EU Taonomy

Our ESG reporting solution could include an EU taxonomy builder, which collects, prepares and combines financial and non-financial data and layers in the EU taxonomy content to streamline the process of assessing the eligibility of business activities and their alignment to the environmental objectives, all the way to the disclosure generator.

This is a perfect example where Workiva technology blends in nicely with our partners ESG subject matter expertise to implement a tailored data model for our clients specific needs.

As you can see, the data collection module is used for all the E, the S and the G topics, as well as the EU taxonomy.

Looking at the EU taxonomy, the process consists of 5 Simple Steps in order to get to the final disclosure tables recommended by the European Commission.

CLICKS

• Show the Turnover table in the 'Generate disclosures' section.

• Go to Validations section and follow the link of the Turnover for the Annual report

This process provides automation, but also control, so for example, in this case, it validates if the Turnover disclosed in the EU taxonomy table reconciles with the Turnover disclosed in my Annual report - which in this case, it does not.

So let's go into these steps

Step 1 - Eligibility indication

This is the eligibility indicator - In this step, the client selects their activities and the template indicates automatically whether the activity are Taxonomy-eligible and asks them to select their environmental objective (Climate Mitigation or Climate Adaptation), so having the EU taxonomy content build into the platform, allows our customers to focus their time and attention on more strategic tasks.

However, if we think about the actual mapping of their entire list of GL transactions per each activity and the correct classification of the Turnover/Capex/Opex is something that they will for sure need support with from our partners. Also, this will probably require an entire process change when it comes to the actual bookkeeping of those transactions, so that certain tags could be associated to the transactions to be easily picked up for the activity mapping. Again, a great opportunity for our partners to help with that.

Once the activities and environmental objectives are selected, this data is push to Wdata, as it is being used in the next steps.

CLICKS

- Add this as a new activity to Site 3: C24.42 - Aluminum production / 3.8 - Manufacture of aluminum (you can just start typing aluminum and it will appear)

- Select Climate Adaptation in column E

- Push this data back into Wdata - Outgoing connections

Step 2 - Financial alignment

Now that all the activities are selected, the client will need to break down the

Turnover, Capex and Opex per each activity, which can be done in different ways, dependent on their company's specific process. I will first refresh this query to bring the new activity I've selected from Step 1 in Step 2.

At the moment, we kept the model as simple as possible, so partners could build on top of it. This example (Site 1) shows the possibility of doing this breakdown manually. However, as we think about the possibilities on the platform, as you already know, we can integrate directly to our customers source systems, or use an SFTP folder connection, importing or syncing with Excel, to bring the data into the platform in a streamlined and automated fashion, so this is another example where our partners can bring in their expertise.

CLICKS

- Go to Site 3 and refresh the Wdata incoming connection

- Then push this data back into Wdata - refresh the outgoing connection

Like in this example, the data is coming directly from a system and is brought into this step, so in case of a last minute update, the client will only need to click on this Refresh button and they will be confident in the data they're reporting being up to date.

Moreover, audit trail is embedded throughout our entire platform, so we can see when was the last time an update was done, but also, the history is so granular, that we can actually see each individual change to the cell level and who was the person that did the change, at what time and date.

So now that I've got the breakdown, I can push this data to Wdata to be used in the next step.

Step 3 - Substantial Contribution

Now we'll be testing if those activities are making a substantial contribution to the environment objectives selected in Step 1. This means that, based on the technical screening criteria, the economic activity either has a substantial positive environmental impact or substantially reduces negative impacts of the activity on the environment.

CLICKS

- Go to Site 3 and refresh the Wdata incoming connection

- Then push this data back into Wdata - refresh the outgoing connection

All the content from the EU taxonomy compass (check it our here) is embedded into our data model, so as the client will refresh this step to bring in the new activity added in Step 1, the content relevant for that comes in, so they only need to focus on analyzing and deciding if that activity meets or not the substantial contribution criteria.

So how do they actually decide if the activity meets or not the substantial contribution criteria? This is where our partners come in, to bring their SME, calculations or template and configure them during the implementation, so that it could support the Yes or No reply.

Like in this example, where the emissions' data, which has been already collected previously in the E section, is used for the EU taxonomy as well, so this step tells me automatically if the activity meets or not the criteria.

Step 4 - **Do no significant harm & Step 5 - Minimum social safeguards**

Step 4 and step 5 take the data from previous steps and test further in a similar way if the activities meet the Do no significant harm criteria and the subsequent Minimum social safeguards. We'll not go into the details, as the process is similar to

Step 3.

In the same fashion, clients need advise on determining if their activities meet the do no significant harm criteria and the minimum social safeguards, something which Workiva will not provide, but where we would rely on our partners to offer those services to the customers.

So a lot of considerations will come to play in order to determine the compliance for each activity - in the end, our customers will have a choice to either prepare all those supporting calculations and documentations on the Workiva platform, which is highly recommended, or keep it simple, but with less automation.

If they want to keep the model simple, they could also just use our attachment function to attach all the documentation, like memos from advisors, emails from colleagues, calculations and the likes, to the cell level, supporting that decision.

CLICKS

• Show this either in the SS (Generate disclosures section), or in the ESG report - refresh the query for the Turnover table as an example (have Track changes on - for the changes to be visible)

Once all steps are completed, the disclosure tables for the Turnover, Capex and Opex can be automatically generated, by just clicking on this refresh button, not needing to update any table formatting, calculation, adding new rows or managing any formulas. All is done by our data aggregation capabilities native to our platform, decreasing the risk of manual errors and enhancing data control and governance. These tables are the ones recommended by the EU taxonomy, and they can be added to any output required by the client, like we have it here for example, in the ESG report.

This entire process can be managed by our workflow capabilities, so that people could be assigned to those different steps and be given automatically the appropriate permissions.

• Show the Process for EU Taxonomy

• Go back to Validations in the SS

Also, as we go now back to the Validations, we can see that the turnover in both the Annual report and the EU taxonomy disclosure is exactly the same, so our clients have trust and transparency that they are consistent across all their reporting disclosures.