

EU Taxonomy Regulation

Quickguide to the New Standard
for Green Transition

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Bright ideas.
Sustainable change.

What is the EU Taxonomy?

The “EU Taxonomy Regulation” will require most European financial and non-financial companies to outline the environmental sustainability of their economic activities.

This new regulation is part of the EU Commission action plan on financing sustainable growth, providing the first uniform and credible standard that allows economic parties to align with the transition to low carbon, resilient and sustainable pathways.

The EU Taxonomy is a classification system for sustainable economic activities.

It classifies sustainable activities by setting performance thresholds, outlined in the “Technical Screening Criteria”, to help parties identify environmentally friendly activities.

The criteria are developed for economic activities in sectors such as agriculture, manufacturing, electricity, transportation, buildings and communications.

Take Action Today

The first EU Taxonomy disclosures apply from January 1st 2022. As it is a quite complex and extensive framework, it is key to start aligning with the EU Taxonomy.



5 reasons to take note of the EU Taxonomy

1	2	3	4	5
Compliance	Reputation and Risk Management	Access to Finance	Assessing Sustainable Impact	Future-proof and license to operate
The EU Taxonomy will be mandatory for a large share of European companies. Financial market participants that offer Sustainable Finance Disclosure Regulation (SFDR) article 8 and 9 products have to disclose the Taxonomy-alignment of those products, and financial and nonfinancial undertakings covered by the Non-Financial Reporting Directive (NFRD) will have to report on their eligibility and alignment with the taxonomy.	It is expected that the EU Taxonomy will be largely applied within and outside Europe. The EU Taxonomy aims to provide clarity to investors and protection against “greenwashing”. Once companies begin disclosing their alignment with the technical screening criteria, it will provide detailed information on the actual environmental impact and sustainable performance of economic activities.	Alignment with the EU Taxonomy will create visibility and transparency for investors, enabling them to gain insights on what investments will truly make a positive environmental impact. Financial institutions that want to increase their share of taxonomy-aligned investments will look to invest in companies with taxonomy-aligned activities. Disclosing alignment is thus an avenue for accessing finance.	The EU Taxonomy provides a common language and best-practices that allows for benchmarking. Companies will achieve an increased understanding of the sustainable impact of their activities and an indication of what improvements are to be made. This will give insight to a company’s contribution towards a low-carbon transition and will strengthen their resilience to climate change.	As the Taxonomy becomes the mainstream vocabulary in defining sustainability, aligning with the low-carbon and sustainable transition through the EU Taxonomy will provide a license to operate and grow and allow for gained competitive advantage. It will create a fit-for-future business more attractive to investors.

What the Taxonomy-alignment will entail

The EU has defined six environmental objectives. For each of these objectives, the Taxonomy specifies a list of Taxonomy-eligible activities that may substantially contribute to that environmental objective by complying with the Technical Screening Criteria.

The economic activities that are eligible for screening are defined in the delegated acts specifying the Technical Screening Criteria for the environmental objectives. They are based on the NACE codes, which is the EU classification of economic activities.

To align with the EU Taxonomy, eligible economic activities must:

- contribute substantially to one or more of the six environmental objectives
- do no significant harm to the remaining objectives
- meet the minimum social safeguards

Besides defining criteria for substantial contribution to each environmental objective, the EU Taxonomy also specifies individual criteria for not harming any of the environmental objectives. Eligible activities need to comply with these criteria to ensure that they do no significant harm to those objectives.

The newly assigned EU Platform for Sustainable Finance will be reviewing the eligible economic activities and screening criteria frequently, to ensure that the EU Taxonomy is up to date and in line with the most recent findings concerning sustainable practices. It will therefore likely be subject to change often.

The six environmental objectives

Climate
change
mitigation



Climate
change
adaptation



Delegated acts for the two climate change objectives have been officially adopted by the co-legislators.

Sustainable
use of water
& marine
source



Circular
economy



Pollution
prevention



Healthy
ecosystem

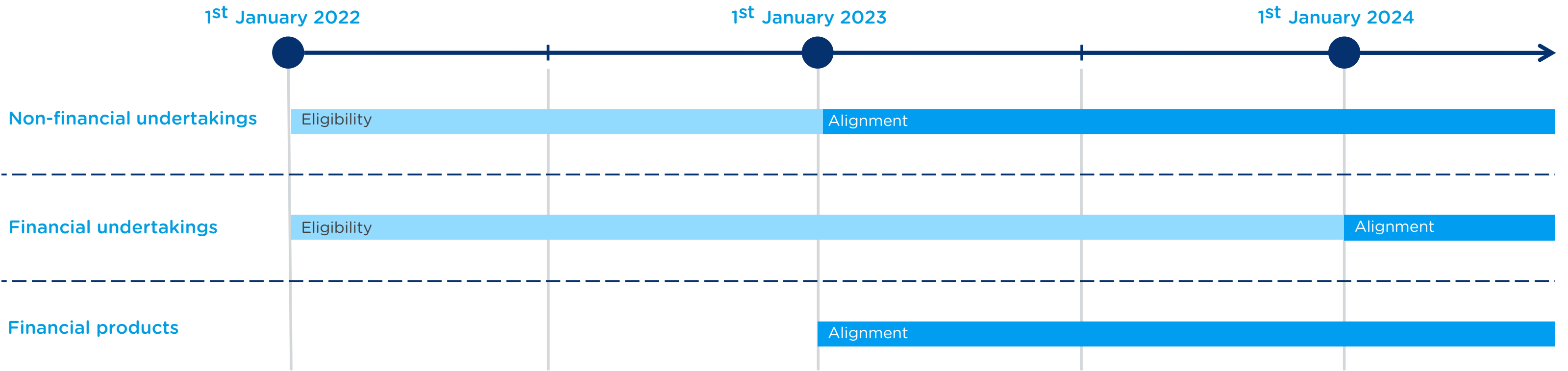


Delegated acts for the remaining four environmental objectives have yet to be adopted and published.

Whom the EU Taxonomy affects and when

Compliance timelines differ for each of the three groups of stakeholders that are in scope to report on the EU Taxonomy.

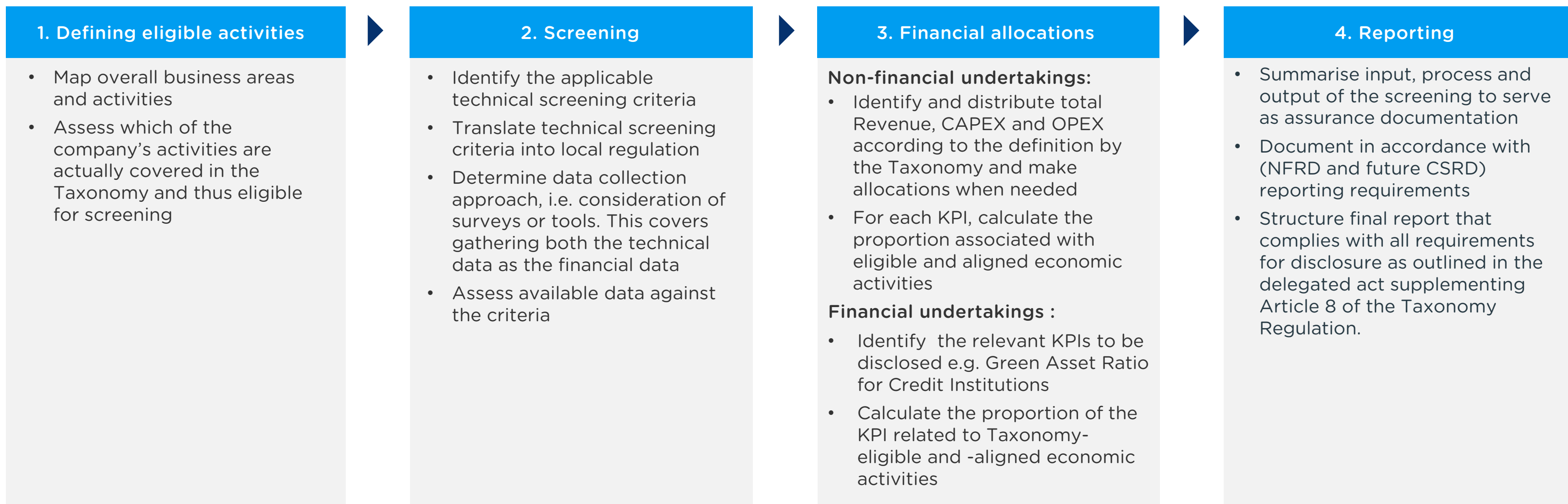
Non-financial and financial undertakings need to report on entity-level in compliance with the Delegated Act to Article 8 of the Taxonomy, which covers companies under the NFRD. Financial market participants fall under the SFDR and need to report on the Taxonomy-alignment of Article 8 and 9 financial products in compliance with Article 5 and 6 of the Taxonomy Regulation.



The process of assessing a company's eligibility and alignment under the NFRD

Even though the goal of the EU Taxonomy is to direct finance towards sustainable investment and will have a large impact on the financial sector, it will also have a significant impact on non-financial companies.

Non-financial undertakings covered by the Non-financial Reporting Directive (NFRD) will have to disclose their share of Taxonomy-eligible and aligned activities. The scope of the reporting requirements is expected to expand fivefold to cover all large companies and all listed companies (except listed micro-enterprises) when the Corporate Sustainability Reporting Directive (CSRD) reviews the NFRD. Depending on whether a company is a non-financial or financial institution different KPIs apply. Assessing and reporting Taxonomy-alignment include four steps.



Taxonomy-disclosures will apply to these financial products

Financial market participants (FMP) that market Article 8 or 9 products, as defined by the Sustainable Finance Disclosure Regulation (SFDR), are required to disclose the share of products that align with the EU Taxonomy, as defined in Article 5 and 6 of the EU Taxonomy Regulation.

This means that financial products with sustainable investment as their objective (Article 9) and financial products that promote social or environmental characteristics (Article 8) need to calculate the share of their underlying investments and assets which are associated with Taxonomy-aligned economic activities. The Regulatory Technical Standards of the SFDR specify disclosure requirements for financial products.

For now only a draft version of the RTS is available – the final RTS are to be published end of this year. Below is an example of how to assess the Taxonomy-alignment for an article 8 or 9 fund. Please note this is focussed on the Taxonomy-alignment requirements within the SFDR, and does not cover the other requirements that the SFDR sets outside of the EU Taxonomy.

1. Scoping

- Determine whether your fund is an Article 8 or Article 9 product, i.e. if it promotes or pursues either environmental or social objectives
- Identify the environmental objective(s) that the fund is promoting or pursuing

2. Data collection on Taxonomy alignment

- Request Taxonomy-alignment information from the non-financial and financial investee companies
- The investee companies should provide their Taxonomy KPIs. For non-financial companies this is for example the Turnover, CAPEX and OPEX KPIs
- Where this information is not available, the FMP will have to go through the alignment process themselves. See the previous page for this process.

3. Reporting

An FMP will have to report for each fund:

- The pre-contractual disclosures, where Taxonomy-alignment is demonstrated by selecting one KPI (for non-financial investees most commonly Turnover)
- The periodic disclosures, where Taxonomy-alignment is demonstrated through all relevant KPIs (for non-financial investees the Turnover, CAPEX and OPEX)

How Ramboll can help

Ramboll has long-standing experience and knowledgeable professionals in all sectors that are included in the EU Taxonomy. This means that we already helping several clients find their way within this complex topic.

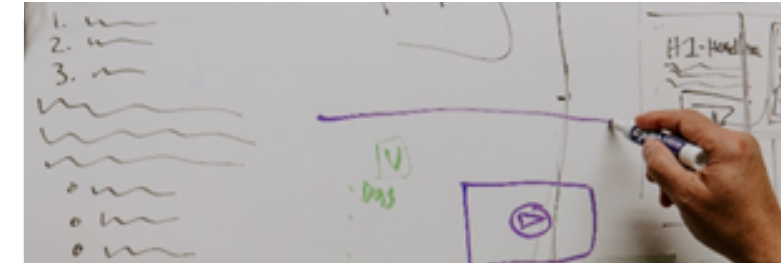
We understand the technical requirements, thresholds and measurement methods addressed in the technical screening criteria. Consequently, the deep understanding of local and national contexts and standards combined with Ramboll's global outreach allows us to interpret and assess the impact of the technical screening criteria on businesses.

This knowledge, in combination with strong capabilities in finance and accounting, allow for Ramboll to have all competences in place in order to provide support and guide in many different areas concerning the EU Taxonomy. This includes support on the following:



Taxonomy Roadmap

Overview of how your company will be affected by the Taxonomy and the actions needed to comply with requirements.



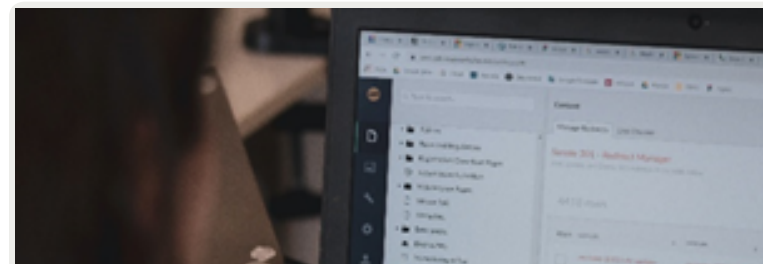
Taxonomy and ESG strategy

Insights in how the Taxonomy fits within and supports your ESG Strategy.



Perform screening

Screening of activities in accordance with the technical screening criteria in order to identify alignment percentage.



Documentation

Preparation of documentation of assessment of environmental impact, LCA, financial data, social safeguards etc.



Improvement of alignment %

Identification of activities and initiatives needed to improve alignment.



Improvement of reporting

Insights in processes and systems that can support and ease reporting in accordance with the Taxonomy.

Who we are

Ramboll employs 16,500 people globally delivering bright ideas for sustainable change.

We are present in 35 countries and combine local experience with a global knowledge-base, constantly striving to achieve inspiring and exacting solutions that make a genuine difference to our clients, end-users, and society at large.

We work across the following markets: Buildings, Transport, Water, Environment & Health, Energy, Architecture & Landscape and Management Consulting.

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