



Setting the baseline towards transparency

Insights into the EU
Taxonomy disclosures of
281 European non-financial
undertakings



September 2023

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The EU Taxonomy has emerged as a crucial framework in driving investments towards sustainable activities within the European Union's financial landscape. In this second edition of our EU Taxonomy disclosure survey, we ask ourselves which proportion of potentially sustainable (eligible) activities are actually sustainable (aligned), how many companies explained their plans to close the gap between eligibility and alignment, what the hurdles in reporting alignment are, and how many companies have already received limited assurance from their auditors.

This report provides valuable insights gathered from the EU Taxonomy disclosures of 281 European large public-interest entities. These findings can be leveraged to enhance your EU Taxonomy reporting in the upcoming year and offer valuable guidance on your ESG practices and strategy.

The first edition of our EU Taxonomy disclosure survey can be found at this link: [**Setting the base-line towards transparency - KPMG Global**](#)

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2022 Taxonomy-eligible and -aligned activities

Sixty percent of the companies reported Taxonomy-eligible turnover greater than zero, with the average reported Taxonomy-eligible turnover being 37 percent. The average reported Taxonomy-aligned turnover on the other hand was less than half of that, highlighting the challenge that companies are facing in fulfilling the alignment criteria.

Not surprisingly the vast majority of the companies in our sample reported activities relating to Climate Change Mitigation (76 percent), while Climate Change Adaptation activities were reported by 6 percent of the companies of the sample. Unfortunately, 15 percent didn't disclose any information if they assessed Climate Change Mitigation or Climate Change Adaptation activities. 3 percent of the companies reported Climate Change Mitigation or Climate Change Adaptation activities.



Qualitative information

Due to limited guidance and no existing best practice, disclosures relating to 2022 varied from a concise paragraph in the back of the annual report to extensive sections. We expect that disclosures will become more comparable over time as more guidance is presented, more examples are available, reporting timelines allow for better preparation and governance structures and (specific) processes are implemented or improved.



Level of assurance

A total of 37 percent of our sample companies have disclosed that they commissioned an audit of their EU Taxonomy information. A limited assurance will become mandatory with the entry into force of the Corporate Sustainability Reporting Directive (CSRD).



Sector insights

The main observations from reviewing data of companies in specific sectors are summarized in the report. Overall, the highest EU Taxonomy-eligible Turnover was reported by the Real Estate and Automobiles and Parts sectors, whereas the highest Taxonomy-aligned Turnover was reported by the Utilities and Real Estate sectors. The sectors Healthcare and Food, Beverage and Tobacco on the other hand reported almost no Taxonomy-eligible or -aligned revenue – generating economic activities.

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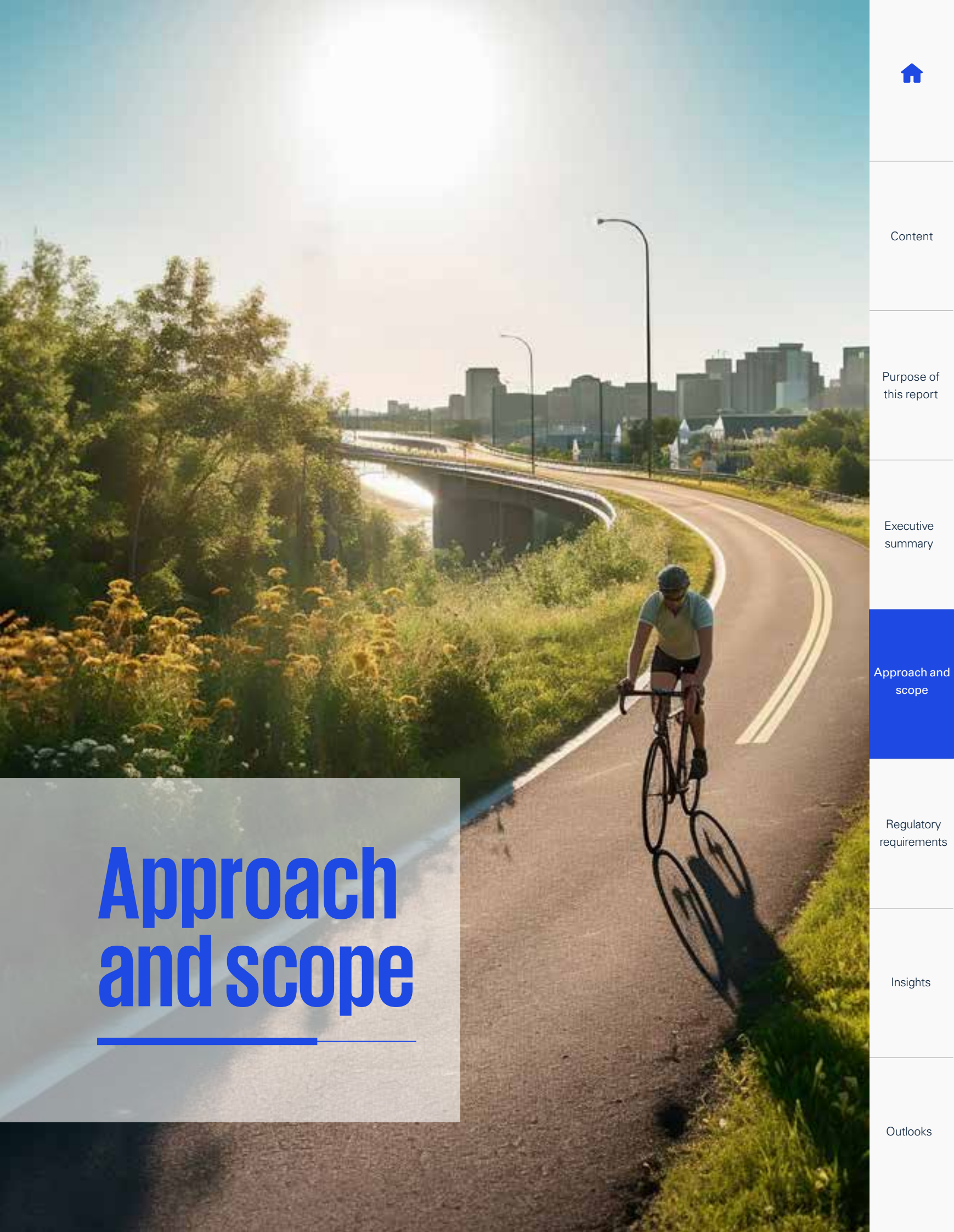
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EU Taxonomy-alignment reporting over financial year 2022

In this second year of the EU Taxonomy reporting, disclosures were required by companies falling under the Non-Financial Reporting Directive (NFRD).^{*} Although national implementation may vary, the NFRD covers, at a minimum, large public-interest companies with more than 500 employees. The disclosures published in the period 1 January 2023 until 31 December 2023 are limited to EU Taxonomy-alignment reporting on three KPI's being Turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx) for the first two environmental objectives. This meant that companies had to disclose the proportion of their economic activities (by KPI) that substantially contribute to climate change mitigation or climate change adaptation.

^{*}Directive 2014/95/EU of the European Parliament and of the Council — also called the Non-Financial Reporting Directive (NFRD) — lays down the rules on disclosing non-financial and diversity information by certain large companies. It amends the Accounting Directive 2013/34/EU.

Details of our analysis

Which companies are included in our analysis?

The analysis covers 281 non-financial undertakings with a corporate seat in the EU and that are part of the STOXX Europe 600 Index. Thus, our sample contains large, mid and small capitalization companies across 14 countries in the EU. The companies in the sample cover 17 different sectors. 13 of them, such as Industrial Goods and Services, Healthcare and Utilities, have been analyzed in detail in the subsection for sector specific insights.

Which reports have we reviewed?

We have reviewed the latest annual (integrated) reports¹, as the EU Taxonomy disclosure should be part of the non-financial reporting. Companies with less than 500 employees are excluded as it is not mandatory for them to report on the EU Taxonomy. See Appendix 1 for the list of companies in the sample.

How did we perform the analysis?

Our benchmarking analysis focused on the following key areas: EU Taxonomy-eligible activities, KPI disclosure, qualitative disclosures and the link with the Environmental, Social, Governance (ESG) strategy. The disclosures for 2022 were reviewed with the help of a checklist developed by KPMG professionals. A certain level of judgment was exercised when reading the disclosures, and we have not verified the information disclosed by companies in our sample.² Please note that in our report eligible means 'eligible and aligned turnover (A.1)' plus 'eligible but not aligned turnover (A.2)', the underlying reasoning is that every aligned activity is also eligible.

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¹The review also covers other reports, as in a few cases the EU Taxonomy disclosures were only provided in another stand-alone report (e.g. Sustainability report) and in another few cases high-level EU Taxonomy disclosures were provided in the annual report and more enhanced disclosures were provided in a separate report (e.g. ESG performance report). For most French companies, the Universal Registration Documents (URD), including non-financial reporting, have been reviewed.

²About 37 percent of companies in the sample obtained assurance on their EU Taxonomy disclosures.



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Delegated Act (EU) 2021/2178 ('Disclosures DA') regulates the disclosures to be provided in regards of the EU Taxonomy.

In July 2020, the EU Taxonomy Regulation came into force.³ The EU Taxonomy Regulation is intended as a 'green language' to objectively determine which economic activities can be labeled as 'environmentally sustainable'. Most significant development (in force) since the prior publication is the reporting requirement for companies on EU Taxonomy-alignment. This should both prevent greenwashing as well as direct public and private capital towards sustainable investments to help to achieve the Paris goals.⁴

Companies falling under the NFRD are required to annually assess their activities against the EU Taxonomy and report on the results of this classification on a company-specific basis, in the annual report. In particular, non-financial undertakings shall disclose:

- the proportion of their Turnover derived from products and services associated with economic activities that qualify as 'environmentally sustainable';
- the proportion of their CapEx which can fall in three categories:
 - Related to assets or processes that are associated with economic activities that qualify as sustainable
 - Part of a plan to expand sustainable activities or to allow potentially sustainable activities to become sustainable ('CapEx plan')
 - Related to the purchase of output from sustainable activities and individual measures enabling target activities to become low-carbon or to lead to greenhouse gas reduction
- the proportion of their OpEx which can be classified in the three same categories as above.

The EU Taxonomy Regulation identifies the following six environmental objectives:

1. climate change mitigation;
2. climate change adaptation;
3. sustainable use and protection of water and marine resources;
4. transition to a circular economy;

5. pollution prevention and control;
6. protection and restoration of biodiversity and ecosystems.

Regarding the classification of an activity as 'environmentally sustainable' in terms of the EU Taxonomy, a distinction between EU Taxonomy-eligibility and Taxonomy-alignment is required. In the first step, it is necessary to examine whether an activity is described in Delegated Regulations, since only those activities can be Taxonomy-eligible. Eligible activities are then assessed against technical screening criteria and can be labeled 'environmentally sustainable' ('Taxonomy-aligned') when the activity:

- substantially contributes to one or more of the environmental objectives;
- does no significant harm to the other five objectives; and
- complies with minimum safeguards.

Delegated Regulations complement the EU Taxonomy Regulation. They provide technical screening criteria for a list of economic activities with the potential to become 'environmentally sustainable' and specify the content and presentation of information to be disclosed by undertakings subject to the EU Taxonomy Regulation.

In the initial stage, the European Commission has enacted a Delegated Act focusing on climate change mitigation and climate change adaptation, officially establishing the corresponding Technical Screening Criteria for these two objectives as legally binding.⁵

As we compile this report, the Delegated Act for the remaining four objectives has been approved in principle by the European Commission. Following the scrutiny period, and in the absence of objections from either of the co-legislators, the Delegated Acts will come into effect and be applicable starting January 2024. Furthermore, there is currently an effective delegated regulation specifying the content and presentation requirements for information disclosure by undertakings, the so called Disclosure DA.⁶

It should be noted that the EU Taxonomy will continue to evolve over time, as more activities will be added and technical screening criteria or activity description refined, like for certain activities of the Climate Delegated Act already in 2023.

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³ Regulation (EU) 2020/852 of the European Parliament and of the Council.

⁴ Legally binding international treaty on climate change adopted by 196 Parties at COP 21 in Paris. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

⁵ Climate Delegated Act — Commission Delegated Regulation (EU) 2021/2139 of the European Parliament and of the Council.

⁶ Delegated Act supplementing Article 8 of the Taxonomy Regulation — Commission Delegated Regulation (EU) 2021/2178 of the European Parliament and of the Council.



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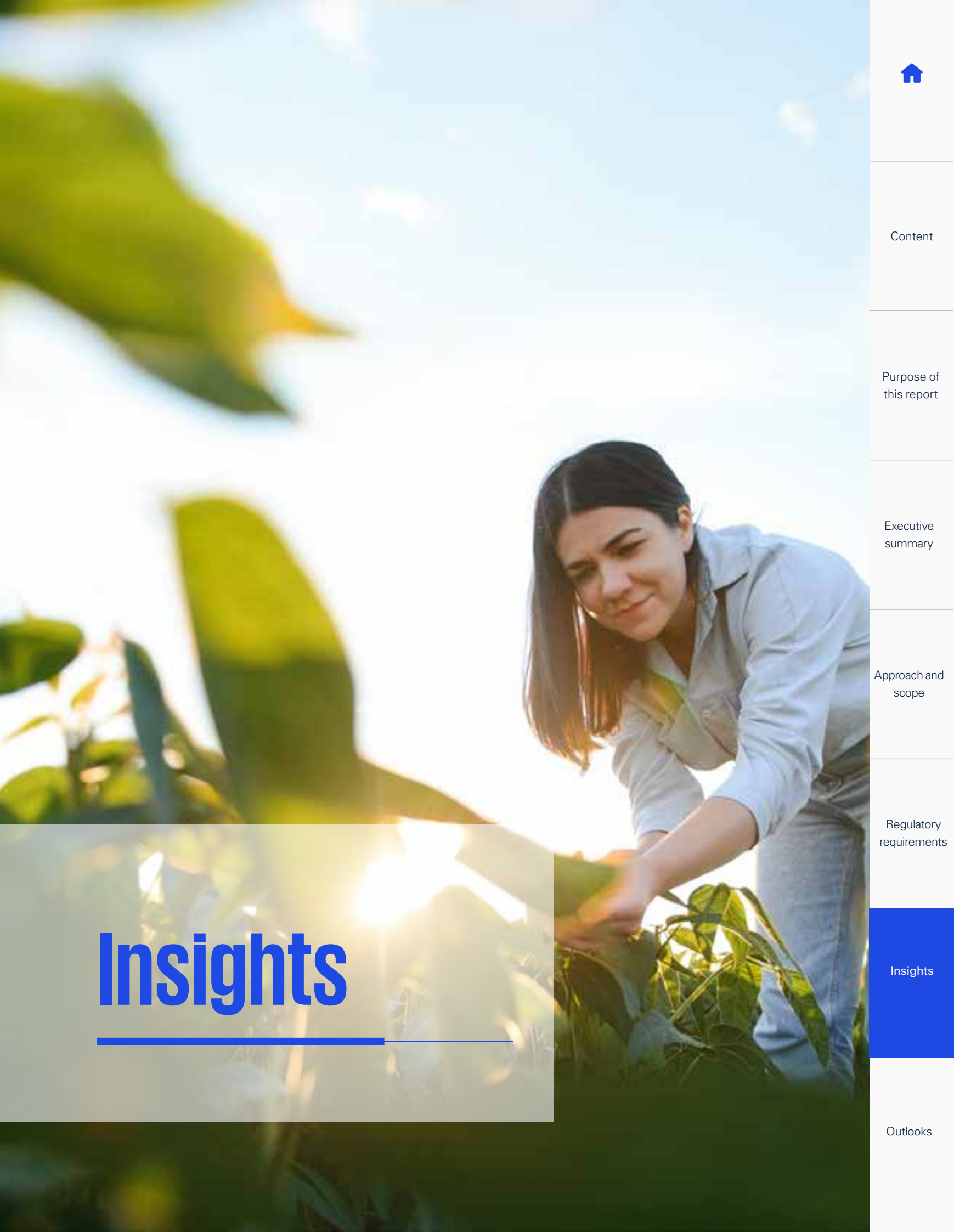
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Disclosures general

The Disclosures DA specifies which information companies shall disclose and how they shall present the information. The eligible and aligned turnover, CapEx and OpEx percentages, for instance, shall be disclosed within the predetermined tables displayed in Annex II of the Disclosures DA⁷. In our analysis we found that 68 percent of the companies have disclosed all templates without modifications, another 15 percent used modified templates resembling the originally required one. Seven percent disclosed the templates (modified and unmodified did not include a template for each of the KPIs, so at least one was missing. Even though the Disclosures DA requires companies to present their Taxonomy information using the specified templates 10 percent of the companies have not displayed the required tables at all. Of these companies 52 percent had no eligible or aligned turnover, CapEx or OpEx to report (even though there is no exemption in case of only non-eligible activities) while 48 percent had reportable activities but did not disclose the templates.

The EU commission published a delegated act amending the Disclosures DA containing adjusted KPI Templates that shall be used for reports published from 1 January 2024.⁸ In the adjusted KPI Templates, the EU clarified that the column 'Code' is supposed to be filled with the activity codes of the activity mentioned in the column 'Economic Activities'. For the disclosures regarding the reporting year 2022, we observed heterogeneity in practice, as 16 percent of the sample companies entered the NACE Codes in that column while 66 percent entered the activity codes (e.g. 3.3 for the manufacture of low carbon technologies for transport). The remaining companies either used still other codes or it was not recognizable which code they would have entered (e.g. due to a lack of eligible/aligned activities for which the information would have been disclosed).

The Complementary Delegated Act⁹ introducing activities for the gas and nuclear sector, mandated companies to report multiple tables regarding their gas and/or nuclear activities. Even companies that do not have any such activities, should disclose the first template included in Annex III to the Complementary Delegated Act. In our sample, 80 percent of the companies did not disclose any information regarding the Complementary Delegated act, neither any of the templates nor verbal explanations. Thirteen percent stated that they do not have any relevant activities or disclosed one or more of the templates while 7 percent explicitly stated pursuing relevant activities and disclosed the corresponding templates.

Turnover

Sixty percent of the companies in the sample have reported eligible turnover greater than zero for the financial year 2022, meaning their revenue generating business activities were at least partly covered by the EU Taxonomy. Seen from the other side, the business model of 40 percent of the companies in the sample is not covered by the EU Taxonomy. Out of the companies that reported an eligible turnover greater than zero, the average reported eligible turnover was 37 percent. The average reported aligned turnover on the other hand was 18 percent, meaning less than half of the eligible activities not only met the respective activity description but also fulfilled the technical screening criteria as well as the minimum safeguard requirements and can therefore be classified as 'environmentally sustainable'.

The following sectors disclosed the highest eligible/aligned turnover. Please note that in our report eligible means 'eligible and aligned turnover (A.1)' plus 'eligible but not aligned turnover (A.2)', the underlying reasoning is that every aligned activity is also eligible. In the below averages all companies were included (independent of them reporting eligibility/alignment equal to or greater than zero).

Average eligible turnover		Average aligned turnover	
1.	Real Estate (95 percent)	1.	Utilities (41 percent)
2.	Automobiles and Parts (58 percent)	2.	Real Estate (23 percent)
3.	Utilities (51 percent)	3.	Construction and Materials (19 percent)

⁷ Disclosures DA — Commission Delegated Regulation (EU) 2021/2178, Article 2 Par. 2.

⁸ Environmental Delegated Act — Commission Delegated Regulation C(2023)3851 amending Delegated Regulation (EU) 2021/2178 published on 27 June 2023. The Delegated Regulation will enter into force 20 days after publication in the EU official journal which is still outstanding.

⁹ Complementary Delegated Act — Commission Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

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CapEx

Eligible CapEx was reported by 88 percent of the companies, which is higher than the number for turnover, indicating that even though some companies may not have eligible turnover, they are investing in activities that have the potential to contribute to climate change mitigation or adaptation. Out of the companies that reported eligible CapEx greater than zero, the average reported eligible CapEx was 40 percent and therefore also slightly higher than the average turnover KPI.

The following sectors disclosed the highest eligible/aligned CapEx. In the below averages all companies were included (independent of them reporting eligibility/alignment equal to or greater than zero).

Average eligible CapEx	
1.	Real Estate (99 percent)
2.	Utilities (81 percent)
3.	Automobiles and Parts (69 percent)
Average aligned CapEx	
1.	Utilities (77 percent)
2.	Real Estate (34 percent)
3.	Energy (33 percent)

The discrepancy between turnover and CapEx is based on the fact that CapEx is not necessarily linked to revenue (e.g. CapEx category c: 'purchase of output'). Twenty-four percent of the companies indicated that their eligible or aligned CapEx stems, at least in part, from purchase of output (CapEx category c.). Out of those companies who reported CapEx from purchase of output, 45 percent explained how they evaluated Taxonomy-alignment at the level of the supplier they obtained the output from. Thirty-six percent of the companies reporting CapEx from purchase of output stated that the information required to assess Taxonomy-alignment could not be obtained from the supplier. Therefore, the discrepancy between the eligibility and alignment KPIs is not always caused by the companies not meeting the alignment criteria themselves, but in some cases, they could not classify investments as aligned due to not receiving the required information from the supplier.

Companies could also report aligned investments that occurred as part of a CapEx-plan (CapEx category b.). However, only 12 percent of the companies in

our sample reported having a CapEx-plan. Some companies may have counted investments that occurred as part of a CapEx-plan into their alignment KPI and simply did not disclose this, it is assumed, however, that most companies did not make use of the possibility to report investments that occurred as part of a CapEx-plan but only reported investments into existing assets. A reason for the companies not being able to report aligned investments from a CapEx-plan may be that the requirements for such plans, both in terms of the setup of the plan itself and the according disclosure requirements, may be difficult to fulfill for most companies at this point.

OpEx

Fifty-nine percent of the companies in the sample have reported eligible OpEx greater than zero. The relatively low score may be partly due to the companies being allowed to use a materiality exemption (if OpEx is not deemed material for their business model). Twenty percent of the companies in the sample made use of that materiality exemption. Out of the companies that reported eligible OpEx greater than zero, the average reported eligible OpEx was 41 percent and the average reported aligned OpEx was 27 percent.

The following sectors disclosed the highest eligible/aligned OpEx. In the below averages all companies were included (independent of them reporting eligibility/alignment equal to or greater than zero).

Average eligible OpEx	
1.	Real Estate (83 percent)
2.	Utilities (74 percent)
3.	Automobiles and Parts (67 percent)
Average aligned OpEx	
1.	Utilities (64 percent)
2.	Real Estate (21 percent)
3.	Energy (20 percent)

Even companies whose core business activities are not Taxonomy-eligible may find that they have eligible and potentially aligned CapEx and OpEx. Our analysis showed that 70 percent of all companies in our sample reported CapEx and OpEx in activities different to their main turnover generating activity, which indicates that most companies do in fact evaluate all KPIs independently from each other.

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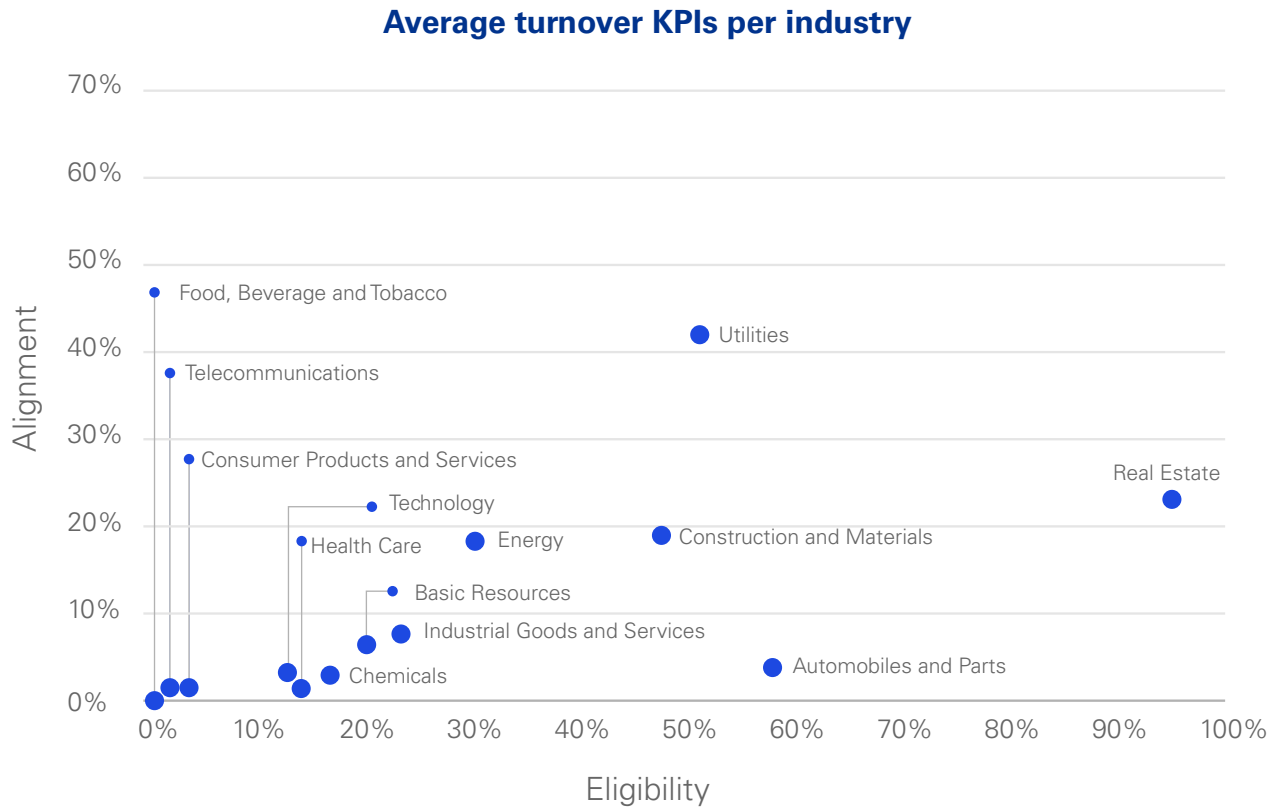
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The graphic below shows the average turnover KPIs for Taxonomy-eligibility and -alignment for the different industries. The averages only include KPIs that were greater than zero.



Most industry averages can be found in the lower left corner of the diagram, indicating that a lot of industries' business models are not covered by the EU Taxonomy yet, which could partly change with the other four environmental objectives in future reporting periods. The real estate sector showing in the far right with an average eligible turnover of over 90 percent highlights its potential to contribute to the first two environmental objectives. The utility sector can be found in the middle of the diagram, showing an average eligible turnover of 51 percent and a comparably high share of Taxonomy-aligned turnover. This indicates that the sector not only has the potential, but actually contributes to the first two environmental objectives. In contrast, the Automobiles and Parts sector has a higher average eligible turnover but a significantly lower average aligned turnover.

Qualitative disclosures

The EU Taxonomy obliges companies not only to disclose their eligible and aligned turnover, CapEx and OpEx but also to provide accompanying qualitative information. The details of the requested qualitative disclosures are specified in the Disclosures DA. For

instance, companies are supposed to elaborate on their accounting policy to shed light on how the KPIs were determined, they should also explain the process of how the technical screening criteria were assessed, and they should give other contextual information relevant for understanding the nature of the KPIs disclosed. Although several FAQ documents published by the EU Commission¹⁰ resolved some of the questions regarding the disclosure requirements, our analysis showed that there is still a great variation in the length and quality of companies' qualitative disclosures.

The degree of detail in which the assessment of the technical screening criteria was described varied significantly. For example, although for all activities contributing to the climate change mitigation objective, the DNSH criterion for climate change adaptation requires that the criteria from Appendix A of the Climate DA should be met, only 66 percent of the companies reporting aligned activities for the climate change mitigation objective have explained how they have conducted the climate risk and vulnerability assessment required by Appendix A.

¹⁰ Commission FAQ from December 2021 (updated January 2022), Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01), Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of Taxonomy-eligible and Taxonomy-aligned economic activities and assets (second Commission Notice) from December 2022.

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To be able to disclose any activities as Taxonomy-aligned, companies must not only fulfill the technical screening criteria related to those activities, but they also shall ensure compliance with the minimum safeguards which cover the substantive topics human rights (including labor and consumer rights), bribery, bribe solicitation and extortion, taxation and fair competition. Eighty-two percent of the companies in our sample that report aligned activities described how they ensured compliance with the minimum safeguard requirements. Such are required by the Disclosures DA¹¹ and companies should verify the completeness of their disclosures.

Seventy-one percent of the companies in the sample have included a reference to their financial statement for their turnover KPI. Eighty-two percent of those made a specific reference to the related line item as required, the rest made at least a general reference to their financial statements.

Companies were further required to provide contextual information regarding the amounts related to Taxonomy-aligned activities pursued for internal consumption. Only 6 percent of the companies reporting aligned turnover have provided this required contextual information. It remains an open question if companies did in fact have no internal consumption or if they were not aware of the requirement to disclose this information.

Seventy-four percent of the companies in the sample have included a reference to their financial statement for their CapEx KPI. Eighty-three percent of those made a specific reference to the related note or line item, the rest made at least a general reference to their financial statements.

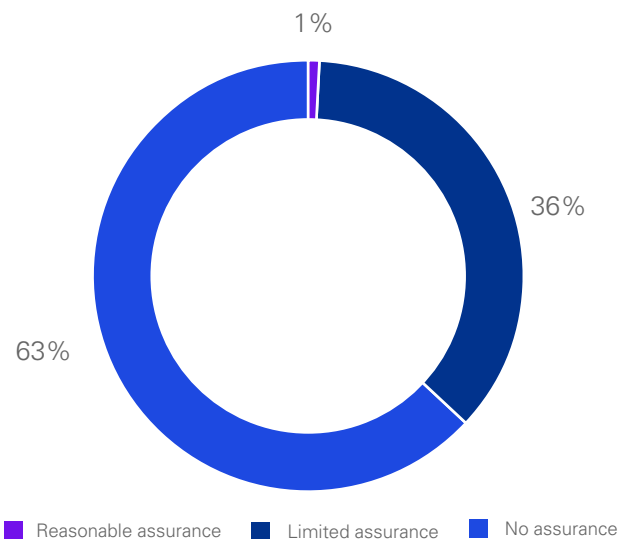
Non-financial undertakings are supposed to report a breakdown of the CapEx numerator by assets, differentiating between additions to property, plant and equipment (PPE), intangible assets, investment properties and capitalized right-of-use assets. The undertaking shall separately present additions from business combinations.¹² Of the companies reporting aligned activities only 22 percent did report such a breakdown.

Taxonomy disclosure in context and level of assurance

While the EU Taxonomy brought with it a lot of additional work for companies, its importance seems to have been recognized. In our sample, 30 percent of companies linked their EU Taxonomy disclosures to their sustainability or broader business strategy, highlighting the growing awareness for sustainability considerations to be made by companies.

While a limited assurance on the EU Taxonomy disclosures is mandatory in Spain, other countries do not yet have such requirements. Nonetheless, a total of 37 percent (33 percent when excluding Spanish companies) of our sample companies have disclosed that they have commissioned an audit of their EU Taxonomy information. A limited assurance will become mandatory with the entry into force of the Corporate Sustainability Reporting Directive (CSRD).

Level of assurance



¹¹ See Disclosures DA, 1.2.2.1b)

¹² See Disclosures DA, 1.2.3.2

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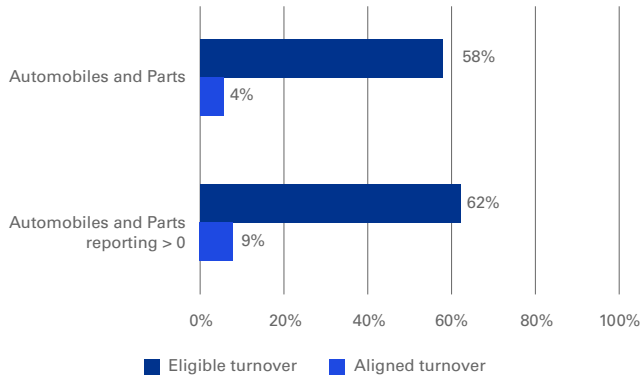
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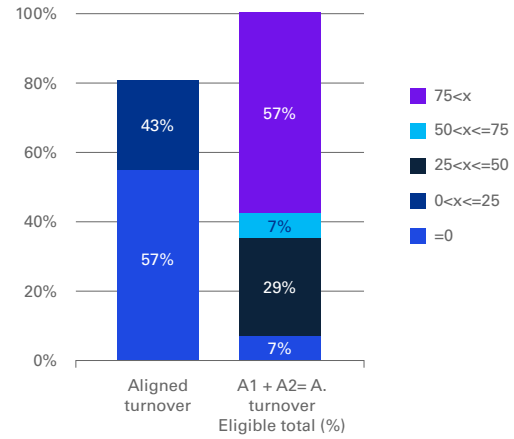
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Automobile and parts

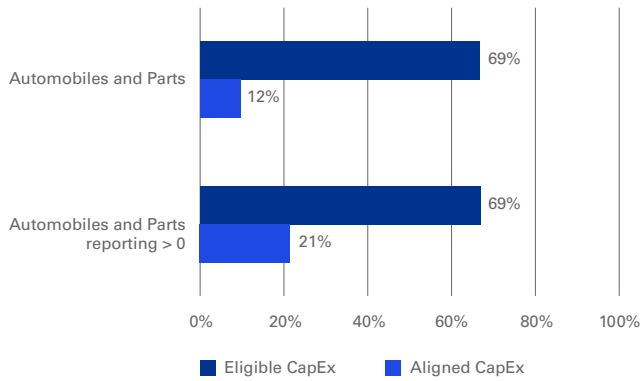
Turnover



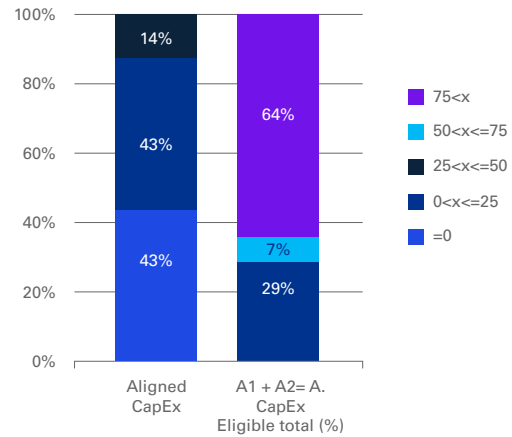
Turnover distribution



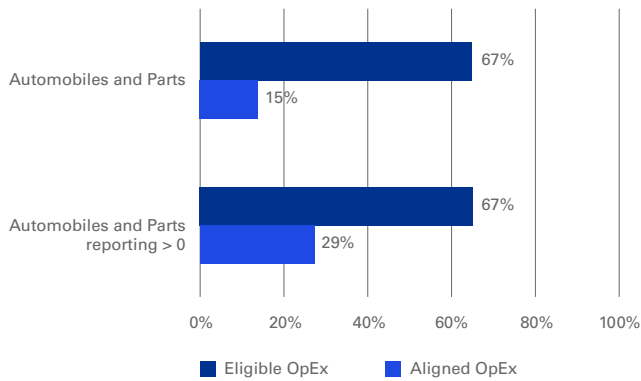
CapEx



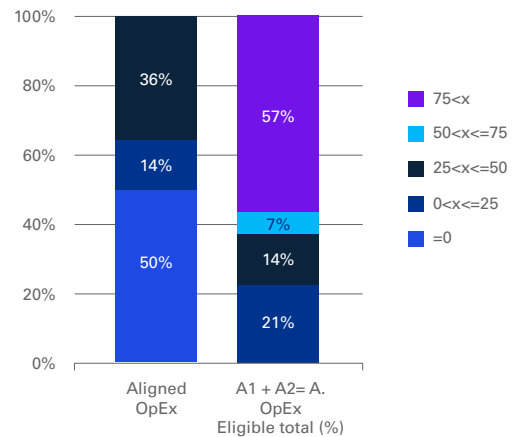
CapEx distribution



OpEx



OpEx distribution



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This sector-sample consists of 14 companies, which are car manufacturers or suppliers for the automotive industry. The average eligible turnover is 58 percent, average eligible CapEx is 69 percent and average OpEx amounts to 67 percent. This shows that the activities of the automobile and parts sector are on average better covered than in the overall sample, which revealed a noticeably smaller eligibility share.

The values reported for eligibility of turnover range between 0 percent and 99.4 percent (with a standard deviation of 41.0 percent). A similar situation can be observed with CapEx and OpEx. In contrast the share of alignment is relatively low with 3.7 percent for Turnover, 11.8 percent for CapEx and 14.6 percent for OpEx. In some cases, the shares are more than twice as high if only companies reporting more than 0 percent are considered. Some further details regarding the distribution: 13 (93 percent) companies reported some eligible turnover greater than 0 percent. Only 6 companies (43 percent) reported aligned turnover above 0 percent. The shares of aligned turnover are between 0 percent and 11 percent. All companies of this sector reported eligible CapEx greater than zero. Regarding alignment of CapEx only 8 companies (57 percent) reported an alignment share greater than 0 percent, which were all below 50 percent. Like CapEx all companies report some eligible OpEx above 0 percent but only 6 (43 percent) companies report OpEx alignment shares greater than 0 percent. Again, OpEx values are limited to percentages below 50 percent.

The activity identified by the most companies of this sectors was **3.3. Manufacture of low carbon technologies for transport** (9 companies), followed by **3.6. Manufacture of other low carbon technologies** (4 companies) and **6.5. Transport by motorbikes, passenger cars and light commercial vehicles** (5 companies) both with material lower mentions than 3.3. Especially regarding alignment activity 3.3. dominates. All activities are reported under climate change mitigation.

Most companies in this sector present reasons for not achieving alignment of their activities. The main hurdles mentioned are the DNSH and Substantial Contribution criteria. Additionally, a minority reports problems with meeting or verifying the Minimum Safeguards.

The materiality exemption for OpEx was not used in this sector, which is reflected in the high average eligible OpEx. Four companies reported a CapEx-Plan and the required information.

A majority (8) conducted no assurance review. Five companies choose a limited assurance option and only one reasonable assurance. This represents a similar picture to the overall sample.



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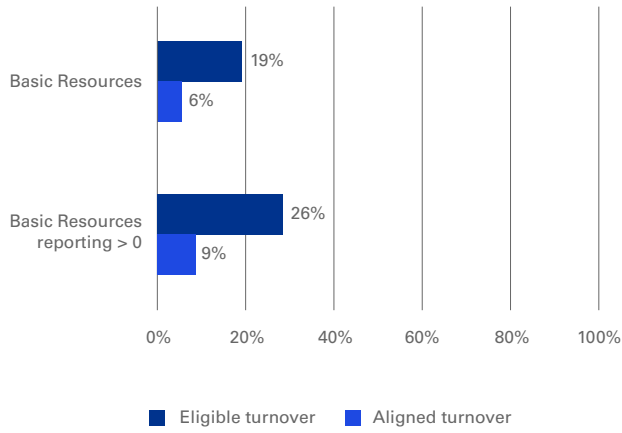
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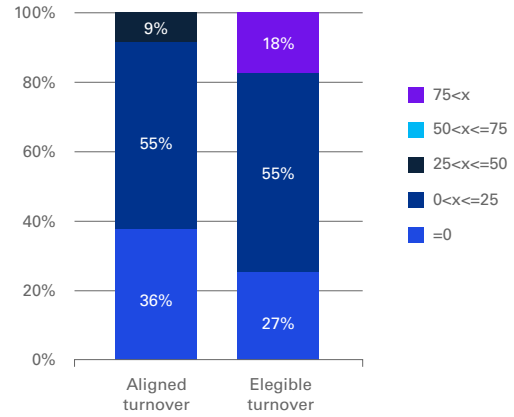


Basic resources

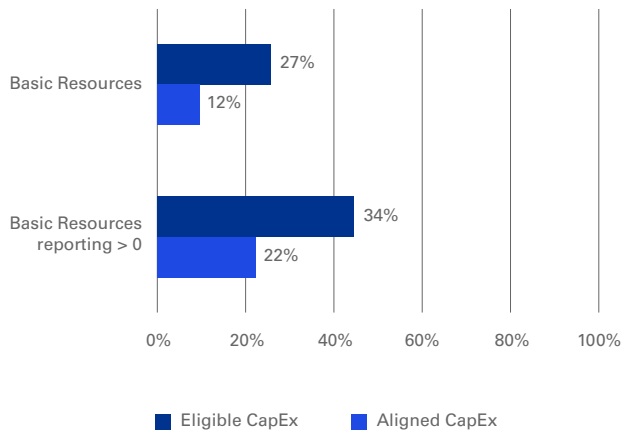
Turnover



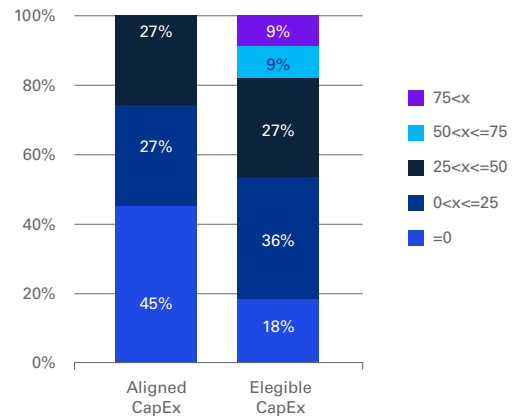
Turnover distribution



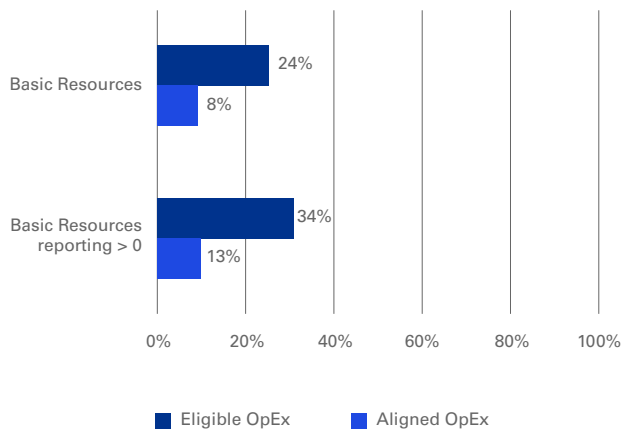
CapEx



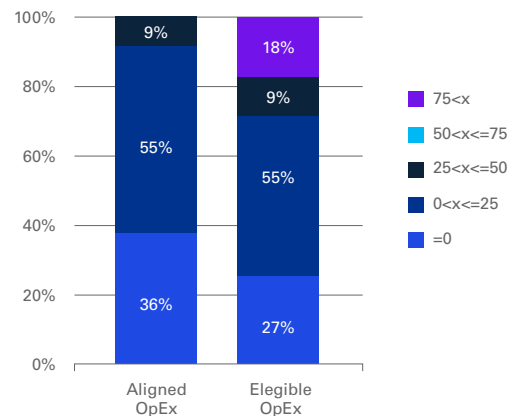
CapEx distribution



OpEx



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This sector-sample included 11 companies, 6 of these companies are in the Industrial Materials subsector and 5 of these companies are part of the Industrial Metals and Mining subsector. The majority of companies in the sample are incorporated in Sweden (7 out of 11) and the remaining are based in Finland, Poland and Luxembourg.

The average value of eligibility KPIs is moderate compared with other sectors (averaging approximately 23 percent across all eligibility KPIs), which is simultaneously accompanied by low or null values of EU Taxonomy-alignment activities (where 4 out of 11 companies did not report any EU Taxonomy aligned activities). All the reported eligible activities were assigned to climate change mitigation environmental objective.

The highest average values of KPIs relate to capital expenditures, which might be caused by possible growing volume of investments supporting the sector's transition towards sustainable economy. Average CapEx KPI for eligible activities amounted to 27 percent (range from 0 percent to 90 percent), whereas average CapEx KPI for aligned activities reached only 12 percent (range from 0 percent to 47 percent). The level of reported OpEx KPIs amounted on average to 24 percent for eligible activities (range from 0 percent to 95 percent) and to 8 percent for aligned activities (range from 0 percent to 26 percent). The lowest rates were achieved for turnover. Average turnover KPI for eligible activities reached 19 percent (range from 0 percent to 94 percent) and 6 percent for aligned activities (range from 0 percent to 31 percent).

The scope of eligible activities in this sector is rather complex — it is due to a wide range of activities supporting the companies' core business, i.e. mining and processing of basic resources. The most frequently recurring activities were: **1.3. Forest management** and **4.20. Cogeneration of heat/cool and power from bioenergy**. None of the companies mentioned the application of materiality in case of OpEx. Additionally, there was no information disclosed regarding plans to increase volumes of EU Taxonomy eligible and/or aligned capital expenditures.

More than a half of analyzed entities did not report any comments on the challenges causing the low level of EU Taxonomy alignment. The remaining entities disclosed that they either could not conduct an assessment due to lack of data or the that their activities did not meet the technical criteria (in case of substantial contribution and/or DNSH criteria).

Many reports lack specific disclosures regarding compliance with minimum social safeguards (even though the entity reported the KPIs for aligned activities). If the information is disclosed, it is mostly a cross reference to other sections in report rather than a separate disclosure in the EU Taxonomy section of the report.

The EU Taxonomy disclosures in most cases (7 out of 11) were reviewed by external and independent limited assurance providers.

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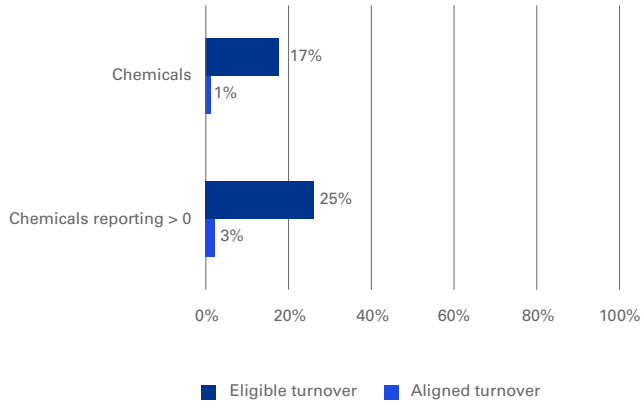
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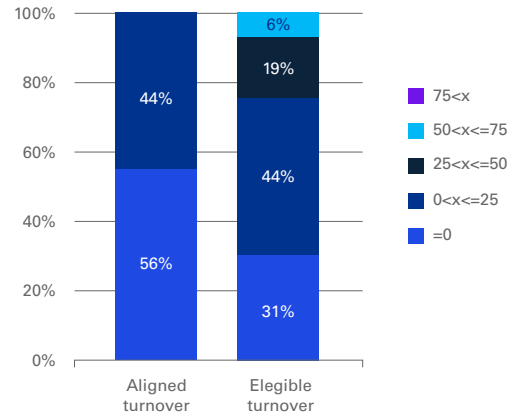


Chemicals

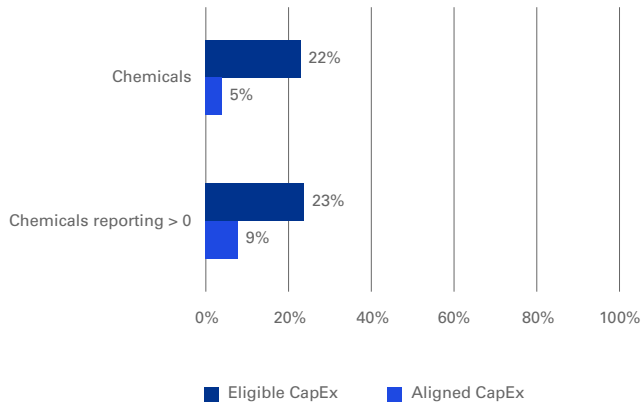
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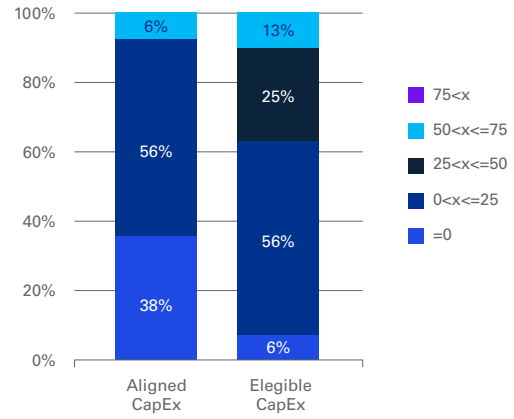
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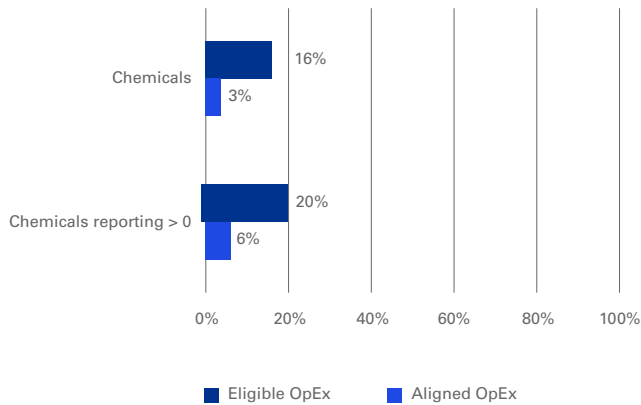
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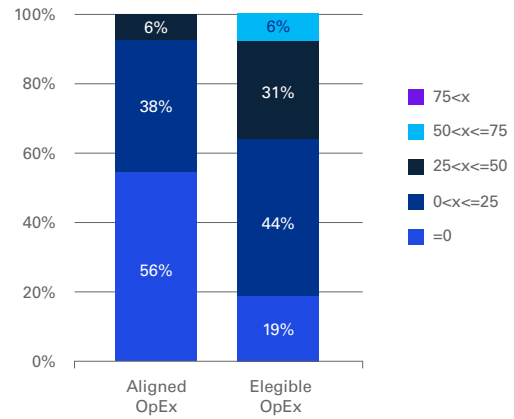
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The sector-sample 'Chemicals' consists of 16 companies of which more than half are listed in Germany. The sector shows an average eligible turnover of 17 percent and the average aligned turnover was at 1 percent. The aligned turnover varies from 0 percent to 7.7 percent.

For OpEx, the average eligibility was at 16 percent and the average alignment was at 3 percent. The highest numbers were reported with the CapEx. In this case, the average eligible CapEx was reported at 22 percent and the average aligned CapEx was at 5 percent. The majority of the activities reported were climate change mitigation related activities (85 percent). For 15 activities it was not discernible, and two (2) activities were reported as both. Interestingly, none of the companies had reported climate change adaption activities. Roughly 70 percent of the activities were reported as eligibility, while the other activities were reporting alignment. The range of aligned OpEx and aligned CapEx is wider. For OpEx it is 0 percent to 27.6 percent and for CapEx it is 0 percent to 55.6 percent.

Most companies barely reported any aligned turnover with 56 percent (9 companies) not reporting any turnover greater 0 percent. Based on the retrieved data the conclusion can be drawn that more than half of the 'Chemicals' sector did not have any aligned turnover for 2022. Within the aligned turnover it is difficult to distinguish the most frequently reported activity, as every activity was only reported once or twice at maximum by companies. The activities reported twice are, **3.2. Manufacture of equipment for the production and use of hydrogen, 3.4. Manufacture of batteries, 3.5. Manufacture of energy efficiency equipment for buildings, 3.6. Manufacture of other low carbon technologies, and 3.17. Manufacture of plastics in primary form.**

For OpEx, the numbers were identical to aligned turnover with 56 percent (9 companies) not reporting

aligned OpEx greater than 0 percent. The most frequently reported activities were also difficult to distinguish as they were mostly reported sporadically by the companies. **3.17 Manufacture of plastics in primary form** was reported by three (3) companies and was thus the most frequently reported activity. The activity **3.17 Manufacture of plastics in primary form** was also the most commonly reported activity for the aligned CapEx. In this case also three (3) companies reported it but as explained with aligned OpEx, most of the activities were disclosed singularly or for a maximum of two (2) companies.

Generally speaking, for all aligned KPIs, the activity reporting within the industry is very sporadic and only superficially covered by the sampled companies. There is great variation in the activities for which alignment was reported. This is even the case although only a small number of activities was reported within the industry. For aligned turnover ten (10) activities were disclosed and for aligned OpEx nine (9) activities. For aligned CapEx the largest number was reported, with 15 different activities. However, even the ones reported were commonly only disclosed by one (1) company.

Six (6) companies gave multiple reasons for non-alignment with the Taxonomy. Other six (6) companies gave no information on the reasoning. Three (3) companies had mentioned the reason of substantial contribution and one (1) company reasoned that no analysis was performed because of lacking materiality.

To summarize the overall findings, only limited information is reported in the 'Chemicals' sector and the KPIs that are reported greatly differ between the companies. Therefore, the conclusion can be drawn that the EU-Taxonomy does not currently cover all core activities within the 'Chemical' industry. Half of the sample gained limited assurance and half had not obtained any external assurance for their Taxonomy disclosure.



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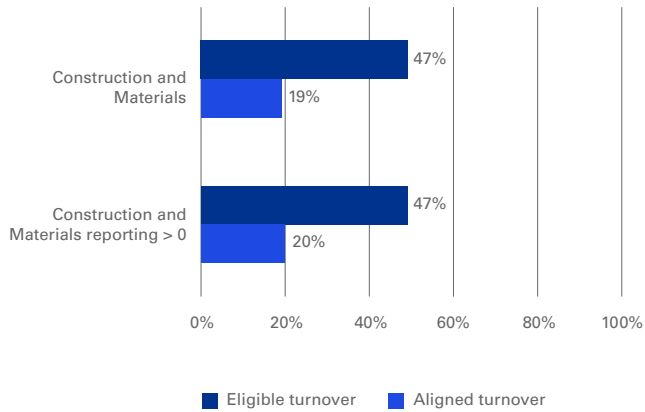
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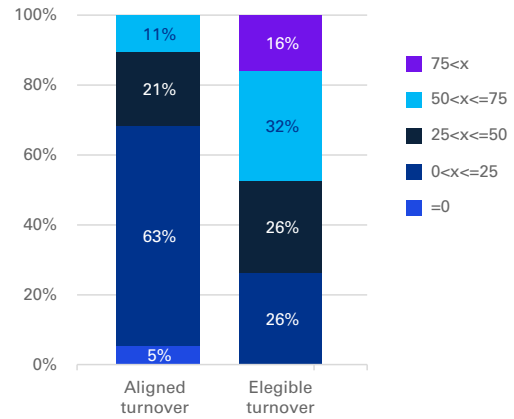


Construction and materials

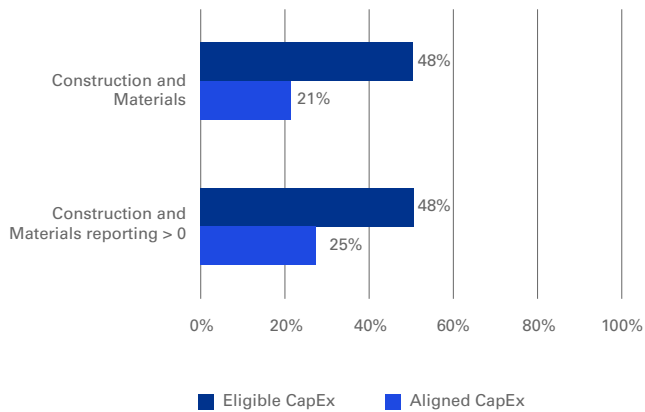
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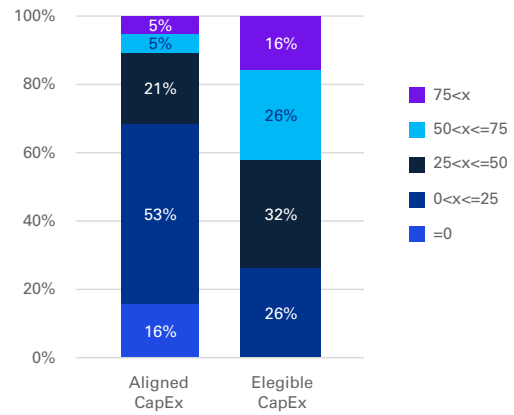
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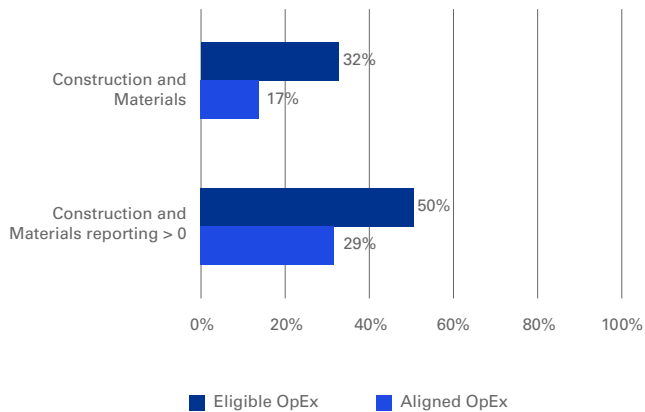
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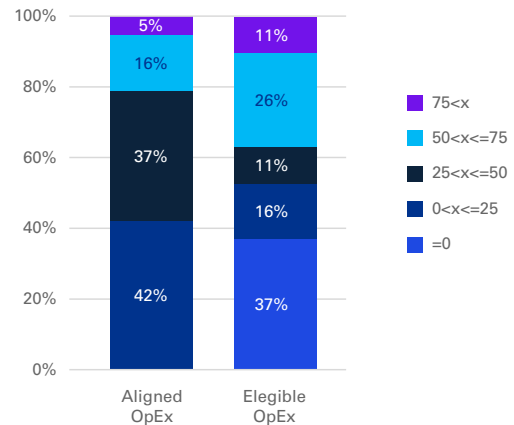
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The 'Construction and Materials' sector consisted of a sample of 19 companies in total. The analyzed entities are incorporated mainly in France (26 percent), Sweden (21 percent) and Spain (16 percent).

Among these companies, the average eligible turnover reported for 2022 was 47 percent and average aligned turnover 19 percent. Similar figures were reported for CapEx with average eligibility of 48 percent and alignment of 21 percent. Meanwhile, the lowest numbers were reported for OpEx: 32 percent for eligibility KPI and 17 percent for alignment KPI. Notably, the companies primarily reported climate change mitigation related activities, with only five companies reporting eligibility (including two companies reporting adaptation and mitigation), and six companies reporting alignment for climate change adaptation activities (including 3 companies reporting adaptation and mitigation).

There were significant discrepancies in the reported alignment KPIs between different companies, ranging between 0 percent to 59 percent for turnover, 0 percent to 85 percent for CapEx, and 0 percent to 76 percent for OpEx, all due to different companies:

- One company that reported high aligned numbers (more than 50 percent) for all KPIs (between 59-66 percent). None of the other companies reported figures above 50 percent for all three KPIs;
- One company with the highest CapEx alignment (85 percent); and
- One company with the highest OpEx alignment (76 percent).

Altogether 18 companies from 19 reported some aligned turnover.

The most frequently identified activities that generate aligned turnover were: **6.14 Infrastructure for rail transport** (8 companies), **7.1 Construction of new buildings** (7 companies); and **3.5 Manufacture of energy efficiency equipment for buildings, 4.9 Transmission and distribution of electricity, 6.15 Infrastructure enabling low-carbon road transport and public transport** and **7.3 Installation, maintenance and repair of energy efficiency equipment** (5 companies each).

For CapEx, 16 companies reported some aligned figures, with the following activities most frequently identified: **6.14 Infrastructure for rail transport** (6 companies), **3.5 Manufacture of energy efficiency equipment for buildings** (5 companies); and

4.9 Transmission and distribution of electricity, 6.15 Infrastructure enabling low-carbon road transport and public transport, 6.5 Transport by motorbikes, passenger cars and light commercial vehicles and **7.3 Installation, maintenance and repair of energy efficiency equipment** (four companies each). It is also worth mentioning that only two companies disclosed information on their CapEx plans for increasing the aligned CapEx.

Finally, for the OpEx the figures were lower with 11 (58 percent) companies reporting some aligned OpEx, represented by the same most commonly reported activities: **3.5 Manufacture of energy efficiency equipment for buildings** (5 companies) and **6.14 Infrastructure for rail transport** (3 companies). Altogether five (5) companies used the materiality exemption for OpEx.

While the most frequently reported activities are listed above, it is worth pointing out that there was great diversity in the activities for which alignment was reported in this industry sector. For turnover, companies reported aligned turnover from altogether 39 different economic activities, 19 of which were disclosed by one company only. For CapEx and OpEx, the diversity was slightly less, and the alignment figures were reported for 32 and 27 different economic activities respectively, including another company disclosed 19 activities.

The majority (63 percent, 12 companies) indicated some explanation for why certain activities were only eligible, but not aligned. Mostly, the reason for non-alignment is the combination of not fulfilling the substantial contribution criteria and the DNSH criteria (7 out of these 12 companies). Interestingly, one company mentioned that it does not fulfil the minimum safeguards. The other companies mention substantial contribution and DNSH criteria as reasons for non-alignment.

Finally, it can be noted that most companies (13) in the sample (19) did not obtain any external assurance for their Taxonomy disclosures; however, still slightly less than one third or 6 companies (31 percent) obtained limited assurance.

All things considered, 'Construction and materials' is a very diverse industry with great diversity in the reported KPI figures between companies, that reflects the different types of companies included in this segment providing a variety of services and different requirements' interpretations.

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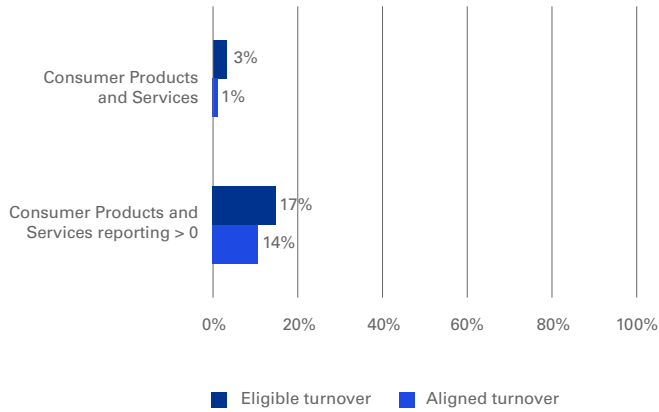
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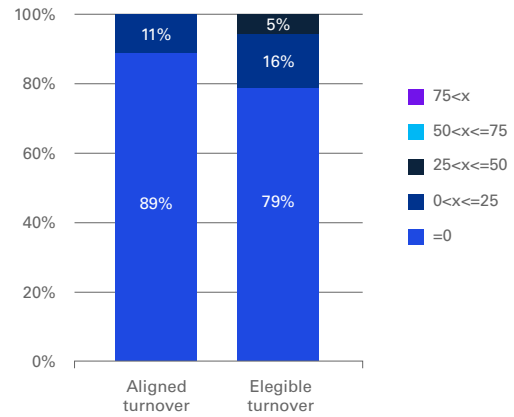


Consumer services and products

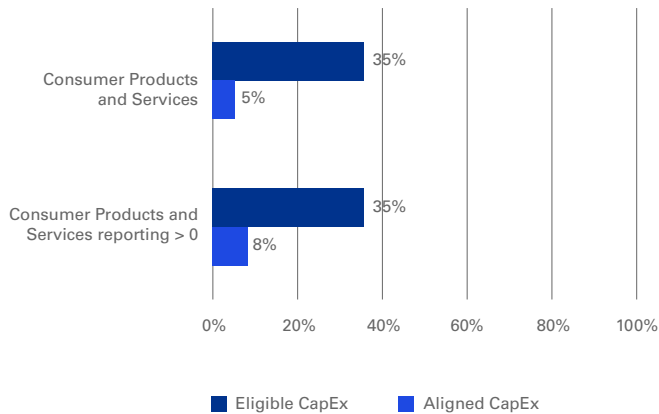
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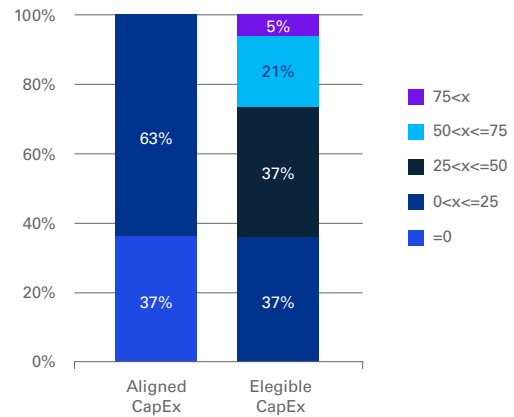
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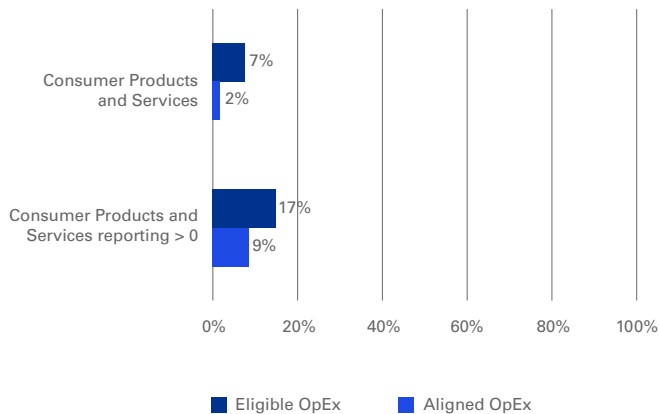
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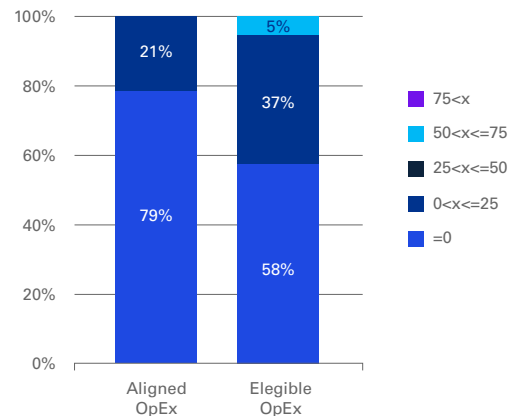
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This sector-sample consists of 19 companies, which produce household goods, personal goods, leisure goods, home construction goods and consumer services.

The average eligible Turnover is 3 percent, the average eligible CapEx is 35 percent and the average eligible OpEx is 7 percent. 21 percent of the companies have eligible Turnover, whereas 42 percent of the companies have eligible OpEx and 100 percent of the companies have eligible CapEx.

For turnover the range is between 0 percent and 26 percent eligibility with a standard deviation of 8 percent. The range is between 0,8 percent and 89 percent eligibility for CapEx and between 0 percent and 67 percent eligibility for OpEx, with a deviation of respectively 25 percent and 16 percent.

The average aligned Turnover is 1 percent, the average aligned CapEx is 5 percent and the average aligned OpEx is 2 percent. This relatively low share of alignment for all KPIs results from many sample companies reporting values of 0 percent. If we exclude companies reporting 0 percent, the share of alignment rises to 14 percent for Turnover, 8 percent for CapEx and 9 percent for OpEx.

When looking at the aligned KPIs, the activities identified by most companies in this sector were **7.7 Acquisition and ownership of buildings, 7.3 Installation, maintenance and repair of energy**

efficiency equipment and 7.2 Renovation of existing buildings. In comparison the activity identified by most companies when looking at the eligible KPIs is by far **7.7 Acquisition and ownership of buildings**, with almost double the amount compared to the other activities. Where the activities in identified for turnover seem fairly equally distributed, there is a more dispersed picture when looking at CapEx and OpEx especially when comparing eligible KPIs and aligned KPIs.

Eleven companies explain their reasons for non-alignment. The main reasons are Substantial Contribution and DNSH criteria. One company reported that no detailed documentation was available.

Ten out of 19 companies have used the materiality exemption for OpEx. The reported thresholds were as followed: 2 percent (one company), 5 percent (2 companies) and 10 percent (one company). The remaining six companies have not disclosed a threshold.

Out of the 19 companies 17 companies assigned their activities to climate change mitigation. only one company has reported on both climate change mitigation and climate change adaption. The disclosures of one companies lacked information regarding the environmental objective.

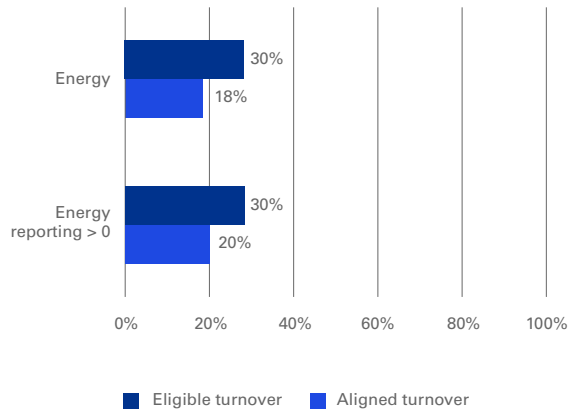
Most companies (12) conducted no assurance review. Seven companies choose a limited assurance option.



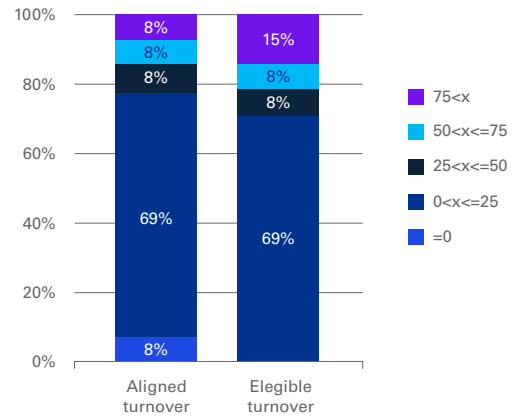


Energy

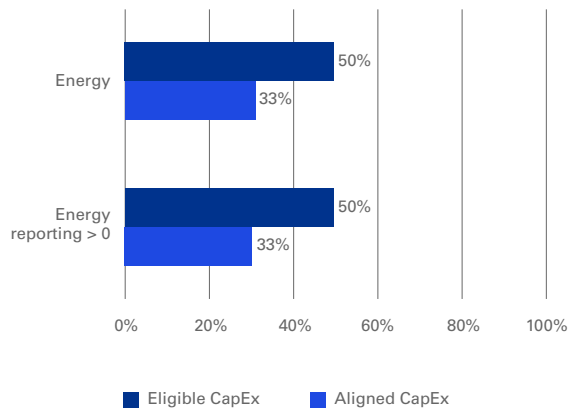
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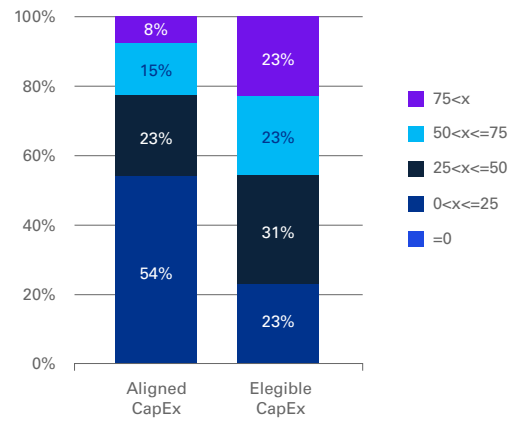
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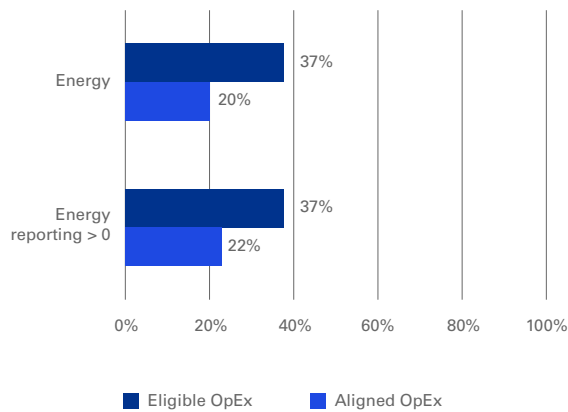
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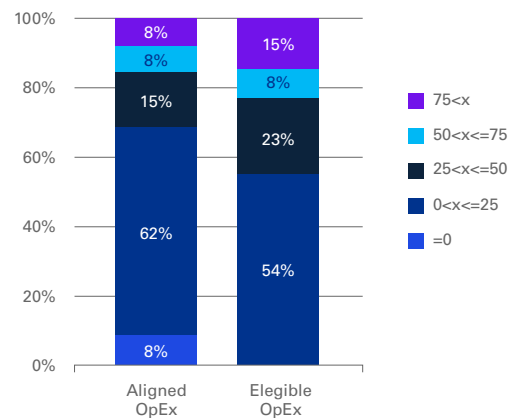
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The sector-sample 'Energy' includes 13 companies. Twelve out of 13 companies are focused on Oil, Gas and Coal activities. One is focused on Alternative Energy.

All companies in the Energy sector reported EU Taxonomy eligible and aligned KPIs. On average, these companies generate around 30 percent turnover that could be classified as sustainable (eligible turnover). They generate less than 20 percent of their turnover from renewable energy technologies in a sustainable way, as this proportion is reported as aligned turnover, and have the potential to increase it. Their potentially sustainable OpEx and CapEx are on average 37 percent and 50 percent respectively, with 20 percent and 33 percent respectively being assessed as actually sustainable.

However, these figures are biased by one outlier being the alternative energy company that reports almost full eligibility and alignment for all three KPIs. Excluding this outlier, the average eligibility and alignment ratios for turnover, OpEx and CapEx are lower, at 25 percent, 32 percent and 46 percent respectively for eligibility; and 12 percent, 14 percent, 28 percent respectively for alignment. The distribution of the eligible and aligned KPIs across the companies shows that most companies have low alignment and eligibility. 69 percent of the companies in scope reported less than 25 percent of eligible and aligned turnover.

On the expenditure side, 54 percent of the companies in scope report less than 25 percent eligible OpEx. For CapEx eligibility, the distribution is more balanced, with three to four reporting eligibility ratios in each of the following ranges: 0 percent-25 percent, 25 percent-50 percent, 50 percent-75 percent and 75 percent-100 percent indicating a higher potential sustainability in CapEx activities.

In terms of revenue-generating aligned activities, the activities that were most frequently reported are related to climate change mitigation: **7.6 Installation, maintenance and repair of renewable energy technologies** (4 companies), **4.1 Electricity generation using solar photovoltaic technology and 4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids** (3 companies each). Only one company disclosed an economic activity as aligned under the climate change adaptation objective, namely **4.3 Electricity generation from wind power**.

The aligned OpEx activities the 'Energy' industry reported most were **4.1 Electricity generation using solar photovoltaic technology, 4.3 Electricity generation from wind power** (both 6 companies) and **4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids** (4 companies).

The most frequently reported aligned CapEx activities were **4.1 Electricity generation using solar photovoltaic technology, 4.3 electricity generation from wind power** (both 8 companies) and **4.13 Manufacture of biogas and biofuels for use in transport and of bioliquids**. Three companies mentioned their CapEx plan, but none of them provided a qualitative description of the plan, which makes it difficult to understand what the impact on future alignment percentages will be.

Less than half of the companies explained the reasons for the gap between eligibility and alignment of their activities. Two of them disclosed that they had insufficient information to assess alignment.

Limited assurance was only obtained by three out of the thirteen companies.



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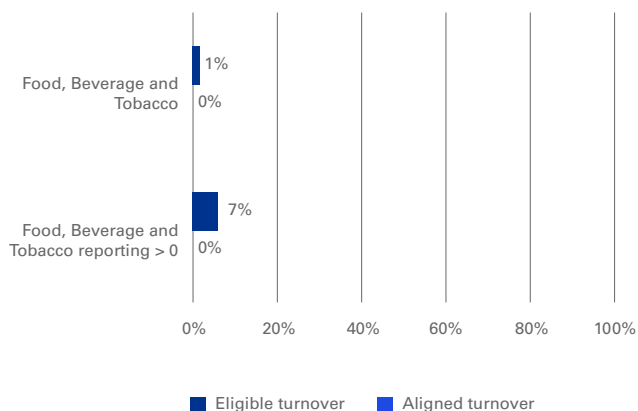
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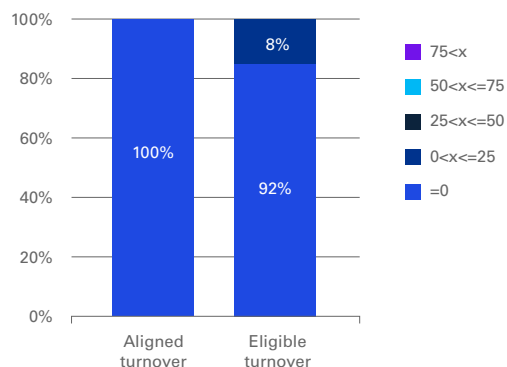


Food and beverages

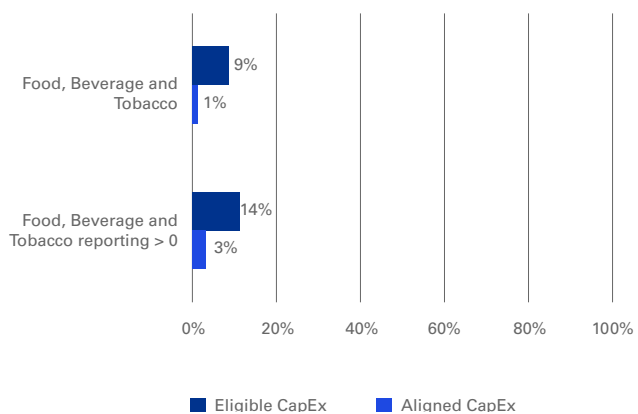
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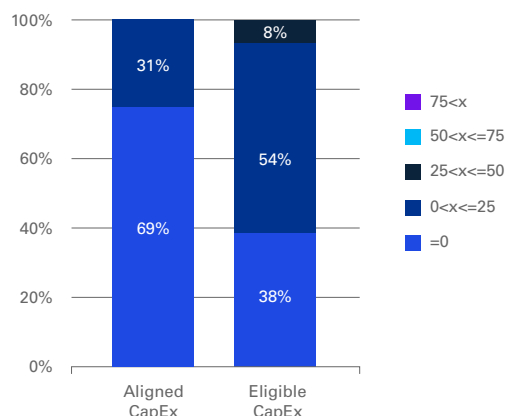
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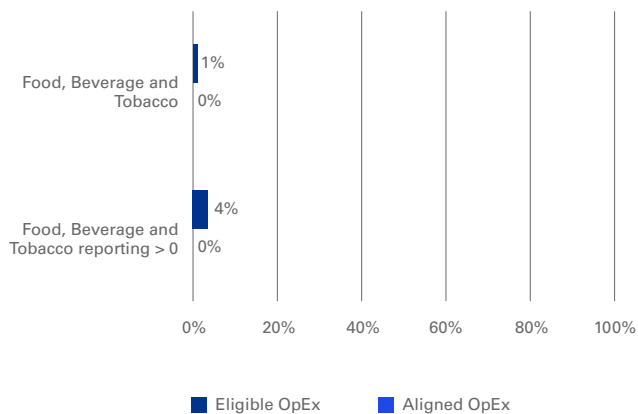
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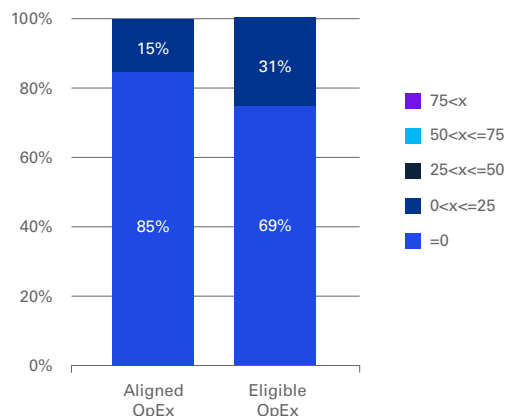
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The sector-sample of companies in the Food and Beverages industry consists of 13 companies. The median eligible turnover among those companies is 0 percent. Only one company reported an eligibility share greater 0 percent. No company reported turnover alignment greater 0 percent. The median for reported eligible CapEx amounts to 1 percent (average 8.9 percent). The average aligned CapEx share is 0.8 percent. A comparable picture is shown by the OpEx numbers with average eligibility of 1.2 percent and alignment of 0.1 percent. The range and variation of the given shares is relatively low. With few exceptions the reported shares were mostly below 25 percent and, in most cases, well below 10 percent independent of the KPI looked at.

These low shares reflect that the current Taxonomy does not cover the core activities of this sector namely the production of Food and Beverages. Accordingly, the activities mentioned by the company were auxiliary activities. In case of CapEx, 8 companies mentioned CapEx eligibility greater 0 percent. The most mentioned CapEx activities were **6.5 Transport by motorbikes, passenger cars and light commercial vehicles** (4 companies), **7.2 Renovation of existing buildings** (4 companies), **7.3 Installation, maintenance and repair of energy efficiency equipment** (5 companies) and **7.7 Acquisition and ownership of buildings** (5 companies).

In case of OpEx only 4 companies reported a OpEx greater 0 percent. Two companies each named **6.5 Transport by motorbikes, passenger cars and light commercial vehicles** and **7.3 Installation, maintenance and repair of energy efficiency equipment**.

The sole company with eligible turnover reported activity **4.30 High-efficiency cogeneration of heat/cool and power from fossil gaseous fuels**.

Main reasons for activities being not aligned were that the substantial contribution criteria and DNSH criteria were not met. Additionally, 5 companies mentioned that they were not able to obtain the necessary information from their contractors or suppliers. Two companies used the OpEx materiality exemption. The used materiality thresholds were 1 percent and 5 percent. All activities were reported under mitigation, or the allocation was not discernible. Only one company provided limited assurance instead of no assurance.

In essence, the data reflects the status of the Taxonomy that Food and Beverages are not targeted. Furthermore, the low assurance rate reflects that Taxonomy information might not been seen as valuable information for investors if core activities are not covered.



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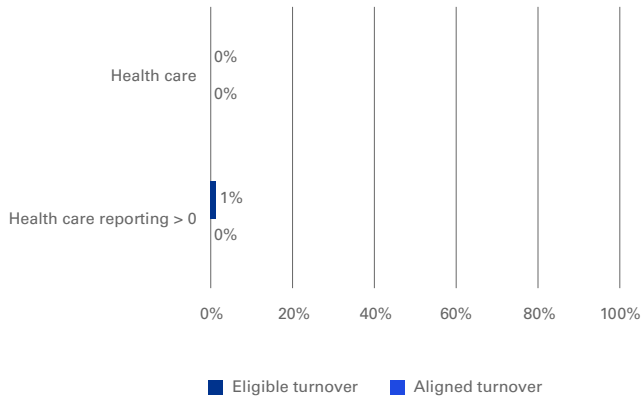
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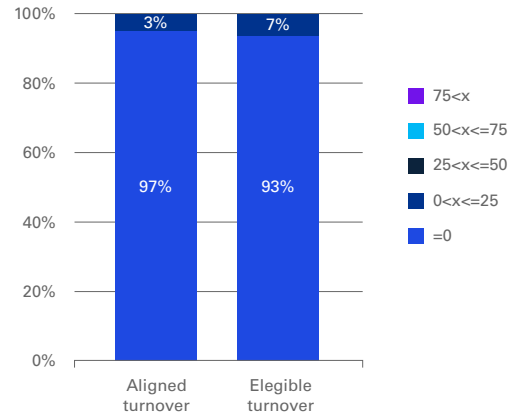


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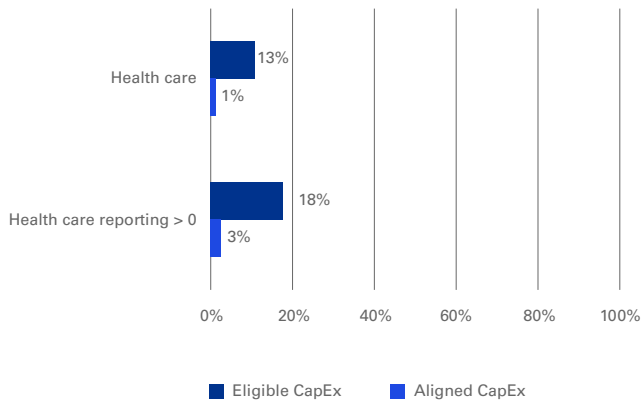
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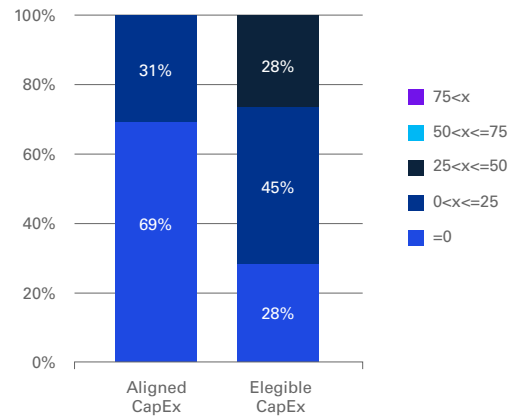
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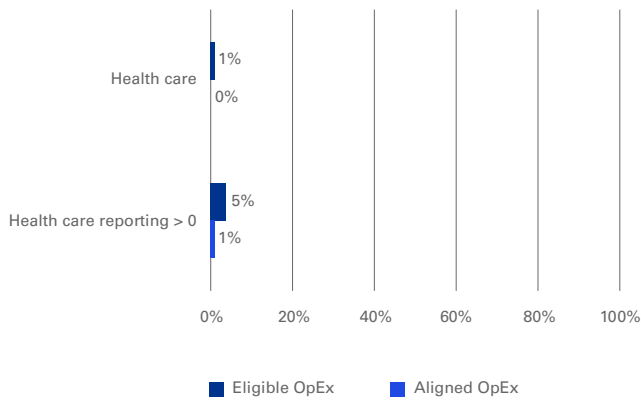
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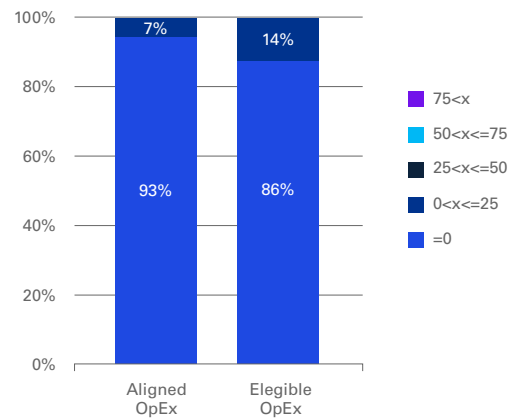
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For the Health Care sector, we analyzed the EU Taxonomy reporting disclosures of 29 companies.

Only two companies have reported eligible turnover higher than 0 percent and only one reported aligned turnover higher than 0 percent. The one company reporting aligned turnover reported a share near zero (related to the activity **3.5 Manufacture of energy efficiency equipment for buildings**).

The value for eligible CapEx is significantly higher as 72 percent of companies reported eligible CapEx greater 0 percent. The average eligible CapEx amounted to 13 percent (range from 0 percent to 46 percent). The picture regarding alignment is the same as in other sectors. Only 28 percent of the sample companies were able to show aligned CapEx with the activities **7.7 Acquisition and ownership of buildings** (3 companies) and **6.5 Transport by motorbikes, passenger cars and light commercial vehicles** (3 companies) reported most often.

The eligibility and alignment of OpEx looks similar to turnover. 86 percent of companies have reported an OpEx-eligibility of 0 percent, 14 percent of companies have reported an OpEx-eligibility in between 0 percent and 20 percent, all stable around 1 percent except for one company reporting 19 percent. Only 7 percent of companies were able to report aligned OpEx (highest share 1 percent). The activities covered by eligible and aligns OpEx are mostly related to building activities.

Furthermore, 21 percent of companies have used the materiality exemption for OpEx. Out of those companies, half do not disclose the threshold, and the other companies report a threshold of 1.5 percent, 5 percent and less than 10 percent.

Regarding the typical level of assurance in the Health Care sector: 72 percent have no assurance and 18 percent have limited assurance.

The low shares of eligible and aligned turnover in the Health Care sector show that this sector is not covered by the first two environmental objectives. In June 2023 the European Commission published the Technical Screening Criteria for the remaining four environmental objectives (notably water and marine resources, circular economy, pollution prevention and control and biodiversity and ecosystems) which included two economic activities for pharmaceutical companies under the pollution prevention and control environmental objectives: 1.1 'Manufacture of active pharmaceutical ingredients (API) or drug substances' and 1.2 'Manufacture of pharmaceutical products'. Based on the above, as well as the fact that 30 percent of health care companies hinted in its disclosures that there will be future higher EU Taxonomy numbers, we expect important changes to the eligibility and alignment figures of health care companies in future reporting periods.



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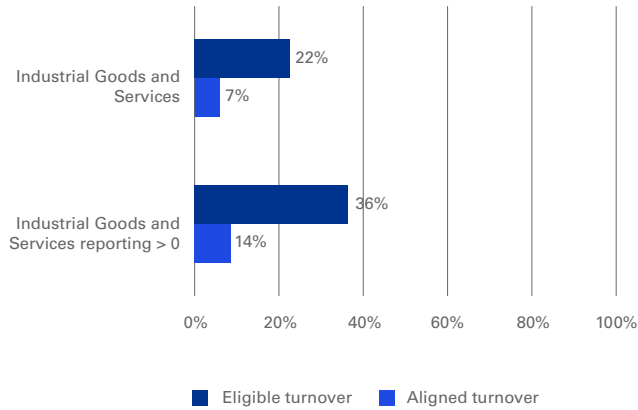
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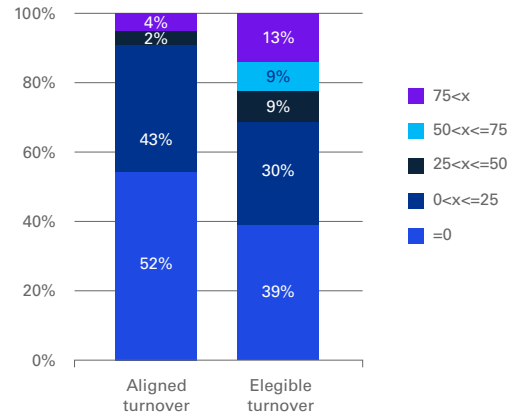


Industrial goods and services

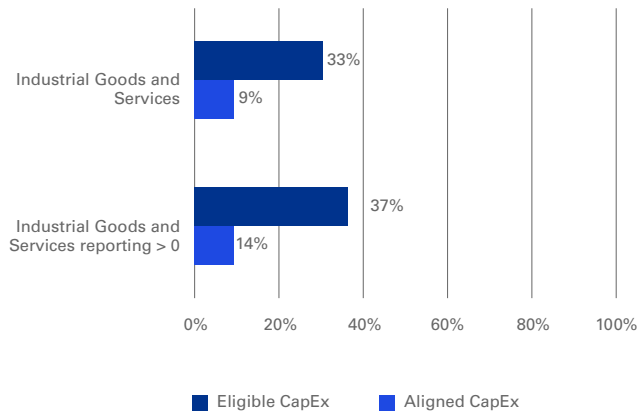
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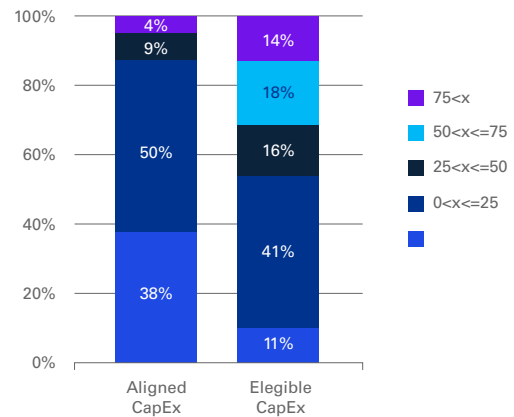
Turnover distribution



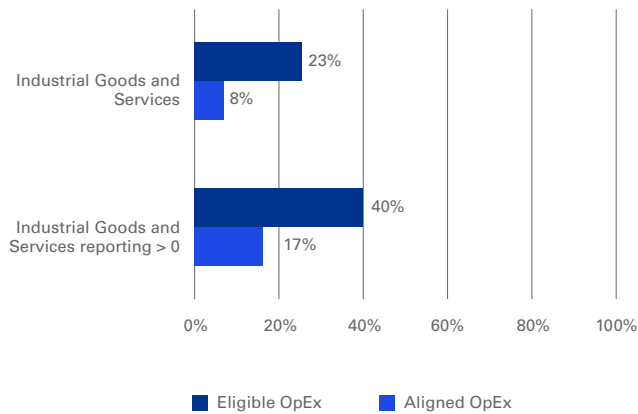
CapEx



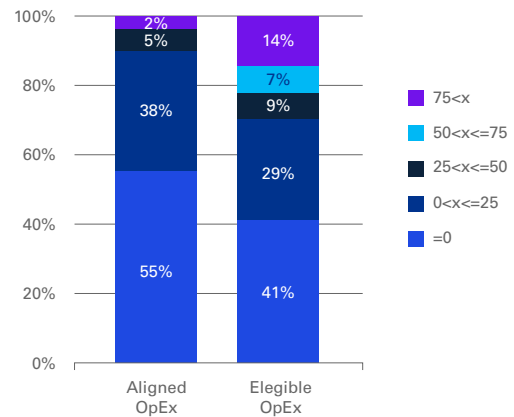
CapEx distribution



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The industry with most companies in the sample of this study was 'Industrial goods and services' with altogether 56 companies. Companies in this sector are quite diverse and can be divided in 6 subsectors with the most populated being Industrial Engineering (14 companies) and Industrial Transportation (11 companies).

Among the companies, the average eligible turnover reported for 2022 was 22 percent and average aligned turnover 7 percent. Similar figures were reported for OpEx with average eligibility of 23 percent and alignment of 8 percent. Meanwhile, the highest numbers were reported for CapEx; 33 percent eligibility and 9 percent alignment. Notably, the companies primarily reported climate change mitigation related activities, with only four (4) companies reporting eligibility and two (2) companies reporting alignment for climate change adaptation activities.

There was great variation in the reported alignment KPIs between different companies, ranging between 0 percent to 99.2 percent for turnover, 0 percent to 100 percent for OpEx, and 0 percent to 79.5 percent for CapEx. However, this wide range is mainly due to one company in the Electronic and Electrical Equipment sector that reported very high aligned numbers for all KPIs (between 79.5-100 percent), and one company in the Industrial Transportation sector that reported high alignment especially for turnover (95 percent) and CapEx (90 percent). None of the other companies reported figures above 50 percent for any of the three KPIs.

Altogether 34 (61 percent) of the companies reported some eligible turnover greater 0 percent, while 27 (48 percent) reported some aligned turnover greater 0 percent, meaning that more than half of the companies did not have any aligned turnover for 2022. The three activities that were most frequently identified as having aligned turnover were **3.6 Manufacture of other low carbon technologies** (9 companies), **4.9 Transmission and distribution of electricity** (7 companies), and **3.1. Manufacture of renewable energy technologies** (5 companies).

For OpEx, the figures were even lower with 33 (59 percent) companies reporting some eligible OpEx greater 0 percent, and only 25 (45 percent) reporting some aligned OpEx greater 0 percent. The most commonly reported aligned OpEx related to very similar activities as for turnover: **3.6 Manufacture of other low carbon technologies** (8 companies), **4.9 Transmission and distribution of electricity** (5 companies), **3.1. Manufacture of renewable energy technologies** (4 companies), and **3.3 Manufacture of low carbon technologies for transport** (4 companies). This would

indicate, that Taxonomy-relevant OpEx is strongly connected to turnover-generating activities. Altogether 12 companies used the materiality exemption for OpEx.

Interestingly, and as opposed to turnover and OpEx, a great majority of the companies reported at least some eligible CapEx (50 companies, 89 percent) greater 0 percent, with more than half of them also reporting at least some aligned CapEx (35 companies, 63 percent) greater 0 percent. Here, the activities that were most commonly identified as having aligned CapEx were **7.3 Installation, maintenance and repair of energy efficiency equipment** (13 companies), **7.7 Acquisition and ownership of buildings** (10 companies), and **7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)** (9 companies). This seems to indicate that many companies are currently investing in building the energy efficiency and sustainability of their own buildings and premises.

While the most frequently reported activities are listed above, it is worth pointing out that there was great variation in the activities for which alignment was reported in this industry sector. For turnover and OpEx, companies reported aligned turnover from altogether 31 different economic activities, most of which were activities which were disclosed by one company only. For CapEx, the variation was even bigger, with alignment figures reported for 35 different economic activities.

Most companies indicated some explanation for why certain activities were only eligible, but not aligned: 11 companies said that they did not meet the substantial contribution criteria, nine (9) reported that they could not do the assessment due to lack of information, three (3) did not meet the Do No Significant Harm criteria, one (1) reported that they were not aligned with the Minimum Safeguards, and 13 reported that there were multiple reasons for non-alignment.

All in all, 'Industrial goods and services' is a very diverse industry with great variation in the reported KPI figures between companies. This reflects the quite different types of companies included in this segment providing a variety of goods and services. Finally, it can be noted that most companies in the sample did not obtain any external assurance for their Taxonomy disclosures; however, still slightly less than one third or 17 companies (30.4 percent) did obtain limited assurance and 1 company (1.8 percent) reasonable assurance. Such companies undergoing limited assurance already at this point would already now be prepared for the mandatory limited assurance under the EU Corporate Sustainability Reporting Directive (CSRD).

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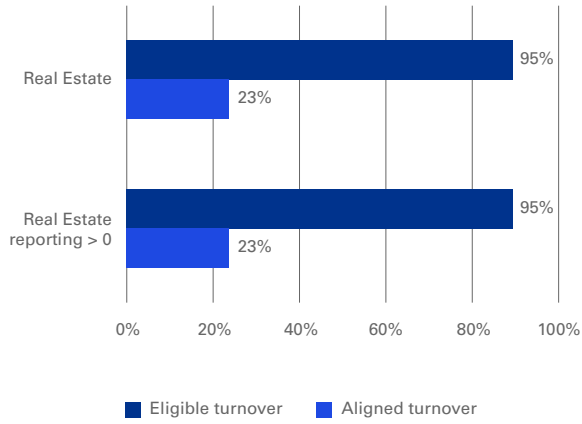
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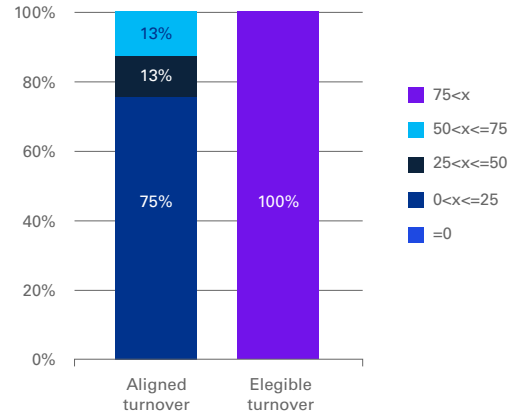


Real estate

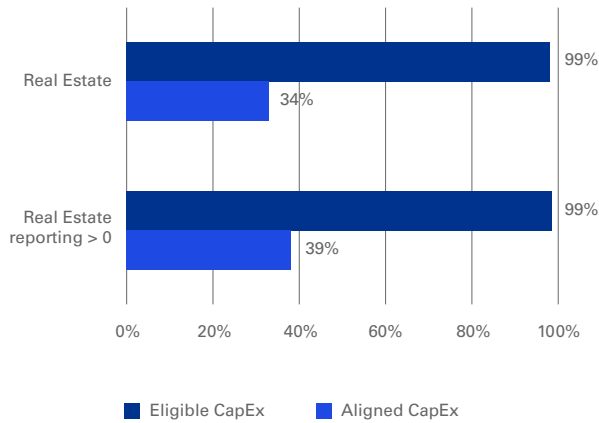
Turnover



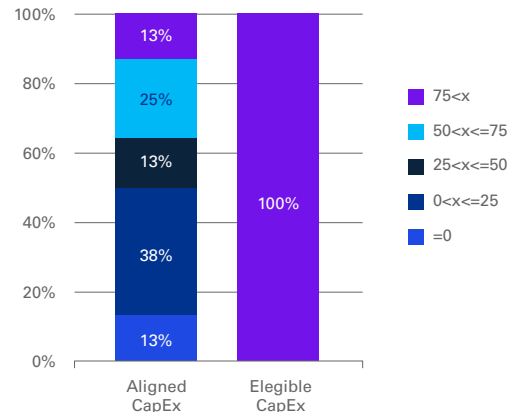
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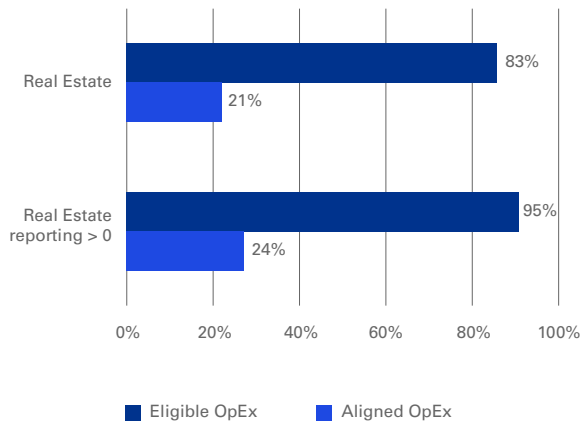
CapEx



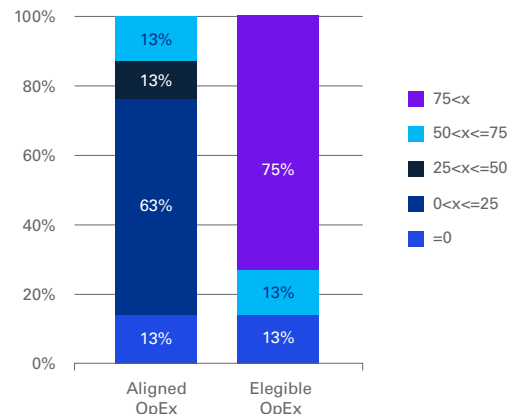
CapEx distribution



OpEx



OpEx distribution



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The sector-sample for the Real Estate includes 8 companies, which are incorporated mainly in France, Sweden and Germany. The majority of companies reported relatively high values of eligibility KPIs but significantly lower alignment KPIs. The KPIs mainly cover three EU Taxonomy activities: **7.7 Acquisition and ownership of buildings, 7.1 Construction of new buildings and 7.2. Renovation of existing buildings.**

In almost all cases, the disclosed KPIs consist of activities contributing to climate change mitigation. Just one company of the sample analyzed the technical criteria for climate change mitigation and adaptation.

The average eligibility of turnover amounted to nearly 95 percent. The average eligibility for capital expenditures (CapEx) reached 99 percent, which significantly differentiates this sector from other industries under review, as basically all core business activity of the Real Estate sector is Taxonomy-eligible. The average eligible OpEx KPI is also considerably high and amounted to approximately 83 percent.

Remarkably, despite the high level of KPIs for eligible activities, the average value of KPIs for aligned activities is significantly lower. For turnover KPI, the average

alignment amounted to 23 percent, and a similar average alignment was disclosed for OpEx KPI — 21 percent. The average level of Taxonomy-aligned KPI CapEx was slightly higher than for turnover and OpEx, equal to 34 percent. This may stem from the fact that the companies managed to adjust parameters of new investments to the EU Taxonomy’s technical criteria. The majority (5 out of 8) of the analyzed companies did not disclose any information about factors causing the relatively low level of alignment, whereas the remaining entities indicated multiple reasons (e.g. non-compliance with minimum social safeguards or lack of adequate data required for technical criteria evaluation).

Neither of the companies disclosed information on their plans for increasing the eligible CapEx. It is also worth mentioning that only 1 of the 8 analyzed entities decided to use the materiality exemption for OpEx. The adopted level of materiality in this case amounted to a rather high level of 10 percent of total OpEx.

Half of the reviewed companies subjected the reports to independent external assurance providers, in call cases it was a limited assurance service.



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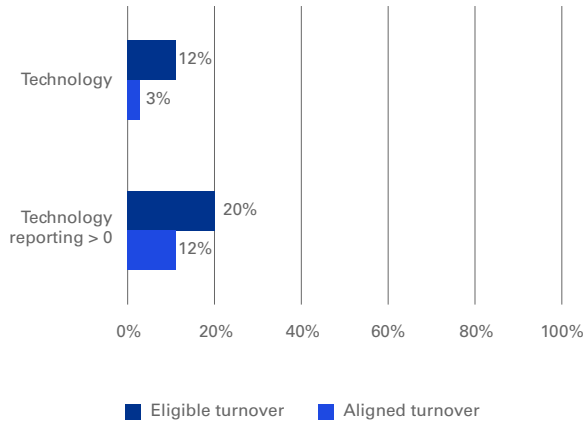
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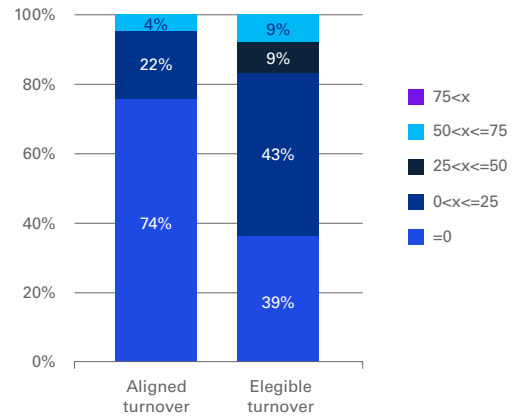


Technology

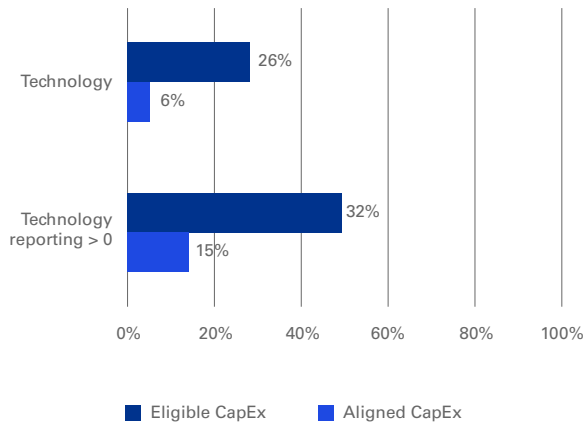
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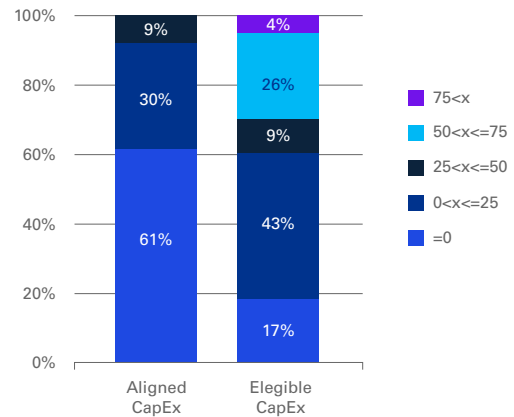
Turnover distribution



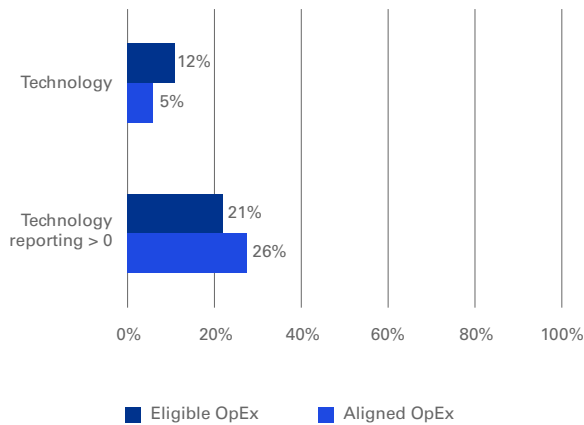
CapEx



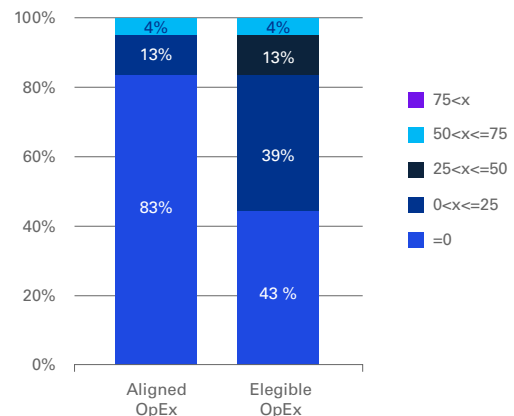
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The sector-sample for the Technology sector includes altogether 23 companies. Five out of 23 companies operate in the Technology Hardware & Equipment subsector, while the rest operates in the Software & Computer Services subsector.

Seven companies report very low eligibility ratios (between 0 percent and 2 percent) for all three KPIs and as a consequence of this also (close to) zero alignment. For turnover and OpEx disclosures, most companies (73 percent and 83 percent respectively) report eligibility ratios lower than 25 percent, indicating low potential for sustainable turnover and OpEx activities. For CapEx, fewer companies (43 percent) report eligibility ratios lower than 25 percent, while some companies (26 percent) report higher eligibility ratios between 50 percent and 75 percent, indicating therefore higher potential for sustainable CapEx activities. The highest eligibility ratio of one company in the technology sector (in the Software & Computer Services subsector) was 76 percent for CapEx.

Fourteen out of 23 companies reported zero or negligible alignment ratios (less than 0.1 percent). Excluding 0 percent alignment KPI's, for the remaining population average alignment ratios for turnover, OpEx and CapEx were 12 percent, 26 percent and 15 percent respectively. One company presents the highest alignment ratios for the three KPIs at 58 percent, 73 percent and 38 percent respectively. Excluding this company, the average alignment ratios drop to 2 percent, 8 percent and 10 percent respectively. Excluding the zero alignment values from this population and the company with the highest alignment

ratios, the average alignment ratios drop further to 1 percent, 1 percent and 4 percent respectively. Efforts provided by Technology companies in sustainable activities are not yet reflected in the Taxonomy-eligibility and alignment ratios.

There is no dominant economic activity that contributes substantially to climate mitigation among the companies. The most frequently reported aligned activity is **3.6 Manufacture of other low carbon technologies**, which appears for the three KPIs for two companies; and **7.7 Acquisition and ownership** of buildings for CapEx for two companies. Six companies applied the materiality exemption for OpEx, whereby three of those companies disclosed the threshold they applied (1.7 percent – 5.1 percent of total OpEx).

Only one company disclosed an economic activity that contributed substantially to climate adaptation, namely **8.2 Data-driven solutions for GHG emissions reductions**. This excludes a company that reported a very low climate adaptation alignment ratio of 0.005 percent (and related eligibility of 0.26 percent).

More than half of the companies explained the reasons for the gap between eligibility and alignment of their activities, which is mostly due to not meeting the substantial contribution criteria. Three of the companies disclosed that they had insufficient information to assess alignment.

Limited assurance was only obtained by eight out of the 23 companies.



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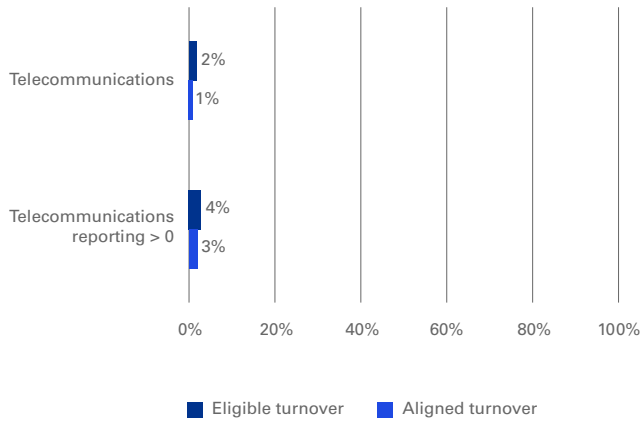
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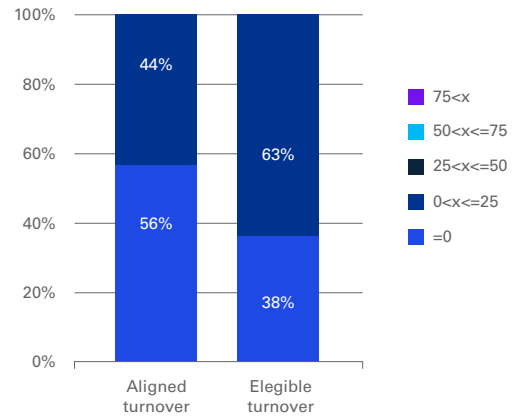


Telecommunications

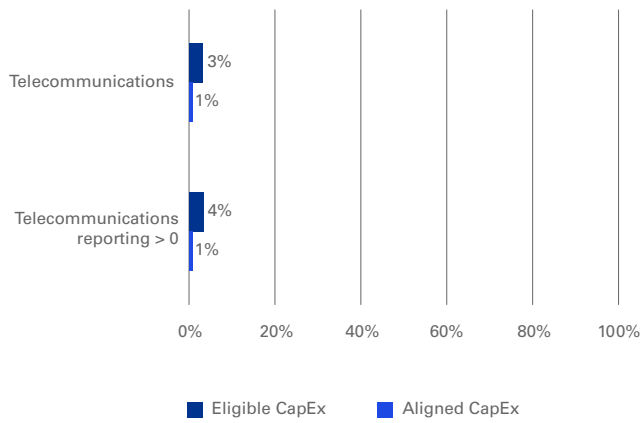
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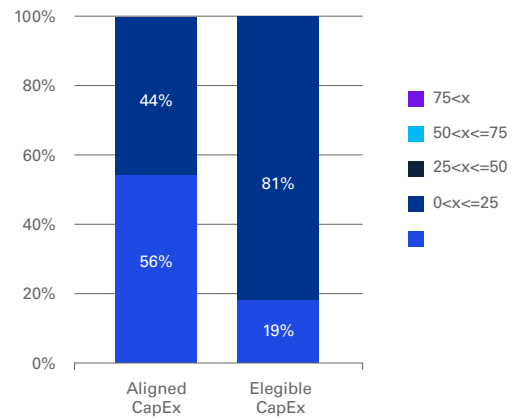
Turnover distribution



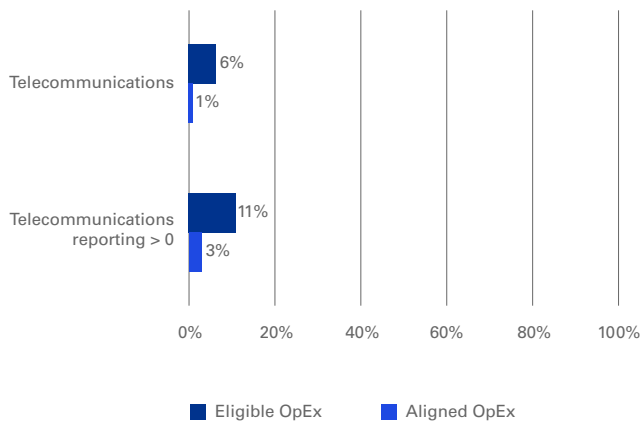
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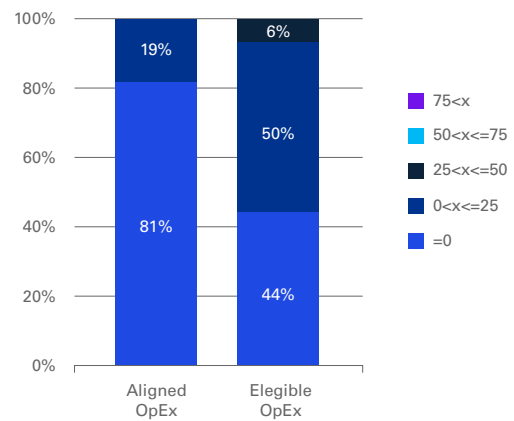
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In the sample of this study 16 companies were included for the telecommunication industry. Among these companies the average value for the turnover KPI amounted to 2.3 percent and for CapEx to 3.3 percent, which indicates that the core business activity of the Telecommunication sector is not Taxonomy-eligible. The average OpEx KPI was also considerably low and amounted to approximately 6 percent.

As the level of KPIs for eligible activities was low, the average value of KPIs for aligned activities was minimal. For turnover, KPI amounted to 1.2 percent, the average value disclosed for OpEx KPI was 0.6 percent and lastly the average level of Taxonomy-aligned KPI CapEx amounted to 0.5 percent.

There was quite a small variation in the reported eligible KPIs between different companies, ranging between 0 percent to 9.6 percent for turnover, 0 percent to 33.5 percent for OpEx and 0 percent to 9.6 percent for CapEx. For the reported aligned KPIs the variation was even smaller, ranging between 0 percent to 9.4 percent for turnover, 0 percent to 8.1 percent for OpEx, and 0 percent to 4.3 percent for CapEx.

Altogether 10 (63 percent) of the companies reported some eligible turnover, while 7 (44 percent) reported some aligned turnover, meaning that more than half of the companies did not have any aligned turnover for 2022. The activities identified as having aligned turnover were **8.2. Computer programming, consultancy and related activities** (5 companies), **8.3. Programming and broadcasting activities** (3 companies) and **8.1. Data processing, hosting and related activities** (2 companies).

For OpEx, the figures were even lower with 8 (50 percent) companies reporting some eligible OpEx, and only 3 (19 percent) reporting some aligned OpEx.

8.2. Computer programming, consultancy and related activities (2 companies) was also identified as an aligned OpEx activity, as well as two new activities: **7.6. Installation, maintenance and repair of renewable energy technologies** (1 company) and **7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings** (1 company). It is also worth mentioning that 2 of the 16 companies decided to use the materiality exemption for OpEx.

Regarding CapEx, a vast majority of the companies reported at least some eligible CapEx activities (12 companies, 75 percent), with around half of them also reporting at least some aligned CapEx (7 companies, 44 percent). Here, 6 aligned activities were identified, whereof the most frequently identified were **8.2. Computer programming, consultancy and related activities** (3 companies), **8.3. Programming and broadcasting activities** (3 companies), and **7.3. Installation, maintenance and repair of energy efficiency equipment** (2 companies). Companies primarily reported climate change mitigation activities, but climate change adaptation activities did occur.

Most companies indicated some explanation for why certain activities were only eligible, but not aligned: 6 companies said that they did not meet the substantial contribution criteria, 1 reported that they could not do the assessment due to lack of information, 1 company did not meet the Do No Significant Harm-criteria and 6 companies reported that there were multiple reasons for non-alignment. Finally, it can be noted that most companies (10 out of 16) in the sample did have external assurance for their Taxonomy disclosures; all of these 10 companies obtained limited assurance.



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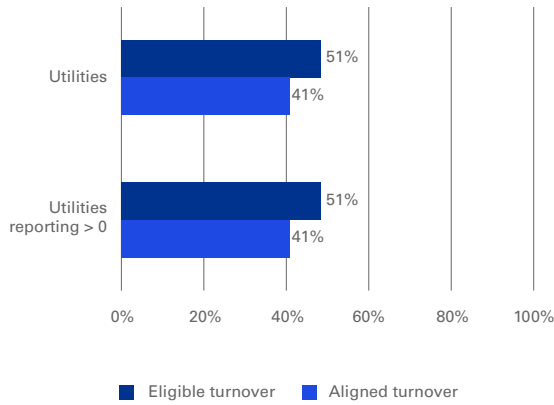
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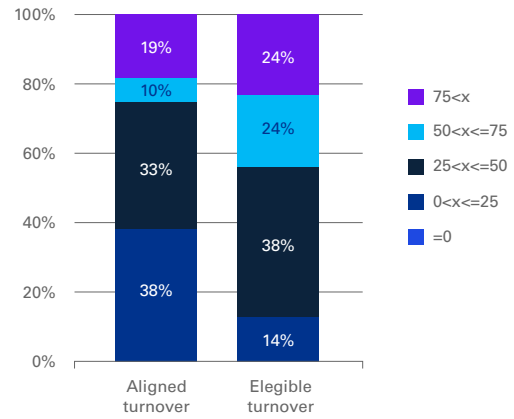


Utilities

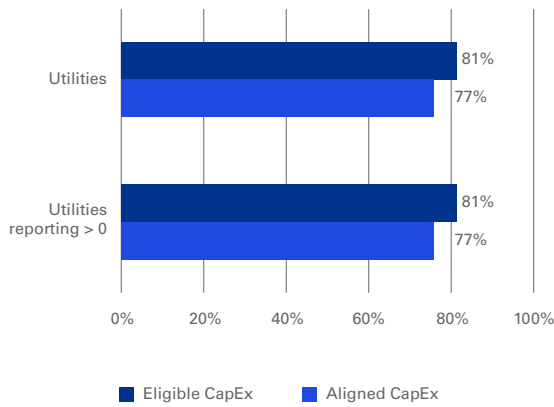
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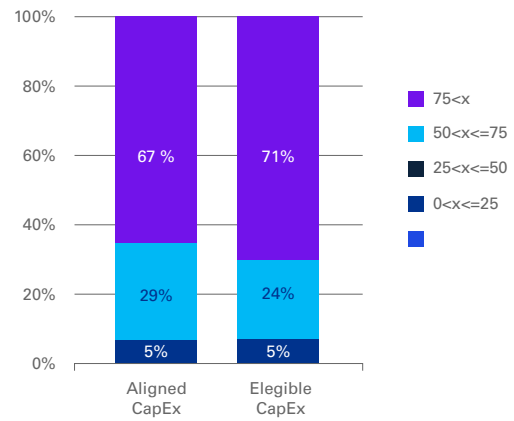
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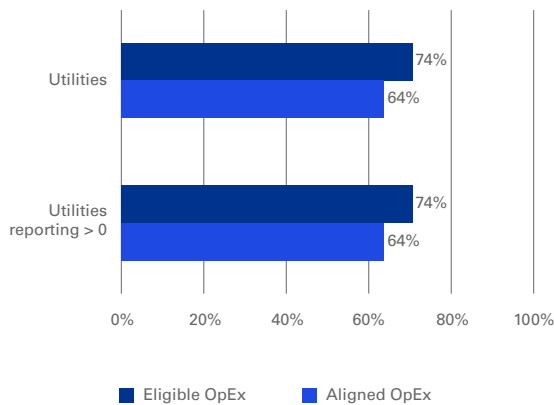
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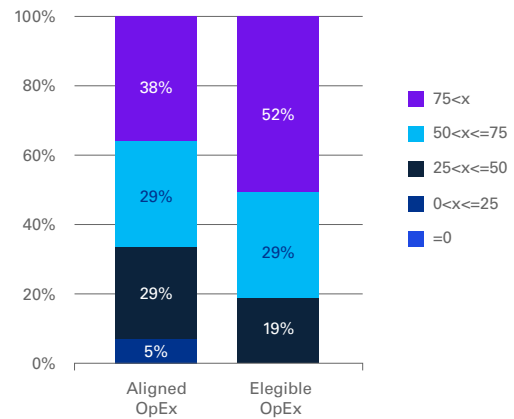
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The industry 'Utilities' represents a total of 21 sample companies. Seven (7) of these companies operate in the Gas, Water and Multi-utilities sub-sector. The other 14 operate in the Electricity sub-sector.

The average eligible turnover for 2022 and average aligned turnover were 51 percent and 41 percent respectively, which are also the lowest values in comparison to OpEx and CapEx. Within the sample the reported aligned turnover had a very large range between 0 percent to 99.78 percent.

The OpEx was reported with an average eligibility of 74 percent and an alignment of 64 percent. CapEx was reported with 81 percent eligibility and 77 percent alignment. The numbers reveal that the 'Utilities' industry activities are covered by large parts by the EU Taxonomy, especially the aligned CapEx activities. The companies reported almost all activities as climate change mitigation except for one (1) activity being reported as alignment for climate change adaptation and two (2) being reported as both. The ranges of aligned OpEx (0 percent to 99.49 percent) and CapEx (0 percent to 99.87 percent) were very wide, same as for turnover.

The entire sample of 21 companies reported eligible turnover and aligned turnover. Overall, this presents that the entire industry already has their turnover activities aligned for 2022. Not surprisingly, the most frequent climate change mitigation activities mentioned are energy related. Most commonly, the activities **4.9 Transmission and distribution of electricity** (15 companies), **4.3 Electricity generation from wind power** (13 companies) and **4.5 Electricity generation from hydropower** (12 companies) generated aligned turnover within the sample.

The same holds when referring to both OpEx and CapEx reporting. For both eligible OpEx and aligned OpEx and for eligible CapEx and aligned CapEx 100 percent of the sample report the activities. In line with this the most reported aligned OpEx and aligned CapEx activities are identical. For aligned OpEx the most common activities are: **4.9 Transmission and distribution of electricity** (16 companies), **4.3 Electricity generation from wind power** (13 companies), **4.1 Electricity generation using solar photovoltaic technology** (12 companies), **4.5 Electricity generation from hydropower** (12 companies), and **7.6 Installation, maintenance**

and repair of renewable energy technologies (12 companies). None of the companies of the sample used the materiality exemption for OpEx. For aligned CapEx the most common activities are: **4.3 Electricity generation from wind power** (14 companies), **4.9 Transmission and distribution of electricity** (14 companies) and **4.1 Electricity generation using solar photovoltaic technology** (13 companies).

The conclusion can be drawn that the 'Utility' sector has their OpEx and CapEx activities strongly covered by the Taxonomy. Thus, a Taxonomy aligned reporting is possible. The industry can find many of their most common activities within the scope of the Taxonomy activities with energy generation and distribution being highly emphasized in the scope of section 4. Thus, the alignment of companies is significantly high. Nevertheless, the activities for which alignment was reported did display large variation. For turnover a total of 36 different activities were reported. For OpEx 40 activities were reported, while for CapEx 41 different activities were reported. However, often the activities were reported by many companies simultaneously, which shows that as described above many activities can be reported within the 'Utility' industry. Interestingly, despite this, none of the sample mentions a CapEx-Plan within their company.

Two third (14 companies) of companies indicated a reason why their activities are not Taxonomy aligned with seven (7) companies not giving a reasoning. Of the companies indicating a reasoning, ten (10) companies gave multiple reasons for non-alignment. Three (3) companies mentioned that they did not meet the substantial contribution criteria, and one (1) company said that they did not meet the Do No Significant Harm-criteria.

Generally speaking, the 'Utilities' industry already reports large aspects of their Taxonomy aligned turnover, OpEx and CapEx. Nevertheless, there are still large variances in the reported KPI figures. One (1) company had reasonable assurance for their Taxonomy disclosures, while the rest equally split between limited assurance (10 companies) and no assurance (10 companies). In conclusion, slightly more than half of the sample (11 companies) are already becoming prepared for the upcoming CSRD by obtaining assurance.

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Outlook

Our analysis has shown that although some guidance was given by the EU Commission, the EU Taxonomy disclosures still largely vary in their scope and content. We expect further guidance as well as the establishment of a 'best practice' in future reporting periods.

We also found that certain sectors show very low Taxonomy-eligibility numbers, similar to last year's reporting. This is largely due to the fact that only the first two environmental objectives, climate change mitigation and climate change adaptation, were required to be reported on for the financial year 2022. As a result, sectors with a low overall impact on climate change, such as health care, cannot identify many activities in their core business that are eligible under the Taxonomy, and in turn cannot classify any activities as Taxonomy-aligned and therefore 'environmentally sustainable'. However, this could change in the next reporting periods, as the list of Taxonomy-eligible activities for the other four environmental objectives has recently been published and companies will be required to report on these activities starting next year. As was the case for the first set of activities, companies will only be required to report on their eligibility for the new activities in the first reporting period. Reporting on the Taxonomy-alignment of those activities becomes mandatory only in the following year.

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Designed by Evalueserve.

Publication name: Setting the baseline towards transparency

Publication number: 138918-G

Publication date: October 2023