

SUMMARY OF FINDINGS

Results of a fact-finding exercise on corporate reporting practices under the Taxonomy Regulation

Executive summary

The Taxonomy Regulation¹ requires, in its Article 8, undertakings subject to an obligation to publish non-financial information pursuant to Article 19a or Article 29a of the Accounting Directive² to include in their non-financial statements or consolidated non-financial statements information on how, and to what extent, their activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of the Regulation.

The Disclosures Delegated Act³ specifies the information to be disclosed as well as the timing for the disclosure. For non-financial undertakings within the scope of these requirements, 2023 is the first year of reporting of alignment information regarding the climate mitigation and adaptation objectives (including regarding activities covered by the complementary climate Delegated Act on gas and nuclear⁴), in addition to eligibility information.

As part of its objective to coordinate European supervision and enforcement activities related to disclosures under Taxonomy Regulation, ESMA has collected information from national enforcers with respect to the Fiscal Year 2022 non-financial statements published by European non-financial undertakings listed in regulated markets. The focus of this fact-finding exercise is to evaluate the quality of the disclosures with which issuers have responded to the new requirements.

More specifically, ESMA sought to assess the different points on which it had drawn the attention of market participants in its 2022 European common enforcement priorities⁵ (Section 2.2, pages 9-11). With regards to quantitative information, these points related to the use and completeness of the templates in Annex II of the Disclosures Delegated Act, to the adequate reporting of the different Key Performance Indicators (KPIs) and to the avoidance of double counting for activities contributing to both climate objectives (mitigation and adaptation). As far as qualitative information is concerned, in relation to Sections 1.2.1 and 1.2.3 of Annex I to the Disclosures Delegated Act, the transparency regarding accounting policy and assessment of compliance was assessed, as well as the existence of references to other parts of the financial or non-financial statements. Finally, the disclosure of supplementary voluntary information was considered.

¹ [Regulation EU 2020/852 on the establishment of a framework to facilitate sustainable investment](#)

² [Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings](#)

³ [Commission Delegated Regulation EU 2021/2178](#)

⁴ [Commission Delegated Regulation EU 2022/1214](#)

⁵ [ESMA32-63-1320 – Public Statement: European common enforcement priorities for 2022 annual financial reports](#)



Key findings

- **Disclosure of mandatory KPIs:** Almost all issuers, selected by the national enforcers among those being active in four main sectors covered by the Taxonomy Climate Delegated Act⁶, disclosed the required Taxonomy alignment KPIs (96% of the sample).
- **Use and completeness of the mandatory reporting templates:** The reporting templates have generally been used, but for 30% of the sample they were either modified or not fully completed, which may impact comparability and make access to the data more difficult for users. Full reporting using the complete templates is mandatory.
- **Disclosure of mandatory qualitative information:** At least some of the mandatory qualitative information regarding the issuers' assessment of their compliance with transparency requirements in relation to the nature of their activities, the technical screening criteria, the Do No Significant Harm – DNSH criteria, and the minimum safeguards was missing or insufficient⁷ for more than 40% of the assessed issuers. In addition, only 40% of the sample provided comments on their eligibility or alignment rates.
- **Materiality exemption:** The OpEx alignment KPI was the KPI most often not reported (4% of the sample) or reported as zero (26% of the sample). Subject to conditions and specific disclosures, the Disclosures Delegated Act makes it possible to claim a materiality exemption for the OpEx KPI. In the cases where such claim was made, however, the available information did not in general allow an external reader to assess whether the conditions for applying the exemption were met and/or some of the criteria attached to it were not respected.
- **Other areas of incorrect application:** In addition to the points mentioned above, areas of incorrect application were spotted in relation to the transparency on the avoidance of double counting, the screening of activities against one climate objective only or the reconciliation with financial reporting.
- **Good reporting practices** were also encountered, such as detailed explanations on the nature of activities or compliance tests, as well as links to the corporate sustainability strategy.

⁶ [Commission Delegated Regulation EU 2021/2139](#)

⁷ Throughout this summary, the term "sufficient" (respectively, "insufficient") refers to the conclusions of the assessment from an enforcement perspective whereby the enforcer did not identify significant questions (respectively, had doubts) on the degree of compliance of the information provided vis-à-vis the applicable disclosure requirements. Therefore, even when a disclosure is marked as sufficient, there may exist room for improvement in the level of detail and specificity of the information provided, especially in this first year of application. On the other hand, a disclosure marked as insufficient reveals doubts on the correct application of the disclosure requirements by the concerned issuer. Enforcers consider these doubts as part of their investigation procedures which may or may not lead to enforcement actions.



Based on these findings, ESMA reminds issuers of the importance of providing all quantitative as well as detailed qualitative information as required by the Disclosures Delegated Act, so as to enable users of the non-financial statement, including financial institutions, to fully understand to which activities the quantitative information relates, how the different criteria were assessed, and to get the issuer's comments on its eligibility and alignment, where relevant.

ESMA strongly encourages issuers to use the guidance and tools that the European Commission has published, including guidance on the interpretation and application of certain criteria and disclosures, and online tools⁸ to assist undertakings in their Taxonomy reporting. ESMA also notes that the European Commission's June 2023 Communication⁹ stresses the role of the Taxonomy as a "common language" which plays a key role in the EU's Sustainable Finance framework, and which can be further used by undertakings to plan investments and set targets for their transition.

These recommendations as well as additional recommendations in relation to the Taxonomy related disclosures are included in ESMA's 2023 Statement on European common enforcement priorities¹⁰.

Next steps

Following the desktop reviews conducted to support this fact-finding exercise, further analysis may be undertaken on the areas of the reporting for which more clarity is necessary or for which material incorrect application has been identified. Additional steps may be taken by national enforcers accordingly, if relevant. ESMA will include this summary of findings and relevant updates arising from these follow-up activities in its next Corporate Reporting Enforcement and Regulatory Activities Report¹¹.

Detailed results

1 Sample characteristics

ESMA considered a sample of 54 non-financial issuers from 22 EU Member States. These issuers were selected by national enforcers to perform this fact-finding exercise as being active in sectors covered by the Taxonomy Climate Delegated Act.

The results of this fact-finding exercise need therefore to be considered in view of the limited size of the sample, and the fact that the selection did not seek representativeness among the overall population of European issuers.

⁸ [EU Taxonomy Navigator](#)

⁹ [Commission Communication COM/2023/317, "A sustainable finance framework that works on the ground"](#)

¹⁰ [ESMA32-193237008-1793 – Public Statement: European common enforcement priorities for 2023 annual financial reports](#)

¹¹ [ESMA-32-63-1385 Corporate Reporting Enforcement and Regulatory Activities Report](#)



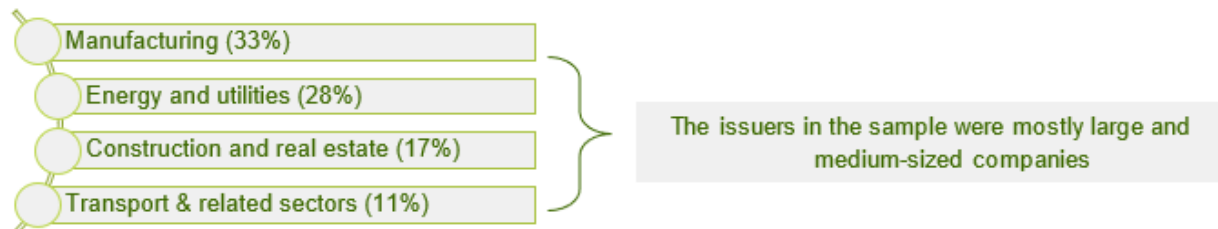


Figure 1 - Main sectors of activity in the sample¹²

2 Disclosure of quantitative information

All issuers in the sample disclosed their alignment rates for turnover and CapEx while 96% of the sample (52 issuers) disclosed the OpEx alignment KPI.

Level of alignment of reported KPIs

The turnover alignment KPI averaged over the number of issuers in the sample¹³ was 17.3%, and the average OpEx alignment KPI, 17.5%, while the average CapEx alignment KPI was substantially higher at 28.1%, signalling investment efforts in the transition¹⁴.

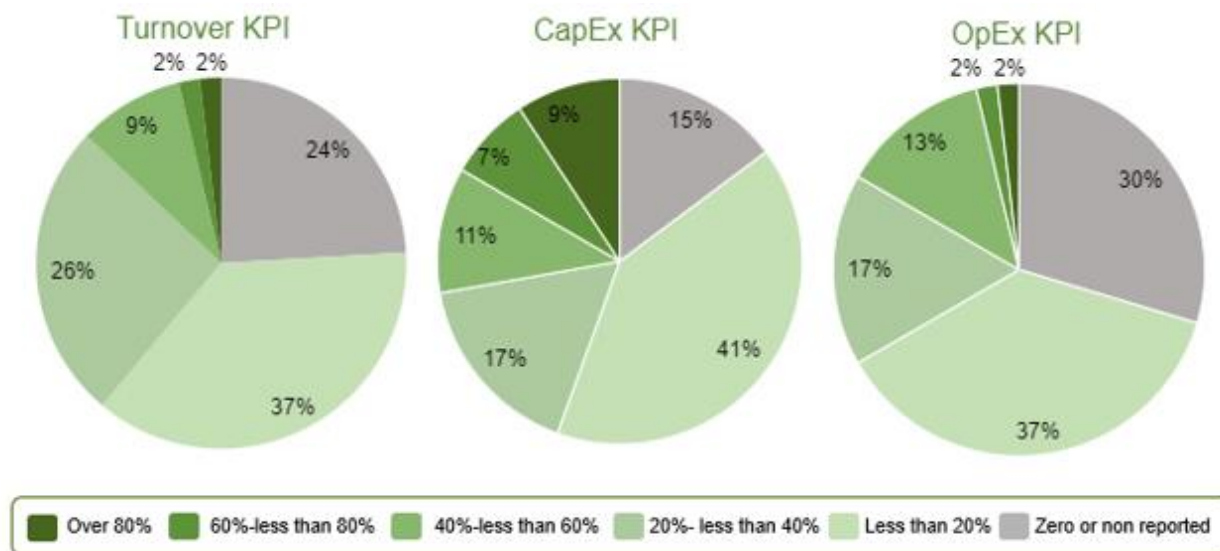


Figure 2: Distribution of turnover, CapEx and OpEx alignment KPIs

¹² One third of the sample with a market capitalisation below 749m Euro, one third between 750m Euro and 5bn Euro, one third above 5bn Euro.

¹³ Simple average, which does not take into account the size of the issuers.

¹⁴ Although the present study was conducted on a smaller sample of issuers in some sectors, the results are not inconsistent with the KPI averages for STOXX Europe 600 presented in the [Commission Staff Working Document SWD\(2023\) 209, "Enhancing the usability of the EU Taxonomy and the overall EU sustainable finance framework"](#) published in June 2023 (Box 1 p4)



The difference between the reported turnover eligibility¹⁵ and alignment KPIs was less than 20 percentage points for more than half of the sample (54% or 29 issuers). For CapEx, the proportion was slightly higher (57% or 31 issuers).

However, 15% of the sample (8 issuers) presented a difference of more than 60 percentage points for turnover, and the same proportion for CapEx, which could signal room for the concerned entities to adapt their activities, technologies, or processes to reach higher Taxonomy alignment rates.

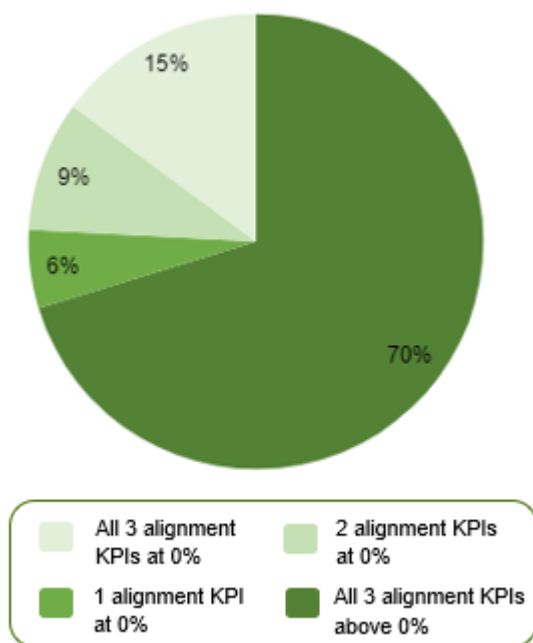


Figure 3: Percentage of issuers reporting zero values for 1, 2 or 3 of their Taxonomy alignment KPIs

30% of the sample (16 issuers) reported at least one of their alignment KPIs as zero.

- In all of those cases, the OpEx alignment KPI was reported as zero or not reported.
- The turnover alignment KPI was reported as zero by 24% of the sample (13 issuers).
- The CapEx alignment KPI was the one least frequently reported as zero (15% or 8 issuers).

Of the 8 issuers disclosing zero alignment for all 3 KPIs, 4 specifically mentioned their current inability to check the compliance criteria (DNSH and/or minimum safeguards) due to lack of information and one issuer mentioned its non-compliance with a DNSH criterion.

28% of the issuers in the sample (15 issuers) disclosed non-zero alignment rates for both climate objectives (mitigation and adaptation) for at least some of the KPIs. On the other hand, some of the issuers disclosing a zero-alignment rate for one of the objectives mentioned that they had screened their activities against one climate objective only (generally mitigation), whereas all objectives should be considered, when and as applicable.

Use and completeness of the mandatory reporting templates

Article 2 of the Disclosures Delegated Act specifies that non-financial undertakings shall present the required information in tabular form by using the three Annex II templates for turnover, CapEx and OpEx. In addition, undertakings with nuclear and fossil gas related activities are required to use the templates in Annex XII of the amended Disclosures Delegated Act.

¹⁵ Total eligibility covering Eligible aligned and Eligible not aligned.



A large majority of the issuers in the sample disclosed the three reporting templates, although the format was not always fully respected, and information was missing in some instances. Three issuers (5.6%) did not use the templates at all for both turnover and CapEx information, while 8 issuers (15%) did not use the template for reporting on OpEx. While in all cases where the template was entirely missing the reported KPI was zero, the template should nevertheless have been used and completed.

Complete reporting in accordance with the template reached 70% of the original sample for turnover KPIs (38 issuers), 61% for CapEx KPIs (33 issuers) and 59% for OpEx KPIs (32 issuers). Among the missing parts, sub-total lines were a frequent omission (e.g., the [A.1 + A.2] line on eligibility). In some cases, columns were entirely removed so that only one climate objective or only a selection of the DNSH criteria was displayed. In other instances, the columns for enabling and transitional activities were removed. National enforcers also encountered cases where the headers of lines or columns were modified.

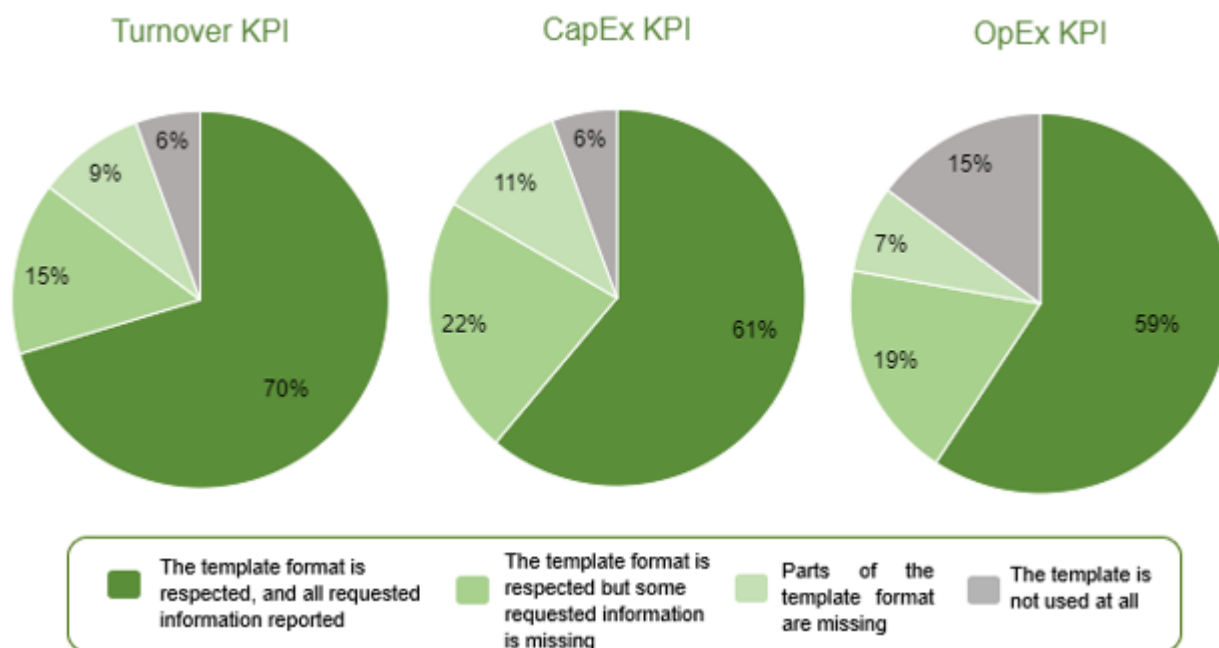


Figure 4: Percentage of issuers according to the use and completeness of the requested templates

In the part of the templates displaying aligned activities, the DNSH cells were generally adequately completed. In a few cases however, the cells were left blank, or the issuer indicated that the analysis of a DNSH criterion needed to be confirmed, even when the corresponding alignment KPI was not equal to zero. Such cases are incorrect applications of the Disclosure Delegated Act requirements.

For most issuers and KPIs, the quantitative information related to Taxonomy eligible not aligned and Taxonomy non-eligible activities was accessible, although the sub-totals were missing in some cases. When disclosed, the sum of aligned, eligible not aligned, and non-eligible was generally equal to 100%. This should always be the case.



Around 20% of the sample (11 issuers) disclosed information regarding their activities covered by the complementary Climate Delegated Act on gas and nuclear. Around 75% of these issuers used the templates of Annex XII of the Amended Disclosures Delegated Act. As would be expected, the issuers disclosing such information primarily belonged to the energy and utilities sector.

3 Disclosure of mandatory qualitative information

Of the original sample of 54 issuers, 50 were assessed regarding the qualitative information they provided to explain and contextualise the quantitative eligibility and alignment data¹⁶. This information, required by Annex I of the Disclosures Delegated Act (Section 1.2), relates to:

- the basis on which the undertakings calculated their KPIs,
- the assessment of the compliance with the different Taxonomy criteria, as well as
- contextual information regarding eligibility and alignment rates.

For 72% of the issuers (36 issuers), the information provided on how turnover, CapEx and OpEx were determined and allocated to the numerator (as required in Section 1.2.1 of Annex I to the Disclosures Delegated Act) was assessed by the national enforcer as being sufficient. For the remaining 28% (14 issuers), information was considered boilerplate and/or was missing for some or all KPIs.

68% of the sample (34 issuers) referenced the line items in the financial statements in relation to their turnover and CapEx KPIs. There was no significant difference between the two KPIs in the numbers of issuers providing such references. In one of the cases where those references were missing, the national enforcer checked the financial statements and identified inconsistencies between the Taxonomy and financial reporting. Even when a reference was available, some enforcers mentioned that the reconciliation was not always straightforward.

Seven issuers, representing 14% of the sample and half of the issuers having reported a zero OpEx alignment KPI, claimed a materiality exemption in relation to the OpEx information. Almost all of these issuers, however, applied the exemption (as described in Section 1.1.3.2 of Annex I to the Disclosures Delegated Act) incorrectly or did not provide all requested information. The materiality judgement should be applied to the denominator of the indicator (recognising OpEx as not material for some business models) and not to the numerator (OpEx of the aligned activities). In addition, the issuer should then disclose the related OpEx KPI as equal to zero, use the related template, and disclose the total value of the OpEx denominator in accordance with 1.1.3.1 of the Disclosures Delegated Act. This was not always the case. One issuer, in addition, claimed a materiality exemption in relation to the CapEx alignment KPI, which is not a possibility under the Disclosures Delegated Act.

Regarding the assessment of compliance with the Taxonomy Regulation, 90% of the sample (45 issuers) provided at least some qualitative information. As shown in Figure 4 below:

¹⁶ Due to limitations in the national enforcement powers for one NCA, 4 issuers were only assessed with respect to the existence of the quantitative disclosures.



- the nature of the aligned activities was relatively well covered, with 78% of the sample (39 issuers) providing explanations considered as sufficient.
- the figure fell to 64% (32 issuers) for technical screening criteria and minimum safeguards (the latter being assessed at the undertaking's level)
- 58% of the sample (29 issuers) provided information considered as sufficient for the DNSH criteria (assessed at activity level).

In addition, 30% of the population (15 issuers) did not provide any qualitative information on their assessment of the DNSH criteria.

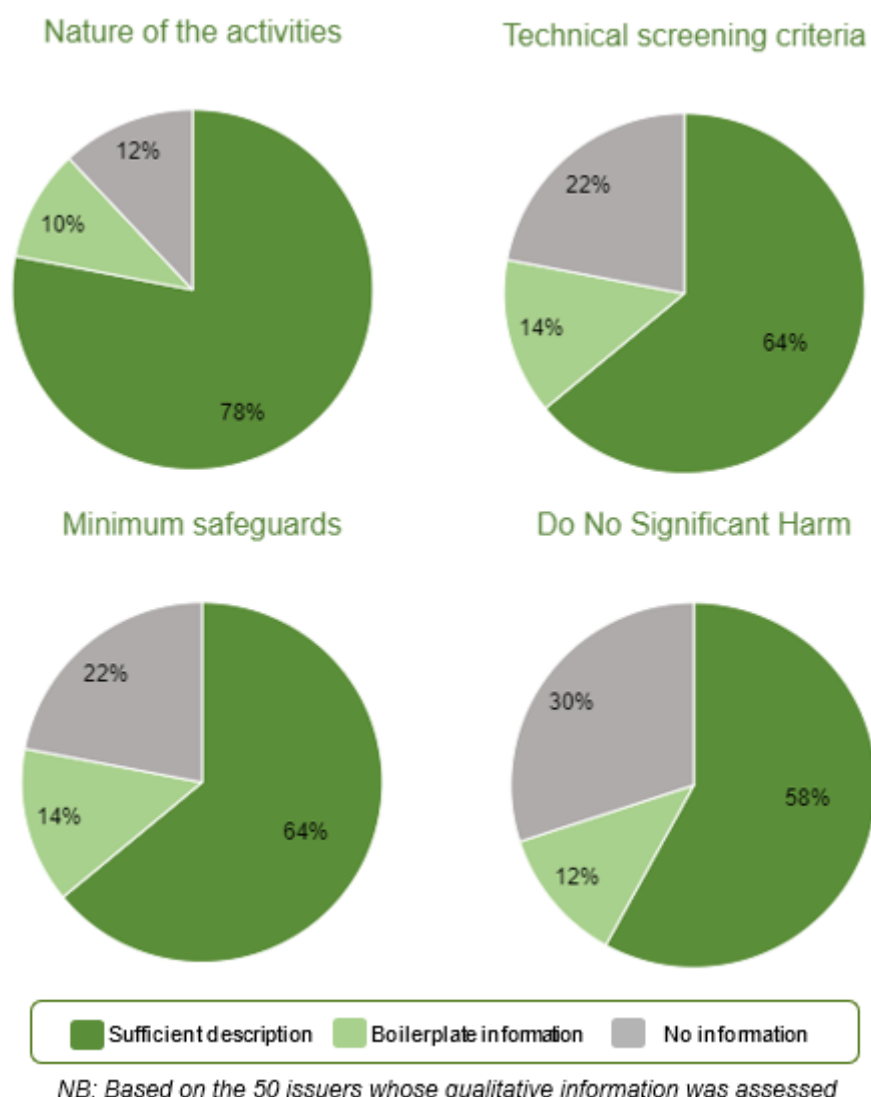


Figure 5: Percentage of issuers which disclose information specific contextual information

Only 40% of the issuers providing qualitative information (20 issuers) commented on their eligibility and alignment KPIs and the difference between them.



Among these issuers, national enforcers identified good transparency practices which can be highlighted. For example, some issuers provided detailed explanations on the criteria that the activities failed to comply with, either regarding the technical screening criteria or the DNSH criteria. One issuer explained its low turnover alignment rate by the fact that its aligned activities were not those generating revenue in its business model (internal consumption) and pointed to its high alignment rates for CapEx and OpEx.

44% of the sample (22 issuers) provided a link to other information in their non-financial reporting. For most of these issuers, the undertaking's policies were referenced in relation to the assessment of the minimum safeguards. A few issuers also referenced their climate strategy in a general way. One issuer, for instance, commented on the difference between eligibility and alignment KPIs by acknowledging that it was in the early stages of its transition and expected a gradual increase of its alignment KPIs in line with its decarbonisation strategy. Another issuer referenced the target it has set for its Taxonomy aligned turnover. The recent communication by the European Commission (see above) encourages this practice.

Of the 14 issuers disclosing activities contributing to multiple objectives and assessed for qualitative information, a limited proportion (around 20%) provided explanations assessed as sufficient by the national enforcers on how they had avoided double counting in their allocations. There were some instances of incorrect application of the reporting rules, such as an issuer reporting 100% CapEx alignment for both mitigation and adaptation. This point is addressed in the December 2022 Draft Commission Notice (FAQ 8), with reference to the Disclosures Delegated Act (Section 1.1.2.2 of Annex I).

4 Disclosure of voluntary information

30% of the 50 issuers assessed for qualitative information, or 15 issuers, provided voluntary information. For 9 issuers, this information included comparatives from the previous year. These comparatives were reported for at least some of the eligibility KPIs (8 issuers) and/or at least some of the alignment KPIs (3 issuers). The year-on-year evolution was not always commented, even when significant.

A few issuers provided additional information in the templates, such as by filling in the compliance criteria of the A.2 part. When the information consisted in comparatives or additional information in the templates, it was generally considered by the national enforcer as easily identifiable, and with a clear basis of preparation.

Examples of other voluntary information included the reporting of ratios of aligned on eligible turnover, CapEx and/or OpEx, or of alignment KPIs on specific perimeters. ESMA reminds issuers that, regarding voluntary disclosures, they should consider the applicability of ESMA's Guidelines on Alternative Performance Measures¹⁷ - APM, as detailed in the Q&A on ESMA Guidelines on APM (Question 19)¹⁸.

¹⁷ [ESMA Guidelines on Alternative Performance Measures, 2015](#)

¹⁸ [Questions and Answers, ESMA Guidelines on Alternative Performance Measures, 2022](#)

