

## Interview\_03

- 1 0:0:0.0 → 0:0:1.80  
Parth Sharma  
Yes, that's good.
- 2 0:0:3.770 → 0:0:3.910  
Parth Sharma  
Yeah.
- 3 0:0:8.280 → 0:0:8.750  
Parth Sharma  
Uh.
- 4 0:0:8.790 → 0:0:22.150  
Parth Sharma  
So like just this morning introduction that I'm a student at DTU Denmark Technical University and I'm working on this, my master thesis project which is how can manufacturing companies adapt to CSRD and EU taxonomy regulations?
- 5 0:0:25.760 → 0:0:27.530  
Parth Sharma  
So just a small deduction about me.
- 6 0:0:27.570 → 0:0:49.900  
Parth Sharma  
So I'm doing my masters in industrial engineering and management at DTU and previously I have also been a guest student at Indiana University and I did an Mr at EPFL in Switzerland and I did my bachelor's back in India in production and industrial engineering and from India and then I worked for.
- 7 0:0:50.210 → 0:0:58.100  
Parth Sharma  
Right now I'm working as a student assistant in Jia Process engineering and I have a process engineering work experience from India as well.
- 8 0:1:0.840 → 0:1:5.50  
Parth Sharma  
So yeah, this is like the main agenda for today.
- 9 0:1:5.140 → 0:1:21.80  
Parth Sharma  
So I just a quick overview about the project, about what is CSRD and EU taxonomy and I already knew no, you know more than what I know, but just a small interaction and then we can jump to the question and question and discussions.
- 10 0:1:23.280 → 0:1:33.670  
Parth Sharma  
So the idea of the project as explained earlier, it's building a step by step guide or a framework for companies to follow how they can implement on CSRD and EU taxonomy regulations.
- 11 0:1:33.680 → 0:1:43.280  
Parth Sharma  
So they are very new right now and many companies are having this huge problem of translating these regulations into their specific context.
- 12 0:1:44.960 → 0:1:54.720  
Parth Sharma  
And then abiding by all of the mandatory disclosures which are required so company don't actually have a very clear idea on on them or on these regulations.
- 13 0:1:54.730 → 0:2:4.970  
Parth Sharma  
So the aim of my project is to help them how to build a step by building a step by step guide on how to implement these regulations in their own context.
- 14 0:2:7.980 → 0:2:9.260  
Parth Sharma  
So, like CSRD?
- 15 0:2:10.0 → 0:2:17.590  
Parth Sharma  
Uh, it's a mandatory disclosure went in and it it compresses ESG criteria.

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- 16 0:2:17.670 → 0:2:31.620  
Parth Sharma  
It has its disclosures in context to environments, society and governance, and the scope includes ohh approximately 50,000 industries like companies in Europe.
- 17 0:2:31.710 → 0:2:45.860  
Parth Sharma  
But it's going to be implemented in a phased manner, so the first disclosure will be on 1st of January 24 by most of the large companies, but then from the next year onwards like that is 25.
- 18 0:2:45.970 → 0:2:52.80  
Parth Sharma  
Even the smaller companies and the medium, medium and micro-sized companies will have this to disclose as well.
- 19 0:2:52.690 → 0:3:11.930  
Parth Sharma  
All of the requirements as per the directives and it's a mandatory disclosure which covers the companies which requires companies to disclose on double materiality scope-3 emissions like including scope one and two and all of the risk and a risk and opportunities in context of ESG which they have found out.
- 20 0:3:12.410 → 0:3:25.20  
Parth Sharma  
And for this they need to follow the ESRS standards, which is a group of yes, which is a group of 11 standards which are in mainly 4 broad categories.
- 21 0:3:26.190 → 0:3:35.950  
Parth Sharma  
The cross-cutting standards are for all of the industries and environment, social and governance are standards which are specific to.
- 22 0:3:38.780 → 0:3:39.230  
Parth Sharma  
Company.
- 23 0:3:39.240 → 0:3:46.390  
Parth Sharma  
So company have to pick which is relevant for them in all of these standards in context of environment, social and governance.
- 24 0:3:46.560 → 0:3:53.390  
Parth Sharma  
But crosscutting once is something which has to be abided by all of the companies across, across all industries and sectors.
- 25 0:3:56.960 → 0:4:4.950  
Parth Sharma  
And you taxonomy it's a classification system of green and non-green activities and it's economic activities.
- 26 0:4:5.220 → 0:4:6.870  
Parth Sharma  
So there are six objectives.
- 27 0:4:6.960 → 0:4:10.890  
Parth Sharma  
The climate change and adapt to climate change mitigation and adaptation?
- 28 0:4:10.900 → 0:4:15.690  
Parth Sharma  
Sustainable use of use and protection of water and marine resources.
- 29 0:4:16.20 → 0:4:20.650  
Parth Sharma  
Circular economy, pollution prevention and control and then protection of health.
- 30 0:4:20.780 → 0:4:22.560  
Parth Sharma  
Health Aid.
- 31 0:4:22.570 → 0:4:23.790

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- Parth Sharma  
Ecosystems, yes.
- 32 0:4:24.680 → 0:4:29.950  
Parth Sharma  
And then there are main 2 steps to like 2 broad steps to follow.
- 33 0:4:29.960 → 0:4:38.370  
Parth Sharma  
The companies have to identify their taxonomy eligible activities, which are activities which contribute to one of this, at least one of this technique.
- 34 0:4:38.410 → 0:4:40.480  
Parth Sharma  
One of these criteria, 6 objectives.
- 35 0:4:41.760 → 0:4:44.770  
Parth Sharma  
And then there are the taxonomy aligned activities.
- 36 0:4:44.840 → 0:5:2.270  
Parth Sharma  
So apart from being eligible, it has not to do any harm to other objectives and comply with the minimum safeguard principles and we have technical screening criterias which will help companies to identify economy taxonomy eligible and aligned activities.
- 37 0:5:3.850 --> 0:5:18.260  
Parth Sharma  
So this is like about me, about my project and can you like give a short introduction about you and how have you been working in yeah or how long and what are the projects which you take care at BSF?
- 38 0:5:18.600 --> 0:5:19.710  
Interviewee\_03  
Yeah, for sure.
- 39 0:5:19.720 --> 0:5:25.500  
Interviewee\_03  
I might do so like in the my name is Interviewee\_03 and I've joined the Firm\_03 roughly 10 years ago. I'm biotechnologist by training and started thereof my professional career in the Firm\_03 in classic R&D function in the biotechnology research and Development Department. I'm having several roads there in the last 10 years, more focusing on the biotech processes and biotech products. I started that two years ago now in the corporate sustainability and within the corporate sustainability, I am responsible for the implementation of the EU taxonomy and reporting regulation in the Firm\_03.
- 40 So we started there in the Firm\_03 and that in Year 2021 and I'm implementation project to fulfill these mentioned taxonomy reporting regulation and to ensure the proper compliant reporting regarding these new reporting directive and this is meant focus of my work as I'm leading now this project together with another project Co lead from corporate finance. But I think we will discuss this later on regarding the challenges of taxonomy and taxonomy implementation.
- 41 And I would be interested here on these slides.
- 42 0:6:40.330 → 0:6:40.520  
Parth Sharma  
Umm.
- 43 0:6:39.640 → 0:6:42.270  
Interviewee\_03  
There is not only the DTU mentioned, but also the rumble.
- 44 0:6:43.300 → 0:6:43.480  
Parth Sharma  
Yes.
- 45 0:6:46.670 → 0:6:46.820  
Parth Sharma  
Yes.
- 46 0:6:42.720 → 0:6:47.400  
Interviewee\_03
- Interviewee background information

## Interview\_03

### Interviewee background information

- 47 0:6:48.90 → 0:6:49.160  
Parth Sharma  
Yes, exactly.
- 48 0:6:49.170 → 0:6:54.560  
Parth Sharma  
So I so my I have two supervisors, one is from DTU and the other one is from rambat.
- 49 0:6:54.830 → 0:7:6.180  
Parth Sharma  
So it's kind of a an interest of Rambell as well that they need to understand what are the, what are the problems which companies are facing in this context and how they as consultants better help their clients.
- 50 0:7:7.660 → 0:7:7.800  
Interviewee\_03  
Yep.
- 51 0:7:7.530 → 0:7:8.410  
Parth Sharma  
So yeah.
- 52 0:7:11.670 → 0:7:12.280  
Interviewee\_03  
But could I?
- 53 0:7:12.610 → 0:7:12.930  
Interviewee\_03  
For sure.
- 54 0:7:18.930 → 0:7:19.50  
Parth Sharma  
Yes.
- 55 0:7:12.940 → 0:7:22.0  
Interviewee\_03  
Also, for yourself to get there also some insights from professional consultants and and expectations and possible deliverables.
- 56 0:7:22.10 → 0:7:25.490  
Interviewee\_03  
And within a more professional than just scientific environment.
- 57 0:7:26.500 → 0:7:26.640  
Parth Sharma  
Yeah.
- 58 0:7:30.360 → 0:7:36.130  
Parth Sharma  
So I think we already discussed about this and how much experience you have with the with your taxonomy.
- 59 0:7:36.140 --> 0:7:43.190  
Parth Sharma  
So you mentioned you started working in 21 and when the taxonomy actually came into being, Right from the start, right?
- 60 0:7:47.290 --> 0:7:48.310  
Interviewee\_03  
That's right from the start. Started in early 2021, I think first drafts of the taxonomy world ready available earlier and for sure also platform of sustainable finance has drawn there. First reports already in 2020 to my understanding, but nevertheless I was there. Working with the taxonomy even before the final adaption of the climate objectives. So yes, indeed I would say that I'm quite experienced in this quite juvenile field of taxonomy reporting as since 2 years this is now more or less a falling most parts of my professional life though.
- 61 0:8:29.410 --> 0:8:32.120  
Parth Sharma  
So you, you, so you don't work with the CSRD reporting right? Like it's a separate division which is working on this.

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### Interviewee background information

62 0:8:35.880 --> 0:8:36.730  
Interviewee\_03  
Yeah, this is. It's the same division in the Firm\_03 company, so both more or less as covered by the corporate sustainability division. But we have indeed the dedicated teams and my team, which I lead is the focusing on the taxonomy we are being aware that there is quite a way quite a high interlinkage in between taxonomy and also CSRD reporting. But CSRD is covered there by another by another team internally. But we are working quite close together.

63 0:9:7.870 --> 0:9:9.180  
Parth Sharma  
Yeah, that's good.

64 0:9:11.340 --> 0:9:24.410  
Parth Sharma

So have you assessed the potential impacts of these regulations on the company and how can you discuss some impacts and what how you actually made the assessment and which tools that you use to assess these impacts?

65 0:9:26.70 --> 0:9:28.0  
Interviewee\_03  
And yeah, for sure.

66 We always interested in umm assessment of impacts on these regulation for our company and it's not that easy to assess potential impacts of that new reporting requirements as it is not yet known how this will develop, how the financial market in special will take these up and whether these once in a while will get off more or less importance to our investors and the financial markets. We fully support the overall goal of the EU Commission to streamline steable classification systems, to avoid greenwashing, to give a clear guidance to the financial market, and to transfer their money to indeed the organizations and companies which are the front runners in the transformation of the European industry.

67 Nevertheless, it's also somewhat and in a childhood phase. And as it did, the childhood phase for sure, we are interested always in the view of error investors. We also follow the any publication from the European Commission, as well as publications from Investors and auditing companies, and see their is still somewhat unclear, unclear, potential and unclear impact on us as Firm\_03 and special as the chemical industry and as how can look at industry, see if there's some drawbacks as an existing taxonomy regulation.

### Impact of EU Taxonomy and CSRD

68 And nevertheless, we also discussed this and share these discussions within some peers via different associations. For example, the European Association of Chemical manufacturers and yeah, are there in your exchange with peers, with auditors as well for sure also investors and which is mainly driven there by yeah, discussions and exchanges, bilateral or via associations.

69 90 --> 00  
Parth Sharma

Interesting, so you mentioned that you also have like this, this discussion thing. So is it you have some kind of collaboration with the your peers and like your these external experts or something which help you out?

70 30 --> 90  
Interviewee\_03

And yes, yes, there are discussions ongoing and there is a, for example in Germany and the Association of Germinal chemical industry, even a working group covering the implementation challenges of taxonomy and there not only us as Firm\_03 but also all the other big German chemical producing companies exchange on a regular basis regarding technical challenges of taxonomy, taxonomy implementation. And there was also published now three weeks ago, a position paper of this association to give a broader picture also with the financial markets, how we nowadays see the taxonomy and the existing climate directives.

71 Unfortunately, I think it's not yet available in English. It's still in the transcription mode, but I might take afterwards. Also look whether there might also be an English version available which I for sure would then share with you as well.

72 80 --> 30

## Interview\_03

Impact of EU Taxonomy and CSRD

- Parth Sharma  
Yeah, that would be really helpful.
- 73 60 --> 20  
Parth Sharma  
But even if it's in German, I think the Ms word has a tool which can translate documents.
- 74 20 --> 0:13:0.540  
Interviewee\_03  
Yeah, this is quite powerful nowadays, yeah.
- 75 0:13:0.210 --> 0:13:0.580  
Parth Sharma  
Yeah.
- 76 0:13:2.10 --> 0:13:2.200  
Parth Sharma  
Yeah.
- 77 0:13:3.580 --> 0:13:9.510  
Parth Sharma  
So yeah, moving on to the they can question, just give me a second.
- 78 00 --> 90  
Parth Sharma  
Uh, do do you follow some kind of framework or step by step process for implementing you taxonomy? And yeah, just can you just give a brief introduction about it?
- 79 0 --> 80  
Interviewee\_03  
We follow the quite detailed framework and step by step process and implementation taxonomy as well as csirt as a manufacturer of a thousands of products. We are quite intensively hitten by these kind of regulations and especially for the taxonomy regulation we had to set up there quite detailed framework to ensure a proper and compliant reporting. You might imagine they're quite complex and highly diverse. Chemical industry is producing not dozens of products it producing thousands of products.
- 80 When we talked there about the Firm\_03, we have there roughly 50,000 products which we produce and we had an at first step regarding the implementation of theoretically screened all of our portfolio to identify the eligible or and relevant parts of our portfolio. It's not all of our company is affected by it is quite specific and dedicated taxonomy regulation, but only parts which are in a nitty gritty detail explained in the annexes of the delegated act, which is the thousands of pages of documents and where we first of all had to understand how we might be their affected and how to implement also this effectiveness. And therefore we have certain up the project teams which are now since 2 years with quite reasonable effort working in the implementation of this reporting regulations and reporting obligations.
- 81 And this was also one of the major challenges within the implementation of the EU taxonomy inspection, as the taxonomy reporting application and forces us as preparers to report in a completely new way of reporting to assess our portfolio in a completely new way of assessment and it starts, for example, already with this nasty code classifications of economic activities, which is not available in any IT system where you're not just hit one button and you get automatized, all the relevant information there from the IT systems.
- 82 And therefore we had to set up a quite huge implementation and to adapt all of our IT systems to extract all of the data from several kind of data sources internally to ensure finally then a proper and but identification of all the eligible parts of the organization and finally with even more challenges also to perform last year, first time ever.
- 83 The assessment of these eligible parts of the organization to finally report them in our 2022 report and the eligibility and alignment regarding these taxonomy application, which was really, really challenging because none of our systems, uh which we have in place was able to assess these data and automate this way and we wanted to therefore to set up and use system to implement these in our ERP system to adapt all these different data sources and to align wherever possible to get to an Linus to analyze this and leanest reporting still compliant to an external auditing by our auditor which we have set up.
- 84 50 --> 0:17:2.710  
Parth Sharma

## Interview\_03

..EU Taxonomy around framework

And I think I went through this report which you were mentioning and I guess KPMG is the company which audited your documents, right?

85 0:17:3.0 --> 0:17:4.790

Interviewee\_03

Yes, KPMG's our auditor.

86 0:17:6.200 --> 0:17:7.960

Parth Sharma

OK, that's fine. So.

87 0:17:7.320 --> 80

Interviewee\_03

There's also then in charge for the auditing of the non financial parts, so also then it takes another reporting.

88 90 --> 80

Parth Sharma

So like, is there some kind of recommend like a requirement that the financial as well the non financial auditor should be same or they could be different.

89 40 --> 0:18:0.330

Interviewee\_03

The reports are somewhat different as the taxonomy Article 8 gives the different kind of details for assessment and also reporting for financial and non financial companies, which is for sure quite helpful as financial company has their quite other reporting tables to deliver and other information to be shared as the financial and organizations more have to have to give more specific informations on and and what kind of activities they invest, whether we as non financial organizations have as to assess our own performance on a more nitty gritty, detailed way and have to fulfill their specific kind of reporting applications. And to my understanding, also our auditor has the dedicated teams set up for this kind of non financial reporting audits where they are more or less also building up expertise for these non financial companies.

90 As you might imagine, a typical auditing process with an audit auditor being more of an economic scientist background or economic background might have some difficulties to interpret, to understand and also to audit. Finally, and ESG reporting requirements are sustainability reporting requirements, so. And a person not experienced in sustainability at all might not be able to audit any climate risk assessment result, which we had to perform, for example, regarding the taxonomy, when there might be only knowledge about financial market and financial numbers or economic backwater place.

91 And therefore there's also quite a hurdle and a challenge to my personal opinion here shared and the auditors as they have to build up quite a huge knowledge and huge expertise and a field of sustainability reporting on non financial reporting where they have not yet in the past been that much involved too and whether it's even not the manpower available with this kind of background to audit all the affected companies in the proper way.

92 80 --> 0

Parth Sharma

Makes sense.

93 20 --> 40

Interviewee\_03

And also the complexity of the taxonomy regulation and also quite a lot of degree of freedom regarding interpretation makes it difficult not just for the auditors but also for the preparers. Even when there is 1000 pages of documents, there is still a lot of discussions ongoing and there is still a lot of interpretations which might be somewhat the somewhat diverse and result also in quite inhomogeneous and taxonomy reporting.

94 We saw this and assessment results finally within industries, but even more compared over different industries which for sure isn't also a major hurdle for the auditor when even the preparers are not uh, I'm not more or less as experts are able to give the one dedicated proper interpretation from this kind of reporting regulation.

95 How the hell should then the preparers be able to do their proper audit and come to aligned auditing Interpretation of this kind of somewhat not that good written legal text documents.

96 30 --> 0:21:4.160

Parth Sharma

## Interview\_03

..EU Taxonomy around framework

And like you mentioned that there is this huge like sort of a gap between the regulations and their interpretation. So how did you, for the first time when you were doing that, you would economy? How did you try to fill in this gap of interpretation of the regulations for your own context? Did you do it yourself or there was a team involved? Which approached did you take?

97 10 --> 80

Interviewee\_03

Yeah. we had a huge internal efforts, as you might imagine, and we in the corporate sustainability department, we more or less orchestrating the implementation of the taxonomy and also my team is the orchestrating the implementation of the taxonomy regulation itself . But when it comes to, for example, to the DNSH checks regarding these technical screening criteria, there is a huge expertise news it's quite different EHS topics as you have to cover all the environmental objectives and as as Firm\_03 organization we have the internal experts available, we have the experts regarding water, we have the experts regarding emissions and pollution. We have also experts regarding biodiversity. Quite spread over the organization, but nevertheless there are internal experts available where we had the numerous of discussions and numerous efforts taken to finally understand the taxonomy and also interpret the taxonomy in a way which make it workable for us.

98 Which was for sure not not easy as you might also see .... the one big challenge is taxonomy is a European regulation and us as Firm\_03 global operations company. We have not only operations in EU but we have the operations in Asia and all over the world. For example, in the United States of America as well, and how the hell should you do the proper assessment regarding DNSH criteria when they are solely focusing on European environmental law, which might be completely different outside of Europe, not giving any global standard, not giving any information regarding global assessments... as the European taxonomy....Is so much focusing on the European implementation and the European law somewhat denying that there are a bigger companies and all the companies affected, to my understanding, are the that big companies that they have also operations outside of the European Union.

99 40 --> 00

Parth Sharma

So like in the Firm\_03 report and last year's annual report, so the REPORTINGS which were mentioned, the numbers they were for the whole group as Firm\_03 or it was only for for EU operations of Firm\_03.

100 10 --> 10

Interviewee\_03

No, this is a great pleasure of all global companies that you have to report for your global performance. So we had to assess the global Firm\_03 and also all the other companies and which are there was in the European Taxonomy Regulation application or mandatory reporting obligations, they have to assess the global ones and not only the European's ones. ven when it's a European based classification system, it's nevertheless uh, focusing on global sales, global CapEx, global OpEx.

101 60 --> 40

Parth Sharma

OK.

102 70 --> 80

Parth Sharma

Umm, yeah, moving on to the next question, so you mentioned like you, you have mentioned that there are a lot of barriers which you face during implementation of the last year. So I just went through some of the literatures, the problems of implementing and regulation in organization and listed them down. So did you face these kind of barriers?

103 And if you would like highlight some of the barriers on let's say, the barrier here was more than the barrier B have some kind of a rating kind of thing on a scale of 1 to 5, maybe of these certain barriers and discuss this some words about how did you manage these barriers in your context?

104 20 --> 40

Interviewee\_03

Yep.

105 0:25:0.550 --> 0:25:7.20

..EU Taxonomy Barriers

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### Interviewee\_03

And I guess #1 might be the lowest barrier #5 be the highest barrier. (.....Doubtfull what he meant here)

#### .EU Taxonomy Barriers

- 106 Let's start with the A the translating the policy into organization specific context.
- 107 Yes indeed, this was a major challenge. Like mentioned in before as a these and taxonomy reporting obligation is not that easy to understand because it's the law text which has to be made understandable for huge amount of experts in the organization and more specific is European law text covering the European and if regulations and laws and we had to translate these more or less in the BSF global setup and have to had to give it a application which was globally applicable which was challenge indeed. I'm like mentioned before, so I would stick there. Let's say it is the four. (Rating 4/5)
- 108 B. the ranking and internal resistance from teams not at all as it was always clearly communicated that it is a mandatory reporting application which we have to fulfill, which is a compliance issue. And for sure there is then minority of resistance and which was also in place as we ,as implementation team, were approved by the Board of Directors, the highest management to implement these, which was for sure then also helpful and to open the one or the other door or to limit the one or the other resistance from other teams and we did also a quite huge effort in the internal change management to communicate, to train and to inform the whole organization about the need regarding these new reporting requirements, which therefore also leads to a minority of internal resistance. So I would say this is a number one. (Rating 1/5)
- 109 C. Lack of right team and people to actually lead in experts to lead the project.
- 110 Yeah, for sure. You had not any expert in place immediately being an expert in CSRD or the EU taxonomy. Nevertheless, we had the possibility to set up teams quite early in the reporting process and therefore we had also the ability to develop the people being an expert in the taxonomy, and we did this in a quite powerful way, we recognized that also with the discussions with the auditors where we were somewhat but sometimes four thing that on the auditing side more and more people attended our regular meetings and exchange meetings as we described them our views on taxonomy and we were more or less joking around internally that we were something like the Education Center for our external auditor as we had that good understanding of the taxonomy itself.
- 111 This was for sure a huge effort, and this was for sure coming around also with a huge budget, so we were able as huge global operating company and our cooperation to spend this budget and to set up these team to be getting experts in taxonomy.
- 112 But for sure this will be a major drawback, mainly for smaller companies, smaller organizations where they might not have this. This huge expert network in place and also the capabilities to set up their dedicated teams for such kind of implementation. So did for us minor issue for this is smaller issues, smaller companies for sure a huge issue as also to my knowledge, the external experts and external consultancy, capabilities are limited in these kind of new reporting obligations and therefore it might even somewhat somewhat hard to identify or find their even when you take a look externally. And the uh, the the consultants to support you there in this way.
- 113 Let's face it, when there will be once in a while, in one or two years, 50,000 companies in Europe be affected by this and reporting application. It will be for sure not the possibility to find their 50 to one and 1000 consultants been experts in these therefore yeah, for I would see this in a meeting range of Barrier and challenges
- 114 D.Priority area different based on economical environment - Within us as Firm\_03, this is a compliance topic. We have to fulfill and this is mandatory and therefore not affected by any economic environment at all, even when it's tough times for sure for the whole European industry
- 115 E. lack of awareness within employees.
- 116 Is somewhat connect to the internal resistance from teams due to the change management which we perform internally and quiet a huge communication effort wasnt minaish here (couldnt understand).
- 117 F. Poor internal coordination between teams, lead to poor data management.
- 118 Indeed, we identified these as one biggest challenge is when we set up the whole project,

## Interview\_03

Team formation for EU Taxonom

as we recognize that there is a huge need of different teams to work together with usually not working together that close. There is a reporting and accounting team. There is a finance team, there is a sustainability team and there is also support by EHS experts. Necessary all of these as data topic driven also mainly by IT support programming. All the systems getting all the systems and all the data in a way analyze the experts needed and therefore yeah, this is for sure one of the biggest barriers with these quite complex field of reporting requirement covering the all the different experts from the different departments and we have therefore internally set up the project lead and the the whole project in a way that there are two leads, one of the finance department, one of the sustainability departments. So next to me, my counterpart from the finance department covering their these coordination topic, which is for sure a big one in kind of complex implementation of a new reporting requirements with all these different capabilities and teams to be involved.

119 And therefore, yeah, I would see this even as a 5. **(Rating 5/5)**

Random information

120 **G.** The same is true for the lack of robust data management systems.

IT systems/Digital systems

121 We have made the huge efforts to implement all the data, analyze the systems in our ERP systems. So I would guess 60 to 70 percentage of our internal efforts were mainly efforts to set up and to empower our data management system to ensure the analysis and the data collectiveness and to do it in a way that it's also audit proved. So yes, the leg of a robust data management system for sure also five in the Barrier Challenge area. **(Rating 5/5)**

.EU Taxonomy Barriers

122 As like mentioned, it's a completely new way of data handling and it's even completely new way of KPI. Never ever before in any reporting standard was something like the OpEx KPI defined. So you had to move the hell in the company to even make the OpEx KPI somewhere livable and to set up these in the existing data management systems as one of the examples of challenges of the taxonomy.

IT systems/Digital systems

123 **H.** Integration with existing reporting systems being followed.

124 Would I see not as the main hurdle. Once you have the data management systems setten up in the way that you get the data out of your systems and the integration in the existing reporting is more easy task, so I'll see it as a tool in a scale from one to five.

125 90 --> 0:33:0.200

Parth Sharma

And like what kind of data management system do you use? Like, what does it exactly does?

126 0:33:9.780 --> 10

Interviewee\_03

127 We have integrated all these in our enterprise management system in the SAP. So yeah, they're digging quite deep and detailed within our SAP systems and have implemented these all in our SAP machine, quite the deep down in the let's say a mesh the, the deepest IT system we have as enterprise resource management at controlling system, which was a huge effort to take it out to clearly. And where we are aware that we S Firm\_03 one of the yeah, one of the less companies doing that approach in getting the data right in the source systems and the SAP system covered and so also from exchange from different other companies and also exchange from our auditor. We are aware that most of the companies try to figure this out via Excel spreadsheets and yeah we have. Also, there always taken a look on all the different data management providers as they are now more and more data management providers popping up most of them start up companies presenting some great IT solutions to cover all these aspects of taxonomy. But with regard to the complexity in special of a company like a chemical company, we did not identify any specific solution fulfilling our needs. It might be somewhat easier for a company being only affected by one economic activity.

128 Take, for example, a company producing energy. Maybe only renewable energies. There are several big companies in Europe as well in place, maybe focusing on the renewable energy from wind power or solar power. Then for sure when you have all the same business, only one economic activity affected with one dedicated screening material catalog, it might be somewhat easy to adapt any external solution in your systems, but like mentioned Firm\_03 50,000 products, 10,000 investment projects, all of them globally to be analysed regarding eligibility and alignment. And we were quite happy. End of the day that we have implemented these in our ERP system by our own IT department with our own IT

- expertise and.
- 129 I. Something else made barriers.
- 130 90 --> 40  
Parth Sharma  
Or some other other other barriers which you which you face, which you can remember of.
- 131 0 --> 0  
Interviewee\_03
- 132 **OTHER BARRIERS:**
- 133 1. For sure it was not that easy to convince also, the organization to **set up these implementation team** and to get all the necessary budgets and resources to fulfill it. Once in a while, I have read about a number from the European Commission where they guess that a company has to set up or has to spend 100 to €200,000 to fulfill the reporting application. And forget it This is much to low, much to low to implement this in any bigger company or corporation.
- 134 2. And this is for sure also a barrier to also **convince the right people at the right time to start the the implementation of the EU taxonomy**, reporting another.
- 135 3. A huge barrier like mentioned was also then the **auditor and the auditor's perspectives** as the auditor takes takes more of the, let's say conservative path and any interpretation and the order to understanding was quite at the beginning of our taxonomy jounrney limited once and also these was something like a hurdle or barrier and within the implementation of the taxonomy it's improved for sure.Also, within the last two years, but we are all there on a steep learning curve and another barrier we all face.
- 136 4. **Another barrier is indeed the European Commission**, as they are used to present some short term presence, usually on the eve of Sylvester's Day, before Christmas or now in Easter, they tend to tend to publish FAQ documents or amendments or draft versions of delegated acts. And so to say, but the timing is the worst ever you cannot publish on the 19th of December an FAQ document where all the preparers and auditors are waiting since month for some clarification for the year end reporting of the year and this is absolutely the one of the biggest barrier we faced there with an all these new taxonomy reporting application as we were since years more or less asking the Commission for clarification on numerous points. The publication shortly before Christmas is that is Nothing which should be the done at this time point.
- 137 5. One, maybe more specific point regarding barriers in our organization and special is an author not to forget to mention all of these and the low coverage. And I'm not sure whether you, uh, what the report of the Firm\_03, **low coverage of our eligibility activities**, most parts of our portfolio are not covered as they are not eligible as we have to focus with the climate objective only on a limited set of basic chemicals. This leads to the fact that most parts of our products and of our business is not able to show any positive impact regarding the climate objectives. And so we as a chemical industry being quite far downstream in the value chain, we face that enormous hurdles as the taxonomy is somewhat omitting our contribution to climate change mitigation. We have that numerous products enabling other activities, but as the value chain is not in focus of the taxonomy itself, all the products are not eligible at all and cannot prove any positive benefit. Yeah, that's the complexity in this value change is not not visible in the existing regulation.
- 138 00 --> 00  
Parth Sharma  
Uh, so this is a snippet of the EU Taxonomy report you have published on the website for yr 2022 and I was just wondering, like can you explain this, how did you manage to make this report like this Excel sheet?
- 139 50 --> 20  
Interviewee\_03  
Yeah, it's just five pages of Firm\_03 report 2022. It's 3 pages, 2 pages and three tables, but finally this was more or less a two years work approach by dedicated project team.
- 140 **Step 1 ( identify in the first step the egibility )** - We had to first of all screen our all portfolio regarding Taxonomy eligible activities and we did this on a product level. So we

## Interview\_03

..EU Taxonomy around frame  
..EU Taxonomy gap analysis/a:

Random information

had to screen the 50,000 products of the Firm\_03 regarding their eligibility and indeed we were able to do it in an automated way with in SAP and systems. But we had to implement it, set up all these. As mentioned, there was not the single one golden bullet single, one button to press to get the immediate eligibility at each product attacked and therefore we had to set up the quite a detailed system to identify in the first step the eligibility.

141 **Step2-** And in a second step then in the last year, we performed the detailed assessment for all the eligible products and all the corresponding capital expenditure and projects and plants with the operational expenditures. And in the assessment we followed also an approach that we first of all try to use central available databases and, wherever possible, also stated that in the text of our report, so wherever possible, we did there centralized automatized analysis of all the single products regarding the different screening criteria, which was also quite a huge workload. As for any of the eligible activities, the screening criteria were differentiating. partly we had to analyze it on a product level, partly we had to analyze it on a plant level, partly we had to analyze this on a site level, which was also a huge effort to be done and make it somewhat tangible.

142 Uh for the substantial contribution of the soda ash, we had to analyze the emissions of the production plant. How much CO2 is the production plant emitting during the production of these chemicals for the manufacturing of energy efficient insulation, energy efficient materials for buildings chapter 3.5, we had to analyze for the single product the specific installation value of the product itself. So we had to analyze the really a single product in a very needy, gritty way, which was a huge effort at the end of the day. And after this we had then also to check for the whole DNSH and minimum safeguards approaches. And this was quite detailed work and also this was quite detailed as we were able to convince our auditor that we are a chemical company and that our core business is manufacturing of chemicals. So all our activities listed here are in the Chapter 3 manufacturing of chemicals. Nevertheless, the taxonomy itself covers more than 90 economic activities and for sure we had also to assess all the other things which would be somehow performed there worldwide in the Firm\_03 whether we do them and whether they are material and whether the information to be shared might be somewhat helpful for our investors and it's not a joke now. Indeed we as Firm\_03 we have to also a Museum of lacquer art, some Grand Germany SVP, produce lacquers and indeed within the Chapter 13 and the taxonomy covers also museum and arts. So our auditor asked us whether we had analyzed the contribution of our museum for lacquer art regarding the CapEx, OpEx and external turnover. And yes, indeed, we have their minority of operating expenditures and even some turnover as is museum and you can buy the tickets to go in the museum, but it's so somewhat neglected, negligible regarding the turnover, the operational expenditures and the capital expenditures of all our car business that we finally convinced the auditor that we do not want to do a proper assessment of our museum regarding taxonomy criteria as it's not material at all.

143 But also this was a quite tough analysis and the quite long lasting discussion at the taxonomy does not know any material.

144 70  
Interviewee\_03

There's some construction work and yeah, we have the even our own railways on our bigger sites where we do some transportation and all these had to be analyzed.

145 40 --> 40  
Interviewee\_03

And we also have the wastewater treatment facilities as we are chemical producer which use plants and science in place and also that we had to analyze and all that we had to analyze regarding the materiality and finally convinced the audit or that the spending and the financial limits are that low that we do not need to assess it further and to report it in these tables. And therefore just mention all these activities in the text of our taxonomy reporting.

146 70 --> 80  
Parth Sharma  
Umm uh, yeah, that's a lot of work.

147 00 --> 50  
Interviewee\_03

## Interview\_03

..EU Taxonomy around framework

Yeah, yeah, this was a huge bug there.

148 50 --> 30  
Parth Sharma  
Yeah.

149 10 --> 90  
Parth Sharma  
Yeah.

150 50 --> 00  
Parth Sharma

And like from your experience working with you taxonomy for two years, so this question is more specific to you. How would you, if you realise a framework or a guide book for a company to the previous, upon your experience working with the economy for so long?

Random information  
Random information  
Random information

151 10 --> 80  
Interviewee\_03

The guidebook is quite easy to set up as the are the annexes of the day you get the act, and the FAQ is available and this is somewhat a guidebook to be followed there, but I think it's more important to get the the big picture and never forget about the big picture.

Random information  
Random information

..EU Taxonomy gap analysis/assets

152 As and company I think you should always be aware what you are doing and what you wanted to achieve with this kind of reporting. What kind of information is the valuable information to be shared to report it and to be analyzed at the end of the day and therefore, yeah,

153 you should have the as a framework, a clear and dedicated framework following always the taxonomy approach.

154 Identify your eligibility.

155 Do a proper assessment.

156 Convince your auditor that you did it in the right way, and finally also send it out that with the report,

157 But within all these, let's say three steps, eligibility analyzes, assessment, audit approval you should always question yourself what is there the valuable information and how? Why do you want to send it there in the report into the financial market and the best case, then also convince your auditor in a quite early stage that you wanted to highlight the the most important aspects of your business, even when the taxonomy regulation itself does not see anything like this materiality analysis and and then at of the day, I think it's even most important that you have to understand for these kind of framework or guidebook that to my understanding and with my learning curve in the last two years, each and every single company may have other kind of data sources and may have to assess other kind of data sources.

158 So get aware about the data you have there in your company and get aware about where these data is available and then try to do these in automatized way to analyze then all these aforementioned eligibility and assessment in a in in the most optimized way.

159 But also this is I think highly complex as umm this is a huge data amount to be handled which is not available quite easy and which first of all needs to be needs to be identified.

Random information

160 So in a guidebook of framework, I would I would strongly recommend first of all get a plan for yourself and make the good plan and take also at the time to do this planning quite ahead of starting some implementation efforts.

161 Describe your target picture.

162 Identify your source systems.

163 Get up a clear plan how to fulfill these eligibility alignment auditing process and also be

## Interview\_03

- aware the auditing is quite important. at the End of the day and the auditor is the one signing the report.
- Random information
- 164 Finally, and therefore in best case also implement the auditor quite early in drawing up and setting up the initial, let's say a schedule. How to fulfill this reporting requirement?
- 165 80 --> 00  
Parth Sharma  
OK, so like you mentioned that a setting up a sort of a team sort of a team I would say is very important. So having obviously like the people from sustainability, people, from finance, people, from auditing altogether and who else would you want to see in see in this kind of a team setup, people from what other departments?
- 166 50 --> 20  
Interviewee\_03  
Yeah, for sure.
- 167 - I team as the IT guys are the ones to programming all the all the, all the stuff in best way and to make all the data available somewhere deep out of the source systems.
- 168 -Next is the sustianability.
- 169 - Then I also see the EHS experts with the environmental objectives to be involved as it is covering several EHS topics within the taxonomy itself. And yeah, sustainability is quite broader range and for sure you need, there's some, uh, also broader sustainability knowledge to get the proper implementation done. But in the nitty gritty details, I would see they're always in need to involve also some EHS experts being experts, for example, and missions in water stress or in your name it.
- Team formation for EU Taxonomy a
- 170 20 --> 70  
Parth Sharma  
And just a small question, just popped up popped in my head head that.
- 171 00 --> 0  
Parth Sharma  
Do you also consider life cycle assessment into your reporting or somewhere in your sustainability analysis?
- 172 Interviewee\_03
- 173 Yes, indeed, life cycle assessments as one of the main drivers within the technical screening for tibia. And there I would see this covered in the team also within the sustainability area. So for me the lifecycle assessment expertises they also part of the sustainability expertise.
- 174 20 --> 20  
Parth Sharma  
I see.
- 175 20 --> 70  
Parth Sharma  
And I have just one last question now. And now you have an expertise in this area, but do you still plan on taking some professional device from consultants or external experts?
- 176 And how would you approach this advice procedure?
- 177 90 --> 40  
Interviewee\_03  
Exchange with external experts is for sure, quite helpful and to my experience, the identification of external experts is the most pressing point.
- External consultants involvement
- Random information
- Random information
- 178 Yes indeed. When there are experts, exchange is for sure highly welcome and I would also then advise strongly to get these experts involved quite early in the setup of your process. But we did not take there any advantage of External experts, but also more or less due to the fact that at the time we started the taxonomy there was not any external expert available on the market

## Interview\_03

- 179 When I would do so, yeah, I. There there are more and more consulting consultancy companies come into this field of area and not sure whether it might be then somewhat helpful to hire some consultants also from an auditing company as the big auditing companies all now sees the money there in the consultancy field as well.
- 180 And for sure when they are quite close aligned and the consultant team and the auditing team, this might be helpful for any consultancy.
- 181 30 --> 60  
Parth Sharma  
And so if you were about to pick a said, let's say one, one of the companies from let's say pool of five or six potential options, so how would you assess these uh consultants or experts how like some criteria which you would use to select the best one of of them?
- 182 00 --> 10  
Interviewee\_03  
And highly depending always on the topic. African at the Ramboll. They're up there on the slide immediately as I know the Ramboll also. And yes indeed, if I would need the some consultants in more focusing on the EHS topics regarding DNSH criteria or on the LCA expertise, I would for sure then also try to identify and exit the consultant company with some expertise and with some legacy in these kind of consultancy areas.
- External consultants involvement in
- 183 I would see areas when I would have the more the need for consultant on the setup of the IT system for sure, then I would prefer to have their own IT consultant, but due to the high complexity of the taxonomy itself, indeed I would more focus there on let's say a dedicated consultancy support, maybe even from several consultancies and for the different topics.
- 184 0:54:7.70 --> 0:54:9.320  
Parth Sharma  
Umm hmm.
- 185 90 --> 70  
Parth Sharma  
Makes sense.
- 186 60 --> 30  
Parth Sharma  
Uh, I think that was the last question and it was so nice and insightful to have this wonderful conversation with you.
- 187 60 --> 50  
Interviewee\_03  
Yep.
- 188 0 --> 00  
Parth Sharma  
And I I would just wondering like you mentioned that you have a colleague who's working on CSRD regulation with you, right?
- 189 10 --> 60  
Parth Sharma  
Uh, would it be possible?
- 190 70 --> 0  
Parth Sharma  
Like if you can get me in dash with him so that I can ask like similar questions to him and get an insight of some of of how BSF CSRD regulation is taking place only if if he has time, yeah.
- 191 60 --> 60  
Interviewee\_03  
Yes, yes, for sure.
- 192 20 --> 30  
Parth Sharma  
Yeah.
- 193 70 --> 30  
Interviewee\_03  
I can uh try to arrange or I may connect you to Tanya.
- 194 70 --> 0:55:6.740
- Random information

## Interview\_03

Interviewee\_03

She is the leader of our sustainable reporting and controlling committee, quite experienced and the one heavily involved in the limitation of this year D but that I'm not sure whether she might be able to find the time.

195 0:55:7.280 --> 90

Parth Sharma

Yeah. Yes.

196 0:55:6.890 --> 90

Interviewee\_03

As you may know, there are 1000 data points to be implemented already next year and so for her schedule is quite intensively blocked.

197 60 --> 0

Parth Sharma

Yeah.

198 50 --> 10

Parth Sharma

Yeah.

199 20 --> 50

Interviewee\_03

I have no more less some free space there as we have already two years ahead in the taxonomy and next reporting cycle is still some time to come.

200 0 --> 30

Parth Sharma

Yes.

201 0 --> 10

Parth Sharma

Yeah, it's.

202 20 --> 70

Interviewee\_03

But yeah, for sure Parth, I I may send her a short in for and she might then reach out to you whether when she might find some time and Yep.

203 40 --> 30

Interviewee\_03

Yeah.

204 20 --> 60

Parth Sharma

Yeah, I can understand her work. Yeah.

205 40 --> 90

Interviewee\_03

And I also appreciate the nice talk here with you and.

206 80 --> 00

Parth Sharma

Yes.

207 00 --> 30

Interviewee\_03

And I would also like you to give me flavor once you have the other Martha seasons published, it would be also highly interest for me to get there in best case link or copy of your thesis.

208 50 --> 80

Parth Sharma

Yes, yes, sure, sure.

209 50 --> 0:56:7.160

Parth Sharma

I will see like a how much this is the progress and how much sensitive data I have and I can like screen out the sensitive information from my thesis and then share like a sort of a general public copy of my thesis to you.

210 0:56:7.500 --> 0:56:7.880

### Interview\_03

- Interviewee\_03  
Yeah.
- 211 0:56:8.260 --> 0:56:8.560  
Interviewee\_03  
Thanks.
- 212 0:56:8.780 --> 0:56:9.120  
Parth Sharma  
Yeah.
- 213 0:56:9.180 --> 0:56:9.510  
Parth Sharma  
Yeah.
- 214 0:56:9.570 --> 0:56:9.920  
Parth Sharma  
Thank you.
- 215 10 --> 50  
Interviewee\_03  
And if you might have any further questions to follow up, needs feel free to contact me either.
- 216 0 --> 80  
Parth Sharma  
OK.
- 217 50 --> 0  
Parth Sharma  
OK.
- 218 80 --> 40  
Parth Sharma  
Thank you.
- 219 0 --> 0  
Interviewee\_03  
Father was a pleasure.
- 220 50 --> 20  
Parth Sharma  
Yeah.
- 221 30 --> 80  
Parth Sharma  
The pleasure to talk to you.
- 222 50 --> 00  
Parth Sharma  
And have a good week.
- 223 70 --> 60  
Interviewee\_03  
Thank you and thank you.
- 224 70 --> 70  
Interviewee\_03  
Thank you. Bye.
- 225 20 --> 70  
Parth Sharma  
Yeah.
- 226 20 --> 80  
Parth Sharma  
Bye, bye.