



Applying the EU Taxonomy for Non-EU Companies

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Context

The EU Taxonomy is a classification system that defines the economic activities of companies based on their contribution to sustainability objectives. Investors can use Taxonomy-aligned information to better integrate sustainability considerations into their investment decisions.

Entities required to report in line with the Taxonomy include:

- + **Large and listed companies:** those required to comply with Directive 2013/34 (Accounting Directive) which sets requirements for annual financial and non-financial reporting
- + **Financial market participants and financial advisors:** issuers of financial products or corporate bonds that are branded as “environmentally sustainable”

By setting clear definitions for what economic activities qualify as sustainable, the Taxonomy provides crucial transparency to achieve the objectives of the European Green Deal and the EU’s Sustainable Finance Framework. The purpose of the EU Taxonomy is not to mandate certain requirements for environmental performance or financial products. Rather, the goals are aligned with the EU’s climate and environmental goals to:

- + Create a consistent definition of “sustainability” regarding economic activities
- + Support companies in their effort to plan and finance their green transition
- + Protect against greenwashing
- + Accelerate financing of projects that are sustainable

Interaction of Primary Stakeholders



have to publicly report



CSRD (Corporate Sustainability Reporting Directive)

EU regulation mandating large and listed companies to report on sustainability information. Companies must report using the European Sustainability Reporting Standards (ESRS).

% of activities eligible & aligned with the EU Taxonomy

% of revenue, CapEx, and OpEx related to economic activities that are covered by EU Taxonomy (Taxonomy-eligible)

% of revenue, CapEx, and OpEx related to economic activities that comply with EU Taxonomy conditions and criteria (Taxonomy-aligned)

Other CSRD information on environmental, social and governance issues

reporting information goes to



Financial Market Participants
(asset managers, insurance companies, pension funds, etc.)
and Financial Advisors

Other End Users
(civil society, customers...)

SFDR (Sustainable Finance Disclosure Regulation)

EU regulatory framework that governs how financial market participants disclose sustainability information to investors. SFDR was designed to help investors assess how financial products contribute to sustainability objectives and incorporate sustainability risks. Alignment with EU Taxonomy is included in the SFDR definition of a 'sustainable investment.'

EU Taxonomy

A classification system meant to categorize the economic activities of companies based on their contribution to sustainability objectives.

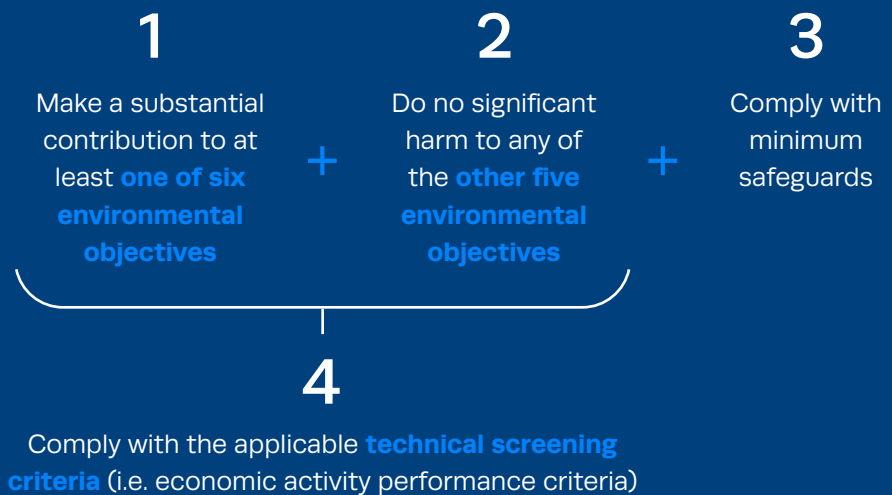
Key Components

In alignment with the EU Green Deal’s goals, the EU Taxonomy sets out six climate and environmental objectives and four overarching conditions that **economic activities** must meet to be considered environmentally sustainable or Taxonomy-aligned:

6 Climate & Environmental Objectives

- + Climate change mitigation
- + Climate change adaptation
- + Sustainable use and protection of water & marine resources
- + Transition to a circular economy
- + Pollution prevention and control
- + Protection and restoration of biodiversity & ecosystems

4 Overarching Conditions



These objectives and conditions are the foundation for required disclosures under the EU Taxonomy.

Additionally, the EU Taxonomy defines specific **economic activities** in an effort to help companies 1) better identify activities relevant to their particular sector and 2) evaluate those activities against the above objectives and conditions. Economic activities covered by the EU Taxonomy can be easily accessed on the [EU Taxonomy Navigator](#).

Finally, the EU Taxonomy also sets **technical screening criteria** to help companies evaluate whether an economic activity is meeting conditions 1 and 2. These performance criteria are outlined in [EU delegated acts](#) and incorporated into the EU Taxonomy Navigator.

Navigating a Complex Series of Delegated Acts

The EU Taxonomy consists of the Taxonomy regulation as well as several implementing and delegated acts that supplement the Taxonomy regulation. Each piece of legislation is described below:

- + **EU Regulation 2020/852**, otherwise known as the EU Taxonomy Regulation, came into force in July 2020. It established the framework for determining whether economic activities could qualify as environmentally sustainable.

- + **Delegated Regulation 2021/2139** (EU Taxonomy Climate Delegated Act) was adopted in June 2021 as a supplement to Article 9 of the EU Taxonomy. It established the **technical screening criteria** for determining how certain economic activities qualify as:
 - Contributing substantially to climate change mitigation
 - Contributing substantially to climate change adaptation
 - Causing no significant harm to any of the other environmental objectives in Article 9 of the EU Taxonomy

- + **Delegated Regulation 2021/2178** was adopted in July 2021 as a supplement to Article 8 of the EU Taxonomy. It established the **content, presentation, and methodology for reporting** on sustainable economic activities.

- + **Delegated Regulation 2022/1214** (Complementary Climate Delegated Act) was adopted in March 2022 and added **certain nuclear and gas energy activities** to the list of economic activities covered by the EU Taxonomy.

- + **Delegated Regulation 2023/2486** was adopted in June 2023 and once again expanded the list of economic activities covered by the EU Taxonomy by adding **manufacturing and transport sectors**. It also added a new set of technical **screening criteria** for economic activities:
 - Use and protection of water and marine resources
 - Transition to circular economy
 - Pollution prevention and control
 - Protection and restoration of biodiversity and ecosystems

EU Taxonomy in Practice

EU Taxonomy disclosures are outlined in Article 8 of the regulation and will sometimes be referred to as “disclosures pursuant to Article 8 of Regulation (EU) 2020/852”. These disclosures are:

- + Proportion of turnover (i.e. revenue) derived from products or services associated with economic activities that qualify as environmentally sustainable*
- + Proportion of capital expenditure (CapEx) and proportion of operating expenditure (OpEx) related to assets or processes associated with economic activities that qualify as environmentally sustainable*

*per the environmental objectives and criteria in the EU Taxonomy

In disclosing the above turnover, CapEx, and OpEx figures, companies will need to present their data in tabular format showing a granular breakdown of both Taxonomy-eligible activities and Taxonomy-aligned activities. A template for this disclosure is included in [Delegated Regulation 2021/2178](#):

Taxonomy-eligible: an economic activity covered by the EU Taxonomy’s activity definitions in the regulation or subsequent delegated acts

Taxonomy-aligned: an economic activity that complies with the EU Taxonomy conditions and technical screening criteria

ANNEX II

TEMPLATES FOR THE KPIs OF NON-FINANCIAL UNDERTAKINGS

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year N

Financial year N	Year			Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm') ^(b)						Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)	
	Economic Activities (1)	Code ⁽²⁾	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)				Biodiversity (16)
Text		Currency	%	Y; N; N/EL ^(c)	Y; N; N/EL ^(c)	Y; N; N/EL ^(c)	Y; N; N/EL ^(c)	Y; N; N/EL ^(c)	Y; N; N/EL ^(c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1			%							Y	Y	Y	Y	Y	Y	Y	%		
Activity 1 ^(d)			%							Y	Y	Y	Y	Y	Y	Y	%	E	
Activity 2			%							Y	Y	Y	Y	Y	Y	Y	%		T
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	%		

Step-by-Step EU Taxonomy Disclosure

The following is a high-level overview of how to align with the EU Taxonomy. Specific examples for each step can be found in the European Commission's [A User Guide to Navigate the EU Taxonomy For Sustainable Activities](#).

- 1 Identify economic activities and determine which ones are Taxonomy-eligible**

 - + For which activities included in the Taxonomy regulation does my company have associated turnover, CapEx, or OpEx?
- 2 Use the technical screening criteria to evaluate which activities are Taxonomy-aligned**

 - + Do my Taxonomy-eligible activities **make a substantial contribution to at least one of six environmental objectives?** (per the activity-specific technical screening criteria)

AND

 - + Do my Taxonomy-eligible activities **do no significant harm to any of the other five environmental objectives?** (per the activity-specific technical screening criteria)
- 3 Determine if the economic activities comply with minimum safeguards**

 - + Do my Taxonomy-eligible activities support human and labor rights (see [Article 18 of the EU Taxonomy](#))?
- 4 Disclose in alignment with EU Taxonomy Article 8 and Delegated Regulation 2021/2178 (see Annex I for more detail):**

 - + Key performance indicators (KPIs) for proportion of turnover, CapEx, and OpEx associated with Taxonomy-eligible and Taxonomy-aligned activities
 - + How these figures were determined and calculated
 - + A description of the nature of Taxonomy-eligible and Taxonomy-aligned activities, how they were assessed against the technical screening criteria, and how double counting was avoided
 - + An explanation of any disaggregation of KPIs
 - + Contextual information about each KPI including reasons for any changes in figures in the reporting period

Where to find activity descriptions and the technical screening criteria?

For **each activity** included in the EU Taxonomy there is:

- + An activity description
- + A set of specific substantial contribution criteria for the applicable environmental objective
- + Specific do no significant harm criteria for each of the other five environmental objectives as applicable

This information must be used to assess Taxonomy-eligibility and Taxonomy-alignment. It can be found in the [Delegated Regulation 2021/2139](#) and [Delegated Regulation 2023/2486](#).

For ease of use, this information has also been incorporated into the [EU Taxonomy Navigator](#).

Integration with Sustainability Reporting

Many non-EU companies will first encounter the EU Taxonomy through their corporate sustainability reporting. Requirements under the EU Taxonomy have been incorporated into the European Sustainability Reporting Standards (ESRS) and widely used sustainability assessments such as the Corporate Sustainability Assessment (CSA) and CDP.

Many jurisdictions outside of the EU are also developing, implementing, or exploring the possibilities of introducing their own green taxonomy, and we should expect to see continued development of taxonomies in future years.

European Sustainability Reporting Standards (ESRS)

EU Taxonomy requirements are integrated into ESRS reporting in two ways:

- + Article 8 disclosures are required as a separate component of the sustainability statement (i.e. the sustainability report)
- + Some EU Taxonomy considerations are included in certain ESRS disclosure requirements

How can G&A help? As experts in sustainability reporting, we can help you identify your relevant economic activities, assess and check their compliance against Taxonomy criteria, and apply relevant reporting rules to ensure this aspect of ESRS reporting is complete and transparent.

Corporate Sustainability Assessment (CSA)

The CSA mirrors the requirements outlined in Article 8 of the EU Taxonomy and its amendment under [Delegated Regulation 2021/2178](#). If respondents indicate that their economic activities have been mapped against a sustainability taxonomy, they are required to provide a breakdown of their turnover, CapEx, and OpEx by:

- + Total figures
- + Total of which is Taxonomy-eligible
- + Total of which is Taxonomy-aligned
- + Total of which is **not** Taxonomy-eligible

CDP Questionnaire

Similar to ESRS and CSA, the CDP questionnaire integrates the EU Taxonomy in the context of climate transition alignment and planning. Questions relate to an entity's spending aligned with climate transition both qualitatively and quantitatively.



Want to know more? **Let's Talk!**

For information on how the G&A Institute team can help you please visit our site and view our services sections and / or contact us at the info below:

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