



BAS
Belgian Awards For
Sustainability Reports



EU Taxonomy, from eligibility to alignment, with a focus on recent developments

9th of December 2024

Tom Renders

De in deze presentatie opgenomen informatie en ingenomen standpunten zijn voor rekening van de sprekers en geven niet noodzakelijk het standpunt van het IBR weer.

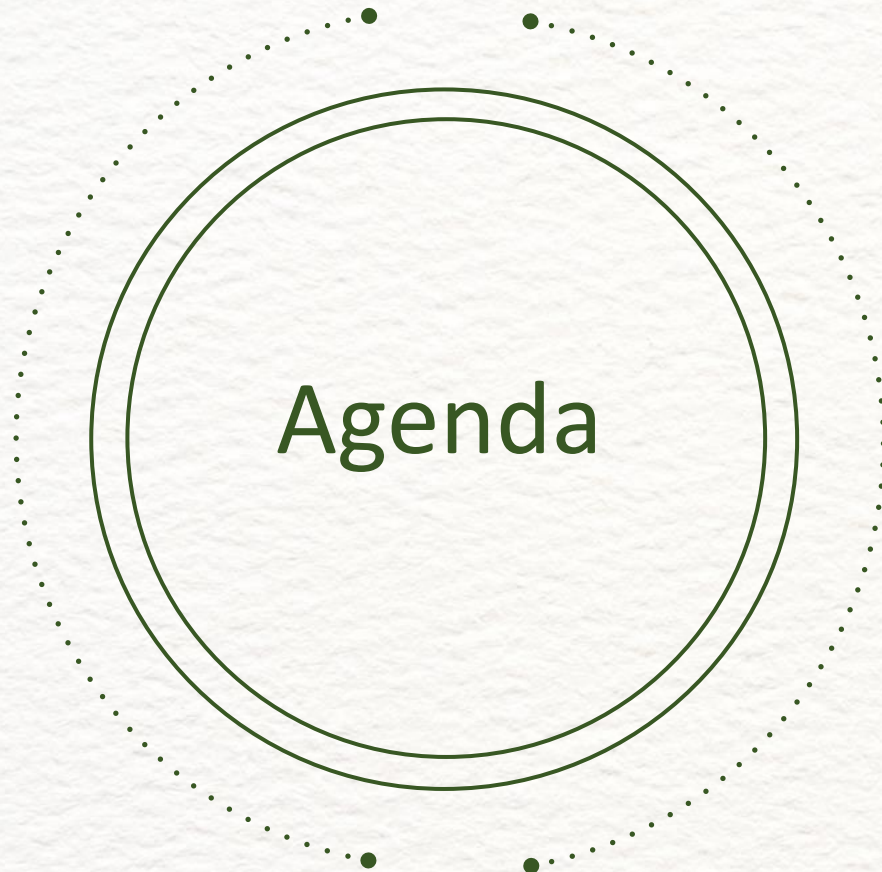
Les informations contenues dans cette présentation et les opinions exprimées au cours de cette présentation sont celles des orateurs et ne reflètent pas nécessairement l'opinion de l'IRE.

Tom Renders

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



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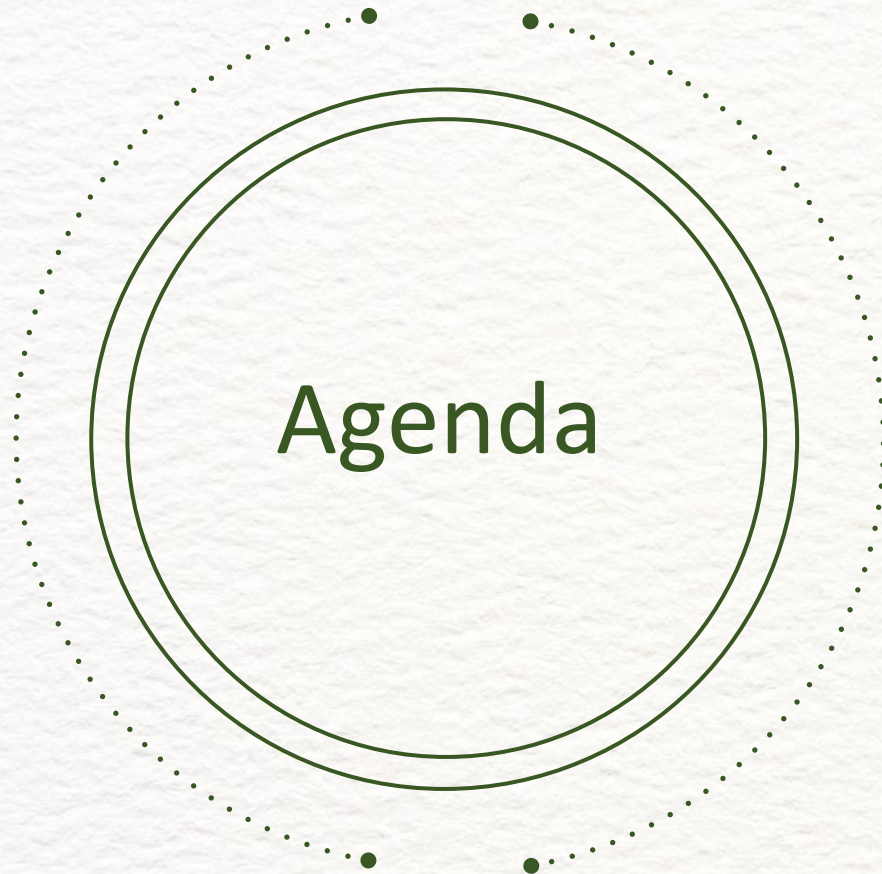
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EU Taxonomy | Introduction – The EU Taxonomy in a nutshell

Why

- **Companies** need to **assess and demonstrate** the **environmental impact** of their **activities**, and a **clear framework** needs to exist for **transparent reporting**.
- The **business activities** which can be considered **sustainable** (and the criteria) need to be defined so that **investors** can confidently **direct capital towards companies** that contribute to the **EU's environmental goals**.

Who

- For FY2024, companies **already subject** to the **Non-Financial Reporting Directive** (ca. 11,600 companies).
- **As of FY2025**, the **scope of companies subject to EU Taxonomy reporting** will **significantly broaden**, due to the **phased-in approach** outlined in the **Corporate Sustainability Reporting Directive (CSRD)**, to eventually include approximately 50,000 companies.

What

- The EU Taxonomy is a **uniform classification system** that defines **which activities are environmentally sustainable**, covering **>100+ activities** across **16 sectors**.
- EU Taxonomy provides the **methodology** and the **science-based criteria** that **must be met** for an activity to be **environmentally sustainable**.

When

- Applicable to **any annual/sustainability report** published as of **01/01/2022** (for the **climate objectives of CCM and CCA**). (*NFRD scope*)
- For the **environmental objectives (WAT, POL, CIRC, BIO)**, as of **01/01/2024**.

EU Taxonomy | Introduction – What the EU Taxonomy is and what it is not

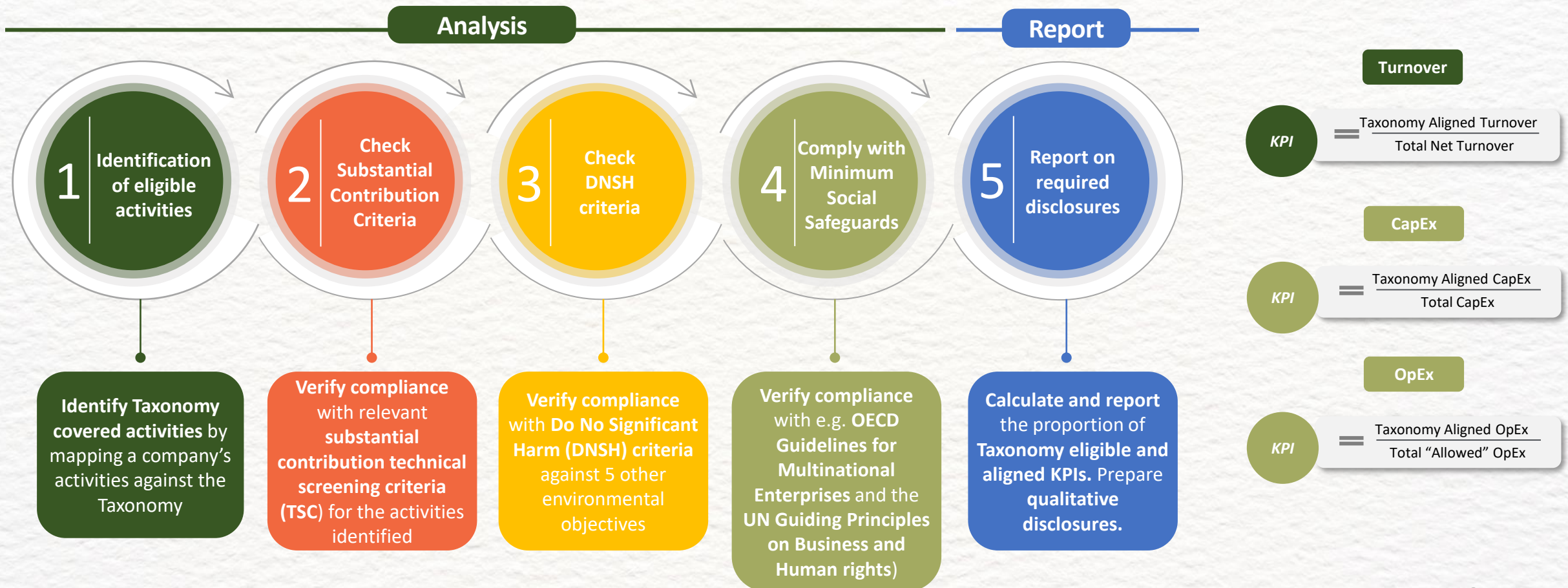
What the EU Taxonomy is

- A **classification system** to establish **clear definitions** of what is an **environmentally sustainable economic activity**.
- A **tool** to help **investors and companies** make **informed investment decisions** on environmentally sustainable activities.
- Reflecting **technological and policy developments**: The EU Taxonomy will be **updated regularly**.
- **Technology neutral** – Facilitates **transition** of polluting sectors.
- **Fostering transparency** by requiring **disclosures** for financial market participants and large companies related to the EU Taxonomy.

What the EU Taxonomy is not

- Not a **mandatory list** to invest in.
- Not a **rating** of the "**greenness**" of companies.
- **What's not green is not necessarily brown**. Activities that are not on the list, are not necessarily polluting activities. The focus is simply on activities that can contribute substantially to environmental objectives.

EU Taxonomy | Introduction – The 5 steps assessment approach



EU Taxonomy | Introduction – Overview of EU Taxonomy legislative documents



What are the delegated acts?

The **EU Taxonomy Regulation** established the overarching framework and the conditions that an economic activity has to meet to qualify as environmentally sustainable. In the Regulation, the Commission was delegated to specify the environmentally sustainable activities and define the technical screening criteria for each objective outlined in the regulation, through the so-called **delegated acts**.

EU Taxonomy | Introduction – Timeline

Partial

- **CCM & CCA Objectives:**
Alignment: (i) Turnover, (ii) CapEx, (iii) OpEx
- Gas & Nuclear activities
- Qualitative
- Use of Tabular Forms of Annex II

Partial

- **CCM & CCA Objectives:**
Alignment: (i) Turnover, (ii) CapEx, (iii) OpEx
- **4 ENV Objectives: Eligibility:** (i) Turnover, (ii) CapEx, (iii) OpEx
- Gas & Nuclear activities
- Qualitative
- Use of Tabular Forms of Annex II

Full

- **All 6 Objectives: Alignment:** (i) Turnover, (ii) CapEx, (iii) OpEx
- Gas & Nuclear activities
- Qualitative
- Use of Tabular Forms of Annex II

Full

- **All 6 Objectives: Alignment:** (i) Turnover, (ii) CapEx, (iii) OpEx
- Gas & Nuclear activities
- Qualitative
- Use of Tabular Forms of Annex II

FY 2022

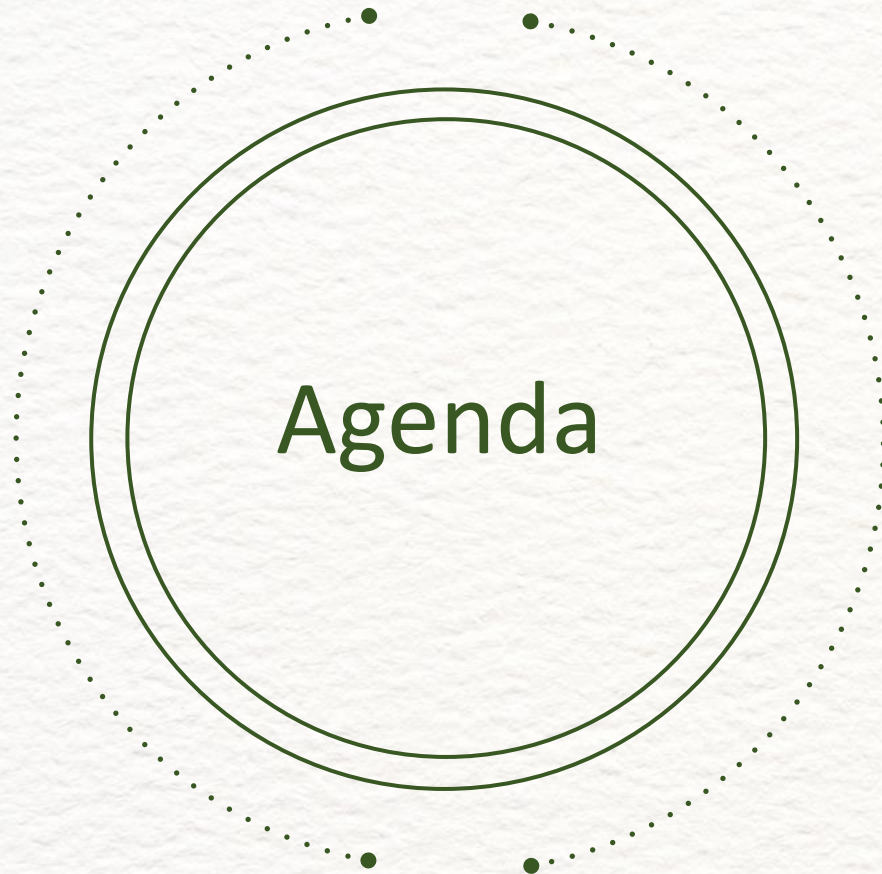
FY 2023

FY 2024

FY 2025

...

Above represents the timeline for non-financial undertakings. Financial undertakings have a slightly different timeline.



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EU Taxonomy | Challenges and opportunities – Key facts

At least **1,300 non-financial companies** are now reporting on their **Taxonomy-aligned activities**, but **42%** report **zero alignment** (across all KPIs based on **FY23 figures**).

Activities reported on **most so far** have been on **Climate Change Mitigation**. Overall **alignment numbers are expected to rise** as companies report on **more objectives and activities**.

Average **Taxonomy-aligned turnover (FY23)** was just **above 12%**. On average, **less than half of the turnover from eligible activities** was aligned.

A significant proportion (**88%**) of companies **struggle to provide accurate or complete Taxonomy alignment data**, reflecting the **early stage of reporting and potential risks for misalignment**.

Sources:

MSCI Inc. - [What Does EU Taxonomy Reported Data for 2023 Tell Us?](#)

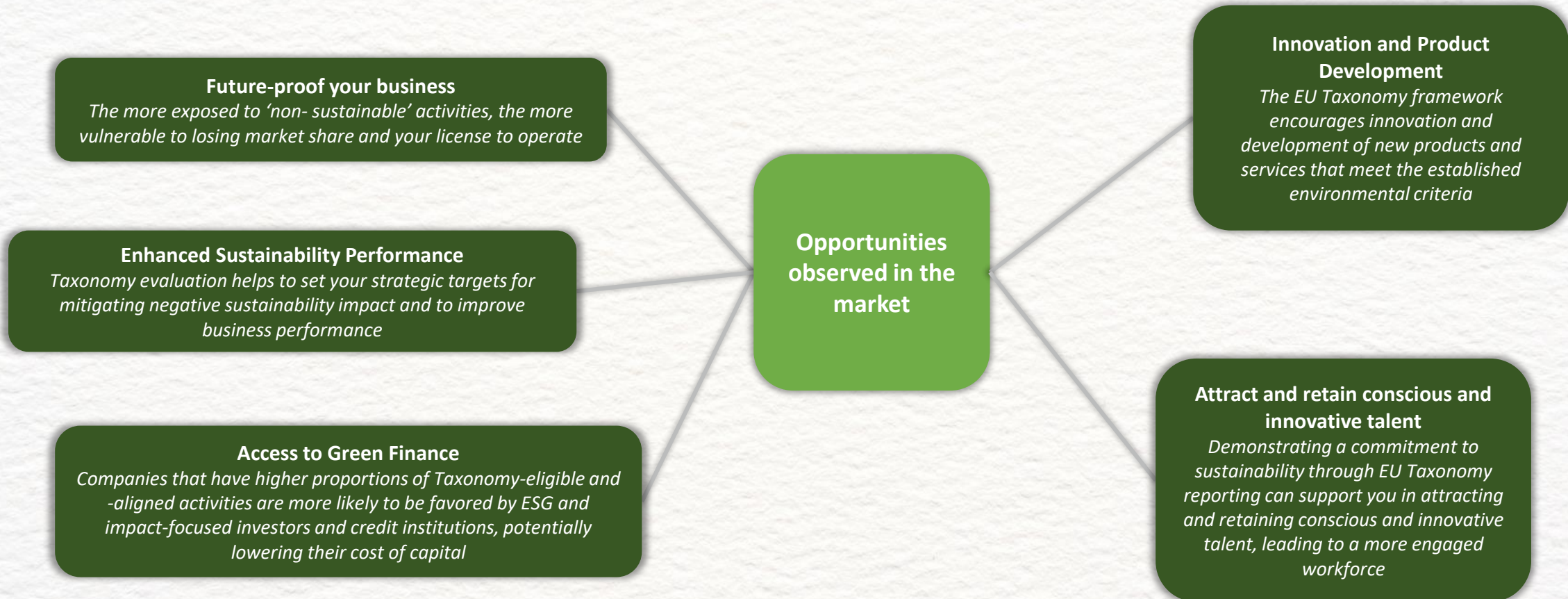
Morningstar Sustainalytics - [EU Taxonomy Reporting Review](#)

European Commission - [The EU Taxonomy's uptake on the ground](#)

EU Taxonomy | Challenges and opportunities – What are the challenges observed in the market?



EU Taxonomy | Challenges and opportunities – What are the opportunities?



EU Taxonomy | Challenges and opportunities – Best practices to overcome challenges

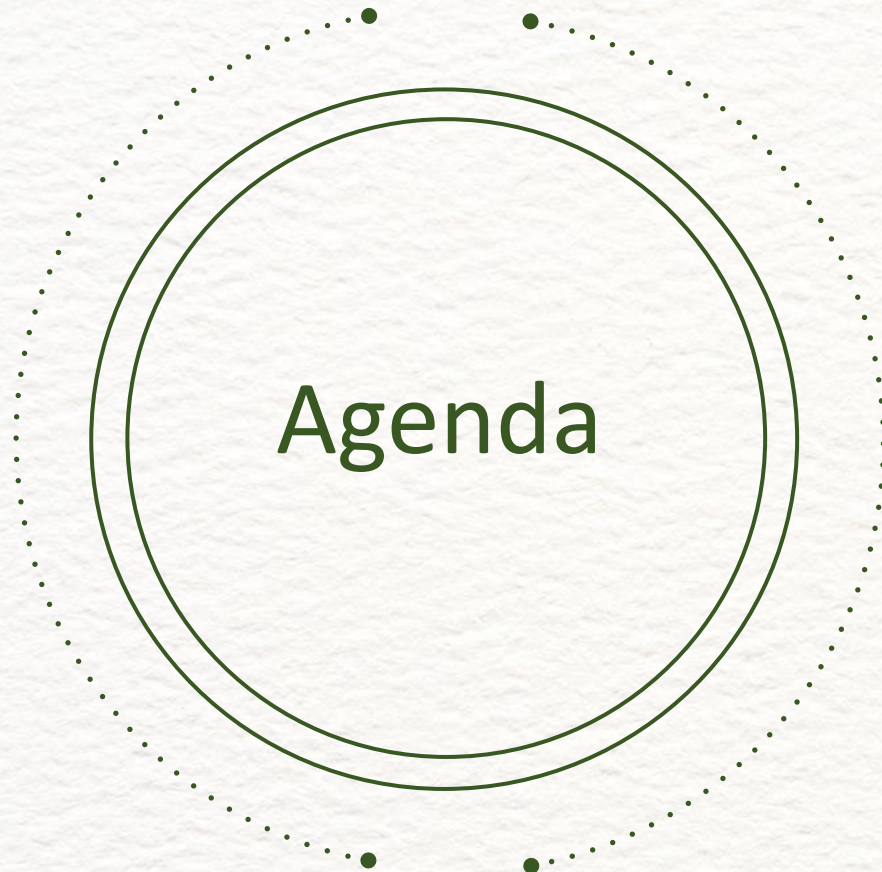
Timing: Ensure you start on time with the assessment as it can be complex and challenging. It can also be a lot of back and forth with different people / different departments to gather information.

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

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

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

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



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EU Taxonomy | EU Guidance – EU Taxonomy Navigator: Overview

EU Taxonomy Navigator

The **EU Taxonomy Navigator** is an educational and user-friendly website developed by the European Commission to assist users in understanding and implementing the EU Taxonomy.



EU Taxonomy Navigator

EU Taxonomy Compass

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

EU Taxonomy Calculator

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

FAQs repository

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

EU Taxonomy User Guide

Guidance document on the Taxonomy for non-experts

EU Taxonomy | EU Guidance – EU Taxonomy Navigator: Compass

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

EU Taxonomy Navigator

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

Home > EU Taxonomy Compass > EU Taxonomy Compass

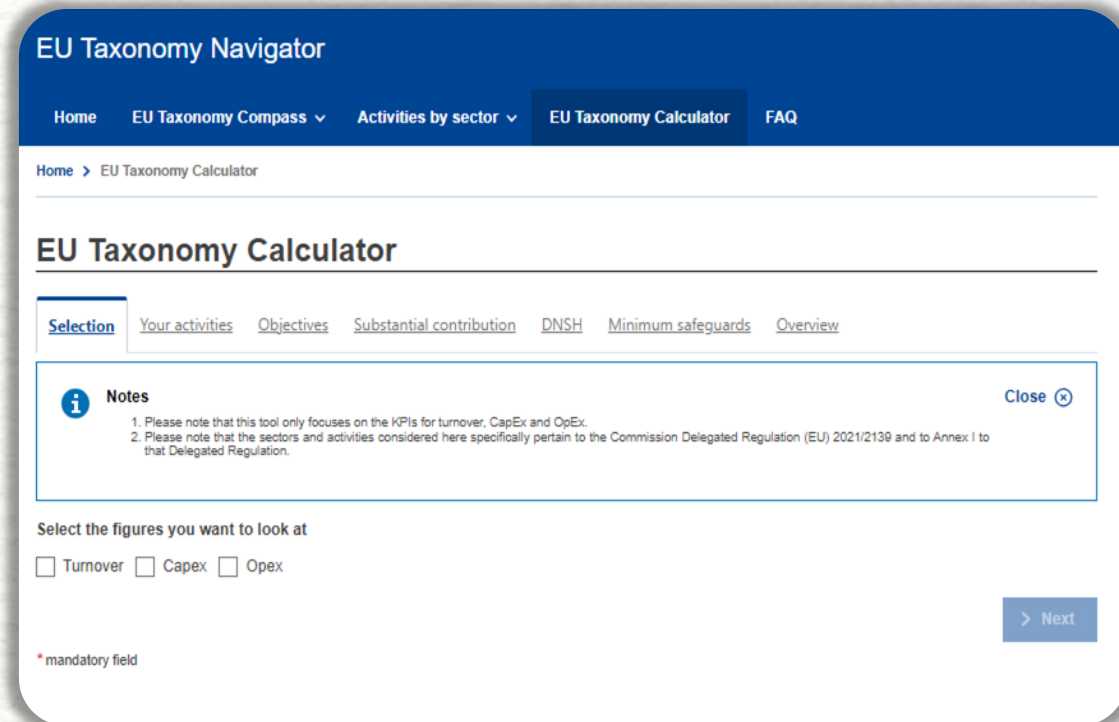
EU Taxonomy Compass

Filter by sector or activity Transitional Enabling

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

EU Taxonomy | EU Guidance – EU Taxonomy Navigator: Calculator

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



The screenshot shows the 'EU Taxonomy Navigator' website. The navigation bar includes 'Home', 'EU Taxonomy Compass', 'Activities by sector', 'EU Taxonomy Calculator', and 'FAQ'. The main heading is 'EU Taxonomy Calculator'. Below the heading are tabs for 'Selection', 'Your activities', 'Objectives', 'Substantial contribution', 'DNSH', 'Minimum safeguards', and 'Overview'. A 'Notes' box is visible, containing two points: '1. Please note that this tool only focuses on the KPIs for turnover, CapEx and OpEx.' and '2. Please note that the sectors and activities considered here specifically pertain to the Commission Delegated Regulation (EU) 2021/2139 and to Annex I to that Delegated Regulation.' Below the notes, there is a section 'Select the figures you want to look at' with checkboxes for 'Turnover', 'Capex', and 'Opex'. A 'Next' button is located at the bottom right. A small asterisk indicates a mandatory field.



If an undertaking decides not to consider/follow guidance included in FAQ document(s), a valid and justified explanation should be provided to the assurance provider.

EU Taxonomy | EU Guidance – EU Taxonomy Navigator: FAQs repository

- The **FAQs repository** aims to help users find **answers to questions on the EU Taxonomy in general, its reporting obligations and the technical screening criteria** defined in the Taxonomy delegated acts.
- It **gathers all Frequently Asked Questions documents that the European Commission has published** on the EU Taxonomy so far in one place.
- **New FAQ document (draft notice published on 29 November 2024):** FAQs regarding the interpretation and implementation of Disclosures Delegated Act, Climate Delegated Act, and Environmental Delegated Act.
 - ➔ These FAQs cover a range of key issues such as interoperability with ESRS and CSRD, DNSH criteria related to pollution, third party verification, and others.

FAQ

FAQS DOCUMENTS

Climate Delegated Act

Taxonomy-Alignment Reporting (part 2)

Taxonomy-Alignment Reporting (part 1)

Taxonomy-Eligibility reporting (part 2)

Taxonomy-Eligibility reporting (part 1)

Complementary Climate Delegated Act

Disclosures Delegated Act - General

EU Taxonomy - General

Climate Delegated Act

+ Will the technical screening criteria set out in the Climate Delegated Act be made stricter and updated over time?

+ How will the Taxonomy be further developed – will there be more activities contributing to climate change mitigation (CCM) included in the Climate Delegated Act?

+ What does checking the compliance with the TSC on the substantial contribution and the DNSH mean in practice?

+ How should verification requirements in the technical screening criteria be understood? What documentary evidence could support the demonstration and verification of compliance with those criteria?

+ Can technical consultancy services be counted as Taxonomy-eligible, and potentially Taxonomy-aligned, if they are related to an activity defined in the Taxonomy Delegated Acts?

+ How should GHG emissions for technical screening criteria be calculated (scope, methodologies etc.)?

+ How can an undertaking's activities that are carried out in jurisdictions outside the EU be assessed for compliance with the technical screening criteria by reference to local third-country requirements or guidelines? When criteria refer to EU national legislation or standards, should the



Regardless of alignment potential, the undertaking should always **report on all eligible activities** (Turnover/CapEx/OpEx).

EU Taxonomy | EU Guidance (NFUs) – EU Taxonomy Navigator: FAQs repository

Example FAQ (Oct/23)

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

- Where the relevant undertakings are **not able to ascertain compliance of Taxonomy-eligible activities** that are ***not material*** for their business with the technical screening criteria **due to a lack of data or evidence**, they **should report those activities as not Taxonomy-aligned without any further assessment**.
- In addition, EU Taxonomy framework allows a **certain degree of flexibility in the reporting of the OpEx KPI** where the **OpEx is considered as 'not material'** for the business model of a non-financial undertaking. In this situation, the reporting undertaking:
 - Is **exempted from the calculation of the numerator of the OpEx KPI** and disclose that numerator as being equal to zero
 - Discloses the **total value of the OpEx denominator**
 - **Explains the absence of materiality of OpEx** (i.e. of the total OpEx, corresponding to the denominator, as defined by Disclosures Delegated Act) in its business model.

EU Taxonomy | EU Guidance (FUs) – EU Taxonomy Navigator: FAQs repository

Example FAQ (Nov/24)

9. What KPIs should be reported by a reporting parent undertaking which has different types of non-financial and financial subsidiaries?

- A parent reporting undertaking which has **financial and non-financial subsidiaries** should:
 - **consolidate the activities of its financial subsidiaries and report the corresponding KPIs** pertaining to financial undertakings, and,
 - separately, **consolidate the activities of its non-financial subsidiaries and report corresponding KPIs** pertaining to non-financial undertakings.
- Moreover, to fulfil their requirements to report at group consolidated level and facilitate the Taxonomy disclosures by their investors and creditors, **the reporting parent undertakings should compute, and publish in the contextual disclosures a consolidated group-level KPI** (in the form of a **weighted average**) of:
 - the **KPIs, turnover-based and CapEx-based respectively, related to financial economic activities with weightings** for those KPIs **corresponding to the proportion of turnover derived from the financial economic activities in the total consolidated turnover of the group**, where applicable, for **asset management, banking, investment, and insurance and reinsurance activities**; and
 - the **consolidated turnover and CapEx KPIs, respectively, related to non-financial economic activities with weights corresponding to the proportion of turnover** derived from those activities in the **total consolidated turnover of the group**.

EU Taxonomy | EU Guidance (FUs) – EU Taxonomy Navigator: FAQs repository

Other Key Points

Estimates: Many financial institutions are either using or consider using estimates for their EU Taxonomy alignment reporting. The European Commission has issued guidance encouraging financial institutions to voluntarily disclose estimates for Taxonomy alignment when they lack sufficient data or evidence. However, these estimates must be clearly separated from the legally required Taxonomy KPIs and should be accompanied by explanations of the methodologies used to calculate these estimates.

See [EC FAQ document \(published Nov/24\)](#) p.3

Counterparties' KPIs not publicly available or inaccurate: Financial undertakings must use the most recent KPIs of their counterparties for Taxonomy-alignment reporting. If this information is unavailable, they should attempt to contact the counterparties but, if unsuccessful, use KPIs from previous years or, if necessary, report a 'zero' value and explain the data limitations in their qualitative disclosures. Additionally, they may choose to voluntarily estimate Taxonomy alignment, provided this is disclosed separately from mandatory reporting.

See [EC FAQ document \(published Nov/24\)](#) Q5

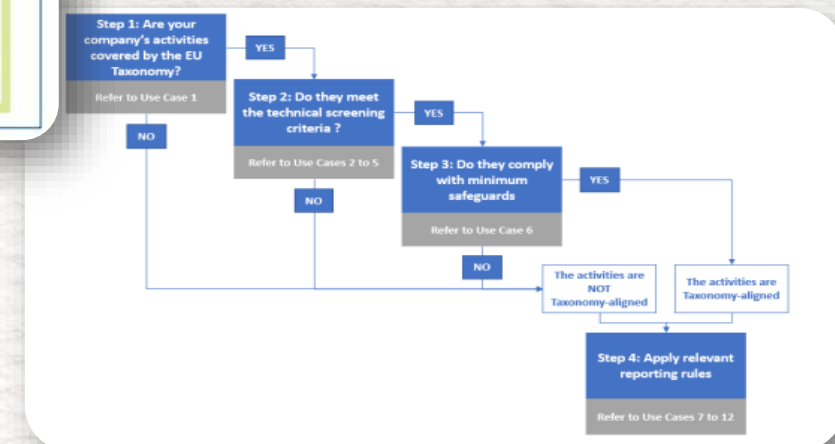
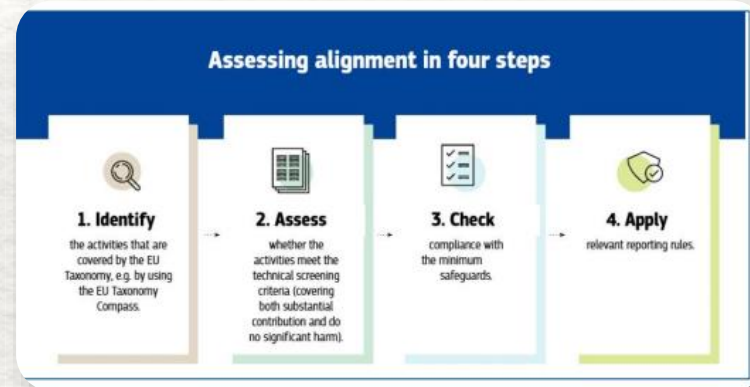
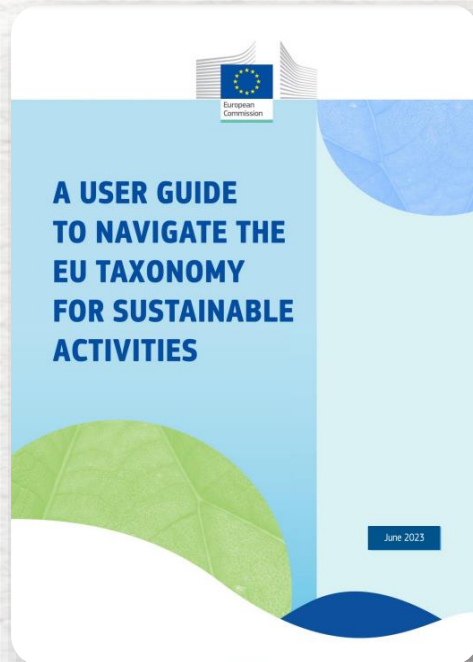
Data not available (retail exposures) & Third-party verification: In case of retail exposures (such as mortgage and motor vehicle loans), financial undertakings may, whilst conducting adequate due diligence, use data obtained bilaterally from the client or taken in the form of third party independent and reliable verifications or external review. Credit institutions should obtain adequate documentary evidence showing that all TSC specified under the corresponding economic activity in the respective Delegated Acts are met. Where such data or evidence are unavailable, the exposure should be considered as noneligible/non-aligned, i.e. financial undertakings should enter a 'zero' value in the numerator of the relevant KPI without any further assessment. In addition to reporting a 'zero' value as part of their mandatory disclosures, reporting financial undertakings could choose to estimate their Taxonomy-alignment and report that information voluntarily, separately from their mandatory disclosure

See [EC FAQ document \(published Nov/24\)](#) Q50

EU Taxonomy | EU Guidance – EU Taxonomy Navigator: User guide

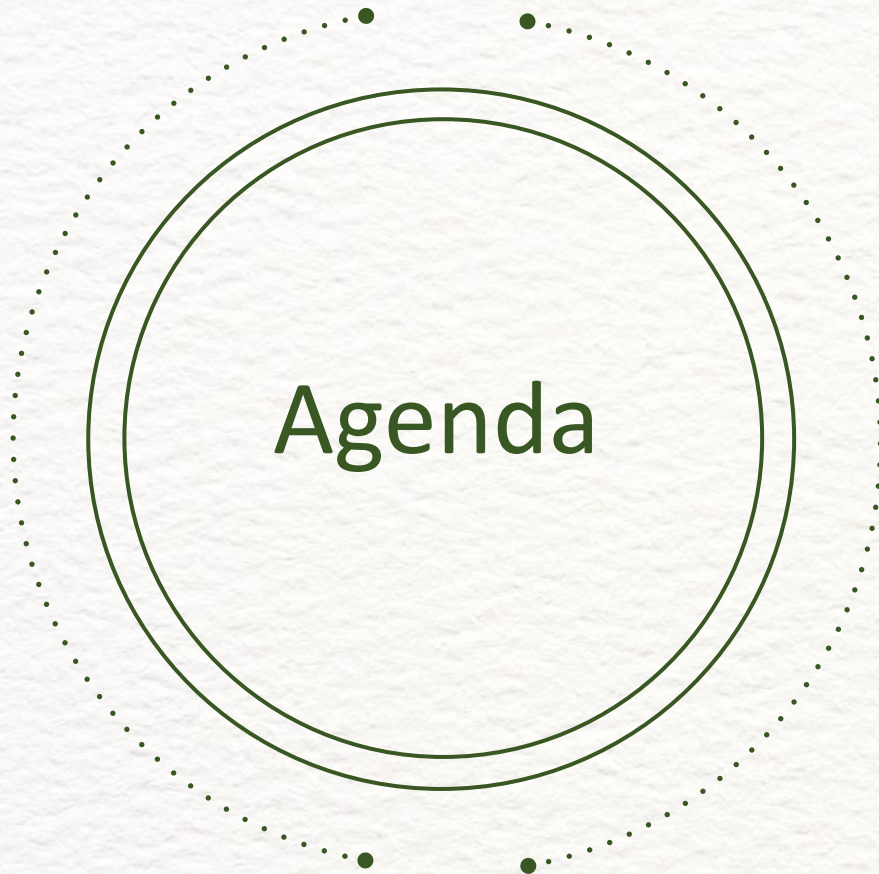
EU Taxonomy User Guide

The EU Taxonomy User Guide is a **guidance document for non-experts**. It explains **what the EU Taxonomy is and how it fits within the wider sustainable finance regulatory framework**. It also provides a **step-by step guide to assess Taxonomy-alignment**, which is exemplified through **12 use cases** that show users how to deal with the **main implementation challenges** they may face.





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EU Taxonomy | ESMA & FSMA – ESMA Opinion on the functioning of the Sustainable Finance Framework and EU Taxonomy


24 July 2024
ESMA36-1079078717-2587

ESMA Opinion

Sustainable investments: Facilitating the investor journey

4 EU Taxonomy as a central point of the Framework

Key recommendations

- The EU Taxonomy should become the sole, common reference point for the assessment of sustainability and should be embedded in relevant SF legislation.
- The EU Taxonomy should be completed, including with a social taxonomy.
- The Sustainable Finance Disclosure Regulation ('SFDR') definition of 'sustainable investments' should be phased out.

10. The EU Taxonomy should constitute the sole common reference point against which sustainability performance should be measured and it should be fully embedded in the Framework. However, ESMA acknowledges that this is not the case at this stage. In particular, the SFDR definition of sustainable investments, that was put in place before the development of the Taxonomy Regulation, provides a high level of flexibility regarding contribution to sustainability objectives and the application of the principle of 'do no significant harm' (DNSH). In the absence of relevant thresholds, supervised entities are given discretion on how to apply the key parameters of 'sustainable investment' under Article 2 (17) SFDR. This does not ensure a consistent minimum sustainability ambition of financial products and hampers comparability between them.

11. For investors to be clear about the sustainability profile of their investments, making the EU Taxonomy the sole common reference point of the Framework would promote convergence in financial products offered in EU capital markets and facilitate comparability. Using the science-based EU Taxonomy to assess sustainability would bolster robust assessments and mitigate greenwashing risks at the same time. However,

- **Key recommendations:**
 - The EU Taxonomy should become the **sole, common reference point** for the **assessment of sustainability** and should be **embedded in relevant SF legislation (e.g. SFDR, for investors to be clear about the sustainability profile of their investments)**.
 - The **EU Taxonomy should be completed**, including with a **social taxonomy**.
 - The **Sustainable Finance Disclosure Regulation ('SFDR') definition of 'sustainable investments' should be phased out**. This is to remedy the current situation in which it is possible for an FMP to use its own definition to construct a product.

EU Taxonomy | ESMA & FSMA – ESMA enforcement priorities for 2024 corporate reporting

Priorities related to sustainability statements
Section 2

Materiality considerations in reporting under ESRS

Scope and structure of the sustainability statement

Disclosures relating to Article 8 of the Taxonomy Regulation

2.3 Priority 3: Disclosures relating to Article 8 of the Taxonomy Regulation

- **Key points:**

- **Use of Templates:** Issuers must use the templates set out in the Article 8 Delegated Act without any modifications, except in cases where gas- & nuclear-related activities (Template 1) are absent, in which case Templates 2 to 5 can be omitted.
- **Multiple Environmental Objectives:** Issuers need to conduct assessments and report **eligibility and alignment for each environmental objective when an activity is eligible for more than one**, and indicate the most relevant objective in bold within the templates.
- **CapEx Plans and Transition Plans:** Issuers should disclose CapEx plans for expanding Taxonomy-aligned activities and ensure consistency between Taxonomy disclosures and climate transition plan disclosures as required under ESRS DR E1-1.



Regulators and stakeholders prioritize eligible/aligned CapEx and CapEx plans because it signals a company's forward-looking strategy and concrete actions to drive sustainability, helping assess the pace and scale of progress in the green transition.

EU Taxonomy | ESMA & FSMA – Role of The Financial Services and Markets Authority (FSMA) in EU Taxonomy

- **Scope of Supervision:** The FSMA supervises around fifty large listed companies on Euronext Brussels, with this number expected to grow as the Taxonomy Regulation aligns with the CSRD Directive. All listed companies on regulated markets (except micro-enterprises) will eventually be covered.
- **Annual Control Plan:** The FSMA develops an annual control plan based on risk analysis and European-level priorities, ensuring that Taxonomy-related disclosures are provided, complete and understandable.
- **Qualitative Checks:** The FSMA performs qualitative assessments to verify that Taxonomy information is consistent, particularly with financial data, and to ensure comprehensibility.
- **Monitoring Financial Products:** The FSMA also oversees pre-contractual information and periodic reports related to financial products, pursuant to the Taxonomy Regulation.



EU Taxonomy | ESMA & FSMA – Study on the application of EU Taxonomy regulation by Belgian listed companies (Nov/24)

- The FSMA study **aimed to evaluate compliance of Belgian listed non-financial companies with the EU Taxonomy Regulation reporting requirements**, focusing on the disclosure and completeness of KPIs for Turnover, CapEx, and OpEx, and identifying challenges in reporting methodologies and adherence to technical screening criteria.
- **Improvements in reporting with remaining gaps:** Significant progress was observed in reporting completeness compared to prior years, but **many companies still provided incomplete or inconsistent disclosures, particularly regarding DNSH principles and minimum safeguards.**
- **Low alignment percentages:** Alignment KPIs for Turnover, CapEx, and OpEx were **substantially lower than eligibility percentages** (averages of 9%, 11%, and 6% for alignment compared to 26%, 35%, and 18% for eligibility), with considerable differences **raising questions about methodology robustness. Nearly half of the companies reported all alignment KPIs as 0%**, citing difficulties in meeting alignment criteria and complexities in evaluating eligibility for non-climate environmental objectives.
- **Challenges in reconciliation and data completeness:** While most companies' Turnover KPIs could be reconciled with financial statements, **reconcilability dropped significantly for CapEx KPIs, and reporting templates often lacked critical details** such as DNSH compliance and Taxonomy activity codes.





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EU Taxonomy | Interaction with CSRD – The Interplay Between EU Taxonomy and CSRD

The EU Taxonomy and CSRD frameworks are closely interconnected, with overlapping disclosure requirements and aligned objectives that together promote a cohesive and comprehensive approach to sustainability reporting.

Transition plan (E1-1) – EUT CapEx plan

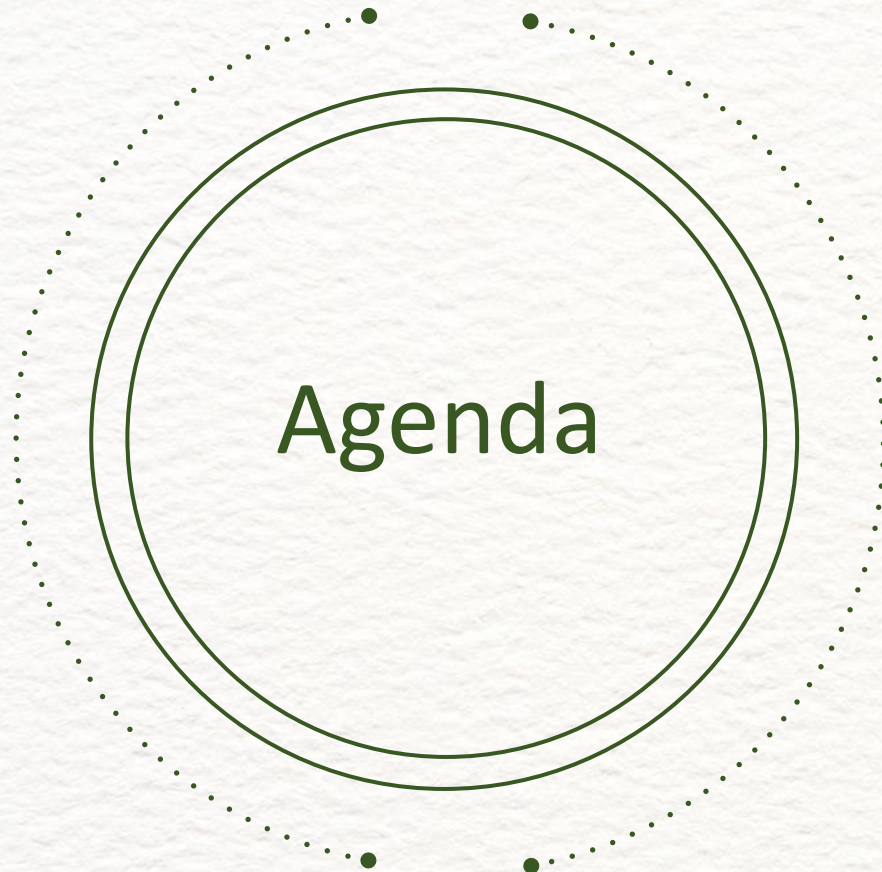
The **transition plan** in **ESRS E1** requires an explanation of how the company's **GHG emission reduction targets** and **decarbonization strategies** are **aligned with the Paris Agreement**. This includes the use of **investments** and **actions** necessary to achieve these targets. The **EU Taxonomy**, on the other hand, focuses on **identifying and quantifying economic activities** that contribute to **climate change mitigation**, through **Taxonomy-aligned CapEx and OpEx**. By requiring a **reference to these metrics**, **ESRS E1** explicitly connects the company's transition plan with its **Taxonomy-aligned investments**.

Double Materiality Assessment – EUT eligibility/alignment

CSRD's **double materiality approach** (how sustainability issues affect the company and how the company impacts sustainability) should, in principle, be **reflected also in an undertaking's EU Taxonomy reporting**. While not all material topics identified through a double materiality assessment will result in EU Taxonomy-eligible or aligned activities, there is **often significant overlap, especially for environmental topics**. For example, if **climate change** is identified as a **material topic**, the company would need to **analyze its economic activities** to determine their **eligibility** and **alignment** with the **EU Taxonomy's climate change objectives**.

ESRS S1-S4 & G1 – EUT Minimum Social Safeguards

EU Taxonomy requires that companies comply with **minimum social safeguards**, such as human rights, labor rights, and anti-corruption measures. These **overlap with the CSRD's requirements to report on social and governance matters**, as addressed in standards such as **ESRS S1 (Own Workforce)**, **ESRS S2 (Workers in the value chain)** and **G1 (Business conduct)**. This overlap **allows companies to address these requirements holistically**, avoiding separate processes for social and environmental compliance as well as ESRS and EU Taxonomy compliance.



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EU Taxonomy | Assurance perspective - General assurance approach/steps

Objectives

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

Outcome

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



Understanding & Planning

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



Verification

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



Conclude & Report

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



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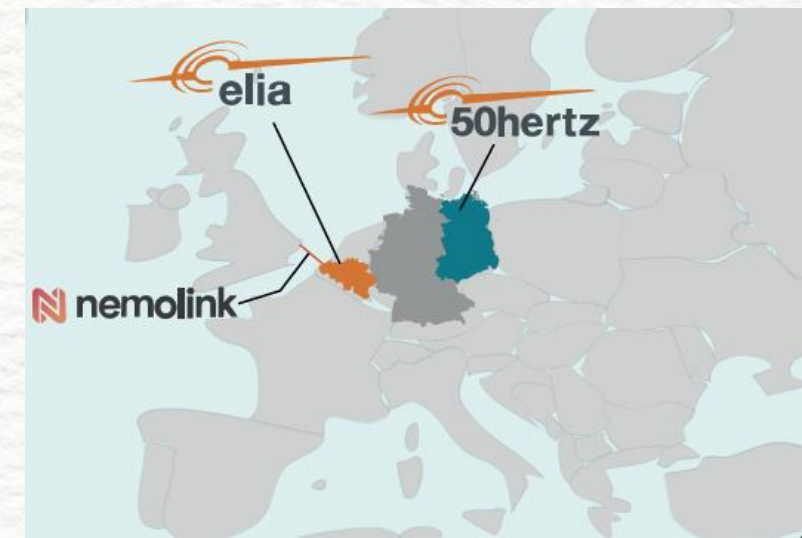
Sustainability, the red thread throughout my career

- 10 years in a corporate environment, leading projects that benefit large organizations (telecommunication, energy) on their route to creating integrated value and sustainability. Previous experiences: from NGO to corporate philanthropy, corporate social responsibility (CSR) and ESG.
- Awarded in 2016 in Romania as “Best Corporate Social Responsibility (CSR) Programs Coordinator”. Graduated in January 2021 from a short MBA at the University of Cambridge Institute for Sustainability Leadership, UK.
- In the last three years, I worked in reporting for Elia Group. Currently, under the lead of the Head of Group Accounting, from my role as **Sustainability reporting Manager** I’m the project manager for the implementation of the ERS/CSRD across the organization and the reporting of the Group in line with the EU Taxonomy.

Elia Group, a unique European company who owns two Transmission System Operators (TSOs)

- TSOs are a key player in the energy system, as they connect the electricity generation (the activities in the upstream of its own operations) with distribution (the activities in the downstream of its own operations) and with direct connected large industries;
- **19.460km** of high-voltage power lines and underground cables across Belgium and north-east Germany are in use to ensure that electricity is transported towards over **30 million end users**
- Elia Group is a pioneer in the electricity landscape and a supporter of innovation, leading the way in developing for the first time projects such as the hybrid interconnector that links Germany to Denmark and Belgium's artificial energy island in the North Sea (the Princess Elisabeth Island).
- To handle its operations, the Group is organized through a complex legal structure, covering **regulated** and **non-regulated** activities and three financial and sustainability reporting segments.

A successful energy transition for a sustainable world



Looking back at Elia Group's sustainability reporting journey



In the last 3 years, the Group's reporting was accelerated, diversified and professionalised in line with the general trends in the sustainability landscape.



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Key milestones in the EU Taxonomy reporting



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2021

Deloitte.



Elia Group EU Taxonomy Case Study
Implementation process,
results and recommendations
2021

- The (very) early assessment on “what does this new regulation mean to us” allowed to set up the process across the organisation and to identify the improvement areas
- The publication of the white paper offered Elia Group the opportunity to position itself as a frontrunner and to propose its interpretation of the requirements to peers and general public

2.1. Disclosures pursuant to article 8 of regulation 2020/852 (Taxonomy regulation)

2.1.1 Context

The Taxonomy Regulation 2020/852 established a European classification system for economic activities that are environmentally sustainable and that substantially contribute to one or more of six environmental objectives, while not harming the other five objectives and in compliance with minimum social safeguards.

The EU Taxonomy and its disclosure requirements – which can be narrowed down to three main metrics or KPIs – provide a high-level view of a non-financial organisation’s contribution to environmental objectives. They are also an opportunity for companies to demonstrate to market participants that their economic activities are in line with the transition to a net-zero society and are resilient in the long run.

Sustainable finance has a key role to play in the EU delivering on its climate and sustainability ambitions and policy objectives that it has outlined both in the Green Deal and in its international commitments.

By enabling businesses to thrive while disconnecting economic growth from environmental pressure, the EU Taxonomy channels financial flows into sustainable investments. Moreover, by defining what is environmentally sustainable, the Taxonomy Regulation helps financial stakeholders plan and report on their efforts to support the transition to a climate-neutral economy.

This chapter contains the disclosures for Elia Group’s KPIs, as required by Regulation EU 2020/852 and the related Delegated Acts.

2.1.2 Elia Group, an early adopter

Sustainability lies at the heart of the Group’s business activities and it is enshrined in our vision, our societal mission and our Group strategy. We are committed to operating a sustainable business, which involves transparency and taking a proactive approach in our reporting.

We followed the development of the EU Taxonomy very closely, from its inception until it became a regulation. We seized the opportunity to move to reporting in line with its requirements ahead of time, making us a front-runner among our European peers in this regard: in 2021, we published our [EU Taxonomy Case Study](#), which assessed the Taxonomy alignment of our activities, and voluntarily disclosed our methodology and implementation process. The EU Taxonomy has provided us with an opportunity to fine-tune our strategic approach and we are committed on a best-effort basis to maintaining strong alignment with it.

Elia Group key figures 2023

99.5% Taxonomy-aligned CAPEX	✓
99.4% Taxonomy-aligned turnover	✓
99.1% Taxonomy-aligned OPEX	✓

Elia Group’s detailed EU Taxonomy disclosures are available in the Excel table attached to the [QR code](#).



2023

- The first voluntary limited assurance mission on the Taxonomy KPIs (% of eligible and aligned CapEX, OpEX, turnover) ahead of the requirements stemming from CSRD;
- Opportunity to continue to capitalise on the early developments started in 2021;
- Increased reliability and transparency in front of financial stakeholders. Elia Transmission Belgium Green Bond is currently relying on the % of the aligned CapEX.



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Lessons learned. Challenges and insights



The complex legal structure of Elia Group required for some strategic decision to be taken to maintain the focus on what is relevant: the activity **'4.9. Transmission of electricity'** and its substantial contribution to the objectives "Climate change mitigation" and "Climate change adaptation";



A multidisciplinary team across Accounting, Asset Management, Sustainability, Customers&Markets was key to capture the spirit of the regulation: the link between the company's efforts to protect the environment and how are these mirrored into financials;



Having the experts around the table was extremely valuable, as they were able to interpret the (sometimes cryptic) requirements of the Taxonomy regulation and to break them down into actions for the understanding of the whole team;



"First-time right" is ideal, but in practice reiterations and moments of confusion are a normal part of the journey when the requirements are so new for all the companies;



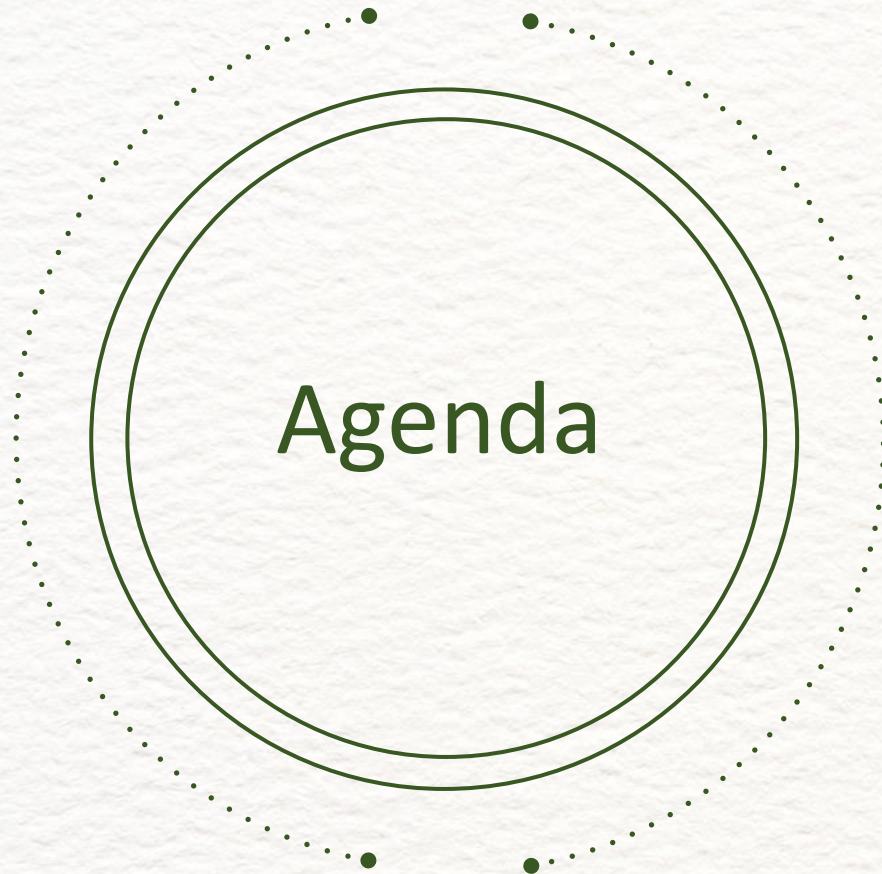
The obtaining of the limited assurance was fundamental on validating the figures and the methodology, when we claimed such a high percentage of alignment → more than 99%;



Since 2022, the Taxonomy disclosures are a stand-alone chapter in Elia Group's annual report published on its website each April



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Key messages and Q&A

EU Taxonomy | Key messages - Strategic steps for EU Taxonomy Assessment and reporting



Get familiar

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

Mobilize

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

Get ready

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

Stay up to date

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



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Thank you for your participation