



EU Taxonomy

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What is EU Taxonomy?

- Classification system for economic activity related to sustainability
- Tool to identify and define which economic activities compliant with EUs Sustainability Goals
- Introduced in 2020 to support companies and investors to identify sustainable investments
- Mandatory in 2023 for Norwegian companies in scope



EU Taxonomy – Why?

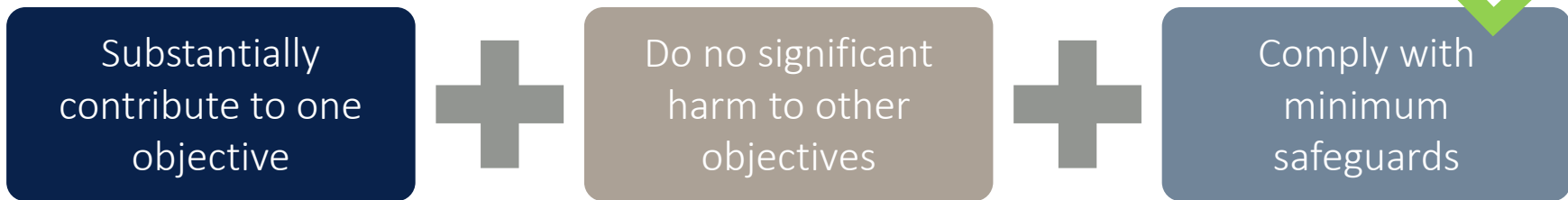


In order to meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, ***it is fundamental to direct investments towards sustainable projects and activities.***

To achieve this, ***a common language and a clear definition of what is 'sustainable' is needed.*** This is why the action plan on financing sustainable growth called for the creation of a common classification system for sustainable economic activities, or an "EU Taxonomy".


*Ursula von der Leyen, EU
Commission President*


Criteria for financial activities to meet 'alignment'





Activity level performance

Implemented
 Climate change mitigation

Implemented
 Climate change adoption

Not yet implemented
 Sustainable use and protection of water and marine resources


Not yet implemented
 Transition to a circular economy

Not yet implemented
 Pollution prevention and control


Not yet implemented
 Protection and restoration of biodiversity and ecosystems



Company level performance

 OECD Guidelines for Multinational Enterprises

 UN Guiding Principles on Business and Human Rights

 Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work

The six "Environmental Objectives"

What does this mean for the Defence & Aerospace Industry?

- Products & Services must meet EU's requirements for sustainability
- May involve changes to way products are produced and services delivered including waste and resource management
- Short term challenge with long term gain
- May require change in organizations to be able to adapt to these reporting requirement

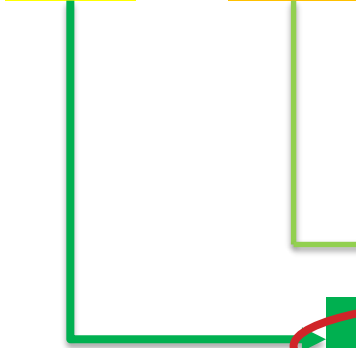


Does the EU Taxonomy affect you?

FOR FINANCIAL INSTITUTIONS

Does the financial institution issue or distribute financial products within the EU?

YES NO



FOR CORPORATIONS

Compliance under the **Non-Financial Reporting Directive (NFRD)**

Coming soon Jan, 1 2025: Scope extension under the **Corporate Sustainability Reporting Directive (CSRD)**

Is the company listed?

YES NO

Are there more than 500 employees?

YES NO

Is the balance sheet €20M+?

YES

Is the revenue €40M+?

NO

COMPLIANCE IS MANDATORY

COMPLIANCE IS VOLUNTARY

Is the company listed?*

YES NO

PICK 2/3

Is the balance sheet €20M+?

Is the revenue €40M+?

Are there more than 250 employees?

YES

NO

Under the CSRD, non-EU companies with >150m€ turnover EU territory AND having an affiliate (with the features of listed and large companies) OR a subsidiary (>40m€) in the EU will be subject to the CSRD starting Jan 1, 2028

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Useful references

- Home page for the “Platform on Sustainable Finance”, includes recent events:
 - https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en
- Supplementing documents related to the EU Taxonomy Regulation (2020/852), including Delegated Acts:
 - https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en
- Delegated Acts related to Environmental Objectives 1 and 2 of the EU Taxonomy
 - [https://eur-lex.europa.eu/legal-content/EN/TEXT/PDF/?uri=PI_COM:C\(2021\)2800&from=EN](https://eur-lex.europa.eu/legal-content/EN/TEXT/PDF/?uri=PI_COM:C(2021)2800&from=EN)
- Final draft, before it appear as Delegated Act, of the Economic Activities related to Environmental Objectives 3 to 6 of the EU Taxonomy
 - https://ec.europa.eu/info/files/220330-sustainable-finance-platform-finance-report-remaining-environmental-objectives-taxonomy-annex_en
- EU Taxonomy Compass, user-friendly website with overview of “valid” Environmental Activities
 - https://ec.europa.eu/sustainable-finance-taxonomy/tool/index_en.htm

Vocabulary

Commonly used words and phrases in connection with the EU Taxonomy

- **Aligned activities:** Activities that meet the thresholds described for at least one environmental activity, more informally may be called “green”.
- **CAPEX:** In the context of the EU Taxonomy CAPEX is investments in ‘property, plant and equipment’ and ‘other intangible assets’.
- **Delegated Act:** A type of EU secondary legislation that supplements or amends certain non-essential elements of a parent legislative act of general application.
- **DNSH:** Do No Significant Harm is a requirement to achieve alignment towards an Economic Activity. No significant harm criteria are described in the environmental activity.
- **EEA:** The European Economic Area was established via the Agreement on the European Economic Area, an international agreement which enables the extension of the European Union’s single market to member states of the European Free Trade Association.
- **Eligible:** Activities that are described as “eligible” are those that have been defined by the EU Taxonomy. The Taxonomy has been prioritised to describe those activities that can have material contribution to achieve the Paris Agreement ambitions, hence not all activities are yet relevant for evaluation by EU Taxonomy criteria.
- **Environmental Activities:** describes the prioritised scope of the EU Taxonomy. A corporation should be judged by the collection of activities they perform rather than on a company wide basis.
- **Environmental Objectives:** The EU Taxonomy consist of six environmental objectives, under which environmental activities are categorised. Refer to later slide.
- **EU Taxonomy:** An EU regulation referred to as “Sustainable finance taxonomy 2020/852”. Delegated acts are published to describe relevant activities under the scope of the regulation.
- **NACE:** Nomenclature of Economic Activities (NACE) is the European statistical classification of economic activities. NACE groups organizations according to their business activities. These codes are used for guidance under the Economic Activities described by the EU Taxonomy.
- **OPEX:** In the context of the EU Taxonomy, OPEX is direct non-capitalised costs relating to R&D, renovation measures, short-term lease, maintenance and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective use of such assets.
- **Paris Agreement:** An international treaty on climate change, adopted in 2015. It covers climate change mitigation, adaptation, and finance. The long-term temperature goal is to keep the rise in mean global temperature to well below 2 °C above pre-industrial levels, and preferably limit the increase to 1.5 °C, recognizing that this would substantially reduce the effects of climate change.
- **PwC:** An international professional services brand of firms that offer services such as audit and assurance, consulting and tax. PwC has assisted KONGSBERG in the work to implement the EU Taxonomy in the organisation.
- **Significant Contribution (SC):** SC indicates an activity where an organisation meets the alignment criteria, do no significant harm (DNSH) and Minimum Safeguards.
- **TEG:** ‘Technical expert group on sustainable finance’ was set up to assist the European Commission in developing the EU Taxonomy, and more. It consist of 35 members from civil society, academia, business and the finance sector, as well as additional members and observers from EU and international public bodies.
- **Turnover:** In the context of the EU Taxonomy turnover refers to all external revenue.

- Thank you!

