



ASSET

Accounting for Sustainability,
Social and Environmental Transparency

EU Taxonomy

Summary & preliminary
reading for Teaching
Module 2

Index

1	About this document	3
2	Background of the EU Taxonomy Regulation (EU) 2020/852 reporting requirements	3
3	Required KPIs	4
3.1	Sustainable shares of revenue	4
3.2	CapEx – Capital expenditure	5
3.3	OpEx – Operational expenditures	5
4	Further relevant information	6

List of figures

Figure 1 - EU's environmental objectives	3
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1 About this document

This document contains a summary of the reporting requirements required by the EU-Taxonomy Regulation. These reporting requirements are directly linked to the NFRD and CSRD reporting requirements. Particularly, this Regulation requires companies to report specific and strongly standardized KPIs regarding their sustainable business activities. This content is relevant for Teaching Module 2 – Sustainability Assurance of the ASSET project and should support you in solving the tasks. Please read through the document thoroughly before the ISP (1st week of September) starts.

2 Background of the EU Taxonomy Regulation (EU)

2020/852 reporting requirements

The EU Taxonomy Regulation is a standardised classification system for green economic activities within the scope of the EU action plan on “financing sustainable growth” and defines activities for the EU’s 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

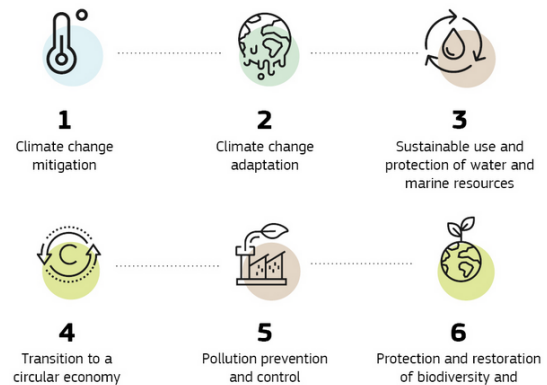


Figure 1 - EU's environmental objectives¹

According to the definitions provided in the EU Taxonomy, economic activities are “environmentally sustainable” if they

- “**contribute substantially**” to the achievement of one or more of the six above-mentioned environmental objectives,
- “**do no significant harm**” to the achievement of the EU’s five other environmental objectives,
- comply with the “**minimum safeguards**” for occupational health and safety and human rights.

Technical screening criteria are applied for the analysis of whether an economic activity contributes substantially to one of the objectives and does no significant harm to the achievement of the other five objectives. Potential overlaps were identified and analysed to avoid any double counting of economic activities.

Reporting on the type of taxonomy-eligible and taxonomy-aligned economic activities is in line with the following delegated regulations:

- Delegated Regulation (EU) 2021/2139
- Delegated Regulation (EU) 2021/2178
- Delegated Regulation (EU) 2023/2485
- Delegated Regulation (EU) 2023/2486

For the 2023 financial year, information is to be provided on all six environmental objectives for the first time. However, only information on taxonomy eligibility is required for environmental objectives 3 to 6 and the economic activities newly included within the scope of the changes and additions made to the delegated act on climate change mitigation.

Economic activities are “taxonomy-eligible” if they can be allocated to the screening criteria (irrespective of whether the criteria are met), while they are “taxonomy-aligned” if they also meet the screening criteria.

Within the EU taxonomy, companies need to report both on eligibility and alignment in the following ways:

- **Eligibility:** The percentage of your KPIs related to the company’s taxonomy eligible activities, in other words the percentage with the potential of being aligned.
- **Alignment:** The percentage of your KPIs related to the taxonomy eligible activities which also fulfill the taxonomy criteria, and hence is aligned.



3 Required KPIs

In accordance with the EU Taxonomy Regulation and relevant delegated acts, companies have to report on the proportion of its revenue, capital expenditure (CapEx) and operating expenditure (OpEx) resulting from its taxonomy-eligible, taxonomy-aligned or taxonomy-non-eligible economic activities. Additionally, companies have to provide qualitative information. The following section includes information on how the most important terms are defined and how the specific KPIs are calculated.

3.1 Sustainable shares of revenue

The basis for calculating this KPI is net revenue, meaning the amounts derived from sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover. Will for most companies mean that the total turnover used in taxonomy reporting is the same as stated in the revenue statement in the financial reporting.

Calculation of Revenue KPI

Numerator	Share of net revenue from taxonomy-aligned economic activities
Denominator	Net revenue as per Art. 2 No. 5 EU Accounting Directive

3.2 CapEx – Capital expenditure

The denominator for this KPI represents the total of investments in tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements associated with the taxonomy-eligible activities. More specifically, the taxonomy refers to the CapEx covering costs based on certain IFRS such as Property, Plant and Equipment, Intangibles etc.

Calculation of CapEx KPI

Share of investment expenditures included in the denominator:

Numerator	<ol style="list-style-type: none"> 1 For assets or processes from taxonomy-aligned economic activities 2 For the planned expansion of taxonomy-aligned economic activities or conversion of taxonomy-eligible to taxonomy-aligned economic activities (CapEx plan) 3 For the acquisition of services from taxonomy-aligned economic activities and individual measures that can implement decarbonization or greenhouse gas reduction within 18 months in the target activities
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Denominator	Investment expenditures for additions to intangible assets and property, plant, and equipment

3.3 OpEx – Operational expenditures

The OpEx used in the taxonomy differs from what most companies report in their financial statements. As it was initially discussed to exclude OpEx as a KPI from the taxonomy entirely, it could be thought of as “inclusion of parts of the OpEx” instead of “OpEx with exclusions”.

The KPI aims to capture non-capitalised costs (i.e. those costs not captured by the CapEx KPI) which relate to investments in assets and processes. The OpEx is therefore a category of costs which “complements” CapEx in relation to investments and in this regard, together with CapEx, will give an indication of a company’s strategy for maintaining or improving environmental performance and resilience. More specifically, the OpEx refers to costs related to research and development, building renovation measures, short-term lease, maintenance and repair and any other direct expenditures.

Calculation of OpEx KPI

	Share of operating expenditures included in the denominator:
Numerator	1 For assets or processes from taxonomy-aligned economic activities, including training costs as well as non-capitalized research and development costs
	2 Allocable to a CapEx Plan
	3 For the acquisition of services from taxonomy-aligned economic activities and individual measures that can implement decarbonization or greenhouse gas reduction within 18 months in the target activities, including building renovation costs
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	Direct operating expenses for:
Denominator	1 Research and development
	2 Building renovation
	3 Short-term leasing
	4 Maintenance and repair
	5 Ongoing upkeep of property, plant, and equipment by the company or by third parties

4 Further relevant information

Further information on the EU-Taxonomy is available at: <https://ec.europa.eu/sustainable-finance-taxonomy/>

Taxonomy user guide: <https://ec.europa.eu/sustainable-finance-taxonomy/assets/documents/Taxonomy%20User%20Guide.pdf>

