are generally defined on the basis of substantial contribution criteria, i.e. technical criteria used to analyse the activity's sustainability. For example, activity 13.3 "television programme production" is enabling only if, in particular, the television programmes produced target the theme of climate change adaptation.

In its FAQs published in February 2022, the European Commission specifies that **it is not necessary to demonstrate the "transitional" or "enabling" nature of an activity to consider that activity as eligible.** It is therefore not necessary to carry out a more extensive analysis of the technical criteria to define the eligibility of an activity which could, moreover, possibly be "transitional" or "enabling". Thus, a company could consider as eligible its activity 11. "Education", without having to demonstrate, *inter alia*, that the activity contributes substantially to the climate change adaptation objective. However, the company should not classify this eligible activity as an "enabling" activity, without having performed this additional analysis of the relevant criteria. Note that this double classification (eligible + enabling, or eligible + transitional) is not required for eligibility reporting, but may be performed on a voluntary basis. On the other hand, for the purpose of alignment reporting for the activities in question (i.e. for the reporting published as of 2023), the company will have to demonstrate the "enabling" or "transitional" nature of those activities.

For further details: European Commission, FAQs of 02/2022 (Commission Notice, Oct.22), Question 4

Observations

In reporting for financial year 2021, **the companies applied various analysis rules to determine the eligibility of the activities indicated, in their description, as in the "transitional" or "enabling" categories.** Indeed, while most of the companies did not mention this, some of them nevertheless relied on these categories to assess the level of eligibility of their activities (i.e. they applied sustainability criteria). These observed contrasts can be explained by the **lack of precision of the analysis rules in the Disclosure Delegated Act.** These elements were specified in the FAQs published in February 2022 (see box above). In this context of uncertainty, a good practice consisted in being transparent concerning the analysis method [cf. case study].

In order to harmonise reporting practices, **application of the Commission's FAQs leads to presentation of all these activities as eligible (with no analysis of sustainability criteria) for the coming reporting years**.

Case study: the entertainment sector

Issues: the treatment of "enabling" activities: a voluntary analysis to be carried out independently of the eligibility analysis

Companies studied: Bouygues (and its subsidiary TF1)[11]

Context:

The activity of the TF1 subsidiary, related to the production, distribution, programming of content, shows and musical recordings, is Taxonomy-eligible based on the climate change adaptation objective (activity 13.3). This activity is also considered an "enabling" activity, when it complies with a number of criteria (the activity must be able to raise awareness of climate issues).

Eligible sales

Eligible sales in 2021 amount to €13,330 million and essentially covers the following activities:

- Construction and property development (new build and renovation), as well as rail infrastructure.
- Road, waterway and airport infrastructure, of which only low-carbon infrastructure (such as pedestrian schemes, cycle paths and electric vehicle charge points) is eligible.
- Some Energies & Services activities (production and storage of renewable energies), and water and energy transport infrastructure (Spac at Colas).
- TF1's activities relating to production, broadcasting, content programming and live shows, for which sales are calculated with reference to the associated advertising revenue.
- Data centre construction and data hosting for Bouygues Telecom.

All these activities aim for climate change mitigation with the exception of TV programmes at TF1, which are eligible only when they make a substantial contribution to raising awareness of climate change adaptation. Without this condition, TF1's eligible sales would be 90% instead of 4%.

Source: Bouygues, 2021 URD

Analysis:

The following case study illustrates the context of uncertainty existing at the time of establishing the 2021 reporting, which may have led the companies to **exercise their judgment concerning certain methodological aspects**. The necessary clarifications regarding this issue were only published in February 2022 (FAQs of the European Commission).

In this context, TF1 Group and Bouygues Group showed transparency, by explaining their analysis method and presenting two results: an eligibility figure for TF1 of 4% of turnover, including a sustainability filter (related to the "enabling" nature) and a second figure equal to 90% of turnover, without this filter.

In accordance with the Commission's FAQs, Bouygues should nevertheless in the future consider as eligible all the programming activities of TF1 (i.e. in this case, 90% of TF1's turnover). However, only part of the activities of TF1 (4% of turnover) meet the sustainability criteria related to the "enabling" category, and this information was produced on a voluntary basis, in anticipation of alignment reporting.

Methodological aspect 4: eligible turnover – real estate sector

Observations

On the whole, the methodological issues highlighted by the issuers studied relating to calculation of the turnover eligibility ratio are related to **matters of data availability** or concern the choices made to determine the turnover from the identified eligible activities (cf. section 2.4.1, cross-cutting methodological issues).

The **total turnover** (denominator) to be taken into account in Taxonomy reporting must correspond, according to the Disclosure Delegated Act, to the *turnover recognised in the financial statements in accordance with IAS 1 § 82 (a)*". A **diversity of practices** were observed for determining this denominator in certain sectors **[see case study].**

Case study: real estate sector and turnover KPI

Companies studied: the Klépierre, Gecina and URW groups.

Context: The three companies of this sector included in the sample all considered gross rental revenues, management revenues and other services in the denominator.

[11] The TF1 company is not directly in the sample for this study.

On the other hand, the treatment of **revenues from re-invoicing of rental expenses** differs from one issuer to another. Klépierre and Gecina excluded these revenues from the denominator while URW, in contrast, included them. However, the latter presented, for the purpose of transparency, an additional (lower) turnover eligibility ratio calculated on the basis of a denominator adjusted for re-invoiced rental expenses.

Moreover, it is noted that in the turnover eligibility analysis in the **numerator**, **the treatment of real estate service revenues** diverges. Klépierre and Gecina consider these revenues fully eligible, therefore with a 100% total turnover eligibility ratio, in contrast with URW which therefore posts a lower eligibility ratio, due to the exclusion of these activities.

Analysis:

In the denominator, the methodological divergence concerning "re-invoicing of rental expenses", could be due to **companies' different understanding of what is covered by "*turnover recognised in the financial statements in accordance with IAS 1 §82(a)*".** Because of the specific nature of their activities, the companies concerned in the sector present in the financial statements as revenue indicator the "*gross or net rents/rental revenues*", without referring specifically in these accounts to a "turnover" indicator. This aggregate is therefore reconstructed for the specific purpose of the Taxonomy.

In the numerator, the disparity in the eligibility analysis of "other real estate revenues" seems to be due to a **more or less restrictive view of the activity category 7.7 "Acquisition and ownership of buildings",** the description of which in the delegated act is confined to the "purchase of real estate and exercising ownership of that real estate".

Part 3
Taxonomy reporting study of financial companies

In this part

Foreword

The reporting obligations stipulated in Article 8 of the Taxonomy Regulation also apply to financial companies which must produce specific indicators and contextual information, adapted to the specific features of their sector and the type of activities (credit institutions, asset managers, investment firms and insurers and reinsurers).

This part of the report relating to financial companies covers only the Article 8 Taxonomy reporting of credit institutions (reporting at the "entity" level).

1. METHODOLOGY

☐ Sample

The sample selected for the financial sector concentrates on the Taxonomy information published in the 2021 non-financial statements (NFS) of four leading French banks: BNP Paribas, Crédit Agricole (CASA),[12] Société Générale (SG) and BPCE Group.[13]

☐ Analysis method

The process of analysis of the published information by financial institutions is similar to that adopted for non-financial companies:

- Verification of the presence of the required regulatory information in the published NFS;
- Comparative analysis of the level of information and presentation modalities;
- Identification of specific methodological issues, where applicable.

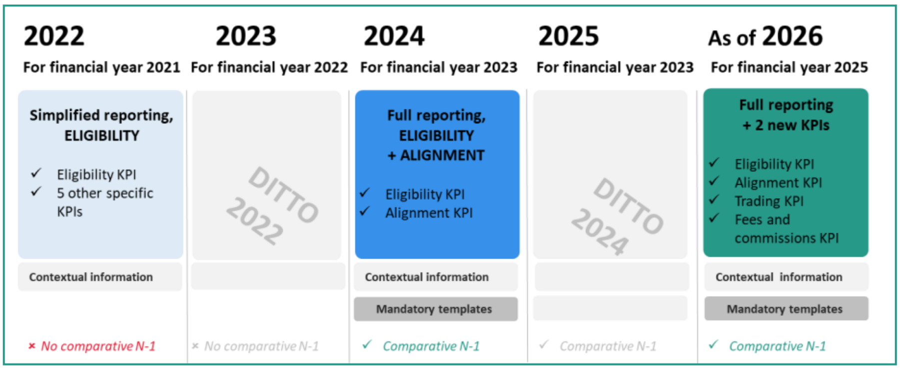
Like for the "non-financial companies" part, **the study does not aim to validate the accuracy of the Taxonomy information published by the companies studied**. The AMF has also endeavoured, where possible, to highlight excerpts from issuers' reporting. Regarding this, reference to a company in the sample aims to illustrate a specific point of the analysis and in no way prejudges the general quality of that company's Taxonomy and non-financial reporting.

The structure of presentation of the observations and issues noted for the credit institutions – as reflected hereafter – has been differentiated from the layout for presentation of these elements for non-financial companies used in the preceding sections of this report. The following thematic presentation has been adapted to the limited sample studied (4 financial companies *vs*. 23 non-financial companies), and especially to the specific features of the Taxonomy reporting indicators, methodologies and issues for the financial sector.

2. REGULATORY REMINDER: THE "ARTICLE 8" REPORTING OBLIGATIONS OF CREDIT INSTITUTIONS

A **gradual entry into force of Taxonomy reporting** is planned for credit institutions, with annual reporting focused **on eligibility in the 2022 and 2023 publications**, and annual reporting extended **to alignment as of the 2024 publications**.

In accordance with the provisions of Article 10.2 of the Disclosure Delegated Act, from January 2022 and for a period of two years, credit institutions shall publish in their non-financial statement **seven specific indicators** and contextual narrative information as part of **eligibility reporting.**



[12] For the Taxonomy reporting in question, "CASA" corresponds to the scope consisting of Crédit Agricole S.A. and its subsidiaries (source: CASA 2021 Universal Registration Document)

[13] For the Taxonomy reporting in question, "BPCE Group" corresponds to the scope consisting of BPCE SA and its subsidiaries and the Banques Populaires and Caisses d'Epargne savings banks (source: BPCE Group 2021 Universal Registration Document)

This first reporting relating to eligibility (simplified reporting) constitutes **a preparatory step towards the alignment reporting** that credit institutions will have to publish from 2024, and which shall include in particular **the publication of the *Green Asset Ratio* (GAR)** – a leading indicator reflecting the proportion of their assets and investments funding activities aligned with the European Taxonomy, relative to all their covered assets.

<table>
<tr><th>Eligibility reporting: 7 key indicators</th><th>Alignment reporting: 5 key indicators</th></tr>
<tr><td>Art. 10.2 of the Disclosure delegated act (DDA)

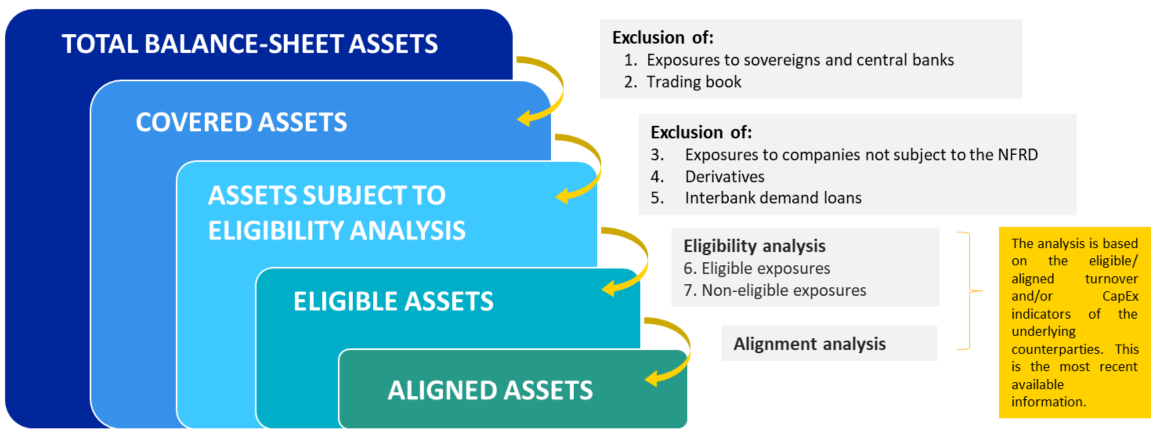
Proportion (as a %) of total assets covered:
1. of exposures to eligible economic activities
2. of exposures to non-eligible economic activities
Additional indicators concerning the proportion (as a %):
3. of exposures to sovereigns and central banks
4. of the trading book (trading assets)
5. of exposures to companies not subject to the NFRD
6. of derivatives instruments
7. of interbank demand loans
⚠ the difference between "total assets" and "total covered assets" in the context of eligibility reporting was clarified by question 21 of the European Commission FAQs of February 2022</td><td>Annex V of the DDA

Main KPI
1. "Green asset ratio" (GAR) : proportion of assets and investments funding Taxonomy-aligned activities
Complementary KPIs for off-balance-sheet exposures:
2. "green ratio for financial guarantees": proportion of financial guarantees covering aligned activities
3. "green ratio for assets under management"
Additional KPIs from 2026:
4. KPIs concerning fees and commissions received for services relating to aligned activities (other than lending)
5. KPI concerning the trading book
⚠ sub-indicators should also be calculated to determine the GAR</td></tr>
<tr><th colspan="2">Contextual information</th></tr>
<tr><td colspan="2">In addition, credit institutions are required to present certain contextual information to substantiate the quantitative indicators, specifying in particular (Annex XI of the DDA):
↗ the range of assets and activities covered by the indicators;
↗ the data sources and their possible limitations;
↗ a description of the compliance of the financial company's strategy with the Taxonomy regulation, notably in terms of the product design process and engagement with clients and counterparties;
↗ information explaining the company's strategies and indicating the weight of the funding of Taxonomy-aligned economic activities in its overall activity.</td></tr>
</table>

Regulatory focus

Since the eligibility of an exposure constitutes an essential prerequisite for its alignment with the Taxonomy, the eligibility reporting is designed mainly to prepare the alignment reporting required in 2024 (for financial year 2023).

In order to better understand the indicators required of credit institutions for eligibility reporting, it is therefore necessary to comprehend the calculation rules for the main alignment indicator, the GAR, as defined by the Disclosure Delegated Act. The calculation method can be schematically summarised as follows:



The indicators required for eligibility reporting concern elements 1 to 7 above

The *Green Asset Ratio* (GAR) is therefore determined, on the basis of the **prudential scope of consolidation (FINREP reporting)**, as follows:

$$\text{GAR} = \frac{\text{Assets and investments in aligned activities}}{\text{Total covered assets}}$$

Denominator

The denominator ("total covered assets") is based the **total assets resulting from FINREP** reporting from which are excluded:

- ☒ exposures to central government, central banks and supranational (sovereign) issuers
- ☒ assets of the trading book

Numerator

The numerator is determined based on the denominator ("Total covered assets") from which are excluded:

- ☒ exposures to entities not subject to the disclosure of non-financial information (and for which, indeed, no Taxonomy data is disclosed);
- ☒ derivatives;
- ☒ interbank demand loans

Alignment analysis is then performed on this basis.

⚠ The eligibility and alignment analysis of the assets and investments resulting from these calculation steps is based on the eligible and/or aligned turnover and/or CapEx indicators of their non-financial counterparties. This is the most recent available information. (Art 10(3) of the Taxonomy regulation)

3. SOME CHALLENGES AND LIMITATIONS FACED BY THE INSTITUTIONS FOR THIS FIRST REPORTING

↗ Data availability

To determine their regulatory indicators, banks very largely depend on the data published by their counterparties. They must use the most recent information published by the latter, since the European Commission via its FAQs of December 2021 prohibited the use of estimates in regulatory reporting. Now, this 2022 reporting, although simplified, is the first for banks having to provide information, but also for their non-financial (and financial) counterparties. This has resulted in **a problem of availability of information to assess the eligibility of certain exposures, and a *de facto* limitation of the elements presented in the regulatory reporting**.

This limited availability partly explains the limited eligibility ratios published by the banks in our sample, and the publication of voluntary additional indicators by three of the four banks, to reflect their own eligibility calculations and estimates, which differ from the restrictive approach stipulated by the legislation.

↗ Regulatory uncertainties

The production of this first eligibility reporting of credit institutions raised **numerous questions for the institutions relating to the understanding and interpretation of the applicable documents,** which prove to be lacking in clarity or precise details regarding a number of subjects. While application guidelines concerning the content of the delegated acts were provided by the European Commission in its FAQs published in December 2021 and in February 2022 (cf.Commission Notice, October 2022), their publication timetable was not always compatible with the timetable for production and publication of the management report in which appears the Taxonomy reporting of the institutions (and of their counterparties on which they depend). Furthermore, the FAQs of the Commission also in some respects raised new questions of application/interpretation, not completely resolving the regulatory uncertainties surrounding production of the first Taxonomy reporting.

Regulatory uncertainties led the institutions to exercise their judgment and adopt specific approaches that they judged appropriate. The resulting various approaches in implementation of the legislation will partly explain the dispersion of (certain) indicators published by the four banks.

4. FINDINGS OF THE STUDY

Observation 1:

- **All the institutions in the sample published the required seven indicators** (see Regulatory reminder) for this first eligibility reporting, despite the challenges mentioned, which the institutions were faced with in this context.

Observation 2:

- **All the banks also accompanied this specific contextual information,** particularly regarding the nature of eligible and non-eligible exposures. However, the level of information published by the institutions in the sample is not homogeneous (see below). Regarding the form, the presentation modalities adopted, not stipulated by the regulations for this first eligibility reporting, are also fairly different from one institution to another.

4.1 THEME 1: COMPARABILITY OF INFORMATION/ELIGIBLE ASSETS

Observation 3:

- **While the institutions provided the quantitative information required by the regulations, the information produced is relatively non-comparable from one institution to another**. Comparison of the various eligibility indicators by the various banks is, in short, made rather difficult due to the great heterogeneity of approaches adopted and the granularity of the information presented.
- **The differences of interpretation of the legislation by the institutions, or the lack of clarity of the regulatory provisions, or again, the unavailability of data partly explain this difficulty.**

  From one bank to another, for a given nature of exposure, the approach adopted differs. By way of (non-exhaustive) illustration:

  - ↗ **Exposures considered eligible:** Two firms classify *car loans* as eligible, contrary to the other institutions in the sample. The information presented does not make it possible to understand the rationale for the treatment chosen, in light of the Regulation[14] which specifies that only *car loans* granted since January 2022 are to be considered eligible**.**

  - ↗ **Indicator calculation methods:** While the "total covered assets" were selected by all four banks to calculate "eligible exposures" and "non-eligible exposures", a diversity of practices can be observed regarding the denominator adopted to calculate the other five indicators. Two institutions presented the proportion of exposures excluded from the denominator for the "total assets" (2 indicators required), and the proportion of exposures excluded from the numerator (3 indicators required) for the "covered assets". The other two banks select the "*total assets*" for calculating these five indicators. The regulation appears ambiguous regarding this aspect, although it is essential for calculation of the indicators. While Article 10 of the Disclosure Delegated Act is basically fairly clear in the sense that it speaks of publishing the proportion of eligible exposures relative to the "*total assets*", the European Commission specified in its FAQs of February 2022 (Question 21) that the *eligible exposures* must be

[14] The Delegated Regulation provides that "*Credit institutions shall consider those car loans granted from the date of application of the disclosure requirements, both for the KPI on stock and on new loans. Update on the stock of loans granted before the application date shall not be considered*".

calculated in a manner consistent with calculation of the alignment exposures that will be published in 2024 – which means giving priority to "covered assets" in the denominator of the eligibility ratios (Proportion of eligible exposures and Proportion of non-eligible exposures). The FAQs give no details concerning what should be done for the other five indicators, resulting in a certain ambiguity concerning the scope of the denominator to be adopted by the institutions for eligibility reporting.

- **Treatment of *derivatives:*** For this point also, there seems to be a differentiated approach from one institution to another: now, the legislation does not specify whether *trading derivatives* should be considered as forming part of the "trading book" (to be excluded from the denominator and the numerator) or as forming part of "derivatives" (to be excluded only from the numerator). The institutions are therefore left to interpret this freely. This is a critical point, including for future alignment reporting.

- **Exposures considered non-eligible:** a diversity of practices can be seen regarding the methods for calculating "non-eligible exposures". One institution obtains a total of 100% by adding together the eligible and non-eligible exposures, considering in this approach that all the exposures excluded from the eligibility analysis in the numerator (e.g., exposures to companies *not subject* to the NFRD) are "non-eligible". In contrast, the other three institutions adopted an approach consisting of stating as "non-eligible" only the exposures subject to eligibility analysis in the numerator, and which effectively prove non-eligible based on this analysis (e.g., exposures to companies *subject to* the NFRD but whose economic activities are not eligible). Explanations could be provided in the applicable legislation or policies to clarify what is expected.

- **Issues:**
  - Clarity and precision of the applicable regulatory provisions (including the FAQs and application guidelines) are essential for their uniform application by firms and for real comparability of the published data. It is important that the legislators continue to provide clarifications regarding the applicable legislation and take into consideration the problems reported by the firms when reviewing the regulations.
  - Pending clarifications or precise details regarding certain provisions of the legislation, greater transparency concerning the methodological approaches, the assumptions adopted and the judgments made by the credit institutions for determining the indicators is of prime importance. Some institutions described certain aspects of their approach in their Taxonomy reporting.

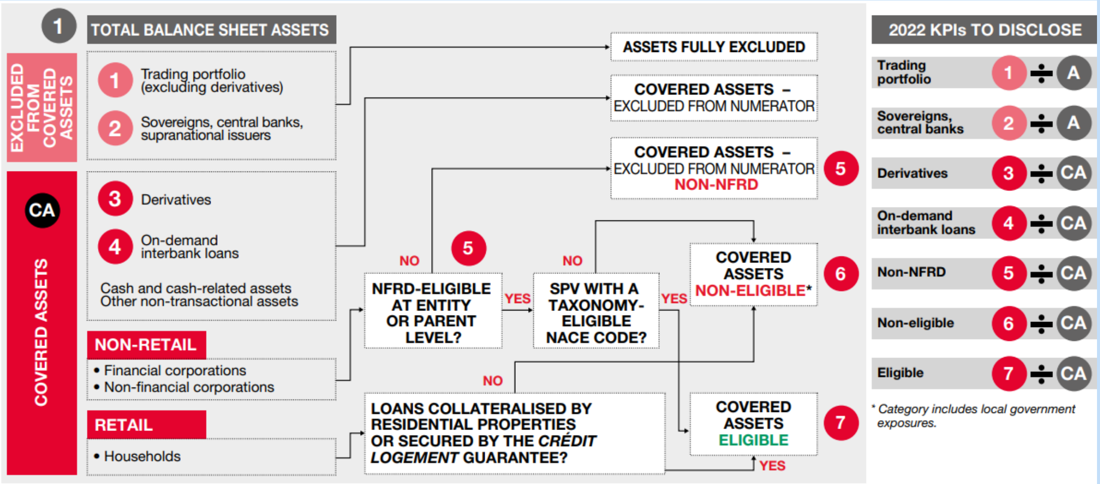
4.2. THEME 2: INTELLIGIBILITY/CLARITY OF INFORMATION

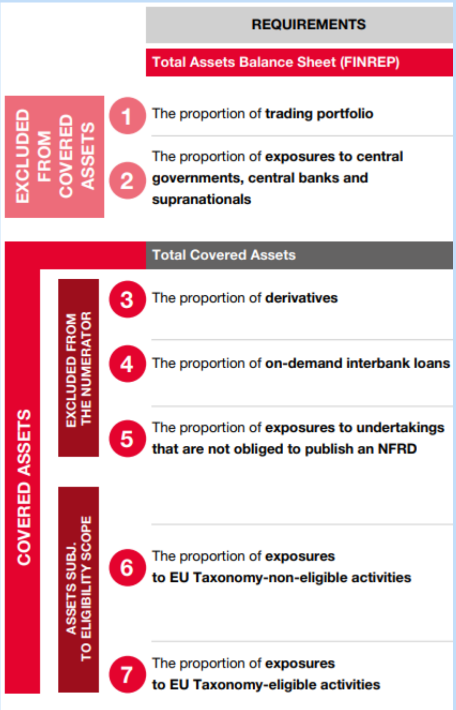
Observation 4:

- **Publication of merely the information strictly required by the Regulation does not always permit a good understanding of the complex indicators of the Taxonomy. Therefore, efforts have been made by certain institutions publishing contextualisation indications, thereby improving the intelligibility of the information.**
- The information currently required by the legislation appears fairly crude and is not easily understandable by a non-expert reader. Therefore, since the subject is complex, an effort of contextualisation and explanation has been observed in some publications, which it is desirable to promote and perpetuate in the future. Annex XI of Disclosure Delegated Act already requires that companies (including credit institutions) should publish "*contextual information in support of the quantitative indicators including the scope of assets and activities covered by the KPIs, information on data sources and limitation*".
- Thus, **the use by certain firms of literal explanations concerning the scope of Taxonomy reporting, of charts, decision trees, or else graphic approaches in presentation of the information make a substantial contribution to improved intelligibility of the published indicators**.

Illustration 1 – Illustration of the eligibility analysis approach and the required indicators:

Didactic, graphic presentation of the eligibility analysis and calculation approach based on "total assets":





Source: Société Générale, 2021 URD

- **The information is also made more intelligible when the indicators are published not only in the form of a percentage (information required by the DDA) but also as an amount, thus indicating in absolute value terms the calculation base and the assets concerned**. Note that issuers will have to publish the indicators as an amount and as a percentage for certain indicators from 2024 in their alignment reporting.
- Likewise, the presentation of detailed indications concerning the composition of the exposures concerned contributes to a better understanding of the published indicators.

Illustration 2 – Presentation of the indicators as a percentage and as an amount, as well as their composition – in quantitative fashion:

In millions of euros	Gross carrying amount (*)	Of which assets eligible for Taxonomy (**)	Ratio on total GAR assets (****)	Of which assets not eligible for Taxonomy (**)	Ratio on total GAR assets (****)
Assets included in the numerator and denominator	596,589	205,004	16.7%	391,585	31.9%
Financial assets other than held for trading	596,589	205,004	16.7%	391,585	31.9%
Loans and advances eligible for the calculation of the eligibility ratio	555,814	205,00	16.7%	350,810	28.6%
Debt securities and equity instruments eligible for the calculation of the eligibility ratio	40,775	-	0.0%	40,775	3.3%
Collateral obtained by taking possession	234	-	0.0%	234	0.0%
TOTAL ASSETS USED FOR THE ELIGIBILITY ANALYSIS (INCLUDED IN THE NUMERATOR AND THE DENOMINATOR)	**596,824**	**205,004**	**16.7%**	**391,819**	**31.9%**

Source: BNP Paribas, 2021 URD

Illustration 3 – Presentation of the indicators as a percentage and as an amount, as well as the nature of their components, in narrative fashion:

The proportion of **exposures to EU Taxonomy-non-eligible activities**	• SPV exposures subject to NFRD with non-EU Taxonomy eligible NACE codes • Financial and Non-Financial corporate exposures (excluding SPV) subject to NFRD • Households excluding loans collateralized by residential immovable property • Local government exposures	**112.2**	**13.6%**
The proportion of **exposures to EU Taxonomy-eligible activities**	• SPV exposures with EU Taxonomy eligible NACE codes and with parent company subject to NFRD • Loans collateralized by residential immovable property or "Crédit Logement"	**151.6**	**18.4%**

Source: Société Générale, 2021 URD

- **Lastly, the presentation of extra indicators, complementing the mere required indicators, provides a better understanding of the calculation elements when they are able to reconcile the indicators and the asset totals/sub-totals**. The "other assets" and "cash and cash equivalents" indicators were presented by two institutions, for example.

Illustration 4 – Presentation of complementary quantified indicators (here in blue) beyond the regulatory requirements, giving a more exhaustive view of the approach adopted, or contextualising certain indicators:

TOTAL ASSETS USED FOR THE ELIGIBILITY ANALYSIS (INCLUDED IN THE NUMERATOR AND THE DENOMINATOR)	**596,824**
Other assets only included in the denominator	
Outstanding loans to European non-financial companies (not subject to NFRD)	78,428
Outstanding loans to non-European non-financial companies (not subject to NFRD)	242,291
Derivative instruments – Hedge accounting	8,619
Interbank current accounts	9,003
Cash on hand	3,087
Other assets	289,369
TOTAL ASSETS INCLUDED IN THE DENOMINATOR (TOTAL GAR ASSETS)	**1,227,622**

It should be noted that cash on hand and other assets (*e.g.* property, plant and equipment and intangible assets, deferred taxes) are excluded from the eligibility analysis. However, these items are kept in the denominator of the eligibility ratios in order to obtain the Total GAR Assets, as indicated in the table below.

Source: BNP Paribas, 2021 URD

Ratios on the portion, within total assets, of assets excluded from the numerator of intermediate indicators
Portion of derivatives (banking portfolio) within total assets
Portion of on sight interbank loans within total assets
Portion of cash and cash equivalents within total assets
Portion of other assets (1) within total assets
Portion within total assets of exposures to companies that are not required to publish non-financial information
TOTAL

(1) Details of "other assets", if this amount is significant (fixed assets, goodwill, etc.).

Source: CASA, 2021 URD

Other clarification:

The proportion of exposures to financial and non-financial companies subject to Articles 19 *bis* and 29 *bis* of directive 2013/34/EU (NFRD), in relation to the total exposures covered by the ratio is 36%. For calculation purposes, this is the share of non-SME corporate customers in Europe.

Source: BPCE Group, 2021 URD

Observation 5:

- **The connectivity between the eligibility indicators and other financial and non-financial information, which is still limited, could be developed further.**
- **Connectivity with financial information**: A link has been made by some institutions between the Taxonomy reporting elements and the financial data, making it possible to better comprehend the composition of the indicators presented.

Illustration 5 – Information on the data sources used, correspondence with the accounting aggregates and Finrep

The Group has calculated the data needed for the requisite disclosures based on the EBA's recommendations and the European Commission's FAQs, and used the FINREP reporting format, which is employed when communicating with the banking supervisors. The difference between the balance sheet used to produce quantitative data required under the Taxonomy Regulation and the prudential balance sheet lies in the different treatment of provisions for the various assets, which are included in the prudential balance sheet but excluded when calculating the Taxonomy Regulation metrics. In accordance with the European Commission's FAQs, the Group has not used proxies to identify eligible assets.

REQUIREMENTS	MANAGEMENT RULES APPLIED
Total Assets Balance Sheet (FINREP)	**Total prudential asset corresponding to FINREP balance sheet**
The proportion of **trading portfolio**	• FINREP Asset Class "Held for Trading" except derivaives
The proportion of **exposures to central governments, central banks and supranationals**	• FINREP asset exposures related to corresponding portfolio
Total Covered Assets	**Total assets accounting for denominator in the KPIs for EU Taxonomy 2022**
The proportion of **derivatives**	• FINREP Derivatives Asset Class classified as "Held for Trading" or "Hedge Accounting"
The proportion of **on-demand interbank loans**	• Loans and advances identified as receivables on demand with credit institutions (FINREP)

Source: Société Générale, 2021 URD

- **Connectivity with non-financial information**: The eligibility indicators are presented at this stage on an ad hoc basis, and could gain in relevance and consistency with the institutions' other sustainability information, if a clear and explicit link with the institutions' CSR policy and the non-financial commitments made were provided and developed.

  Annex XI of Disclosure Delegated Act stipulates that financial companies should describe "*the compliance with Regulation (EU) 2020/852 in the financial undertaking's business strategy, product design processes and engagement with clients and counterparties*". This point could be expanded on by financial companies in their future publications. One bank in our sample refers readers to a section of the financial report concerning its action in favour of the energy transition, but it seems difficult to determine clearly whether this reference aims to reply to this regulatory provision, and if applicable to identify what are the points of compliance of the company's strategy with the Taxonomy regulation. However, it may be stressed that the requirements of the regulation are relatively imprecise.

> ESMA, enforcement priorities 2022 (ECEP): importance of "connectivity" between financial and non-financial information, notably to ensure consistency between the reports.

4.3. THEME 3: USE OF VOLUNTARY REPORTING

Observation 6:

- **The use of voluntary reporting** – which shall be understood here for credit institutions as the fact of using estimates to determine the eligible activities of counterparties when these data are not available or published - **was accompanied by information concerning the assumptions and modalities for building this reporting. Heightened vigilance remains advisable regarding the presentation of this type of reporting so that it may be distinguished more clearly from the regulatory reporting and so that the title of the ratio does not lead the reader into error.**
- The use of estimated data to determine eligible exposures in regulatory reporting is prohibited by the December 2021 FAQs of the European Commission. However, to overcome the shortfall in information on financial institutions' counterparties, the European Commission in these FAQs allows those so wish to publish certain estimated information in "voluntary" reporting, provided that the latter be **published separately from the mandatory reporting**. The Platform on Sustainable Finance has, moreover, published guidance to assist financial companies in the preparation of such voluntary reporting.[15] The three banks in the sample that have published voluntary information identify it correctly. However, while two of them give this information in a narrative manner and clearly separate from the regulatory reporting, the third one incorporates it in the regulatory reporting, which could create confusion.

> Question 7 of the European Commission's FAQs of February 2022 on the Taxonomy specifies as follows: "*voluntary disclosures should not contradict or misrepresent mandatory information under the Disclosures Delegated Act. Voluntary disclosures should also not be more prominent than mandatory disclosures. If an undertaking includes voluntary disclosures, it should add supporting details setting out: the basis for this disclosure, the methods used for its preparation, and a clear explanation of how it differs from mandatory reporting*".

[15] https://ec.europa.eu/info/files/sustainable-finance-taxonomy-eligibility-reporting-voluntary-information_en

Illustration 6 – Presentation in narrative form of the non-regulatory indicator separately from the mandatory indicators

Portion of eligible assets published voluntarily:

At 31 December 2021, the portion of eligible assets incorporating estimates on financial and non-financial counterparties in the European Union was 46%.

Source: CASA, 2021 URD

Illustration 7 – Presentation of the methods for establishing voluntary reporting

VOLUNTARY PUBLICATION FOR THE BANKING BOOK

On a voluntary basis and in the interest of transparency, BPCE nevertheless supplements its publication by including in the calculation of the eligibility ratio the companies considered "eligible" on the basis of their NACE sector classification.

These are approximations, as the breakdown of activities between eligible and non-eligible companies is not based on data published by them.

Including in this framework the estimate of eligible corporate customers, Groupe BPCE's ratio of eligible economic activities to total exposures covered (by the ratio) is 54%.

Source: BPCE Group, 2021 URD

- One of the objectives of this voluntary reporting being to improve investors' understanding, it seems important not to make it more complex. Moreover, it could be appropriate for legislators to clarify what should be understood by voluntary reporting, and what can be included in it or not (estimates, simulations of eligibility/alignment, etc.).

Observation 7:

- **Apart from the indicators incorporating eligibility estimates, no institution used alternative performance indicators.** An alternative performance indicator involves, based on the indicator required by the regulations, publishing a derived or alternative indicator (using, for example, a different reporting scope from that of the regulatory reporting). Unlike what may have been noted for other European institutions, the French banks in the sample did not use this process. Although this is not prohibited – provided that they be presented separately from the mandatory reporting – the absence of alternative performance indicators probably helps to avoid making the information produced more complex.
- Note that in April 2022 ESMA updated its Q&As[16] on the guidelines relating to alternative performance measures, by addressing two questions relating to the use of ESG APMs (question 19 and question 20). ESMA recommends a number of precautions surrounding the publication of "green/sustainable indicators".

[16] ESMA, guidelines on alternative performance measures ("APMs")

Key points: Taxonomy reporting of credit institutions

1 Methodological transparency essential for an understanding of the indicators

Pending clarifications or precise details regarding certain provisions of the legislation, transparency of the institutions concerning the methodological approaches, the assumptions adopted and the judgments made for determining the indicators is of prime importance (eligibility analysis method, calculation rules, elements taken into account in the numerator and denominator and the reasoning involved, etc.).

2 Efforts of contextualisation and explanation

Since the published indicators may be hard to understand for a non-expert reader, efforts of contextualisation and explanation in the information provided are key, e.g. by adopting didactic and graphic presentations, and by improving the granularity of the information provided (complementary indicators, narrative and quantitative composition of aggregates/indicators, amounts, etc.).

3 Consistency and links between Taxonomy and ESG strategy

Satisfactory coordination and consistency between the Taxonomy information and other non-financial and financial information (accounts or management report) is important. In particular, the Taxonomy information will gain from being placed alongside the Climate Strategy and the commitments made by the institutions (transition plans, etc.).

4 Regulated use of APMs

The moderate and justified use of alternative performance measures (APMs) helps to avoid making the information provided more complex. When such information is presented, compliance with the ESMA guidelines on alternative performance measures and the related Q&As should be ensured for the clarity of information: clear definition, transparency concerning the methodology, reconciliation with the regulatory indicator, non-misleading name (labelling), and non-predominance over the regulatory indicators.

5 Preparation for alignment reporting

Financial companies are encouraged to conduct or continue the work of adaptation of their information and data collection systems which might prove essential to comply with the Regulation, both for eligibility reporting and with a view to alignment reporting.

ANNEXES

1. ANNEX 1 – SAMPLE

Company	ICB Sector	2021 URD
Non-financial		
Bouygues	Construction and materials	Link
CGG	Oil, gas and coal	Link
Chargeurs	General Industrials	Link
EDF	Electricity	Link
Eiffage	Construction and materials	Link
Engie	Gas, water and multi-utilities	Link
Faurecia	Automobile and parts	Link
Gecina	Real estate	Link
Klépierre	Real estate	Link
Latécoère	Aerospace and defense	Link
Legrand	Electronic and Electrical Equipment	Link
Maisons du Monde	Consumer products and services	Link
Mersen	Electronic and Electrical Equipment	Link
Michelin	Automobile and parts	Link
Plastiques du Val de Loire	Construction and materials	Link
Renault	Automobile and parts	Link
Saint Gobain	Construction and materials	Link
Schneider Electric	Electronic and Electrical Equipment	Link
TotalEnergies	Oil, gas and coal	Link
URW	Real estate	Link
Valeo	Automobile and parts	Link
Veolia	Gas, water and multi-utilities	Link
Vinci	Construction and materials	Link
Financial		
BNP Paribas	Banks	Link
BPCE	Banks	Link
CASA	Banks	Link
Société Générale	Banks	Link

2. ANNEX 2 – GRID FOR ANALYSIS OF REPORTS FOR NON-FINANCIAL COMPANIES

In order to study the Taxonomy reporting in detail, an analysis grid containing around 60 questions has been produced. This grid is organised around five approaches to cover transparency relating to various aspects of Taxonomy reporting:

- **general elements** (location of Taxonomy information, length of the report, presentation format, IASP verification, etc.)
- **eligibility analysis approach** (list and nature of eligible and non-eligible activities, methodologies for identification of activities and eligibility analysis, etc.)
- **key Performance Indicators** (KPIs): eligible turnover, CapEx and OpEx
- **methodological aspects**: scope of analysis, accounting policy for the three KPIs
- **early reporting on alignment and use of alternative performance measures**

3. ANNEX 3 – ELIGIBLE/ALIGNED TURNOVER TEMPLATE (YEAR N)

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	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	%			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%								%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Activity 1			%																	
Activity 3			%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%																	
Total (A.1 + A.2)			%														%		%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)			%																	
Total (A + B)			%																	

(1) Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.

Column 21 should be filled in for transitional activities contributing to the climate change mitigation. For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings.

4. ANNEX 4 - GLOSSARY

- **Accounting Directive (consolidated)** (EU) 2013/34/EU, relating to the annual financial statements, consolidated financial statements and relevant reports [link].
- **Adapted activities:** activities for which adaptation solutions have been put in place to tackle the most important climate risks, and which are therefore more resilient to climate risks.
- **APMs**: Alternative Performance Measures, i.e alternative to the regulatory indicators (also called Alternative Performance Indicators - APIs). An APM may be of a financial or non-financial nature.
- **CapEx**: capital expenditure as defined by the Taxonomy Disclosure Delegated Act (CDA).
- **Climate Delegated Act (CDA)**: Delegated Regulation (EU) 2021/2139 on the climate objectives and its annexes, relating to alignment technical criteria: Annex I relating to climate change mitigation; Annex II relating to climate change adaptation.
- **Complementary Delegated Act concerning activities belonging to certain energy sectors**: Delegated Regulation (EU) 2022/1214, which will come into application in January 2023, amends the two delegated Regulations, "Climate" and "Article 8", so as to cover certain new eligible activities in the gas and nuclear power sectors, and new transparency rules associated with this.
- **CSRD**: Corporate Sustainability Reporting Directive. This directive will come into application gradually from 1 January 2024. A final proposal of the directive, following a policy agreement between the European Parliament and the EU Council, was published on 30 June 2022. The directive which will be published soon in the Official Journal of the European Union will still have to be transposed into French law. Moreover, the companies concerned shall apply the European sustainability standards, currently being prepared by EFRAG.
- **Disclosure Delegated Act (CDA)** or Article 8 delegacted act: Delegated Regulation (EU) 2021/2178 of 6 July 2021, relating to transparency rules for financial market participants and companies in conjunction with the European Taxonomy. Its eleven annexes stipulate for non-financial companies (Annexes I and II) and for financial companies (Annexes III et seq.) the content of the KPIs to be published, their method of determination and the format of the templates to be used for KPI reporting.
- **Early reporting / anticipated reporting** : This reporting can be distinguished from voluntary reporting. Early reporting is reporting based on a regulatory document applied before it becomes mandatory. Voluntary reporting may be completely optional, without reference to legislation or a standard.
- **ECEP** (from ESMA): European Common Enforcement Priorities, published each year by ESMA. Access to ESMA' ECEP 2021 [link] and 2022 [link].
- **Enabling activities**: these economic activities are not necessarily sustainable but they enable other activities to make a substantial contribution to one or more environmental objectives of the Taxonomy. These activities are enabling if they do not entail locking into assets which jeopardise long-term environmental objectives, taking into account the economic life of those assets; and if they have a significant positive environmental impact on the basis of life-cycle considerations. An example is the education sector, or battery supply activities for the construction of electric vehicles. (cf. Article 16 of the Taxonomy regulation).
- **ESG** (information): Environmental, Social and Governance (–related information).
- **ESMA**: European Securities and Markets Authority.
- **FAQs**: Frequently Asked Questions, with reference to the two application guidelines on the Taxonomy published by the European Commission in December 2021 and then February 2022. [cf. "Useful references" section].
- **GAR**: Green Asset Ratio, a required indicator for credit institutions, reflecting the proportion of their assets and investments funding activities *aligned* with the European Taxonomy, relative to all their *covered assets*.
- **GHG**: Greenhouse gases.

- **IASP**: independent assurance services provider (conducting verifications of published information).
- **Low-carbon activities**: activities with already low GHG emissions and which can therefore be compatible with achievement of the objective of the Paris Agreement.
- **NFS**: Non-Financial Statement.
- **KPI**: Key Performance Indicator (as defined by the Taxonomy Disclosure Delegated Act).
- **NFRD**: Non-Financial Reporting Directive, or Directive 2014/95/EU of October 2014, relating to corporate sustainability reporting. This directive has been implemented in France since 2017 and will be replaced by the CSRD.
- **OpEx**: operating expenditures as defined by the Taxonomy Disclosure Delegated Act.
- **Q&As (from ESMA)**: Questions & Answers, with reference to the ESMA Q&As on the guidelines relating to APMs.
- **SFDR**: Sustainable Finance Disclosure Regulation, a regulation in application since 10 March 2021 relating to the sustainability reporting of financial market participants.
- **Taxonomy regulation**: regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020. This document lays down the general regulatory framework of the Taxonomy (definitions, scope, timeline, etc.). It is accompanied by several delegated regulations.
- **Transitional activities**: activities for which there are no technologically and economically feasible low-carbon alternatives but that support the transition to a climate-neutral economy. Accordingly, the sustainability criteria defined for this category refer to the best environmental performances available to date and will therefore have to be revised regularly. The objective is to encourage a significant reduction in greenhouse gas emissions in these sectors.
- **Turnover**: turnover as defined by the Taxonomy Disclosure Delegated Act.
- **Template**: table formats, with reference to the mandatory reporting templates for taxonomy information (alignment and eligibility) presented in the annexes to the Disclosure Delegated Act. See Annex 3 of this document for an illustration of the templates.
- **URD**: Universal Registration Document.

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About the Finance ClimAct

The Finance ClimAct project contributes to implementation of France's National Low-Carbon Strategy and the European Union's Sustainable Finance Action Plan. It aims to develop new tools, methods and knowledge enabling (1) retail investors to take the environmental objectives into consideration in their choice of investments, and (2) financial institutions and their supervisors to take climate issues into consideration in their decision-making process and align financial flows with the energy-climate objectives.

The consortium coordinated by ADEME also includes the Ministry of the Ecological and Solidarity Transition, the Autorité des marchés financiers, the Autorité de Contrôle Prudentiel et de Résolution, 2° Investing Initiative, Institut de l'Economie pour le Climat, Finance for Tomorrow and GreenFlex.

Finance ClimAct is an unprecedented programme with a total budget of 18 million euros and provided with €10 million in funding by the European Commission.

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