



Monthly ESG Newsletter

EU Sustainable Action Plan updates

Reporting requirements for corporates, banks and asset managers

Q2 Sustainability flows

Milan, September 2021

**ARWIN &
PARTNERS**

Contents

Section 1

Regulatory Updates

Recent European regulations push companies to manage and report on sustainability performance

The most pressing ESG rules for investment firms and issuers are those set out in the following three interlinked ESG regulations:

- **The Non-Financial Reporting Directive**, which will be amended by **the Corporate Sustainability Reporting Directive**
- **The Sustainable Finance Disclosure Regulation**
- **The Taxonomy Regulation**



A. The **Non-Financial Reporting Directive** (NFRD) requires large EU “public interest” corporates to publish data on the impact their activities have on ESG factors. On April 2021, The Commission adopted a proposal for a **Corporate Sustainability Reporting Directive** (CSRD), which would amend the existing reporting requirements of the NFRD. The proposal extends the scope to all large companies and all companies listed on regulated markets; requires the audit of reported information; introduces more detailed reporting requirements.



B. The **SFDR** requires financial market participants to disclose:

- The environmental sustainability of an investment and the provenance of any ESG claims made;
- The risks investments present to ESG factors;
- The risks ESG factors present to investments.

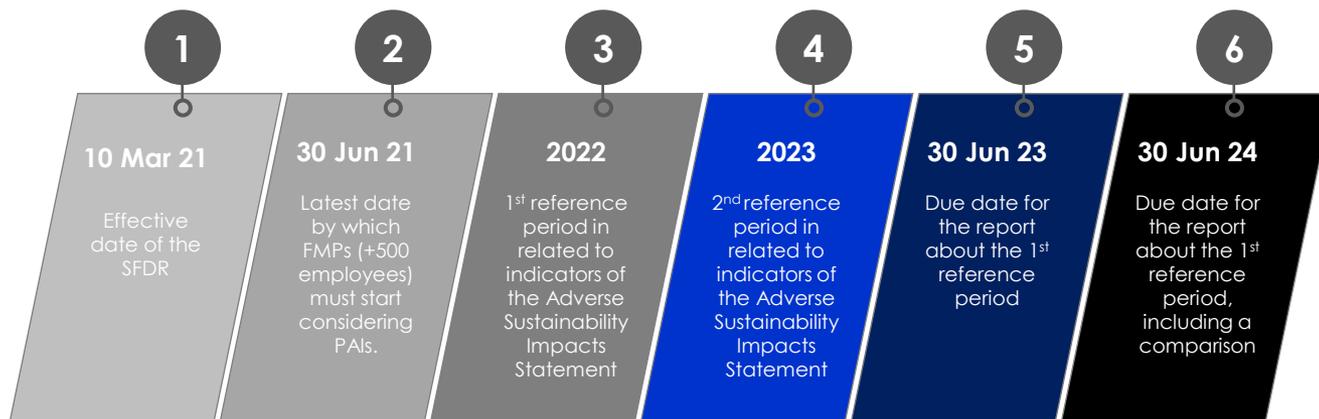


C. The **Taxonomy Regulation** introduces a sustainability classification system through which investment firms must classify investments based on NFRD data (and other datasets).

EU Sustainable Action Plan timelines

Financials and Corporates disclosure requirements

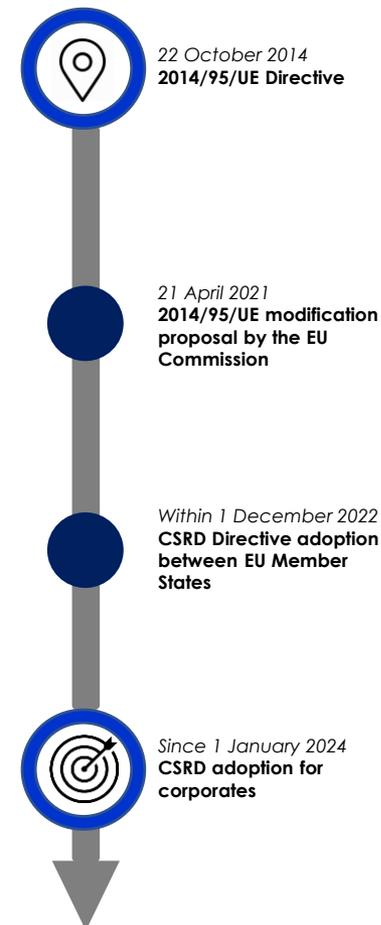
Timeline of SFDR implementation



Timeline of Taxonomy implementation



Timeline of CSRD implementation¹



Source: Sustainalytics, BIQH, Arwin & Partners.

Note: (1) The CSRD final timetable will depend on how the Parliament and Council progress in their negotiations. If they reach agreement in the first half of 2022, then the Commission should be able to adopt the first set of reporting standards under the new legislation by the end of 2022.

Summer 2021 – European Sustainable Action plan updates



Adoption of the Delegated Act supplementing Article 8 of the Taxonomy Regulation¹

- the EU Commission' Delegated Act specifies the content, methodology and presentation of information to be disclosed by large financial and non-financial companies on the share of their business, investments or lending activities that are aligned with the EU Taxonomy.
- Financial institutions, mainly large banks, asset managers, investment firms and insurance/reinsurance companies, will have to disclose the share of environmentally sustainable economic activities in the total assets they finance or invest in.

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Call for feedback by the Platform on Sustainable Finance on preliminary recommendations for technical screening criteria for the EU taxonomy

- The draft report prepared by the dedicated Platform subgroup, the Technical Working Group (TWG), is an important step in the Platform's main mandate under the Taxonomy Regulation to advise the Commission on the development of the EU taxonomy, and on the development of technical screening criteria (TSC) for the 6 environmental objectives as set out in the Taxonomy Regulation.
- The document contains preliminary technical screening criteria that do not represent a final view of the Platform and it cannot be considered an official document.

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Development of tools and mechanisms for the integration of ESG factors into the EU banking prudential framework and into banks' business strategies and investment policies

- This study explores the integration of ESG factors into banks' risk management processes, business strategies and investment policies, as well as into prudential supervision. It provides a comprehensive overview of current practices and identifies a range of best practices for the integration of ESG risks.
- Findings show that ESG integration is at an early stage, and the pace of implementation needs to be accelerated in order to achieve effective ESG integration into banks' risk management and business strategies, as well as prudential supervision.

[Click here to download the text](#)

Note: (1) Please see Appendix I, II, III for further information related to Delegated Act supplementing Article 8 of the Taxonomy Regulation.

Contents

Section 2

August 2021 - New ESG reports

August 2021 – New documentation on sustainability issues

Source: Riga Technical University



ESG Rating - Necessity for the Investor or the Company?

- This article explores the approaches employed by different ESG rating providers.
- It aims to evaluate the availability and correlation of multiple third-party ratings awarded to companies that are stock-listed on European stock exchanges.
- The analysis shows significant differences in the trading volume between companies that have been awarded an ESG rating and those that have not, implying the importance of the ESG score not only for the investors but also for the companies.

[Click here to download the report](#)

Source: UNCTAD

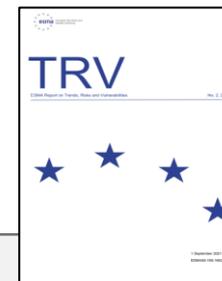


The rise of the sustainable fund market and its role in financing sustainable development

- This paper aims to analyse the latest developments in the global sustainable fund market, assess its sustainability performance and its alignment with the SDGs and discuss the challenges and opportunities for the further expansion of this market.
- Key findings of the report include trends of sustainable investment funds geographically, by numbers, and by type of investment; while further analysis demonstrates that the funds' returns did not systematically suffer a financial disadvantage for having a sustainable tilt in their portfolios.

[Click here to download the report](#)

Source: ESMA



ESMA Report on Trends, Risks and Vulnerabilities

- The report dedicates an entire section to Sustainable finance that continues to expand in Europe, as reflected in the 20 % growth of ESG fund assets and the 40 % increase in outstanding sustainable debt instruments from the end of 2020.
- Corporate announcements on 'net zero' emissions reduction targets mark a step forward but lack consistency and details.
- Flows into ESG funds accelerated again, with impact funds being the fastest-growing strategies.
- Green bonds continue to dominate the ESG bond market while social bond issuance has accelerated.

[Click here to download the report](#)

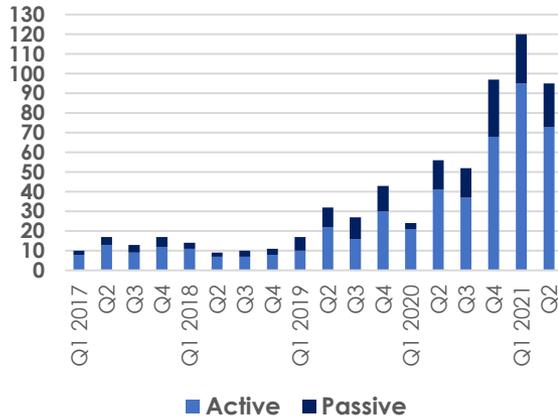
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Section 3

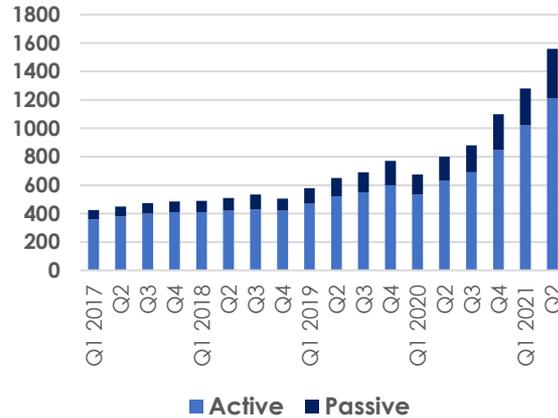
Overview of European Sustainable Funds in Q2 2021

Q2 2021 flows (ca. €95 B) lower QoQ albeit robust growth YoY

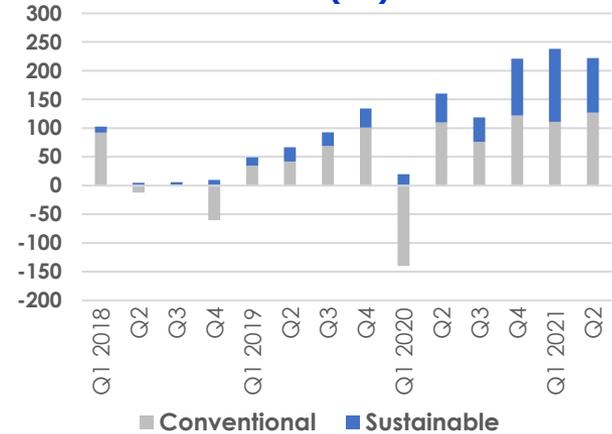
Sustainable Funds Flows (€B)



Sustainable Funds Assets (€B)



Conventional vs Sustainable Flows (€B)



Source: «Global Sustainable Fund Flows: Q2 2021 in Review» Morningstar

- Flows of the second quarter of 2021 recorded a decline of 25% compared to Q1, however the entire EU market fell by 7% for the same period. Overall, **flows of sustainable funds still represent 42.7% of the total inflow on a European basis**, after the record reached in the previous quarter (53%).
- The exponential growth experienced in 2021 and at the beginning of this year is consolidated. **Passive funds exceed 20% of flows in Q2 2021** (15.5% of total flow to ESG funds).
- Growth of sustainable assets remains strong in Europe (conventional and sustainable): 11.4% vs 4.6%.**
- Europe remains the most developed market** with 82% of sustainable funds considered on a global scale (14% USA, 4% Rest of the World).

Appendix I.

EU Taxonomy Delegated Acts

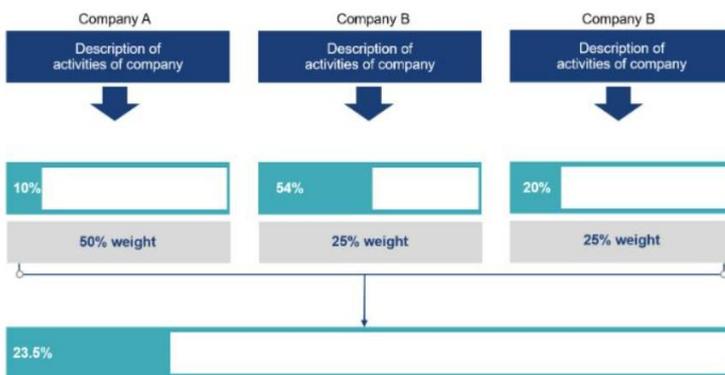
Disclosure requirements for Asset Managers

Summary of what Asset Managers should do according to the EU Taxonomy



| # | EU Taxonomy Requirements: 3 things Asset Managers should remember |
|---|---|
| 1 | Asset managers should report the proportion of taxonomy-aligned investments managed by an asset manager in the value of all covered assets under management from both its collective and individual portfolio management activities (Green Investment Ratio). |
| 2 | The weighted average of taxonomy-aligned investments should be based on the share of taxonomy-aligned economic activities of investee companies. Asset managers shall rely on the underlying investee companies' KPIs to compute their own Green Investment Ratio. |
| 3 | Asset managers shall in addition provide for a breakdown for each environmental objective and for aggregated environmentally sustainable economic activities , a subset of transitional and enabling economic activities and the type of investments. |

An illustrative Example



- A Private equity firm holds equity investments in the following proportion: 50:25:25;
- The turnover of Company A,B and C is 10%, 54% and 20% Taxonomy –aligned respectively;
- The fund must therefore disclose that it is 23.5% Taxonomy-aligned;
- The same process must be replicated for:
 - CapEx for each investee company;
 - Both at collective and individual portfolio level;
 - For each type of investment
- The same process must be breakdown for each of the 6 environmental objectives.

Source: TEG Supplementary report, June 2019.

Contents and methodologies of the Green Investment Ratio to be disclosed by Asset Managers according to the last Delegated Acts

Green Investment Ratio Contents

| Formula | Description | Indicators | Specifications |
|--------------------|---|------------------------|--|
| Numerator | A weighted average of the value of investments in Taxonomy aligned economic activities of investee companies. | Turnover, CapEx | For investees that are non-financial undertakings , turnover and CapEx KPIs as resulting from the calculation of the KPIs of the investee; |
| | | | For investees that are asset managers , turnover-based and CapEx-based KPIs, as resulting from the calculation of the KPIs of the investee; |
| | | | For investees that are credit institutions , the turnover-based and CapEx based green asset ratio as resulting from the calculation of the green asset ratio of the investee; |
| | | | For investees that are investments firms , investments and revenues, as resulting from the calculation of the turnover-based and CapEx based KPIs of the investee; |
| | | | For investees that are insurance or reinsurance undertakings , investments, gross premiums written or, total insurance revenue, as resulting from the calculation either of the turnover-based and CapEx based investment KPI |
| Denominator | The value of all Asset under Management | AuM | Resulting from both collective and individual portfolio management activities of asset managers. Without exposure to central governments, central banks and supranational issuers; Derivatives; Undertakings that are not obliged to publish non-financial information |

Green Investment Ratio Methodologies

- Disclose the KPIs **for each environmental objective** and for aggregated taxonomy aligned activities at investee companies';
- Identify a subset of transitional and enabling economic activities and disclose the KPIs for aggregated economic activities at the level of the investee companies';
- Provide for a breakdown of the numerator and denominator per **type of investment**;
- Disclose the KPIs in relation to **aggregated taxonomy-eligible economic activities**;
- Disclose the **proportion of taxonomy-non-eligible economic activities** within the assets under management;
- Disclose the **proportion in total investments of investments**;
- Provide the KPIs at the level of the **individual asset manager or at the level of the group**

Appendix II.

EU Taxonomy Delegated Acts Disclosure requirements for Banks

Contents of the KPIs to be disclosed by Credit Institutions according to the Delegated Act supplementing article 8 of the EU Taxonomy

EU Taxonomy KPIs overview for credit institution

The Delegated Act defines four main KPIs for credit institutions:

1. The **Green Asset Ratio** related to financing activities;
2. The **Off-balance sheet assets KPI**;
3. The **Commissions and Fees KPI** related to other activities than financing;
4. The **Green Asset Ratio trading portfolios KPI**, where relevant.

Only the GAR and the KPI for off-balance sheet exposures apply since the future application of the Delegated Acts, while the KPIs for commissions and fees, and for trading activities, apply at a later time.

| # | KPI | Description |
|---|---|--|
| 1 | Green Asset Ratio (GAR) | The GAR shall show the proportion of the of credit institution's assets financing and invested in taxonomy-aligned economic activities as a proportion of total covered assets |
| 2 | Off-balance sheet exposures | Credit institutions shall disclose a complementary ratio on the level of association with Taxonomy-aligned economic activities of off-balance sheet exposures that credit institutions manage and channel or contribute to channel capital flows towards economic activities whose environmental sustainability can be assessed in accordance with Regulation (EU) 2020/852: (a) financial guarantees backing loans and advances and other debt instruments towards undertakings; and (b) assets under management. |
| 3 | Fees and Commissions (F&C KPI) | The KPI for fees and commission income linked to services associated with Taxonomy-aligned economic activities of undertakings, shall be defined as a proportion of the credit institution's fees and commission income from undertakings, derived from products or services other than lending associated with Taxonomy-aligned economic activities, compared to the total fees and commission income from undertakings from products or services other than lending |
| 4 | GAR for the trading portfolio | The trading portfolio shall be excluded from the denominator and coverage of the total GAR. However, where relevant, credit institutions shall provide explanations on the investment policy regarding their trading portfolio, overall composition, and on any trend in terms of predominant sectors and their association with Taxonomy-aligned economic activities |

Contents of the Green Asset Ratio (GAR) applying to exposures to non-financial undertakings

The Green Asset Ratio (GAR): contents and methodologies

| Formula | Indicators | Specifications |
|-------------|--------------|--|
| Numerator | Green Assets | The GAR shall be based on the exposures and balance sheet according to the scope of prudential consolidation in accordance with Regulation (EU) No 575/2013, for the types of assets and accounting portfolios specified in the Annex, including information on stock and flows, on transitional and enabling activities, and on specialised and general-purpose lending. |
| | | The following assets shall be excluded from the numerator of the GAR: (a) financial assets held for trading; (b) on-demand interbank loans; (c) exposures to undertakings that are not obliged to publish non-financial information |
| Denominator | Total Assets | The calculation of total assets for on-balance sheet exposures shall cover the following accounting categories of financial assets, including loans and advances, debt securities, equity holdings and repossessed collaterals: (a) financial assets at amortized cost; (b) financial assets at fair value through other comprehensive income; (c) investments in subsidiaries; (d) joint ventures and associates; (e) financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss; (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts. |

| Environmental objectives | First step | Second step | Green asset ratio (GAR) |
|--------------------------------|---|---|--|
| Climate change mitigation | Proportion of loans and advances/debt securities/equity instruments financing taxonomy-eligible economic activities for the objective of climate change mitigation as compared to total loans to/debt securities/equity instruments of non-financial undertakings and all other covered on-balance sheet assets | Proportion of loans and advances/debt securities/equity instruments financing taxonomy-aligned economic activities for the objective of climate change mitigation, compared to loans and advances/debt securities/equity instruments financing economic activities in sectors covered by the taxonomy for the objective of climate change mitigation. | Proportion of loans and advances/debt securities/equity instruments financing taxonomy-aligned economic activities for the objective of climate change mitigation, compared to total loans and advances/debt securities/equity instruments of non-financial undertakings and all other on-balance sheet assets |
| Climate change adaptation | Proportion of loans and advances/debt securities/equity instruments financing Taxonomy-eligible economic activities for the objective of climate change adaptation compared to total loans to/debt securities/equity instruments of non-financial undertakings and all other covered on-balance sheet assets | Proportion of loans and advances/debt securities/equity instruments financing taxonomy-aligned economic activities for the objective of climate change adaptation compared to loans and advances/debt securities/equity instruments financing economic activities in sectors covered by the taxonomy for the objective of climate change adaptation | Proportion of loans and advances/debt securities/equity instruments financing taxonomy-aligned economic activities for the objective of climate change adaptation compared to total loans and advances/debt securities/equity instruments of non-financial undertakings and all other covered on-balance sheet assets |
| Other environmental activities | | Same ratios for each of the other four environmental objectives should be disclosed, once the screening criteria are defined. That is: the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems. | |

Steps to follow to calculate the GAR for each environmental objective
Source: EU Taxonomy Article 8 delegated act, July 2021.

The GAR is defined as the proportion of a credit institution's assets invested in environmentally sustainable economic activities as a share of total relevant assets.

It must be based on the following components:

- the numerator shall cover the loans and advances, debt securities, equities and repossessed collaterals, financing Taxonomy-aligned economic activities based on turnover KPI and CapEx KPI of underlying assets;
- the denominator shall cover all covered on-balance sheet assets.

Credit institutions shall disclose all the following:

- The **aggregate GAR** for covered on-balance sheet assets;
- The breakdown by **environmental objective**;
- The breakdown by **type of counterparty**.

In addition to GAR, credit institutions shall also disclose the percentage of total assets that are excluded from the numerator of the GAR.

Appendix III.

EU Taxonomy Delegated Acts Disclosure requirements for Corporates

Non-financial undertakings disclosure requirements: proportion of turnover from products or services associated with Taxonomy-aligned activities

KPI related to turnover (turnover KPI)

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

Source: EU Taxonomy Article 8 delegated act, July 2021.

Non-financial undertakings shall disclose the turnover KPI that shall be calculated as:

- The part of the **net turnover derived from products or services**, including intangibles, **associated with Taxonomy-aligned economic activities** according to article 3 and 9 of [Regulation 2020/852](#) (numerator),
- Divided by the **net turnover** (denominator)

Non-financial undertakings disclosure requirements: proportion of CapEx from products or services associated with Taxonomy-aligned activities

KPI related to capital expenditure (CapEx KPI)

| Economic activities(1) | Code(s) (2) | Absolute CapEx (3) | Proportion of CapEx (4) | Substantial contribution criteria | | | | | | | DNSH criteria (Does Not Significantly Harm*) | | | | | | | Minimum safeguards (17) | Taxonomy-aligned proportion of CapEx, year N (18) | Taxonomy-aligned proportion of CapEx, year N-1 (19) | Category (enabling activity) (20) | Category (transitional activity) (21) |
|--|-------------|--------------------|-------------------------|-----------------------------------|-------------------------------|--------------------------------|----------------------|---------------|----------------------------------|--------------------------------|---|---------------------------------|-----------------------|----------------|----------------------------------|-----|-----|-------------------------|---|---|-----------------------------------|---------------------------------------|
| | | | | Climate change mitigation (5) | Climate change adaptation (6) | Water and marine resources (7) | Circular economy (8) | Pollution (9) | Biodiversity and ecosystems (10) | Climate change mitigation (11) | Climate change adaptation (12) | Water and marine resources (13) | Circular economy (14) | Pollution (15) | Biodiversity and ecosystems (16) | Y/N | Y/N | | | | | |
| A. TAXONOMY-ELIGIBLE ACTIVITIES | | | | | | | | | | | | | | | | | | | | | | |
| A.1. Environmentally sustainable activities (Taxonomy-aligned) | | | | | | | | | | | | | | | | | | | | | | |
| Activity 1 | | | % | % | % | % | % | % | % | % | Y | Y | Y | Y | Y | Y | Y | Y | % | | E | |
| Activity 2 | | | % | % | % | % | % | % | % | % | Y | Y | Y | Y | Y | Y | Y | Y | % | | | |
| CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1) | | | % | % | % | % | % | % | % | % | | | | | | | | | % | | | |
| A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) | | | | | | | | | | | | | | | | | | | | | | |
| Activity 1 | | | % | | | | | | | | | | | | | | | | | | | |
| Activity 3 | | | % | | | | | | | | | | | | | | | | | | | |
| CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2) | | | % | | | | | | | | | | | | | | | | | | | |
| Total (A.1 + A.2) | | | % | | | | | | | | | | | | | | | | % | | % | |

Source: EU Taxonomy Article 8 delegated act, July 2021.

Non-financial undertakings shall disclose the CapEx KPI that shall be calculated as:

- The proportion of **CapEx derived from products or services, associated with Taxonomy-aligned economic activities** according to article 3 and 9 of [Regulation 2020/852](#) (numerator):
 - Related to assets or processes that are associated with Taxonomy-aligned economic activities;
 - Part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned;
 - Related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, as well as other economic activities listed in the delegated acts provided that such measures are implemented within 18 months.
- Divided by the **net CapEx** (denominator).
 - It shall cover additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, and excluding fair value changes.

Non-financial undertakings disclosure requirements: proportion of OpEx from products or services associated with Taxonomy-aligned activities

KPI related to operating expenditure (OpEx KPI)

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

Source: EU Taxonomy Article 8 delegated act, July 2021.

Non-financial undertakings shall disclose the OpEx KPI that shall be calculated as:

- The proportion of **OpEx derived from products or services, associated with Taxonomy-aligned economic activities** according to article 3 and 9 of [Regulation 2020/852](#) (numerator):
 - Related to assets associated with Taxonomy-aligned activities, including training and other human resources adaptation needs, and direct non capitalised costs that represent research and development;
 - Part of the CapEx plan to expand Taxonomy-aligned activities;
 - Related to purchase of output from Taxonomy-aligned activities enabling the target activities to become low-carbon or to GHG reductions as well as individual building renovation measures provided that the measures are implemented within 18 months.
- Divided by the **net OpEx** (denominator).
 - It shall cover direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

Specification of disclosures accompanying the KPIs of non-financial undertakings

Main contents of the disclosures required accompanying the KPIs

| Type of information | Main specifications required |
|-------------------------------------|---|
| Accounting policy | <ul style="list-style-type: none"> Non-financial undertakings shall explain how turnover, capital expenditure and operating expenditure were determined and allocated to the numerator; The basis on which the turnover, capital expenditure and operating expenditure were calculated, including any assessment in the allocation of revenues or expenditures to different economic activities. |
| | <ul style="list-style-type: none"> Non-financial undertakings shall explain the basis on which the turnover, capital expenditure and operating expenditure were calculated, including any assessment in the allocation of revenues or expenditures to different economic activities. |
| Compliance with regulation 2020/852 | <ul style="list-style-type: none"> Non-financial undertakings shall describe the nature of their Taxonomy-eligible and Taxonomy-aligned economic activities, by referring to the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852. |
| | <ul style="list-style-type: none"> Non-financial undertakings shall explain how they assessed compliance with the criteria set out in Article 3 of Regulation 2020/852 and the associated technical screening criteria included in the delegated acts |
| | <ul style="list-style-type: none"> Non-financial undertakings shall explain how they avoided any double counting in the allocation in the numerator of turnover, CapEx, and OpEx KPIs across economic activities |
| Additional information | <ul style="list-style-type: none"> Non-financial undertakings shall explain the figures of each KPI and the reasons for any changes in those figures in the reporting period. |
| | <ul style="list-style-type: none"> Non-financial undertakings may disclose additional KPIs based on turnover, Capex, Opex that include investments in equity accounted in joint ventures, pursuant to IFRS 11 or IAS28, on a pro rata basis corresponding to their share in the equity of the joint venture. |

Source: EU Taxonomy Article 8 delegated act, July 2021.