

EU Taxonomy Reporting 2023

Analysis of the financial and non-financial sector



EU Taxonomy Reporting 2023

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Preface

In recent years, the European Commission has introduced several regulations to direct finance to sustainable economic activities, with the aim of contributing to the sustainable transformation of the economy. One of these regulations is the EU Taxonomy Regulation. The EU Taxonomy is a classification system for sustainable economic activities, which entered into force in FY 2021 for companies that are in scope of the Non-Financial Reporting Directive (NFRD), which are large public-interest entities (e.g. listed entities, banks and insurers) with more than 500 employees. The scope will be extended to all companies in scope of the Corporate Sustainability Reporting Directive (CSRD) from 2025.

In 2022, in the year of first-time application, PwC already analysed the Taxonomy disclosures.

In recent months, we at PwC have again conducted an analysis of the Taxonomy disclosures made by both financial and non-financial companies in the European Union, based on annual reports and sustainability reports. Given that there are different reporting obligations for financial and non-financial companies we have analysed our findings separately. In addition, there are some overarching findings which apply to both sectors. The current state of transition of sustainability reporting is challenging for market participants. However, ultimately, sustainability reporting will be on par with financial reporting and support the transition to more sustainable business.

Many thanks to all who contributed their expertise to the study from PwC Germany and 12 other European PwC entities. We hope that reading this study is both enjoyable and informative for you.



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Key findings



Key findings: Financial Sector

- ▶ The majority of financial institutions publish their Taxonomy KPIs (i.e. the proportion of activities which are Taxonomy eligible) in their annual report, but some disclose the data in a separate non-financial statement.
- ▶ The reported KPIs vary widely, which indicates that different methodologies are in use and which makes it difficult to compare data.
- ▶ Methods are not always transparently disclosed: some financial institutions do not disclose how they calculate their Taxonomy KPIs.
- ▶ There is a great variety in the granularity of Taxonomy reporting, with some companies disclosing only the KPIs and others providing additional explanations and comments. Many financial institutions criticised the lack of data and poor data quality and, in some cases, the lack of standardisation in Taxonomy reporting provided by their non-financial counterparties.
- ▶ Half of the financial institutions analysed do not specify whether their KPIs for “Taxonomy eligible” and “non-Taxonomy eligible” (KPIs 1 and 2) were reported based on CapEx or turnover.
- ▶ Although use of the reporting templates in the annexes of the Taxonomy Regulation will become mandatory for financial institutions from financial year 2023, these templates are still not in widespread use.
- ▶ One of the Taxonomy KPIs requires companies to specify the share of companies subject to the NFRD in their portfolio. However, there are differences in approaches to determining which companies are subject to the NFRD. The majority of financial institutions do not specify their data sources to conclude on counterparties being in scope of the NFRD or not.
- ▶ Some financial institutions publish additional voluntary KPIs, such as “assets not within scope of Taxonomy Regulation”.
 - ▶ The various different business models used by financial institutions and the compositions of their portfolios inevitably have a big impact on reported Taxonomy KPIs.
 - ▶ Insurance companies have to disclose additional underwriting KPIs. There are different approaches to calculating the underwriting KPIs.





Key findings: Non-financial Sector

- ▶ Just under half of the non-financial companies disclose their Taxonomy KPIs within their sustainability report, and almost 40% in the annual report.
- ▶ More than half of the companies used the mandatory KPI templates; additionally less than a quarter made minor alternations.
- ▶ In general, there is a large discrepancy between Taxonomy eligible and Taxonomy aligned economic activities.
- ▶ For turnover, the average reported Taxonomy eligibility amounted to 26%, Taxonomy alignment amounted to 7%.
- ▶ For CapEx, the average Taxonomy eligibility amounted to 37%, Taxonomy alignment amounted to 10%.
- ▶ For OpEx, the average Taxonomy eligibility amounted to 27%, Taxonomy alignment amounted to 8%.
- ▶ The Real Estate industry reported the highest Taxonomy eligibility percentage on turnover and the highest Taxonomy eligibility percentage on CapEx.
- ▶ The Energy, Utilities & Resources industry reported the highest Taxonomy alignment percentage on economic activities (turnover, CapEx and on OpEx).
- ▶ The Automotive industry reported the highest Taxonomy eligibility percentage on OpEx.
- ▶ Very few companies explicitly referred to the European Commission's December FAQs.
- ▶ 10% of the companies disclosed comparative figures from previous years.
- ▶ Due to lack of data availability and lack of clarity with regard to methodologies, alignment criteria in particular posed major data challenges for non-financial companies.





A The EU Taxonomy Regulation

In recent years, the EU has published a series of regulations to direct financing to sustainable economic activities, with the aim of contributing to sustainable transformation of the economy. Private-sector contributions are indispensable if we are to achieve the Paris Climate Goals and the UN Sustainable Development Goals. They are also necessary for implementing the European Green Deal, which is the EU's commitment to making Europe the first climate-neutral continent by 2050.

In 2018, the European Commission published the EU Taxonomy Regulation, which provides a classification system for sustainable economic activities and thus enhance transparency for investors. The Taxonomy is expected to play a major role in directing investments towards sustainable economic activities. The Taxonomy aims to provide clarity and comparability between companies as well as the non-financial and financial sectors. In general, both financial and non-financial companies fall within the scope of the EU Taxonomy, depending on specific criteria.

The Taxonomy Regulation is being phased in over a number of years. For reporting on financial year (FY) 2021, simplified Taxonomy reporting became mandatory for large public-interest entities with more than 500 employees. This includes companies

listed on EU-regulated markets, as well as banks and insurance companies. In the first reporting year, companies in scope were required merely to report on Taxonomy eligibility for the first two environmental objectives (objective 1: climate change mitigation; objective 2: climate change adaptation).

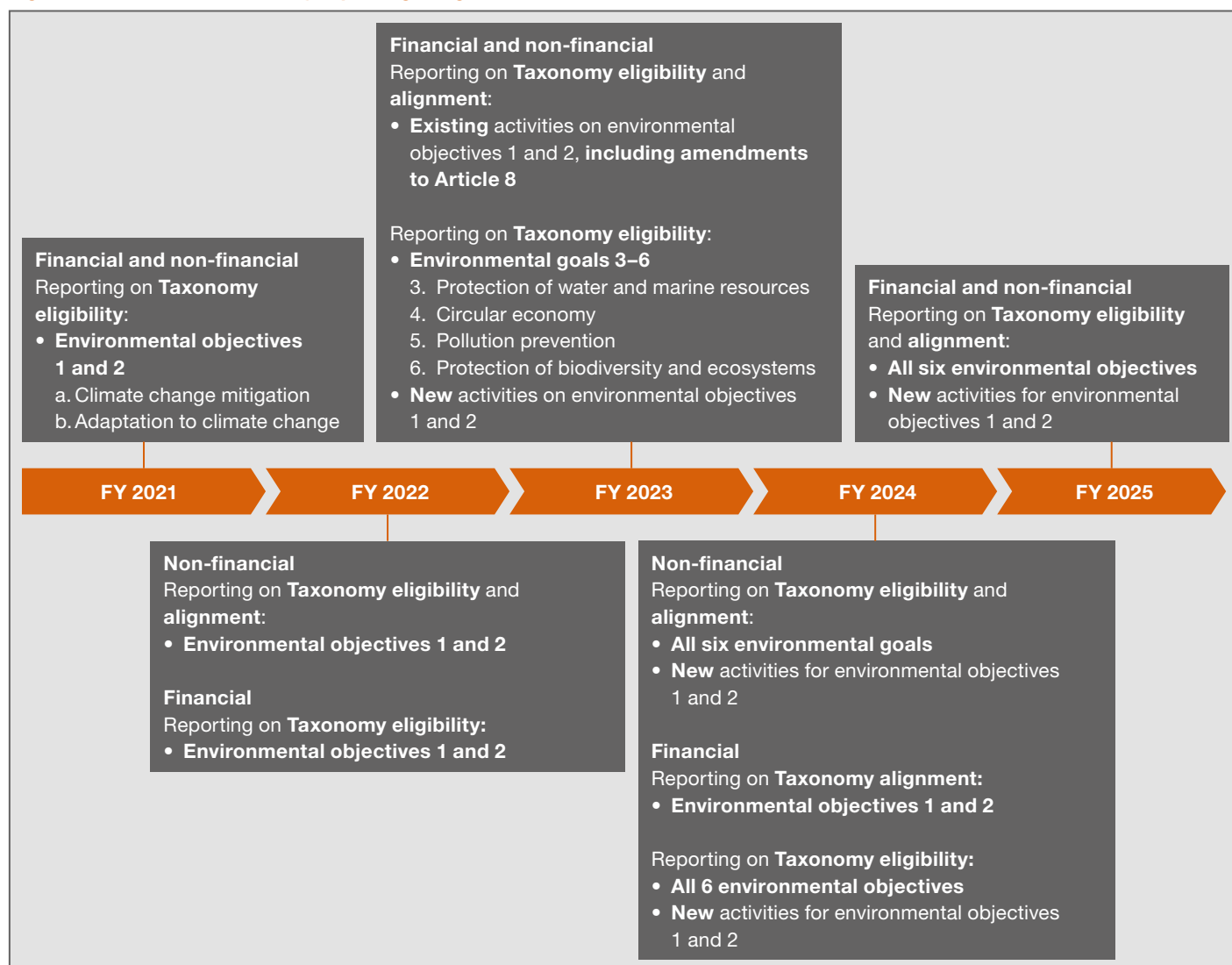
FY 2022 is the second reporting year for the Taxonomy's first two environmental objectives. The Regulation requires non-financial companies to introduce full reporting on both Taxonomy eligibility and alignment for the first two environmental objectives in FY 2022, whereas the financial sector has one more year of reporting Taxonomy eligibility only. Reporting Taxonomy eligibility on the other four EU environmental objectives – sustainable use and protection of water and marine resources (objective 3), transition to a circular economy (objective 4), pollution prevention and control (objective 5), and protection and restoration of biodiversity and ecosystems (objective 6) – will become mandatory in 2024 (i.e. for FY 2023) for both non-financial and financial companies. Reporting Taxonomy alignment on objectives 3 to 6 will become mandatory for non-financial companies from 2025 (for FY 2024) and for financial companies from 2026 (for FY 2025).

The relevance of the EU Taxonomy also results from its interaction with the Corporate Sustainability Reporting Directive (CSRD), which will take effect from FY 2024 onwards for the first wave of companies that are subject to the NFRD. In the second wave (FY 2025) all companies that are large (exceeding at least two of the three criteria: € 40 mln revenue, € 20 mln balance sheet total, 250 employees) will be in scope of the CSRD. In the third wave (FY 2026) listed Small and Medium-Sized Companies will also be subject to the CSRD. According to the CSRD, Taxonomy disclosures shall be presented in a clearly identifiable part of the environmental section of the sustainability statement, which is a dedicated section of the company's management report. EU Taxonomy disclosures will also be subject to mandatory audits, initially providing limited assurance and later being extended to reasonable assurance.

To provide additional guidance, the European Commission has sought to create additional clarity by publishing a number of FAQs¹.

¹ European Commission (n. d.), EU Taxonomy for sustainable activities, https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-Taxonomy-sustainable-activities_en#faqs.

Fig. 1 Timeline for Taxonomy reporting obligations

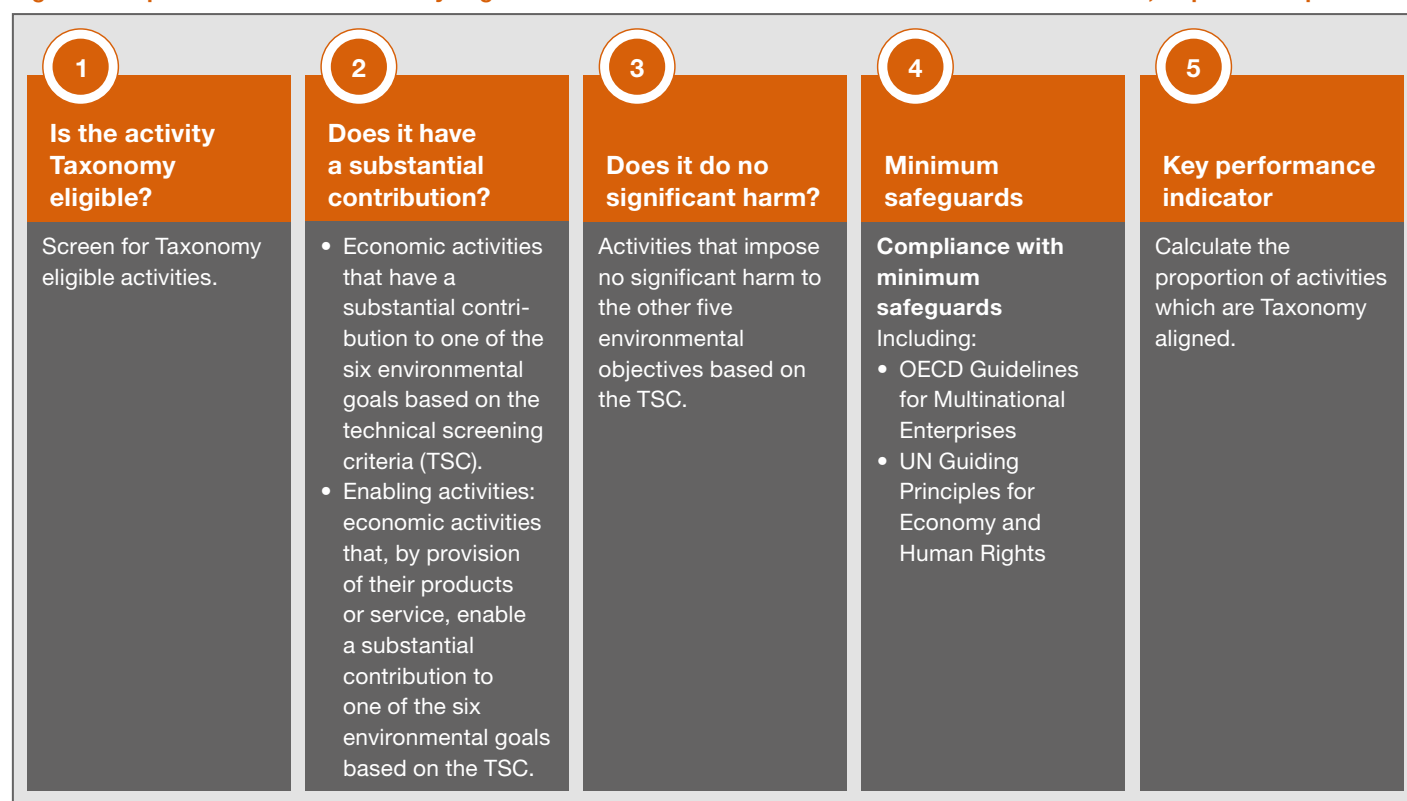


Assessing Taxonomy eligibility and alignment

Assessing Taxonomy eligibility and alignment is generally a five-step process, both for financial and non-financial companies. Financial institutions have to obtain the relevant information on their counterparties.

After identifying Taxonomy eligible activities (according to familiar procedures from previous reporting years), companies must assess whether each of these economic activities substantially contributes to at least one of the six environmental objectives, does no significant harm (DNSH) to any of the other objectives, and complies with certain minimum safeguards (Taxonomy Regulation,

Article 3). Substantial contributions and DNSH are assessed based on the Technical Screening Criteria (TSC) at economic activity level, whereas compliance with minimum safeguards requires adherence to principles such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights at entity level (Taxonomy Regulation, Article 18).

Fig. 2 Steps to assess the Taxonomy alignment of economic activities and to determine the revenue, CapEx and OpEx KPIs

Reporting obligations for financial institutions

The reporting criteria under the Taxonomy Regulation differ for financial and non-financial companies. All financial institutions in scope of the NFRD must disclose how and to what extent they fund or invest in sustainable economic activities, based on the EU Taxonomy criteria. The quality of the data reported by financial institutions depends to a large extent on the quality of the data reported by the financial and non-financial companies they lend or invest in, as the use of estimates is not permitted for the mandatory EU Taxonomy disclosure.

Given that FY 2021 was the first reporting year for financial and non-financial services companies, there was a lack of data for financial institutions to rely on, and their reported Taxonomy KPIs were thus very low. Now, however, financial institutions are able to rely on Taxonomy KPIs of their counterparties in previous years, and Taxonomy eligibility KPIs have increased.

For the calculation of the eligibility KPIs, financial institutions are required to report the following five KPIs:

- Proportion of economic activities which are Taxonomy eligible (KPI 1)
- Proportion of economic activities which are not Taxonomy eligible (KPI 2)
- Risk exposure to governments, central banks and supranational issuers (KPI 3)
- Risk exposure to derivatives (KPI 4)
- Risk exposure to companies that are not subject to the NFRD (KPI 5)

Additionally, financial institutions must disclose the proportions of their total assets which are made up by their trading portfolio and short-term interbank loans. Insurance and reinsurance companies are required to report the proportion of Taxonomy eligible and non-eligible economic activities in their non-life insurance business.

In addition to quantitative KPIs, financial institutions are also required to disclose certain qualitative information²:

- Background information on the quantitative indicators
- Nature, objectives and development of Taxonomy-compliant economic activities
- Compliance with EU Taxonomy in business strategy, the product design process and engagement with clients and counterparties
- Alignment of trading portfolios with the EU Taxonomy, and trading portfolio composition, trends, targets and guidelines (only applicable to credit institutions)
- Information on the strategy and importance of financing Taxonomy-compliant economic activities

As some points only address Taxonomy alignment, only points one and three are relevant for the reporting year 2022.

Banks, insurance companies, and asset managers are not yet required to use the templates (Annexes of Regulation (EU) 2021/2178) for Taxonomy eligibility reporting of financial institutions. However, financial institutions will have to use the relevant templates to meet Taxonomy alignment reporting requirements from 2024 onwards.

Regulatory obligations for non-financial companies

The second reporting year 2023, brought about major changes to reporting obligations for non-financial companies. The transition phase of simplified reporting requirements limited to Taxonomy eligibility expired. Undertakings in scope of the Taxonomy Regulation now need to assess Taxonomy alignment, which involves assessing their economic activities against the TSC set out in the Annexes to the Climate Delegated Act accompanying the Taxonomy Regulation as well as minimum safeguards.

This not only represents a new challenge in terms of content, but also significantly increases the scope of analysis which affected companies need to undertake. More specifically, companies now are required to fulfil predetermined criteria which can be outlined in a five step process described above (see Figure 2) when assessing Taxonomy alignment.

From financial year 2022 onwards, it is mandatory that the resulting three KPIs – Taxonomy aligned turnover, CapEx and OpEx – should be reported using dedicated reporting templates for non-financial undertakings providing a detailed breakdown of the figures into individual economic activities.

With regard to disclosing these three KPIs, non-financial undertakings are additionally required to:

- identify each economic activity, including a subset of enabling and (for climate change mitigation) transitional economic activities;
- disclose the KPIs for each economic activity and the total KPIs for all economic activities at the level of the relevant company or group;
- disclose the KPIs for each environmental objective and the total KPIs for environmental objectives 1 and 2 at the level of the company or group across all environmental objectives, while avoiding double counting;
- identify the proportion of the Taxonomy aligned economic activities and the proportion of the Taxonomy eligible economic activities that do not meet the Technical Screening Criteria (TSC). Thereby, non-financial undertakings shall identify the proportion of Taxonomy eligible economic activities that is Taxonomy aligned;
- identify and disclose the proportion of Taxonomy-non-eligible economic activities in the undertaking's or group's turnover, CapEx and OpEx; and
- provide the KPIs at the level of the individual company where that company prepares only individual non-financial statements or at the level of the group where the company prepares consolidated non-financial statements.³

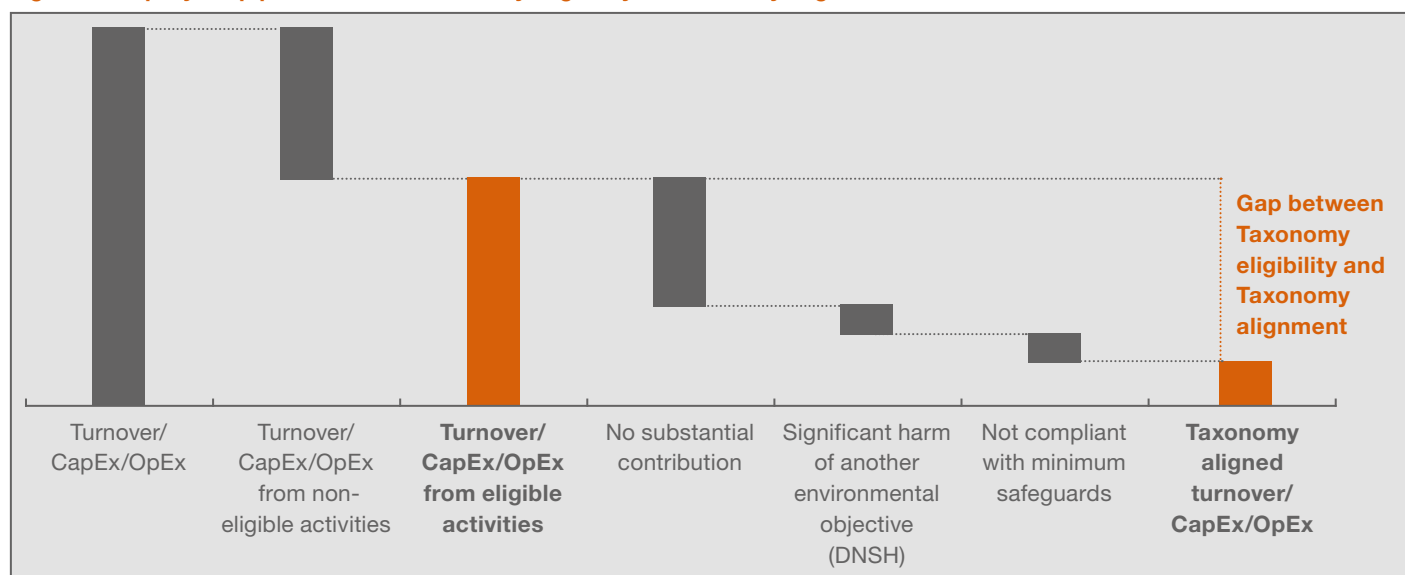
² Article 10(3)(d) of Commission Delegated Regulation (EU) 2021/2178.

³ Annexes to Commission Delegated Regulation (EU) 2020/852, p. 7.

In addition to the quantitative disclosures, affected companies have been required to disclose all relevant supplementary qualitative information from FY 2022. Alongside details on accounting policy, this refers to information on how conclusions on Taxonomy alignment were reached,

on applied allocation keys and on the composition of the KPIs. Voluntary disclosures – for example, on activities not yet covered by the current version or interpretation of the Taxonomy – may be made at any time but need to be marked as such.

Fig. 3 Step-by-step process from Taxonomy eligibility to Taxonomy alignment⁴



⁴ Technical Screening Criteria must be assessed for each identified economic activity separately. Compliance with the minimum safeguards is also required on activity-level but the assessment is often performed based on group level procedures and processes.



B Analysis of reported Taxonomy data for FY 2022

1. General observations

The EU Taxonomy was introduced to provide a uniform framework for classifying economic activities in terms of their sustainability, ensuring that investments in sustainable projects are promoted, and improving transparency with regard to sustainability. Financial institutions play an important role in financing companies and projects. Applying the EU Taxonomy allows financial institutions to evaluate their investments and lending against a consistent and standardised framework. The Taxonomy also aims to provide clarity and comparability between companies, as well as between the non-financial and financial sectors.

Financial institutions calculate their Taxonomy KPIs based on data from counterparties. These counterparties are predominantly non-financial companies which the institutions are financing or in which they have invested. The quality of financial institutions' Taxonomy reporting therefore depends to a large extent on the quality of the Taxonomy disclosures made by their counterparties. Lack of data, poor-quality data, and lack of standardisation in Taxonomy reporting of counterparties are currently hindering adequate and effective disclosures. Many of these factors can be attributed to the phased-in approach of the EU Taxonomy.

However, reporting on financial year 2022 did see an improvement in data availability: for the first time, financial institutions were able to make use of Taxonomy eligibility reports issued by their portfolio companies in a previous year (financial year 2021). As expected, this led to increases in Taxonomy KPIs. Non-financial companies were required to report on Taxonomy alignment first in 2023 on their financial year 2022 and they did meet the applicable regulatory requirements, although the alignment criteria posed major challenges for non-financial undertakings; collecting data on the Technical Screening Criteria (TSC) proved to be a particular challenge. However, financial institutions will be able to refer to these Taxonomy alignment reports in future.

Financial institutions are not explicitly required to use the reporting templates until FY 2023, and the templates are not yet in widespread use. Currently, different financial institutions use different calculation methods, which makes it difficult to compare results. With the introduction of Taxonomy alignment reporting for financial institutions next year – which will make use of the prescribed templates mandatory – it is expected that standardisation of methods will increase. In contrast, non-financial companies are required to use the reporting templates in their FY 2022 disclosures.

For financial institutions, it is evident that Taxonomy KPIs have increased compared to reporting on financial year 2021. In the non-financial sector, the three Taxonomy eligibility KPIs have decreased. There are other reasons behind the changes in results compared to the prior financial year 2021: on the one hand, more data is now being provided to financial institutions by their counterparties; and on the other, a more consistent market approach to eligibility reporting for non-financial companies.

It is very likely that availability and quality of data will gradually increase in the next few reporting years, and that major boosts will occur as the CSRD is phased in. This is expected to have a major impact on the Taxonomy KPIs of financial institutions.

In general, both financial and non-financial companies would benefit from increased awareness and understanding of each other. In order to improve reporting processes, investors should understand how their counterparties collect and analyse their data, and non-financial companies should know which kinds of data investors require to fulfil their own reporting obligations.

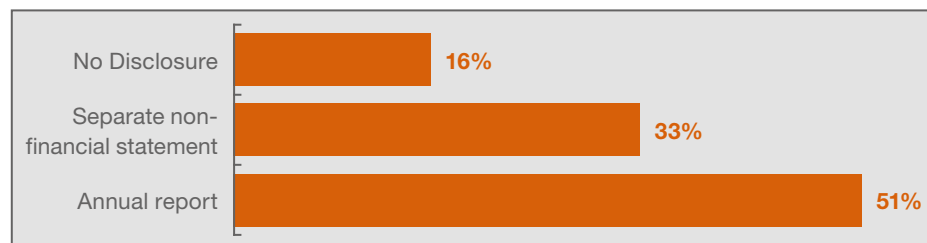
2. Taxonomy reporting by the financial sector

About half of the financial institutions analysed published their Taxonomy data in a separate sustainability section as part of their annual report (51%). The others disclosed the relevant information in their non-financial statement, separate from the annual report. From 2025 onwards, the CSRD will mandate that this disclosure must be made in the management report section of the annual report. At the time of data validation, 23 companies had not yet published any Taxonomy KPIs.

What is immediately noticeable: Large discrepancies between the reported KPIs were found in the various FY 2022 reports, indicating that different institutions use different calculation methods. The methods used are not always transparently disclosed: specifically, the denominators used for calculating the KPIs differ. The financial institutions analysed used either total assets, covered assets, or did not disclose which method was used.

This makes comparing the reported data very challenging methods will presumably become more standardised when use of the templates becomes mandatory for the next reporting period, FY 2023.

Fig. 4 Where financial institutions reported their Taxonomy data



Dependence on the data disclosed by counterparties

Many financial institutions have also highlighted the challenges around availability and quality of Taxonomy data from their counterparties, particularly from non-financial companies. In contrast to non-financial undertakings, financial institutions are dependent on the data disclosed by their counterparties for their Taxonomy reporting: they are required to assess the Taxonomy eligibility of the economic activities they are financing or in which they have invested, not of their own operations. The level of detail of Taxonomy reporting differs greatly. Some of the reports analysed contain extensive explanations on the quantitative and qualitative information which was reported. Others provide less detail and are limited to the information required by the Taxonomy Regulation. In some cases, the report consisted of nothing more than a table containing the mandatory KPIs without any further explanation.

Article 7 of Delegated Regulation (EU) 2021/2178 specifies the disclosure requirements applicable to all financial undertakings, including how the denominator and numerator should be composed. According to this article, exposure to sovereign debt, central banks and supranational issuers (KPI 3) should be subtracted from the total assets, and should not be included in either the denominator or the numerator when calculating the KPIs. For credit institutions, the two additional KPIs for trading portfolio and for interbank loans should also not be included in either the denominator or the numerator. Derivatives (KPI 4) and exposure to undertakings that are outside the scope of the NFRD (KPI 5) should be excluded from the numerator.

Challenges with calculating the KPIs

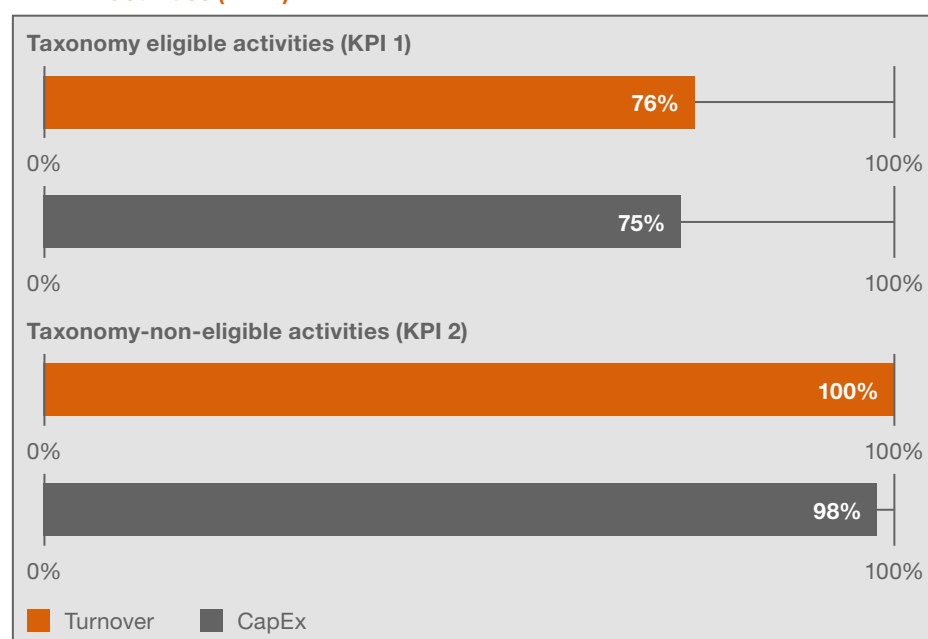
Looking at the KPIs for Taxonomy eligible economic activities (KPI 1) and for non-eligible economic activities (KPI 2), nearly a quarter (23%) of the financial institutions analysed do not specify whether they calculated these KPIs based on turnover or CapEx. Disclosure of both figures will be mandatory with Taxonomy alignment reporting from FY 2023 onwards. Where no specification was provided, we have assumed that these KPIs were calculated based on turnover. As different calculation methodologies were applied by different companies, mean values for KPIs 1 and 2 were not calculated for this study. Instead, the range of the reported eligible and non-eligible KPIs was considered, which is very wide (Figure 6). Calculated based on turnover, KPI 1 has a range

from 0% to 76% (123 companies in total). Two companies from the banking industry did not declare any exposure to this KPI and therefore disclosed 0%. 61 companies explicitly disclosed KPI 1 calculated based on CapEx; in this group, the range is from 0% to 75%. The reason given for non-disclosure was that internal data systems did not include full criteria for assessing Taxonomy-compliant economic activities – i.e. the systems did not record whether a portfolio company is in scope of the NFRD or not, making it impossible to carry out eligibility analysis on the KPI on companies in scope of the NFRD in the portfolio. Calculated for turnover, KPI 2 had a minimum of 0% and a maximum of 100% (115 companies). KPI 2 calculated for CapEx ranged from 0% to around 98% (57 companies).

With the objective of standardising disclosures of all Taxonomy-related information – both quantitative and qualitative – the Taxonomy Regulation contains templates for the different industries in the financial sector.⁵ The use of the templates will become mandatory from FY 2023 for financial institutions, however, our findings show that the templates were not yet in widespread use for reporting on FY 2022. Taxonomy data was mostly presented in tables, but the layout of the tables varies greatly. Some companies simply provided the mandatory KPIs (i.e. the percentage of their assets which are Taxonomy eligible), while others also provided monetary values.

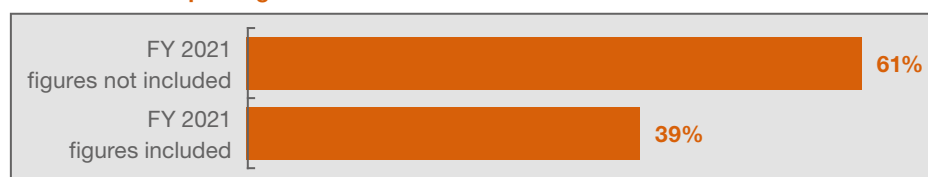
With regard to calculating the KPI on exposure to companies not obliged to report non-financial information (KPI 5), there are different approaches to determining which companies are subject to the NFRD. The majority of institutions did not specify their data sources. Some institutions did not disclose KPI 5 at all, claiming that the data was not available. Others used internal proxies, such as country of incorporation combined with listed securities. A third group analysed reports from their portfolio companies in-house in order to find the relevant information. Finally, many relied on additional data from external data providers.

Fig. 5 Ranges reported for Taxonomy eligible (KPI 1) and non-eligible economic activities (KPI 2)



⁵ Commission Delegated Regulation (EU) 2021/2178, Annex IV for asset managers, Annex VI for credit institutions, Annex VIII for investment firms, and Annex X for insurance and reinsurance undertakings.

Fig. 6 Share of financial institutions which included FY 2021 figures in their reporting



Comparison with previous year not very meaningful

Around 39% (48 companies) of the financial institutions analysed also reported the previous year’s figures (FY 2021). Comparison with the 2021 data shows a general increase in the KPIs of Taxonomy eligible economic activities. As described in the section on reporting obligations for the financial sector, this can be attributed to the ban of the use of estimates and the lack of available Taxonomy reports last year. Presumably, the comparison with the previous year will become mandatory one year after the first year of Taxonomy alignment reporting, from FY 2024 onwards.

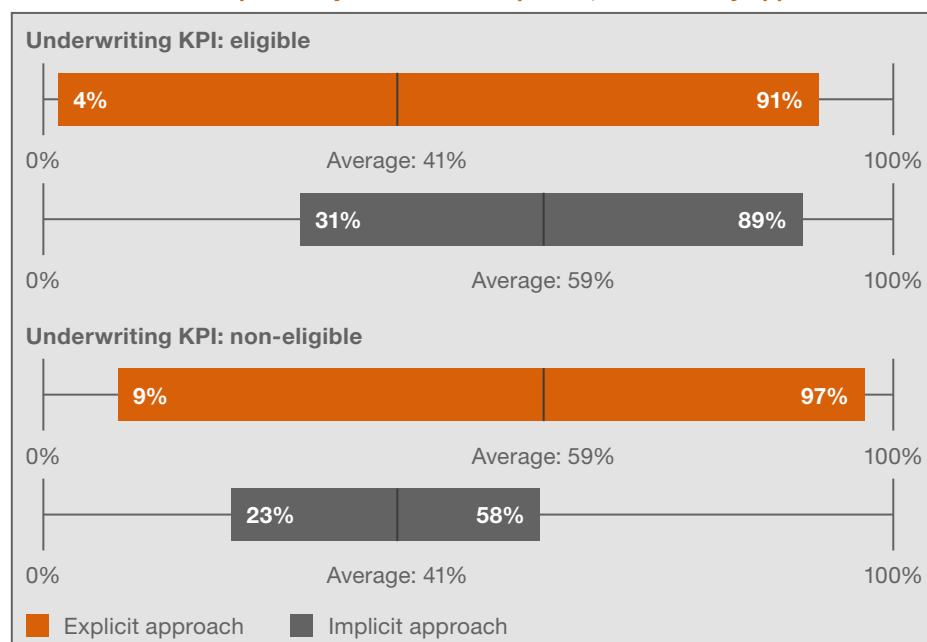
Some financial institutions published additional voluntary KPIs, including “assets not within scope of Taxonomy Regulation”.

Underwriting KPIs for insurance and reinsurance companies

With regard to insurance companies, another finding is related to the two underwriting KPIs (eligible and non-eligible non-life insurance activities). Only insurance and reinsurance companies are required to report these KPIs, in addition to the investment KPIs examined above. Companies in the non-life insurance sector are required to report the proportions of their total gross non-life insurance premiums which are made up Taxonomy eligible insurance and non-Taxonomy eligible insurance. The denominator used in the calculations must take into account the lines of business referred to in Section 10(1) of Annex II of Delegated Regulation (EU) 2021/2139.

Two different approaches can be observed to calculate the underwriting KPIs: explicit and implicit approaches. In an explicit approach, only premiums which explicitly include climate-related criteria in their conditions and pricing (e.g. weather conditions for Real Estate insurance) are considered Taxonomy eligible. In contrast, an implicit approach also includes premiums which refer to the climate as one of many relevant risk criteria. Of the insurance companies assessed for this study, 16 used an explicit approach and 15 used an implicit approach. The average proportion of Taxonomy eligible non-life insurance activities was 41% for insurance companies using an explicit approach and 59% for companies using an implicit approach. Accordingly, the average proportion of non-eligible insurance was 59% for explicit and 41% for implicit approaches. The range of the two underwriting KPIs (eligible and non-eligible) for each approach is illustrated in Figure 8. Four insurance companies used an approach which was neither explicit nor implicit. This may mean, for instance, that only the climate-related portion of an eligible product was factored into the denominator, rather than the total premium.

Fig. 7 Ranges and average percentages of eligible and non-eligible underwriting activities reported by insurance companies, classified by approach





Distinctive features for Real Estate

With regard to Real Estate companies, five of the six companies analysed made their reports as non-financial undertakings. In December 2022, a draft Commission notice⁶ specified that the Real Estate sector in general should report as a non-financial company. However, in cases where a Real Estate company acts primarily as an asset manager and manages Real Estate funds, it must comply with the reporting obligations of a financial institution. In our sample, one Real Estate company reported as a financial company, as it offers Real Estate funds to private, professional and semi-professional investors.

Market observations

Taxonomy eligibility KPIs differ based on the business model of the financial institution in question. Taxonomy

eligibility varies depending on the size and legal structure of the financial institution's business partners, based on the KPI regarding the proportion of portfolio companies falling within the scope of the NFRD (KPI 5). Eligibility also varies depending on who the institution finances: providing financing to companies usually reduces Taxonomy eligibility ratios, as not all company activities will be Taxonomy eligible, whereas offering finance to private clients (e.g. mortgages) enables 100% Taxonomy eligibility.

In line with the stated objectives of the EU Sustainable Finance Action Plan to direct financial flows towards sustainable activities, financial market participants with a large proportion of renewable energy companies in their portfolios generally tend to have higher

Taxonomy eligibility ratios. However, a limitation that has been widely criticised is the fact that some solar and wind energy providers are SMEs which currently do not fall under the NFRD, which means that investments in these companies are outside the scope of the Taxonomy KPIs. Banks which largely finance SMEs, such as many local banks in Germany, thus currently have rather low Taxonomy alignment KPIs. On the other hand, local banks in particular usually have large mortgage loans, which are 100% Taxonomy eligible, as are Real Estate funds or shares in Real Estate companies. Assessment of energy efficiency under the TSC is just one of several aspects that can lead to discrepancies between the Taxonomy eligibility and the Taxonomy alignment KPIs.

⁶ Draft Commission notice on interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act, 19 December 2022, <https://ec.europa.eu/finance/docs/law/221219-draft-commission-notice-eu-taxonomy-climate.pdf>

Interpretations vary with regard to special-purpose vehicles (SPVs). The Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland, or IDW) has determined that SPVs can be considered Taxonomy non-eligible because they are outside the scope of the NFRD; or, alternatively, they can be considered as vehicles for special financing purposes, which can be assessed for Taxonomy eligibility based on the activities being financed (i.e. a look-

through approach). Another aspect is that all business with partners from outside the EU is not Taxonomy eligible. Therefore, banks with a large proportion of their investment and financing activities outside the EU will have lower Taxonomy eligibility ratios.

For insurance companies, the Taxonomy Regulation specifies which lines of business can be considered Taxonomy eligible. However, all non-life/reinsurance premiums must be

included in the denominator when calculating the KPIs. Accordingly, the underwriting KPIs vary depending on the business model used. Property and technical insurance in the private and commercial sectors, along with motor insurance, are usually Taxonomy eligible. In contrast, legal insurance is usually not Taxonomy eligible, as it does not contribute to the EU's environmental objectives.

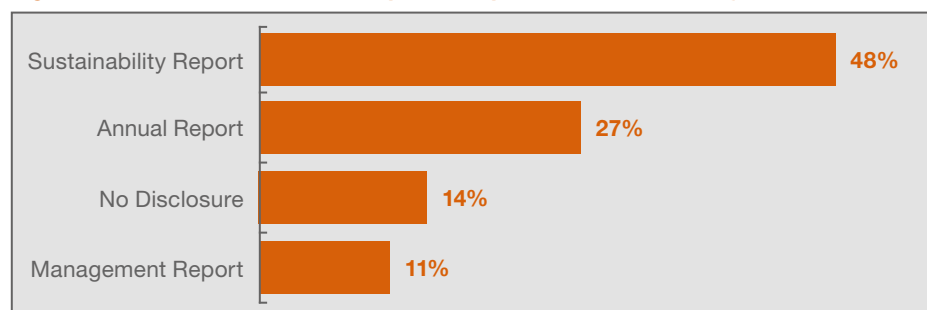


The interpretation of the reported Taxonomy KPIs by financial institutions is complex. In the second reporting year, due to methodological inconsistencies a high or low Taxonomy eligibility KPI cannot necessarily be attributed to a high or low sustainability grade for the institution nor can a comparison to last year demonstrate relative improvements.

3. Taxonomy reporting by the non-financial sector

Less than half of non-financial companies report their EU Taxonomy disclosures in their annual report (annual report and management report section). Three quarters of non-financial companies report their EU Taxonomy disclosures in the companies' sustainability reports or annual reports.⁷ Only a small number of all the companies analysed have already explicitly placed Taxonomy disclosures in the "management report" section, which will become mandatory when the CSRD takes effect (FY 2024 for the first group of companies).

Fig. 8 Where non-financial companies reported their Taxonomy data



⁷ Reasons for non-disclosure were not analysed further. Potential reasons could be deviating financial years and consequently no available disclosure.

Provided templates are not applied by all analysed companies

Annex II of Delegated Regulation 2021/2178 provides templates for the disclosure of the three KPIs of non-financial undertakings (turnover, CapEx and OpEx). More than half of the companies analysed published their Taxonomy disclosures using exactly the templates as provided or made only minor amendments to the templates, such as removing columns or using slightly different formatting. To be exact, 66% of all non-financial companies analysed in this study used the existing KPI templates. Thereof 20% of the companies made minor amendments. The remaining companies did not make use of the mandatory templates. It has to be noted that an underlying audit was not part of the analysis but could be the reason for the lacking use of the templates.

Comparatives rarely provided on a voluntary basis

The reporting requirements in force for FY 2022 do not yet require comparative figures to be disclosed. Only a few companies (10%) voluntarily provided comparative figures. Most of these companies were in the Energy, Utilities & Resources industry, the Industrial Manufacturing industry, the Automotive industry or the Technology industry. Most companies (90%) from all countries included in the study did not provide any figures from previous years, due to FY 2022 being the first year of alignment reporting.

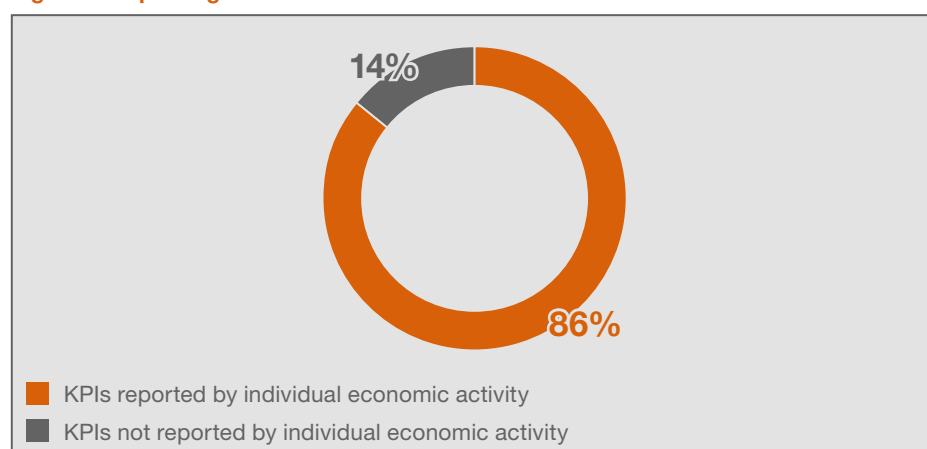
Uncertainty around interpretations

Numerous debates among auditors and company associations as well as within and between industries reflected the high degree of uncertainty around interpreting the regulations (especially the Technical Screening Criteria as well as minimum safeguards) and the need for clarification. At the time of reporting, four sets of FAQs had been published by the European Commission. However, the third and fourth sets of FAQs were not published until 19 December 2022, and the majority of companies (90%) did not make explicit reference to the December 2022 FAQs. We did not undertake any qualitative analysis to evaluate the effect of including published FAQs on the calculated figures.

KPI reporting for each individual economic activity

Under Disclosure Delegated Regulation 2021/2178, non-financial undertakings are required to disclose each of the three KPIs for every identified individual economic activity, and the total KPIs for all economic activities. However, around 14% of the companies analysed did not report the three KPIs for each individual economic activity.

Fig. 9 Reporting of KPIs for individual economic activities



The companies examined for this study represent industries that are greatly affected by the Taxonomy (environmental objectives 1 and 2) in relation to the turnover KPI (e.g. Real Estate), but also industries that are less affected by these two environmental objectives (e.g. Retail & Consumer). Across all industries, the average reported proportion of turnover that is Taxonomy eligible is 26%, while the average Taxonomy aligned turnover (7%) is just one quarter of this figure.

Turnover

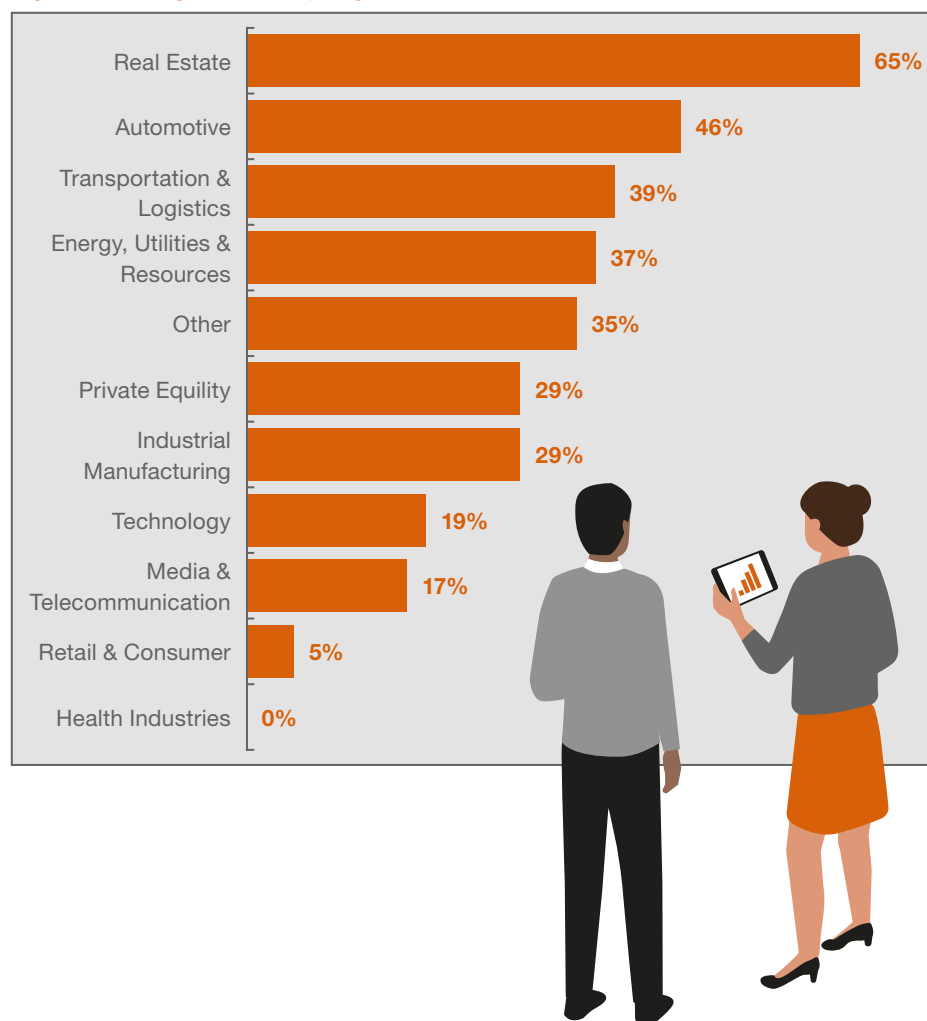
For turnover, the average Taxonomy eligibility was 26% across all industries. The first two environmental objectives focus on climate. Climate change mitigation affects particularly sectors that, according to the European Commission, are responsible for the majority of greenhouse gas emissions. Industries that are not yet covered by the Taxonomy, and therefore have not identified Taxonomy eligible and consequently no Taxonomy aligned turnover, may still be able to report eligible and aligned CapEx and/or OpEx. All eleven industries reported an average eligible turnover of more than zero percent.⁸

The highest average eligible turnover were reported by the Real Estate (65%)⁹, Automotive (46%)¹⁰, and Transport and Logistics industries (39%). The lowest average of eligible turnover were reported by the Retail & Consumer industry (5%) and the Health industries (0%). The core business of the Health industries and the Retail & Consumer industry is not covered by environmental goals 1 and 2, so their low Taxonomy eligible turnover was not surprising.

The wide variation in reported eligibility between industries is related to the limited scope of economic activities reflected in the EU Taxonomy. The EU Taxonomy does not cover all business sectors to the same extent. Therefore, the level of eligibility (for the turnover KPI) varies depending on the core business activities (generating revenue) of the non-financial company. The development and sale of buildings, as well as the ownership of buildings (including the rental of buildings) represent the main revenue generating activities of the real estate industry. These activities are both included in the Taxonomy for environmental objectives 1 and 2 and are thus

eligible activities (activities 7.1 and 7.7). Consequently, a high percentage of Taxonomy eligible turnover is plausible. The same applies to the automotive industry. In general, the manufacture (and sale) of vehicles is Taxonomy eligible (3.3), regardless of the technology used (e.g. combustion engines, electric, hybrid) and the associated emissions. Therefore, a high percentage of Taxonomy eligible revenue can be expected. In industries such as health, the core business is (largely) not reflected in the Taxonomy (no or barely applicable eligible economic activities) and therefore the percentage of Taxonomy eligible revenue is low.

Fig. 10 Average Taxonomy eligible turnover



⁸ KPIs were rounded why Health Industries are presented as 0% in the graphic.

⁹ The Real Estate industry also includes construction service industries. If construction services are excluded, Real Estate turnover eligibility amounts to 92%.

¹⁰ The Automotive industry also includes suppliers which significantly decrease the eligibility figures for turnover. Without suppliers the average eligible turnover amounts to approx. 81% for the Automotive industry.

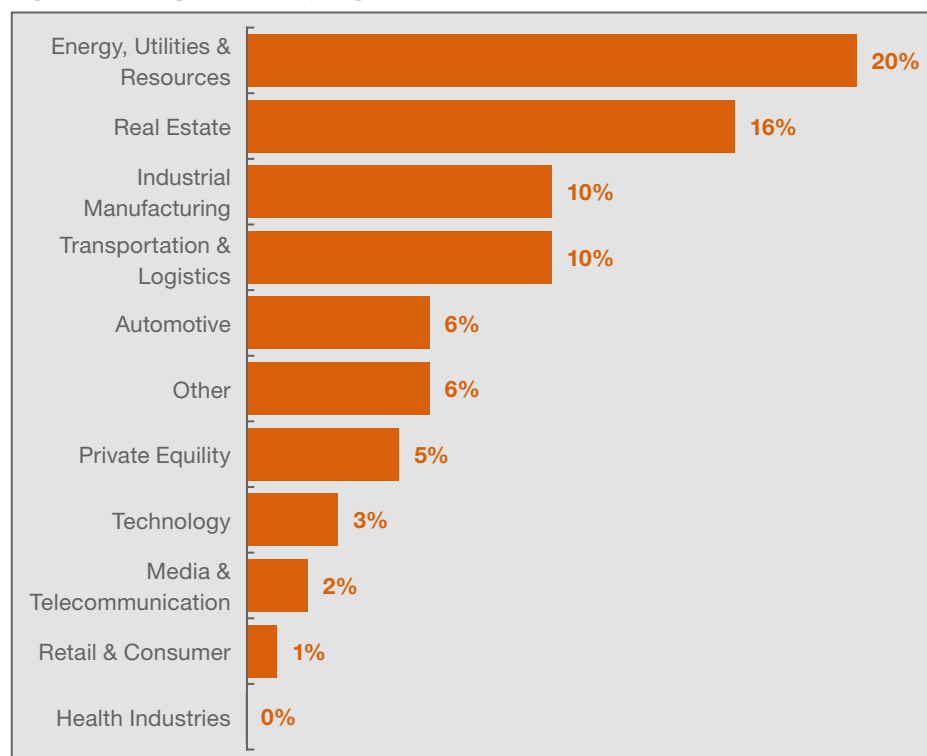
The reported Taxonomy alignment on turnover was significantly smaller, averaging 7% across all industries. However, not all of the industries with the highest average eligible turnover also disclosed the highest average alignment. The highest turnover alignment was in the Energy, Utilities & Resources industry (20%), the Real Estate industry (16%)¹¹ and the Industrial Manufacturing industry (10%). Overall, Real Estate is one of the top industries in terms of Taxonomy eligible and Taxonomy aligned turnover, whereas the lowest average alignment was reported by the Health industries (0%).

Some industries have a very large gap between eligible and aligned turnover. The results for the Real Estate and Automotive industries were particularly striking: the gap between eligible and aligned turnover was 49 percentage points in Real Estate and 40 percentage points (pp) in the Automotive industry¹².

Focusing on economic activity level, the highest average reported eligibility on turnover were activities 3.3 “Manufacture of low-carbon technologies for transport” (46%), 3.9 “Manufacture of iron and steel” (51%), and 8.3 “Programming and broadcasting activities” (34%).

The highest average reported aligned turnover were on activities 3.9 “Manufacture of iron and steel” (42%), 7.7 “Acquisition and ownership of buildings” (16%) and 3.6 “Manufacture of other low-carbon technologies” (12%). This last activity was by far the most widely reported activity by the Industrial Manufacturing industry, and had an average turnover eligibility of 17% across all industries.

Fig. 11 Average Taxonomy aligned turnover



Across all industries, a number of activities exhibited significant gaps between the average reported eligible turnover and aligned turnover. These included economic activities 3.3 “manufacture of low-carbon technologies for transport” (gap of 36 percentage points, average aligned turnover 10%), 8.3 “programming and broadcasting activities” (29pp gap), 7.4 “installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)” (27pp gap) and 6.10 “sea and coastal freight water transport, vessels for port operations and auxiliary activities” (25pp gap).

Some industries reported almost no Taxonomy eligible activities, while others reported many. The Energy, Utilities & Resources industry, Real Estate and the Industrial Manufacturing industry reported the largest numbers of Taxonomy eligible activities for turnover, averaging three and two activities per company, respectively. The Energy, Utilities & Resources industry also made it into the top two for reporting Taxonomy aligned economic activities, averaging three activities per company, while the top spot was taken by the Real Estate industry with an average of three Taxonomy aligned activities per company.

<p>Average eligible turnover</p> <p>26%</p>	<p>Average aligned turnover</p> <p>7%</p>
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¹¹ If construction services are excluded, Real Estate turnover alignment amounts to 28%.

¹² This gap is even larger in the Automotive industry when not considering suppliers.

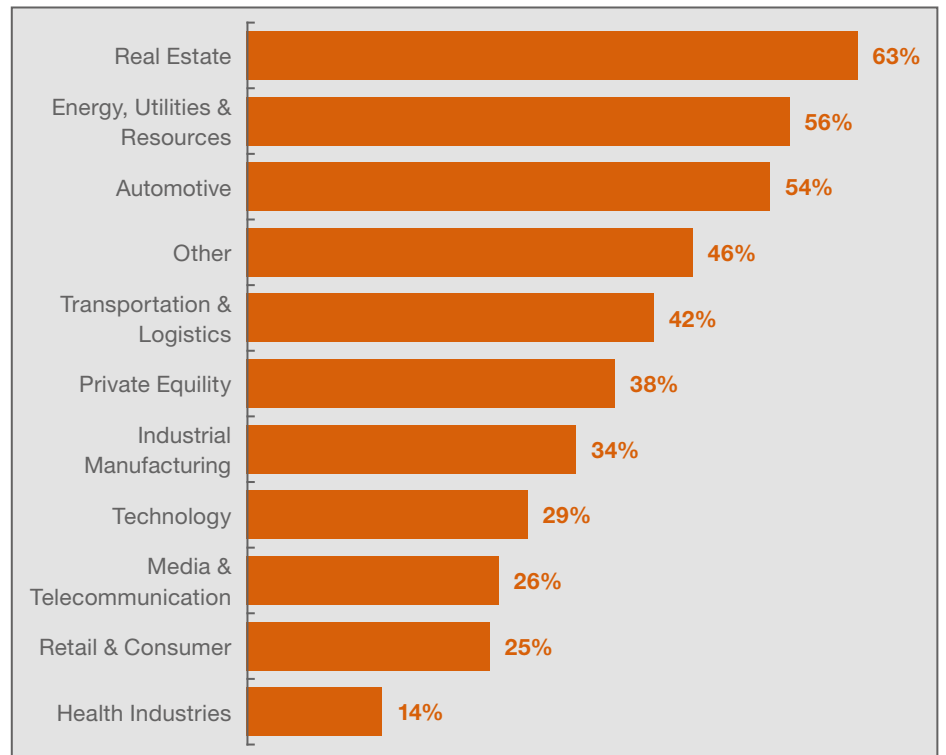
CapEx

Total average CapEx eligibility was 37% across all industries. All eleven industries reported average eligible CapEx of more than 14%. The highest average proportions of eligible CapEx were reported once again by the Real Estate industry (63%)¹³, the Energy, Utilities & Resources industry (56%) and the Automotive industry (54%). The lowest average proportions of eligible CapEx were reported by the Health Industries (14%), the Retail & Consumer industry (25%) and the Media & Telecommunication industry (26%).

Average eligible CapEx **37%**

Average aligned CapEx **10%**

Fig. 12 Average Taxonomy eligible CapEx



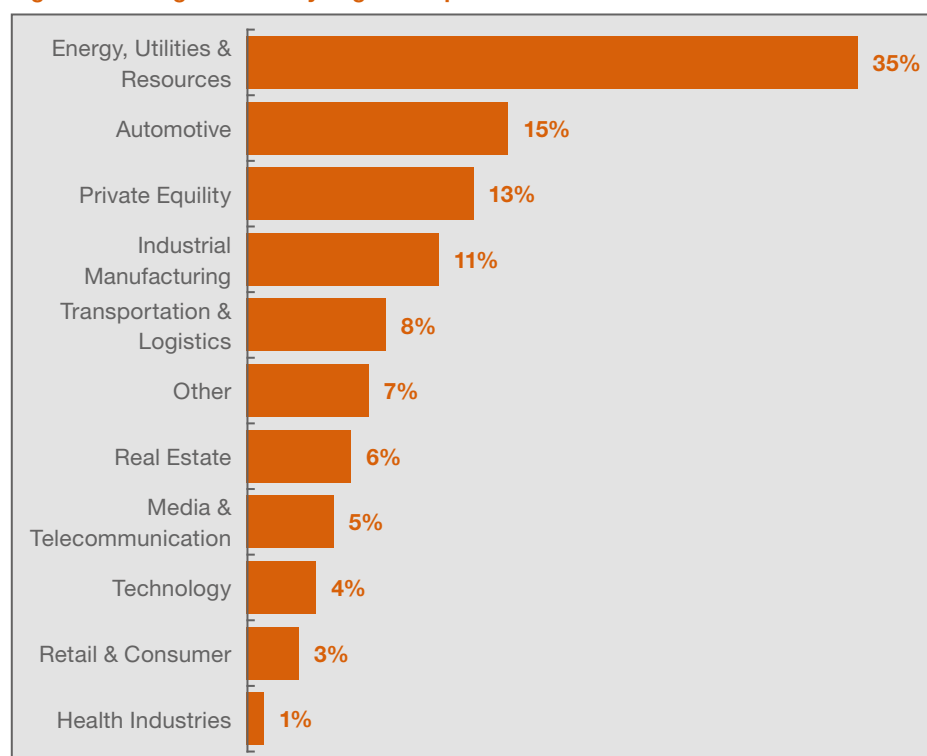
¹³ If construction services are excluded, Real Estate Capex eligibility amounts to 94%.

Turning to Taxonomy alignment, smaller percentages can once again be observed. The average proportion of aligned CapEx was 10% across all industries. Broken down by industry, the highest average CapEx alignment was in the Energy, Utilities & Resources industry (35%), followed by the Automotive industry (15%). The lowest average proportions of aligned CapEx were reported by the Health Industries (1%), the Retail & Consumer industry (3%) and the Technology industry (4%).

Some industries presented particularly large gaps between eligible and aligned CapEx. As with turnover, the Real Estate and Automotive industries were particularly striking in this regard: the gap was 57 percentage points in the Real Estate industry and 39 percentage points in the Automotive industry.

Deep diving into specific economic activities, our focus was on those with the highest proportions of both eligible and aligned CapEx. Reported eligible CapEx for economic activity 7.1 “construction of new buildings” averaged 68% across all industries which reported on this economic activity, whereas average aligned CapEx for this activity was 4%. This result demonstrates the high ambition level of the Technical Screening Criteria for newly constructed buildings. For activity 3.3 “manufacture of low-carbon technologies for transport”, eligible CapEx averaged 33% across the industries which reported on this economic activity, compared to average CapEx alignment for this activity of 16%.

Fig. 13 Average Taxonomy aligned CapEx



Economic activities with high reported eligible CapEx included activities 7.7 “acquisition and ownership of buildings”, 6.5 “transport by motorbikes, passenger cars and commercial vehicles” and 7.3 “installation, maintenance and repair of renewable energy technologies”.

Some industries reported almost no activities, while others reported many. The Energy, Utilities & Resources industry and the Industrial

Manufacturing industry reported the largest numbers of Taxonomy eligible economic activities for CapEx, with averages of three activities per company respectively. The Energy, Utilities & Resources industry also made it into the top spot for reporting Taxonomy aligned economic activities, averaging three activities per company, while second place was taken by the Real Estate industry with an average of two Taxonomy aligned activities per company.

OpEx

Total average OpEx eligibility was 27% across all industries. Although two industries reported very low average proportions of eligible OpEx, all industries had average eligible OpEx of more than two percent. Looking at eligible OpEx by individual industries, the field was again dominated by the Automotive (49%) and the Energy, Utilities & Resources industry (43%). However, Transportation & Logistics industry also disclosed higher KPIs in this category, with a reported average of 37% eligible OpEx, as did the Real Estate industry, which disclosed an average of 37%. The lowest average eligible OpEx were reported by the Health industries (2%) and the Retail & Consumer industry (11%).

Clear differences can be observed when Taxonomy alignment is compared to eligibility. Total average OpEx alignment was 8% across all industries. The industries with the highest average proportions of aligned OpEx were the Energy, Utilities & Resources industry (27%), the Automotive industry (14%) and the Industrial Manufacturing industry (10%). The lowest average proportions of aligned OpEx were reported by the Health Industries (0%) and the Retail & Consumer industry (1%).

Some industries had particularly large gaps between eligible and aligned OpEx. Unlike turnover and CapEx, the two largest gaps are not in the Real Estate or the Energy, Utilities & Resources industries. Instead, the two biggest gaps were 33 percentage points in the Transport & Logistics industry and 35 percentage points in the Automotive industry.

Fig. 14 Average Taxonomy eligible OpEx

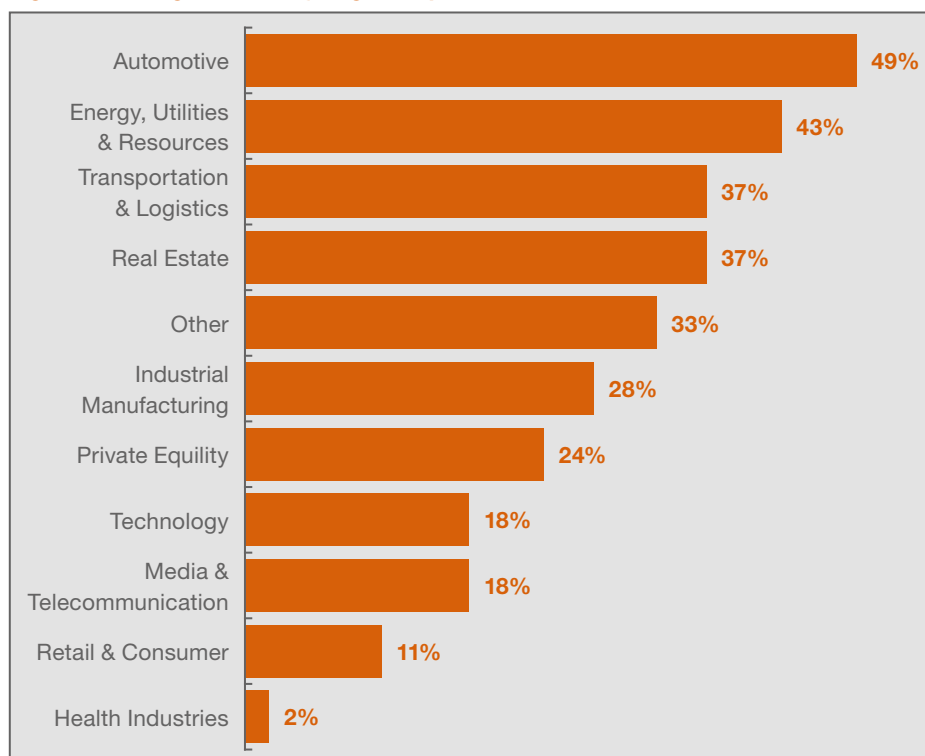
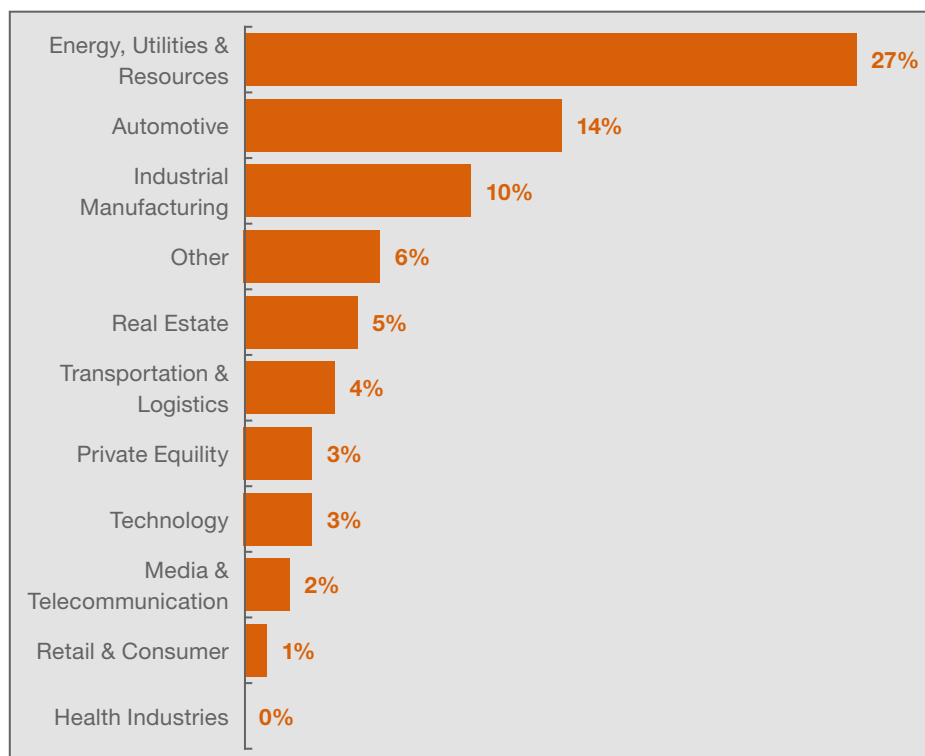


Fig. 15 Average Taxonomy aligned OpEx



Our focus when taking a closer look at specific activities was on those activities with the highest proportions of both eligible and aligned OpEx. The reported proportion of eligible OpEx for activity 3.9 “manufacture of iron and steel” averaged 47% across all industries, and average alignment for this activity across all industries was 37%. For activity 3.3 “manufacture of low-carbon technologies for transport”, reported eligible OpEx averaged 45% across all industries. Average aligned OpEx for this activity, however, was significantly lower, at 20%.

Activity 3.6 “manufacture of other low-carbon technologies” is another activity worth taking a closer look at. The Industrial Manufacturing industry reported on this activity by far the most. Average OpEx eligibility for this activity was 14% across all sectors, while average alignment across all sectors was 10%.

Some industries reported almost no activities, while others reported many. The Energy, Utilities & Resources industry and the Industrial Manufacturing industry reported the largest numbers of Taxonomy eligible economic activities for OpEx, with averages of three and two activities

per company respectively. These two industries also made it into the top two spots for Taxonomy aligned economic activities, with an average of three activities per company in the Energy, Utilities & Resources industry and one activity per Industrial Manufacturing.

Market observations

Although clear progress has been made with the EU Taxonomy Regulation, the nature and quality of reporting still varies widely, as demonstrated to a certain extent by the findings of this study. Taxonomy eligibility and alignment KPIs vary by industry as well as within industries. The vast majority of companies analysed in this study have so far met their obligations related to the quantitative Taxonomy disclosures. Current Taxonomy rules require these companies to disclose the proportions of their turnover, CapEx and OpEx related to economic activities. The regulation also requires companies to disclose which of their economic activities are Taxonomy aligned. Reports must also make clear the extent of the contribution made by a company’s Taxonomy aligned activities to the relevant environmental objectives.

Even though companies may belong to the same industry, differing interpretations of the Technical Screening Criteria mean that outliers may arise among the results when it comes to alignment figures. Reporting on financial year 2022 was the second year when providing information on Taxonomy eligibility was mandatory, but only the first year when alignment reporting was required. Accordingly, it will take some time before comparability can be established. It was particularly noticeable that alignment criteria posed major challenges for some of the companies, not only in terms of understanding and interpretation, but also regarding data availability. Companies found it essential to redefine internal processes and reallocate resources in order to obtain the necessary data on alignment and to assess the alignment criteria. Another major reason is that data might be available but the criteria for alignment were simply not met.

It is likely that industry associations will produce standards for Taxonomy reporting in the near future. Guidelines such as this will help to minimise differences in interpretation, or even eliminate them altogether. Additionally, it is expected that over time, comparable to first time application of IFRS 15 and 16, a harmonisation of interpretations will occur.

Average
eligible
OpEx

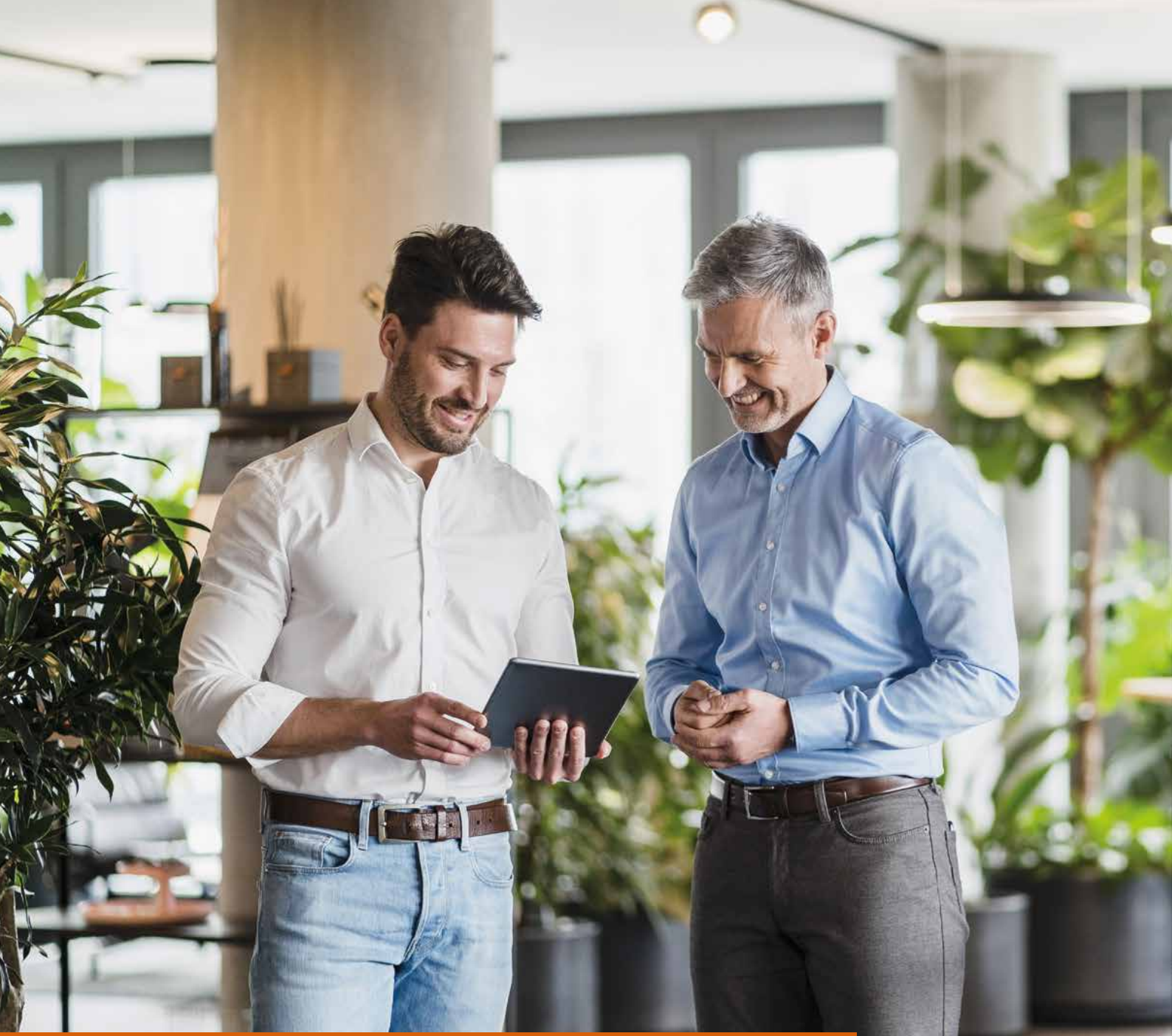
27%

Average
aligned
OpEx

8%

”

The amount of equipment, personnel and time required to implement the Taxonomy’s requirements are often underestimated. It is therefore advisable for companies to deal with these challenges at an early stage in order to avoid major difficulties when assessing Taxonomy alignment.



C Conclusions and outlook

In the second year of Taxonomy reporting, inconsistencies in methodology are still common despite various FAQs by the European Commission attempting to bring more clarity. As companies apply different methods to calculate their KPIs, have different interpretations of activity descriptions or alignment criteria as well as diverging data availability, the resulting ranges are very broad, making interpretation and comparisons very difficult. Over time, methodologies will become more standardised and hopefully the KPIs more comparable. One step to support this could be the presumably mandatory use of the reporting templates from 2024 for financial institutions, although different approaches will most likely persist for some KPIs, such as the underwriting KPIs for insurance companies. Considering non-financial companies, these templates are already mandatory for reporting on financial year 2022.

For financial institutions, the data availability for Taxonomy reporting is set to continuously improve over the next few years. This will start with Taxonomy alignment reports by non-financial companies being available for FY 2023, continue with Taxonomy alignment reports by financial institutions for FY 2024, and culminate in CSRD reports for large companies subject to the CSRD becoming available for FY 2025. The significant increase in the number of companies subjected to mandatory sustainability reporting under the CSRD will lead to an increase in Taxonomy eligible assets.

For the companies in the non-financial sector, the mandatory templates for Taxonomy disclosures provide a basic guideline to ensure uniform reporting and consistent levels of detail. It is to be expected that interpretation of the alignment (technical screening as well as minimum safeguards) criteria will be harmonised within the next few years, enhancing comparability. Existing data gaps are expected to be closed over the next few years by new or adjusted processes. Reacting to user feedback, the European Commission and its advisory body the Platform on Sustainable Finance have focused on the usability of the Taxonomy, which has already resulted in the publication of several sets of FAQs to increase clarity on controversial interpretation issues. The EU is planning to review the Taxonomy Regulation in mid-2024, taking feedback received into account.

“To cope with the need for sustainability reporting created by the Taxonomy and the CSRD, companies should implement effective internal ESG data governance and related IT processes as soon as possible.”

Data requirements will become even more complex over the next few years, making this change particularly necessary when Taxonomy reporting on the four remaining environmental goals becomes mandatory – sustainable use and protection of water and marine resources (3), transition to a circular economy (4), pollution prevention and control (5), and protection and restoration of biodiversity and ecosystems (6).

The aim of the EU Taxonomy Regulation is to redirect capital flows to sustainable activities. Comparisons between years are currently very difficult due to the phased-in approach of the regulation. However, after the transition phase of the first few reporting years and after the challenges of inconsistent methodologies and lack of data have been overcome, Taxonomy ratios could become a (more) relevant reference value – for example once comparisons to previous years become mandatory from FY 2024. Although Taxonomy ratios currently only serve as a value for transparency, they could potentially be used to set more concrete incentives in the future. For example, companies might be required to meet certain minimum Taxonomy ratios in order to qualify as competitors in public procurement projects.



In any case, it seems likely that Taxonomy ratios will become an important reference for investors looking to determine the green credentials of their portfolios.

Appendix

1. Methodology

This study aims to provide insights into the current state of implementation of the EU Taxonomy Regulation by analysing the disclosed Taxonomy KPIs (i.e. the proportions of relevant activities which are Taxonomy eligible/ Taxonomy aligned) of listed financial institutions and non-financial sector companies that fall within the scope of the Regulation. The analysis is based on annual and sustainability reports for FY 2022 published by European non-financial sector companies and financial institutions up to April 2023. Companies that were analysed were based in: Austria, Germany, France, Italy, Spain, Sweden, Poland, the Netherlands, Luxembourg, Belgium, Denmark, Portugal (financial sector only) and Ireland (non-financial sector only). Selected indices were examined for each country¹⁴. Analysis for the non-financial sector was classified into the following industries: Automotive; Energy, Utilities & Resources;

Health Industries; Industrial Manufacturing; Private Equity; Retail & Consumer; Technology; Media & Telecommunication; Transportation & Logistics; Real Estate; and other. The data in the study is based on publicly available information from the companies' own reports.

Analysis included reports from 706 non-financial companies in 12 countries. The dominant countries for non-financial undertakings were Germany (160 reports), Poland (118) and France (97).

For the financial sector, 146 reports were examined. The largest samples were from Poland (25 reports), Germany (23) and Italy (22). Financial sector reports came from a variety of industries. Banking and capital markets (BCM) made up the largest proportion (62%), while around a quarter (27%) of the companies analysed are in the insurance sector. The number of asset and wealth management companies was about the same as for real assets.



¹⁴ DAX, MDAX, SDAX, IBEX35, GPW, AEX, LUX Based, FTSE MIB, Euronext Dublin, CAC40, SBF120, ATX, C25, BEL20, OMXS30, OMX Large Cap and Prime Standard for financial institutions.

2. List of economic activities

Activity number	Activity
Forestry	
1.1	Afforestation
1.2	Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event
1.3	Forest management
1.4	Conservation forestry
Environmental protection and restoration activities	
2.1	Restoration of wetlands
Manufacturing	
3.1	Manufacture of renewable energy technologies
3.2	Manufacture of equipment for the production and use of hydrogen
3.3	Manufacture of low carbon technologies for transport
3.4	Manufacture of batteries
3.5	Manufacture of energy efficiency equipment for buildings
3.6	Manufacture of other low carbon technologies
3.7	Manufacture of cement
3.8	Manufacture of aluminium
3.9	Manufacture of iron and steel
3.10	Manufacture of hydrogen
3.11	Manufacture of carbon black
3.12	Manufacture of soda ash
3.13	Manufacture of chlorine
3.14	Manufacture of organic basic chemicals
3.15	Manufacture of anhydrous ammonia
3.16	Manufacture of nitric acid
3.17	Manufacture of plastics in primary form
3.18 ¹⁵	Manufacture of automotive and mobility components
3.19 ¹⁵	Manufacture of rail rolling stock constituents
3.20 ¹⁵	Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation
3.21 ¹⁵	Manufacturing of aircraft

¹⁵ Added by amendment to Delegated Regulation (EU) 2021/213

Activity number	Activity
Energy	
4.1	Electricity generation using solar photovoltaic technology
4.2	Electricity generation using concentrated solar power (CSP) technology
4.3	Electricity generation from wind power
4.4	Electricity generation from ocean energy technologies
4.5	Electricity generation from hydropower
4.6	Electricity generation from geothermal energy
4.7	Electricity generation from renewable non-fossil gaseous and liquid fuels
4.8	Electricity generation from bioenergy
4.9	Transmission and distribution of electricity
4.10	Storage of electricity
4.11	Storage of thermal energy
4.12	Storage of hydrogen
4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids
4.14	Transmission and distribution networks for renewable and low-carbon gases
4.15	District heating/cooling distribution
4.16	Installation and operation of electric heat pumps
4.17	Cogeneration of heat/cool and power from solar energy
4.18	Cogeneration of heat/cool and power from geothermal energy
4.19	Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels
4.20	Cogeneration of heat/cool and power from bioenergy
4.21	Production of heat/cool from solar thermal heating
4.22	Production of heat/cool from geothermal energy
4.23	Production of heat/cool from renewable non-fossil gaseous and liquid fuels
4.24	Production of heat/cool from bioenergy
4.25	Production of heat/cool using waste heat
4.26	Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle
4.27	Construction and safe operation of new nuclear power plants, for the generation of electricity and/or heat, including for hydrogen production, using best-available technologies
4.28	Electricity generation from nuclear energy in existing installations
4.29	Electricity generation from fossil gaseous fuels
4.30	High-efficiency co-generation of heat/cool and power from fossil gaseous fuels
4.31	Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system

Activity number Activity

Water supply, sewerage, waste management and remediation	
5.1	Construction, extension and operation of water collection, treatment and supply systems
5.2	Renewal of water collection, treatment and supply systems
5.3	Construction, extension and operation of waste water collection and treatment
5.4	Renewal of waste water collection and treatment
5.5	Collection and transport of non-hazardous waste in source segregated fractions
5.6	Anaerobic digestion of sewage sludge
5.7	Anaerobic digestion of bio-waste
5.8	Composting of bio-waste
5.9	Material recovery from non-hazardous waste
5.10	Landfill gas capture and utilisation
5.11	Transport of CO ₂
5.12	Underground permanent geological storage of CO ₂
Transport	
6.1	Passenger interurban rail transport
6.2	Freight rail transport
6.3	Urban and suburban transport, road passenger transport
6.4	Operation of personal mobility devices, cycle logistics
6.5	Transport by motorbikes, passenger cars and light commercial vehicles
6.6	Freight transport services by road
6.7	Inland passenger water transport
6.8	Inland freight water transport
6.9	Retrofitting of inland water passenger and freight transport
6.10	Sea and coastal freight water transport, vessels for port operations and auxiliary activities
6.11	Sea and coastal passenger water transport
6.12	Retrofitting of sea and coastal freight and passenger water transport
6.13	Infrastructure for personal mobility, cycle logistics
6.14	Infrastructure for rail transport
6.15	Infrastructure enabling low-carbon road transport and public transport
6.16	Infrastructure enabling low carbon water transport
6.17	Low carbon airport infrastructure

Activity number	Activity
Construction and real estate	
7.1	Construction of new buildings
7.2	Renovation of existing buildings
7.3	Installation, maintenance and repair of energy efficiency equipment
7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
7.6	Installation, maintenance and repair of renewable energy technologies
7.7	Acquisition and ownership of buildings
Information and communication	
8.1	Data processing, hosting and related activities
8.2	Data-driven solutions for GHG emissions reductions
Professional, scientific and technical activities	
9.1	Close to market research, development and innovation
9.2	Research, development and innovation for direct air capture of CO ₂
9.3	Professional services related to energy performance of buildings

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