EU Taxonomy Guide

Workiva

EU Taxonomy

Key ESG Regulation for large companies in Europe

NFRD

Non-Financial Reporting Directive

Requires large public-interest companies with 500+ employees to report on business impact, development, performance and position relating to a set list of non-financial issues.

Currently in Application

EU Taxonomy

Environmental Classification System

Establishes a list of environmentally sustainable economic activities by industry sector requiring companies to report how their business aligns with eligible/ non-eligible activities.

Adopted for FY 2022

CSRD

Corporate Sustainability Reporting Directive

Will require all large companies (>250 employees) to report on ESG risks and impacts in a consistent and comparable way, including external assurance and digital tagging.

Proposed for FY 2023

+

More is coming:

Growing list of activities in EU Taxonomy, Social Taxonomy, Due Diligence for Value Chains, ...

You are here.

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What is the EU Taxonomy?

An Environmental Classification System that establishes a list of environmentally sustainable economic activities by industry sector requiring companies to report how their business aligns these activities.

What is reported?

- **Proportion of turnover**
- **Proportion of CapEx and OpEx**

For FY 2022: report for eligible and non-eligible activities

Starting FY 2023: report for aligned activities

Who needs to report?

Large companies in the EU that are required to disclose non-financial information under the **NFRD / CSRD (future)**

Mandated by when?

From 2023 for all companies: applies to fiscal year-end 2022 for all non-financial institutions*

*Applies to Financial Institutions in 2022 for fiscal year-end 2021

More

The **Environmental Taxonomy** is still evolving. An **EU Social Taxonomy** will follow.

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How to apply the EU Taxonomy Article 8: Disclosure

Identify eligible activities	Substantial contribution?	No significant harm?	Minimum safeguards?	Calculate KPIs
eligible	aligned	aligned	aligned	disclose

Sustainable activities included in the EU Taxonomy

To one or more of the EU environmental objectives (Use Technical Screening Criteria):

1. **Climate Change Mitigation**
2. **Climate Change Adaptation**
3. **The sustainable use and protection of water and marine resources**
4. **The transition to a circular economy**
5. **Pollution prevention and control**
6. **The protection and restoration of biodiversity and ecosystems**

Comply with global social standards:

- **OECD**
- **UN**
- **ILO**

Share of revenue

Share of CapEx and OpEx

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How to apply the EU Taxonomy Article 8: Disclosure

Identify eligible activities	Substantial contribution?	No significant harm?	Minimum safeguards?	Calculate KPIs
eligible	aligned	aligned	aligned	disclose

Identify eligible activities: Test eligibility by selecting NACE codes and the corresponding economic activities

Substantial contribution?: Select if the Substantial Contribution Criteria based on the selected Environmental Objective is met

No significant harm? / Minimum safeguards?: For each of the other 5 environmental objectives, select whether the DNSH (Do No Significant Harm) assessment has been done and whether the result is positive or not. Also input whether Minimum Social Safeguards are met.

Calculate KPIs: Based on your inputs the final EU Taxonomy disclosure for Turnover, CapEx and Opex is auto-generated.

Eligibility Indicator | **Objective Selection** | **Built-in Assessment** | **Disclosure Generator**

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Project Delivery

High-level Implementation Method

Client Current State

Unstructured data sources

- Email
- Excel
- Sharepoint

Structured data sources

- What structured data sources will be used? (e.g. Workday, ADP)

Data providers

- Number of Data Providers
- Consolidated or granular data?

Frameworks / Surveys

- GRI-SASB-TCFD-SDG-CDP-EU Taxonomy
- Others Provided by Client

Reports

- What reports will be part of implementation? (e.g. ESG report, presentations, surveys)

Phases

Phase 1: Align

Establish consistency in expectations according to the statement of work, timelines and objectives.

Phase 2: Discover

Thoroughly understand the current process, requirements, controls and data systems involved.

Phase 3: Design

Develop, recommend, and establish a scalable process that meets the customers needs and is aligned with Workiva best practices.

Phase 4: Build

Replicate and test the designed solution in accordance with the Statement of Work.

Phase 5: Enable

Provide documentation, and training allowing the client ESG team to successfully maintain and iterate off of the delivered solution.

Go-Live

Project hand-off and onboarding services completion.

Project Deliverables

Platform Deliverables

1. Data Collection

- Data collection sheets
- Data collection process

2. Frameworks / Standards / Surveys

- Framework/survey indicators
- Framework/survey mapping

3. Factbook

- Framework indices
- Key data points for reporting

4. Reporting Outputs

- ESG Report

Training & Documentation

- Core ESG team training
- Data provider training
- Data model documentation

Project Management

- Workiva resourcing
- Status updates and meetings

Key Build Activities and Responsibilities

1. Data Collection — **2. Frameworks / Standards / Surveys** — **3. Factbook** — **4. Reporting Outputs**

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1. Data Collection

- Data collection discovery
- Import data collection templates and tailor to client specification
- Assign data owners and reviewers
- Set up permission structure
- Provide data collection training

2. Frameworks / Standards / Surveys

- Framework discovery
- Set up in scope frameworks
- Set up metrics / indicators
- Assign permissions
- Set up disclosure level mapping to data collection sheets
- Provide framework management training

3. Factbook

- Set up factbook with relevant data points for reporting outputs
    - Frameworks Indices
    - Survey structures
    - Performance data tables
- Provide factbook training

4. Reporting Outputs

- Set up in scope reporting outputs
- Configure report layout and import style guide
- Assign preparers and reviewers
- Establish data linkages from factbook to reports
- Provide report training
- Submit Doc set-up if needed

Client

1. Data Collection

- Provide relevant data points, mapping, existing collection sheets, data reports from systems
- Provide roles/ responsibilities
- Provide conversion calculations
- Validate design and build
- Assign permissions to end-users

2. Frameworks / Standards / Surveys

- Provide summary of ESG frameworks, relevant data points
- Provide framework mapping guidance
- Provide roles/ responsibilities
- Validate design and build
- Assign permissions to end-users

3. Factbook

- Provide relevant data tables for presentation in reports
- Provide existing framework / survey presentations
- Validate design and build
- Assign permissions to end-users

4. Reporting Outputs

- Provide existing reports in editable format (.docx)
- Provide brand guidelines in form of style sheet/guide
- Validate design and build

Initial Implementation Timeline

Month 1 | Month 2 | Month 3 | Month 4 | Ongoing reporting process

ESG Data Collection

Amending and duplicating templates to capture qualitative & quantitative data

Align → Discover → Design → Build & Enable → Go-Live

ESG Framework Management

Mapping and Modeling of core frameworks and questionnaires to meet clients reporting needs

Align → Discover → Design → Build & Enable → Go-Live

ESG Factbook

Template creation to meet client reporting needs

Align → Discover → Design → Build & Enable → Go-Live

ESG Report Build

Import most recent report content into Workiva, link to Performance Data, Discovery with InDesign Team and allow for SEC team data to be linked

Align → Discover → Design → Build & Enable → Go-Live

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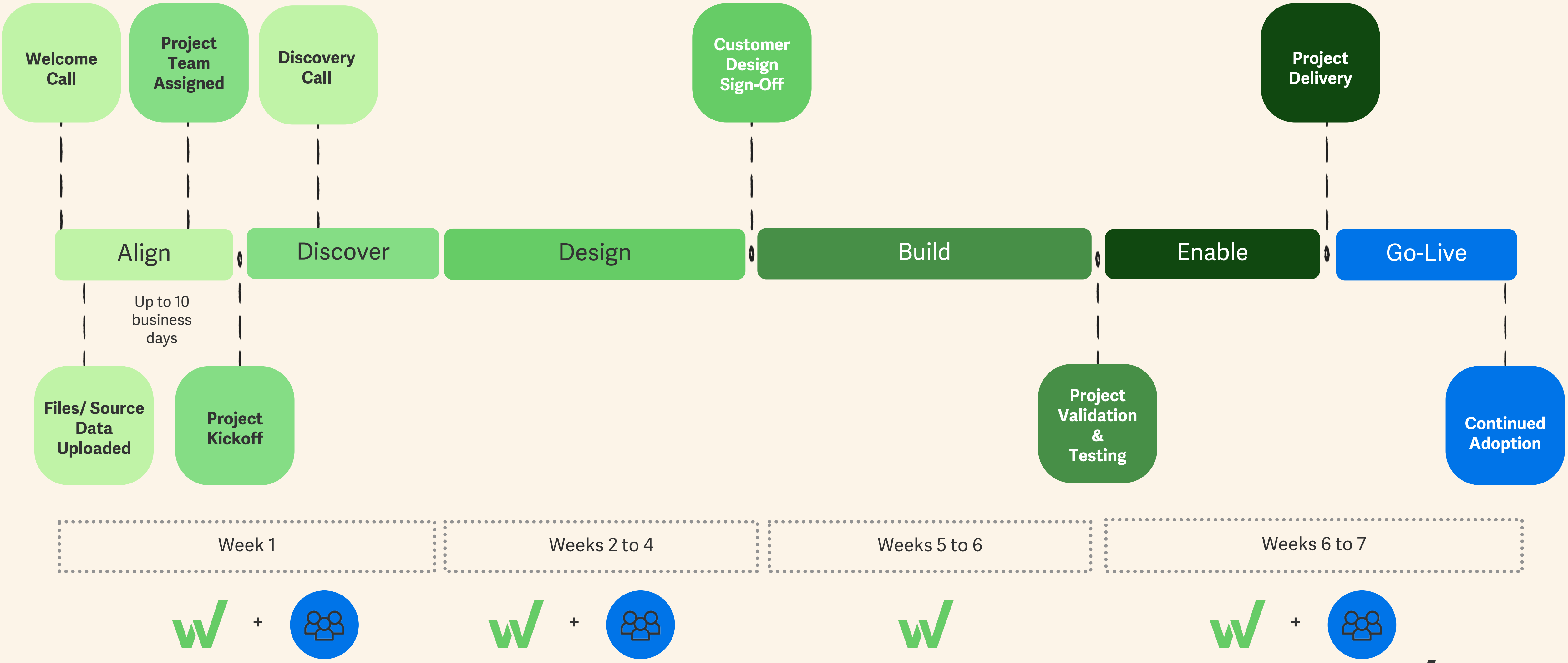
Delivery Timeline



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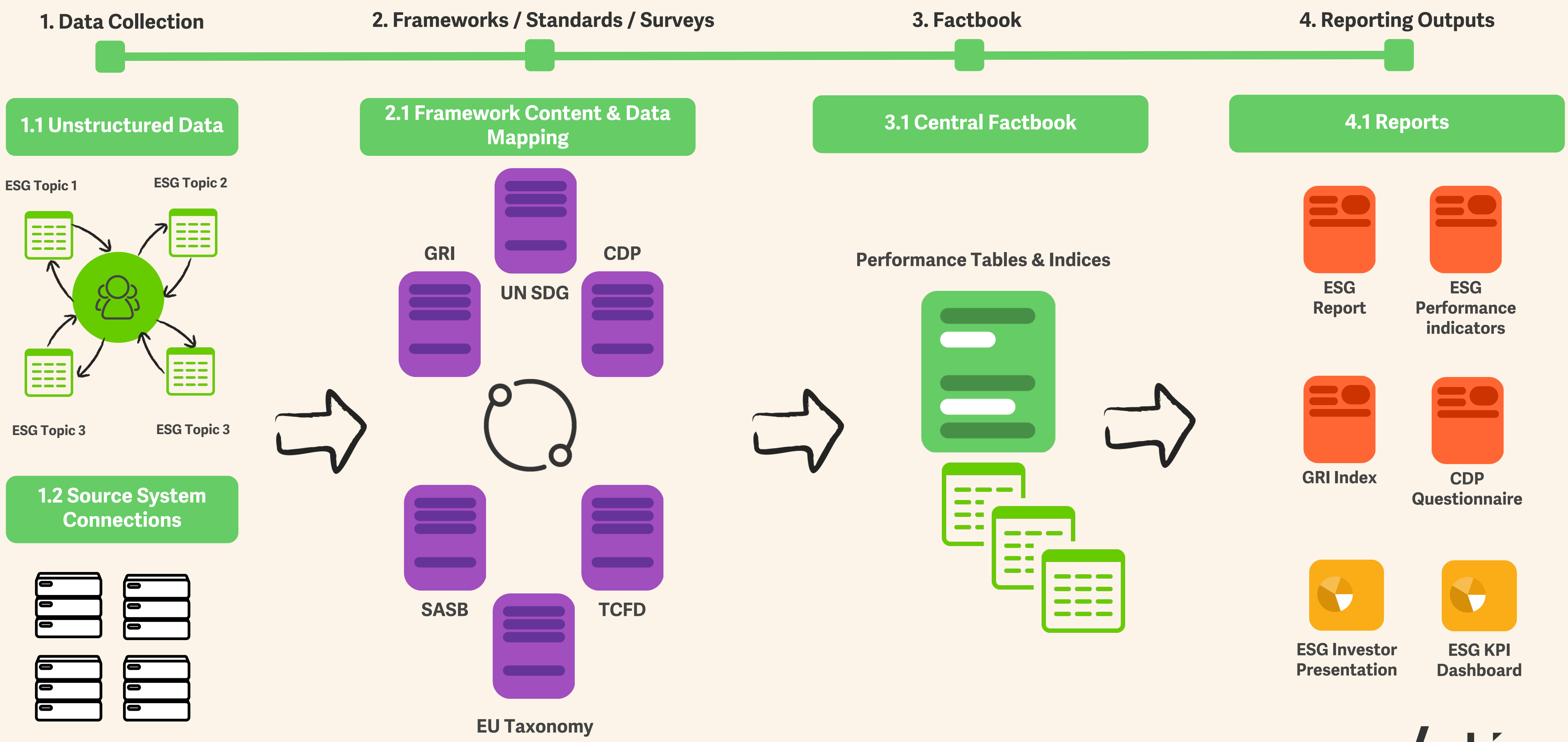
Deployment Options & Outcomes

Indicative Example - for discussion

		Accelerated Delivery	Standard Delivery	Advanced Delivery
		5-7 weeks	**6-8 weeks**	**12-14 weeks**
Frameworks / Questionnaires *(timelines assume customer has documentation of material indicators and a high-level mapping across in-scope frameworks)*	2 Frameworks + 1 Questionnaire	■	■	
	3 Frameworks + 3 Questionnaires			■
Data Collection	No data collection templates	■		
	Consolidated data collection templates		■	
	Granular data collection templates			■
	Data integration			■
Report Output	Report structure/outline only	■	■	
	Fully designed report			■

ESG Project Workstreams & Platform Deliverables



Names of reports. frameworks, questionnaires and standards above are examples and not representative of the scope of the project.

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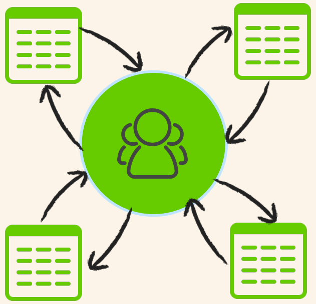
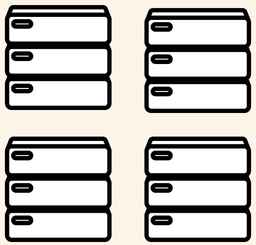
Data Collection

1. Data Collection | 2. Frameworks / Standards / Surveys | 3. Factbook | 4. Reporting Outputs

1.1 Unstructured Data



1.2 Source System Connections



1. **ESG template data collection and workflow**
   a. Connected Processes will kick off the data collection with an email to the data provider
   b. Permissioned Granular data collection templates being mapped at the disclosure level
      i. 1-1 data points used to populate disclosures
   c. Typically, what you see reported in a framework index or summary table, flexibility to get more granular
   d. ESG Data Lakes or source system confirmation
      i. Using source system data reports as the starting point
      ii. Further data manipulation in Wdesk
2. **Performance indicator granular data points**
   a. Breakdown of above mentioned aggregated data points
   b. Typically, represented in performance report tables
   c. Require more prescribed data collection mapping
   d. Will need to be created on the basis of client provided examples (per project)
   e. Example: GHG calculation

Names of reports. frameworks, questionnaires and standards above are examples and not representative of the scope of the project.

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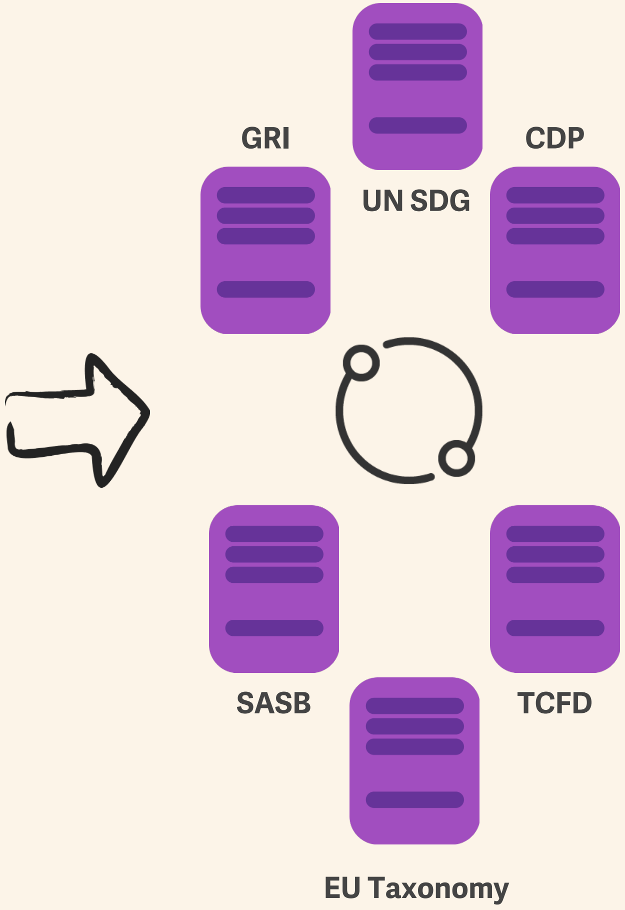
Frameworks / Standards / Surveys

1. Data Collection | **2. Frameworks / Standards / Surveys** | 3. Factbook | 4. Reporting Outputs

2.1 Framework Content & Data Mapping



Frameworks

Proprietary Framework mapping guidance on core five partner frameworks and questionnaires:

- GRI, SASB, TCFD, CDP, SDG

Questionnaire and Customizable Mapping Template build out with client; examples:

- Ecovadis, DJSI, Bloomberg, etc.

Disclosure level mapping with the ability to add custom granularity

- Disclosure Level mapping
  - Ready to report numbers; aggregated numbers
  - Less room for interpretation
- Data point mapping - custom addition
  - Time-consuming - Most prescribed level of data
  - Adding tags from the Data Collection template to the framework mapping items Spreadsheet

Names of reports. frameworks, questionnaires and standards above are examples and not representative of the scope of the project.

Factbook

1. Data Collection | 2. Frameworks / Standards / Surveys | **3. Factbook** | 4. Reporting Outputs

ESG Fact Book

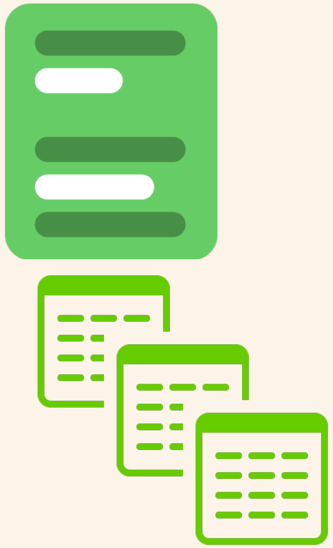
This will be used to stage the all types of data collected including:

- Metric specific data points, one level deeper than the disclosure level
- Disclosure level data, used to satisfy framework disclosures and questionnaires

This goes hand in hand with the (custom) granular data collection sheets we set up for clients per project - the level of data that is reported needs to be accounted for in what the data collection can facilitate.

3.1 Central Factbook

Performance tables & Indices



Consists of the following elements:

- Connected Sheet to aggregation query
- Ready to link Framework Indices utilizing formulas from the connected sheet
- KPI and Performance table templates - enable clients to generate key tables
- Ad-hoc Query templates - can be used to extract data for ad hoc data requests, agnostic of framework
- Mapping across frameworks

Names of reports. frameworks, questionnaires and standards above are examples and not representative of the scope of the project.

Reporting Outputs

1. Data Collection — 2. Frameworks / Standards / Surveys — 3. Factbook — **4. Reporting Outputs**

Two types of report builds and outputs:

1. **InDesign focused build:**
    - Foundational build focusing on reoccurring indices, tables, graphs and narratives
    - Important factors: Outline and Style Guide
    - Client's design team will have the ability to export an InDesign file for seamless Workiva → Design Formatting
    - Build utilizes consulting hours for a basic build
2. **Full Document Set-up:**
    - Used for ESG reports that are light on formatting
    - Common in emerging clients
    - COA ticket for Doc Set-up
    - **Some copywriting partners may own document set-up and formatting

4.1 Reports

- ESG Report
- ESG Performance indicators
- GRI Index
- CDP Questionnaire
- ESG Investor Presentation
- ESG KPI Dashboard

Names of reports. frameworks, questionnaires and standards above are examples and not representative of the scope of the project.

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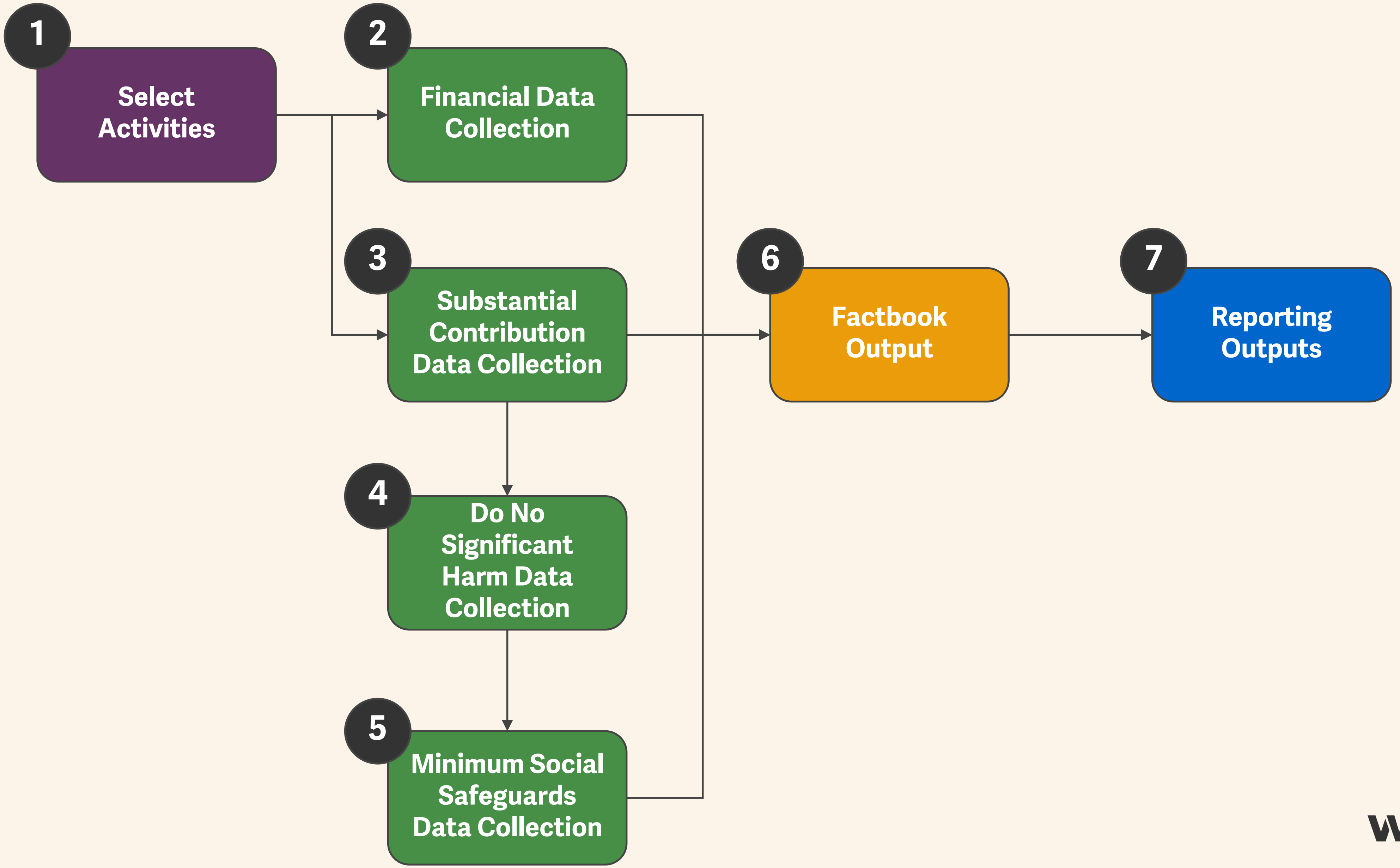
Setup Steps

Process Overview



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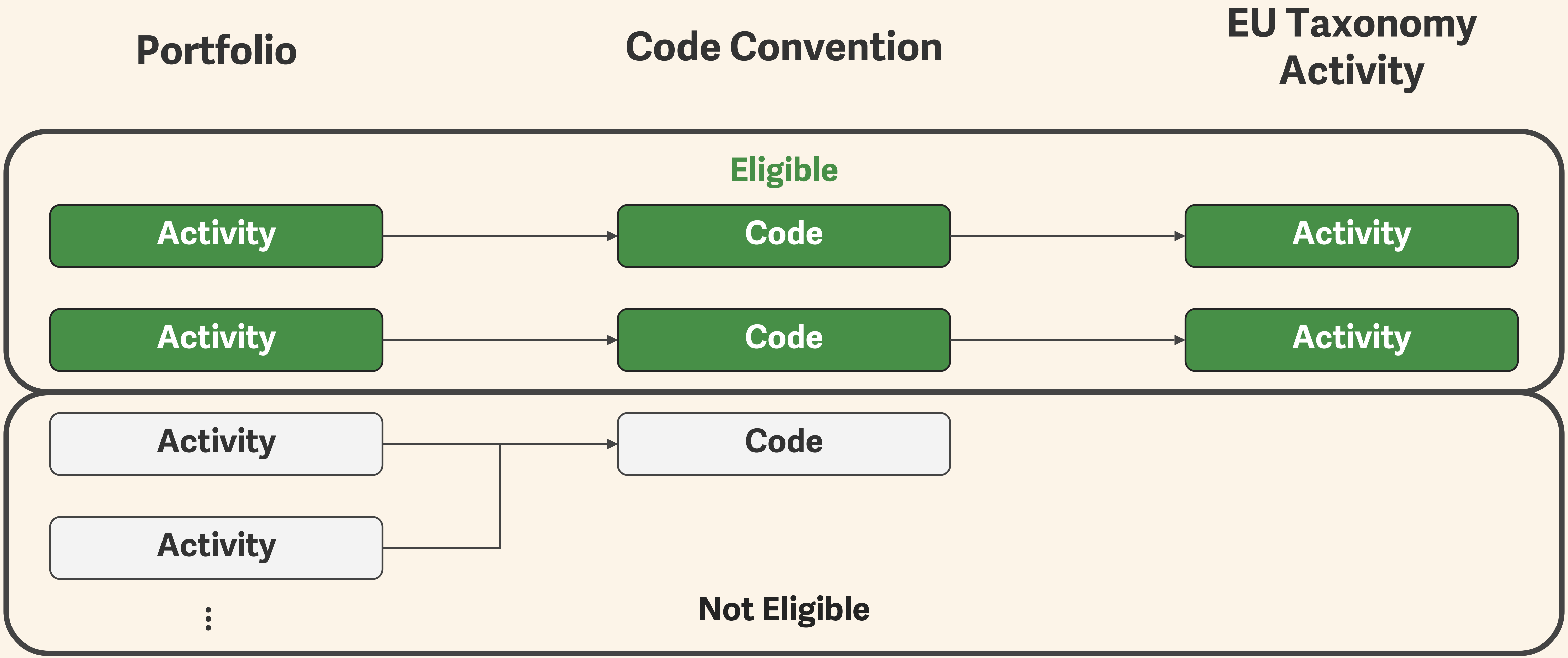
Select Activities



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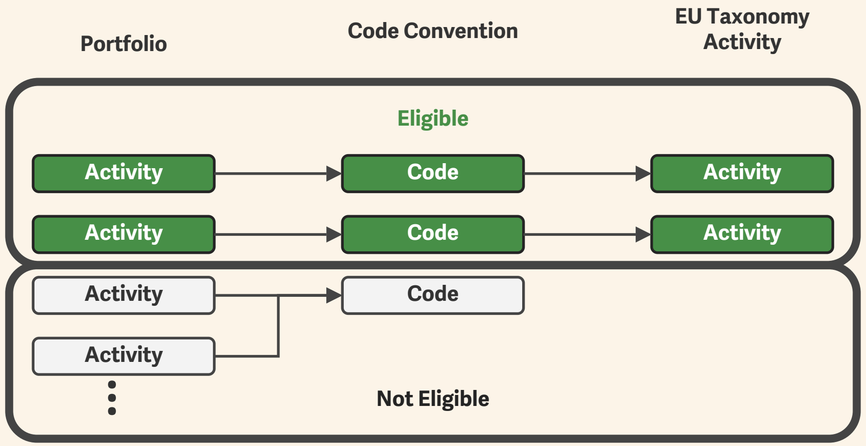
Select Activities

1. Select Activities — 2. Data Collection — 3. Factbook — 4. Reporting Outputs



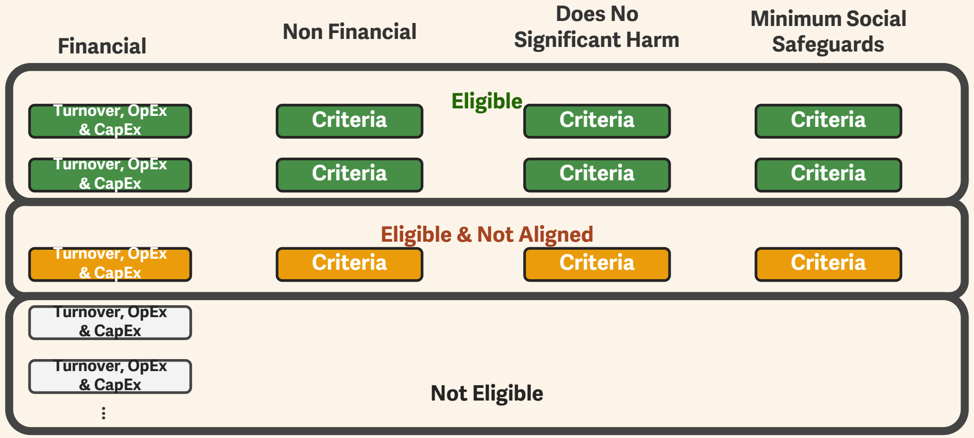
1. **EU Taxonomy Activity Selection Template**
   a. Standardized template to bring in business activities
   b. EU Taxonomy Activity Content is part of template to automate indication if activity is eligible
   c. NACE Code is default code convention to align business activities
      i. Partner/client are responsible to import and maintain code conventions like NACE, BICS, TRBC, etc.
   d. Once the activities have been selected, the out going connection from the spreadsheet will need to be refreshed

Data Collection

Financial	Substantial Contribution	Does No Significant Harm	Minimum Social Safeguards
Eligible			
Turnover, OpEx & CapEx	Criteria	Criteria	Criteria
Turnover, OpEx & CapEx	Criteria	Criteria	Criteria
Eligible & Not Aligned			
Turnover, OpEx & CapEx	Criteria	Criteria	Criteria
Not Eligible			
Turnover, OpEx & CapEx			
Turnover, OpEx & CapEx			
⋮			

Data Collection

1. Select Activities — **2. Data Collection** — 3. Factbook — 4. Reporting Outputs



1. **All Data Collection**
   a. An incoming connection to the spreadsheet is used to automatically generate the list of activities for each data collection template
   b. An outgoing connection is needed to push the data collected into the Wdata table
2. **Financial Data Collection**
   a. For Corporates (non-FS&I), Turnover, OpEx and CapEx need to be collected for all of their business activities no matter if they are eligible or not
3. **Non Financial (Substantial Contribution Criteria) Data Collection**
   a. Each eligible activity will need to be evaluated based on the specific Substantial Contribution Criteria for the environmental objective chosen
4. **Does No Significant Harm (DNSH) Data Collection**
   a. If the activity meets the Substantial Contribution Criteria, the activity will also need to meet the DNSH criteria for the remaining 5environmental objectives
5. **Minimum Social Safeguards Data Collection**
   a. If the SCC and DNSH criteria are met, the activity will also need to be the Minimum Social Safeguard criteria

Disclosure Table for Turnover, OpEx and CapEx

					Substantial Contribution Criteria						Does No Significant Harm									
	Economic Activity	Code	Absolute	Proportion	Climate Mitigation	Climate Adaptation	Water	Circular Economy	Pollution Prevention	Biodiversity	Climate Mitigation	Climate Adaptation	Water	Circular Economy	Pollution Prevention	Biodiversity	Minimum Safeguard	Taxonomy Aligned Proportion CY	Taxonomy Aligned Proportion PY	Enabling / Transitional
Eligible and Aligned Activities					100 %							Y	Y	Y	Y	Y	Y			
						100 %					Y		Y	Y	Y	Y	Y			
Eligible and Not Aligned Activities																				
Non-Eligible Activities																				

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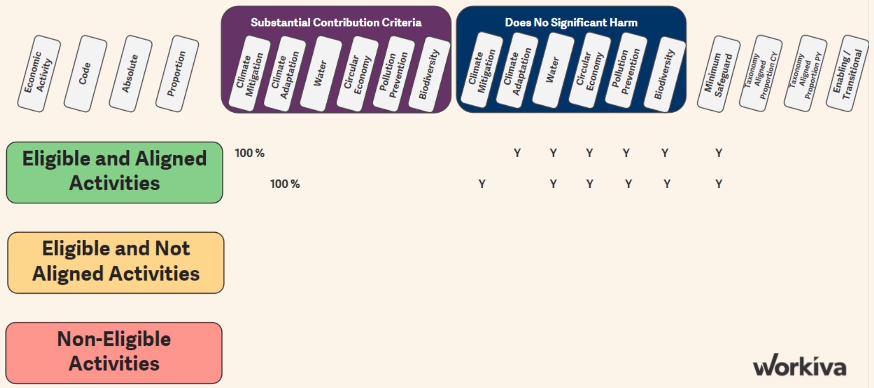
Factbook

1. Select Activities   2. Data Collection   **3. Factbook**   4. Reporting Outputs



Used to stage data points and disclosures before linking out to the various reporting outputs.

Disclosure tables for Turnover, CapEx and OpEx are automatically generated with an incoming connection. Partner/Client can update conditional formatting to update the table styles.

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Reporting Outputs

1. Select Activities   2. Data Collection   3. Factbook   **4. Reporting Outputs**

The EU Taxonomy disclosure tables can be linked to various reporting outputs including the Annual Report, ESG Report and/or ESG Investor presentation.

ESG Report

Annual Report

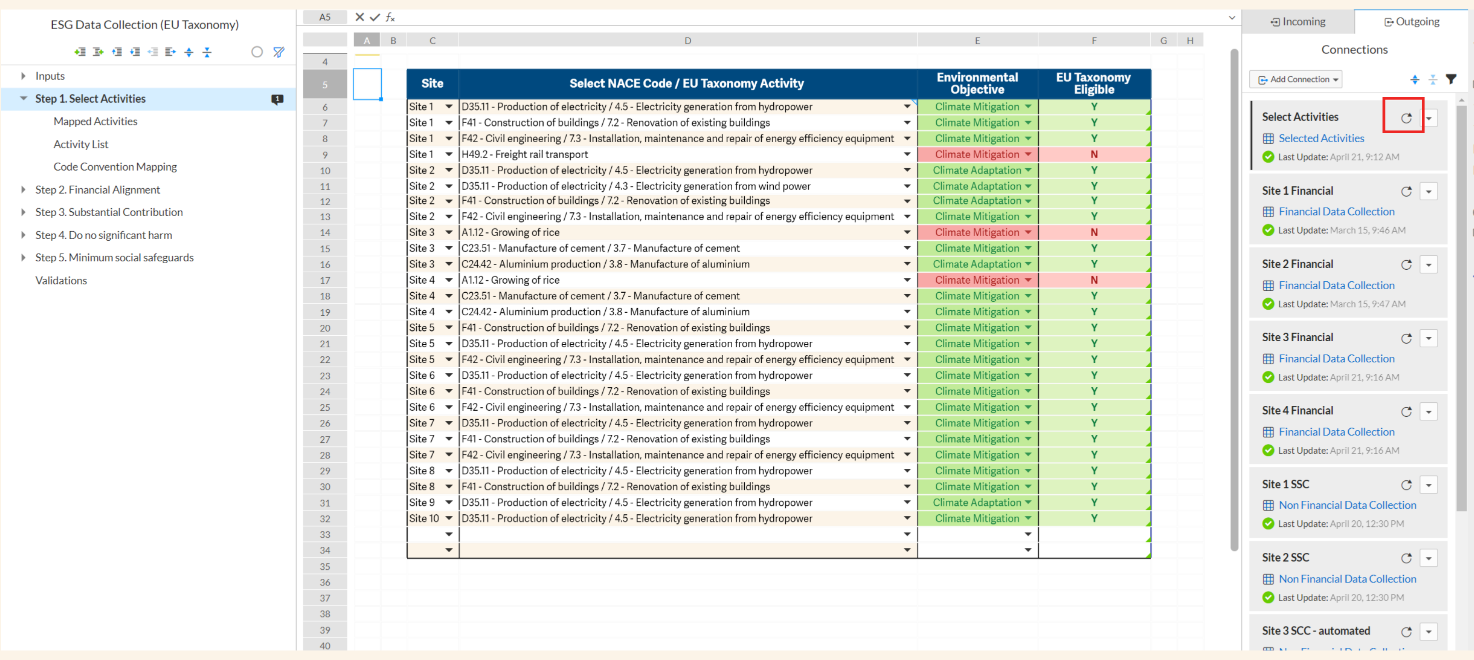
ESG Investor Presentation

Process Flow

Data Collection Setup Steps 1/2

The following describes the key steps to setup the Data Collection templates for the EU Taxonomy module.

Step 1: Select Activities



1.1 Push Selected Activities to Wdata Table

Refresh the outgoing connection from the Select Activities sheet to the Select Activities table.

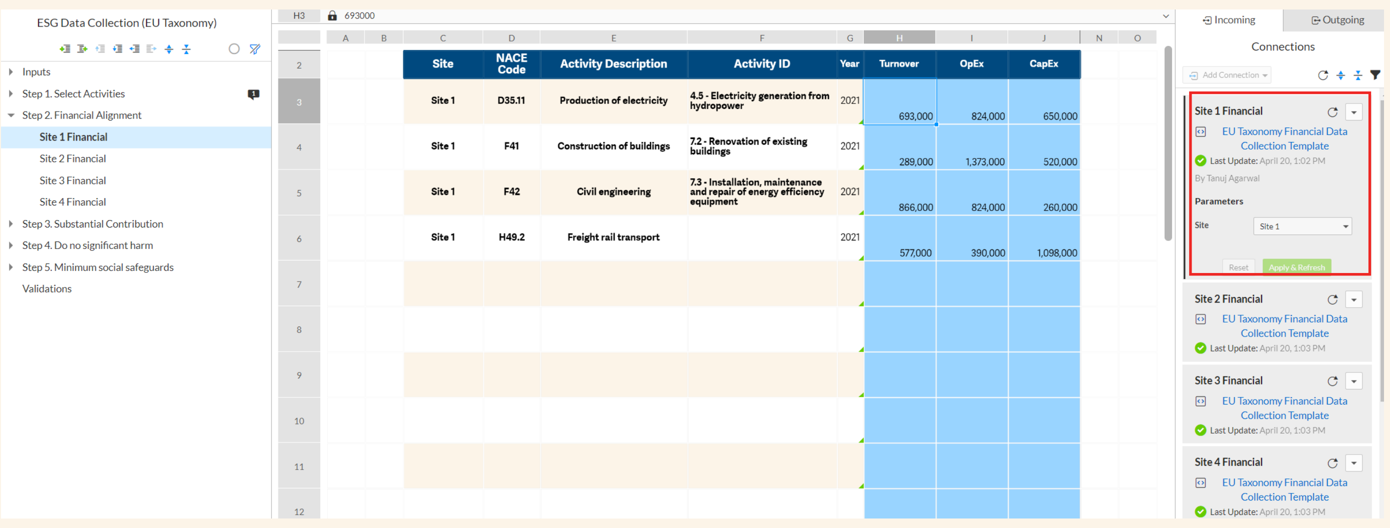
To find existing connections for the Data Collection spreadsheet, click on the connection icon in the Right toolbar and view the outgoing connections.

Step 2: Financial Data Collection

2.1 Update Financial Data Collection Template

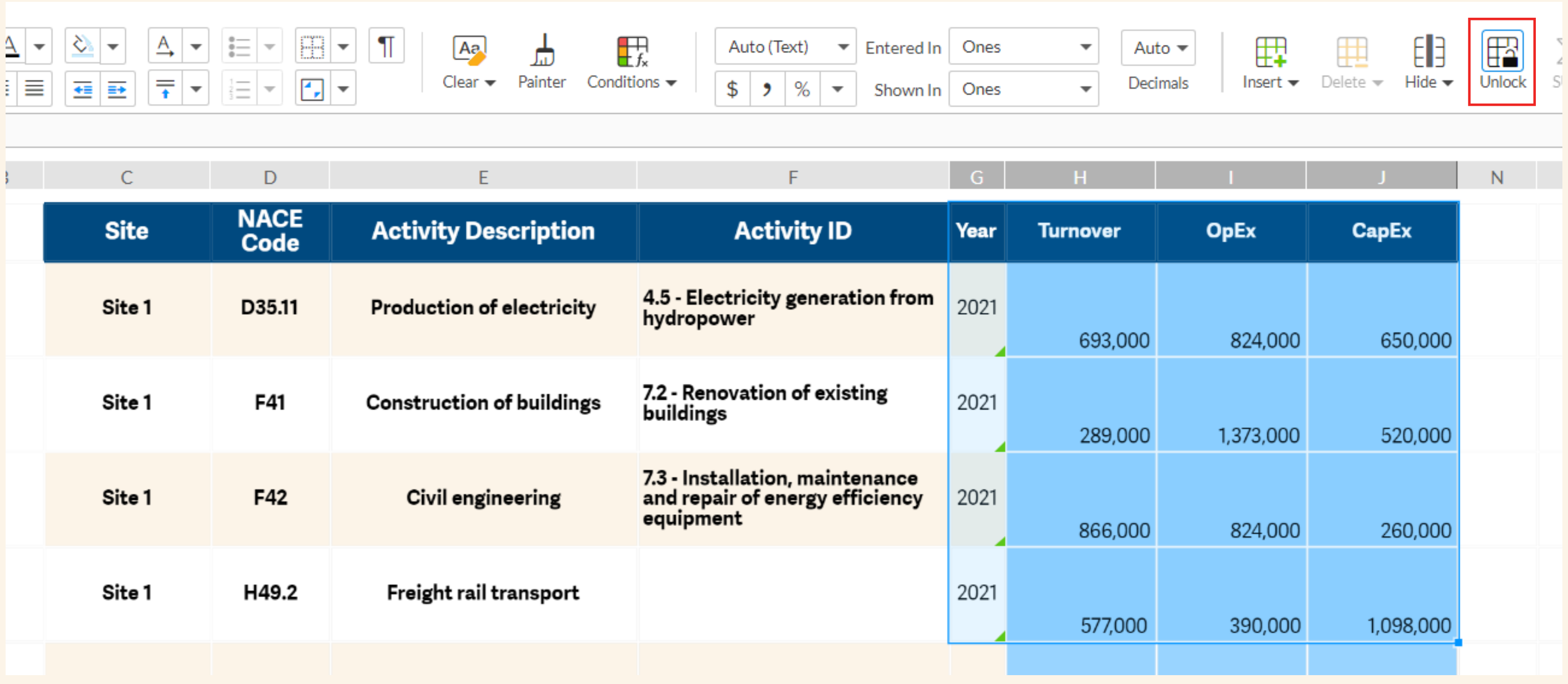
Navigate to the Step 2. Financial Alignment section of the Data Collection spreadsheet.

Open the Connections Right Panel and find the Incoming Connection for the sheet. Ensure the correct breakdown parameter is chosen (ex Site 1) and refresh the connection.



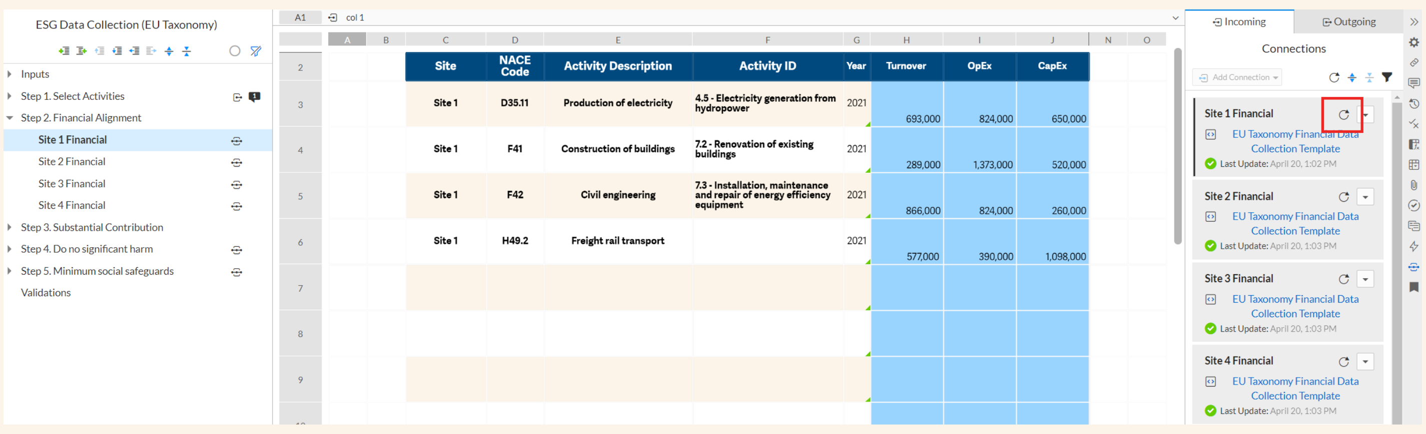
Note: You Must Lock Columns Before Any Data Collection Template Update From a Query

For all templates within the EU Taxonomy Data Collection spreadsheet, you must lock the columns that do not originate from the query response otherwise the content will be removed from those columns.

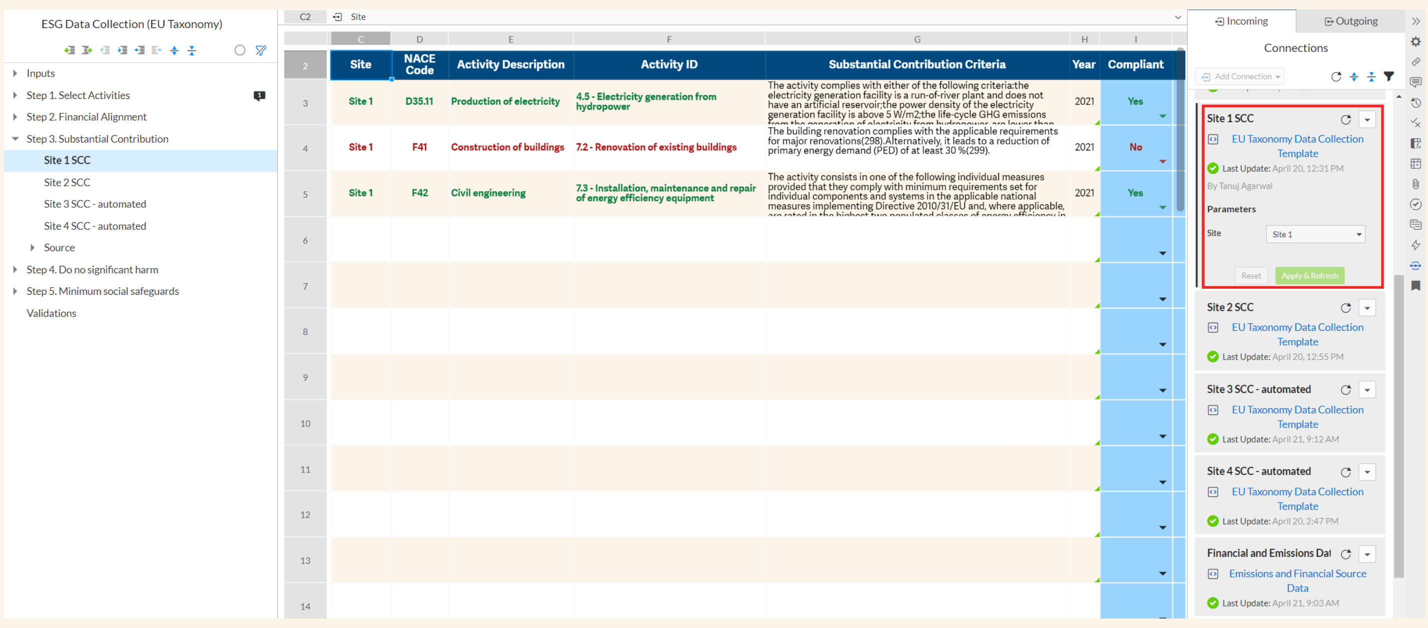


2.2 Push Financial Data to Wdata Table

Refresh the Outgoing Wdata connection from the Financial Alignment Data Collection sheet to the Wdata table



Step 3: Substantial Contribution Data Collection



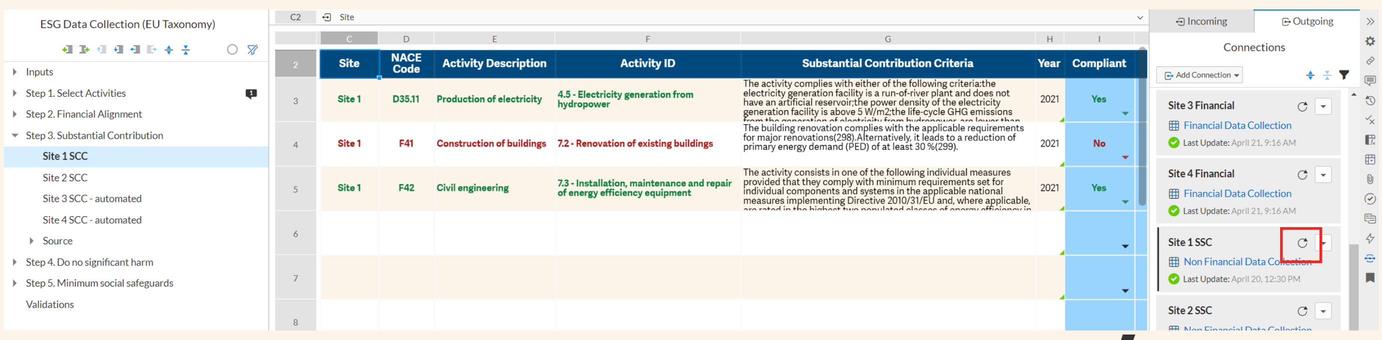
3.1 Update Substantial Contribution Data Collection Template

Navigate to the Step 3. Substantial Contribution section of the Data Collection spreadsheet.

Similar to the Financial Template, open the Connections Right Panel and find the Incoming Connection for the sheet. Ensure the correct breakdown parameter is chosen (ex Site 1) and refresh the connection.

3.2 Push Substantial Contribution Data to Wdata Table

Refresh the Outgoing Wdata connection from the Substantial Contribution Data Collection sheet to the Wdata table



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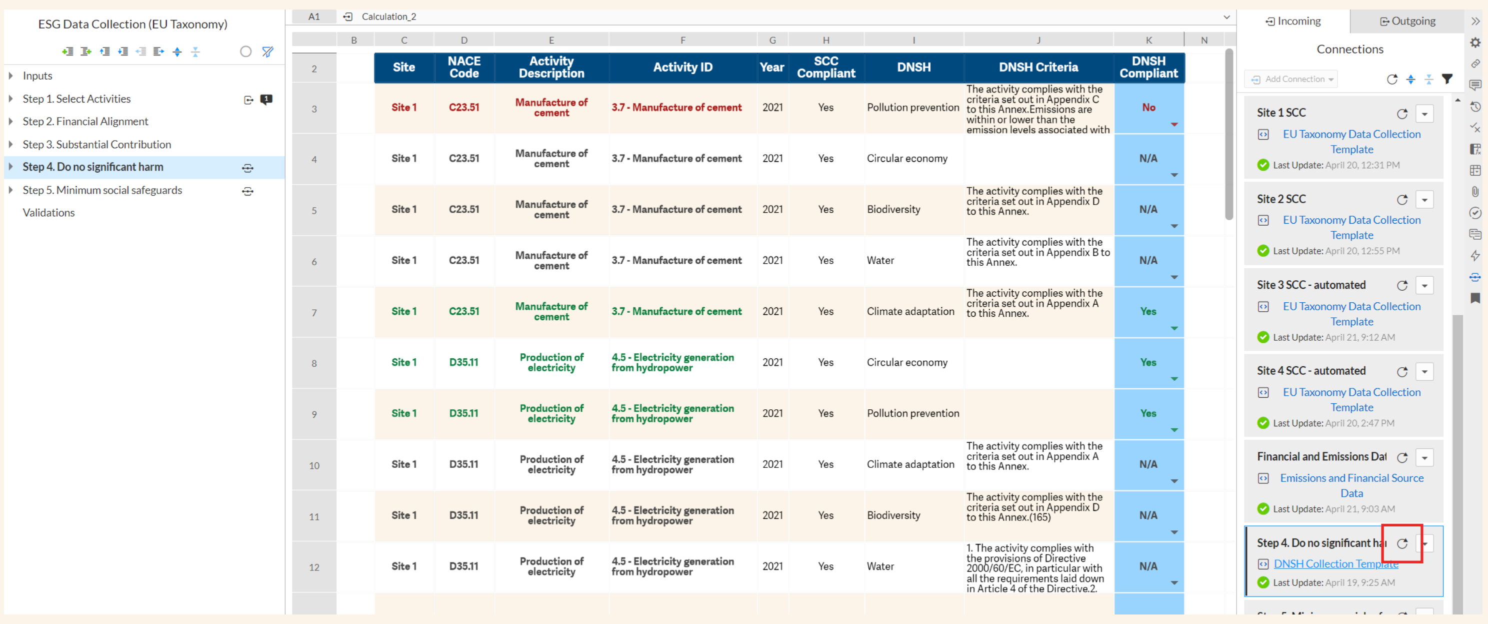
Data Collection Setup Steps 2/2

Step 4: Do No Significant Harm Data Collection

Note: Only Activities that meet the Substantial Contribution Criteria will appear in the Do No Significant Harm Data Collection template



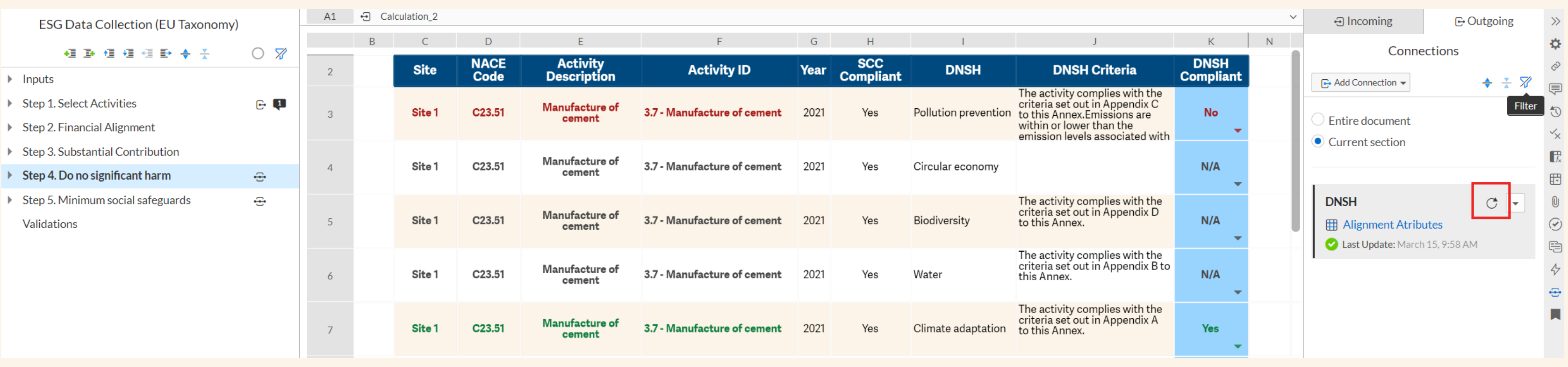
4.1 Update Do No Significant Harm Data Collection Template

Navigate to the Step 4. Do No Significant Harm section of the Data Collection spreadsheet.

Similar to the Financial Template, open the Connections Right Panel and find the Incoming Connection for the sheet and refresh the connection.

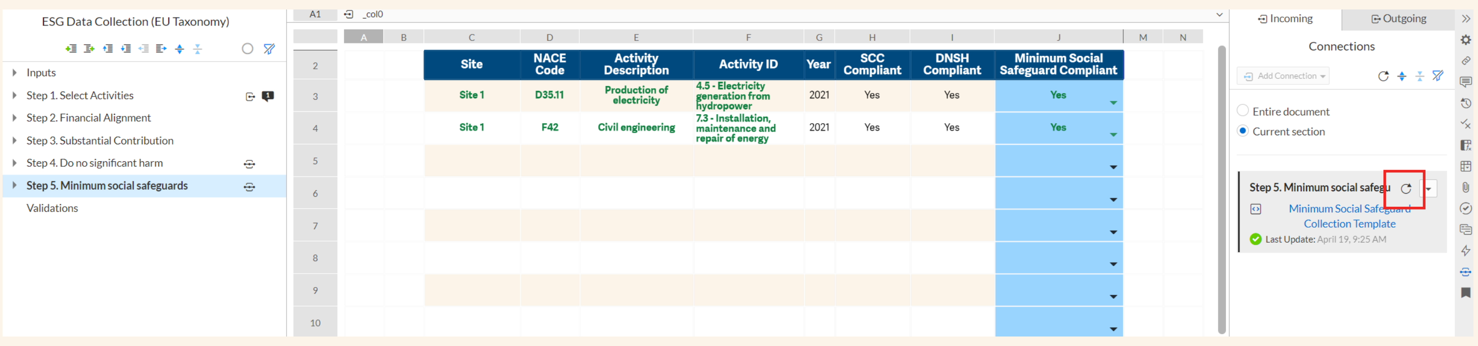
4.2 Push Do No Significant Harm Data to Wdata Table

Refresh the Outgoing Wdata connection from the Do No Significant Harm Data Collection sheet to the Wdata table



Step 5: Minimum Social Safeguards Data Collection

Note: Only Activities that meet the Do No Significant Harm Criteria will appear in the Minimum Social Safeguards Data Collection template



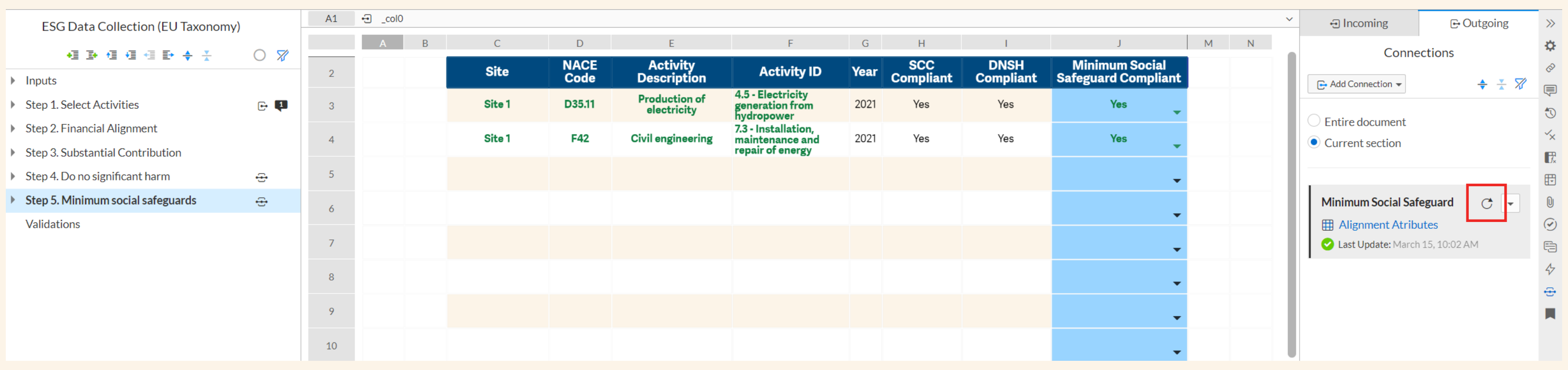
5.1 Update Minimum Social Safeguards Data Collection Template

Navigate to the Step 5. Minimum Social Safeguards section of the Data Collection spreadsheet.

Similar to the Financial Template, open the Connections Right Panel and find the Incoming Connection for the sheet and refresh the connection.

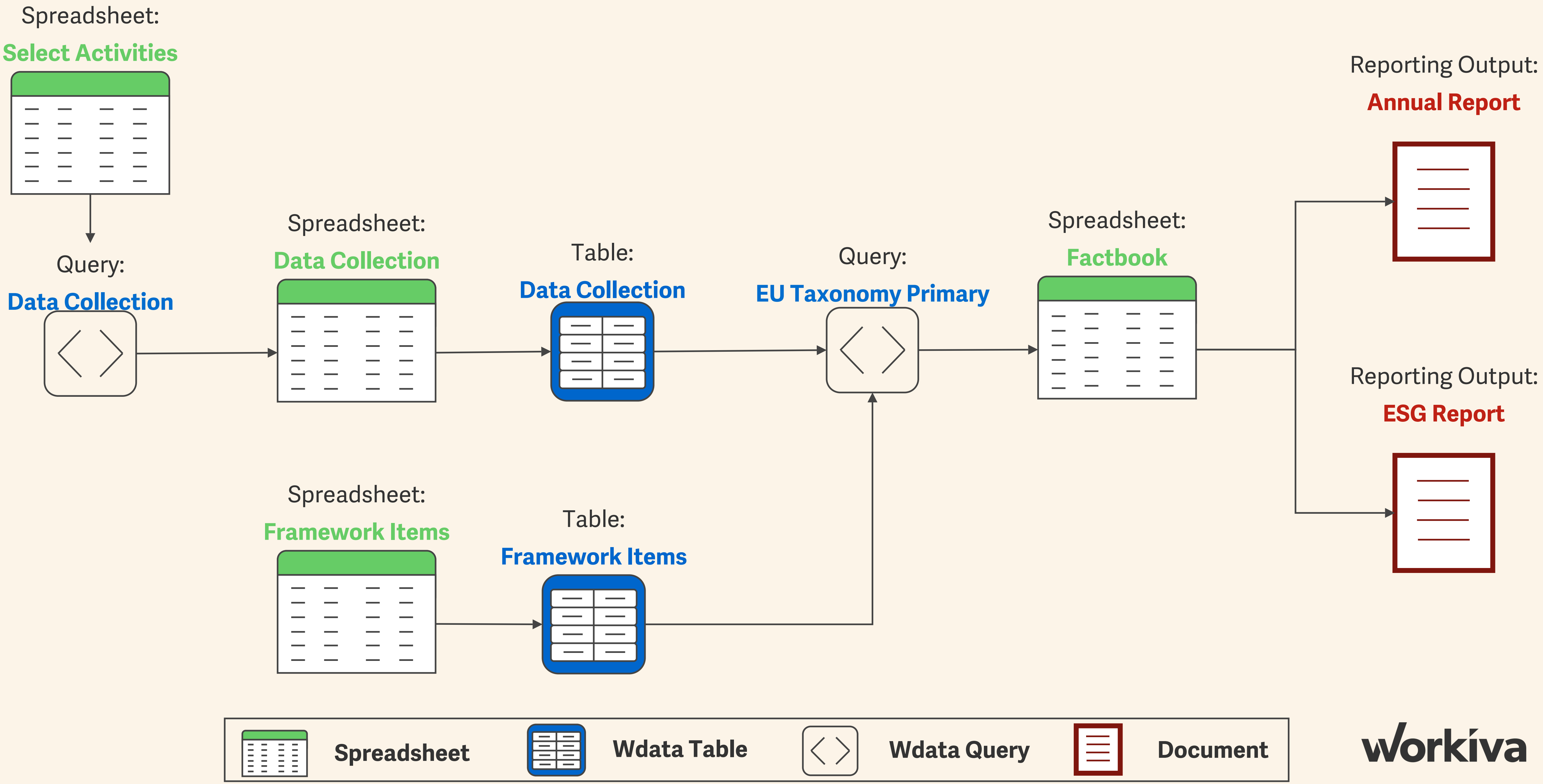
5.2 Push Minimum Social Safeguards Data to Wdata Table

Refresh the Outgoing Wdata connection from the Minimum Social Safeguards Data Collection sheet to the Wdata table



Technical Overview

High Level Data Flow - EU Taxonomy



Process flow in Workiva - Technical