

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE DELEGATED ACT

A key objective of the European Commission's ('Commission') action plan on financing sustainable growth¹ is to reorient capital flows towards sustainable investment and ensure market transparency. To achieve this objective, the Commission called for the creation of an EU classification system for sustainable activities, i.e. an EU taxonomy.

Regulation (EU) 2020/852 (the 'Taxonomy Regulation')² was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It aims to define environmentally sustainable activities³. The Taxonomy Regulation is an important piece of legislation for enabling and scaling up sustainable investment and thus implementing the European Green Deal⁴, including an economy that works for people and ensures a just transition that creates employment and leaves nobody behind. Notably, by providing companies, investors and policymakers with the definitions of which economic activities can be considered as environmentally sustainable, it is expected to help shift investments where they are most needed. The current COVID-19 pandemic has reinforced the need to make the EU economy, businesses and societies, in particular health systems, more resilient against climate and environmental risks. The Taxonomy Regulation can be a valuable tool to help channel funding towards the green recovery. It can also serve as an instrument to guide companies and investors in the transition towards sustainability.

The Taxonomy Regulation applies to financial market participants that offer financial products, financial and non-financial undertakings within the scope of Directive 2014/95/EU (the Non-Financial Reporting Directive - 'NFRD')⁵. It also applies to Member States and the EU in the context of introducing national and EU-level requirements regarding financial market participants or to issuers for the purpose of labelling financial products or corporate bonds that are marketed as environmentally sustainable.

The Taxonomy Regulation identifies environmentally sustainable economic activities based on technical screening criteria set out in the Commission's delegated acts developed under this Regulation⁶. The first delegated act concerning the technical screening criteria for economic activities with significant contribution to climate change mitigation and adaptation (the 'Climate Delegated Act') was adopted on 4 June 2021⁷. Another delegated act concerning the technical screening criteria for the remaining four environmental objectives ('the Environmental Delegated Act') will be developed and adopted later.

Article 8(1) of the Taxonomy Regulation, provides that certain large undertakings that are required to publish non-financial information under the NFRD ('undertakings') should disclose information to the public on how and to what extent their activities are associated with environmentally sustainable economic activities as defined under the EU Taxonomy legislation. Following the review of the NFRD by the Corporate Sustainability Reporting Directive ('CSRD')⁸, the scope of undertakings covered by Article 8 of the Taxonomy Regulation would be enlarged⁹. Article 8(2) specifies the key performance indicators ('KPIs') related to turnover, capital expenditure ('CapEx') and operational expenditure ('OpEx') that non-financial undertakings must disclose, but it does not specify equivalent indicators for financial undertakings, mainly large banks, asset managers, investment firms, insurance and reinsurance undertakings. Article 8(4) of the Taxonomy Regulation requires the Commission to adopt by 1 June 2021 a delegated act to further specify the content, methodology, and presentation of the information to be disclosed by both non-financial and financial undertakings ('Delegated Act').

The Delegated Act specifies the disclosure obligations under Article 8 of the Taxonomy Regulation. The rules set out in the Delegated Act allows companies to translate the technical screening criteria of the Climate Delegated Act (and the future Environmental Delegated Act) into quantitative economic performance indicators - the KPIs - which will be publicly disclosed (e.g. the percentage of environmentally sustainable economic activities in a company's turnover or capital expenditure).

This disclosure will help investors and the public to understand the companies' trajectory towards sustainability through the annual publication of their KPIs associated with environmentally sustainable economic activities. The Delegated Act will therefore increase transparency in the market and help prevent greenwashing by informing investors about companies' environmental performance.

Large financial and non-financial undertakings can use the information disclosed to design credible green financial products such as green bonds or investment funds and, through the public disclosures under the Delegated Act, channel investor demand towards sustainable projects. Market actors who are not covered by the NFRD, such as small and medium size enterprises (SMEs), can report some or all KPIs on a voluntary basis. Such market transparency through publishing the percentage of their turnover or investments that is aligned with the Taxonomy Regulation should help companies to raise the financing for sustainable activities.

The NFRD, as reviewed by the CSRD, the Regulation on sustainability-related disclosures in the financial services sector (i.e. Regulation (EU) 2019/2088, the 'SFDR')¹⁰, and the disclosures required under the Taxonomy Regulation set out in the Delegated Act, are the central elements of the sustainability reporting regime that underpins the EU's sustainable finance strategy.

Under the Taxonomy Regulation, financial market participants covered by the SFDR and companies covered by the NFRD are both required to disclose, amongst others, the extent to which their products or activities, are environmentally sustainable. The Taxonomy Regulation and this Delegated Act, therefore, complement the NFRD and SFDR by providing for a common reference point for reporting the degree of alignment with sustainable activities in the Taxonomy Regulation. This Delegated Act has been developed in parallel and should be consistent with the regulatory technical standards on disclosures developed under the SFDR and the rules about non-financial reporting provided by the NFRD.

The Taxonomy-related reporting set out in this Delegated Act serves as a basis for various future and ongoing initiatives in sustainable finance. Reporting under this Delegated Act will facilitate the development of EU-wide standards for environmentally sustainable financial products and the creation of labels that recognise compliance with these standards. Notably, the forthcoming Commission proposals on the EU green bond standard ('EU GBS') and EU ecolabel for financial products are set to use the Taxonomy Regulation. The Taxonomy-related disclosures will therefore create an entire ecosystem of sustainable finance tools, including standards, labels and access to a coherent and relevant set of sustainability data, which are necessary to channel capital towards the investments needed to reach the EU's sustainability goals.

The Commission may decide to review the Delegated Act after an appropriate period of time to ensure that it reflects:

- further developments related to the technical screening criteria set out in Article 19 of the Taxonomy Regulation, including any possible revisions of the Taxonomy Regulation;
- the regulatory technical standards referred to in Articles 8(4), 9(6) and 11(5) 11(4) of the SFDR relating to the details of the content and presentation of the information referred to in Articles 5 and 6 of the Taxonomy Regulation;
- the revision of the NFRD, and

- accounting standards provided in Regulation (EC) No 1126/2008.

2. CONSULTATIONS PRIOR TO THE ADOPTION OF THE ACT

On 28 July 2020, the Commission published an inception impact assessment for a consultation over a period of six weeks ¹¹. There were 78 respondents in total, of which 53.9% were business associations, 26.9% were companies/business organisations, 9% were non-governmental organisations and 6.4% were EU citizens.

The overall feedback received by the Commission indicated that the Delegated Act is considered as a useful initiative that could help allocate capital to environmentally sustainable economic activities. Many respondents expressed a particular interest in the level of detail that future disclosures will be required to include.

The non-financial undertakings consulted considered that the three elements to be disclosed outlined in the Taxonomy Regulation are appropriate. Financial undertakings highlighted that criteria should be consistent, comparable and publicly available.

Many respondents noted a need to avoid administrative burdens and costs linked to data collection, especially for SMEs. Many also mentioned the challenge of collecting Taxonomy compliance data within companies and groups and assigning this data to specific business lines.

Some expressed the view that larger businesses and financial partners falling under the scope of the NFRD may still ask SMEs that do not fall under the scope of the NFRD to provide some Taxonomy-related information in order to allow the former to fully comply with the disclosure obligations under this Delegated Act.

Several responses referred to the importance of ensuring the consistency of disclosure requirements under various legal acts, in particular the NFRD, SFDR and Taxonomy Regulation. Market participants also expressed some concerns on the tight timeframe for application of this Delegated Act and argued for a phased entry into force. Some also had questions about the international context and how to report on global activities in relation to the Taxonomy Regulation.

In view of the preparation of the Delegated Act, the Commission addressed a call for advice to the European Supervisory Authorities ('ESAs') on 15 September 2020 ¹². It invited ESAs in particular to investigate the content and presentation of relevant KPIs and determine which methodology should be used by different financial undertakings under their remit to disclose their degree of Taxonomy-alignment under Article 8 of the Taxonomy Regulation. In particular, the Commission asked the ESAs to consider how the three KPIs for non-financial undertakings included in Article 8(2) of the Taxonomy Regulation could be further specified and to determine the most appropriate methodologies to use. In this respect, ESAs were invited to ensure consistency in the advice requested and in the draft technical standards under Articles 8(4), 9(6) and 11(5) of the SFDR.

Originally, the Commission planned for an impact assessment to accompany this Delegated Act. This led to the publication of an inception impact assessment. Following a meeting with the Regulatory Scrutiny Board (RSB) where the call for advice was discussed, a derogation from an impact assessment was granted, provided that the Delegated Act is accompanied by an analytical document in the form of a staff working document. This approach was considered more appropriate given that the content of the Delegated Act is based largely on the advice of the ESAs that launched consultations of relevant stakeholders and performed cost/benefit assessments ¹³.

The ESAs delivered their advice on 25 February and 1 March, after appropriate public consultation of stakeholders and assessment of the impacts of the Delegated Act. Summaries of the public feedback may be found in the reports submitted by the ESAs to the Commission. ^{14 15 16}

The content of the Delegated Act developed by the Commission follows to a large extent the ESAs' advice. The draft Delegated Act was published on the Better Regulation portal for a three-week feedback period between 7 May and 2 June 2021. In total, 162 stakeholders provided feedback. The draft Delegated Act was also discussed with the Platform on Sustainable Finance on 12 May 2021. Furthermore, it was presented to and discussed with the Member States Expert Group and with observers from the European Parliament on 28 April and 3 June 2021. The Commission also sought additional feedback from the ESAs.

The feedback confirmed the overall support for the Delegated Act, while revealing some concerns. Non-financial undertakings welcomed the 1-year phase-in period for the disclosures but several expressed concerns regarding the proportionality of some of the information requested. Financial undertakings were broadly supportive of the disclosures applicable to them, but several commented again on the necessity and proportionality of some of the information requirements (e.g. ratios for non-lending activities of banks). Many welcomed the phase-in for disclosures regarding sovereign and non-NFRD (including SME) exposures and investments, but several favoured shortening the phase-in period. While a number of responses favoured the voluntary inclusion of (specific parts of) SMEs exposures, others were concerned about the ability to collect such data, the creation of undue administrative burden for SMEs and their inability to provide such data and favoured the exclusion of SME exposures from the numerator and the denominator. A large number of responses also recommended that reliable taxonomy-alignment information otherwise obtained on exposures to non-EU undertakings and for use-of-proceeds instruments regarding sovereigns should not be excluded from the numerator of the green asset ratio (GAR) for banks during the phase-in period.

Based on the feedback, a number of adjustments were made to the Delegated Act. These are summarised in Annex III of the accompanying staff working document, together with a more extensive summary of the feedback.

3. LEGAL ELEMENTS OF THE DELEGATED ACT

The Delegated act is based on Article 8(4) of the Taxonomy Regulation.

Article 1 provides a limited list of definitions that are necessary for formulating the Regulation's rules.

Article 2 specifies the content and presentation of the information that non-financial undertakings should disclose under Article 8(1) and (2) of the Taxonomy Regulation.

Article 3 specifies the content and presentation of the information that asset managers should disclose under Article 8(1) of the Taxonomy Regulation.

Article 4 specifies the content and presentation of the information that credit institutions should disclose under Article 8(1) of the Taxonomy Regulation.

Article 5 specifies the content and presentation of the information that investment firms should disclose under Article 8(1) of the Taxonomy Regulation.

Article 6 specifies the content and presentation of the information that insurance and reinsurance undertakings should disclose under Article 8(1) of the Taxonomy Regulation.

Article 7 sets out common rules for the disclosures of financial undertakings concerning the scope of disclosures and the calculation of their KPIs as regards their exposures to non-financial undertakings that are not covered by the scope of NFRD and are not required to disclose information under the Delegated Act.

Article 8 sets out common rules for the disclosures of non-financial and financial undertakings concerning the location of disclosures, comparative information and the currency for calculating the KPIs.

Article 9 provides for reviewing the application of this Regulation, in particular with the regards to the treatment in the KPIs by financial undertakings of sovereign exposures and exposures to undertakings not subject to NFRD.

Article 10 specifies the dates of the Delegated Act's entry into force and application.

COMMISSION DELEGATED REGULATION (EU) .../...

of 6.7.2021

supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088¹⁷, and in particular Article 8(4), thereof,

Whereas:

- (1) Article 8(1) of Regulation (EU) 2020/852 requires undertakings that are subject to Articles 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council¹⁸ to disclose how and to what extent their activities are associated with environmentally sustainable economic activities. Article 8(2) of Regulation (EU) 2020/852 requires non-financial undertakings to disclose information on the proportion of the turnover, capital expenditure and operating expenditure ('key performance indicators') of their activities related to assets or processes associated with environmentally sustainable economic activities. That provision, however, does not specify equivalent key performance indicators for financial undertakings, that is credit institutions, asset managers, investment firms and insurance and reinsurance undertakings. It is therefore necessary to supplement Article 8 of Regulation (EU) 2020/852 to specify the key performance indicators for financial undertakings and further specify the content and presentation of the information to be disclosed by all undertakings and the methodology to comply with that disclosure.
- (2) It is necessary to ensure a uniform application of the disclosure requirements laid down in Article 8(2) of Regulation (EU) 2020/852 by non-financial undertakings that are subject to Articles 19a or 29a of Directive 2013/34/EU. Rules should therefore be laid down to further specify the content and presentation of the information required by Article 8 of Regulation (EU) 2020/852, including the methodology to comply with those rules. To enable investors and the public to properly assess the proportion of environmentally sustainable economic activities ('Taxonomy-aligned activities') of non-financial undertakings, those undertakings should be required to disclose which of their economic activities are Taxonomy-aligned. In addition, it is necessary to disclose to which environmental objectives those activities contribute substantially. Non-financial undertakings should therefore also provide for a breakdown in the key performance indicators of the proportion of Taxonomy-aligned activities based on each environmental objective to which those activities contribute substantially.
- (3) Turnover, capital expenditure and operating expenditure are irrelevant for assessing the environmental sustainability of financial activities, including lending, investment and insurance. The three key performance indicators for non-financial undertakings laid down in Article 8(2) of Regulation (EU) 2020/852 are therefore not appropriate to demonstrate to what extent the economic activities of financial undertakings are -Taxonomy-aligned. It is therefore necessary to provide specific key performance indicators and calculation methodologies for such key performance indicators for financial undertakings. To support markets' understanding of those key performance indicators, any disclosures of those key performance indicators should be accompanied by qualitative information to enable financial undertakings to explain their determination of key performance indicators.
- (4) Investors and the public should be able to assess the proportion of Taxonomy-aligned economic activities pursued by investee undertakings. Asset managers should therefore disclose the proportion of investments they made in Taxonomy-aligned economic activities in the value of all investments managed by them resulting from both their collective and individual portfolio management activities. That proportion of Taxonomy-aligned investments should be calculated as the proportion of Taxonomy-aligned economic activities of investee undertakings which results from their respective key performance indicators, because those key performance indicators reflect the environmental performance of investee undertakings.
- (5) The main activity of credit institutions is the provision of financing to and investments in the real economy. The exposures of credit institutions to undertakings that they finance or invest in are reflected as assets in the credit institutions' balance sheet. The main key performance indicator for credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should be the green asset ratio (GAR), which shows the proportion of exposures related to Taxonomy-aligned activities compared to the total assets of those credit institutions. The GAR should relate to the credit institutions' main lending and investment business, including loans, advances and debt securities, and to their equity holdings to reflect the extent to which those institutions finance Taxonomy-aligned activities.
- (6) Credit institutions also perform other commercial services and activities than the provision of financing. Those activities generate fees and commission income. It is necessary to enable investors and the public to assess the proportion of

Taxonomy-aligned economic activities pursued by the recipients of those services. Credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should therefore also disclose what proportion of their fees and commission income is derived from commercial services and activities that are associated with Taxonomy-aligned economic activities of their clients.

- (7) Credit institutions may manage underlying assets or provide financial guarantees, leading to off-balance-sheet exposures. To enable investors and the public to assess the proportion of Taxonomy-aligned activities pursued by credit institutions, for those off-balance-sheet exposures, credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should disclose the proportion of Taxonomy-aligned activities in the underlying assets that they manage or in the obligations the performance of which they guarantee.
- (8) In addition to disclosures concerning their banking book, credit institutions that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should also disclose separately the overall composition of their total assets, including their trading book, and any trends and limits in terms of climate and environmental risks. Credit institutions with a significant trading activity should be subject to obligations for more granular disclosures for their trading book.
- (9) It is important to provide investors and the public with a complete overview of which investments an investment firm that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU has made in Taxonomy-aligned activities. The key performance indicators for such investment firms should therefore cover both their dealing on own account and their dealing on behalf of clients. The disclosure of the key performance indicator for dealing on own account should reflect which proportion of the total assets is composed of assets related to Taxonomy-aligned activities. That indicator should focus on the investment firms' investments, including debt securities and equity instruments in investee companies. The key performance indicator for the environmental sustainability of investment firms' services and activities on behalf of all their clients should be based on the revenue in the form of fees, commissions and other monetary benefits that investment firms generate from their investment services and activities carried out for their clients.
- (10) The key performance indicators for insurance and reinsurance undertakings that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should capture their non-life underwriting activities and investment policy that are part of their business model to show the extent to which those activities are aligned with the Taxonomy. One key performance indicator should relate to the investment policy of such insurance and reinsurance undertakings for the funds collected from their underwriting activities and should show the proportion of assets invested in Taxonomy-aligned activities in their overall assets. A second indicator should relate to the underwriting activities themselves and show what proportion of the overall non-life underwriting activities is composed of non-life underwriting activities that relate to climate adaptation and which are performed in accordance with Climate Delegated Act ¹⁹ ('Climate Delegated Act').
- (11) Financial undertakings that are subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU should not take into account the exposure to, or investments in, non-financial undertakings that are not subject to Articles 19a and 29a of Directive 2013/34/EU in the calculation of the numerator of key performance indicators. An inclusion of such exposures in the numerator may be considered at the time of review of this Delegated Act which will be accompanied by an impact assessment. Those non-financial undertakings may still decide to voluntarily disclose their key performance indicators, either to have access to environmentally sustainable finance as part of specific eco-labelling schemes and environmentally sustainable financial products, or as part of their overall business strategy based on environmental sustainability.
- (12) In view of the entry into force and application of Climate Delegated Act by the end of 2021 and material difficulties for assessing compliance of economic activities in 2022 with technical screening criteria laid down in that Delegated Regulation for the previous reporting year, the application of this Regulation in 2022 should be limited to certain elements and qualitative reporting, with the remaining provisions starting to apply from 1 January 2023 for non-financial undertakings and from 1 January 2024 for financial undertakings. Moreover, the key performance indicators of credit institutions related to their trading book and commission and fees for other commercial services and activities than the provision of financing should apply from 1 January 2026.
- (13) Due to the current lack of an appropriate calculation methodology, exposures to central governments, central banks and supranational issuers should be excluded from the calculation of the numerator and denominator of key performance indicators. Financial undertakings may, on a voluntary basis, provide information in relation to exposures to taxonomy aligned bonds and taxonomy aligned debt securities that are issued by central governments, central banks or supranational issuers. There should be a review by 30 June 2024 that should evaluate the possibility of inclusion of such exposures in the key performance indicators.

HAS ADOPTED THIS REGULATION:

Article 1 *Definitions*

For the purposes of this Regulation, the following definitions apply:

- (1) 'environmental objective' means one of the environmental objectives laid down in Article 9 of Regulation (EU) 2020/852;
- (2) 'Taxonomy-aligned economic activity' means an economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852;
- (3) 'transitional economic activity' means an economic activity that complies with the requirements laid down in Article 10(2) of Regulation (EU) 2020/852;
- (4) 'enabling economic activity' means an economic activity that complies with the requirements laid down in Article 16 of Regulation (EU) 2020/852;
- (5) 'taxonomy-eligible economic activity' means an economic activity that is described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2), and Article 15(2), of Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts;
- (6) 'taxonomy-non-eligible economic activity' means any economic activity that is not described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2), of Regulation (EU) 2020/852;

- (7) ‘asset manager’ means an undertaking that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU and is either of the following:
- (a) an AIFM as defined in Article 4(1), point (b), of Directive 2011/61/EU of the European Parliament and of the Council ²⁰ ;
 - (b) a management company as defined in Article 2(1), point (b), of Directive 2009/65/EC of the European Parliament and of the Council ²¹ ;
 - (c) an investment company authorised in accordance with Articles 27, 28 and 29 of Directive 2009/65/EC and that has not designated for its management a management company authorised in accordance with Articles 6, 7 and 8 of that Directive.
- (8) ‘financial undertaking’ means an undertaking that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU and is an asset manager, a credit institution as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council ²² , an investment firm as defined in Article 4(1), point (2), of Regulation (EU) No 575/2013, an insurance undertaking as defined in Article 13, point (1), of Directive 2009/138/EC of the European Parliament and of the Council ²³ , or a reinsurance undertaking as defined in Article 13, point (4) of Directive 2009/138/EC;
- (9) ‘non-financial undertaking’ means an undertaking that is subject to the disclosure obligations laid down in Articles 19a and 29a of Directive 2013/34/EU and is not a financial undertaking as defined in point (8);
- (10) ‘taxonomy-aligned insurance or reinsurance activity’ means an insurance or reinsurance activity that complies with the criteria laid down in Sections 10.1. and 10.2. of Annex II to Climate Delegated Act ²⁴ .

Article 2

Disclosures by non-financial undertakings

1. Non-financial undertakings shall disclose the information referred to in Article 8, paragraphs 1 and 2, of Regulation (EU) 2020/852 as specified in Annex I to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the templates set out in Annex II to this Regulation.

Article 3

Disclosures by asset managers

1. Asset managers shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes III and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the template set out in Annex IV to this Regulation.

Article 4

Disclosures by credit institutions

1. Credit institutions shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes V and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the template set out in Annex VI to this Regulation.

Article 5

Disclosures by investment firms

1. Investment firms shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes VII and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the template set out in Annex VIII to this Regulation.

Article 6

Disclosures by insurance and reinsurance undertakings

1. Insurance and reinsurance shall disclose the information referred to in Article 8(1) of Regulation (EU) 2020/852 as specified in Annexes IX and XI to this Regulation.
2. The information referred to in paragraph 1 shall be presented in tabular form by using the templates set out in Annex X to this Regulation.

Article 7

Disclosure rules common to all financial undertakings

1. The exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator of key performance indicators of financial undertakings.
2. Derivatives shall be excluded from the numerator of key performance indicators of financial undertakings.
3. Exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU shall be excluded from the numerator of key performance indicators of financial undertakings.

4. Without prejudice to paragraph 1, environmentally sustainable bonds or debt securities with the purpose of financing specific identified activities that are issued by an investee undertaking shall be included in the numerator of key performance indicators up to the full value of Taxonomy-aligned economic activities that the proceeds of those bonds and debt securities finance, on the basis of information provided by the investee undertaking.

Exposures whose purpose is not to finance specific identified activities shall be included in the numerator weighted by the turnover KPI and CapEx KPI of the issuer in accordance with the methodology laid down in Annexes III, V, VII, and IX.

Where an investee undertaking has issued the environmentally sustainable bonds or debt securities with the purpose of financing specific identified activities, financial undertakings shall discount the KPI of the investee undertaking accordingly to avoid double counting.

5. Where the technical screening criteria laid down in the delegated acts adopted pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) of Regulation (EU) 2020/852 are amended, special purpose loans and the instruments referred to paragraph 4 held by financial undertakings that finance Taxonomy aligned economic activities or assets shall in the absence of alignment of the financed economic activities or assets with the amended technical screening criteria be reported as such under this Regulation until five years after the date of application of the delegated acts that amend those technical screening criteria.
6. Financial undertakings shall provide for a breakdown in the numerator where applicable and denominator of the key performance indicators for:
- (a) exposures to and investments in non-financial undertakings;
 - (b) exposures to and investments in financial undertakings;
 - (c) exposures to and investments in non-financial undertakings established in the Union that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU ;
 - (d) exposures to and investments in financial undertakings established in the Union that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU referred to in paragraph 2;
 - (e) exposures to and investments in non-financial undertakings established in a third country that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU;
 - (f) exposures to and investments in financial undertakings referred established in a third country that are not subject to an obligation to publish a non-financial statement pursuant to Articles 19a and 29a of Directive 2013/34/EU;
 - (g) exposures to and investments in derivatives;
 - (h) other exposures and investments.
7. Financial undertakings may use estimates for assessing the Taxonomy-alignment of their exposures to undertakings referred to in paragraph (6), points (e) and (f), where those financial undertakings are able to demonstrate compliance with all criteria of Article 3 of Regulation (EU) 2020/852, except with the criteria laid down in Article 3, point (b) of that Regulation.

Financial undertakings shall formalise, document and make public the methodology upon which such estimations are based, including the approach and research methodology, the main assumptions and precautionary principles used.

Financial undertakings shall disclose:

- (a) the proportion of Taxonomy-aligned exposures based on estimates separately from their key performance indicators disclosed pursuant to this Regulation;
- (b) the measures taken and the period of time necessary to demonstrate compliance with the criteria laid down in Article 3, point (b) of Regulation (EU) 2020/852.

Article 8

Disclosure rules common to all financial undertakings and non-financial undertakings

1. Financial undertakings and non-financial undertakings shall include all additional disclosures accompanying the key performance indicators laid down in Annexes I, III, V, VII, XI in the same parts of the non-financial statement that contains those indicators, or shall provide cross-references to the parts of the non-financial statements that contain those indicators.
2. Information disclosed in accordance with this Regulation shall cover the annual reporting period from the previous calendar year of the date of disclosure.
3. Financial undertakings and non-financial undertakings shall provide in the non-financial statement the key performance indicators covering the previous annual reporting period.

For the purposes of this paragraph, the first annual reporting period shall cover the year 2023.

4. Financial undertakings and non-financial undertakings shall in their disclosures, use the same currency as in their financial statements.

Financial undertakings shall use the most recently available data and key performance indicators of their counterparties to calculate their own key performance indicators.

5. The key performance indicators shall cover only the objectives of climate change mitigation and climate change adaptation until twelve months after the date of application of the delegated regulations that contain the technical screening criteria for the other environmental objectives and that have been adopted pursuant to Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852.

Article 9 *Review*

1. By 30 June 2024, the Commission shall review the application of this Regulation. The Commission shall assess in particular the need for any further amendments with regard to the inclusion of:
 - (a) exposures to central governments and central banks in the numerator and denominator of key performance indicators of financial undertakings;
 - (b) exposures to undertakings that do not publish a non-financial statement pursuant to Articles 19a or 29a of Directive 2013/34/EU in the numerator of key performance indicators of financial undertakings.
2. The review for SME exposures will be accompanied by an impact assessment assessing the administrative burden, access to finance and the potential impacts on SMEs of a possible extension to cover SMEs exposures that are not covered by this Delegated Regulation or provide such information voluntarily.
3. The exposures to and investments in undertakings that do not publish non-financial information pursuant to Articles 19a and 29a of Directive 2013/34/EU and Article 8 of Regulation (EU) 2020/852, but that provide such equivalent information voluntarily, may be included in the numerators of key performance indicators of financial undertakings from 1 January 2025 subject to a positive assessment referred to in paragraph (2).

Article 10 *Entry into force and application*

1. From 1 January 2022 until 31 December 2022, non-financial undertakings shall only disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in their total turnover, capital and operational expenditure and the qualitative information referred to in Section 1.2. of Annex I relevant for this disclosure.
2. From 1 January 2022 until 31 December 2023, financial undertakings shall only disclose:
 - (a) the proportion in their total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities;
 - (b) the proportion in their total assets of the exposures referred to in Article 7, paragraphs 1 and 2;
 - (c) the proportion in their total assets of the exposures referred to in Article 7(3);
 - (d) the qualitative information referred to in Annex XI.

Credit institutions shall also disclose the proportion of their trading portfolio and on demand inter-bank loans in their total assets.

Insurance and reinsurance undertakings shall also disclose the proportion of Taxonomy-eligible and Taxonomy non-eligible non-life insurance economic activities.

3. The key performance indicators of non-financial undertakings, including any accompanying information to be disclosed pursuant to Annex I and II of this Regulation, shall be disclosed from 1 January 2023.
4. The key performance indicators of financial undertakings, including any accompanying information to be disclosed pursuant to Annex III, V, VII, IX, XI of this Regulation, shall be disclosed from 1 January 2024.

Sections 1.2.3. and 1.2.4. of Annex V shall apply from 1 January 2026.

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 6.7.2021

For the Commission
The President
Ursula VON DER LEYEN

-
- (1) Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions, Action Plan: Financing Sustainable Growth, 8 March 2018.
 - (2) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13–43).
 - (3) Article 3 and 9 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13–43).
 - (4) Europe's sustainable growth strategy and the translation of the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals.
 - (5) Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (OJ L 330, 15.11.2014, p. 1–9).
 - (6) Article 3, point (d) of Regulation (EU) 2020/852.
 - (7) Commission Delegated Regulation (EU) .../... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (C/2021/2800 final).
 - (8) Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (COM/2021/189 final).
 - (9) The Commission proposed to extend the scope of undertakings that are required to publish non-financial information in its proposal to review the NFRD adopted on 21 April, in particular to include listed SMEs.
 - (10) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1–16).
 - (11) The inception impact assessment available on: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12440-Sustainable-finance-obligation-for-certain-companies-to-publish-non-financial-information>
 - (12) The call for advice available on: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/200915-sustainable-finance-taxonomy-call-for-advice_en.pdf
 - (13) This is in line with the Better Regulation toolbox (tool #9), which states that an impact assessment is not necessary whenever a Union agency has been mandated to carry out policy-design work and related analysis, to the extent that the Commission proposal does not substantially deviate from the agency's recommendations and the Commission services consider its assessment to be of sufficient quality.
 - (14) The ESMA advice is available on: https://www.esma.europa.eu/sites/default/files/library/esma30-379-471_final_report_-_advice_on_article_8_of_the_taxonomy_regulation.pdf

- (15) The EIOPA advice is available on: <https://www.eiopa.europa.eu/sites/default/files/publications/advice/eiopa-21-184-sustainability-non-financial-reporting-advice-art8-taxonomy-regulation.pdf>
- (16) The EBA advice is available on: https://www.eba.europa.eu/sites/default/documents/files/document_library/About%20Us/Missions%20and%20tasks/Call%20for%20Advice/2021/CfA%20on%20KPIs%20and%20Advice%20to%20COM_Disclosure%20Article%208%20Taxonomy.pdf
- (17) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).
- (18) Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).
- (19) Commission Delegated Regulation (EU) ... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (C/2021/2800 final).
- (20) Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).
- (21) Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).
- (22) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).
- (23) Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).
- (24) COMMISSION DELEGATED REGULATION (EU) ... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (C/2021/2800 final).

ANNEX I - KPIs of non-financial undertakings

1. CONTENT OF KPIs TO BE DISCLOSED BY NON-FINANCIAL UNDERTAKINGS

1.1. Specification of key performance indicators (KPI)

1.1.1. KPI related to turnover (turnover KPI)

The proportion of turnover referred to in Article 8(2), point (a), of Regulation (EU) 2020/852 shall be calculated as the part of the net turnover derived from products or services, including intangibles, associated with Taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator) as defined in Article 2, point (5), of Directive 2013/34/EU. The turnover shall cover the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) 1126/2008¹.

The KPI referred to in the first subparagraph shall exclude from its numerator the part of the net turnover derived from products and services associated with economic activities that have been adapted to climate change in line with Article 11(1), point (a) of Regulation (EU) 2020/852 and in accordance with Annex II to Commission Delegated Regulation (EU) ('Climate Delegated Act')², unless those activities:

- (a) qualify as enabling activities in accordance with Article 11(1), point (b) of Regulation 2020/852; or
- (b) are themselves Taxonomy-aligned.

1.1.2. KPI related to capital expenditure (CapEx) (CapEx KPI)

The proportion of CapEx referred to in Article 8(2), point (b), of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator as specified in points 1.1.2.1. and 1.1.2.2. of this Annex.

1.1.2.1. Denominator

The denominator shall cover additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. The denominator shall also cover additions to tangible and intangible assets resulting from business combinations.

For non-financial undertakings applying international financial reporting standards (IFRS) as adopted by Regulation (EC) 1126/2008, CapEx shall cover costs that are accounted based on:

- (a) IAS 16 Property, Plant and Equipment, paragraphs 73, (e), point (i) and point (iii);
- (b) IAS 38 Intangible Assets, paragraph 118, (e), point (i);
- (c) IAS 40 Investment Property, paragraphs 76, points (a) and (b) (for the fair value model);
- (d) IAS 40 Investment Property, paragraph 79(d), points (i) and (ii) (for the cost model);
- (e) IAS 41 Agriculture, paragraph 50, points (b) and (c);
- (f) IFRS 16 Leases, paragraph 53, point (h).

For non-financial undertakings applying national generally accepted accounting principles (GAAP), CapEx shall cover the costs accounted under the applicable GAAP that correspond to the costs included in the capital expenditure by non-financial undertakings applying IFRS.

Leases that do not lead to the recognition of a right-of-use over the asset shall not be counted as CapEx.

1.1.2.2. Numerator

The numerator equals to the part of the capital expenditure included in the denominator that is any of the following:

- (a) related to assets or processes that are associated with Taxonomy-aligned economic activities;
- (b) part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ('CapEx plan') under the conditions specified in the second subparagraph of this point 1.1.2.2.;

- (c) related to the purchase of output from Taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions, notably activities listed in points 7.3 to 7.6 of Annex I to the Climate Delegated Act, as well as other economic activities listed in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

The CapEx plan referred to in the first paragraph of this point 1.1.2.2. shall meet the following conditions:

- (a) the plan aims either to expand the undertaking's Taxonomy-aligned economic activities or to upgrade Taxonomy-eligible economic activities to render them Taxonomy-aligned within a period of five years;
- (b) the plan shall be disclosed at economic activity aggregated level and be approved by the management body of non-financial undertakings either directly or by delegation.

Where the relevant technical screening criteria are amended before the completion of the CapEx plan, non-financial undertakings shall either update the plan within two years to ensure the economic activities referred to in point (a) are aligned with the amended technical screening criteria upon the completion of the plan or restate the numerator of the CapEx KPI. The updating of plan shall restart the period referred to in point (a). The period referred to in point (a) of the second paragraph of this point 1.1.2.2. can exceed five years only where a longer period is objectively justified by specific features of the economic activity and the upgrade concerned, with a maximum of 10 years years. That justification shall feature in the CapEx plan itself and in the contextual information detailed under point 1.2.3. of this Annex.

Where the CapEx plan fails to meet the conditions referred to in the second paragraph of this point 1.1.2.2., previously published KPI related to capital expenditure shall be restated.

The numerator shall also contain the part of the CapEx for adaptation of economic activities to climate change in accordance with Annex II to this Climate Delegated Act. The numerator shall provide for a breakdown for the part of CapEx allocated to substantial contribution to climate change adaptation.

1.1.3. KPI related to operating expenditure (OpEx) (OpEx KPI)

The proportion of OpEx referred to in Article 8(2), point (b), of Regulation (EU) 2020/852 shall be calculated as the numerator divided by the denominator as specified in points 1.1.3.1. and 1.1.3.2. of this Annex.

1.1.3.1. Denominator

The denominator shall cover direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets.

Non-financial undertakings that apply national GAAP and are not capitalising right-of-use assets shall include lease costs in the OpEx in addition to the costs listed in the first subparagraph of point 1.1.3.1. of this Annex.

1.1.3.2. Numerator

The numerator equals to the part of the operating expenditure included in the denominator that is any of the following:

- (a) related to assets or processes associated with Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development;
- (b) part of the CapEx plan to expand Taxonomy-aligned economic activities or allow Taxonomy-eligible economic activities to become Taxonomy-aligned within a predefined timeframe as set out in the second paragraph of this point 1.1.3.2;
- (c) related to the purchase of output from Taxonomy-aligned economic activities and to individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions as well as individual building renovation measures as identified in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) or Article 15(2) of Regulation (EU) 2020/852 and provided that such measures are implemented and operational within 18 months.

The CapEx plan referred to in the first paragraph of this point 1.1.3.2 shall meet the conditions specified in point 1.1.2.2. of this Annex.

Research and development costs already accounted for in the CapEx KPI shall not be counted as OpEx.

The numerator shall also include the part of OpEx for the adaptation of economic activities to climate change in accordance with Annex II to Climate Delegated Act. The numerator shall provide for a breakdown for the part of the OpEx allocated to substantial contribution to climate change adaptation.

Where the operational expenditure is not material for the business model of non-financial undertakings, those undertakings shall:

- (a) be exempted from the calculation of the numerator of the OpEX KPI in accordance with point 1.1.3.2 and disclose that numerator as being equal to zero;
- (b) disclose the total value of the OpEx denominator calculated in accordance with point 1.1.3.1;
- (c) explain the absence of materiality of operational expenditure in their business model.

1.2. Specification of disclosures accompanying the KPIs of non-financial undertakings

Non-financial undertakings shall disclose the following information accompanying the relevant KPIs.

1.2.1. Accounting policy

Non-financial undertakings shall explain:

- (a) how turnover, capital expenditure and operating expenditure were determined and allocated to the numerator;
- (b) the basis on which the turnover, capital expenditure and operating expenditure were calculated, including any assessment in the allocation of revenues or expenditures to different economic activities.

For turnover and capital expenditure, non-financial undertakings shall include references to the related line items in the non-financial statements;

Where the application of any calculations has changed since the previous reporting period, non-financial undertakings shall explain why those changes result in more reliable and relevant information and provide for restated comparative figures.

Non-financial undertakings shall disclose any material changes that have occurred during the reporting period in relation to the implementation of the CapEx plans as disclosed in accordance with point and 1.1.2 of this Annex. Non-financial undertakings shall disclose all of the following:

- (a) the material changes that have occurred in the CapEx plan and the reasons underlying those changes;
- (b) the impact of such changes on the potential for the economic activities of the undertaking to become Taxonomy-aligned and on the period of time in which this change is expected to take place;
- (c) the restatement of the CapEx and OpEx KPI for each past reporting year covered by the plan whenever changes to the plan had an impact on those KPIs.

1.2.2. Assessment of compliance with Regulation (EU) 2020/852

1.2.2.1. Information on assessment of compliance with Regulation (EU) 2020/852:

Non-financial undertakings shall:

- (a) describe the nature of their Taxonomy-eligible and Taxonomy-aligned economic activities, by referring to the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852;
- (b) explain how they assessed compliance with the criteria set out in Article 3 of Regulation (EU) 2020/852 and the associated technical screening criteria included in the delegated acts referred to in point (a);
- (c) explain how they avoided any double counting in the allocation in the numerator of turnover, CapEx, and OpEx KPIs across economic activities.

1.2.2.2. Contribution to multiple objectives

Where an economic activity contributes to several environmental objectives, non-financial undertakings shall:

- (a) demonstrate compliance with the criteria set out in Article 3 of Regulation (EU) 2020/852, in particular with the technical screening criteria with respect to several environmental objectives;
- (b) disclose the turnover, CapEx and OpEx from that activity as contributing to several environmental objectives;
- (c) only count once the turnover from that activity in the numerator of the KPIs in point 1.1 of this Annex to avoid double counting.

1.2.2.3. Disaggregation of KPIs

Where the KPIs for an economic activity are to be disaggregated, in particular where production facilities are used in an integrated manner, non-financial undertakings shall ensure that:

- (a) any disaggregation is based on criteria that are appropriate for the production process being implemented and reflects the technical specificities of that process;
- (b) appropriate information accompanying the KPIs about the basis of such disaggregation is provided.

1.2.3. Contextual information

Non-financial undertakings shall explain the figures of each KPI and the reasons for any changes in those figures in the reporting period.

Non-financial undertakings may disclose additional KPIs based on turnover, Capex, Opex) that include investments in equity accounted in joint ventures, pursuant to IFRS 11 or IAS28, on a pro rata basis corresponding to their share in the equity of the joint venture.

1.2.3.1. Contextual information about turnover KPI

Non-financial undertakings shall provide all of the following:

- (a) a quantitative breakdown of the numerator in order to illustrate the key drivers of change in the turnover KPI during the reporting period, such as revenue from contracts with customers, lease revenue, or other sources of income;
- (b) information about the amounts related to Taxonomy-aligned activities pursued for non-financial undertakings' own internal consumption;
- (c) a qualitative explanation of key elements of change in the turnover KPI during the reporting period.

Non-financial undertakings that have issued environmentally sustainable bonds or debt securities with the purpose of financing specific identified Taxonomy-aligned activities shall also disclose the turnover KPI adjusted to avoid double counting.

1.2.3.2. Contextual information about CapEx KPI

Non-financial undertakings shall provide a quantitative breakdown at the economic activity aggregated level of the amounts included in the numerator and qualitative explanation of the key elements of change in CapEx KPI during the reporting period. Such breakdown shall disclose all of the following:

- (a) an aggregation of additions to property, plant and equipment, to internally generated intangible assets, including in a business combination or acquired, to investment properties acquired or recognised in the carrying amount and, where applicable, to capitalised right-of-use assets;

- (b) an aggregation of additions related to acquisitions through business combinations;
- (c) an aggregation of expenses incurred in relation to Taxonomy-aligned economic activities and expenses incurred as part of a CapEx plan referred to in point 1.1.2. of this Annex.

Non-financial undertakings shall disclose the key information about each of their CapEx plans referred to in point 1.1.2. of this Annex, including all of the following:

- (a) the environmental objectives pursued;
- (b) the economic activities concerned;
- (c) research, development and innovation activities concerned, where relevant;
- (d) the period of time whereby each Taxonomy-aligned economic activity is expected to be expanded or whereby each economic activity is expected to become Taxonomy-aligned, including, where the period in which the economic activity is expected to become Taxonomy-aligned exceeds five years, an objective justification of such longer period, based on the specific features of the economic activity and the upgrade concerned;
- (e) the total capital expense expected to be incurred during the reporting period and during the period of time of the CapEx plans.

Non-financial undertaking that have issued environmentally sustainable bonds or debt securities with the purpose of financing specific identified Taxonomy-aligned activities shall also disclose the CapEx KPI adjusted for the Taxonomy-aligned capital expenditure financed by such bonds or debt securities.

1.2.3.3. Contextual information about the OpEx KPI

Non-financial undertakings shall provide all of the following:

- (a) a quantitative breakdown of the numerator (operating expenditure determined in accordance with point 1.1.3.2 of this Annex) to illustrate the key elements of change in the OpEx KPI during the reporting period;
- (b) a qualitative explanation of the key elements of change in OpEx KPI during the reporting period;
- (c) an explanation of the other expenditures relating to the day-to-day servicing of items of property plant and equipment that are included in the calculation of OpEx for both the numerator and denominator.

Where OpEx is part of a CapEx plan as referred to in points 1.1.2.2. and 1.1.3.2. of this Annex, non-financial undertakings shall disclose the key information about each of their CapEx plans in line with the requirements of point 1.2.3.2. of this Annex.

2. METHODOLOGY FOR REPORTING OF KPIS TO BE DISCLOSED BY NON-FINANCIAL UNDERTAKINGS

The following requirements shall apply for the disclosures under Article 8(2) of Regulation (EU) 2020/852:

- (a) non-financial undertakings shall identify each economic activity, including a subset of transitional and enabling economic activities;
- (b) non-financial undertakings shall disclose the KPIS for each economic activity and the total KPIS for all economic activities at the level of the relevant undertaking or group;
- (c) non-financial undertakings shall disclose the KPIS set out in points 1.1.1, 1.1.2. and 1.1.3. of this Annex for each environmental objective and the total KPIS for all environmental objectives at the level of the undertaking or group across all environmental objectives while avoiding double counting;
- (d) non-financial undertakings shall identify the proportion of the Taxonomy-aligned economic activities and the proportion of the Taxonomy-eligible economic activities that do not meet technical screening criteria. Within a Taxonomy-eligible economic activity, non-financial undertakings shall identify the proportion of that activity that is Taxonomy-aligned;
- (e) non-financial undertakings shall identify Taxonomy-non-eligible economic activities and disclose the proportion in the denominator of the turnover KPI of those economic activities at the level of the undertaking or group;
- (f) the KPIS shall be provided at the level of the individual undertaking where that undertaking prepares only individual non-financial statements or at the level of the group where the undertaking prepares consolidated non-financial statements.

ANNEX II - Templates for the KPIS of non-financial undertakings

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

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria						DNSH criteria	
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)
		Currency	%	%	%	%	%	%	%	Y/N	Y/N
A. TAXONOMY-			%								

ELIGIBLE ACTIVITIES												
A.1. Environmentally sustainable activities (Taxonomy-aligned)												
Activity 1 ³				%	%	%	%	%	%	%		Y
Activity 2			%	%	%	%	%	%	%	%	Y	Y
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)												
Activity 1			%	0%	0%	0%	0%	0%	0%	0%	Y	Y
Activity 3			%	%	0%	0%	0%	0%	0%	0%	Y	Y
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%									
Total (A.1 + A.2)			%	%	0%	%	0%	0%	0%	0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES												
Turnover of Taxonomy-non-eligible activities (B)			%									
Total (A + B)			%									

Column 21 should be filled in for transitional activities contributing to the climate change mitigation.

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings

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

				Substantial contribution criteria						DNSH criteria (Does Not Signific	
Economic activities(1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)
		Currency	%	&	%	%	%	%	%	Y/N	Y/N

A. TAXONOMY-ELIGIBLE ACTIVITIES											
A.1. Environmentally sustainable activities (Taxonomy-aligned)											
Activity 1 ⁴			%	%	%	%	%	%	%	Y	Y
Activity 2			%	%	%	%	%	%	%	Y	Y
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)											
Activity 1			%	0%	0%	0%	0%	0%	0%	Y	Y
Activity 3			%	%	0%	0%	0%	0%	0%	Y	Y
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%								
Total (A.1 + A.2)			%	%	0%	%	0%	0%	0%		

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings

[illegible]

activities (Taxonomy-aligned)												
Activity 1 ⁵			%	%	%	%	%	%	%	%	Y	Y
Activity 2			%	%	%	%	%	%	%	%	Y	Y
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%	%		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)												
Activity 1			%	0%	0%	0%	0%	0%	0%	0%	Y	Y
Activity 3			%	%	0%	0%	0%	0%	0%	0%	Y	Y
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%	0%	0%	0%	0%	0%	0%	0%		
Total (A.1 + A.2)			%	%	0%	%	0%	0%	0%	0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES												
Turnover of Taxonomy-non-eligible activities (B)			%									
Total (A + B)			%									

For activities listed under A2, columns 5 to 17 may be filled in on a voluntary basis by non-financial undertakings

ANNEX III - KPI of asset managers

1. CONTENT OF KPI TO BE DISCLOSED BY ASSET MANAGERS

The KPI shall be calculated as the numerator divided by the denominator as specified in points 1.1. and 1.2. of this Annex.

1.1. Numerator

The numerator shall consist of a weighted average of the value of investments in Taxonomy-aligned economic activities of investee companies. The weighted average of the value of investments shall be based on the proportion of taxonomy-aligned economic activities of investee companies measured by the following:

- for investees that are non-financial undertakings, turnover and CapEx KPIs as resulting from the calculation of the KPIs of the investee in accordance with Annexes I and II;
- for investees that are asset managers, turnover-based and CapEx-based KPIs, as resulting from the calculation of the KPIs of the investee in accordance with Annexes III and IV;
- for investees that are credit institutions, the turnover-based and CapEx based green asset ratio as resulting from the calculation of the green asset ratio of the investee in accordance with Annexes V and VI;
- for investees that are investments firms, investments and revenues, as resulting from the calculation of the turnover-based and CapEx based KPIs of the investee in accordance with Annexes VII and VIII in accordance with the proportion of services and activities of dealing on own account and not dealing on own account in the income of the investment firm;
- for investees that are insurance or reinsurance undertakings, investments, gross premiums written or, as applicable, total insurance revenue, as resulting from the calculation either of the turnover-based and CapEx based investment KPI, combined, where applicable with the underwriting KPI of the non-life investee insurance and reinsurance undertakings in accordance with this Annexes IX and X.

The calculation shall allow netting for the purposes of reporting the proportion of investments in taxonomy-aligned economic activities by applying the methodology used to calculate net short positions laid down in Article 3, paragraphs 4 and 5 of Regulation (EU) No 236/2012 of the European Parliament and of the Council ⁶.

By way of derogation from the first subparagraph of this point 1.1, debt securities with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking shall be included in the numerator up to the value of Taxonomy-aligned economic activities that the proceeds of those bonds and debt securities finance, on the basis of information provided by the investee undertaking.

1.2. Denominator

The denominator shall consist of the value of all Asset under Management (AuM) without exposures referred to in Article 7(1) of this Regulation resulting from both collective and individual portfolio management activities of asset managers.

Asset managers shall disclose a KPI based on turnover KPIs of the investee companies and a KPI based on the CapEx KPI of investee companies.

2. METHODOLOGY FOR PREPARING AND REPORTING THE KPI TO BE DISCLOSED BY ASSET MANAGERS

For the purposes of disclosures under Article 8(1) of Regulation (EU) 2020/852, asset managers shall:

- (a) disclose the KPIs for each environmental objective and for aggregated taxonomy-aligned economic activities at the level of the relevant undertaking or group;
- (b) identify a subset of transitional and enabling economic activities and disclose the KPIs for aggregated economic activities at the level of the undertaking or group;
- (c) provide for a breakdown of the numerator and denominator per type of investment;
- (d) disclose the KPIs in relation to aggregated taxonomy-eligible economic activities;
- (e) disclose the proportion of taxonomy-non-eligible economic activities within the assets under management;
- (f) disclose the proportion in total investments of investments in exposures referred to in Article 7(1) of this Regulation;
- (g) provide the KPIs at the level of the individual asset manager where that undertaking prepares only individual non-financial statements or at the level of the group where the undertaking prepares consolidated non-financial statements.

ANNEX IV - Template for the KPI of asset managers

Standard template for the disclosure required under Article 8 of Regulation (EU) 2020/852 (asset managers)

<p>The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below:</p> <p>Turnover-based: %</p> <p>CapEx--based: %</p>	<p>The weighted average value of all the investments that are directed at funding, or are associated with taxonomy-aligned economic activities, with following weights for investments in undertakings per below:</p> <p>Turnover-based: [monetary amount]</p> <p>CapEx-based: [monetary amount]</p>
<p>The percentage of assets covered by the KPI relative to total investments (total AuM). Excluding investments in sovereign entities, Coverage ratio: %</p>	<p>The monetary value of assets covered by the KPI. Excluding investments in sovereign entities.</p> <p>Coverage: [monetary amount]</p>
Additional, complementary disclosures: breakdown of denominator of the KPI	
<p>The percentage of derivatives relative to total assets covered by the KPI.</p> <p>X %</p>	<p>The value in monetary amounts of derivatives:.</p> <p>[monetary amount]</p>
<p>The proportion of exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings:</p> <p>For financial undertakings:</p>	<p>Value of exposures to EU financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: [monetary amount]</p> <p>For financial undertakings: [monetary amount]</p>
<p>The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p> <p>For non-financial undertakings:</p> <p>For financial undertakings:</p>	<p>Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU:</p> <p>For non-financial undertakings: [monetary amount]</p> <p>For financial undertakings: [monetary amount]</p>
<p>The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI:</p>	<p>Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU:</p>

For non-financial undertakings:		For non-financial undertakings: [monetary amount]
For financial undertakings:		For financial undertakings: [monetary amount]
The proportion of exposures to other counterparties over total assets covered by the KPI: X %		Value of exposures to other counterparties: [monetary amount]
The value of all the investments that are funding economic activities that are not taxonomy-eligible relative to the value of total assets covered by the KPI: X %		Value of all the investments that are funding economic activities that are not taxonomy-eligible: [monetary amount]
The value of all the investments that are funding taxonomy-eligible economic activities, but not taxonomy-aligned relative to the value of total assets covered by the KPI: X %		Value of all the investments that are funding Taxonomy-eligible economic activities, but not taxonomy-aligned: [monetary amount]
Additional, complementary disclosures: breakdown of numerator of the KPI		
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non financial undertakings: Turnover-based: % Capital expenditures-based: % For financial undertakings: Turnover-based: % Capital expenditures-based: %		Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU: For non financial undertakings: Turnover-based: [monetary amount] Capital expenditures-based: [monetary amount] For financial undertakings: Turnover-based: [monetary amount] Capital expenditures-based: [monetary amount]
The proportion of taxonomy-aligned exposures to other counterparties in over total assets covered by the KPI: Turnover-based: % Capital expenditures-based: %		Value of taxonomy-aligned exposures to other counterparties: Turnover-based: [monetary amount] Capital expenditures-based: [monetary amount]
Breakdown of the numerator of the KPI per environmental objective		
Taxonomy-aligned activities –:		
(1) Climate change mitigation	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(2) Climate change adaptation	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(3) The sustainable use and protection of water and marine resources	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(4) The transition to a circular economy	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(5) Pollution prevention and control	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(6) The protection and restoration of biodiversity and ecosystems	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)

ANNEX V - KPIs of credit institutions

1. CONTENT OF KPIs TO BE DISCLOSED BY CREDIT INSTITUTIONS

1.1. Scope of the KPIs

1.1.1. Consolidation

Credit institutions shall disclose relevant KPIs on the basis of the scope of their prudential consolidation determined in accordance with Regulation (EU) No 575/2013, Title II, Chapter 2, Section 2.

1.1.2. Total covered Assets

The calculation of the green asset ratio (GAR) for on-balance sheet exposures shall cover the following accounting categories of financial assets, including loans and advances, debt securities, equity holdings and repossessed collaterals:

- (a) financial assets at amortised cost;
- (b) financial assets at fair value through other comprehensive income;
- (c) investments in subsidiaries;
- (d) joint ventures and associates;
- (e) financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss;
- (f) real estate collaterals obtained by credit institutions by taking possession in exchange for the cancellation of debts.

The exposures referred to in Article 7(1) of this Regulation shall be excluded from the coverage of the GAR.

The following assets shall be excluded from the numerator of the GAR:

- (a) financial assets held for trading;
- (b) on-demand interbank loans;
- (c) exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU.

The calculation of KPIs for off-balance sheet exposures shall consider financial guarantees granted by the credit institution and assets under management for guarantee and investee non-financial undertakings. Other off-balance sheet exposures such as commitments shall be excluded from that calculation.

1.2. Content of the KPIs and methodology

1.2.1. Green asset ratio (GAR)

The GAR shall show the proportion of the of credit institution's assets financing and invested in taxonomy-aligned economic activities as a proportion of total covered assets in accordance with point 1.1.2 of this Annex.

The GAR shall be based on the exposures and balance sheet according to the scope of prudential consolidation in accordance with Regulation (EU) No 575/2013, Title II, Chapter 2, Section 2 for the types of assets and accounting portfolios specified in point 1.1.2 of this Annex, including information on stock and flows, on transitional and enabling activities, and on specialised and general purpose lending.

Credit institutions shall disclose all of the following:

- (a) the aggregate GAR for covered on-balance sheet assets;
- (b) the breakdown by environmental objective and by type of counterparty.

The definition of the KPIs shall be based on the following components:

- (a) the numerator, which shall cover the loans and advances, debt securities, equities and repossessed collaterals, financing Taxonomy-aligned economic activities based on turnover KPI and CapEx KPI of underlying assets;
- (b) the denominator, which shall cover the total loans and advances, total debt securities, total equities and total repossessed collaterals and all other covered on-balance sheet assets.

In addition to GAR, credit institutions shall disclose the percentage of their total assets that are excluded from the numerator of the GAR in accordance with Article 7(2) of this Regulation and point 1.1.2 of this Annex.

1.2.1.1. GAR applying to exposures to non-financial undertakings

Credit institutions shall disclose the GAR for the stock of loans, debt securities and equity holdings and the flow for new lending. Credit institutions shall follow the following steps to calculate the GAR for each environmental objective.

Environmental objectives	First step	Second step	Green asset ratio (GAR)
Climate change mitigation	Proportion of loans and advances/debt securities/equity instruments financing taxonomy-eligible economic activities for the objective of climate change mitigation as compared to total loans to/debt securities/equity instruments of non-financial undertakings and all other covered on-balance sheet assets	Proportion of loans and advances/debt securities/equity instruments financing taxonomy-aligned economic activities for the objective of climate change mitigation, compared to loans and advances/debt securities/equity instruments financing economic activities in sectors covered by the taxonomy for the objective of climate change mitigation.	Proportion of loans and advances/debt securities/equity instruments financing taxonomy-aligned economic activities for the objective of climate change mitigation, compared to total loans and advances/debt securities/equity instruments of non-financial undertakings and all other on-balance sheet assets
		Of which: enabling activities Of which: transitional activities	Of which: enabling activities Of which: transitional activities
Stock and flow			
Climate change	Proportion of loans and advances/debt securities/equity instruments financing Taxonomy-	Proportion of loans and advances/debt securities/equity instruments financing taxonomy-	Proportion of loans and advances/debt securities/equity instruments financing taxonomy-

adaptation	eligible economic activities for the objective of climate change adaptation compared to total loans to/debt securities/equity instruments of non-financial undertakings and all other covered on-balance sheet assets	aligned economic activities for the objective of climate change adaptation compared to loans and advances/debt securities/equity instruments financing economic activities in sectors covered by the taxonomy for the objective of climate change adaptation	aligned economic activities for the objective of climate change adaptation compared to total loans and advances/debt securities/equity instruments of non-financial undertakings and all other covered on-balance sheet assets
		Of which: enabling activities Of which adaptation activities	Of which enabling activities Of which transitional activities
Stock and flow			
Other environmental activities		Same ratios for each of the other four environmental objectives should be disclosed, once the screening criteria are defined. That is: the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems.	

1.2.1.1.1.(i) GAR for lending activities to equity holdings of non-financial undertakings for loans and advances (GAR L&A)

Credit institutions shall use and disclose the following items for the calculation of the GAR for this type of exposures:

(1)(a) total loans and advances to non-financial undertakings, including loans and advances recognised under the accounting categories referred to in point 1.2 of this Annex, that is the gross carrying amount of:

- (i) loans and advances at amortised cost and at fair value through other comprehensive income;
- (ii) loans and advances not held for trading at fair value through profit or loss.

(1)(b) loans and advances to non-financial undertakings financing Taxonomy-eligible economic activities for each environmental objective, including the gross carrying amount of loans and advances in the relevant accounting categories towards companies carrying out taxonomy-eligible economic activities (where available, 4 level Nomenclature of Economic Activities (NACE) codes) relevant for each environmental objective.

(1)(c) loans and advances to non-financial undertakings financing taxonomy-aligned economic activities for each environmental objective, including all loans and advances financing taxonomy-aligned economic activities, including subsets of transitional and enabling economic activities.

The amount for the purpose of (1)(c) shall be calculated by using the following formula $1(c) = (1)(c)(1) + (1)(c)(2)$ where:

(1)(c)(1) represents loans and advances where the use of proceeds is known, including specialised lending - project finance loans as referred to in Annex V to Commission Implementing Regulation (EU) No 680/2014⁷;

(1)(c)(2) represents loans and advances where the use of proceeds is unknown (general loans).

For the purposes of point (1)(c)(1), credit institutions shall consider the gross carrying amount of the project finance exposures to the non-financial undertaking to the extent and proportion that the project funded finances a taxonomy-aligned economic activity. The assessment of whether that requirement has been complied with shall be based on information provided by the counterparty on the project or activities to which the proceeds will be applied. Credit institutions shall provide information on the type of economic activity that is funded. Double counting shall not be allowed. Where the same specialised lending exposure is relevant for two environmental objectives, credit institutions shall allocate it to the most relevant objective.

For the purposes of point (1)(c)(2), credit institutions shall rely on the CapEx and turnover KPI that the counterparty shall disclose for each environmental objective in accordance with this Regulation. The amount of loans and advances to non-financial undertakings shall be the sum of the gross carrying amount of the total loans and advances with unknown use of proceeds to non-financial undertakings weighted by the proportion of taxonomy-aligned economic activities with a breakdown for transition and enabling activities for each counterparty.

Credit institutions shall calculate the KPIs for those type of exposures as follows:

First step = $(1)(b)/(1)(a)$.

Second step = $(1)(c)/(1)(b)$. Credit institutions shall disclose separately the part of the KPI that refers to enabling activities, when relevant.

GAR L&A (for each environmental objective) = $(1)(c)/(1)(a)$. Credit institutions shall disclose the GAR based on turnover KPI and separately the part of the KPI that refers to enabling and transitional activities, where relevant.

The following aspects of the KPIs shall be disclosed:

- (a) in terms of stock, based on the total gross carrying amount of loans and advances as of the disclosure reference date;
- (b) in terms of flow, based on the gross carrying amount of new loans and advances during the year prior to the disclosure reference date;
- (c) with a separate breakdown for enabling and for transitional and adaptation activities, and for specialised lending.

1.2.1.1.2.(ii) GAR for debt securities to non-financial undertakings ('GAR DS')

Credit institutions shall calculate and disclose the following items for the calculation of the GAR for this type of exposures:

- (2)(a) Total debt securities of non-financial undertakings, including the gross carrying amount of debt securities at amortised cost and at fair value through other comprehensive income, and debt securities not held for trading at fair value

through profit or loss;

(2)(b) Debt securities of non-financial undertakings financing Taxonomy-eligible economic activities for each environmental objective, including the gross carrying amount of debt securities in the relevant accounting categories towards companies carrying out taxonomy-eligible economic activities (where available 4 level NACE codes)

(2)(c) Debt securities to relevant entities financing taxonomy-aligned economic activities, including all debt securities financing taxonomy-aligned economic activities, including transitional and enabling activities.

The amount for the purposes of (2)(c) shall be calculated by using the following formula:

$2(c) = (2)(c)(1) + (2)(c)(2)$ where:

(2)(c)(1) represents debt securities where the use of proceeds is known;

(2)(c)(2) represents debt securities where the use of proceeds is not known.

For the purposes of point 2(c)(1), credit institutions shall consider the following:

(2)(c)(1)(a) Credit institutions shall consider the total gross carrying amount of exposures to environmentally sustainable bonds issued in accordance with Union legislation. Current bond issuances qualified as green bonds by issuers whose use of proceeds have to be invested in taxonomy-eligible economic activities shall be assessed depending on the level of taxonomy-alignment of economic activities in accordance with Regulation (EU) 2020/852 or of projects funded, based on specific information provided by the issuer for an issuance. Credit institutions shall provide transparency on the kind of economic activity that is being funded. Double counting is not allowed. Where the same green bond can be relevant for two environmental objectives, credit institutions shall allocate it to the most relevant objective.

(2)(c)(1)(b) Credit institutions shall consider the gross carrying amount of debt securities invested in project finance exposures, to the extent that the activities of the project funded are taxonomy-aligned economic activities. The assessment shall be based on specific information provided by the issuer for that issuance. Double counting is not allowed. Where the same specialised lending exposure can be relevant for two environmental objectives, credit institutions shall allocate it to the most relevant objective. Credit institutions shall provide transparency on the type of economic activity that is funded.

For the purposes of point (2)(c)(2), credit institutions shall rely on the turnover KPI and CapEx KPI that the counterparty shall disclose in accordance with Article 2 of this Regulation. The amount of debt securities to non-financial undertakings shall be the sum of the gross carrying amount of the total debt securities with unknown use of proceeds weighted by the proportion of taxonomy-aligned economic activities with a breakdown for transition and enabling activities for each counterparty.

Credit institutions shall calculate the KPIs proposed according to the following formula for this type of exposures:

First step = $(2)(b)/(2)(a)$.

Second step = $(2)(c)/(2)(b)$; credit institutions shall disclose separately the part of the KPI that refers to enabling and transitional activities, when relevant.

GAR DS = $(2)(c)/(2)(a)$ based on turnover KPI; $(2)(c)/(2)(a)$ based on CapEx KPI.

The following aspects of KPIs shall be disclosed:

- (a) in terms of stock, based on the total gross carrying amount of debt securities as of the disclosure reference date;
- (b) in terms of flow, based on the gross carrying amount of new debt securities during the year prior to the disclosure reference date;
- (c) with separate breakdown for enabling and transitional activities, and for specialised lending.

1.2.1.1.1.3.(iii) Green asset ratio for equity holdings of credit institutions in non-financial undertakings ('GAR EH')

1.2.1.1.1.4. Credit institutions shall calculate and disclose:

- (a) the proportion of equity holdings in non-financial undertakings performing taxonomy-eligible economic activities compared to total equity holdings in non-financial undertakings.

The numerator shall cover the gross carrying amount of the equity holdings not held for trading that comprise financial assets at fair value through other comprehensive income and financial assets not held for trading at fair value through profit or loss and investments in subsidiaries, joint ventures and associates, of non-financial undertakings performing taxonomy-eligible economic activities.

The denominator shall cover the total gross carrying amount of the equity holdings not held for trading that comprise financial assets at fair value through other comprehensive income and financial assets not held for trading at fair value through profit or loss and investments in subsidiaries, joint ventures and associates, of non-financial undertakings.

- (b) the proportion of equity holdings in non-financial undertakings performing taxonomy-aligned economic activities compared to equity holdings in those non-financial undertakings performing taxonomy-eligible economic activities.

The numerator equals to the gross carrying amount of the equity holdings not held for trading based on the turnover KPI and CapEx KPI related to taxonomy-aligned economic activities of the non-financial undertaking to which the equity instruments belongs.

The denominator shall include the gross carrying amount of the equity holdings not held for trading based on the turnover KPI of the non-financial undertakings performing taxonomy-eligible economic activities.

- (c) GAR EH = Proportion of equity holdings in non-financial undertakings financing taxonomy-aligned economic activities compared to total equity holdings in non-financial undertakings.

The numerator shall equals to the gross carrying amount of the equity holdings not held for trading weighted by the turnover and CapEx KPI related to taxonomy-aligned economic activities as disclosed by the non-financial undertaking to which the equity instruments belongs.

The denominator shall include the total gross carrying amount of the equity holdings not held for trading of non-financial undertakings.

The followings aspects of ratios shall be disclosed:

- (a) in terms of stock, based on the total gross carrying amount of equity holdings as of the disclosure reference date;
- (b) in terms of flow, based on the gross carrying amount of equity holdings during the year prior to the disclosure reference date;
- (c) with separate breakdown for enabling and for transitional activities.

1.2.1.1.5.(iv) GAR on total financing in non-financial undertakings (lending plus equity holdings)

The three ratios for each environmental objective shall be disclosed based on turnover KPI and, for debt securities and equity holdings, based on turnover KPI and CapEx KPI of underlying assets at an aggregate level for all financing on-balance sheet instruments, including equity holdings, in non-financial undertakings.

The numerator and denominator of the ratios shall contain the gross carrying amount of loans and advances, debt securities and equity holdings relevant in each case.

1.2.1.2. Green asset ratio for lending activities to and equity holdings of financial undertakings

GAR for lending activities to equity holdings of financial undertakings shall be calculated as a proportion of loans and advances, debt securities and equity holdings of relevant accounting portfolios financing taxonomy-aligned economic activities for each environmental objective, compared to total loans and advances, debt securities and equity holdings of financial undertakings.

This GAR shall contain disclosures for climate change mitigation and climate change adaptation, with a breakdown for enabling activities. For the climate change mitigation, the GAR shall also contain disclosures of transitional activities and adaptation activities. For those activities contributing to the climate change mitigation and adaptation and other environmental objectives, credit institutions shall also provide disclosures of stock and flow.

The numerator of the GAR for financial undertakings shall be calculated based on the counterparties' KPIs calculated under this Regulation. The amount of loans and advances, debt securities and equity holdings of relevant accounting portfolios to financial undertakings to be considered in the numerator of the ratio shall be the sum of their gross carrying amount, weighted by the proportion of taxonomy-aligned economic activities with breakdown for transition, adaptation and enabling activities for each counterparty.

Where the counterparty is another credit institution, the turnover-based and CapEx based KPIs used shall be the gross carrying amount of debt securities, loans and advances and equity holdings of relevant accounting portfolios weighted by the 'Total GAR of the counterparty as defined in section', that is gross carrying amount multiplied by 'Total GAR' of the counterparty.

Where the counterparty is an investment firm, the following calculation of the KPI shall apply based on the proportion of the services in the income of the investment firm:

- (a) for investment firms dealing on own account in accordance with Section A of Annex I to Directive 2014/65/EU of the European Parliament and of the Council⁸, the gross carrying amount of debt securities, loans and advances and equity holdings shall be weighted by the turnover based and CapEx based GAR disclosed by the investment firms, that is the gross carrying amount is multiplied by 'the value of assets invested (debt securities, equity instruments, cash equivalents and derivatives) in taxonomy-aligned economic activities as a proportion of the value of total assets invested'.
- (b) for investment firms other than dealing on own account in accordance with Section A of Annex I to Directive 2014/65/EU, the gross carrying amount of debt securities, loans and advances and equity holdings shall be weighted by the turnover based and CapEx based KPI on revenues, that is fees, commissions and other monetary benefits, disclosed by the investment firms, that is gross carrying amount is multiplied by 'fees, commissions and other monetary benefits from services and activities into taxonomy-aligned economic activities as a proportion of the total fees, commission income and other monetary benefits from all services and activities'.

Where the counterparty is asset manager, the turnover based and CapEx based KPIs shall be the gross carrying amount of debt securities, loans and advances and equity holdings weighted by the ratio of the counterparty's investments that are in taxonomy-aligned economic activities, as specified in Annex III and IV to this Regulation, that is the gross carrying amount is multiplied by the asset manager's ratio of total investments.

In the case of investees that are insurance or reinsurance undertakings, the benchmark shall be investments, gross premiums written or, as applicable, total insurance revenue, as resulting from the calculation either of the turnover-based and CapEx based investment KPI or of the underwriting KPI of the investee in accordance with Annexes XI and X to this Regulation.

The denominator shall be the total gross carrying amount of loans and advances, debt securities and equity holdings of relevant accounting portfolios in financial undertakings.

1.2.1.3. Green asset ratio for retail exposures

GAR for retail exposures to residential real estate or house renovation loans shall be calculated as a proportion of loans to households collateralised by residential immovable property or granted for house renovation purposes that is taxonomy-aligned in accordance with the technical screening criteria for buildings, namely renovation and acquisition and ownership in accordance with points 7.2., 7.3., 7.4., 7.5, 7.6., and 7.7. respectively, of Annex I to Climate Delegated Act, compared to total loans to households collateralised by residential immovable property or granted for house renovation purposes. This GAR shall include disclosures of transitional activities, and disclosures of stock and flow. This GAR shall apply only to investments relevant for climate change mitigation.

GAR for retail exposures to credit consumption loans for car loans shall be calculated as the proportion of loans financing cars complying with the technical screening criteria as laid down in Section 6.5. of Annex I to Climate Delegated Act. This GAR shall include disclosures of transitional activities, and disclosures of stock of loans only for loans granted after [the date of application of this Regulation] and flow of loans. This GAR shall apply only to investments relevant for climate change mitigation.

KPIs on retail exposures financing taxonomy-aligned economic activities shall only apply for the objective of climate change mitigation.

1.2.1.3.1.1.(i) Residential real estate lending

Credit institutions' KPI disclosure shall cover the retail lending portfolio, in particular the mortgage lending portfolio. This KPI shall be disclosed by taking into account compliance with the technical screening criteria for buildings as laid down in Sections 7.2., 7.3., 7.4., 7.5., 7.6. and 7.7. of Annex I to Climate Delegated Act.

Credit institutions shall disclose the KPI for their residential real estate lending portfolio as a proportion of loans to households collateralised by residential immovable property contributing to the environmental objective of climate change mitigation as laid down Sections 7.2., 7.3., 7.4., 7.5., 7.6. and 7.7. of Annex I to Climate Delegated Act, compared to total loans to households collateralised by residential immovable property.

Credit institutions shall disclose information for the stock of loans as of the disclosure reference date, and information on the flows of new lending during the disclosure period.

The numerator of the ratio shall include the gross carrying amount of residential real estate loans compliant with the technical screening criteria in Section 7.7. of Annex I to Climate Delegated Act.

In the numerator of the ratio credit institutions shall also consider those loans granted for the renovation of a building or of a house in accordance with the technical screening criteria for buildings in accordance with Section 7.2., 7.3., 7.4., 7.5. and 7.6. of Annex I to Climate Delegated Act.

The denominator shall include the total gross carrying amount of loans to households collateralised by residential property plus the total gross carrying amount of house renovation loans to households, avoiding double counting of loans in case that the latter are collateralised loans.

1.2.1.3.1.2.(ii) Retail - Credits consumptions loans for cars

Credit institutions shall disclose a KPI for loans granted to households for the acquisition of a motor vehicle (car loans). A KPI shall be the proportion of loans associated with cars complying with the technical screening criteria in accordance with Section 6.5. of Annex I to Climate Delegated Act.

Credit institutions shall consider those car loans granted from the date of application of the disclosure requirements, both for the KPI on stock and on new loans. Update on the stock of loans granted before the application date shall not be considered.

1.2.1.4. GAR for loans and advances financing public housing and other specialised lending to public authorities

Where credit institutions have a business model based to a great extent on financing public housing, they shall disclose a KPI concerning the proportion of compliance with the technical screening criteria in accordance with Section 7.7. of Annex I to Climate Delegated Act of buildings whose purchase the credit institution is financing. This GAR shall be estimated and disclosed by the credit institution as a proportion of loans to municipalities financing public housing compliant with the technical screening criteria in accordance with Section 7.7. of Annex I to Climate Delegated Act compared to total loans to municipalities financing public housing. The credit institution shall include disclosures of stock and flow.

The methodology for the computation of the numerator and denominator shall be the same as the methodology for residential real estate lending.

For the financing of other activities and assets than public housing, credit institutions shall consider the gross carrying amount of the project finance exposures to the public authority to the extent and proportion that the project funded finances a Taxonomy-aligned economic activity. The assessment of whether that requirement has been complied with shall be based on information provided by the public authority on the project or activities to which the proceeds will be applied. Credit institutions shall provide information on the type of economic activity that is funded. Double counting shall not be allowed. Where the same specialised lending exposure is relevant for two environmental objectives, credit institutions shall allocate it to the most relevant objective.

1.2.1.5. Other on-balance sheet exposures – Repossessed real estate collaterals

Credit institutions shall disclose the KPI for the proportion of compliance with the technical screening criteria in Section 7.7. of Annex I to Climate Delegated Act of their commercial and residential repossessed real estate collateral held-for-sale portfolio for the environmental objective of climate change mitigation as a proportion of commercial and residential repossessed real estate collateral complying with the technical screening criteria in Section 7.7. of Annex I to Climate Delegated Act, compared to total commercial and residential repossessed real estate collateral.

Credit institutions shall disclose information for the stock of loans as of the disclosure reference date, and information on the flows of new assets during the disclosure period.

The numerator of the ratio shall include the gross carrying amount of commercial and residential repossessed real estate collaterals compliant with the technical screening criteria for buildings in Section 7.7. of Annex I to Climate Delegated Act.

The denominator shall include the total gross carrying amount of held-for-sale commercial and residential real estate collaterals repossessed by the credit institution.

Credit institutions shall disclose information for the stock of loans as of the disclosure reference date, and information on the flows of new lending during the disclosure period.

1.2.1.6. Total GAR

Credit institutions shall disclose information on the Total GAR. This shall reflect the cumulative value of the exposure-based KPIs, by including in the denominator the total on-balance assets without exposures referred to in Article 7(1) and by adding in the total numerator the numerators of environmentally sustainable exposures of the exposure-based KPIs:

- (a) total GAR for financing activities directed at financial undertakings, for all the environmental objectives.
- (b) total GAR for financing activities directed at non-financial undertakings, for all the environmental objectives.
- (c) GAR for residential real estate exposures, including house renovation loans, for the objective of climate change mitigation.
- (d) GAR for retail car loans, for the objective of climate change mitigation.
- (e) GAR for loans to local governments for house financing and other specialised lending.

- (f) GAR for commercial and residential repossessed real estate collateral held for sale.

Together with the total GAR, credit institutions shall disclose the percentage of assets that are excluded from the numerator of the GAR in accordance with Article 7(2) and (3) and Section 1.1.2 of this Annex.

1.2.2. KPIs for off-balance sheet exposures

Credit institutions shall disclose a complementary ratio on the level of association with Taxonomy-aligned economic activities of off-balance sheet exposures that credit institutions manage and channel or contribute to channel capital flows towards economic activities whose environmental sustainability can be assessed in accordance with Regulation (EU) 2020/852:

- (a) financial guarantees backing loans and advances and other debt instruments towards undertakings; and
- (b) assets under management.

1.2.2.1. Green ratio for financial guarantees to financial and non-financial undertakings (FinGuar KPI)

The green ratio for financial guarantees to undertakings shall be defined as a proportion of financial guarantees supporting debt instruments financing Taxonomy-aligned economic activities compared to all financial guarantees supporting debt securities to undertakings. This shall include disclosures of stock and flow. For climate change mitigation, this shall also include disclosures of which are enabling and transitional activities. For climate change adaptation, this shall include disclosures of which are enabling and adaptation activities.

The methodology for the computation of the KPI on financial guarantees shall be the same as the methodology specified for the KPIs on loans and advances and/or debt securities towards undertakings, but applied to the underlying loans and advances/debt securities that the credit institution supports.

1.2.2.2. Green ratio for assets under management (AuM KPI)

The green ratio for assets under management shall be the proportion of assets under management (equity and debt instruments) from undertakings financing Taxonomy-aligned economic activities, compared to total assets under management (equity and debt instruments). This shall include disclosures of stock and flow. For climate change mitigation, this shall also include disclosures of which are enabling and transitional activities. For climate change adaptation, this shall include disclosures of which are enabling and adaptation activities.

The methodology for the computation of the AuM KPI shall be the same as the methodology for asset managers in accordance with Annex III of this Regulation.

1.2.3. KPIs on services other than lending – Fees and Commissions (F&C KPI)

The KPI for fees and commission income linked to services associated with Taxonomy-aligned economic activities of undertakings, shall be defined as a proportion of the credit institution's fees and commission income from undertakings, derived from products or services other than lending associated with Taxonomy-aligned economic activities, compared to the total fees and commission income from undertakings from products or services other than lending.

Credit institutions shall disclose the fees and commission income linked to services provided other than lending and asset management, including the following services (as reported by institutions in accordance with template 22.1 'Fee and commission income and expenses by activity' set out in Implementing Regulation (EU) No 680/2014):

- (a) issuance or other services related to third party securities;
- (b) reception, transmission and execution on behalf of customers of orders to buy or sell securities;
- (c) merger and acquisition undertakings advisory services;
- (d) undertakings finance services related to capital market advisory for undertakings clients or other;
- (e) private banking related fees;
- (f) clearing and settlement services;
- (g) custody and other related services;
- (h) payment services;
- (i) fee and commission income for distribution of products issued by entities outside the prudential group to its current customers;
- (j) loan servicing activities;
- (k) foreign exchange services and international transactions.

The numerator of the KPI shall include the fees and commissions income as specified in Implementing Regulation (EU) No 680/2014, Annex V, paragraph 284 from services other than lending and asset management provided to undertakings, associated with Taxonomy-aligned economic activities. This shall be estimated by weighting the fees and commission income from each counterparty with the proportion of turnover and CapEx associated with Taxonomy-aligned economic activities of the undertaking contributing to the relevant environmental objective as disclosed by the undertaking in accordance with Article 8 of Regulation (EU) 2020/852. For financial undertakings, the ratio for the counterparty to be applied shall be the same as for the KPIs for these undertakings.

The denominator shall be the total amount of fees and commission income from undertakings from products or services other than lending and asset management.

1.2.4. Other disclosures in the GAR: GAR for the trading portfolio

The trading portfolio shall be excluded from the denominator and coverage of the total GAR.

Credit institutions shall provide explanations on the investment policy regarding their trading portfolio, overall composition, and on any trend in terms of predominant sectors and their association with Taxonomy-aligned economic activities. They shall also

explain potential limits in terms of climate and environmental risks in terms of the level of association with Taxonomy-aligned economic activities and how they manage the environmental risks that may impact the value of the portfolio.

Where a trading portfolio plays an important role in the business model of the credit institution, in particular where credit institutions do not meet the conditions set out in Article 94(1) of Regulation (EU) No 575/2013 or the conditions set out in Article 325a(1) of that Regulation, credit institutions shall disclose quantitative information and KPIs that show to what extent the institution is trading with environmentally sustainable assets and to what extent it is contributing to promoting the trading of this type of assets.

Credit institutions shall disclose the following information:

- (a) total trading during the disclosure period in Taxonomy-aligned instruments, including absolute purchases plus absolute sales of environmentally sustainable securities;
- (b) total trading during the disclosure period of securities, including total absolute purchases plus total absolute sales of securities.

Absolute purchases plus absolute sales of environmentally sustainable securities shall be included in the numerator of the specific GAR for the trading Portfolio of the credit institution. Total absolute purchases plus total absolute sales of securities shall be included in the denominator of the GAR for the trading Portfolio.

The part of the GAR numerator for trading portfolio shall be estimated by weighting the gross carrying amount of debt securities and equity instruments purchased and/or sold from each counterparty with the proportion of turnover and CapEx associated with Taxonomy-aligned economic activities of the undertaking contributing to the relevant environmental objective as disclosed by that undertaking in accordance with Article 8 of Regulation (EU) 2020/852 and this Regulation. For financial undertakings, the ratio for the counterparty to be applied shall be the same as for the relevant KPIs for these counterparties.

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- (1) Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1).
 - (2) Commission Delegated Regulation (EU) .../... of [...] supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives, C(2021)2800/3.
 - (3) Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the turnover KPI of the non-financial undertaking.
 - (4) Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the CapEx KPI of the non-financial undertaking.
 - (5) Activity 1 is Taxonomy-eligible in its entirety. However, only a proportion of it is Taxonomy-aligned. Therefore, Activity 1 may be reported under both A1 and A2. However, only the proportion reported under A1 may be counted as Taxonomy-aligned in the CapEx KPI of the non-financial undertaking.
 - (6) Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (OJ L 86, 24.3.2012, p. 1).
 - (7) Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1).
 - (8) Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).

ANNEX VII KPIs of investment firms

CONTENT OF KPIs TO BE DISCLOSED BY INVESTMENT FIRMS

1. SCOPE OF KPIs

Disclosure of KPIs and the methodology shall cover and be designed separately for all of the following services listed in Annex I, Section A, to Directive 2014/65/EU:

- (a) investment firms' dealing on own account activities, regardless of whether investment firms are principal traders or dealing on behalf of their clients in accordance with Section A, point (3), of Annex I to Directive 2014/65/EU;
- (b) investment firms' investment services and activities other than dealing on own account in accordance with Section A of Annex I to Directive 2014/65/EU, with the exception of point (3) of that Section.

Ancillary services listed in Section B of Annex I to Directive 2014/65/EU shall be excluded from the scope of the disclosures.

The investment services and activities that shall be covered in the disclosure requirements under Article 8 of Regulation (EU) 2020/852 and this Regulation shall include the following:

- (a) reception and transmission of orders in relation to one or more financial instruments;
- (b) execution of orders on behalf of clients;
- (c) dealing on own account;
- (d) portfolio management;
- (e) investment advice;
- (f) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
- (g) placing of financial instruments without a firm commitment basis;
- (h) operation of an MTF;
- (i) operation of an OTF.

2. INVESTMENT FIRMS DEALING ON OWN ACCOUNT

Investment firms dealing on their own account shall disclose the following KPIs:

2.1. KPIs related to their assets as:

- proportion of assets associated with Taxonomy-eligible economic activities within total assets;
- proportion of assets associated with Taxonomy-aligned economic activities within assets associated with Taxonomy-eligible economic activities, and
- proportion of assets associated with Taxonomy-aligned economic activities within total assets (GAR).

For the calculation of KPIs, the following shall be considered:

2.2. Investee undertakings considered

Investee undertakings considered shall include non-financial undertakings, non-financial undertakings not subject to Article 19a and 29a of Directive 2014/95/EU, financial undertakings and financial undertakings not subject to Articles 19a and 29a Directive 2014/95/EU.

For investee companies that are subject to Article 19a and 29a of Directive 2014/95/EU, investment firms shall use the KPIs that investee companies shall disclose under this Regulation. For investee companies that are not subject to Directive 2014/95/EU, Article 8(3) of this Regulation shall apply.

2.3. Investment instruments considered – assets

For investment instruments, the calculation of KPIs shall cover debt securities, equity instruments, cash equivalents towards investee companies and all other assets.

2.4. Calculation methodology

With regard to the computation of the GAR for investment firms' services and activities dealing on own account, investment firms shall rely on the turnover KPI and CapEx KPI of investee undertakings for each environmental objective.

The numerator shall be designed as the value of investments weighted by the proportion of Taxonomy-aligned economic activities with a breakdown for transition and enabling activities of the investee undertaking, that is by the proportion of turnover and CapEx of the investee undertaking associated with Taxonomy-aligned economic activities.

The weighted average of the value of investments shall be based on the proportion of Taxonomy-aligned economic activities of investee companies measured by the following:

- (a) for investees that are non-financial undertakings, turnover and CapEx KPIs as resulting from the calculation of the KPIs of the investee in accordance with Annexes I and II;
- (b) for investees that are asset managers, turnover-based and CapEx based KPIs as resulting from the calculation of the KPIs of the investee in accordance with Annexes III and IV;
- (c) for investees that are credit institutions, the turnover-based and CapEx based green asset ratio as resulting from the calculation of the green asset ratio of the investee in accordance with Annexes V and VI;
- (d) for investees that are investments firms, investments and revenues, as resulting from the calculation of the turnover-based and CapEx based KPIs of the investee in accordance with Annexes VII and VIII in accordance with the proportion of services and activities of dealing on own account and not dealing on own account in the income of the investment firm;
- (e) for investees that are insurance or reinsurance undertakings, investments, gross premiums written or, as applicable, total insurance revenue, as resulting from the calculation either of the turnover-based or CapEx based investments KPI or combined, where applicable, with the underwriting KPI of the non-life investee insurance and reinsurance undertakings in accordance with Annexes IX and X.

For debt securities issued by an investee undertaking with the purpose to fund specific activities or projects, or where the investee undertaking issued environmentally sustainable bonds, investment firms shall assess those debt securities based on whether they fund Taxonomy-aligned economic activities or projects, on the basis of information provided by investee undertaking.

By way of derogation from the second and third subparagraph of this point 2.4, debt securities with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking shall be included in the numerator up to the value of Taxonomy-aligned economic activities that the proceeds of those bonds and debt securities finance, on the basis of information provided by the investee undertaking.

For the denominator, total assets shall include all assets invested by investment firms on own account.

3. INVESTMENT FIRMS NOT DEALING ON OWN ACCOUNT

Investment firms not dealing on their own account shall disclose the following KPIs:

3.1. KPIs related to revenue, including fees, commissions and other monetary benefits as:

- proportion of revenue from services and activities associated with Taxonomy-eligible economic activities within total revenue from investment services and activities;
- proportion of revenue from investment services and activities associated with Taxonomy-aligned economic activities within revenue from investment services and activities associated with Taxonomy-eligible economic activities; and
- proportion of revenue from investment services and activities associated with Taxonomy-aligned economic activities within total revenue from investment services and activities (GAR).

For the calculation of KPIs, the following shall be considered:

3.2. Clients considered

Investment firms shall consider clients receiving investment services other than dealing on own account services and ancillary services that are non-financial undertakings and other non-financial undertakings not subject to Article 19a and 29a of Directive

2014/95/EU, financial undertakings and other financial undertakings not subject to Article 19a and 29a of Directive 2014/95/EU.

For investee undertakings that are subject to Directive 2014/95/EU, investment firms shall use the KPIs that investee undertakings shall disclose under this Regulation. For investee companies that are not subject to Directive 2014/95/EU, Article 8(3) of this Regulation shall apply.

3.3. Calculation methodology

For activities of investment firms other than dealing on own account, the numerator shall be designed as the weighted average of the revenue (fees, commissions and other monetary benefits) generated by the investment firm in relation to the aggregate value of Taxonomy-aligned economic activities within the activities of their clients. The methodology laid down in point 2.4. of this Annex shall apply.

3.4. Further consideration

Investment firms shall indicate in the templates the environmental objectives as well as the nature of the activities, whether enabling or transition.

Disclosures shall take place after netting potential hedges and offsets, regardless of the instrument used in accordance with Article 3, paragraphs 4 and 5 of Regulation (EU) 2012/236 of the European Parliament and of the Council ¹.

(1)

Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (OJ L 86, 24.3.2012, p. 1).

ANNEX IX KPIs of insurance and reinsurance undertakings

1. KPI RELATED TO INVESTMENTS

The KPI related to investments by insurance or reinsurance undertakings shall present the weighted average of those investments that are directed at funding, or are associated with Taxonomy-aligned economic activities. The KPI shall be shown both in percentage terms relative to 'total investments' and in absolute monetary units.

Investments shall mean all direct and indirect investments, including investments in collective investment undertakings and participations, loans and mortgages, property, plant and equipment, as well as, where relevant, intangibles.

In additional disclosures, insurance or reinsurance undertakings shall distinguish the proportion of the investments held in respect of life insurance contracts where the investment risk is borne by the policy holders and the proportion of remaining investments. The coverage of the ratio with reference of the balance sheet total shall be disclosed with the exclusion of exposures referred to in Article 7(1) of this Regulation.

The disclosures shall be broken down by environmental objective in percentage terms and monetary units, where available.

The weighted average of the value of the investments shall be based on the proportion of Taxonomy-aligned economic activities of investee companies measured by the following:

- (a) for investees that are non-financial undertakings, turnover and CapEx KPIs as resulting from the calculation of the KPIs of the investee in accordance with Annexes I and II;
- (b) for investees that are asset managers, turnover-based and CapEx based KPIs as resulting from the calculation of the KPIs of the investee in accordance with Annexes III and IV;
- (c) for investees that are credit institutions, the turnover-based and CapEx based green asset ratio as resulting from the calculation of the green asset ratio of the investee in accordance with Annexes V and VI;
- (d) for investees that are investment firms, investments and revenues, as resulting from the calculation of the turnover-based and CapEx based KPIs of the investee in accordance with Annexes VII and VIII in accordance with the proportion of services and activities of dealing on own account and not dealing with own account in the income of the investment firm;
- (e) for investees that are insurance or reinsurance undertakings, investments, gross premiums written or, as applicable, total insurance revenue, as resulting from the calculation either of the turnover-based and CapEx based investments KPI (i.e. the proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities) combined, where applicable, with the underwriting KPI of the non-life investee insurance and reinsurance undertakings in accordance with Annexes XI and X.

By way of derogation from the first and fourth paragraph of this point 1, debt securities with the purpose of financing specific identified activities or projects or environmentally sustainable bonds issued by an investee undertaking shall be included in the numerator up to the value of Taxonomy-aligned economic activities that the proceeds of those bonds and debt securities finance, on the basis of information provided by the investee undertaking.

2. KPI RELATED TO UNDERWRITING ACTIVITIES

Insurance and reinsurance undertakings other than life insurance undertakings shall calculate the KPI related to underwriting activities and present the 'gross premiums written' non-life insurance revenue or, as applicable, reinsurance revenue corresponding to Taxonomy-aligned insurance or reinsurance activities in accordance with points 10.1. and 10.2. of Annex II to Climate Delegated Act. The KPI shall be depicted in percentage terms relative to, as applicable, one of the following:

- (a) total non-life insurance gross premiums written;
- (b) total reinsurance gross premiums written;
- (c) total non-life insurance revenue;

(d) total reinsurance revenue.

The disclosures shall be broken down by environmental objective in percentage terms and monetary units, where available.

Supplementing disclosures shall explain the extent to which environmentally sustainable underwriting activities are ceded to a reinsurance undertaking and to which extent sustainable underwriting activities represent reinsurance activities are accepted from other insurance or reinsurance undertakings.

ANNEX X Template for KPIs of insurance and reinsurance undertakings

Template: The underwriting KPI for non-life insurance and reinsurance undertakings

					DNSH (Do No Significant Harm)						
Economic activities (1)	Absolute premiums, year t (3)	Proportion of premiums, year t (4)	Proportion of premiums, year t-1 (5)	Climate change adaptation (6)	Climate change mitigation (7)	Water and marine resources (8)	Circular economy (9)	Pollution (10)	Biodiversity and ecosystems (11)	Minimum safeguards (12)	C (t a (
	Currency	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	E
A.1. Non-life insurance and reinsurance underwriting Taxonomy-aligned activities (environmentally sustainable)											E
A.1.1 Of which reinsured											E
A.1.2 Of which stemming from reinsurance activity											E
A.1.2.1 Of which reinsured (retrocession)											E
A.2 Activities not included in A1											-
Total (A.1 + A.2)											-

“Premiums” in columns (3) and (4) shall be reported as gross premiums written or, as applicable, turnover relating to non-life insurance or reinsurance activity.

The information in column (5) shall be reported in disclosures in the year 2024 and thereafter.

Non-life insurance and reinsurance can only be aligned with Regulation (EU) 2020/852 as activity that enables climate change adaptation. The information reported in column (5) is therefore the same for all insurance and reinsurance undertakings with non-life and/or reinsurance activities.

Where a reinsurance activities of an undertaking comprises products applying at the level of a portfolio of underlying direct insurance products and the undertaking assesses the compliance of the activity with the technical screening criteria and the do no significant harm criteria for a proportion of the reinsurance activity’s underlying products pursuant to Climate Delegated Act, Annex II, point 10.2, paragraph 2.3 (“pro-rata approach”), the pro-rata approach should be applied consistently for the information reported in all columns of row A.1.2.

Template: The proportion of the insurance or reinsurance undertaking’s investments that are directed at funding, or are associated with, Taxonomy-aligned in relation to total investments

The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities relative to the value of total assets covered by the KPI, with following weights for investments in undertakings per below: Turnover-based: % Capital expenditures-based: %	The weighted average value of all the investments of insurance or reinsurance undertakings that are directed at funding, or are associated with Taxonomy-aligned economic activities, with following weights for investments in undertakings per below: Turnover-based: [monetary amount] Capital expenditures-based: [monetary amount]
The percentage of assets covered by the KPI relative to total investments of insurance or reinsurance undertakings (total AuM). Excluding investments in sovereign entities.	The monetary value of assets covered by the KPI. Excluding investments in sovereign entities. Coverage: [monetary amount]

Coverage ratio: %	
Additional, complementary disclosures: breakdown of denominator of the KPI	
The percentage of derivatives relative to total assets covered by the KPI. X%	The value in monetary amounts of derivatives. [monetary amount]
The proportion of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non financial undertakings: For financial undertakings:	Value of exposures to financial and non-financial undertakings not subject to Articles 19a and 29a of Directive 2013/34/EU: For non financial undertakings: [monetary amount] For financial undertakings: [monetary amount]
The proportion of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non financial undertakings: For financial undertakings:	Value of exposures to financial and non-financial undertakings from non-EU countries not subject to Articles 19a and 29a of Directive 2013/34/EU: For non financial undertakings: [monetary amount] For financial undertakings: [monetary amount]
The proportion of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non financial undertakings: X% For financial undertakings: X%	Value of exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU: For non financial undertakings: [monetary amount] For financial undertakings: [monetary amount]
The proportion of exposures to other counterparties over total assets covered by the KPI: X%	Value of exposures to other counterparties: [monetary amount]
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities: X%	Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned economic activities : [monetary amount]
The value of all the investments that are funding economic activities that are not Taxonomy-eligible relative to the value of total assets covered by the KPI: X%	Value of all the investments that are funding economic activities that are not Taxonomy-eligible: [monetary amount]
The value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned relative to the value of total assets covered by the KPI: X%	Value of all the investments that are funding Taxonomy-eligible economic activities, but not Taxonomy-aligned: [monetary amount]
Additional, complementary disclosures: breakdown of numerator of the KPI	
The proportion of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU over total assets covered by the KPI: For non financial undertakings: Turnover-based: % Capital expenditures-based: % For financial undertakings: Turnover-based: % Capital expenditures-based: %	Value of Taxonomy-aligned exposures to financial and non-financial undertakings subject to Articles 19a and 29a of Directive 2013/34/EU: For non financial undertakings: Turnover-based: [monetary amount] Capital expenditures-based: [monetary amount] For financial undertakings: Turnover-based: [monetary amount] Capital expenditures-based: [monetary amount]
The proportion of the insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned: Turnover-based: % Capital expenditures-based: %	Value of insurance or reinsurance undertaking's investments other than investments held in respect of life insurance contracts where the investment risk is borne by the policy holders, that are directed at funding, or are associated with, Taxonomy-aligned: Turnover-based: [monetary amount] Capital expenditures-based: [monetary amount]
The proportion of Taxonomy-aligned exposures to other counterparties in over total assets covered by the KPI:	Value of Taxonomy-aligned exposures to other counterparties over total assets covered by the KPI:

Turnover-based: %		Turnover-based: [monetary amount]
Capital expenditures-based: %		Capital expenditures-based: [monetary amount]
Breakdown of the numerator of the KPI per environmental objective		
Taxonomy-aligned activities – provided ‘do-not-significant-harm’(DNSH) and social safeguards positive assessment:		
(1) Climate change mitigation	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(2) Climate change adaptation	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(3) The sustainable use and protection of water and marine resources	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(4) The transition to a circular economy	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(5) Pollution prevention and control	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)
(6) The protection and restoration of biodiversity and ecosystems	Turnover: % CapEx: %	Transitional activities: A% (Turnover; CapEx) Enabling activities: B% (Turnover; CapEx)

ANNEX XI Qualitative disclosures for asset managers, credit institutions, investment firms and insurance and reinsurance undertakings

The disclosure of quantitative KPIs shall be accompanied by the following qualitative information to support the financial undertakings’ explanations and markets’ understanding of these KPIs:

- contextual information in support of the quantitative indicators including the scope of assets and activities covered by the KPIs, information on data sources and limitation;
- explanations of the nature and objectives of Taxonomy-aligned economic activities and the evolution of the Taxonomy-aligned economic activities over time, starting from the second year of implementation, distinguishing between business-related and methodological and data-related elements;
- description of the compliance with Regulation (EU) 2020/852 in the financial undertaking’s business strategy, product design processes and engagement with clients and counterparties;
- for credit institutions that are not required to disclose quantitative information for trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, trends observed, objectives and policy;
- additional or complementary information in support of the financial undertaking’s strategies and the weight of the financing of Taxonomy-aligned economic activities in their overall activity.