

Interview_06

- 1 0:0:0.0 --> 0:0:1.760
Parth Sharma
Here it goes, yes.
- 2 0:0:4.840 --> 0:0:5.180
Parth Sharma
Yeah.
- 3 0:0:6.100 --> 0:0:6.780
Parth Sharma
So.
- 4 0:0:7.620 --> 0:0:9.70
Parth Sharma
I'm working on my thesis.
- 5 0:0:9.820 --> 0:0:15.810
Parth Sharma
I'll get manufacturing companies can adapt to the CSRD and that you taxonomy regulations.
- 6 0:0:18.790 --> 0:0:31.740
Parth Sharma
And today's agent, I will be mostly around question and discussions and I will start with a short introduction about the project, about the regulations, which I suppose you know much better than I do.
- 7 0:0:34.360 --> 0:0:57.930
Parth Sharma
So like the basic idea of the project is to build a step by step guide for the manufacturing companies or a framework which they can follow to implement the CSRD and that you'd economy regulations. So I started this project back in January and did some literature review for a couple of months. And right now I'm in the data collection phase of the project. So I'm interviewing different.
- 8 0:0:58.70 --> 0:1:15.760
Parth Sharma
The people with backgrounds from, let's say, companies from academic experts and from consultants as well. So I have expanded my area, not just rumble, but to include variety of people so that I have inputs from various backgrounds.
- 9 0:1:16.970 --> 0:1:17.740
Parth Sharma
So.
- 10 0:1:18.560 --> 0:1:22.400
Parth Sharma
And this this interview will be mostly around discussions on how.
- 11 0:1:23.310 --> 0:1:28.710
Parth Sharma
What other companies problems which they are facing and how is Firm_06 actually working on them right now?
- 12 0:1:30.250 --> 0:1:31.120
Parth Sharma
The declines.
- 13 0:1:31.900 --> 0:1:47.250
Parth Sharma
So a brief introduction about CSRD is a mandatory reporting directives on on the ESG matters and it will be effective from 1st of January. We're all you companies which was subjected to NFD will need to report in January of 25 for the previous year.
- 14 0:1:48.250 --> 0:1:57.750
Parth Sharma
And it includes non EU companies as well, which are listed on the EU markets with over 500 employees. I think this was 2250 employees, right?
- 15 0:1:58.670 --> 0:1:59.20
Interviewee_06
Yeah.
- 16 0:1:59.790 --> 0:2:0.790
Parth Sharma
If dam price, yeah.
- 17 0:2:2.300 --> 0:2:6.990
Parth Sharma
And then it will include the SME's in the upcoming years as well from 26.
- 18 0:2:12.810 --> 0:2:13.280
Niki Bey
Just like.

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- 19 0:2:7.670 --> 0:2:14.690
Parth Sharma
So I from where NRD had around 11,000 companies in under scope, CSRD has around 50,000 companies.
- 20 0:2:16.490 --> 0:2:16.940
Interviewee_06
Yes.
- 21 0:2:17.90 --> 0:2:40.330
Parth Sharma
And then it's a mandatory disclosure, it it, it will require companies to disclose on the double materiality scope and 123 emissions risk opportunities. And it is based upon the ESR standards, which is a set of 11 documents covering all the ESG matters and it tells companies what are the things which are required to be.
- 22 0:2:41.210 --> 0:2:54.150
Parth Sharma
Disclosed against each metrics of ESG and then a journal metrics as well. And then it from it will have around 1100 data points to be reported and it will also include digital tagging of the data.
- 23 0:2:56.370 --> 0:2:57.70
Parth Sharma
Yeah.
- 24 0:3:13.210 --> 0:3:13.460
Parth Sharma
Yeah.
- 25 0:2:55.860 --> 0:3:16.970
Interviewee_06
I think you, but I haven't been recently updating myself on it, but I think the timeline, I think it's all EU from 2026 onwards and then I think even later is non EU companies and SME's is like I don't know 2028 or something. Yeah, you could check it but I think they were a bit further down because they didn't exactly know yet how and what to do with him.
- 26 0:3:17.750 --> 0:3:21.630
Parth Sharma
OK. So then the recently pushed back their deadlines.
- 27 0:3:22.270 --> 0:3:22.710
Interviewee_06
OK.
- 28 0:3:23.490 --> 0:3:23.860
Interviewee_06
All right.
- 29 0:3:23.550 --> 0:3:23.940
Parth Sharma
OK.
- 30 0:3:31.680 --> 0:3:32.60
Parth Sharma
OK.
- 31 0:3:24.610 --> 0:3:32.740
Interviewee_06
Yeah, no. Yeah, this was a ohh yeah. I don't know if it's the most updated. So do I have a good check whether what the dates are, but I think they might be spread a bit more.
- 32 0:3:33.830 --> 0:3:36.180
Parth Sharma
OK. OK. OK. I'll have a look at this.
- 33 0:3:37.140 --> 0:3:38.630
Parth Sharma
Umm. And then.
- 34 0:3:40.40 --> 0:4:9.290
Parth Sharma
Yeah, you taxonomy, it's a classification system of green and non green economic activities is based upon the six objectives, climate change and mitigation, sustainable use and protection of water and marine resources, transition to circular economy, pollution prevention control and then protection of healthy ecosystems. That has mainly 2 broad filtering system I would say of activities being taxonomy eligible and then taxonomy being sorry then activity is being taxonomy aligned.
- 35 0:4:10.600 --> 0:4:30.580
Parth Sharma
So taxonomy eligible activities are if they are, if the activity contributes one of the six objectives using technical screening criteria and then taxonomy aligned is it has to be

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- eligible plus it should not significantly harm the other activities and also comply with the minimum social safeguard principles.
- 36 0:4:31.210 --> 0:4:35.450
Parth Sharma
So it's mainly based upon the technician criteria which are released by EU.
- 37 0:4:36.200 --> 0:4:43.840
Interviewee_06
Yeah, I think to add on that, so the taxonomy eligible activities essentially are just the activities that are included in the.
- 38 0:4:49.430 --> 0:4:49.790
Parth Sharma
Hmm.
- 39 0:4:43.920 --> 0:5:2.710
Interviewee_06
But the whole list of so they don't have to meet any criteria yet. They just have to be there. And then when they are aligned, then they have to start meeting all the criteria. So also the first one. So but for eligibility, they don't have to comply necessarily wet, they just have to fit within the description that is given in the technical screening criteria of the activity.
- 40 0:5:3.810 --> 0:5:9.740
Parth Sharma
OK. And other technical screening criteria is based upon the six objectives, right?
- 41 0:5:16.380 --> 0:5:16.610
Parth Sharma
Umm.
- 42 0:5:10.300 --> 0:5:27.830
Interviewee_06
Yes. So there's a technical screening criteria for essentially for each objective. So what? How I always explain it in easy terms is that you have 6 objectives and then the EU has to find activities that can potentially contribute to these objectives.
- 43 0:5:39.60 --> 0:5:39.300
Parth Sharma
Hmm.
- 44 0:5:41.380 --> 0:5:41.740
Parth Sharma
Umm.
- 45 0:5:44.950 --> 0:5:45.230
Parth Sharma
Umm.
- 46 0:5:52.790 --> 0:5:54.40
Parth Sharma
Hmm hmm.
- 47 0:5:28.550 --> 0:5:59.900
Interviewee_06
So they say these activities or and they are prioritized, it might be that they include more activities in the future, but they're saying these activities can potentially contribute to, for example, climate change mitigation. And if they pass these criteria then we say yes, they are sustainable by definition of the EU. So that's kind of how you go through it. But they combined the climate change mitigation and climate change adaptation in one delegated apps and then they called the Taxol 4 is and it's honestly, I think they're not sorted on objectives, but they're sorted on activities.
- 48 0:6:4.230 --> 0:6:4.630
Parth Sharma
Umm.
- 49 0:6:4.790 --> 0:6:5.110
Parth Sharma
OK.
- 50 0:6:0.430 --> 0:6:6.490
Interviewee_06
So it's a bit more confusing. Document the taxi for, but yeah, essentially it's for each objective activities.
- 51 0:6:7.230 --> 0:6:14.760
Parth Sharma
OK, OK. Yeah. And I think they are recently, they've recently released a draft of the activities from three to six as well, right?
- 52 0:6:16.250 --> 0:6:16.770
Parth Sharma
OK.

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Interviewee background information

- 53 0:6:15.230 --> 0:6:19.960
Interviewee_06
Yes, and there's a lot of chaos around it because they suddenly left out activities and yeah.
- 54 0:6:20.540 --> 0:6:21.300
Parth Sharma
Yeah, yeah.
- 55 0:6:20.800 --> 0:6:27.350
Interviewee_06
Let's see how how it goes after the consultation phase. I'm pretty sure everyone has a lot to say about it, so.
- 56 0:6:27.590 --> 0:6:28.780
Parth Sharma
Yeah, yeah.
- 57 0:6:28.460 --> 0:6:29.400
Interviewee_06
How they come out of that?
- 58 0:6:33.440 --> 0:6:33.650
Interviewee_06
Yep.
- 59 0:6:30.790 --> 0:6:45.480
Parth Sharma
Really, now we can jump to the question and discussions. The main part, so I just for the record and like can you share about your background and experience of working with ethics and CSRD and reportings and which industries and sectors you have worked before?
- 60 0:6:46.140 --> 0:7:16.470
Interviewee_06
Yeah. So I have been at Firm_06 now three years before I joined Ramble, I wrote my master thesis together with Niki on SDG bonds and that was kind of my first introduction to ESG and sustainable finance. And then when I joined Firm_06, I started looking more into the EU taxonomy which I came across in my thesis and I thought this sounds relevant. So then have been working on that a lot, a lot of business development projects 1st , and then a lot of projects came in. And I think I've been working on EU taxonomy and CSRD and SFDR projects now for the last two years, whereas of course first mainly EU taxonomy and now a lot of SFDR. Less into to the CSRD, but I know enough about it to get by.
- 61 And then in ESG reporting, there's of course a lot of other frameworks. There's the TCFD that we've looked into as well. And depending on kind of the financial parties that you look at, there's a lot of different certifications and benchmarks that you can use that we've also added to have a look at.
- 62 Uh, sectors and industries, I would say a lot of the large, non financial companies. Across a lot of different sectors, I think I've been working mainly within real estate for a while now, which is quite interesting, but there's always other things coming in. But I would say on real estate, I think most.
- 63 And if to pick any. And and then also now a lot with the financial. Market participants, you called them. So those are like the fund managers and we had one project with a bank as well which hope not to do too many of but. Yeah.
- 64 0:8:29.970 --> 0:8:37.270
Parth Sharma
Yeah. So have you also worked about with some manufacturing companies around Elixinol implementation projects?
- 65 0:8:37.20 --> 0:8:45.510
Interviewee_06
Yeah. Yeah. Also some of those. And we also had a that's interesting. We had a project with the EU actually themselves on how to make the technical screening criteria in the whole taxonomy more workable for SMEs, because they will be included in the future, so they wanted to know, OK, how you know, what challenges are they facing and how can we address those challenges, which SMEs will be impacted, things like that. And so also with that you directly.

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Interviewee background information

66 0:9:5.150 --> 0:9:9.780
Parth Sharma
OK. And you have also worked in the different geographies as well of the different clients, right?

67 0:9:11.30 --> 0:9:12.680
Interviewee_06
Yeah, I would say mainly Europe. Actually, I don't think I often go. Sometimes you have European client that has activities abroad, so then you have to look up prod. But. I would say many Europe, yeah.

68 0:9:24.320 --> 0:9:33.850
Parth Sharma
OK. And just to clarify here, so when a company is located in Europe, they have some branch, let's say in Asia or in let's say UK. So when the company is reporting as per EU taxonomy so it includes the let's emissions or values from their subsidiaries which are located outside US as well, is that right?

69 0:9:46.410 --> 0:9:57.650
Interviewee_06
Yeah. Yeah. So it's because the company is located in the EU. It means that it needs to report over all of its activities. So also the activities outside of the EU.

70 10 --> 70
Parth Sharma
And if you have the other way around, have a company that has under the CSRD. But if they have an X amount of revenue, for example generated in Europe or if they have subsidiaries with more than, as we said earlier, 250 employees, then they also have to report. So there's actually gonna be a lot of non EU companies that will have to report in the future as well, which is difficult because the taxonomy is mainly based on EU regulations so.

71 30 --> 40
Interviewee_06
Second question. Do you see any link between the EU taxonomy and CSRD regulations and? Does this link leads into a common framework for both of these regulations? Or does this mean it requires a different framework for each of them?

72 60 --> 0:12:0.850
Parth Sharma
Umm, I would say they are linked. Of course. What I would say is that you have the EU sustainable finance strategy and as a part of that it has of course many different initiatives and proposals that came out and the EU taxonomy is kind of the basis of it all. So it's the EU taxonomy is just saying what is considered sustainable and what's not considered sustainable by the EU. And then the CSRD or the SFDR or all the other regulations are just reporting requirements that are still probably going to be linked to the EU taxonomy. So it's just you have to report on it and a lot of other things, but it's structured around the kind of key element of the EU Taxonomy. So even if you look at the CSRD, you'll recognize a lot of the different ESRS and a lot of the different topics that we're all linked to taxonomy as well. So it's kind of like a common framework that guides all of it.

Link between CSRD and EU Taxo

73 60 --> 0:12:1.210
Parth Sharma
That said, the taxonomy is just an element that fits into the CSRD and CSRD is a lot, lot more. So I don't think that you can have a common framework for both. I think it would rather be, you know it's it's a part, taxonomy is a part of the CSRD, but CSRD requires a lot of other things as well.

74 60 --> 0:12:0.850
Parth Sharma
OK. So it's like a CSRD is more of a super set and then there's a subset inside it which is EU taxonomy.

75 0:12:1.210 --> 0:12:1.480
Interviewee_06
Yeah.

76 0:12:2.300 --> 0:12:8.370
Parth Sharma
And then SFDR is like a bigger subset, like a universal set, which includes both CSRD and EU taxonomy.

Random information

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Random information
- Link between CSRD and EU Taxono
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- ..EU Taxonomy gap analysis/asse
- Random information
- 77 0:12:8.670 --> 20
Interviewee_06
No. So the difference is that CSRD is for the corporates. So for the companies essentially, and on company level..... and then the SFDR is actually on financial product level. So it's based on when you offer a financial product on the EU market. So if you have a fund that you're marketing or if you have a bond or whatever, then that's when the SFDR applies. So you actually would have companies if you have a bank for example, that has funds, it falls, it's funds falling over the SFDR. But as an entity, it falls into CSRD. So you might actually have companies that fall under both, but it's just they apply to different things. Essentially. And then again, those are linked as well. So they say that the principal adverse impact indicators, which are a list of indicators in the SFDR are also indicators that are included in the CSRD. So they try to keep it all aligned, but there's also often you can see that it's different groups that are working on it because there are quite commonly also, yeah. And misalignments between them.
- 78 50 --> 50
Parth Sharma
So. from your experience working with different clients what are the industry wide best practices you have observed so far on EU taxonomy specifically.
- 79 20 --> 90
Interviewee_06
I think it's always easy to notice when a client knows what they're talking about and when they don't have, so I think some really just see it as a checklist and just getting through it and you know, reporting what they think they need to report, but not even entirely sure. I think there's a usability report from the platform on sustainable finance last year where they reviewed all of the different challenges and problems that companies are having in reporting. So for example, they would say, oh, this is often interpreted differently. Or some use this as a reporting table and some use that and it should be this. So it's I think in general very confusing which is OK and you know everyone is working towards getting better, but I think the best practices you can see when a company knows what they're talking about and they know that it is important and they know that they will need it to go forward and then it should be integrated into you know their processes to do this year by year.
- 80 And not just kind of a checklist exercise every time where you don't really improve anything or you report weird numbers or yeah. I guess you can clear to see often when a company. Yeah, doesn't really know what they're doing. And others are really, yeah. If you're taking the time to really read into it because essentially that's what you need to do. Otherwise you will never understand it. You can definitely see a difference. But of course.
- 81 60 --> 40
Parth Sharma
OK, so I will slide now that you mention it's it's easy to spot it. So if I would see a companies annual sustainability report with EU taxonomy reportings inside the report is it is that some way I can see that if the company is really into it like through some let's say red flags in the report which can help me out to figure it out how deep are they moving into this area?
- 82 10 --> 80
Interviewee_06
I would say one thing is the fact that they have the right table, so there's a mandatory reporting table in the taxonomy that says exactly how you need to report, and often they just messed that up and it becomes very interesting. And what companies tend to report on and in what format. So I think that's already usually a clear way to see it. And I would say a good practice is when they're really transparent. So if they're saying, you know, really disclosing we didn't consider activities that had revenue less than 5%. You know, sitting with reality threshold or saying we have data limitations on this and this and this like just being very transparent about what went wrong that year. I think is really good practice as well because otherwise just reporting and saying this is it then you know like it never is because no company can just report perfectly from the start on this.
- 83 And so I would say that that's also definitely like the more transparent they are and the more that they explain why they've done certain things, the better I would say.
- 84 70 --> 20
Parth Sharma
OK umm and like I have seen some reports of the companies so which are not currently

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..EU Taxonomy gap analysis/assess

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falling under under the EU Taxonomy, but they're still taking the initiative to do it. But The thing is that when they do report it, they just report numbers as 0. Because they have not actually done anything, but they're just trying to report it. But they have not actually worked it out because they don't have to do it. So in this case, how should I interpret this signal from the companies? Are they actually doing it or they are just?

85 60 --> 50

Interviewee_06

I mean, it could be both things. It could be on the one hand that they see that this is important and that they see that their investors care about it and that this is their way of indicating that this is something that they're starting to look into and that hopefully will improve overtime. So of course that could be a good practice where they like just you know indicating that they care. On the other hand, it could also be a situation where they had an auditor that just says, uh, yeah, I'm missing your taxonomy section and then they would be saying, well, I don't need it. And then like, yeah, but it's best practice. OK. Just include it. And then there's your table.

86 So I would say, yeah, it could be both. From what I've seen, at least I could imagine. I'm not sure, or maybe they don't know whether it's voluntary or not. Yeah, it could also be that. I think they need to.

87 10 --> 60

Parth Sharma

Next question, does like you have you have some for a long time? Do you have some kind of framework which you used to help the clients?

88 40 --> 00

Interviewee_06

Umm, I think we have a standard like project plan on taxonomy that we walk through. Umm, I don't know if you've seen our capability statement, but it's generally outlines kind of the services that we offer on you taxonomy and it gets them in a step. So you have kind of the standard process where OK you map the activities of the company, you check the alignment or you check the yeah, you check the company's activities, you map them to the eligible activities and the taxonomy because that's already an exercise on its own. Then you do the financial KPI. So costuming, KPIX OpEx, revenue, whatever. And then you do the alignment where you can switch those around. It doesn't really matter.

89 At the same time, alignments check the screening criteria, see if you pass and then at the end you have reporting that is, in its essence is kind of the basic taxonomy project that we would do. Sometimes you have clients that only want to alignment, sometimes they only want eligibility. Who knows. Depending on what they've already done.

90 What we also often do is OK, you know, we've done this once. How can we make sure that we integrate it into all of your processes that it's done year by year and that it's a more automatic exercise than we coming in every time to redo the whole thing again. So that's also often something we do. We also often offer, OK, how can you improve your score, especially because Firm_06 has so many technical people as well that can actually get nerdy about how to improve sustainability of certain assets or have certain projects, whatever.

91 So that's something. So that's more on the services line, I guess, like in terms of tools, we've talked to several tool companies and I don't think we were ever really impressed, but now it might have seemed that we missed the boat on that one. But that what we eventually did is we just have an Excel sheet that we use and adapt it for each project to kind of have the right things that we need for screening specifically and also for the financial KPIs and whatever so I think we just have a lot of Excel templates that we reuse project by project.

92 70 --> 90

Parth Sharma

Hmm. OK. And are these Excel templates like a maybe some standard format available on your website or something?

93 0 --> 0:20:7.980

Interviewee_06

I don't think so, no, but it's also very like it's really straightforward, quite simple. It's just a list of like the activities, then a list of the screening criteria, and then you just go through like, do you pass yes or no argumentation? You know what is the evidence? Where can I find the evidence? And what document? Things like that? And then sometimes it's linked to

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..EU Taxonomy gap analysis/assess

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the financial KPI. So then automatically out of that comes your taxonomy alignment, if any.

94 20 --> 70

Parth Sharma

If it's possible, if it's possible to share with me like a blank template with nothing filled in it so that I can have an understanding how it looks like.

95 --> 70

Interviewee_06

So I can check if I can find something.

96 0 --> 70

97 Parth Sharma

OK , And like like you mentioned this Excel file. I just remember that EU also has this taxonomy calculator and taxonomy navigator tools on their websites. Have you have a look at those and how are they, are they good?

98 70 --> 0:21:7.670

Interviewee_06

Uh, we've looked at their compass for sure. So like the navigator, and it's fine. Some people use it as well. I think also within ramble I have this PDF where I can just click and I know my whole way through it, so I'm just too comfortable in that to switch to anything else. And but I think we haven't looked at the calculator specifically because I think it came quite late already, so we already had our own little ways of doing stuff so I don't think we've looked at it now.

99 I know they had this little shell shoot or something previously, which is nice if you like to get overview of all of the activities and need to sort it in a way, but I don't think we've used it for anything other than that.

100 6

101 0 --> 40

Parth Sharma

OK. And I would just wondering like, do the companies know this NACE code of activities already or do it no, you don't know it?

102 0:22:0.490 --> 0:22:0.980

103 50 --> 90

Interviewee_06

You know, I think the NACE code is a tricky part because a lot of companies think that that is kind of what guides so they they would do their whole screening based on these codes. But essentially what the EU is saying is that the these code is just supposed to be a guidance. It's not supposed to decide what activities are eligible or not. So it could be that you're in a NACE code, but it's not at all relevant to the activity cause NACE codes are a lot harder. So they're just suggesting these could be nace codes within that activity just to help you guide. So what we normally do is that we look at the company's activities.

104 We know the taxonomy pretty well and so then we just map those and then at the end we do a check maybe of NACE codes just see if there's any activity that we're missing.

105 30 -->

Parth Sharma

OK. So you start with with and when you say like economic activities of a company like mapping them out. So what how do you segregate these economic activities individual, can you let let's say give an example of some client?

106 40 --> 20

Interviewee_06

Yeah. I mean, if we have a construction company and they do a construction of new buildings, they do renovation like it's pretty straightforward then as well and maybe they do some installation maintenance activity somewhere, then you already know which activities to look at. Because those are activities in the taxonomy, we once had a project on-Recycling tires and then making a alternative fuels out of it, and then it was a lot of different activities because there's not one activity for that. So then we were looking at, OK, waste recovery is maybe one of them manufacturing of organic chemicals is maybe one of them and then we would kind of split it more into those streams.

107 So yeah, it depends on what company is how, how complicated it gets, and how many things they do.

- 108** 80 --> 20
Parth Sharma
Yeah. So, like it's about four a product. It's about breaking it into, let's say, each process step. So like like you mentioned, like manufacturing remanufacturing or not site extracting used tires and making fuels out of them. So like what is your recycling and then how do you convert from tires to let's say XYZ sub sub material and then how you use it material into fuse like each step is an economic activity in that case or it's a whole supply chain, how would you see?
- 109** Interviewee_06
Yeah. And so there's always a discussion of, OK, but you need one activity to reach the other one. So it's and it just all the same activity and that's honestly not something that's decided. So that's just based on kind of what you feel and how big of a part is it can one exist without the other. If you have a construction company and they at the same time manufacture their own concrete or something or whatever they use in buildings then you would want to know whether that's a separate activity or is that needed for Sent or whatever is that in part of the data center activity or is it its own activity? Could it exist by its own? Are they selling anything off to the grid or are they making a revenue out of it? So then you start asking those questions, which is always the tricky part. We always say that defining the eligibility takes as much time as screening everything for alignment.
- 110** Because you really need to get a good understanding of a company and everything they do.
- 111** 00 --> 0:25:3.170
Parth Sharma
How do you carry out EU taxonomy assessment? I think it is the part where we where you see that that where where is the company now and as per the taxonomy where it needs to reach this gap between the present and the future state of the companies, do you how do you do that? I think it's the same thing you mentioned about the Excel file.
- 112** 80 --> 20
Interviewee_06
Yeah, I mean taxonomy assessments to see it's kind of a gap assessment. You know, are you meeting the criteria, which of the criteria you meeting we often like define a road map. So OK, if you align with the minimum safeguards first, a lot of companies don't in the 1st place, but if you do that then already you can go from zero percent alignment to, you know, 20 and then maybe if you don't know implement this small change somewhere in your system so that you meet a criteria, then you get 5% extra like it's kind of.
- 113** You map a road map of the actions that they can take and how it improves their taxonomy score, and it what order to take them, where to prioritize. You know, maybe there's some really easy ones that you can do without no time. Maybe there's bigger ones, but if you do it, then there's a big win. So you kind of map it out.
- 114** You know where to, yeah. But the impact is on your alignment score and how much it would take to to do it. And went to.
- 115** 60 --> 70
Parth Sharma
So, like uh, how how do you decide upon this percentage allotment to each step? They are doing like this step is 5%, this is 20%, this is 10%. How do you do that mapping?
- 116** --> 90
Interviewee_06
So if we have a company and it is, uh, 80% of its activities are eligible, for example. And and then they have a 20% of those activities actually meet the technical screening criteria. But they need the substantial contribution criteria. So are we, but they don't need do no significant harm, minimum safeguards, and you need all three. So then we would say, OK, the minimum safeguards, if you do that first and you do the climate risk assessment, if you do those together, then already you get 20% alignment and then OK, what if we improve the activity so that they also meet the substantial contribution criteria, so OK, if I have a data center and it's not meeting the refrigerants, then what can I improve to meet the refrigerants thresholds for global warming potential And then OK, for those activities are maybe easier because they're already almost there at the threshold, alright, then you need
- ..EU Taxonomy gap analysis/assess

Interview_06

..EU Taxonomy gap analysis/assess

to do those first. So that's kind of how you would map it out. Yeah, we wouldn't normally map it based on kind of looking what's what's easier, what's difficult, what's higher impact, what's not.

117 80 --> 40

Parth Sharma

And then so like, what is the journey of the client after they have done their they have they have first reporting of at EU taxonomy alignment and how like how do they incorporate this in their long term strategies? Let's start with the first one. Like if the company has done their first alignment, they have released their report. What happens after this?

118 0:29:0.480 --> 30

Interviewee_06

Yeah. So I guess that's their first communication, then it's a discussion of alright, is this something you want to improve or not? How important is the taxonomy to you? Is this even something that you want to spend time and money on and are your investors expecting anything? You know, it's really much more about what's your vision here. Sometimes they find it really critical if you have a company that has like its main strategy, is focused around sustainability and if it's that it's main communication, then obviously you want a taxonomy score that shows that you do care about it, right. There's always a discussion about if you have, is it better to have 0% eligibility or is it better to have 80% eligibility but zero percent alignment? And so that's always a fun discussion to have as well.

119 I think there's something to say for both.

120 If you have 0% eligibility, it might be that your activities are still included in the future and they have just not been prioritized by the EU yet. If you have 0% eligibility at 80% alignment, it indicates that you have a lot of potential to increase your alignment and your investors might like to see that as well.

121 So because they know that there's somewhere to go. And so I think it's kind of that discussion, how much do they care? What do they want to do? And then it's about, OK, what's the the steps you need to take towards improving? When would you take them and also at the same time, how do you make sure that you can do this exercise next year but more automated and less of a Extensive exercise, which it usually is the first time because it's the first time they do it. It's a different way of thinking. Uh, your financials don't match the taxonomies, you know, economic activities. We might sort them in a different way in your business And so it's really having those discussions.

122 70 --> 60

Parth Sharma

Like, do the companies sometimes align this? You'd expect me with their long term strategies as well? Is there a common practice right now in the market or it will take some time?

123 30 --> 0:31:3.30

Interviewee_06

I think it will take some time I think right now everyone's just really exploring what it is and what it means to them. I think there's a lot of companies that will not care at all, and that's fine too. Like, you know, if you're activity isn't covered in the taxonomy and you have other ways of demonstrating that you care about the world, then you know that's also OK and it shouldn't be the one and only way. But there are some companies that are really much focusing on it. I think for sure.

124 50 --> 00

Parth Sharma

So like the companies which are actually focusing on EU taxonomy, which sector do the usually belong to?

125 50 --> 40

Random information

It depends. It's really when their sales point is on sustainability. So and then if I'm looking at a company that attracts investors that want to invest in green projects and obviously it's more important that you actually show your taxonomy alignment or if you want to be best practice in terms of ESG like Orsted than yes, like it's the companies that care essentially, which can be across sectors.I think and at least I know from buildings (construction), it's interesting to see because it's such a sector that already has a lot of existing certificates and existing kind of frameworks.

Random information

126 So yes, it adopts this easier, but they also have other ways to show it. Whereas if you have a sector where maybe not a lot of certificates or other ways of, you know, benchmarking yourself exist, then maybe this becomes more interesting because it's the first kind of common language that you can use to prove.

127 With your exact like competitors that do the exact same activity, so I think that would be an interesting view to take on it as well. If that has an impact at all.

128 30 --> 90

Parth Sharma

OK, so like companies which already have certain frameworks in place, it's easier for them to adapt to Sony as compared to if there is no existing framework.

129 80 --> 90

Interviewee_06

Not easy to adapt, but they're more used to working in frameworks and working in certificates and working in, you know, screening activities for certain elements. I'm just thinking out loud but.

130 It might not impact it at all, but. For some, it might be entirely new, and they haven't considered anything and they just communicate everywhere that they're great and that's that. So.

131 30 --> 20

Parth Sharma

OK and How does this Auditing takes place if the company is claiming something green or not green and following you taxonomy like is there an auditor which checks these things and then you have them on approval? How does this work and? With language.

132 20 --> 60

Interviewee_06

So I know under the NFRD the audit to check that the section is there when it needs to be there. They don't actually go into your data too much or into what you say. And just needs to be there. So it's not that much. So some are going to dig it deeper when they're interested, others less.

133 And but under the CSRD it actually needs. I think requires more auditing. There was a whole thing about it where they also want to allow other companies and not only with large auditors to become auditors as this and yeah. I know that the CSRD needs a lot more of review and checking and whatnot. So right now it's limited.

134 Umm, sometimes I feel like the auditors are learning more from us rather than checking from what we do. So that's kind of what it still is now. But I think going forward, everyone's definitely like already now we work with some auditors. Last year we worked again with them this year and they knew a lot more. So I think everyone's really getting into that space better. And hopefully at some point we all speak the same language.

135 60 --> 50

Parth Sharma

Yeah. Yeah. OK. And then. Yeah. So like from my previous interviews, I just observed that a very big challenge for the companies was acquiring the right IT systems and the data. And you mentioned tools as well for collecting and monitoring this data for utex ornament, even for CSRD. I just wrote EU taxonomy twice, OK OK. Yeah. So like, how do you see this? How big is the role and how are the companies tackling this challenge for them? For data.

136 0:35:8.460 --> 30

Interviewee_06

I think it plays a big role maybe for smaller companies like if you have a smaller company, you have less resources. Then of course you're not going to spend all the time to go through this whole exercise or yeah, you don't wanna get consultants for it or whatever. And then I think these digital tools will help a lot. I think for the large companies where they have a whole team on sustainability and they have, you know, specific EU taxonomy person hired, I think it's also similar to what we do where you map everything out the first time because as I said earlier, it's not as easy as just mapping these codes.

Random information

BLUE

137 Like you have to read into the activities, get the definition, interpret certain words, see if

Interview_06

Random information

Random information

Random information

you fit in it or not. Is there another activity? It's like a bit more of a Exercise where you have to go into depth for the first time and then I think later on the digital tools become more useful. So if you do the exercise ones you know where you fit in, if you have a tool that can actually track changes in the regulation and in your own documents, I think that would be even more useful because obviously you need to know that if you did something last year, if that changed because the regulation changed or because there was a new FAQ that you actually get flagged on that like, this is something that has different this year. I think that would be useful, so I think The role of digital technologies and this is very big. Once you've done the exercise ones, and I think there's a big opportunity for smaller companies that maybe don't have the time to spend as much on it.

138 50 --> 80

Parth Sharma

OK. And then? So like if a big company have done this IT exercise of having its IT system in place for your taxonomy, does it is it a usual trend in the industry that these big companies also help their small suppliers in doing so like there are knowledge exchange between them or some kind of support which the companies provide to this small companies or it's on their own the small companies manage it?

139 0:37:9.110 --> 60

Interviewee_06

Umm, I think it will be more of a pressure to the small companies to do something about it. I don't know in what terms they will actually be supported. And so I do think there will be some pressure for sure, something from larger companies. But I don't know if they will actually.

140 I think the the way that it could be is if you look at the supply chain.... (changing rooms so skipped the transcription)

141 0:39:4.560 --> 0:39:5.820

Interviewee_06

(Rejoins) What was your last question?

142 60 --> 30

Parth Sharma

143 Oh yeah, it was about how the big companies can help their their smaller SMEs.

144 10 --> 10

Interviewee_06

145 My ideas about the supply chain so...

Random information

146 And I think if you know as for example, Firm_06 as a large company, the suppliers that we work with, if we need to be taxonomy aligned, I don't think our suppliers need to be taxonomy aligned.

147 Like my suppliers, taxonomy alignment will not affect me , directly.

Random information

148 However, I will need certain information from my suppliers to show my own taxonomy alignment, so there will be a lot of data requests going down the supply chain.

Random information

149 Which probably if the other one is taxonomy aligned, it helps my own because of the data being collected and because of them also doing their best in their thing. But I won't actually care about their taxonomy alignment numbers in itself.

Random information

Random information

150 So in that sense there will be lot of data requests going down if I go to my suppliers I will ask a load of things that I need for my own assessment but I dont need them to do the whole taxonomy exercise.

151 So I think in that sense that's why I don't think there will be a lot of help because it's just another data request which they probably already have with their suppliers anyways or at least in some format.

152 Parth Sharma

OK. And when we uh duplicate this in case of CSRD, let's say if come if a if the bigger companies is following CSRD regulations and then is the support will be transferred to the suppliers in case of CSRD because eventually in this case they they would have to adhere to the CSRD regulations, right?

Interview_06

Random information

153 Interviewee_06

Yeah, I think suppliers is going to be more of a push also because it's a lot more data that's required and it really works down into your suppliers as well. But I think again then it's going to be a matter of Data requests going into them and seeing where you know getting their information so that you can disclose your own whereas if they also report under the CSRD then this information you know for sure is available. But if they don't. Then you'll just have to send it in forms of the data request for your own .. is my thought.

154 Niki Bey

155 One question that comes to mind, or what? Just a comment to get this confirmed Meike, So actually, if a small player, if a supplier can show we are taxonomy aligned to this and that degree blah blah....It doesn't help the big player actually, because it's not just a plug and play information like it's not a Lego brick that fits in. And then the OEM sort of say can do their own alignment, but just by clicking in some some suppliers information that doesn't work actually.

156 Interviewee_06

157 Yeah, no. Yeah. So it's been you could it could still be helpful in a way if that you see OK my supplier knows what the taxonomy is we can speak the same language and it will be less of an effort to have this conversation and to ask for this data, because probably if you know his activity is in there as well, also a lot of supplier activities are not really included in the taxonomy for now. But if they are included then you know that you know probably it will be easier to get the information that you need. But the numbers are not plugged in. No, no. Yeah.

158 So even though it has everywhere, that's taxonomy works down the supply chain.

Random information

159 It doesn't. It doesn't down data, but it doesn't pull whatever. No. Maybe no. But this is also discussion we had with the EU when I did that project with them. I was like it. It doesn't work like,

160 Niki Bey

161 yeah, it at least that's opposite to epds environmental product aggregations where the idea is to actually have this plug and play you have you build a car and you get an EPD for the tires, for the motor and for the chassis. And you put that together and you have yours just OK, so yeah.

162 Interviewee_06

Yeah, it is a plug and play. If you look at the invest because it's it's a financial, sustainable finance tool, right? This is about communicating to your investors mainly. So it is about OK, the investors need to report on the SFDR for example, they need the data that will be given to them by the companies that report on their CSRD. So there, yes, there is a you know the if you have an investor, it needs to report on this autonomy alignments is the taxonomy alignment of their investees. So then yes, they need this data from the companies for their own taxonomy lines. So there is a plugin play between investors or the financial world and kind of non financial world. But it's just not within the non financial world that it goes down the supply chain.

163 50 --> 60

Parth Sharma

Ah, OK, OK. OK. So it's it's more like like connecting the first point of contact of the financial word. And the first point of contact of the non financial world which are usually the bigger companies.

164 20 --> 20

Interviewee_06

Yeah. So if I if I am or also you know there's a lot of uh private equity that invests in super innovative small SME startups, they have a huge issue. And that's where the the tricky things comes. And then you would actually see the investor trying to get a support system or training system for those smaller companies.

165 So there is this support between investors and investees for sure, but just not within a yeah Supply chain outside of the investments itself.

166 60 --> 30

Parth Sharma

Like, how do you see the impact of the recently released delegated acts for Objective 3 to

Interview_06

Random information

6 on the manufacturing sector?

167 50 --> 40

Interviewee_06

Yeah. So I think the manufacturing sector right now included in the climate delegated act is very much focused around energy, right or about like very Heavy Industries as well.

168 And and I think going forward, it will be more about because it's under mainly circular economy. I think maybe some under water or anything else, but mainly circular economy that a lot of extra manufacturing activities will be included and what was in a previous the final report of the platform on sustainable finance that kind of made recommendations to the EU and what they should include. There was a lot of manufacturing activities and like pharma was something included and you know clothing, textiles was included and just a lot of sectors that have been unaffected so by now, we're suddenly in there, but now, with the recent draft from the EU, a lot of them were taken out again and I heard there was quite some discussion about it as well. And apparently they've taken out some, like textiles because it was just too challenging to get that done in time. It's just a time limit and prioritization factor, so I think it might not be as affecting from the first version.

169 But I think there is going to be a lot of inclusions in it going forward , Depending on how the consultation phase goes, maybe they're forced to include some activities that they excluded, I don't know.

170 50 --> 0:47:9.0

Parth Sharma

Yeah. So like if uh, if a company has to implement you taxonomy, how would which approach should it take it to 1st read the regulations and then move on a product level basis or first they should understand their product and then see which like their value chain is included which part is included in the taxonomy and then do it.

171 Interviewee_06

You would first map out the products or the processes or what a company does. What is their activities on the company specifically, what are the products that are output? How do they get there? Just really get a deep understanding of the company and then you would take the taxonomy activities at the same time and then you would see OK what maps where can I fit this in? Does it fit in anywhere? If it doesn't then you shouldn't force it either and I would say that's the way to go.

172 So OK, good understanding of the company and then see where you fit in.

173 0 --> 10

Parth Sharma

OK, sounds good. Just last one, last question. Uh, regarding CSRD the digital tagging. Uh, mandatory requirement. How do you see this happening? Like what? From what? From understanding what are these tags?

174 00 --> 0:48:7.710

Interviewee_06

Uh, I'm not entirely sure if looked less into it, but I think it's just so that information is very easy to be found on line because it's also online right system. And so it would just be your format probably where they have to fill it in.

175 From the EU and then that way you can easily.

176 Yeah, compare different data points across companies.

177 0 --> 0

Parth Sharma

OK, OK. From one of the other interviews I had. So the from their their consultants understanding the this tagging thing would work if you would give them certain unique number like alphanumeric codes which will be attached to certain values. Let's say if a scope 3 emission will have let's say a code of X YZ123 and the company needs to put this code into the report whenever they would use a scope. The emission value. So if all of the companies do this, so if it's very easy to code and extract this information online regarding a certain code. So if I want to know what is the total scope 3 emissions of, let's say textile industry. So I know which in the code in the actual code which is A tag which I need to search for. So it's maybe I think this could be one of the approaches which is they suggested would be a way to go it but I'm not sure if EU has any. Unification on this this as

Interview_06

- still now.
- 178 10 --> 30
Interviewee_06
I haven't checked anytime recently, so I'm not sure, but yeah, it sounds like it would be something like that.
- 179 90 --> 90
Parth Sharma
OK.
- 180 0 --> 10
Parth Sharma
I think I think that's all from my end and we have the time as well.
- 181 10 --> 80
Parth Sharma
Yeah.
- 182 80 --> 30
Interviewee_06
Yeah, I think it was a really interesting and I hope I helped a bit.
- 183 0 --> 40
Parth Sharma
Yeah.
- 184 90 --> 80
Interviewee_06
I'm and that you're. Yeah. Helping you on your way as well?
- 185 40 --> 0
Niki Bey
And it's interesting. Meike what would you think is a most useful output for us or project like Parth, I mean what would be a cool thing?
- 186 0:50:1.110 --> 0:50:1.620
Interviewee_06
No.
- 187 0:50:4.160 --> 00
Interviewee_06
I don't know. I guess it depends a bit more on like exactly what your questions research questions are.
- 188 0 --> 70
Interviewee_06
Umm.
- 189 90 --> 0
Interviewee_06
Having a bit more of a standardized way to help the manufacturing sector, I guess cause like construction is very straightforward, right? The activities map. Obviously you do renovation, no there is the activity of innovation, but I think manufacturing is just a lot more difficult because it can be multiple elements. It can be, yeah.
- 190 A more difficult split on finding how they're affected by it or not. And I think it would be cool to see how Heavy Industries can use the taxonomy to actually improve. And I think there's something in that as well besides the whole reporting part of it. We use it as a guideline or something. Yeah, I'll have to think about it. Yeah, absolutely. Absolutely, yeah. There's still flexibility. I personally find this digitalization thing here. With this tagging you just mentioned. We also talked about it, Parth this digitalization currently, I think the whole thing is just, I mean everything is you know, going just starting up and many, many players do this the first time and everything but this what is the entire lever of digitalization in this here because it's very much hands on and practice one off and everything. So but this doing this somehow. In a regular basis, high frequent regular basis. Yeah. Is that possible? What would the highest frequency be? Umm, like is that monthly or daily or yeah, how does it work with the data systems? Yeah, yeah. Yeah. And if you really wanna get to nerdy into the CSRD details, I don't know if you gave Queen's name. Yeah, he's on the list. OK, good. He knows everything. Yeah. Yeah, but maybe mentally prepared that you have the question for the digitalization part of it because I don't know how much she's had to look into that so far yet, and I'm sure he will if you tell him beforehand. Yeah, we have some clients actually asking about it recently, so I think it's relevant anyways. Yeah, yeah.
- 191 80 --> 90
Interviewee_06
Super.

Random information

Interview_06

192 70 --> 60
Interviewee_06
Alright.
193 70 --> 60
Parth Sharma
OK, sounds good. Solutely OK.
194 90 --> 30
Interviewee_06
Yeah, best of luck.
195 10 --> 60
Interviewee_06
Yep.
196 00 --> 40
Interviewee_06
Yeah.
197 60 --> 90
Parth Sharma
Yeah. Thank you, Michael. Thank you for your time and thank you for joining us well.
198 70 --> 0
Interviewee_06
Yeah, sure. I'll get back to you later today with the stuff we talked about yesterday.
199 80 --> 70
Parth Sharma
OK.
200 0 --> 50
Interviewee_06
Hey then right.
201 00 --> 20
Parth Sharma
OK, OK. So.
202 0 --> 70
Interviewee_06
Thanks for now. Thanks, Michaels.
203 10 --> 60
Interviewee_06
Also thank you.
204 20 --> 80
Interviewee_06
Bye bye last day. Bye.
205 80 --> 0
Parth Sharma
Yeah. Thank you. OK, bye. Bye. And you too. Bye. Bye.