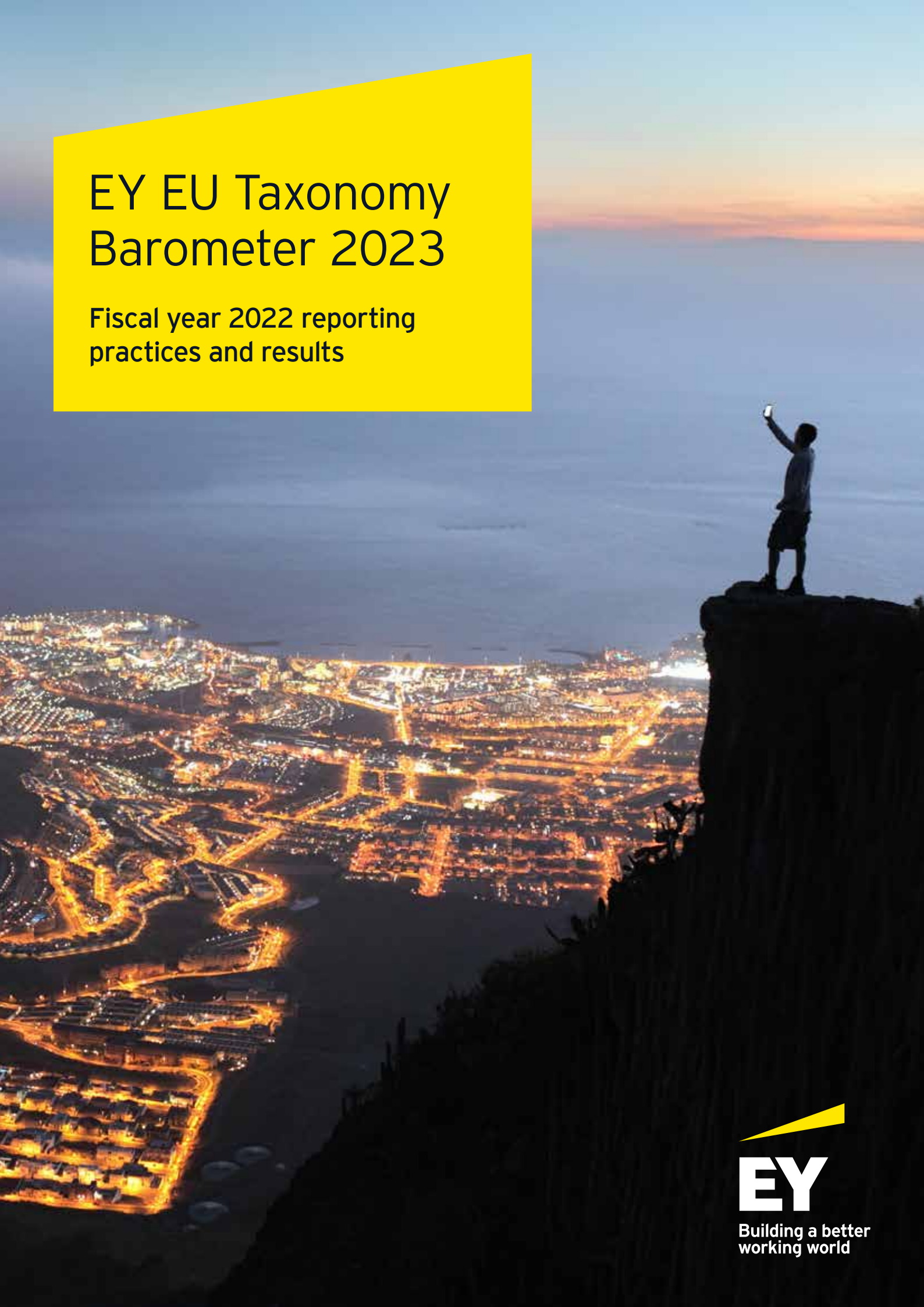
EY EU Taxonomy Barometer 2023

Fiscal year 2022 reporting practices and results



Building a better working world

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Introduction

With the aim of achieving its goal of becoming the world's first climate-neutral continent, in March 2018 the European Commission proposed the Action Plan: Financing Sustainable Growth, a strategic plan to direct investments toward sustainable projects and activities. It includes a set of key actions that contribute to achieving the following goals:

- Reorienting capital flows toward a more sustainable economy
- Mainstreaming sustainability into risk management
- Fostering transparency and long-termism

The first step for addressing investments toward environmentally sustainable activities was to establish a classification system defining a common language and a clear definition of what a sustainable economic activity is: directing investments toward sustainable projects and activities, in fact, is crucial to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal.

Published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020, Regulation (EU) 2020/852 (hereinafter "the Taxonomy Regulation" or "EU Taxonomy Regulation") establishes a framework to facilitate sustainable investments and sets out the overarching conditions that an economic activity must meet to be qualified as environmentally sustainable. It applies to:

- Measures adopted by the EU or by Member States that set out requirements for financial market participants or issuers, in respect of financial products or corporate bonds that are made available as environmentally sustainable
- Undertakings that are subject to the obligation to publish a nonfinancial statement or a consolidated nonfinancial statement pursuant to Article 19a or Article 29a of Directive 2013/34/EU of the European Parliament and of the Council
- Financial market participants that make financial products available

Hence, the EU Taxonomy establishes a list of environmentally sustainable economic activities, providing companies, investors and policymakers with appropriate definitions for which each activity can be considered as environmentally sustainable. By doing this, EU Taxonomy should create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation and help shift investments to where they are most needed.

The Taxonomy Regulation requires undertakings to disclose the proportion of their activities that are taxonomy-eligible and taxonomy-aligned. Taxonomy-eligible activities are not necessarily environmentally sustainable but can potentially contribute to one of the six environmental objectives defined by Article 9 of the Taxonomy Regulation:

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

Taxonomy-aligned activities, on the other hand, must not only be eligible but also comply with additional criteria that classify them as environmentally sustainable:

- The activity must comply with the s**ubstantial contribution criteria** established for each of the EU Taxonomy environmental objectives.
- The activity must **not significantly harm any of the other EU Taxonomy environmental objectives**.
- The activity **must be carried out in compliance with the minimum safeguards**, by ensuring alignment with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises[1] and the United Nations (UN) Guiding Principles on Business and Human Rights.[2] The activity should also be in compliance with the principles and rights set out in the eight fundamental conventions identified in the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work[3] and the International Bill of Human Rights.[4]

[1] "Guidelines for multinational enterprises," OECD website, oecd.org/corporate/mne/.
[2] "Guiding Principles on Business and Human Rights," United Nations Global Compact website, unglobalcompact.org/library/2.
[3] "ILO Declaration on Fundamental Principles and Rights at Work," International Labour Organization website, ilo.org/declaration/lang--en/index.htm
[4] "International Bill of Human Rights," United Nations website, ohchr.org/en/what-are-human-rights/international-bill-human-rights.

Taxonomy Regulation timeline

22 June 2020

On **22 June 2020**, the European Commission published t**he Taxonomy Regulation**, which defines the regulatory framework and requirements of the European Taxonomy, introducing the concept of sustainable economic activity and the six environmental objectives.

9 December 2021

To clarify which economic activities most contribute to meeting two out of the six EU environmental objectives, on **9 December 2021**, Delegated Regulation (EU) 2021/2139 (the **Climate Delegated Act**) was published in the Official Journal of the European Union, becoming applicable from 1 January 2022 and delivering a first set of technical screening criteria for economic activities that can make a substantial contribution to climate change mitigation and climate change adaptation, and are therefore relevant for reductions in greenhouse gas (GHG) emissions and for improving climate resilience.

6 October 2022

After giving a few clarifications on Article 8 of the Disclosures Delegated Act and the Complementary Climate Delegated Act, on **6 October 2022**, the European Commission published a first notice regarding frequently asked questions (FAQs) to shed light on the content of the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation to aid its implementation.

11 October 2022

To advise on the application of minimum safeguards in relation to the Taxonomy Regulation, on **11 October 2022**, the Platform on Sustainable Finance published the **Final Report on Minimum Safeguards**. The document details the purpose of the requirements of Article 18, contextualizing it in the broader European regulatory landscape, while providing reasoning and recommendations on alignment with Article 18 standards.

19 December 2022

This document was quickly followed, on 19 December 2022, by another set of FAQs. In particular, two draft notices were published: The first one answered 187 questions concerning the Climate Delegated Act, establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objectives; the other covers the remaining 34 FAQs concerning the Disclosures Delegated Act under Article 8 of the Taxonomy Regulation on the reporting of taxonomy-eligible and taxonomy-aligned economic activities and assets.

10 December 2021

On **10 December 2021**, Delegated Regulation (EU) 2021/2178 (the Disclosures Delegated Act) supplementing Article 8 of the Taxonomy Regulation was published, specifying the content, methodology and presentation of information to be disclosed by financial and nonfinancial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities.

15 July 2022

On **15 July 2022**, the European Commission approved legated Regulation (EU) 2022/1214) the **"Complementary Climate Delegated Act**) on climate change mitigation and adaptation, covering certain gas and nuclear activities. Applying from 1 January 2023, the Complementary Climate Delegated Act introduces additional economic activities from the energy sector into EU Taxonomy.

5 April 2023

On **5 April 2023**, the European Commission published a first draft of the Taxonomy **Environmental Delegated Act**, defining the complementary economic activities making a substantial contribution to the remaining four environmental objectives. The Commission gave four weeks, from 5 April to 3 May 2023, to provide any feedback on the content of the draft. Together with this draft, the Commission also published amendments and revisions to the Disclosures Delegated Act and the Climate Delegated Act.

27 June 2023

On **27 June 2023**, the Taxonomy Environmental Delegated Act and the amendments to add economic activities to the list of those substantially contributing to the objectives of climate change mitigation and adaptation, and to clarify the reporting obligations for the additional activities, were adopted by the European Commission.

Disclosure requirements

According to the Disclosures Delegated Act, nonfinancial undertakings are required to report the share of taxonomy-eligible and taxonomy-aligned activities in terms of:

- Turnover
- Capital expenditures (CapEx)
- Operating expenditures (OpEx)

Accompanying the three key performance indicators (KPIs), nonfinancial undertakings shall disclose the following information, as established by the Disclosures Delegated Act:

- "Accounting policy": Explain the methodology used to calculate the three KPIs and how values have been allocated.
- "Assessment of compliance with Regulation (EU) 2020/852": Provide a focus on the eligible activities considered and a description of the assessment on technical criteria.
- "Contextual information": Explain the figures of each KPI and the reasons for any changes in those figures in the reporting period.

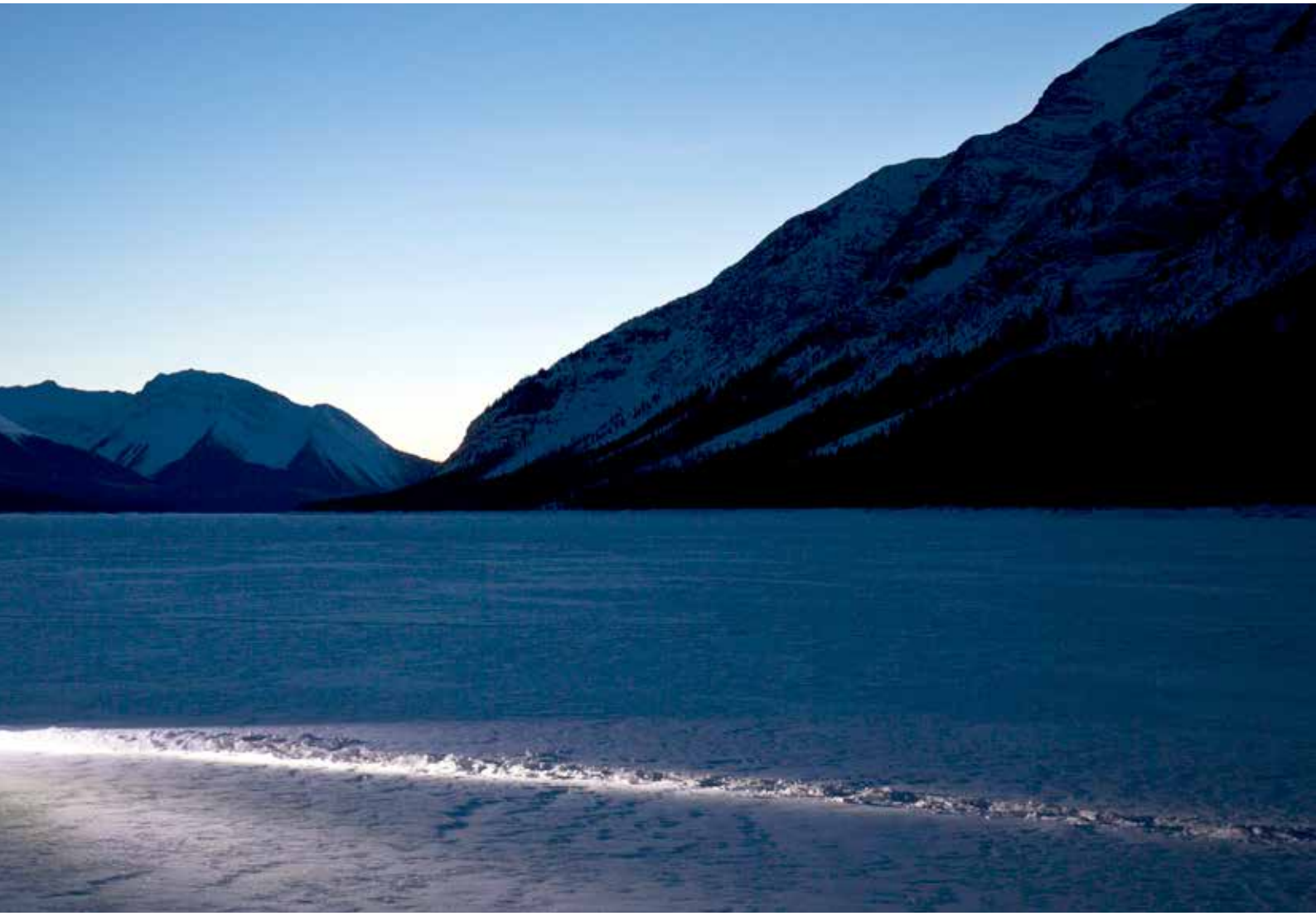
With respect to **financial undertakings**, which can be classified into four categories (asset managers, credit institutions, investment firms, and insurance and reinsurance undertakings), the Taxonomy Regulation requires disclosure of information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable (aligned activities).[5] Thus, for these financial institutions, the KPIs required by the Taxonomy Regulation are more oriented toward intercepting the share of investments or insurance premiums made in environmentally sustainable economic activities and are different from the KPIs required of nonfinancial undertakings. For example, credit institutions are required to disclose the Green Asset Ratio (GAR), presenting the share of undertakings and projects in their portfolios that are connected to taxonomy-aligned activities, while insurers must disclose the share of their premiums that are linked to policies covering climate perils and how much of their investments are funding environmentally sustainable activities.

Disclosure requirements for fiscal year 2022

Through its Disclosures Delegated Act, the European Commission has adopted a phased-in approach to allow companies to fulfil their disclosure obligations in the best possible way, introducing the option to report only about taxonomy-eligible activities for the first year of application

of the Climate Delegated Act and the Environmental Delegated Act.

For fiscal year 2021, nonfinancial undertakings were required to report only the portion — in terms of turnover, CapEx and OpEx — of eligible economic activities with respect to the Climate Delegated Act. For reporting year 2022, the obligation was extended to the concept of alignment: nonfinancial undertakings have been required to report the share of turnover, CapEx and OpEx related to taxonomy-eligible and taxonomy-aligned activities with respect to the Climate Delegated Act. According to Article 8 of the Taxonomy Regulation, in addition to the accounting policy, the contextual information and the assessment of compliance with Regulation, the disclosure should include three mandatory tables, one for each KPI (CapEx, OpEx and turnover), reporting the share of taxonomy-aligned activities, taxonomy-eligible but not aligned activities and non-taxonomy-eligible activities.



On the other hand, financial undertakings were granted a two-year phase-in reporting period, with alignment KPIs becoming mandatory in fiscal year 2023 — because financial undertakings will have to rely on data disclosed by their nonfinancial and financial counterparties to develop indicators mandated by the Delegated Act related to the EU Taxonomy. For fiscal years 2021 and 2022, financial undertakings had to disclose only the proportion of exposures to taxonomy-eligible and taxonomy-ineligible activities in their total assets, and the proportion of exposures to:

- Central governments, central banks and supranational issuers
- Derivative instruments
- Undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU

In addition, credit institutions are required to disclose the proportion of their trading portfolio and on-demand interbank loans in their total assets. The insurers are required to disclose the proportion of taxonomy-eligible and taxonomy-ineligible nonlife insurance and reinsurance economic activities.

Now in its second year, the EY EU Taxonomy Barometer serves as an analysis and snapshot of reporting practices across European countries and sectors. The primary objective of this report is to highlight the most significant trends concerning taxonomy disclosures. Although it is important to note that four out of the six taxonomy goals are still pending approval, the EY EU Taxonomy Barometer 2023 can provide an exhaustive picture of the progresses made during the second reporting year of mandatory taxonomy disclosure by major European companies.

Key findings

Nonfinancial undertakings

The average eligibility of KPIs still remains under 40%, and gaps exist between eligibility and alignment

The report reveals that 265 out of the 277 nonfinancial entities analyzed in this research,[6] and in scope of the Non-Financial Reporting Directive, published a taxonomy disclosure within their annual report or separate nonfinancial report as of 19 May 2023. Most of them – 236 (89%) – disclosed at least one of the three KPIs (turnover, CapEx and OpEx) by using the mandatory templates required by Article 8 of the Disclosures Delegated Act.

In general, the average share of eligibility and alignment varies depending on countries and sectors. In particular, companies in the scope of the EY EU Taxonomy Barometer 2023 disclosed an average share of eligible turnover equal to 25%; an average share of eligible CapEx equal to 36%; and an average share of eligible OpEx equal to 28%. The alignment percentages respectively decrease to around 8% for turnover, 15% for CapEx and 12% for OpEx. Within the three KPIs, CapEx shows the higher difference between eligibility and alignment (about 21% – mainly because the Regulation allows companies to report as eligible also those CapEx that are output of taxonomy-eligible and aligned activities or individual measures aimed at reducing their GHG gas emissions), while turnover and OpEx vary by 16 and 14 percentage points respectively.

Regarding the qualitative disclosure of the KPIs, 209 out of the 265 entities (79%) that reported the share of eligibility and alignment also provided information about how those KPIs were determined and allocated to the numerator.

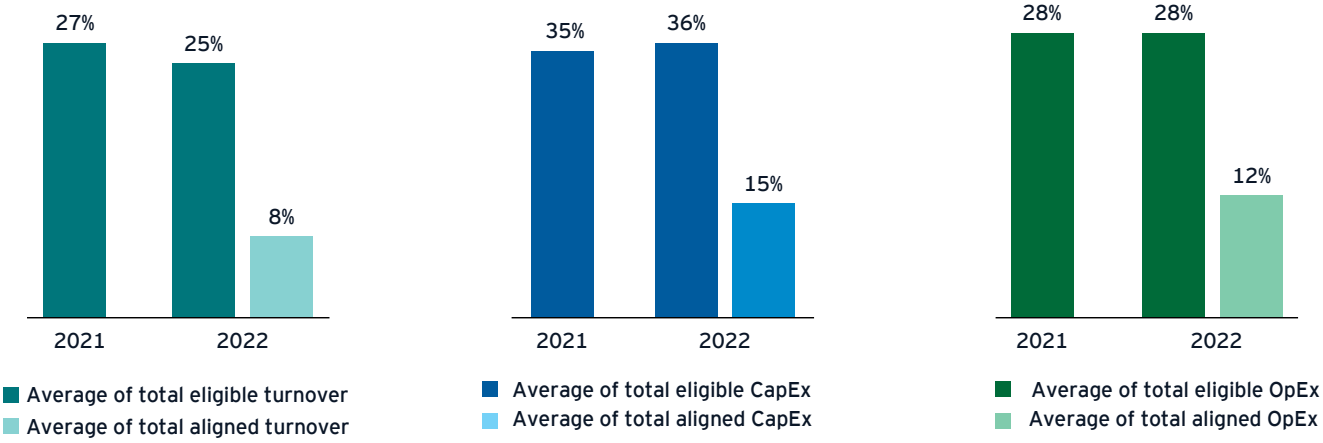
Apart from the three that are mandatory, the Taxonomy Regulation also gives the opportunity to disclose other significant KPIs; however, only a small portion of the sample – four entities (almost 2%), all operating in the power and utilities sector – provided disclosure on taxonomy-adjusted earnings before interest, taxes, depreciation and amortization (EBITDA).

Furthermore, it should be mentioned that:

- Four entities – one of which also provided disclosure on taxonomy-adjusted EBITDA – included alternative-scenario analysis in their disclosure, aimed at investigating how KPIs' eligibility and alignment share would vary after the inclusion or exclusion of certain activities.
- Two entities provided information about how KPIs' eligibility and alignment share would vary after a limitation of scope.
- Four entities adjusted the calculation of the KPIs' eligibility and alignment share following sector-specific guidelines or international rating standards (e.g., Moody's ESG Solutions).

[6] Listed companies of main indexes of 16 EU countries (see page 56 for more details).

Figure 1: Average KPIs (EU panel) – eligibility vs. alignment



Turnover

In line with the results reported in the EY EU Taxonomy Barometer 2022, turnover shows the lowest eligibility percentages among the three KPIs for the reporting year 2022 (25%). Coherently, the portion of companies that reported 0% eligible turnover is still above one-third of the total: 34% in FY22 and 35% in FY21. This means that most of the companies' activities on the main stock markets in Europe cannot contribute substantially to climate change mitigation or adaptation goals, according to the current version of the Climate Delegated Act.

Regarding alignment, the share of turnover falls from 25% taxonomy-eligible to 8% taxonomy-aligned, with 143 companies (54%) disclosing 0% aligned turnover.

It should be underlined that significant differences among countries exist, with some depending on the sectors in which the companies listed in the national stock exchange markets operate.

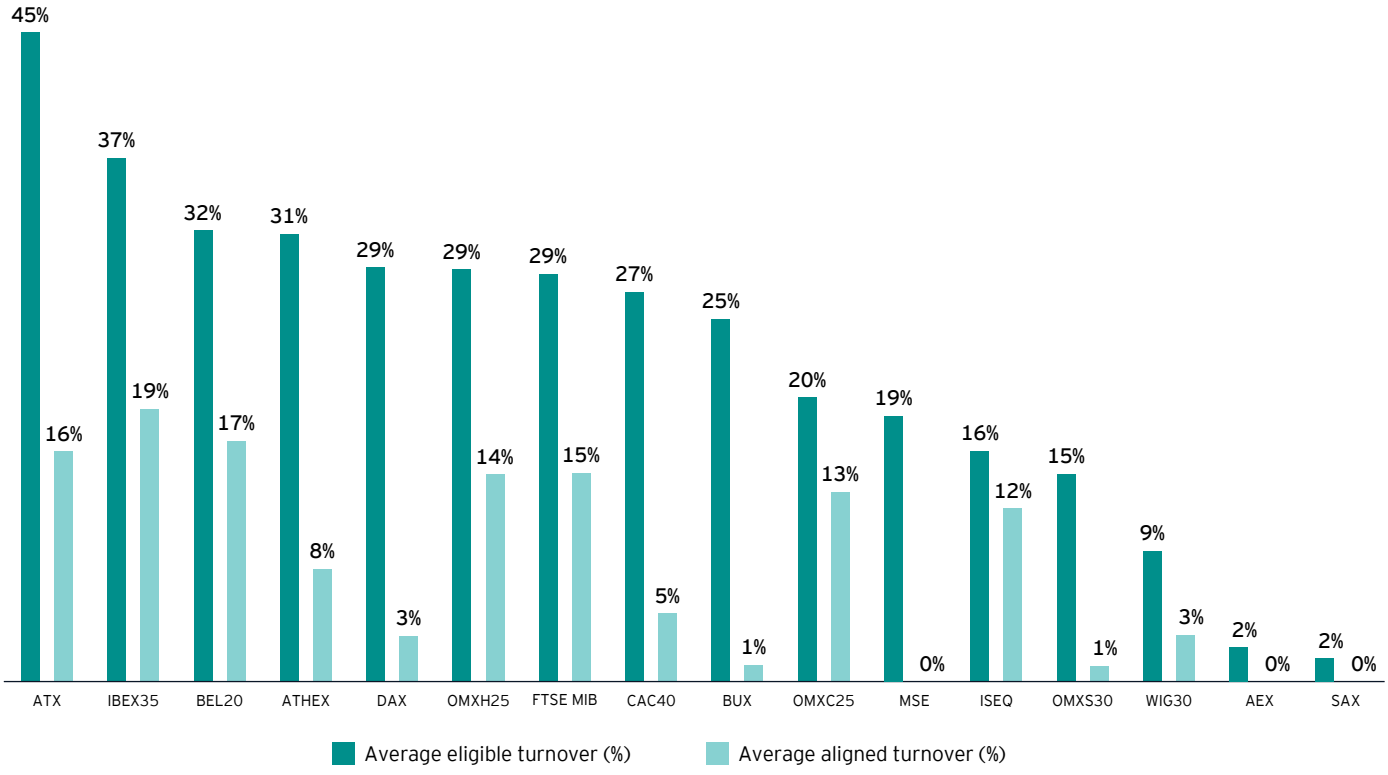
Among the 16 analyzed indexes, the ATX (Austria) registers the highest average share of eligible turnover (45%) – mainly thanks to the contribution of companies operating in the mobility, construction, infrastructure and real estate, and power and utilities sectors – followed by the IBEX 35 (Spain, almost 37%), where the most relevant sectors are power and utilities and construction, infrastructure and real estate.

Within the WIG (Poland), the overall low eligibility is mainly due to the limited contribution to the climate objectives of companies belonging to the consumer products and mining and quarrying industries. Finally, within the AEX (the Netherlands), none of the analyzed sectors makes a significant contribution to eligibility, apart from mobility. The lowest eligibility was recorded within the SAX (Slovakia).

In terms of alignment, the IBEX 35 (Spain) reveals the highest alignment share (19%) – mainly related to the companies operating in the mining and quarrying sector – followed by the BEL 20 (Belgium) (almost 17%), where the contribution of the power and utilities sector is significant.

On the other hand, the companies listed in the AEX (the Netherlands), the SAX (Slovakia) and the MSE (Malta) reported nearly 0% of alignment. In addition, it is important to underline that the indexes with the biggest gap between eligibility and alignment are the ATX (Austria), which shows a 29% deviation from an average turnover eligibility of 45% to an average alignment of 16%, followed by the DAX (Germany) with a gap of 26% and the BUX (Hungary) which presents a deviation of 24%.

Figure 2: Average eligible and aligned turnover by index



As depicted in Figure 3, the average eligibility and alignment vary significantly across different countries. Interestingly, this data differs from the information presented in the graph of representee turnover by index (Figure 2), as it depends on the registered office of the company rather than on which stock exchange the company is listed. When considering the eligibility of the companies' turnover, Luxembourg emerges as the country with the highest percentage of eligible turnover (47%), followed by Austria (45%) and Spain (37%). In the case of Luxembourg the result reflects the numbers reported by the 4 companies that are headquartered in the country. For Austria and Spain, the high average turnover depends mainly on the companies in the power and utilities, construction, infrastructure and real estate and Mobility sectors.

In contrast, the countries with the lowest percentage of eligible turnover are Slovakia (2%), the Netherlands, and Poland (both 10%). For the Netherlands, the low average eligibility is mainly due to companies in the consumer products and health, biotechnology & chemicals sectors, which are among the sectors with the lowest eligibility. For Poland, it depends on companies in the consumer products and mining and quarrying sectors. Slovakia has one company, in the tourism & hospitality sector (other sectors), with low turnover eligibility.

Figure 3: Average eligible and aligned turnover by country

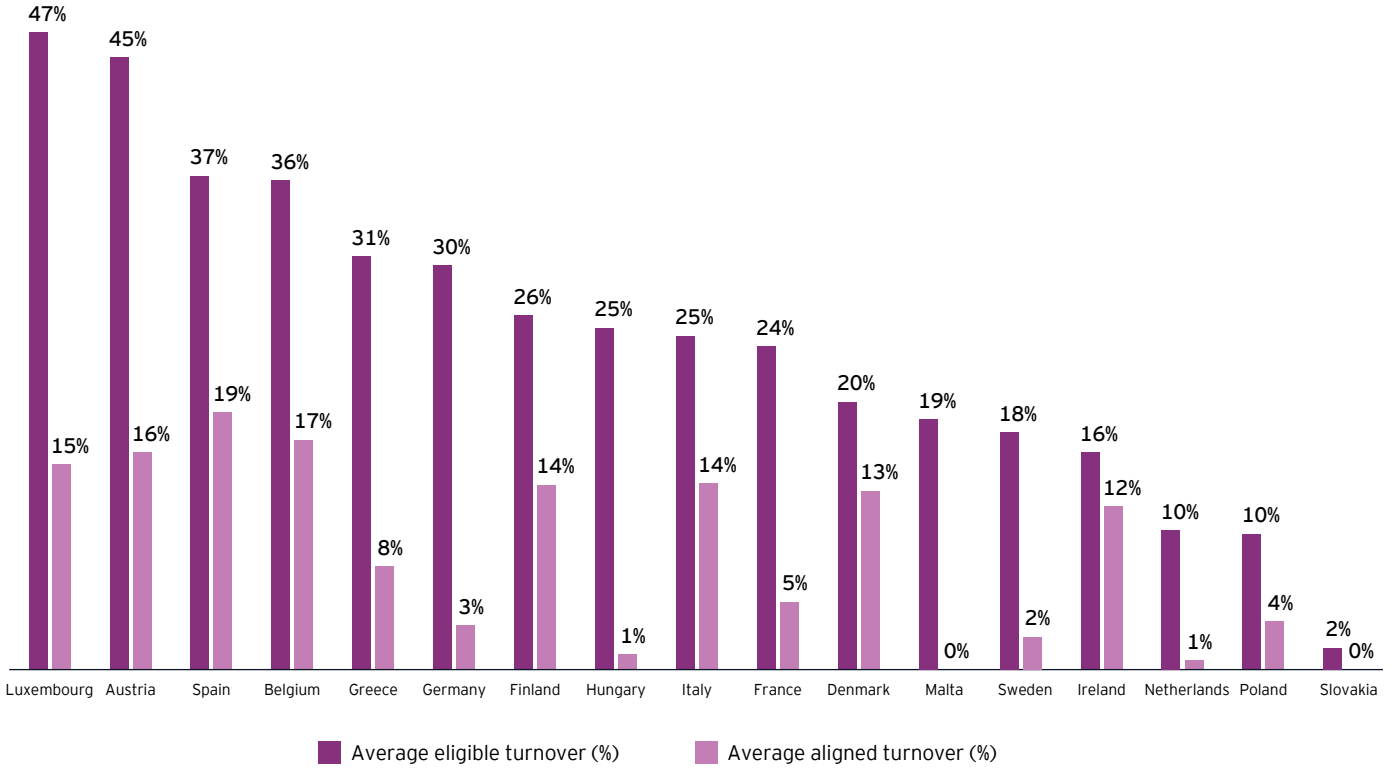


Figure 4 displays significant variations in average eligibility and alignment across the industries analyzed. Like the previous year, turnover demonstrates the lowest eligibility among the three KPIs, with an average of 25% across the different sectors in scope. This data shows that most company activities on the main European stock markets are considered non-eligible, due to the limited potential of each sector to contribute to CCM or CCA goals.

Industries such as construction, infrastructure and real estate continue to exhibit the highest eligibility rate in terms of turnover (60%), as observed last year. Following this sector, other industries, including mobility, power and utilities, and mining and quarrying, albeit in a different order, show similar trends to the previous year.

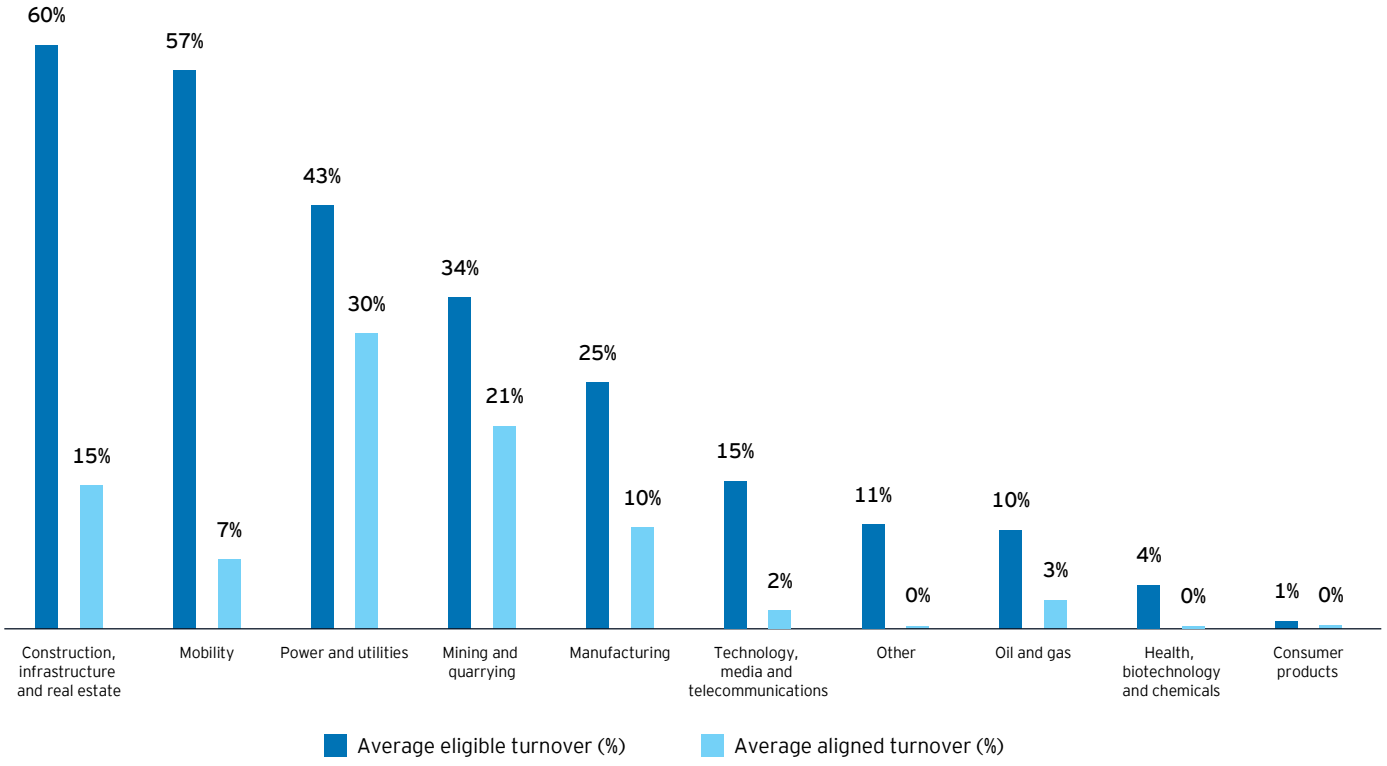
This year, companies were also required to disclose information for alignment. Interesting dynamics emerged in some sectors: for example, the significant gaps between eligibility and alignment in the mobility sector (-50%) and the construction, infrastructure and real estate sector (-45%) are mainly linked to the presence of companies

operating in different phases of the two value chains (such as manufacturers, transport providers, real estate operators and constructors) that must meet the same alignment criteria. On the other hand, the industries with the lowest share of eligible turnover (health, biotechnology and chemicals (4%) and consumer products (1%)) reported almost 0% of average taxonomy-aligned turnover, as well as the companies considered in the "Other sectors".

Finally, the industries with the highest share of taxonomy-aligned turnover are power and utilities (30%), and mining and quarrying (21%).

Analyzing the results, the industry that registered the greatest deviation between the average turnover eligibility and alignment is mobility, with a gap of 50% – the values go from an average eligibility of 57% to an average alignment of only 7%. The sector is followed by construction, infrastructure and real estate, with a gap of 45%, and then by manufacturing, with a deviation of 15%.

Figure 4: Average eligible and aligned turnover by industry



Most eligible and aligned activities in relation to climate objectives

Regarding **CCM**, the top three activities with the highest average of eligible turnover are:

- 3.9 Manufacture of iron and steel (59%), which registers the highest eligibility percentage among the mining and quarrying and manufacturing sectors
- 3.3 Manufacture of low carbon technologies for transport, which registers the highest eligibility percentage in the mobility sector
- 3.7 Manufacture of cement, which registers the highest eligibility percentage in the mining and quarrying sector

The activity 3.9 Manufacture of iron and steel shows the highest share of aligned turnover (35%). On the other hand, the activities 4.9 Transmission and distribution of electricity and 3.1 Manufacture of renewable energy technologies (the ninth and the tenth in terms of eligibility) show a high level of alignment (both 12%).

The following table summarizes the top 10 activities that contribute to CCM with the highest share of eligible and aligned turnover:

Table 1: Top 10 activities that contribute to CCM

Most eligible activities	Average eligible turnover (%)	Most aligned activities	Average aligned turnover (%)
3.9 Manufacture of iron and steel	59%	**3.9** Manufacture of iron and steel	35%
3.3 Manufacture of low carbon technologies for transport	53%	**4.9** Transmission and distribution of electricity	12%
3.7 Manufacture of cement	48%	**3.1** Manufacture of renewable energy technologies	12%
7.7 Acquisition and ownership of buildings	29%	**4.3** Electricity generation from wind power	11%
3.6 Manufacture of other low carbon technologies	22%	**3.5** Manufacture of energy efficiency equipment for buildings	8%
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	18%	**4.28** Electricity generation from nuclear energy in existing installations	7%
3.12 Manufacture of soda ash	17%	**3.8** Manufacture of aluminum	6%
3.5 Manufacture of energy efficiency equipment for buildings	16%	**6.14** Infrastructure for rail transport	5%
4.9 Transmission and distribution of electricity	14%	**3.6** Manufacture of other low carbon technologies	5%
3.1 Manufacture of renewable energy technologies	12%	**7.7** Acquisition and ownership of buildings	5%

Regarding climate change adaptation (CCA), the top three activities with the highest average of eligible turnover are:

- 8.2 Computer programming, consultancy, and related activities, which registers the highest percentage of eligibility in the technology, media and telecommunications sector
- 8.3 Programming and broadcasting activities, which registers the highest percentage of eligibility in the technology, media and telecommunications sector
- 12.1 Residential care activities, which registers the highest percentage eligibility level in the manufacturing and construction, infrastructure and rea estate sector

8.2 Computer programming, consultancy and related activities (the first in terms of eligibility) also shows the highest level of alignment (5%). On the other hand, 8.3 Programming and broadcasting activities and 6.15 Electricity generation using solar photovoltaic technology (the first and the eighth in terms of eligibility) show a high level of alignment (both 2%).

The following table summarizes the top 10 activities that contribute to CCA with the highest share of eligible and aligned turnover:

Table 2: Top 10 activities that contribute to CCA

Most eligible activities	Average eligible turnover (%)	Most aligned activities	Average aligned turnover (%)
8.2 Computer programming, consultancy and related activities	37%	**8.2** Computer programming, consultancy and related activities	5%
8.3 Programming and broadcasting activities	10%	**8.3** Programming and broadcasting activities	2%
12.1 Residential care activities	8%	**6.15** Electricity generation using solar photovoltaic technology	2%
8.1 Data processing, hosting and related activities	4%	**6.14** Infrastructure for water transport	1%
7.7 Acquisition and ownership of buildings	2%	**5.3** Construction, extension and operation of wastewater collection and treatment	0.3%
6.5 Transport by motorbikes, passenger cars and light commercial vehicles	2%	**5.1** Construction, extension and operation of water collection, treatment and supply systems	0.3%
13.3 Motion picture, video and television program production, sound recording and music publishing activities	2%	**6.3** Residential care activities	0.2%
6.15 Electricity generation using solar photovoltaic technology	2%	**5.5** Acquisition and ownership of buildings	0.2%
6.14 Infrastructure for water transport	1%	**11.1** Education	0.1%
13.1 Creative, arts and entertainment activities	1%	**5.2** Renewal of water collection, treatment and supply systems	0.1%

CapEx and OpEx

CapEx

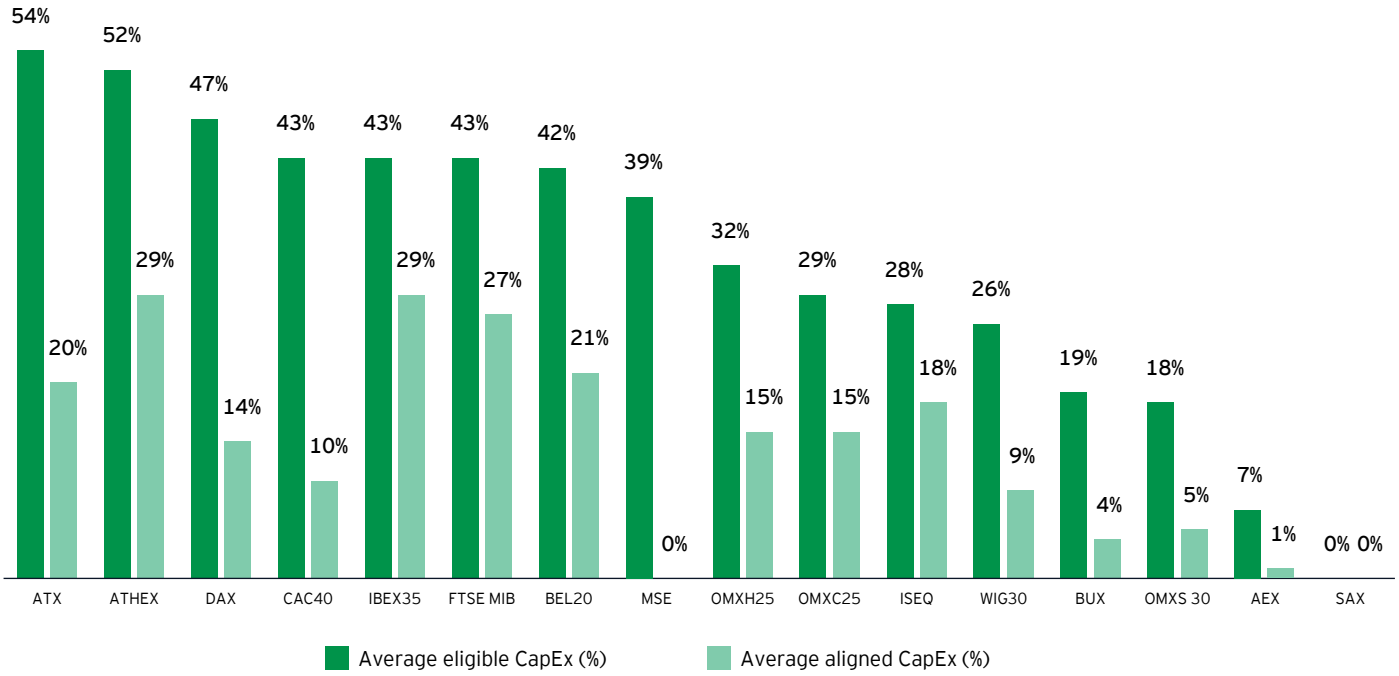
In line with the results reported in the EY EU Taxonomy Barometer 2022, in contrast to the turnover KPI, the CapEx KPI presents the highest eligibility percentage for the reporting year 2022 (36%), with 31 companies out of 265 (12%) reporting 0% eligibility (compared with 10% in the 2022 edition). This is likely because, in addition to the CapEx associated to eligible turnover, companies may also report investments aimed at reducing their GHG gas emissions, such as those connected to activities 7.2 Renovation of existing buildings and 7.3 Installation, maintenance and repair of energy efficiency equipment as well as purchases of output from taxonomy-eligible and aligned activities. Regarding alignment, the share of taxonomy-aligned CapEx falls to 15%, with 111 companies out of 265 reporting 0% alignment.

The index with the highest share of eligible CapEx is the ATX (Austria, 54%), followed by the ATHEX (Greece, 52%). For both the indexes, the most significant contribution comes from companies operating in the mobility and power and utilities sectors. On the other hand, the Swedish index (OMX Stockholm 30) registered a low level of eligibility (18%), mainly because of the presence of companies operating in the health, biotechnology and chemicals, and manufacturing sectors, while the high presence of companies operating in the mobility and the technology, media and telecommunications sectors influences the average percentage of the CapEx eligibility within the AEX (the Netherlands, around 7%).

In terms of alignment, the companies listed in the Spanish index (IBEX 35) – where the power and utilities and mining and quarrying sectors make the most significant contribution to the result – registered the highest percentage of taxonomy-aligned CapEx as an average (29%) together with those listed in Greece (29%), where the number of oil and gas companies is significant. On the other hand, the AEX (the Netherlands) registered the lowest share of taxonomy-aligned CapEx (1%), mainly because many companies presented zero alignment. Within the MSE (Malta), the share of alignment is zero.

It should be noted that the stock exchange that shows the greatest gap in terms of the difference between the average

Figure 5: Average eligible and aligned CapEx by index:



CapEx eligibility and alignment is the MSE (Malta) with a 39% deviation from an average eligibility of 39% to an average alignment of 0%. It is followed by the ATX (Austria), with a deviation of 34% – the difference between 54% average eligibility and 20% average alignment – and finally by CAC 40 (France), with a deviation of 33%.

Figure 6 illustrates significant variations in average eligibility and alignment across different countries, depending on the different sectors in which the companies operate for each geography. Austria (54%), Greece (53%) and Germany (48%) are the three countries with the highest eligible CapEx according to the Climate Delegated Act. This ranking differs from the turnover, mainly because within the CapEx KPI, a company could also include investments related to the purchase of output from taxonomy-eligible activities and individual measures enabling target activities to become low carbon or to lead to greenhouse gas reductions. On the other hand, Hungary (19%), the Netherlands (13%) and Slovakia (0%) have the lowest eligible CapEx.

With regard to alignment, the countries with the highest share of taxonomy-aligned CapEx are: Greece (31%), with a higher alignment in the oil and gas (59%) and construction, infrastructure and real estate (45%) sectors; Spain (29%), mainly due to companies operating in the mining and quarrying (76%) and power and utilities (70%) sectors; Italy (26%), where companies operating in the power and utilities sector reported and average alignment equal to 63%; and Belgium (22%), where the most aligned sector is power and utilities (almost 100%). Meanwhile, the countries with the lowest share of aligned CapEx are Hungary (4%), with zero alignment in the mobility and technology, media and telecommunications sectors; the Netherlands (3%), where companies report zero alignment in the health, biotechnology and chemicals, manufacturing and oil and gas sectors; and Malta and Slovakia, where all companies have zero alignment.

Analyzing the difference between average CapEx eligibility and alignment, the country with the greatest deviation is Malta (in line with the analysis performed on the indexes), with a deviation of 39%. Germany and Austria follow with a gap of 34% each.

Figure 6: Average eligible and aligned CapEx by country

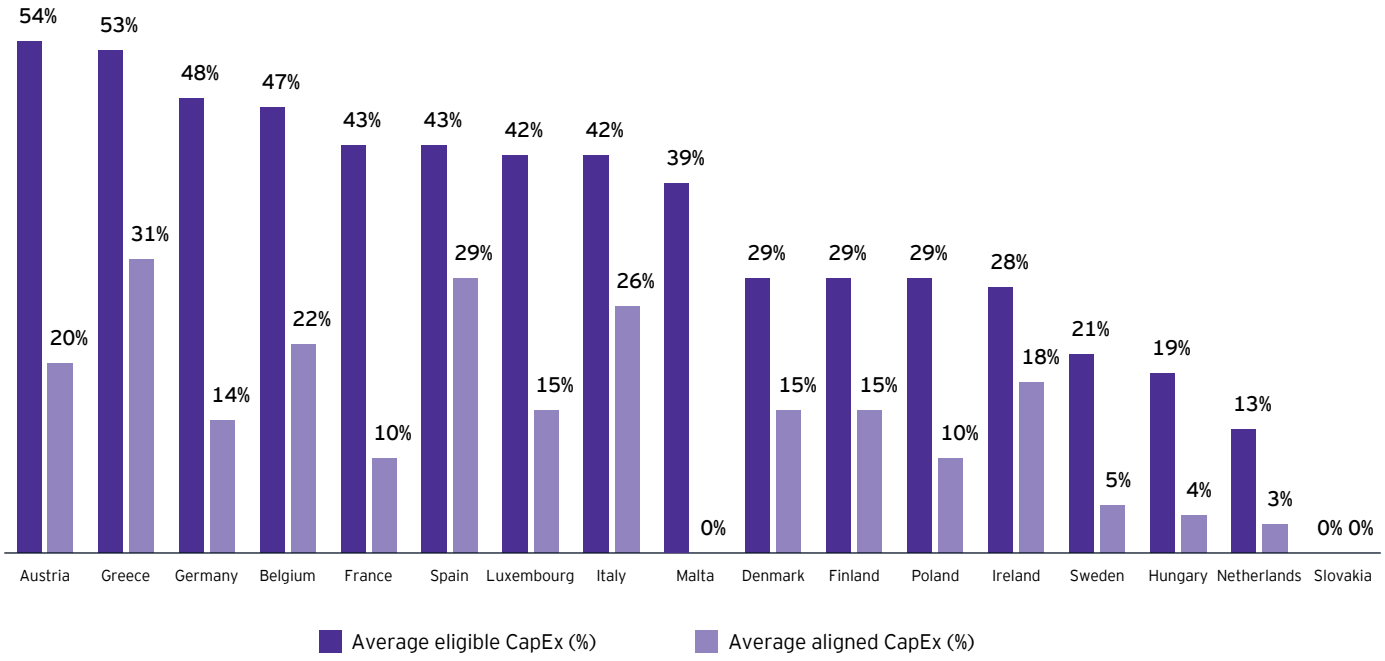
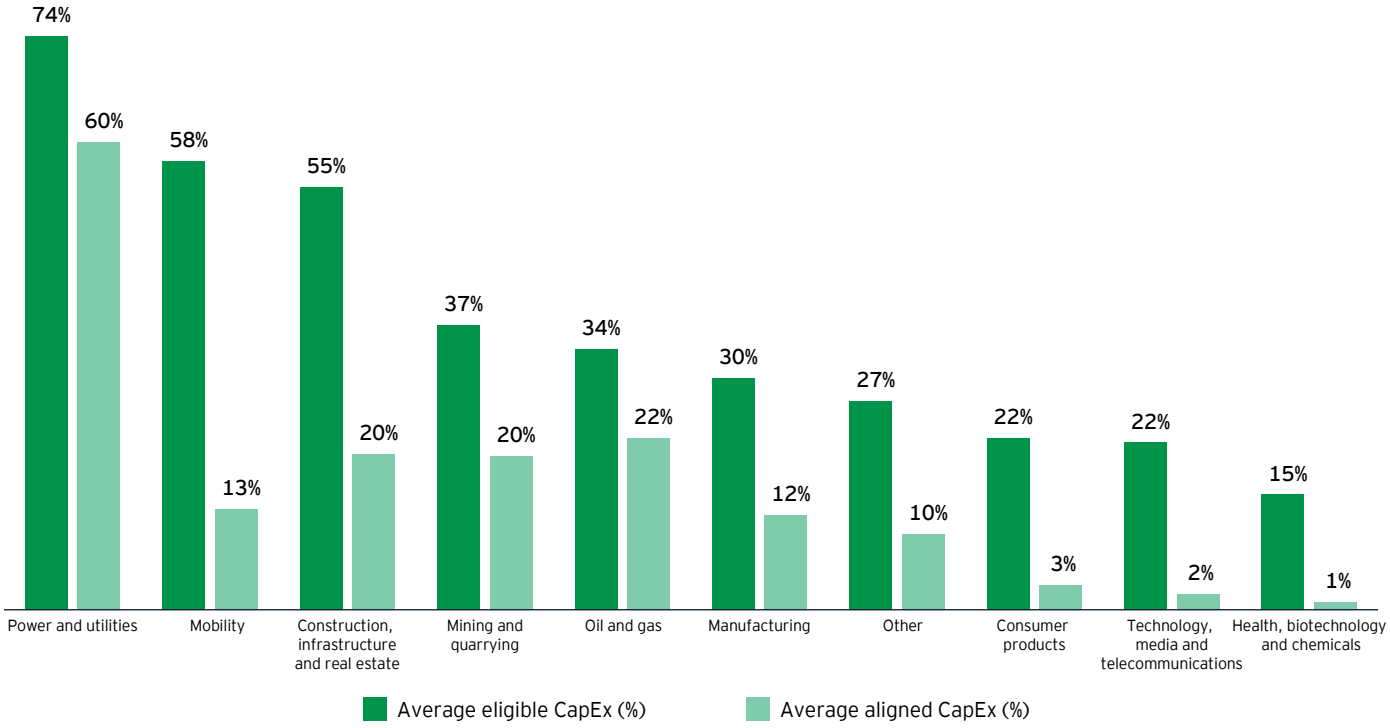


Figure 7 highlights significant variations in average eligibility and alignment across the industries. Industries such as power and utilities (74%), mobility (58%) and construction, infrastructure and real estate (55%) continue to exhibit the highest eligibility rates, consistent with the previous year's results.

The gap between eligibility and alignment ranges from 45% in the mobility sector to 12% in the oil and gas sector. In more detail, in the mobility sector, the CapEx KPI shows a gap between eligibility and alignment like the turnover KPI, indicating that the CapEx is mainly associated with the revenue-generating activities of the companies. The power and utilities sector stands out with its high alignment percentage and minimal disparity between alignment and eligibility, indicating that it is investing in the energy transition. The technology, media and telecommunications sector, as well as the health, biotechnology, and chemicals sector, exhibits the lowest levels of alignment in terms of the CapEx KPI. However, it is worth noting that, unlike the turnover KPI, none of these sectors reported 0% alignment. The aligned CapEx in these sectors primarily pertains to investments in renewable energies and low carbon technologies, rather than being directly related to their core activities.

When it comes to analyzing the gap between the average eligible and aligned CapEx, certain sectors have shown significant deviations. The sector with the largest deviation is mining and quarrying, with a difference of 45% (from an average eligibility of 58% to an alignment of 13%). This is closely followed by the construction, infrastructure and real estate sector with a deviation of 34%. Finally, the technology, media and telecommunications sector shows a deviation of 20%.

Figure 7: Average eligible and aligned CapEx by industry



Also, regarding CapEx, the eligibility and alignment shares vary in relation to the taxonomy goal to which activities contribute.

Most eligible and aligned activities in relation to climate objectives

Regarding the **CCM** goal, the top three activities with the highest average of eligible CapEx are:

- 3.7 Manufacture of cement, which registers the highest percentage of eligibility in the manufacturing and construction, infrastructure and real estate sectors
- 3.9 Manufacture of iron and steel, which registers the highest percentage of eligibility in the mining and quarrying and manufacturing sectors
- 3.3 Manufacture of low carbon technologies for transport, which registers the highest percentage of eligibility in the mobility sector

Regarding alignment, the activity 3.9 Manufacture of iron and steel reports the highest share of taxonomy-aligned CapEx (26%). On the other hand, the activities 4.9 Transmission and distribution of electricity and 4.3 Electricity generation from wind power (the fourth and the sixth in terms of eligibility) show a high level of alignment (21% and 20% respectively).

The following table summarizes the top 10 activities that contribute to **CCM** with the highest share of eligible and aligned **CapEx**:

Table 3: CCM-contributing activities with highest eligible and aligned CapEx

Most eligible activities	Average eligible CapEx (%)	Most aligned activities	Average aligned CapEx (%)
3.7 Manufacture of cement	52%	**3.9** Manufacture of iron and steel	26%
3.9 Manufacture of iron and steel	51%	**4.9** Transmission and distribution of electricity	21%
3.3 Manufacture of low carbon technologies for transport	45%	**4.3** Electricity generation from wind power	20%
4.9 Transmission and distribution of electricity	23%	**4.14** Transmission and distribution networks for renewable and low carbon gases	14%
7.7 Acquisition and ownership of buildings	22%	**3.7** Manufacture of cement	12%
4.3 Electricity generation from wind power	21%	**4.2.** Electricity generation using concentrated solar power (CSP) technology	11%
4.14 Transmission and distribution networks for renewable and low carbon gases	18%	**3.3** Manufacture of low carbon technologies for transport	11%
3.6 Manufacture of other low carbon technologies	17%	**4.1** Electricity generation using solar photovoltaic technology	10%
3.5 Manufacture of energy efficiency equipment for buildings	14%	**4.13** Manufacture of biogas and biofuels for use in transport and of bioliquids	9%
6.10 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	12%	**1.3** Forest management	9%

Regarding **CCA**, the top three activities with the highest average of eligible CapEx are:

- 6.16 Infrastructure for water transport, that is reported by only one company in the "Other sectors" cluster
- 3.12 Manufacture of soda ash, which registers the highest percentage of eligibility in the health, biotechnology and chemicals sector
- 8.2 Computer programming, consultancy and related activities, which registers the highest percentage of eligibility in the technology, media and telecommunications sector

In terms of alignment, activity 6.16 Infrastructure for water transport has the largest share of taxonomy-aligned CapEx (equal to 56%). Activities 6.14 Infrastructure for rail transport and 8.2 Computer programming, consultancy and related activities, which rank second and third, have much lower alignment, at only 4% and 3%, respectively.

The following table summarizes the top 10 activities that contribute to CCA with the highest share of eligible and aligned **CapEx:**

Table 4: CCA-contributing activities with highest eligible and aligned CapEx

Most eligible activities	Average eligible CapEx (%)	Most aligned activities	Average aligned CapEx (%)
6.16 Infrastructure for water transport	56%	**6.16** Infrastructure for water transport	56%
3.12 Manufacture of soda ash	50%	**6.14** Infrastructure for rail transport	4%
8.2 Computer programming, consultancy and related activities	46%	**8.2** Computer programming, consultancy and related activities	3%
7.7 Acquisition and ownership of buildings	15%	**6.3** Urban and suburban transport, road passenger transport	1%
8.3 Programming and broadcasting activities	7%	**4.5** Electricity generation from hydropower	1%
6.2 Freight rail transport	7%	**6.15** Electricity generation using solar photovoltaic technology	1%
7.3 Installation, maintenance and repair of energy efficiency equipment	7%	**8.1** Data processing, hosting and related activities	1%
8.1 Data processing, hosting and related activities	7%	**5.1** Construction, extension and operation of water collection, treatment and supply systems	0.4%
6.14 Infrastructure for rail transport	4%	**8.3** Programming and broadcasting activities	0,3%
13.3 Motion picture, video and television program production, sound recording and music publishing activities	3%	**5.3** Construction, extension and operation of waste water collection and treatment	0,3%

CapEx and OpEx

OpEx

Confirming the trends reported in the EY EU Taxonomy Barometer 2022, OpEx demonstrates eligibility and alignment percentages that are closer to those of the turnover. It exhibits an eligibility rate of 28% and an alignment percentage of approximately 12%.

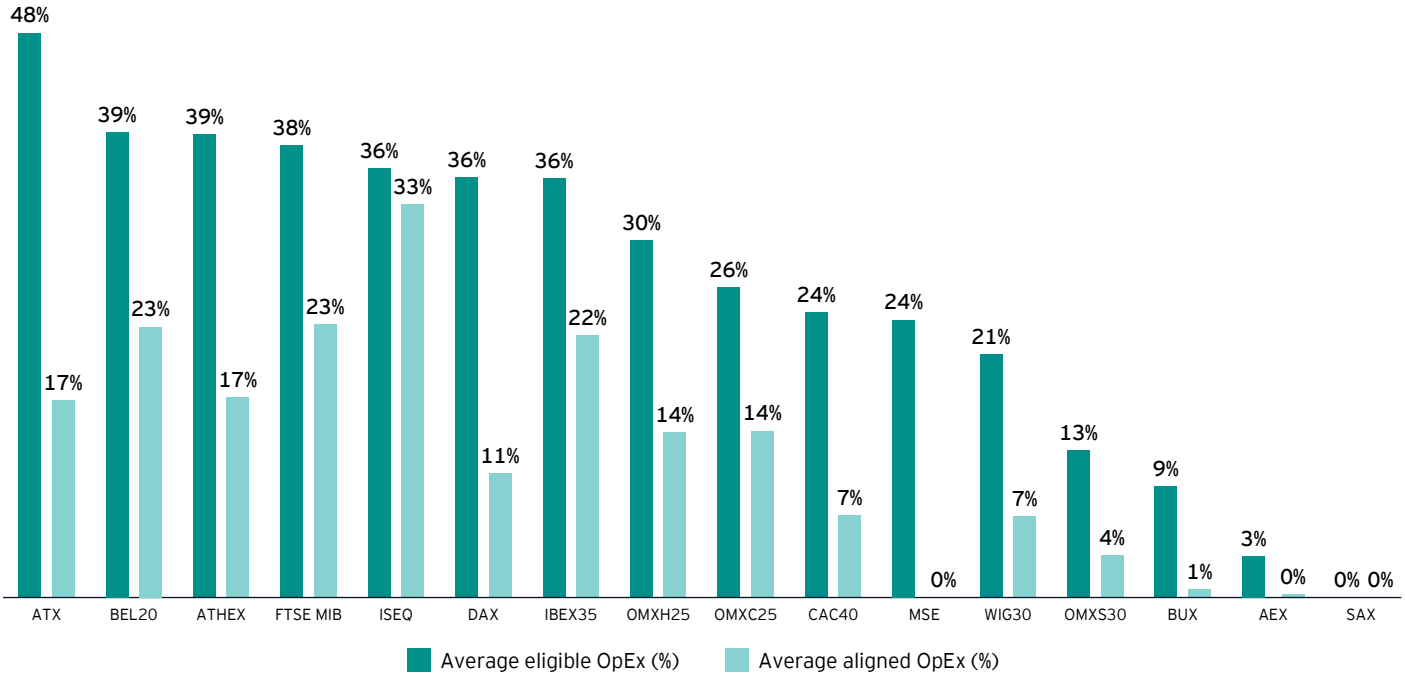
The average eligibility of OpEx is lower than that for CapEx: this finding indicates that, for OpEx, the expenditures associated with eligible and aligned turnover play a more significant role compared with the CapEx KPI. It must be underlined that, out of the 265 companies in scope, 86 reported a 0% eligibility share (32%, against 18% in the 2022 edition), while 142 instances of 0% alignment were recorded.

The index with the highest share of eligible OpEx is the ATX (Austria, 48%), followed by the BEL 20 (Belgium, 39%). For both the indexes, the most significant contribution comes from companies operating in the construction, infrastructure and real estate and power and utilities sectors (respectively 73% and 95% of eligible OpEx in the ATX and 100% of eligible OpEx for power and utilities in the BEL 20). On the other hand, the AEX (the Netherlands) registered a low level of eligibility (3%), mainly because of the low eligibility rates (around 0%) in the health, biotechnology and chemicals and manufacturing sectors.

In terms of alignment, the companies listed in the ISEQ (Ireland) – where the construction, infrastructure and real estate sector makes the most important contribution to the result – registered the highest average percentage of OpEx alignment (33%) followed by those listed in Italy (23%) – where the number of power and utilities companies is significant – and Belgium (23%). By contrast, the MSE (Malta), SAX (Slovakia), BUX (Hungary) and AEX (the Netherlands) exhibited the lowest percentage of taxonomy-aligned OpEx, falling short of the 1% threshold. This was primarily due to a significant number of companies reporting zero alignment across various sectors.

Regarding the difference between the average eligibility and alignment of OpEx, the index that recorded the highest gap is the ATX (Austria) with a delta of 31%, from an average eligibility of 48% to an alignment of 17%. Following closely are the DAX (Germany), with a gap of 25%, and the MSE (Malta), with a deviation of 24%.

Figure 8: Average eligible and aligned OpEx by index



The country-level data also confirms that the OpEx KPI shows a gap between eligibility and alignment similar to the turnover KPI, indicating that the OpEx is mainly associated with the revenue-generating activities of the companies. In fact, the first three countries for eligible OpEx show similar trends in terms of turnover, albeit in a different order. Luxembourg ranks third in terms of eligibility, mainly due to the manufacturing sector (89% eligibility), and first for eligible turnover, with a significant percentage of alignment (15%). Belgium ranks fourth in terms of eligible turnover and second for eligible OpEx, having five (power and utilities; health, biotechnology and chemicals; manufacturing; mobility; and technology, media and telecommunications) out of seven sectors with over 40% eligibility. The highest average eligibility is recorded in Austria, which is also second for eligible turnover, with the main sectors for eligibility being power and utilities (97%) and construction, infrastructure and real estate (73%). On the other hand, the lowest-ranking countries in terms of eligible OpEx are Hungary, the Netherlands and Slovakia.

In relation to the disparity between average eligibility and alignment, the countries that have experienced the most significant gaps are Austria and Luxembourg, exhibiting a delta of 31%. Specifically, Austria moved from an average eligibility rate of 48% to an alignment rate of 17%, whereas Luxembourg witnessed a shift from an average eligibility rate of 45% to an alignment rate of 15%. Germany follows closely behind with a delta of 26%.

Figure 9: Average eligible and aligned OpEx by country

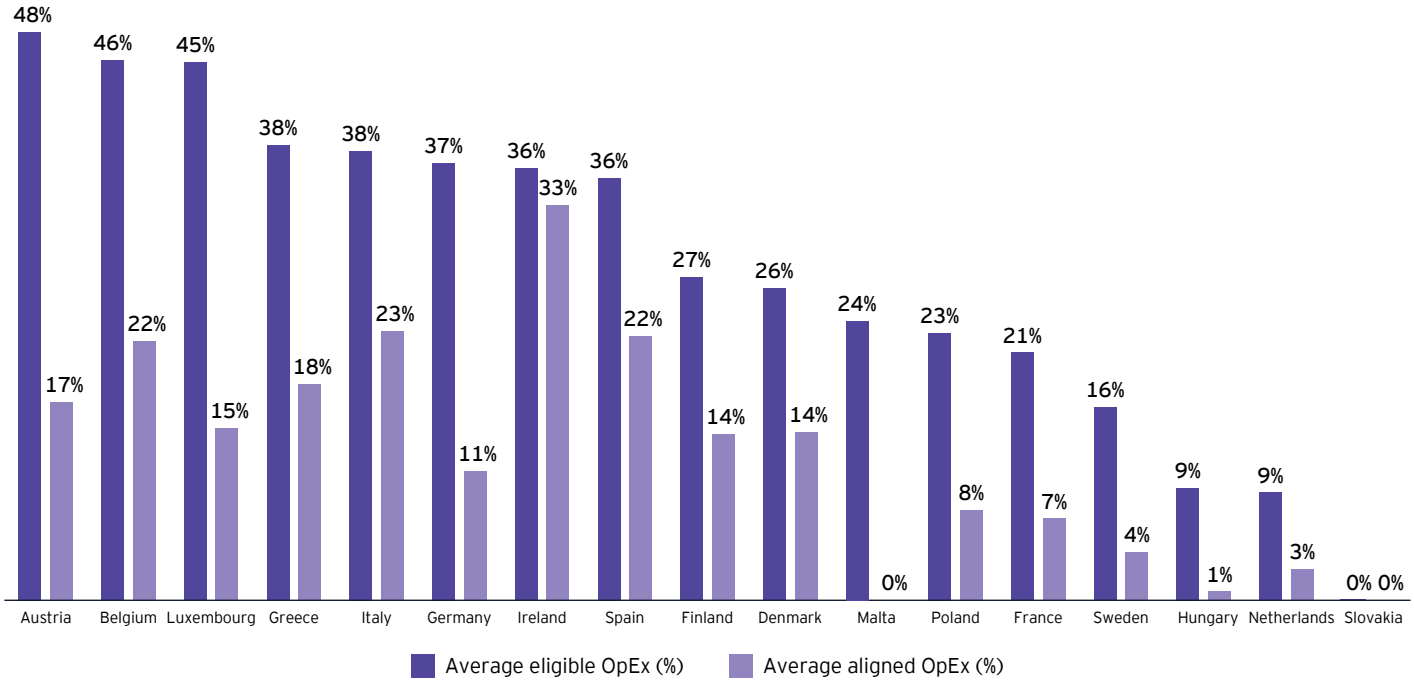


Figure 10 illustrates significant variations in average eligibility and alignment of OpEx across industries. Like turnover, the companies with the highest eligibility for OpEx operate in the power and utilities, construction, infrastructure and real estate, and mobility sectors. Energy stands out as the sector with the highest percentage of eligible OpEx (62%). Both the construction, infrastructure and real estate and mobility sectors reach the same level of OpEx eligibility (56%). The sectors with the lowest shares of eligible OpEx are consumer products and health, biotechnology and chemicals, at 6% and 5% respectively.

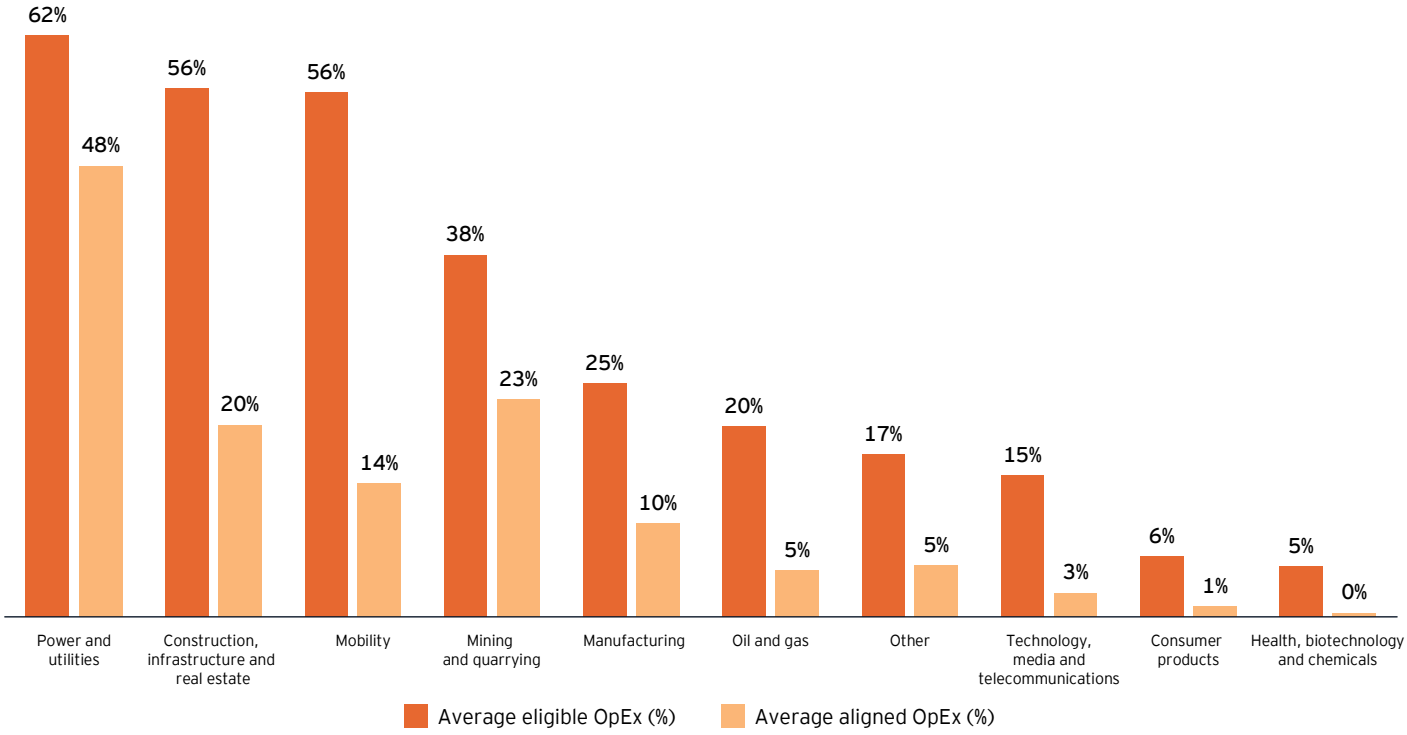
An interesting dynamic is observed in terms of alignment. The power and utilities sector shows the highest level of alignment (48%), very similar to CapEx. Consistent with what has been observed for turnover, companies in the

construction, infrastructure and real estate, and mining and quarrying sectors exhibit high levels of alignment (20% and 23% respectively). On the other hand, the consumer products and health, biotechnology and chemicals sectors reported the lowest percentages of taxonomy-aligned OpEx, at 1% and 0% respectively.

Concerning the gap between average eligibility and alignment, the two industries that have recorded the largest disparity are mobility, with a gap of 42% (56% average eligibility and 14% alignment) and construction, infrastructure and real estate, with a gap of 36%.

As for the other KPIs, the eligibility and alignment shares vary in relation to the taxonomy goal to which activities contribute.

Figure 10: Average eligible and aligned OpEx by industry



Most eligible and aligned activities in relation to climate objectives

Regarding the CCM goal, the top three activities with the highest average of eligible OpEx are:

- 3.3 Manufacture of low carbon technologies for transport, which registers the highest percentage of eligibility in the mobility sector, reporting a peak of 100% eligibility
- 6.3 Urban and suburban transport, road passenger transport, which also registers 100% eligibility in the mobility sector
- 3.7 Manufacture of cement, which registers the highest eligible OpEx in the manufacturing sector, reporting an average eligibility of 76%

In terms of alignment, the activity 4.11 Storage of thermal energy has the highest share of taxonomy-aligned OpEx, accounting for 29%, followed by 3.9 Manufacture of iron and steel technologies for transport (24%) and 4.9 Transmission and distribution of electricity (20%).

The following table summarizes the top 10 activities that contribute to CCM with the highest share of eligible and aligned **OpEx:**

Table 5: CCM-contributing activities with highest eligible and aligned OpEx

Most eligible activities	Average eligible OpEx (%)
3.3 Manufacture of low carbon technologies for transport	54%
6.3 Urban and suburban transport, road passenger transport	50%
3.7 Manufacture of cement	47%
3.9 Manufacture of iron and steel technologies for transport	46%
7.7 Acquisition and ownership of buildings	33%
4.11 Storage of thermal energy	29%
4.9 Transmission and distribution of electricity	24%
3.5 Manufacture of energy efficiency equipment for buildings	19%
3.6 Manufacture of other low carbon technologies	19%
4.3 Electricity generation from wind power	18%

Most aligned activities	Average aligned OpEx (%)
4.11 Storage of thermal energy	29%
3.9 Manufacture of iron and steel technologies for transport	24%
4.9 Transmission and distribution of electricity	20%
4.3 Electricity generation from wind power	17%
3.3 Manufacture of low carbon technologies for transport	15%
1.1 Afforestation	14%
3.5 Manufacture of energy efficiency equipment for buildings	12%
9.2 Research, development and innovation for direct air capture of CO2	9%
4.28 Electricity generation from nuclear energy in existing installations	8%
4.10 Storage of electricity	8%

Regarding **CCA**, the top three activities with the highest average of eligible OpEx are:

- 3.12 Manufacture of soda ash, which registers the highest percentage of eligibility (54%) in the health, biotechnology and chemicals sector
- 8.2 Computer programming, consultancy and related activities, which registers the highest percentage of eligibility in the technology, media and telecommunications sector
- 6.16 Sea and coastal freight water transport, vessels for port operations and auxiliary activities, that is reported by only one company belonging to the "Other sectors" cluster.

In terms of alignment, the activity 6.16 Infrastructure for water transport presents the highest proportion of taxonomy-aligned OpEx (37%), followed by 8.2 Computer programming, consultancy and related activities (5%) and 4.5 Electricity generation from hydropower (3%).

Table 6: CCA-contributing activities with highest eligible and aligned OpEx

Most eligible activities	Average eligible OpEx (%)
3.12 Manufacture of soda ash	54%
8.2 Computer programming, consultancy and related activities	53%
6.16 Sea and coastal freight water transport, vessels for port operations and auxiliary activities	37%
12.1 Residential care activities	7%
8.3 Programming and broadcasting activities	6%
8.1 Data processing, hosting and related activities	4%
4.5 Electricity generation from hydropower	3%
4.31 Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	3%
6.2 Freight rail transport	2%
13.2 Libraries, archives, museums and cultural activities	2%

Most aligned activities	Average aligned OpEx (%)
6.16 Infrastructure for water transport	37%
8.2 Computer programming, consultancy and related activities	5%
4.5 Electricity generation from hydropower	3%
4.31 Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	3%
6.15 Electricity generation using solar photovoltaic technology	2%
5.1 Construction, extension and operation of water collection, treatment and supply systems	1%
6.14 Infrastructure for rail transport	1%
5.3 Construction, extension and operation of wastewater collection and treatment	1%
5.2 Renewal of water collection, treatment and supply systems	1%
4.9 Transmission and distribution of electricity	0.3%

CapEx and OpEx that are the output of a taxonomy-aligned activity or individual measure for emissions reduction

According to the definition provided in the Disclosures Delegated Act – Annex I, § 1.1.2.2 and 1.1.3.2, point c – of the Regulation, the numerator of the OpEx and CapEx KPIs may include expenses and investments linked to the purchase of output from taxonomy-aligned economic activities and to individual measures enabling the target activities to become low carbon or to lead to GHG reductions within 18 months. The regulation does not require separate disclosure of this type of CapEx or OpEx within the tables. However, it has been possible to identify whether a company considered CapEx under Annex I, § 1.1.2.2, point c of the Delegated Act based on the description of the activities. No reliable quantitative data were available for OpEx.

Among the 265 nonfinancial undertakings that disclosed taxonomy information, only 80 disclosed information regarding activities in reference to the Delegated Act - Annex I, § 1.1.2.2, point c, representing about 30% of the companies in scope.

Regarding the CCM goal, the average eligible CapEx point c is approximately 4%, while the average taxonomy-aligned CapEx is around 1%. The consumer products sector shows the highest eligibility percentage in this category (8%), while the construction, infrastructure and real estate sector shows the lowest (2%). The alignment values show some interesting trends: only mining and quarrying (2%) and consumer products (1%) reported a share of taxonomy-aligned CapEx point c above or equal to 1%; none of the other sectors reaches 1%.

Regarding CCA, the average share of eligible CapEx c is around 1%, while the average share of aligned CapEx c is well below 1%. The highest eligibility value is in the health, biotechnology and chemicals (21%) sector, while the lowest is in the technology, media and telecommunications sector, with approximately 1% of eligible CapEx point c. Nevertheless, it is worth noticing that the average alignment for CapEx point c is below 1% of the total CapEx.

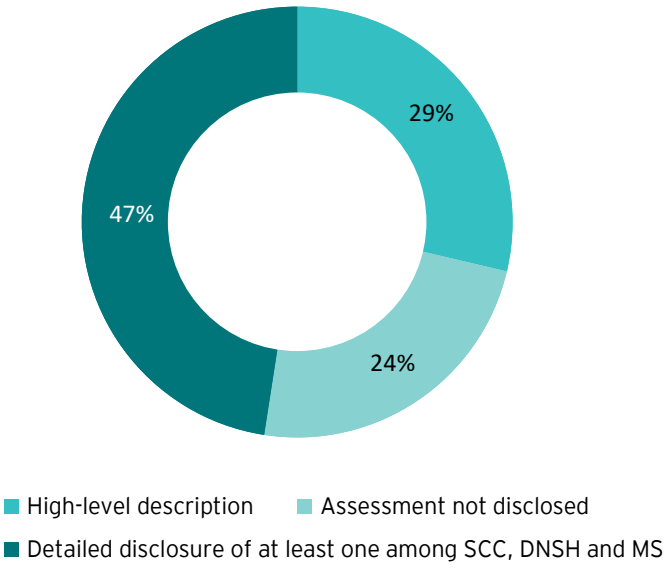
Main trends in the assessment of alignment

Among the companies that disclosed EU Taxonomy information, 63 companies out of 265 – accounting for 24% of the sample – did not provide an explanation of how the alignment assessment was conducted. The highest number of such cases was found in firms listed in Finland (nine out of 22) and in the Netherlands (10 out of 17).

A majority (126) of the analyzed companies, representing around 48% of the sample, provided details on how the alignment assessment was carried out in terms of at least one of the following: substantial contribution criteria (SCC), do no significant harm (DNSH) or minimum safeguards (MS). Among those, 88 firms, accounting for 33%, provided details on all three.

Finally, 29% of the organizations analyzed provided only a high-level overview of the process, without delving into the specifics of each individual analysis for technical screening criteria (TC) and MS.

Figure 11: Level of detail in the disclosure of the alignment assessment process



Assurance practices

In the sample of nonfinancial undertakings that disclosed EU Taxonomy, only 46 firms, which corresponds to 19% of the total, obtained assurance on their EU Taxonomy disclosure. This statistic does not include companies listed in Spain, which is the only EU country for which taxonomy assurance is mandatory by law. In fact, assurance on taxonomy disclosure is not mandatory by law at EU level because the Taxonomy Regulation applies to those undertakings that are in the scope of the Non-Financial Reporting Directive (NFRD) that did not seek mandatory assurance. When the Corporate Sustainability Reporting Directive enters into force, the assurance of this information will become mandatory for all EU Member States.

At the same time, it should be noted that assurance on taxonomy information for organizations based in Germany and Austria is a common practice for most undertakings (93% and 73% respectively) even if not mandatory by law. In addition, in Germany, four companies obtained reasonable assurance (the only ones in the total sample analyzed) and 22 obtained limited assurance.

Technical screening criteria

The main reasons that led to the nonalignment of activities have been examined for individual sectors and specific activities.

It is important to highlight that some companies were unable to achieve alignment due to the lack of all the necessary information to cover the TSC. For example, in the case of activities related to the construction of electricity generation plants, water supply systems, and sewer systems, many companies in the construction, infrastructure and real estate sector did not manage to trace back to the design and manufacturing operations of the products and materials used, because they were only responsible for the mere installation of these systems.

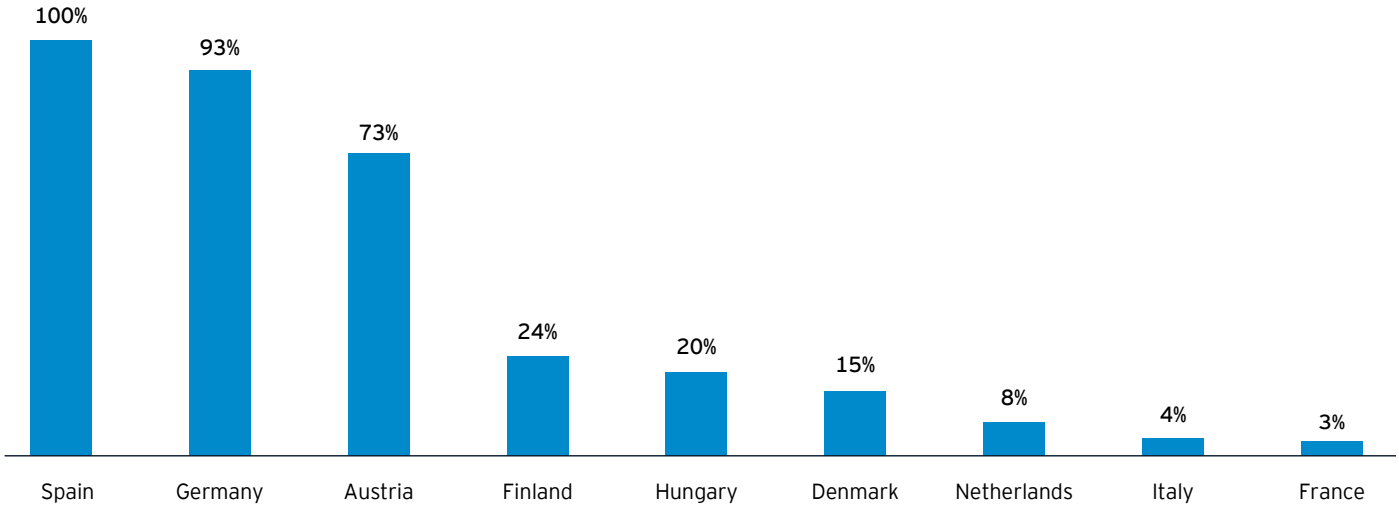
Companies operating in the health, biotechnology and chemicals, and manufacturing sectors reported, among the main reasons, the lack of alignment due to noncompliance with DNSH criteria, specifically regarding the requirements of appendix C on pollution prevention and control with reference to the presence of chemical substances.

Regarding the technology, media, and telecommunications sector, that recorded very low average alignment percentages, the main reason behind the lack of alignment is caused by DNSH criteria. This is due to the difficulty in obtaining information related to the environmental impact of products and services in terms of GHG emissions.

Regarding the activities, the reasons for nonalignment vary:

- Within the CCM goal, the most common reason for nonalignment for the three KPIs was related to not meeting the TSC (SCC and DNSH criteria). Specifically, in terms of turnover, the sector with the highest number of companies that did not meet the TSC was the power and utilities sector (37 companies), mainly related to activity 4.30 High-efficiency cogeneration of heat/cool and power from fossil gaseous fuels. This is followed by the mobility sector, where 15 companies did not meet the TSC (mainly in the activity 3.6 Manufacture of other low carbon technologies) and by the health, biotechnology and chemicals sector, with a total of 11 cases of nonalignment. Regarding the CapEx KPI within the mobility sector, 42 companies did not meet the TSC, mainly in the activity 7.3 Installation, maintenance and repair of energy efficiency equipment. Regarding OpEx, the power and utilities sector recorded the highest number of companies that did not meet the TSC (39 out of 143), followed by the mobility sector, which counted 32 cases of noncompliance.

Figure 12: Companies that received assurance on EU Taxonomy disclosure

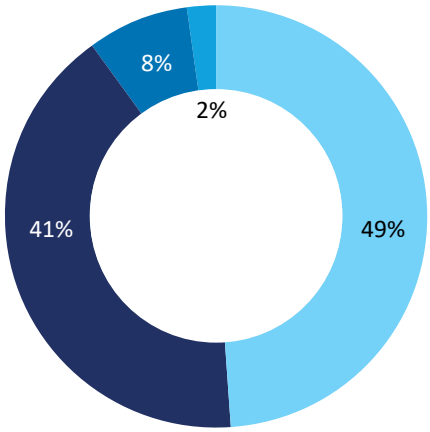


- Regarding the CCA goal, the reasons for nonaligned turnover were mostly due to the failure to meet the SCC. Most cases are found in the health, biotechnology and chemicals sector. In terms of CapEx, most cases are found in the technology, media and telecommunications sector due to nonachievement of TSC (SCC and DNSH). Regarding OpEx alignment, the most common reason for nonalignment is failure to meet SSC, especially in the consumer products and mobility - vehicle manufacturing and transport sectors.

Minimum safeguards

Article 18 of the Taxonomy Regulation requires companies to be compliant with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principle on Business and Human Rights, which includes principles and rights that align with the eight fundamental conventions identified in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Figure 13: Minimum safeguard assessment



- Reference to specific policies and procedures
- No details provided
- Reference to due diligence processes
- Reference to the absence of non compliance according to the OECD Guidelines and the UNGP

Based on the information disclosed by the analyzed undertakings, a total of 109 companies, or 41% of the sample, did not provide information on the assessment process for MS. However, 20 companies reported compliance through due diligence processes, while 131 companies provided evidence of policies and procedures implemented to ensure full compliance with the requirements of Article 8 of the Taxonomy Regulation. Only five companies (almost 2% of the sample) referred to the absence of noncompliance to OECD Guidelines and UNGP directives as a mean to assess their alignment to MS.

Other insights on disclosures

While carrying out the study, the following additional insights were observed:

- 4% of the companies analyzed (12 undertakings) did not disclose a percentage for the three KPIs, five of them based in Hungary and three in Denmark; four of the 12 companies operate in the health, biotechnology and chemical sector.
- The length of the disclosures varied from 91 to 10,584 words.
- About 2% (4) of the companies – all operating in the power and utilities sector – disclosed an additional KPI: the taxonomy-adjusted earnings before interest, taxes, depreciation and amortization (EBITDA).
- In addition, almost 2% (four companies, one of which also disclosed taxonomy-adjusted EBITDA) of the entities included in their disclosure alternative-scenario analysis aimed at investigating how KPIs' eligibility or alignment share would vary after the inclusion or exclusion of certain activities; almost 1% (2) of the entities provided information about how KPIs' eligibility or alignment share would vary after a limitation of scope; almost 2% (4) of the entities adjusted the calculation of the KPIs' eligibility or alignment share following sector-specific guidelines or international rating standards.
- Almost 2% (6) of the companies disclosed adjusted KPIs for environmentally sustainable bonds or debt securities aimed at financing specific identified taxonomy-aligned activities.
- 13% of the sample (33) provided a restatement to eligibility data compared with what was published the previous year.

Financial undertakings

Credit institutions

The contribution of banks to the EU's environmental objectives is expressed by one key metric: eligible assets, which reflect the banks' potential contribution of the credit and investment portfolio to the environmental objectives. The taxonomy-eligibility based on counterparties' turnover ranged from 0% to 55% with an average of 26%.

Banks' exposure to eligible assets includes mainly retail mortgages and consumer loans for vehicles and building renovation. In addition, the second year of reporting, most of the banks collected eligibility indicators from their clients and investees. However, credit institutions were not required to assess whether the activities they financed were compliant with the TSC defined in the EU Taxonomy. Therefore, all loans financing economic activities listed in the Taxonomy were considered eligible.

Given the presence of actual counterparty data on eligibility, some banks leveraged disclosed information to assess the eligibility of general-purpose loans and investments in the mandatory disclosures. About 40% of banks calculated their share of eligible exposures using both their counterparties' turnover and CapEx. About 20% of banks relied on internal proxies for developing voluntary disclosures on eligibility of counterparties to integrate mandatory KPIs that are based on actual data.

Insurance undertakings

The contribution of insurers to the EU environmental objectives is expressed by two different metrics:

- "Eligible premiums" reflect the insurers' potential contribution of the underwriting portfolio to climate change adaptation and range from 2% to 92% with an average of 48%.
- "Eligible assets" indicate the insurers' potential contribution of the investment portfolio to the environmental objectives and range from 1% to 39% with an average of 15% based on counterparties' turnover.

When comparing the methodology used by insurers to calculate the investment KPI, disclosures show that companies did not apply a consistent approach.

Comparing both KPIs, insurers potentially contribute much more to environmental objectives through their underwriting activities (in relative terms), while in absolute terms the potential contribution through the investment portfolio is much larger due to its size. In terms of future alignment KPIs that measure the actual contribution to the environmental objectives, it is reasonable to assume that the underwriting KPI will be much lower, while the investment KPI will be higher due to increasing data availability, as alignment information will become available from investee companies.

When comparing banks and insurers, it is worth mentioning that banks' eligible assets are relatively higher than insurers' (26% versus 15% on average). This might indicate that banks are "greener" insurers but, in fact, this is driven by data availability due to the business model and the extent to which companies have access to information about their counterparties. Given the presence of actual counterparty data on eligibility, some insures leveraged disclosed information to assess the eligibility of investments in the mandatory disclosures. About 40% of the insurers calculated their share of eligible exposures using both their counterparties' turnover and CapEx.

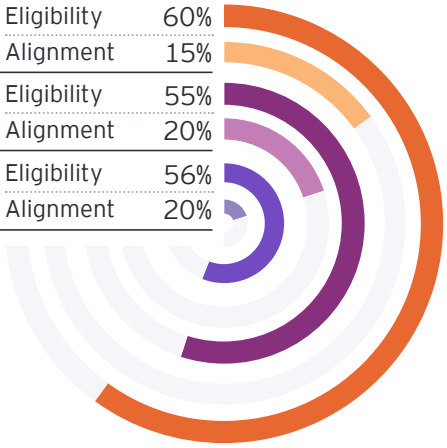
Sector findings

This section presents the main findings related to the different sectors analyzed. In the appendix of this report, you will find detailed tables of eligible and aligned activities per KPIs.

- Construction, infrastructure and real estate
- Consumer products
- Health, biotechnology and chemicals
- Manufacturing
- Mining and quarrying
- Mobility – vehicle manufacturing and transport
- Oil and gas
- Power and utilities
- Technology, media and telecommunications
- Credit institutions
- Insurance undertakings

Construction, infrastructure and real estate

Turnover	Eligibility	60%
	Alignment	15%
CapEx	Eligibility	55%
	Alignment	20%
OpEx	Eligibility	56%
	Alignment	20%



Turnover

Companies in the construction, infrastructure and real estate sectors reported an average share of eligible turnover equal to 60% (the same as the previous year) and an average share of aligned turnover equal to 15%, with significant disparities among the different actors of the value chain, and mainly referred to CCM goal (only three companies reported a share of turnover eligible for CCA goal, ranging from almost 0% to around 15%). In particular:

- The average share of eligible turnover reported by **real estate** companies that own, lease and manage buildings is 81% (lower compared with the share of those analyzed last year – 95%, and always referred to CCM goal), that falls to 14% in terms of alignment, presenting a range from 0% to 37%. This gap between eligibility and alignment may result from the complexity to meet the strict criteria defined by the Climate Delegated Act (especially for the activities *7.1 Construction of new buildings and 7.7 Acquisition and ownership of buildings)* that require buildings to reach certified high energy efficiency performances. Among real estate companies, a small proportion of hotels were also reported as taxonomy-eligible. This result may change in the future with the Environmental Delegated Act coming into force: it would include the hotel industry, thus the companies operating in this segment may result eligible for other environmental objectives. In this scenario, taxonomy-eligible share of turnover in the real estate companies without hotels operators would increase to around 91%.
- **Construction** companies present an average share of eligible turnover equal to 45% and an average score of taxonomy-aligned turnover of 13%. In line with last year, this sector presents a wide range of eligibility rates from 6% to 72%. It may depend to the fact that certain types of assets are eligible (for example buildings and railways) while other are not (for example non-renewable energy infrastructures). The three companies that disclosed a share of turnover related to the CCA goal fall into this sub-sector, ranging from slightly more than 0% to 15%: the alignment range is significantly reduced (0-1%). In addition, lot of uncertainty remains around some types of assets, for example roads.
- **Construction materials** companies registered an average share of eligible turnover equal to 55% (almost in line with last year's 50%) and a share of taxonomy-aligned turnover of 31%. Zero companies operating in this sub-sector disclosed any eligible activity that contributes to the CCA goal.

CapEx

Companies in the construction, infrastructure and real estate sector reported an average share of eligible CapEx of 55% and an average share of taxonomy-aligned CapEx of 20%, with significant disparities among the different phases of the value chain:

- the **real estate** companies presented an average share of eligible CapEx equal to 73% (the highest in this sector and in line with the turnover eligibility) and an average share of taxonomy-aligned CapEx of 20%, always referring to CCM goal.
- The **construction** segment, in line with the turnover KPI, registered an average share of taxonomy-eligible CapEx of 41%, that falls to 16% in terms of alignment. Only three companies disclosed a share of eligible CapEx contributing to CCA goal, with shares lower than 2%.

- Finally, the companies that operate in **construction materials** reported an average share of eligible CapEx equal to 50%. In terms of alignment, they reported an average share of aligned CapEx equal to 33%: this is the only sub-sector that shows a CapEx higher than turnover in this sector. No companies reported eligible activities according to the CCA goal.

OpEx

Companies in the construction, infrastructure and real estate sector reported an average share of eligible OpEx equal to 56% and an average share of taxonomy-aligned OpEx equal to 20%; only three companies disclosed a share of their OpEx eligible with respect to activities contributing to the CCA goal, two of them belonging to construction materials sub-sector and one belonging to real estate. Below the main differences among segments:

- The companies operating in the **real estate** segment reported the highest share of eligible OpEx (80%) and the lowest share of taxonomy-aligned OpEx (18%) within this sector; only one company disclosed an eligible share of OpEx (2%) related to the CCA goal, without meeting the alignment criteria.
- In the **construction** segment the average share of eligible OpEx is equal to 33% and the share of taxonomy-aligned OpEx is 15%.
- The companies operating in the **construction materials** segment reported an average share of eligible OpEx equal to 68% and an average share of taxonomy-aligned OpEx equal to 44%.

Main reasons for nonalignment

In general, companies operating in the construction of electricity generation facilities (from 4.1 Electricity generation using solar photovoltaic technology to 4.8 Electricity generation from bioenergy) and water supply and sewerage systems (5.1 Construction, extension and operation of water collection, treatment and supply systems and 5.3 Construction, extension and operation of waste water collection and treatment), were unable to show alignment because they were only responsible for the construction of the facilities, and they did not have sufficient information about the operations or the equipment used. Regarding activity 7.1 Construction of new buildings, some buildings were at an early stage of design and therefore evidence was not available.

Regarding the different criteria, companies reported the following reasons to explain the divergence between eligibility and alignment:

Substantial contribution:

- Regarding activity 7.7 Acquisition and ownership of buildings, for those buildings with the building permit application submitted after 31 December 2020 and bigger than 5,000 sqm, no life-cycle global warming potential assessments was conducted.
- Regarding activity 4.9 Transmission and distribution of electricity, companies stated that they could not provide sufficient evidence to assess the CO2 emissions of the electricity transmission facilities related to the generation threshold value of 100 gCO2e/kWh.
- Regarding activity 4.29 Electricity generation from fossil gaseous fuels, the main reason for nonalignment was the overcoming of the lifecycle GHG emissions threshold of 100 gCO2e/kWh.
- Regarding activity 7.1 Construction of new buildings, some types of buildings were not qualified to receive a performance certificate (e.g., parking lots) or were not fulfilling the criterion related to the Primary Energy Demand as 10% lower than the threshold set for the nearly zero-energy building (NZEB).
- Regarding activity 3.5 Manufacture of energy efficiency equipment for buildings, the reasons for the nonalignment were mainly due to the lack of information on the performance of the end product.

DNSH

- For many activities, no climate risk assessment was conducted.
- For activities carried out outside the EU, providing evidence of compliance with the DNSH criteria was not possible.
- Regarding activity *7.1 Construction of new buildings,* buildings were related to energy production from fossil fuels (i.e., lignite, natural gas).
- Regarding appendix C, the short time to apply the indication published in the Commission Notice on the Climate Delegated Act on 19 December 2022 makes it difficult for companies to fully adapt their internal processes to cover all the substances required.

MS

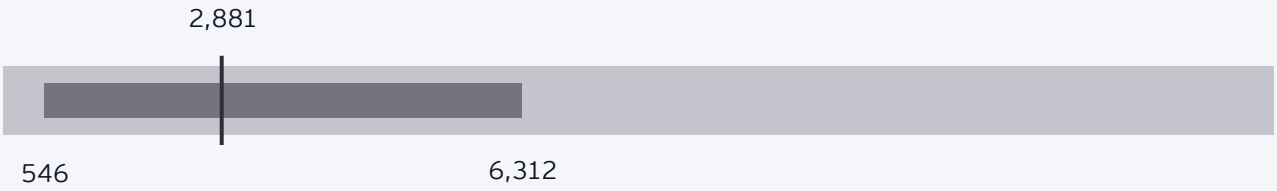
- Companies reported that no due diligence processes on human rights at the group level were implemented.

Table 7: Top 10 most disclosed activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	7.1	Construction of new buildings	CCM	13	10	5
2	7.7	Acquisition and ownership of buildings	CCM	8	9	8
3	6.14	Infrastructure for rail transport	CCM	8	7	4
4	4.3	Electricity generation from wind power	CCM	7	7	4
5	5.1	Construction, extension and operation of water collection, treatment and supply systems	CCM	8	5	4
6	5.3	Construction, extension and operation of wastewater collection and treatment	CCM	7	5	3
7	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	6	5	3
8	7.2	Renovation of existing buildings	CCM	6	6	2
9	4.1	Electricity generation using solar photovoltaic technology	CCM	6	4	3
10	4.5	Electricity generation from hydropower	CCM	6	4	2

Paragraph length — words

With an average of 2,881 words, ranging from 546 to 6,312, the disclosure of companies operating in the construction, infrastructure and real estate sector ranks fourth.



Consumer products

Turnover	Eligibility	0.8%
	Alignment	0.4%
CapEx	Eligibility	22%
	Alignment	3%
OpEx	Eligibility	6%
	Alignment	1%

Turnover

Most of the business activities of companies in this sector (manufacturing and sales of consumer products, such as food and beverages or textile and apparel products) are not included in the list of activities with a potentially substantial contribution to CCM or adaptation goals stated in the Climate Delegated Act. This is reflected in the average percentage of eligible turnover, which is less than 1% (compared to 3% in the previous year). In this comparison, it is interesting to see that 8% of companies restated eligibility figures from 2021.

Overall, only one company disclosed a share of eligible turnover (slightly more than 0%) related to an activity contributing to CCA *(5.5 Collection and transport of nonhazardous waste in source segregated fractions)*, while the other undertakings having a turnover eligibility different from 0% contribute to CCM goal. Moreover, 74% of companies in this sector disclosed 0% of eligible turnover and only three companies disclosed a rate above 2%. The maximum value for this KPI (in terms of eligibility) in the sector is 17%. Most of the relevant activities in terms of eligibility are related to energy efficiency and biofuels, which are not strictly connected to the core business of the companies in these sectors but may contribute to the generation of the overall turnover of a company.

The average share of taxonomy-aligned turnover is less than 0.4% (which is about half of the average eligibility, 0.8%). Half of the eligible activities show a 100% of alignment but there are 40% of companies that have no alignment in any eligible activities. The only company reporting an eligible share of turnover contributing to the CCA goal also meets the alignment criteria.

CapEx

Companies in the consumer products sector have disclosed an average eligible CapEx of 22% (up from 9% last year), mainly referred to CCM goal. About 46% of companies disclosed eligible CapEx below 10%, while 16% of companies have disclosed an eligible CapEx above 50%. The maximum value for this KPI in the sector is 89% (in terms of eligibility). Most relevant disclosed activities relate to real estate activities (7.7 Acquisition and ownership and construction of new buildings and 7.2 Renovation of existing buildings). However, activities related to energy efficiency equipment and transport appear in the most frequently considered list. Unlike turnover, four companies identified a share of CapEx as eligible with respect to activities that contribute to the CCA goal, ranging from just over 0% to 18%.

The average share of taxonomy-aligned CapEx is 3% (so the difference between eligibility and alignment is 19 percentage points on average). About 20% of the activities related to CCM show a 100% of alignment but there are 42% of companies that do not have alignment in any eligible activities. Of the four undertakings that disclosed eligibility related to CCA goal, only one has a non-zero alignment, although close to 0%.

OpEx

About one third of the companies in the sector disclosed immaterial OpEx and the average share of eligible OpEx is 6% (the same as last year) with a 1% alignment. The maximum value for this KPI in the sector is 90% and refers to activities that contribute to CCM goal. Only one single undertaking disclosed an almost 8% share of eligible OpEx (distributed in two different activities) under the CCA goal, while failing to meet the alignment criteria.

The main activities related to eligible OpEx are real estate ones (7.7 Acquisition and ownership of new buildings and 7.2 Renovation of existing buildings) and others such as data-driven solutions for reducing GHG emissions (activity 8.2), energy efficiency equipment for buildings (activity 3.5) and freight transport services by road (activity 6.6).

It is important to underline that one-third of the companies in the consumer products sector have disclosed some CapEx or OpEx related to Delegated Act Annex I, § 1.1.2.2 and § 1.1.3.2, point c – purchase of output from taxonomy-aligned economic activities and individual measures to reduce GHG emissions.

Main reasons for nonalignment

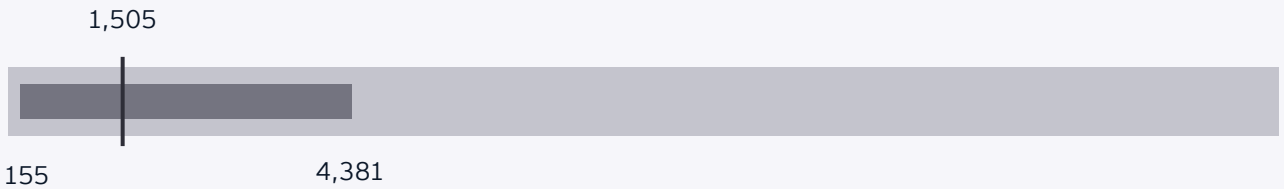
Most companies did not disclose the reasons for their nonalignment. In the cases where they have made the reasons transparent, most companies refer to DNSH criteria and Substantial Contribution Criteria. As the activities are not related to their core business, alignment in this sector depends on the integration of energy performance requirements in procedures related to the construction and renovation of buildings and DNSH criteria for real estate activities.

Table 8: Top 10 most disclosed activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	0	17	5
2	7.7	Acquisition and ownership of buildings	CCM	2	17	2
3	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	2	10	6
4	7.2	Renovation of existing buildings	CCM	1	11	3
5	7.1	Construction of new buildings	CCM	0	8	0
6	4.20	Cogeneration of heat/cool and power from bioenergy	CCM	3	1	3
7	3.5	Manufacture of energy efficiency equipment for buildings	CCM	2	2	2
8	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCM	3	3	0
9	7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM	0	4	2
10	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	0	5	0

Paragraph length — words

With an average of 1,505 words, ranging from 155 to 4,381, the disclosure of companies operating in this sector ranks seventh.



Health, biotechnology and chemicals

Turnover	Eligibility	4%
	Alignment	0.3%
CapEx	Eligibility	15%
	Alignment	1%
OpEx	Eligibility	5%
	Alignment	0.4%

Turnover

Companies in the health, biotechnology and chemicals sector reported only an average share of eligible turnover of 4.5% (almost the same figure as last year – 4%) and an average share of alignment of less than 1%, always related to CCM goal. About 73% (75% last year) of the companies reported 0% of eligible turnover: this is because currently only a few economic activities relate to the core business of companies in this sector, such as the production of organic basic chemicals. In the Environmental Delegated Act, pollution prevention and control, the economic activities related to manufacture of active pharmaceutical ingredients (API) or active substances are included; therefore, in the next reporting years, the share of eligibility for this sector could increase.

CapEx

Companies operating in the health, biotechnology and chemicals sector reported an average share of eligible CapEx of about 15% (up from 8% a year earlier) and an average share of alignment of about 1%. About 33% of the companies that did not report any revenue-generating activities reported some values related to the CapEx KPI, mainly due to investments related to energy-efficient upgrades of their production line, ownership of buildings and company car fleet (CapEx related to the Annex I, § 1.1.2.2, point c of the Disclosures Delegated Act). In contrast to turnover, three companies identified a share of their CapEx as eligible according to the CCA goal: ranging from just over zero to 57% in terms of eligibility, only in one case the alignment criteria have been met (for a total alignment of less than 1%).

OpEx

Companies operating in this sector show an average share of eligible OpEx of 5% (up from 2% last year), and less than 1% of alignment are reported. Like the turnover KPI, almost 66% of companies reported 0% OpEx eligibility: this is a result of the low eligibility of the core activities within this sector according to the Climate Delegated Act. Only one company disclosed eligible (3%) and aligned (3%) OpEx according to the CCA goal.

Main reason for nonalignment

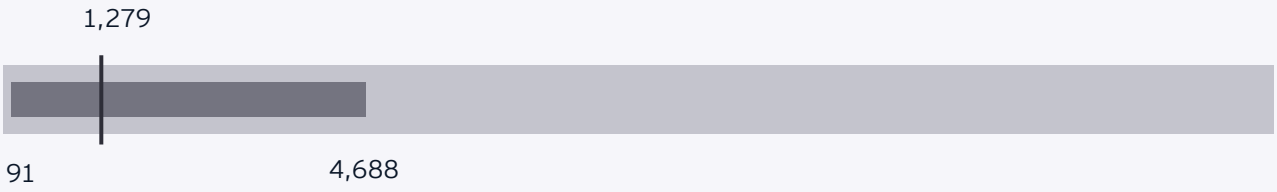
The most common reason was not fulfilling the TSC, either the SCC or DNSH criteria, or both. This is due, for example, to the requirements under pollution and prevention control for DNSH (appendix C in the delegated acts) that have extensive requirements for substances of concern.

Table 9: Top 10 most disclosed activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	7.2	Renovation of existing buildings	CCM	0	12	1
2	3.17	Manufacture of plastics in primary form	CCM	4	4	3
3	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	0	9	2
4	7.1	Construction of new buildings	CCM	0	10	0
5	7.7	Acquisition and ownership of buildings	CCM	0	8	2
6	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	0	8	1
7	3.16	Manufacture of nitric acid	CCM	2	3	3
8	3.6	Manufacture of other low carbon technologies	CCM	2	2	3
9	3.10	Manufacture of hydrogen	CCM	2	1	3
10	3.15	Renovation of existing buildings	CCM	2	2	2

Paragraph length — words

With an average of 1,279 words, ranging from 91 to 4,688, the disclosure of companies operating in this sector ranks last.



Manufacturing

Turnover	Eligibility	25%
	Alignment	10%
CapEx	Eligibility	30%
	Alignment	12%
OpEx	Eligibility	25%
	Alignment	10%

Turnover

Companies in the manufacturing sector reported an average share of eligible turnover of 25% (up from 17% the previous year) and an average share of taxonomy-aligned turnover of 10%, with significant variance between the different manufacturing activities. As there is a wide range of different manufacturing activities, eligibility ranged from 0% to 100%. Alignment also ranged from 0 % to 96%. More than one-third of the companies assessed reported 0% eligibility, while half of the companies assessed reported 0% aligned turnover. The activity with the highest eligible (nearly 95%) and aligned (61%) turnover in the manufacturing sector is the 3.9 Manufacture of iron and steel, contributing to CCM goal. The most frequently reported activity in this sector was activity 3.6 Manufacture of other low carbon technologies. Only two companies disclosed a small share of their turnover (about 1%) as contributing to the CCA goal, and only one of them disclosed alignment different from zero.

CapEx

Companies in the manufacturing sector reported an average share of eligible CapEx of 30% (up from 17% a year earlier) and an average share of aligned CapEx of 12%. Reported eligibility ranged from 0% to 99%, while alignment ranged from 0% to 91%. Consistent with the turnover KPI, also for CapEx only two companies disclosed their contribution to the CCA goal, without being aligned with taxonomy criteria.

About a quarter of the companies reported investments under the Annex I, § 1.1.2.2, point c, with an average eligibility of 5% and an average alignment of almost 1%. One reason for the low alignment could be a lack of information from the suppliers from whom the output was purchased. The most common activities reported as eligible for this category of CapEx were related to energy efficiency measures, namely activities 7.3 Installation, maintenance and repair of energy efficiency equipment, 7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings and 7.6 Installation, maintenance and repair of renewable energy technologies.

OpEx

In terms of OpEx, the average eligibility is 25% (up from 17% last year) and the alignment is about 10%, with both showing similar ranges (0 to 95% for eligibility and 0 to 94% for alignment) and mainly related to the CCM goal. Only one undertaking disclosed a negligible portion of its OpEx (less than 1%) as eligible under the CCA goal, with zero alignment. The results related to OpEx show a complete correlation between turnover and OpEx KPIs, mainly because operational expenditures are associated with the eligible activities.

Main reasons for nonalignment

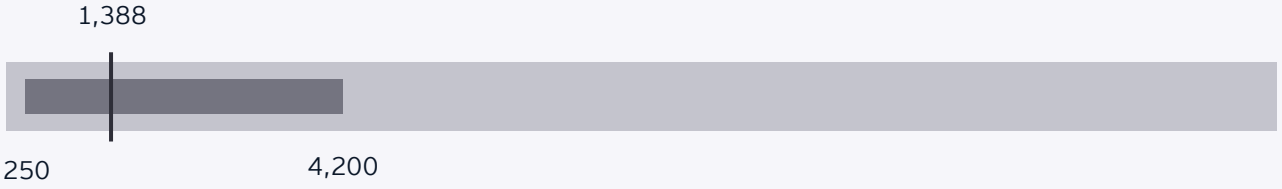
The most common reason for nonalignment was failure to meet the technical screening criteria, either the SCC or the DNSH criteria or both. Specific issues raised by manufacturing companies included, for example, the incompleteness of the Appendix C – generic criteria for DNSH to pollution prevention and control regarding use and presence of chemicals. Another challenge mentioned was that the TSC relate more to producers than equipment manufacturers who sell to the producers.

Table 10: Top 10 most disclosed activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	3.6	Manufacture of other low carbon technologies	CCM	10	9	9
2	3.5	Manufacture of energy efficiency equipment for buildings	CCM	9	8	7
3	3.1	Manufacture of renewable energy technologies	CCM	6	6	6
4	7.7	Acquisition and ownership of buildings	CCM	1	11	4
5	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	2	10	3
6	3.9	Manufacture of iron and steel	CCM	4	4	5
7	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	1	8	2
8	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	0	7	3
9	4.9	Transmission and distribution of electricity	CCM	3	3	2
10	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	3	3	2

Paragraph length — words

With an average of 1,388 words, ranging from 250 to 4,200, the disclosure of companies operating in this sector ranks ninth.



Mining and quarrying

Turnover	Eligibility	34%
	Alignment	21%
CapEx	Eligibility	37%
	Alignment	20%
OpEx	Eligibility	38%
	Alignment	23%

Turnover

Most of the eleven companies in this sector disclosed the same activities as eligible and aligned under turnover KPI, most notably 3.9 Manufacture of iron and steel. Some companies additionally showed some minor eligible activities, especially where the alignment percentage is lower. The average share of eligible turnover in the mining and quarrying sector is about 34% and always refers to CCM objective, while the range of the alignment percentage was very wide – from 91% (related to steel production) to 0%, with an average of 21%. The degree of eligibility in this sector is low because the core business of these companies is not listed among the activities that can contribute to climate change mitigation or adaptation. For example, the companies in this sector are mainly associated with the extraction and sale of coal, which doesn't fall under the Climate DA. In addition, some of the services provided, while enabling process optimization and lifetime extensions through modernizations and upgrades, do not fall within the scope of activities included in the EU climate DA and are therefore classified as non-eligible.

CapEx

The average eligibility for CapEx is about 37%, with an average alignment of almost 20%, showing a wide range for both eligibility (from 0% to 95%) and alignment (from 0% to 76%). While the eligibility for capital expenditure seems relatively high – indicating that a significant portion of investments are eligible for taxonomy – the lower alignment percentage suggests that there is still work to be done to ensure that these investments truly contribute to environmental objectives. In addition to the turnover KPI, no undertaking disclosed portions of their CapEx as eligible with respect to activities contributing to the CCA goal.

In addition, some of the companies also disclosed purchases of output and individual measure to reduce GHG emissions from taxonomy-aligned economic activities. In 2022, only four out of eleven analyzed companies in this sector reported information on CapEx related to Annex I, § 1.1.2.2, point c – these companies are from the mining industry, and three of them operate in the production of fossil fuels.

OpEx

The average eligibility for OpEx is 38%, with an average alignment of 23%, indicating a similar trend to CapEx and always referring to activities contributing to CCM. There is also a wide range for eligibility (0–95%) and alignment (0–82%) for the OpEx KPI.

Main reasons for nonalignment

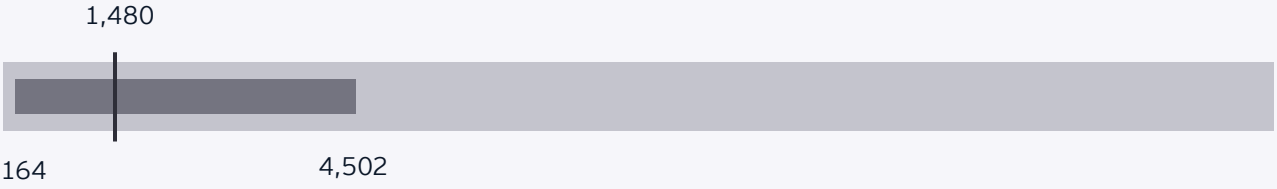
The main reasons for nonalignment in this sector are mainly related to noncompliance with the TSC or only the DNSH criteria.

Table 11: Top 10 most disclosed activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	3.9	Manufacture of iron and steel	CCM	4	4	5
2	6.2	Freight rail transport	CCM	3	2	3
3	3.6	Manufacture of other low carbon technologies	CCM	1	3	3
4	4.15	District heating/cooling distribution	CCM	2	2	1
5	6.6	Freight transport services by road	CCM	1	2	2
6	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	0	2	3
7	4.30	High-efficiency cogeneration of heat/cool and power from fossil gaseous fuels	CCM	0	2	2
8	5.1	Construction, extension and operation of water collection, treatment and supply systems	CCM	1	1	2
9	5.3	Construction, extension and operation of waste water collection and treatment	CCM	1	1	2
10	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCM	2	1	1

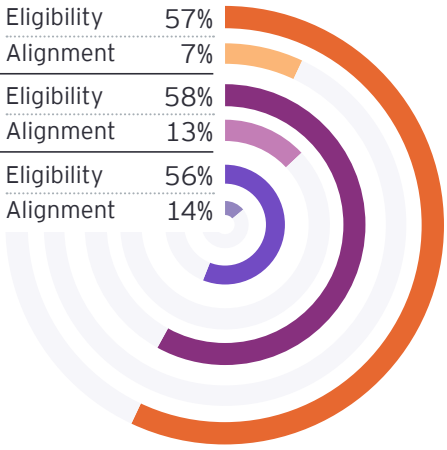
Paragraph length — words

With an average of 1,480 words, ranging from 164 to 4,502, the disclosure of companies operating in this sector ranks eighth.



Mobility – vehicle manufacturing and transport

Turnover	Eligibility	57%
	Alignment	7%
CapEx	Eligibility	58%
	Alignment	13%
OpEx	Eligibility	56%
	Alignment	14%



Turnover

Companies in the mobility sector reported an average share of eligible turnover of 57%, which drops to 7% in terms of alignment, primarily because there is a distortion between the large scope of activities included in the eligibility definitions and the restrictive categories of vehicles or infrastructure qualifying for alignment. The large differences in eligibility shares between companies (ranging from 0% to 99%) are partly related to the exclusion of some modes of transport in the existing Delegated Acts (i.e., aircraft related manufacturing and air transport).

Furthermore, there are significant disparities between different actors of the value chain:

- **Road, rail and maritime transport** companies, including postal and rental companies, that own or lease their vehicles are close to 67% eligibility with an average alignment of 10% (ranging from 1% to 36%).
- **Air sector**, whether manufacturing or transport, was not eligible in the applicable Climate Delegated Act for 2022. Therefore, their revenue streams were not affected by the Regulation unless they were eligible for sideline business activities such as the manufacture of low carbon technologies, which allowed some to achieve up to 10% eligibility for a zero-alignment rate all the same.
- **Vehicle manufacturers** reported an average share of eligible turnover of more than 90% and a range of alignment from 0% to 11%.
- **Vehicle component manufacturers** reported an average eligibility of 39% with a high variability (ranging from 0% to 81%) since components are not systematically included in eligibility as indicated by FAQ 37 of the draft Commission Notice on the interpretation and implementation of certain legal provisions of the EU of 19 December 2022. Eligibility has then been evaluated for activity 3.6 Manufacture of other low carbon technologies.

Finally, only a small portion of the sample (three companies in the mobility sector) disclosed a share of turnover eligible for the CCA goal, ranging from just over 0% to almost 2% of eligibility; in none of these cases the alignment criteria are met.

CapEx

For the CapEx KPI, the sector reported an average of 58% taxonomy eligibility (55% in the previous year), mostly related to the CCM goal (only three companies disclosed a share of their CapEx as eligible related to activities contributing to the CCA goal, and always below 2%). As in the previous year, this is mainly due to the high turnover eligibility of the core business, transport vehicles (including light and heavy-duty vehicles, trains, and ships) and the individual eligibility of assets (logistic buildings and warehouses).

The average share of taxonomy-aligned CapEx is 13%. The outliers are found in the airlines and automobile distribution subsectors, which, as expected, published no or only very low CapEx associated to the revenue-generating activities.

OpEx

An average of 56% taxonomy eligibility was reported for the OpEx KPI (54% in the previous year), with almost the same variation in reporting by subsector as observed for the turnover KPI; only three undertakings reported the share of their OpEx as eligible under the CCA goal, ranging from just over 0% to just over 1%. The share of aligned OpEx is 14%, which is close to the average value for the CapEx KPI.

Main reasons for nonalignment

As for the main reasons for the difference between eligibility and alignment, it is important to highlight the specifics of the subsector:

- For companies operating in the road, rail and maritime transportation, alignment is initially limited due to the restrictive substantial contribution criteria. Companies that have not yet made the transition to a low-carbon fleet do not meet the low emissions standards, especially for rental groups that can align up to 4%. Another alignment limitation arises from the complexity of meeting specific criteria (e.g., activity-specific pollution DNSHs). For road transport, the existing DNSH requires the collection of detailed information on each vehicle's tires, such as noise levels, particulate emissions and others. Data collection limitations and restrictive categories of compliant tires result in low alignment levels.
- For vehicle manufacturers, the discrepancy between eligibility and alignment is mainly due to the scope definitions reported in FAQ no.9[7] regarding "low carbon technologies for transport", but also due to the strong disparity in the interpretation and methodological approach to meet the generic pollution DNSH criteria, with the more stringent approach leading to 0% alignment.
- For vehicle component manufacturers, alignment varies between 0% and 30%, mostly because of noncompliance with substantial contribution criteria.

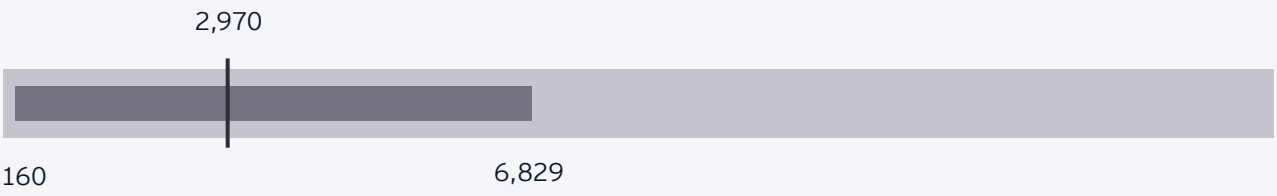
7 Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01)

Table 12: Top 10 most disclosed activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	3.3	Manufacture of low carbon technologies for transport	CCM	11	12	11
2	3.6	Manufacture of other low carbon technologies	CCM	7	9	9
3	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	10	6	4
4	6.6	Freight transport services by road	CCM	6	5	4
5	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	0	7	2
6	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	3	3	2
7	7.7	Acquisition and ownership of buildings	CCM	1	3	4
8	7.2	Renovation of existing buildings	CCM	0	5	2
9	8.1	Data processing, hosting and related activities	CCM	0	3	3
10	8.3	Programming and broadcasting activities	CCA	1	2	2

Paragraph length – words

With an average of 2,970 words, ranging from 160 to 6,829, the disclosure of companies operating in this sector ranks third.



Oil and gas

Turnover	Eligibility	10%
	Alignment	3%
CapEx	Eligibility	34%
	Alignment	22%
OpEx	Eligibility	20%
	Alignment	5%

Turnover

Oil and gas companies reported an average turnover eligibility of 10%, ranging from about 1% to 32%, a slight decrease from last year's 16% result.

Companies reported eligible turnover related to 46 different activities, all related to the CCM objective. The most frequently reported activities were 3.14 Manufacture of organic basic chemicals and 3.17 Manufacture of plastics in primary form. Companies in this sector reported an average alignment of 3%, although it should be noted that the median value is 0.5% and the average is influenced by the high value (29%) of a single company.

CapEx

The average CapEx eligibility in the sector is 34%, ranging from 9% to 85%, a slight decrease from the previous year (36%). No undertakings accounted for eligible shares of CapEx in relation to the CCA goal. The average share of taxonomy-aligned CapEx is 22%, which is relatively close to the rate of eligibility, compared to the turnover and OpEx KPI. This is because companies in this sector are investing in the energy transition.

In addition, oil and gas companies reported an average of 2% CapEx eligibility related to the purchase of output from a taxonomy-eligible and aligned activity and individual measure to reduce GHG emissions (Annex I, § 1.1.2.2, point c), but nearly 0% alignment related to 17 different activities.

OpEx

In 2022, an average of 20% (slightly less than 2021 – 28%) of oil and gas companies' total OpEx has been classified as taxonomy-eligible, only related to the CCM goal (no company disclosed a share of eligible and aligned OpEx with respect to an activity contributing to CCA). The lower proportion of reported eligibility is 5% and the maximum is around 57%. This highlights the fact that the industry encompasses only a limited range of activities that are recognized as significant contributors to the CCM and CCA under the EU Taxonomy.

The average taxonomy-aligned OpEx for the industry is 5%. Three companies reported 0% alignment and only two companies published more than 8% taxonomy-aligned OpEx. Reported OpEx activities were associated with several different activities related to the production of plastics, chemicals, biogas and biofuels, and the generation of electricity from renewable sources.

Main reasons for nonalignment

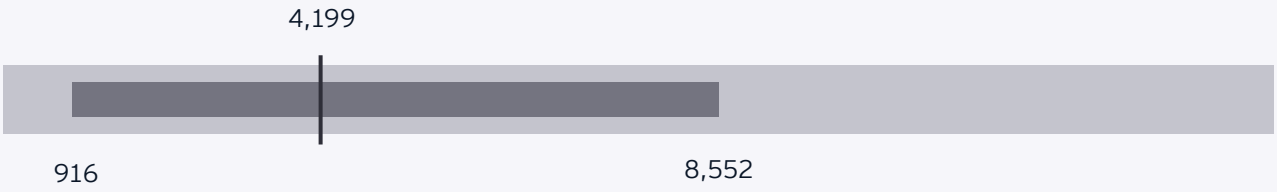
The main reason for nonalignment is that SCCs for the eligible activities set ambitious GHG emission thresholds and require production processes to be based on recycling or the use of renewable feedstock. Companies also reported inability to meet the DNSH criteria.

Table 13: Top 10 most disclosed activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	3.14	Manufacture of organic basic chemicals	CCM	8	8	8
2	3.17	Manufacture of plastics in primary form	CCM	7	8	7
3	4.1	Electricity generation using solar photovoltaic technology	CCM	5	8	8
4	4.3	Electricity generation from wind power	CCM	4	8	6
5	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM	4	6	5
6	4.30	High efficiency cogeneration of heat/cool and power from fossil gaseous fuels	CCM	5	4	6
7	4.29	Electricity generation from fossil gaseous fuels	CCM	4	6	3
8	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	0	8	3
9	3.10	Manufacture of hydrogen	CCM	1	5	4
10	4.10	Storage of electricity	CCM	2	3	4

Paragraph length — words

With an average of 4,199 words, ranging from 916 to 8,552, the disclosure of companies operating in this sector ranks first.

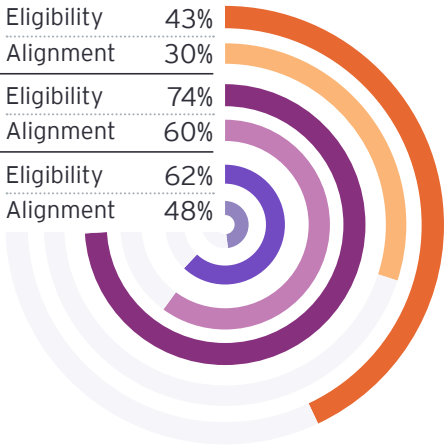


Sector peculiarities

Twenty-five percent of companies asked for limited assurance by a third party on EU Taxonomy disclosure. Only one company published additional information (besides turnover, CapEx and OpEx) that included the contribution of companies under joint control and over which the company exercises significant influence.

Power and utilities

Turnover	Eligibility	43%
	Alignment	30%
CapEx	Eligibility	74%
	Alignment	60%
OpEx	Eligibility	62%
	Alignment	48%



Turnover

Among all the analyzed sectors, power and utilities is among those with higher eligibility and better alignment on average with all three KPIs. The high shares of eligible (43%) and aligned (30%) turnover reflect the relevance this sector has in fighting climate change.

The relevance of this sector to the taxonomy is reflected in the inclusion of many core activities in the power and utilities sector that contribute significantly to the CCM and, particularly activities related to renewable energy generation (activities 4.1, 4.3 and 4.5) and electricity transmission and distribution (activity 4.9). In fact, the entire share of turnover eligibility for this sector refers to activities contributing to the CCM goal, while no undertakings disclosed eligible turnover according to the CCA goal.

CapEx

For the CapEx KPI, the power and utilities sector has one of the highest eligibility scores, with an average percentage of 74%. The sector also reports a high alignment percentage of these investments with an average score of 60%. Most of these investments are associated with their aligned turnover, such as electricity generation from wind power or transmission and distribution of electricity. The sector also reports a lower number of investments related to the Annex I, § 1.1.2.2, point c, connected to several activities, for example 7.7 – Acquisition and ownership of buildings, 7.2 – Renovation of existing buildings, and 6.5 Transport by motorbikes, passenger cars and light commercial vehicles. Unlike the turnover KPI, some companies disclosed a small share of their CapEx (no more than 1% in either case) as contributing to the CCA goal, also meeting the alignment criteria.

OpEx

With regard to the OpEx KPI, an average of 62% of taxonomy eligibility was reported, placing the power and utilities sector at the top of the analyzed sample by sector. The average alignment score was reported as 48%, which is also a high score compared to other sectors. The costs reported under OpEx are mainly associated with aligned turnover activities such as electricity generation from various sources (e.g., activity 4.29 (fossil gaseous fuels), 4.3 (wind power), 4.5 (hydropower), 4.6 (geothermal energy) and 4.8 (bioenergy)) and 4.9 – Transmission and distribution of electricity. In addition, companies reported as well certain activities not connected to turnover, such as 8.1 – Data processing, hosting and related activities, 8.2 – Data-driven solutions for GHG emissions reductions and 9.1 – Close to market research, development and innovation.

The two companies that disclosed a share of CapEx contributing to the CCA goal also disclose a share of their OpEx as eligible toward this climate goal, this time with a slightly wider range of eligibility, up to 3%; again, the alignment criteria for these activities were met.

Main reasons for nonalignment

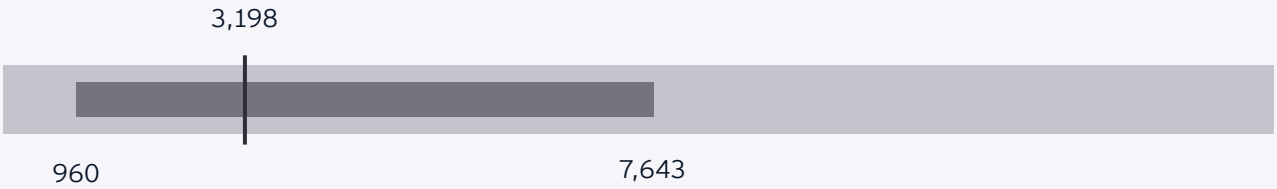
Considering reasons for nonalignment, most of the analyzed companies declared not meeting technical screening criteria, i.e., SCC and DNSH altogether.

Table 14: Top 10 most frequent eligible activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	4.1	Electricity generation using solar photovoltaic technology	CCM	17	22	21
2	4.3	Electricity generation from wind power	CCM	20	20	19
3	4.9	Transmission and distribution of electricity	CCM	18	19	18
4	4.5	Electricity generation from hydropower	CCM	17	15	17
5	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	10	10	10
6	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	10	9	9
7	4.29	Electricity generation from fossil	CCM	8	9	9
8	4.10	Gaseous fuels	CCM	7	13	5
9	5.1	Storage of electricity	CCM	8	7	8
10	4.8	Construction, extension and operation of water collection, treatment, and supply systems	CCM	8	7	8

Paragraph length – words

With an average of 3,198 words, ranging from 960 to 7,643, the disclosure of companies operating in this sector ranks second.



Technology, media and telecommunications

Turnover	Eligibility	15%
	Alignment	2%
CapEx	Eligibility	22%
	Alignment	2%
OpEx	Eligibility	15%
	Alignment	3%

Turnover

Companies in the technology, media and telecommunications sector disclosed an average eligibility in terms of turnover of 15% (compared to 22% last year), with about 71% of companies having figures below 10% and others with figures up to 90% mainly related to those undertakings that provide technology solutions. The diversity of companies belonging to this sector (e.g., software developers, media groups, technology consulting, telecommunications companies) is a key factor for this deviation. When comparing with the previous year, it is interesting to note that 15% of the companies restated eligibility figures from 2021. The main activities related to turnover eligibility are manufacture of low carbon technologies (cross-sector activities), programming and broadcasting activities, data driven solutions for emissions reduction and computer programming and consultancy (specific activities for the telecommunications sector). A characteristic feature of this sector compared to other business sectors analyzed is that nine companies not only report a share of their turnover as eligible toward the CCA goal, but also have a broad range of eligibility (from just over 0% to 76%).

The average share of aligned turnover is about 2% (so the difference between eligibility and alignment is 13%). Overall, more than 60% of eligible activities have 0% alignment. Most of the relevant activities in turnover alignment rate are related to low carbon technology manufacturing, data-driven solutions to reduce GHG emissions, programming and broadcasting activities, and computer programming, consultancy and related activities. It is interesting to note the inclusion of rail transportation infrastructure in the shortlist of major activities. There are many companies that show low shares or almost zero share of alignment, which reflects that there is room for improvement in alignment with the two climate change goals.

CapEx

The percentage of eligible CapEx from companies in the sector is 22% (compared to 28% in the previous year), with more than 60% of companies with an eligibility rate below 10% and figures up to 100%. The main activities in terms of eligible CapEx are not related to the sector's core activities, but to freight services, renewable energies technologies and low carbon technologies. Again, for CapEx, the technology, media and telecommunications sector stands out among the analyzed industries, as ten undertakings have identified activities that contribute to the CCA goal, with eligibility ranging from less than 1% to 67%.

The average aligned share of CapEx is 2% (i.e., the gap between eligibility and alignment is 20%). About 56% of companies disclosed 0% alignment and up to 93% have values below 10%. The level of alignment in the investments is one of the lowest in all sectors. Most of the relevant activities in CapEx alignment rate are related to cross-sector activities such as manufacture of low carbon technologies, electricity generation using solar photovoltaic technology and infrastructure for rail transport.

OpEx

On average, the sector disclosed 15% of eligible OpEx, less than the 20% from the previous year, with 24% of companies reporting immaterial OpEx and another 24% disclosing 0% of eligibility. The percentage of alignment is limited to nearly 3% with values ranging from 0% to 48%. The difference between average eligibility and alignment is 15%, confirming the trend from other KPIs.

Half of the companies disclosed some CapEx or OpEx related to point c from the Disclosures Delegated Act (purchase of output from taxonomy-aligned economic activities and individual measures), while only four companies disclosed some OpEx related to the CCA goal (ranging from 6% to 75%) in terms of eligibility.

The main activities related to eligible OpEx are associated to freight transport, manufacture of low- carbon technologies and data processing, hosting and related activities.

Main reasons for nonalignment

Most of the companies did not disclose in detail the reason for their non-aligned activities. When they did provide this information, most companies referred to noncompliance with the relevant DNSH criteria and SCC. Only one company mentioned MS.

One of the reasons for the nonalignment could be related to the requirement to perform specific and complex assessments, such as life cycle assessments, to demonstrate the GHG emission performance of solutions provided (low carbon technologies or digital solutions, among others).

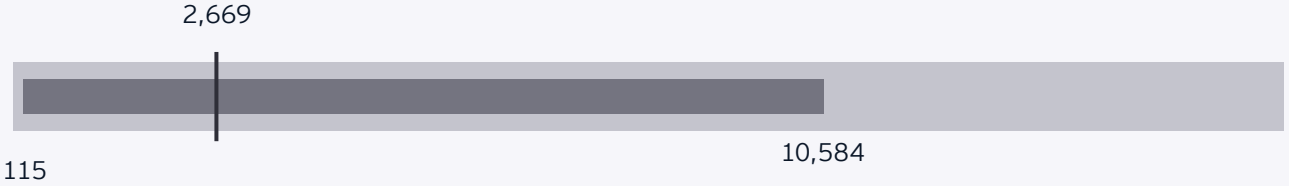
Another reason relates to the difficulty of accessing methodologies and frameworks to demonstrate substantial contribution to CCM (e.g., energy efficiency in data centers) and adaptation (e.g., link between media content and climate resilience of audience).

Table 15: Top 10 most frequent eligible activities by KPI

Rank	Code	Eligible activity	Objective	Number of companies that are eligible for		
				Turnover	CapEx	OpEx
1	8.1	Data processing, hosting and related activities	CCM	20	21	16
2	8.2	Data-driven solutions for GHG emissions reductions	CCM	13	9	9
3	8.3	Programming and broadcasting activities	CCA	7	8	3
4	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	1	11	6
5	7.7	Acquisition and ownership of buildings	CCM	2	13	0
6	3.6	Manufacture of other low carbon technologies	CCM	4	3	4
7	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	0	8	3
8	13.3	Motion picture, video and television program production, sound recording and music publishing activities	CCA	4	4	2
9	7.2	Renovation of existing buildings	CCM	0	8	1
10	7.1	Construction of new buildings	CCM	1	4	1

Paragraph length — words

With an average of 2,669 words, ranging from 115 to 10,584, the disclosure of companies operating in this sector ranks fifth.



Credit institutions

Banks contribute to the EU environmental objectives through their investment and lending activities toward environmentally sustainable economic activities.

Proportion of exposures to taxonomy-eligible activities

counterparties' data) over covered assets. For the second year, banks leveraged their counterparties' actual taxonomy-eligibility information. However, most bank's eligible assets included loans to households collateralized by residential immovable property, house renovation loans to households and loans granted to households for the acquisition of a motor vehicle (car loans).

Banks were not required to explicitly report the economic activities which they are financing, thus no clear information is available on this. However, the most widespread ones based on an analysis of the asset classes are the following, which mainly related to consumer lending:

- Construction of new buildings
- Renovation of existing buildings
- Installation, maintenance and repair of energy efficiency equipment
- Installation, maintenance and repair of instruments, and devices for measuring, regulation and controlling energy performance of buildings
- Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)
- Installation, maintenance and repair of renewable energy technologies
- Acquisition and ownership of buildings
- Transport by motorbikes, passenger cars and light commercial vehicles

Proportion of exposures to taxonomy-ineligible activities

Proportion of exposures to ineligible activities averaged 32%. However, the results varied significantly based on the interpretation of the KPI adopted by the banks. KPIs ranged from 0% to 100%; with some banks applying a narrow interpretation of ineligible assets, excluding non-NFRD exposures, while others reported ineligible assets, including non-NFRD exposures.

Proportion of exposures to undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU

Proportion of exposures to undertakings that are not obliged to report under the NFRD averaged 27% of banks' total assets. Such exposures included counterparties located outside of the EU and EU undertakings that do not meet the criteria and threshold defined by the directive. In some cases, these exposures were included in the proportion of exposures to taxonomy-ineligible activities, whereas in others they were presented separately.

Length

Credit institutions disclosed on average three pages dedicated to Taxonomy reporting.

Perspectives on future eligible activities

Given the presence of actual eligibility counterparty data for 2022 disclosures by banks, credit institutions evaluated the degree of eligibility of their general-purpose loans and investments (for which the use of proceeds is not known) to undertakings in scope of the NFRD.

However, 2023 disclosures by banks will evolve significantly, as they will be using the Taxonomy alignment KPIs disclosed by the institutions' nonfinancial investees and borrowers and shall fill the mandatory templates for the green asset ratio.

Insurance undertakings

Insurers and reinsurers (in the following: insurers) were required to disclose information on their underwriting and investment activities for the second time in accordance with the Taxonomy regulation.

Underwriting

Eligible premiums are on average 48%. Results are between 2% and 92%.

Specific lines of businesses in the non-life insurance are taxonomy-eligible, if climate related natural perils are covered. The reinsurance business can be considered as taxonomy-eligible if the underlying insurance activities are eligible.

The large variance of the results is striking, this seems to be due to the heterogeneous interpretation of the regulations. Some insurers affirm the taxonomy eligibility if they prosecute the Solvency II Line of Business. Other insurance undertakings further analyze if a policy includes terms related to the treatment of climate perils. And some insurers interpret the regulations very narrowly, i.e., the availability of premiums is only considered if climate-related perils are priced separately. Therefore, the results vary significantly due to different interpretations and applied approaches.

Eligible premiums are quite high, which could indicate a high contribution of insurers to the EU environmental objectives. However, most insurers pointed out that aligned premiums to be reported for the first time for FY23 will be significantly lower and thus the contribution to the EU environmental objectives.

Investments

Eligible assets are on average 15%. Results are between 1 and 39%.

Results are driven by investments such as real estate and mortgage loans. However, for the first time, insurers leveraged actual information on Taxonomy eligibility disclosed from investee companies and investments in externally managed funds. Furthermore, exposures to companies that are not obliged to report under the NFRD (on average 28% of insurers' total assets), particularly those located outside of Europe, do not qualify as eligible. Hence, insurers were only allowed to assess a small proportion of their investment portfolio which significantly limited the assets that potentially qualify as eligible.

Compared to eligible assets, ineligible assets (on average 55%) are even more widespread as some insurers applied a narrow interpretation of ineligible assets, allowing for only those exposures where they had actual information to classify the exposures as ineligible, while others reported the complementary portion of assets as ineligible. Given the presence of actual counterparty data on eligibility, some insures leveraged disclosed information to assess the eligibility of investments in the mandatory disclosures. Around 40% of the insurers calculated their share of eligible exposures using both their counterparties' turnover and CapEx.

Insurers were not required to report the economic activities which they are financing, thus no information is available on this.

Length

Insurers disclosed on average four pages dedicated to Taxonomy reporting.

Perspectives on future eligible activities

As for the third reporting year, Taxonomy alignment disclosures from nonfinancial investee companies will be available from the 2022 reporting, insurers will report in a standardized template from 2023 onward. Increasing data availability and a more consistently applied methodology across the sector will help evolving Taxonomy disclosures and their comparability for investors.

Enhancing disclosure practices: overcoming challenges and the need for guidance

In 2023, in addition to the taxonomy-eligible data published in the previous year, nonfinancial undertakings were required to report the proportion of taxonomy-aligned activities in relation to the three KPIs: turnover, CapEx, and OpEx relative to 2022 data. Even if companies leveraged the experience gained during 2022 (2021 data), the technical nature of the criteria meant that assessing alignment required a significant amount of additional work for companies and an even higher level of collaboration between multiple departments.

As a result, companies continued to face many challenges in implementing the regulation, primarily due to the difficulty of interpreting certain criteria and collecting the technical and specific data and information necessary for the alignment assessments. To address interpretation issues, the EU released two draft Commission Notices in December 2022, providing answers to frequently asked questions (FAQs) related to the disclosure requirements under Article 8 ("Disclosures Delegated Act")[8] and the Climate Delegated Act[9], respectively.

Although the Taxonomy Regulation still needed to be reconciled with the other four objectives, the 2022 disclosure posed a considerable challenge because of the additional requirements that applied for the first time. EY teams actively engaged with companies to understand and address the challenges they encountered. Key examples of these challenges include:

- **Complex KPI disclosure template**: the extensive information required for each KPI, combined with a complex template and lack of guidance, resulted in interpretative uncertainties and low readability, posing challenges for companies and potentially low comparability of data across the EU.
- **Continued room for interpretation**: despite the FAQs published by the European Commission, uncertainties persisted regarding the interpretation of certain aspects of the Taxonomy Regulation, requiring further clarity.
- **TSC compliance**: the introduction of alignment reporting added complexity and some undertakings were not adequately prepared to provide the required information as it was often not available in the required level of detail in internal systems and processes.
- **MS**: the requirement of Article 18 of the Regulation has led to several interpretative doubts about what should be considered a 'minimum' in terms of safeguards.

Overall, the 2022 disclosure requirements presented significant challenges for companies reporting taxonomy-related information, and it became apparent that further guidance is still needed to ensure a consistent approach across all sectors. Continued collaboration between companies and regulators, as well as further direction and guidance will be critical to ensure accurate and consistent reporting in the future.

8 DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the Disclosures, European Commission, 19 December 2022.

9 DRAFT COMMISSION NOTICE on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act, European Commission, 19 December 2022.

What comes "next" and "beyond"?

Although the 2023 Taxonomy reporting, based on 2022 data, has resulted in a significant increase of effort from undertakings, the regulation has not yet reached its final version, as it is expected to further evolve over the next few years. The recently adopted Delegated Regulations will add new activities to the list of those that can make a significant contribution to the six environmental objectives, increasing the proportion of activities that are potentially taxonomy-eligible and aligned. These changes will allow for the inclusion of certain sectors that are currently excluded from the Regulation, while requiring companies to conduct periodic assessments to reflect regulatory changes.

In preparation for the additional requirements that should come into effect in the next few years, it is important to anticipate and prepare for what comes "next" and "beyond."

A further extension of the Taxonomy Regulation

On 27 June 2023, the European Commission adopted a set of new delegated regulations that will be formally adopted once they will be published in the Official Journal of the EU. The main changes introduced by the recently published regulations relate to the addition of new activities that can contribute to one of the six environmental objectives, as well as certain amendments to already adopted documents, namely:

- The **Environmental Delegated Act and amendment to the Disclosures Delegated Act**[10] includes:
  - the criteria under which certain economic activities in several sectors qualify as contributing substantially to the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; or the protection and restoration of biodiversity and ecosystems.
  - amendments to the Disclosures Delegated Act by providing updated templates for the Taxonomy KPIs to be reported by companies for their disclosures and the timing for the application of all the updated texts published in June.
- The **Amendment to the Climate Delegated Act**, which expands the spectrum of activities that fall within the two climate objectives by setting out the TSC for additional economic activities. This is, for example, the production of automotive and mobility components and several activities related to the aviation sector for CCM and a new disaster risk management category for CCA. The document also introduces some amendments of a technical nature to the criteria for activities already included in the Taxonomy Climate Delegated Act that will apply to disclosures published starting from the 1 January 2024.

10 COMMISSION DELEGATED REGULATION (EU) supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the TSC for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities

The summary below shows the number of new activities, by sectors, that the Delegated Regulations introduced:

Table 16: New activities by sector

Environmental objective	New activities introduced by the environmental delegated act and amendment to the climate delegated act by sectors
Climate change mitigation	▸ Manufacturing (4) ▸ Transport (3)
Climate change adaptation	▸ Water supply, sewerage, waste management and remediation activities (1) ▸ Information and communication (1) ▸ Professional, scientific and technical activities (1) ▸ Disaster risk management (2)
Sustainable use and protection of water and marine resources	▸ Manufacturing (1) ▸ Water supply, sewerage, waste management and remediation activities (3) ▸ Disaster risk management (1) ▸ Information and communication (1)
Transition to a circular economy	▸ Manufacturing (2) ▸ Water supply, sewerage, waste management and remediation activities (7) ▸ Construction and real estate activities (5) ▸ Information and communication (1) ▸ Repair, refurbishment and remanufacturing (6)
Pollution prevention and reduction	▸ Manufacturing (2) ▸ Water supply, sewerage, waste management and remediation activities (4)
Protection and restoration of biodiversity and ecosystems	▸ Environmental protection and restoration activities (1) ▸ Accommodation activities (1)

These expansions reflect the evolving nature of the taxonomy framework, which is expected to progressively incorporate additional activities that could qualify as contributing substantially to one of the six environmental objectives.

Lastly, if no further changes are made to the recently approved Delegated Acts, companies will only be required to report their taxonomy eligibility for the additional activities starting from 1 January 2024. The following year, both taxonomy eligibility and alignment will be required to be reported for the companies within the scope of the regulation.

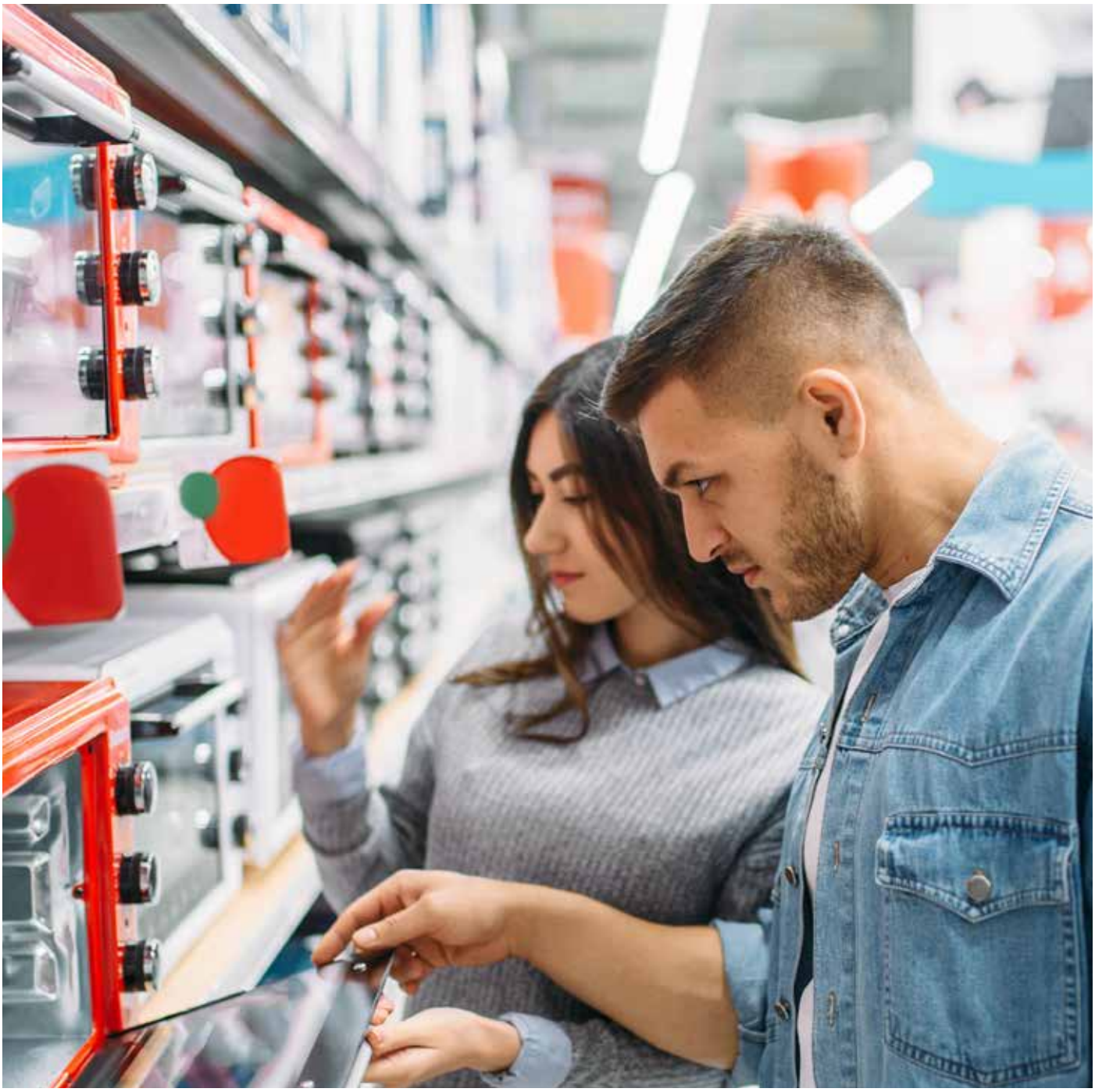
The connection with the Corporate Sustainability Reporting Directive (CSRD)[11]

The CSRD, approved by the EU Council and EU Parliament in November 2022, explicitly requires companies falling within the scope of the CSRD to have their sustainability statements, including their taxonomy reporting, verified by an independent auditor. In particular, the taxonomy disclosure must be assured with respect to "the compliance with the reporting requirements of Article 8 of Regulation (EU 2020/852) related to the EU Taxonomy." This new requirement will apply from reporting period opened after 1 January 2024, with a progressive timetable depending on the nature and size of companies subject to the CSRD.

11 DIRECTIVE (EU) 2022/2464 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as it regards corporate sustainability reporting.

The impact of CSRD will thus be twofold, as it will exponentially increase the number of companies required to report on the taxonomy, while requiring structured and robust internal processes for identifying, assessing, and reporting on the eligibility and alignment of economic activities. This may require additional effort from undertakings, as the new classification introduced by the EU Taxonomy necessitates a level of detail that they were not previously accustomed to monitoring and reporting.

It is therefore crucial for companies to assess early on how and to what extent the EU Taxonomy will affect them, and gradually develop a solid system to prepare for the reporting requirements.



The EY approach

1 Eligibility assessment

- In-depth and complete understanding of the economic activities carried out by the company (both revenue generating and non-revenue generating)
- Assessment of the identified activities to determine which of them can be considered eligible under the Taxonomy Regulation Delegated Acts

2 Alignment, assessment and gap analysis

- Assessment of the alignment of each eligible economic activity through a three-level test:
  - Assessment of the compliance with the ‘Substantial Contribution’ criteria and analysis of main gaps
  - Assessment of the compliance with the DNSH criteria and analysis of main gaps
  - Assessment of the compliance with the MS criteria analysis of main gaps
- After the three-level assessment test:
  - Definition of the activities that can be considered taxonomy-aligned
  - Definition of an action plan to upgrade taxonomy-eligible activities to taxonomy-aligned in the future years

3 Design of the data collection process

- Mapping of the financial data that are necessary for the calculation of the three KPIs (CapEx, OpEx, turnover) required by the EU Taxonomy Regulation
- Mapping of the turnover, CapEx and OpEx related to the taxonomy-eligible and taxonomy-aligned activities
- Design of the data collection process and controls – tools, responsibilities, and timing – also considering the evolution of the assurance requirements.

4 Reporting

- Implementation of the data collection process
- Elaboration and consolidation of data and information collected
- Drafting of the taxonomy disclosure to be included in the nonfinancial report

Scope of the study and methodology

To understand how companies in scope of the Taxonomy Regulation complied with its requirements in the second year of application, this report analyzes a list of European companies listed on the main stock markets of selected countries that represent approximately 92% of the EU's gross domestic product (GDP). Compared to last year's edition, the sample has been expanded from 11 to 16 stock indices.

The results of this study are based on the information collected through the analysis of taxonomy disclosures published by the companies included in the sample, either in annual or nonfinancial published between January 2023 and May 2023.

The research focused on the analysis of both mandatory and voluntary (e.g., additional KPIs) quantitative and qualitative information reported. In addition, the results were elaborated at both the consolidated and industry levels to highlight common practices and key differences.

The final list of analyzed companies is 320 – 265 nonfinancial undertakings and 55 financial undertakings. Of the initial total population of 338, 18 companies did not publish any information related to the EU Taxonomy at the time of compiling the data. In the following table, the analyzed companies are sorted by index and country of headquarters:

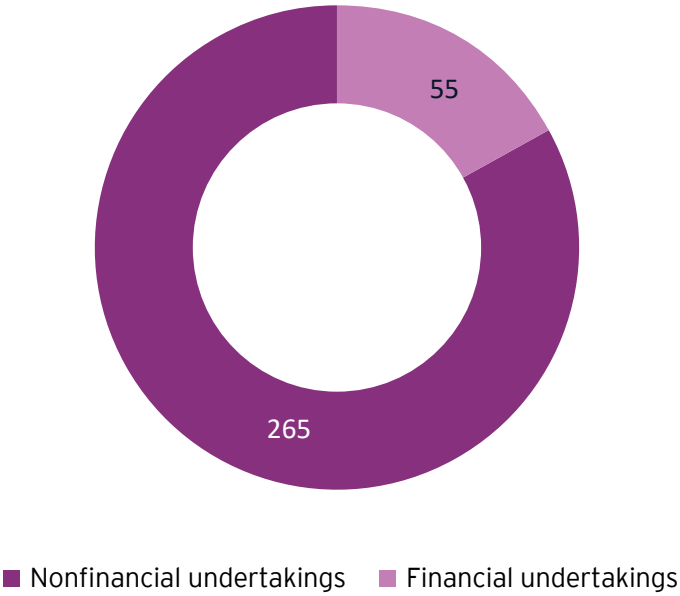
Table 17: Indices in scope

By Country	
Headquarter country	Number of EU companies
Italy	35
France	33
Germany	33
The Netherlands	31
Spain	30
Poland	26
Finland	23
Sweden	22
Greece	20
Austria	16
Denmark	16
Malta	10
Belgium	9
Hungary	6
Ireland	5
Luxembourg	4
Slovakia	1

By Index	
Index	Number of EU companies
CAC 40	38
FTSE MIB	38
DAX	34
IBEX 35	30
WIG30	28
OMXH25	24
AEX	23
ATHEX	22
OMXS30	21
ATX	16
OMXC25	16
MSE	10
BEL20	8
BUX	6
ISEQ	5
SAX	1

The criterion for determining the country of an organization is twofold. The percentage of eligibility and alignment is analyzed considering both the stock exchange where the company is listed and the location of its legal entity. For example, there are cases where a company has its legal entity in the Netherlands but is listed in Italy.

Figure 14: Sample size



The sector-specific analysis was based on the following list of sectors into which companies that published a taxonomy disclosure were classified:

Table 18: Sectors in scope of study

Sector	Number of EU companies
Nonfinancial	
Construction, infrastructure and real estate	21
Consumer products	39
Health, biotechnology and chemicals	35
Manufacturing	32
Mining and quarrying	11
Mobility – vehicle manufacturing and transport	28
Oil and gas	33
Power and utilities	12
Technology, media and telecommunications	41
Other sectors[12]	13
Financial	
Credit Institutions	42
Insurance undertakings	13

Double counting of companies was avoided by considering only one sector and one country per company. The average percentages reported in the study are simple averages. Unless explicitly stated, the reference sample consists of the companies that have published information related to the EU Taxonomy.

12 Companies mainly operating in the tourism and hospitality sectors

Annex: detailed sector findings

Construction, infrastructure and real estate

Table 19: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.5	Manufacture of energy efficiency equipment for buildings	CCM	23%	40%
2	6.14	Infrastructure for rail transport	CCM	8%	9%
3	7.7	Acquisition and ownership of buildings	CCM	8%	65%
4	7.1	Construction of new buildings	CCM	3%	13%
5	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCM	2%	3%
6	5.10	Landfill gas capture and utilization	CCM	1%	1%
7	6.17	Low carbon airport infrastructure	CCM	1%	1%
8	4.3	Electricity generation from wind power	CCM	1%	1%
9	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	1%	3%
10	4.9	Transmission and distribution of electricity	CCM	1%	1%

Table 20: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.7	Manufacture of cement	CCM	23%	61%
2	3.5	Manufacture of energy efficiency equipment for buildings	CCM	19%	30%
3	6.14	Infrastructure for rail transport	CCM	11%	12%
4	7.7	Acquisition and ownership of buildings	CCM	9%	54%
5	5.10	Landfill gas capture and utilization	CCM	8%	8%
6	4.3	Electricity generation from wind power	CCM	8%	8 %
7	7.2	Renovation of existing buildings	CCM	3%	5%
8	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCM	3%	3%
9	4.2	Electricity generation using concentrated solar power (CSP) technology	CCM	2%	2%
10	4.1	Electricity generation using solar photovoltaic technology	CCM	1%	2%

Table 21: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.5	Manufacture of energy efficiency equipment for buildings	CCM	32%	48%
2	4.3	Electricity generation from wind power	CCM	16%	16%
3	7.7	Acquisition and ownership of buildings	CCM	8%	70%
4	5.10	Landfill gas capture and utilization	CCM	4%	4%
5	4.1	Electricity generation using solar photovoltaic technology	CCM	3%	3%
6	3.7	Manufacture of cement	CCM	3%	55%
7	6.14	Infrastructure for rail transport	CCM	2%	4%
8	4.2	Electricity generation using concentrated solar power (CSP) technology	CCM	2%	2%
9	7.1	Construction of new buildings	CCM	1%	26%
10	5.1	Construction, extension and operation of water collection, treatment and supply systems	CCM	1%	1%

Consumer products

Table 22: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.5	Manufacture of energy efficiency equipment for buildings	CCM	5%	9%
2	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM	3%	3%
3	4.28	Electricity generation from nuclear energy in existing installations	CCM	2%	2%
4	4.5	Electricity generation from hydropower	CCM	1%	1%
5	1.3	Forest management	CCM	0.9%	0.9%
6	4.20	Cogeneration of heat/cool and power from bioenergy	CCM	0.5%	0.7%
7	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCA	0.2%	0.2%
8	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCM	0.1%	0.1%

Table 23: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.6	Manufacture of other low carbon technologies	CCM	10%	14%
2	5.3	Construction, extension and operation of waste water collection and treatment	CCM	7%	7%
3	3.5	Manufacture of energy efficiency equipment for buildings	CCM	5%	13%
4	7.1	Construction of new buildings	CCM	5%	17%
5	1.3	Forest management	CCM	3%	3%
6	7.7	Acquisition and ownership of buildings	CCM	3%	26%
7	4.1	Electricity generation using solar photovoltaic technology	CCM	3%	3%
8	7.2	Renovation of existing buildings	CCM	1%	6%
9	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM	1%	1%
10	4.20	Cogeneration of heat/cool and power from bioenergy	CCM	0.8%	1%

Table 24: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.28	Electricity generation from nuclear energy in existing installations	CCM	6%	6%
2	3.5	Manufacture of energy efficiency equipment for buildings	CCM	4%	11%
3	1.3	Forest management	CCM	3%	3%
4	1.1	Afforestation	CCM	3%	3%
5	9.1	Close to market research, development and innovation	CCM	2%	2%
6	4.20	Cogeneration of heat/cool and power from bioenergy	CCM	2%	3%
7	7.2	Renovation of existing buildings	CCM	2%	8%
8	4.5	Electricity generation from hydropower	CCM	1%	1%
9	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM	1%	1%
10	3.4	Manufacture of batteries	CCM	0.8%	1%

Health, biotechnology and chemicals

Table 25: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.6	Manufacture of other low carbon technologies	CCM	1%	9%
2	3.14	Manufacture of organic basic chemicals	CCM	0.2%	2%
3	3.5	Manufacture of energy efficiency equipment for buildings	CCM	0.1%	0.1%

Table 26: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	7.7	Acquisition and ownership of buildings	CCM	2%	19%
2	3.12	Manufacture of soda ash	CCM	0.8%	10%
3	3.17	Manufacture of plastics in primary form	CCM	0.7%	25%
4	4.15	District heating/cooling distribution	CCM	0.6%	0.6%
5	7.2	Renovation of existing buildings	CCM	0.4%	5%
6	5.1	Construction, extension and operation of water collection, treatment and supply systems	CCA	0.4%	0.4%
7	4.25	Production of heat/cool using waste heat	CCM	0.3%	0.3%
8	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	0.2%	1.%
9	4.9	Transmission and distribution of electricity	CCM	0.2%	0.6%
10	3.14	Manufacture of organic basic chemicals	CCM	0.1%	8%

Table 27: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.31	Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCA	3%	3%
2	3.14	Manufacture of organic basic chemicals	CCM	2%	2%
3	3.17	Manufacture of plastics in primary form	CCM	1%	8%
4	3.6	Manufacture of other low carbon technologies	CCM	1%	6%
5	7.7	Acquisition and ownership of buildings	CCM	1%	10%
6	3.13	Manufacture of chlorine	CCM	0.4%	2%
7	3.10	Manufacture of hydrogen	CCM	0.3%	0.6%
8	3.15	Manufacture of anhydrous ammonia	CCM	0.2%	3%
9	3.12	Manufacture of soda ash	CCM	0.2%	0.2%
10	3.4	Manufacture of batteries	CCM	0.1%	2%

Manufacturing

Table 28: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	25%	29%
2	3.9	Manufacture of iron and steel	CCM	18%	51%
3	3.1	Manufacture of renewable energy technologies	CCM	17%	17%
4	3.8	Manufacture of aluminum	CCM	10%	10%
5	4.9	Transmission and distribution of electricity	CCM	7%	9%
6	3.7	Manufacture of cement	CCM	6%	64%
7	3.5	Manufacture of energy efficiency equipment for buildings	CCM	5%	10%
8	3.6	Manufacture of other low carbon technologies	CCM	3%	20%
9	9.3	Professional services related to energy performance of buildings	CCM	3%	3%
10	3.3	Manufacture of low carbon technologies for transport	CCM	2%	5%

Table 29: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.2	Electricity generation using concentrated solar power (CSP	CCM	39%	39%
2	4.3	Electricity generation from wind power	CCM	23%	23%
3	3.1	Manufacture of renewable energy technologies	CCM	17%	18%
4	3.9	Manufacture of iron and steel	CCM	14%	44%
5	3.7	Manufacture of cement	CCM	12%	69%
6	3.6	Manufacture of other low carbon technologies	CCM	5%	13%
7	3.5	Manufacture of energy efficiency equipment for buildings	CCM	4%	9%
8	4.9	Transmission and distribution of electricity	CCM	4%	6%
9	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	3%	3%
10	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	2 %	2%

Table 30: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	36%	36%
2	3.9	Manufacture of iron and steel	CCM	13%	39%
3	3.1	Manufacture of renewable energy technologies	CCM	8%	9%
4	3.6	Manufacture of other low carbon technologies	CCM	8%	23%
5	3.7	Manufacture of cement	CCM	7%	76%
6	3.5	Manufacture of energy efficiency equipment for buildings	CCM	4%	8%
7	4.2	Electricity generation using concentrated solar power (CSP	CCM	4%	6%
8	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	3%	3%
9	4.9	Transmission and distribution of electricity	CCM	2%	3%
10	8.1	Data processing, hosting and related activities	CCM	1%	3%

Mining and quarrying

Table 31: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.9	Manufacture of iron and steel	CCM	52%	67%
2	3.4	Manufacture of batteries	CCM	8%	8%
3	3.6	Manufacture of other low-carbon technologies	CCM	6%	73%
4	9.1	Close to market research, development and innovation	CCM	6%	7%
5	3.7	Manufacture of cement	CCM	1%	13%
6	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCM	0.5%	0.6%
7	3.2	Manufacture of equipment for the production and use of hydrogen	CCM	0.2%	0.2%

Table 32: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.4	Manufacture of batteries	CCM	56%	56%
2	3.9	Manufacture of iron and steel	CCM	38%	58%
3	9.1	Close to market research, development and innovation	CCM	3%	3 %
4	3.6	Manufacture of other low-carbon technologies	CCM	1%	25%
5	3.7	Manufacture of cement	CCM	1%	10%
6	5.4	Renewal of waste water collection and treatment	CCM	0.1%	0.2%

Table 33: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.9	Manufacture of iron and steel	CCM	36%	53%
2	9.1	Close to market research, development and innovation	CCM	11%	12%
3	3.6	Manufacture of other low carbon technologies	CCM	11%	26%
4	3.7	Manufacture of cement	CCM	1%	22%
5	4.25	Production of heat/cool using waste heat	CCM	1%	1%
6	5.5	Collection and transport of nonhazardous waste in source segregated fractions	CCM	0.5%	0.5%
7	5.1	Construction, extension and operation of water collection, treatment and supply systems	CCM	0.3%	0.4%
8	6.2	Freight rail transport	CCM	0.2%	1%
9	5.9	Material recovery from nonhazardous waste	CCM	0.1%	0.1%

Mobility – vehicle manufacturing and transport

Table 34: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	7.7	Acquisition and ownership of buildings	CCM	33%	53%
2	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	12%	16%
3	3.6	Manufacture of other low carbon technologies	CCM	8%	23%
4	3.3	Manufacture of low carbon technologies for transport	CCM	5%	80%
5	6.4	Operation of personal mobility devices, cycle logistics	CCM	4%	4%
6	6.17	Low carbon airport infrastructure	CCM	4%	7%
7	6.16	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	CCM	3%	4%
8	6.10	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	CCM	1%	42%
9	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	1%	19%
10	6.6	Freight transport services by road	CCM	0.2%	8%

Table 35: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.3	Manufacture of low carbon technologies for transport	CCM	18%	73%
2	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	13%	33%
3	7.7	Acquisition and ownership of buildings	CCM	7%	20%
4	6.17	Low carbon airport infrastructure	CCM	5%	8%
5	6.10	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	CCM	5%	43%
6	3.6	Manufacture of other low carbon technologies	CCM	5%	18%
7	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	3%	35%
8	9.1	Close to market research, development and innovation	CCM	2%	2%
9	4.1	Electricity generation using solar photovoltaic technology	CCM	2%	2%
10	6.16	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	CCM	1%	7%

Table 36: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.3	Manufacture of low carbon technologies for transport	CCM	22%	77%
2	9.1	Close to market research, development and innovation	CCM	8%	10%
3	6.16	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	CCM	8%	42%
4	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	7%	17%
5	7.7	Acquisition and ownership of buildings	CCM	7%	20%
6	6.3	Urban and suburban transport, road passenger transport	CCM	7%	99%
7	3.6	Manufacture of other low carbon technologies	CCM	6%	17%
8	6.17	Low carbon airport infrastructure	CCM	4%	6%
9	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	2%	13%
10	6.10	Sea and coastal freight water transport, vessels for port operations and auxiliary activities	CCM	1%	29%

Oil and gas

Table 37: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM	7%	8%
2	4.14	Transmission and distribution networks for renewable and low carbon gases	CCM	0.9%	0.9%
3	4.9	Transmission and distribution of electricity	CCM	0.6%	2%
4	3.10	Manufacture of hydrogen	CCM	0.5%	11%
5	3.2	Manufacture of equipment for the production and use of hydrogen	CCM	0.3%	1%
6	3.4	Manufacture of batteries	CCM	0.3%	0.4%
7	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	0.3%	0.3%
8	4.3	Electricity generation from wind power	CCM	0.2%	0.2%
9	3.6	Manufacture of other low carbon technologies	CCM	0.1%	0.3%
10	5.10	Landfill gas capture and utilization	CCM	0.1%	0.2%

Table 38: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.3	Electricity generation from wind power	CCM	15%	16%
2	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM	13%	15%
3	4.1	Electricity generation using solar photovoltaic technology	CCM	4%	5%
4	3.14	Manufacture of organic basic chemicals	CCM	1%	5%
5	9.1	Close to market research, development and innovation	CCM	1%	1%
6	3.10	Manufacture of hydrogen	CCM	0.6%	2%
7	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	0.5%	0.5%
8	4.9	Transmission and distribution of electricity	CCM	0.4%	0.8%
9	4.14	Transmission and distribution networks for renewable and low carbon gases	CCM	0.4%	0.6%
10	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	0.4%	0.5%

Table 39: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.13	Manufacture of biogas and biofuels for use in transport and of bioliquids	CCM	5%	6%
2	4.14	Transmission and distribution networks for renewable and low carbon gases	CCM	3%	3%
3	9.1	Close to market research, development and innovation	CCM	2%	4%
4	3.4	Manufacture of batteries	CCM	2%	2%
5	4.3	Electricity generation from wind power	CCM	2%	2%
6	3.2	Manufacture of equipment for the production and use of hydrogen	CCM	2%	3%
7	4.9	Transmission and distribution of electricity	CCM	1%	3%
8	5.9	Material recovery from nonhazardous waste	CCM	0.7%	0.7%
9	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	0.6%	0.6%
10	3.3	Manufacture of low carbon technologies for transport	CCM	0.6%	0.6%

Power and utilities

Table 40: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.9	Transmission and distribution of electricity	CCM	20%	22%
2	4.3	Electricity generation from wind power	CCM	16%	16%
3	4.28	Electricity generation from nuclear energy in existing installations	CCM	12%	12%
4	7.2	Renovation of existing buildings	CCM	7%	7%
5	4.10	Storage of electricity	CCM	4%	7%
6	3.1	Manufacture of renewable energy technologies	CCM	4%	5%
7	4.5	Electricity generation from hydropower	CCM	3%	4%
8	6.15	Infrastructure enabling low carbon road transport and public transport	CCM	3%	4%
9	6.14	Infrastructure for rail transport	CCM	3%	4%
10	4.14	Transmission and distribution networks for renewable and low carbon gases	CCM	2%	12%

Table 41: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.9	Transmission and distribution of electricity	CCM	36%	39%
2	4.3	Electricity generation from wind power	CCM	27%	28%
3	4.14	Transmission and distribution networks for renewable and low carbon gases	CCM	17%	23%
4	4.1	Electricity generation using solar photovoltaic technology	CCM	16%	17%
5	4.10	Storage of electricity	CCM	5%	6%
6	4.5	Electricity generation from hydropower	CCM	4%	4%
7	4.28	Electricity generation from nuclear energy in existing installations	CCM	4%	4%
8	9.3	Professional services related to energy performance of buildings	CCM	3%	4%
9	5.7	Anaerobic digestion of bio-waste	CCM	3%	3%
10	5.1	Construction, extension and operation of water collection, treatment and supply systems	CCM	3%	9%

Table 42: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.9	Transmission and distribution of electricity	CCM	30%	34%
2	4.11	Storage of thermal energy	CCM	29%	29%
3	4.3	Electricity generation from wind power	CCM	24%	24%
4	4.10	Storage of electricity	CCM	15%	16%
5	4.28	Electricity generation from nuclear energy in existing installations	CCM	9%	9%
6	9.2	Research, development and innovation for direct air capture of CO2	CCM	9%	9%
7	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	7%	7%
8	3.7	Manufacture of cement	CCM	7%	7%
9	4.5	Electricity generation from hydropower	CCM	6%	7%
10	5.5	Acquisition and ownership of buildings	CCM	5%	5%

Technology, media and telecommunications

Table 43: Activities with highest alignment (turnover)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	8.2	Computer programming, consultancy and related activities	CCA	10%	73%
2	3.6	Manufacture of other low carbon technologies	CCM	10%	35%
3	8.3	Programming and broadcasting activities	CCA	2%	14%
4	6.15	Infrastructure enabling low carbon road transport and public transport	CCA	2%	2%
5	6.14	Infrastructure for rail transport	CCA	1%	1%
6	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	1%	1%
7	4.1	Electricity generation using solar photovoltaic technology	CCM	0.5%	0.5%
8	6.3	Urban and suburban transport, road passenger transport	CCA	0.2%	0.2%
9	8.2	Data-driven solutions for GHG emissions reductions	CCM	0.2%	7%
10	9.3	Professional services related to energy performance of buildings	CCM	0.1%	0.1%

Table 44: Activities with highest alignment (CapEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	3.6	Manufacture of other low carbon technologies	CCM	7%	20%
2	4.1	Electricity generation using solar photovoltaic technology	CCM	7%	7%
3	8.2	Computer programming, consultancy and related activities	CCA	6%	46%
4	6.14	Infrastructure for rail transport	CCA	4%	4%
5	6.3	Urban and suburban transport, road passenger transport	CCA	1%	1%
6	6.15	Infrastructure enabling low carbon road transport and public transport	CCA	1%	1%
7	9.3	Professional services related to energy performance of buildings	CCM	1%	1%
8	7.7	Acquisition and ownership of buildings	CCM	1%	13%
9	6.5	Transport by motorbikes, passenger cars and light commercial vehicles	CCM	0.4%	7%
10	8.1	Data processing, hosting and related activities	CCM	0.1%	10%

Table 45: Activities with highest alignment (OpEx)

Rank	Code	Description	Objective	Average alignment	Average eligibility
1	4.1	Electricity generation using solar photovoltaic technology	CCM	18%	18%
2	3.6	Manufacture of other low carbon technologies	CCM	15%	34%
3	8.2	Computer programming, consultancy and related activities	CCA	10%	72%
4	7.6	Installation, maintenance and repair of renewable energy technologies	CCM	2%	2%
5	6.15	Infrastructure enabling low carbon road transport and public transport	CCA	2%	2%
6	6.14	Infrastructure for rail transport	CCA	1%	1%
7	8.2	Data-driven solutions for GHG emissions reductions	CCM	1%	8%
8	6.3	Urban and suburban transport, road passenger transport	CCA	0.3%	0.3%
9	9.3	Professional services related to energy performance of buildings	CCM	0.1%	0.1%
10	7.3	Installation, maintenance and repair of energy efficiency equipment	CCM	0.1%	1%

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