

The EU taxonomy explained



What?

The EU taxonomy is a green classification system that translates the EU's climate and environmental objectives into criteria for specific economic activities for investment purposes.

The taxonomy defines environmentally sustainable activities as economic activities that make a substantial contribution to at least one of the EU's environmental objectives, whilst not harming the other five objectives.

It is a transparency tool that will introduce mandatory disclosure obligations on some companies and investors, requiring them to disclose their share of taxonomy aligned activities.



Why?

Benefits

- Provides a common frame of reference for investors and companies
- Supports companies in planning and financing their transition
- Helps mitigate market fragmentation
- Protects against greenwashing
- Encourages investment in green projects

Challenges as of 2022

- Limited coverage of activities
- Confusion to the designation of certain activities
- It provides little motivation to engage for organisations undertaking activities not covered by the taxonomy
- Without a reach throughout the entire economy, investors will likely not move beyond the mandatory reporting



Who?

Mandatory use: disclosure

- Large financial and non-financial companies that fall under the scope of the Non-Financial Reporting Directive have to disclose the extent to which their activities meet the taxonomy criteria
- Financial market participants have to disclose to what extent the activities that their financial products fund meet the criteria.

Voluntary use: guide for investments

- Companies can use the criteria of the taxonomy as an input to their environmental and sustainability transition strategies and plans
- Investors can use the criteria in their due diligence to identify sustainable investment opportunities

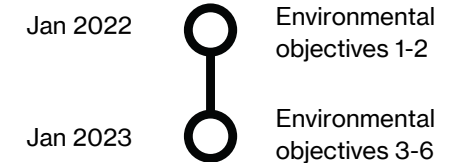


When?

The disclosure requirements apply from January 2022 regarding the climate change objectives (1 and 2 on the next page), and from January 2023 regarding the other four environmental objectives.

In January of 2023, financial and non-financial entities have to start reporting taxonomy eligibility and alignment for the previous calendar year (e.g. Jan 2023 for 2022).

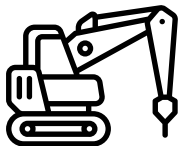
Mandatory application date



Climate change adaptation

Boskalis contributes to the environmental objectives with the delivery of climate adaptive projects, in response to the growing need for coastal protection and flood prevention on a global scale. Examples include:

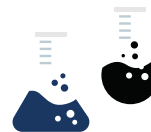
- Joint studies into financing sustainable waterborne infrastructure
- Strengthening more than 33 km of dikes in the Netherlands
- Reinforcement of the Dutch coastline at Noordwijk (11km) and Wassenaar (6km) by foreshore replenishment
- Two new islands will be added to the Marker Wadden islands nature reserve, boosting the ecological quality of the lake.



Source: Boskalis, 'Boskalis Sustainability Report 2021'

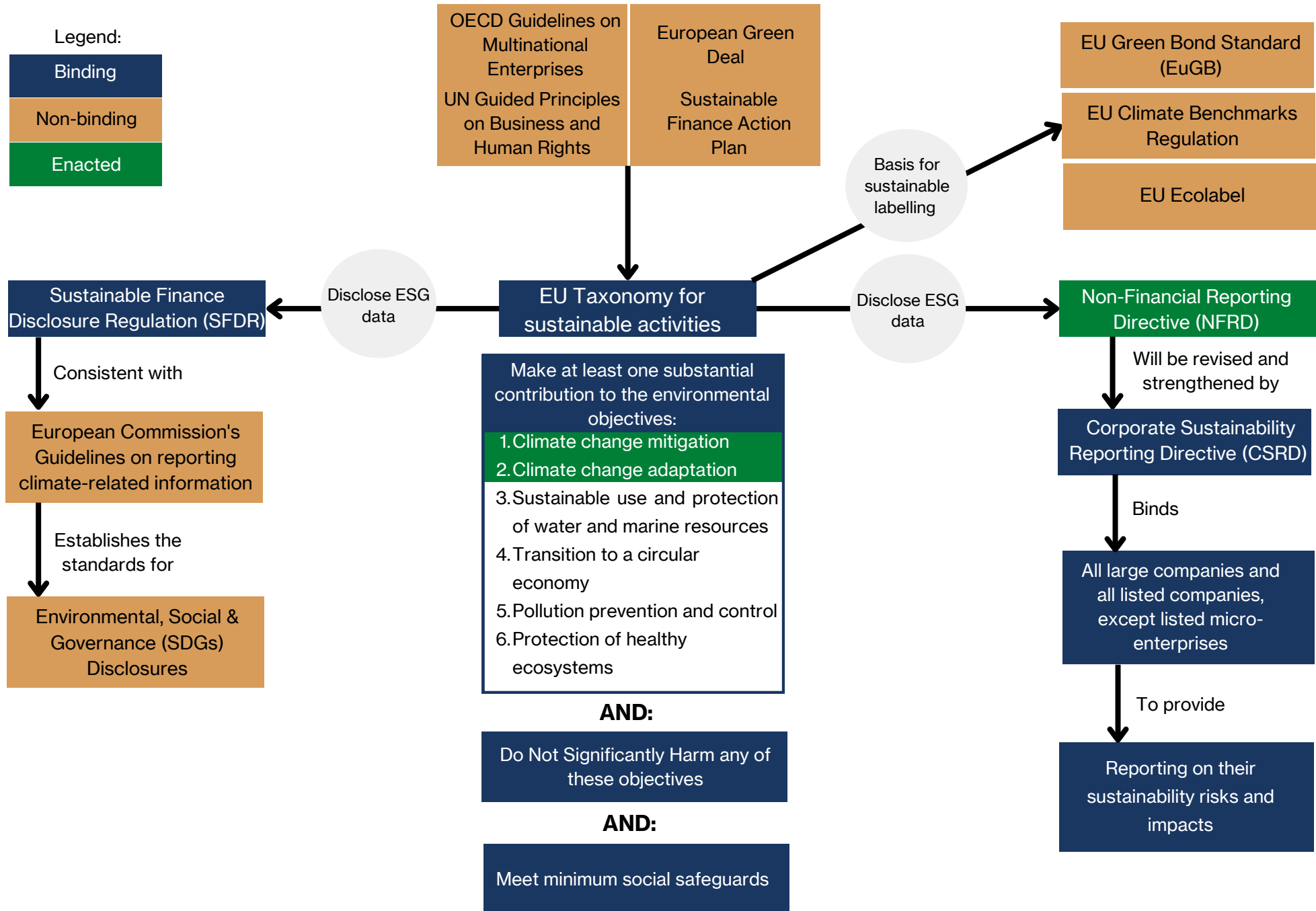
Climate change mitigation

Perstorp has initiated Project Air (PA) in 2019. Together with Fortum and Uniper, Perstorp will produce sustainable methanol. Methanol is one of Perstorp's main raw materials and PA is an important step in the company's transition to climate neutrality. PA will substitute all the fossil methanol used by Perstorp in Europe as a raw material for chemical products with sustainable methanol. Through this process, fossil methanol can be replaced with sustainable methanol produced from CO₂, captured from Perstorp's production, and used as feedstock for chemical production - making the shift from fossil to circular possible for the chemical industry.



Source: Perstorp, 'Project Air: transforming the chemical industry'

EU taxonomy directives and guidelines



Examples of contributions under the EU taxonomy

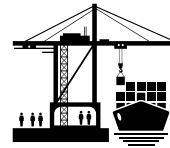
Climate change mitigation



Nuclear energy can have an important role in climate change mitigation, since its energy generation phase produces very low greenhouse gas emissions. For a nuclear plant to align with the taxonomy, it has to be able to safely dispose toxic waste. If not, it harms the 6th objective of the taxonomy: pollution prevention and control.

An example of a company generating energy whilst not harming the 6th objective is the Jiangsu Nuclear Power Corporation. For waste management, it made a contract with NUKEM Technologies for the design, supply and installation supervision of a waste treatment centre.

Source: Nukem Technologies, 'Waste Treatment Centre for Jiangsu Nuclear Power Corporation'



Climate change adaptation

The Port of Rotterdam started the Flood Risk Management Programme in 2015 and has have developed strategies for all port areas between 2015 and 2021. The aim of the programme is to raise awareness among companies of the potential threats created by climate change and how, in partnership, they can manage the risk of flooding to an acceptable level together. The Port has mapped out the probabilities and consequences of flooding, evaluated these risks with an assessment framework, and listed and selected appropriate measures.

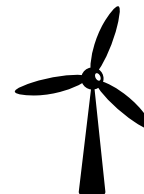
Source: World Ports Sustainability Program, 'Port of Rotterdam - Flood Risk Management Program'

Need for a centralized framework



Companies use Green bonds to guide their investment decision. Green bonds are fixed-income bonds issued to fund projects with a net positive impact on the environment and climate change. In 2021, financial and non-financial corporates accounted for 44% of the cumulative green bond volumes. The largest Use of Proceeds categories in 2021 were energy, building, and transport, collectively making up 81% of the total. However, there is no universally recognized standard for determining the environmental friendliness of a bond and different companies create their own guidelines. The EU Green Bond Standard will centralize the process and provide an objective standard of what should be considered 'green'.

Source: Climate Bonds Initiative



Greening the portfolio

Het Algemeen Burgerlijk Pensioenfonds (ABP) is a Dutch pension fund that is ramping up its investments in renewables. In 2022 they announced their involvement in building a wind farm in the North Sea. The wind farm will produce 4GW, which will be able to provide 5.5 million households with electricity. The pension fund intends to play an influential role in North Sea energy plans in the coming years. In addition to wind farm construction, ABP will also be involved in energy storage such as hydrogen projects or large-scale batteries.

Source: NOS, 'Pensioenfonds ABP wil windparken op zee bouwen'