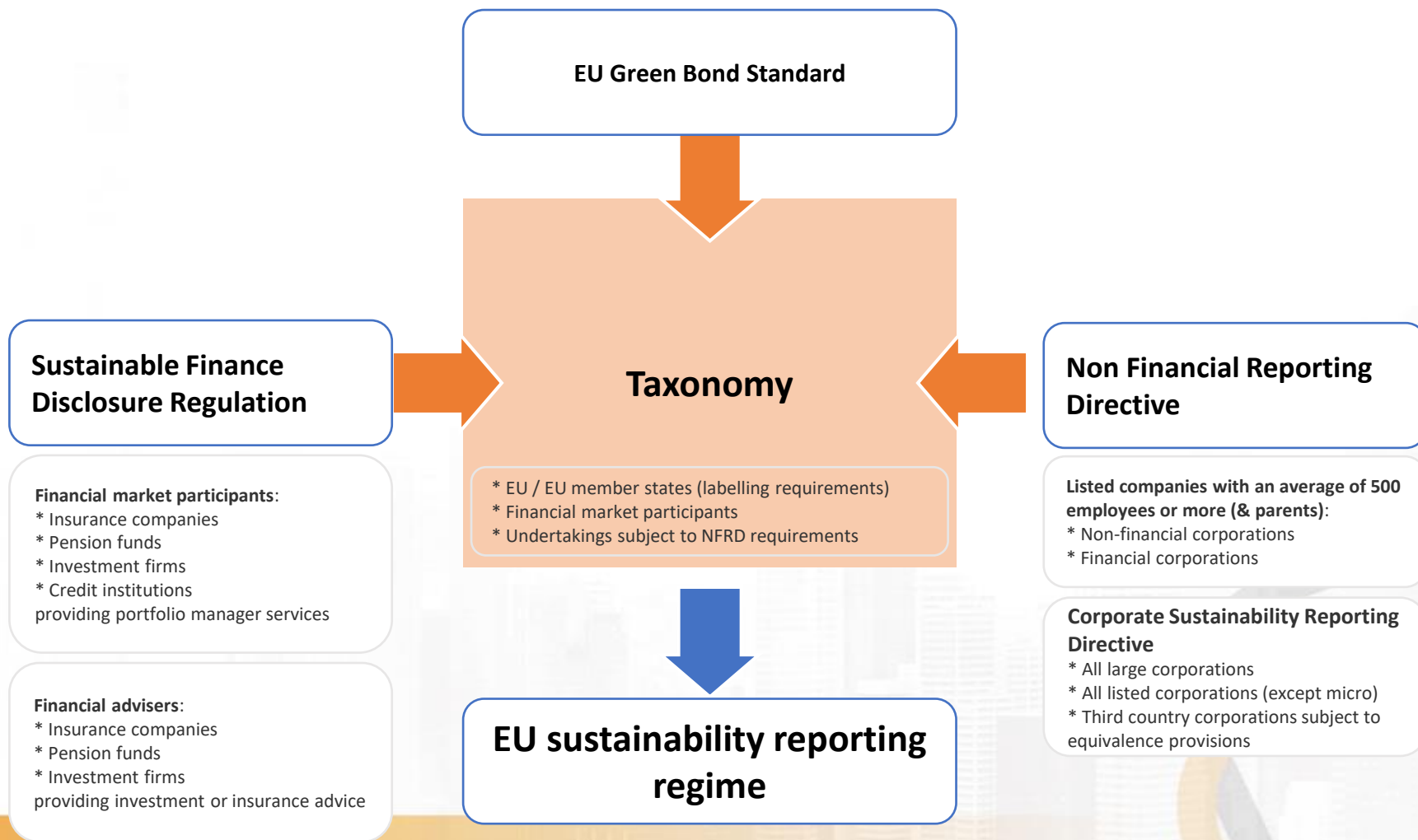


# EU Taxonomy

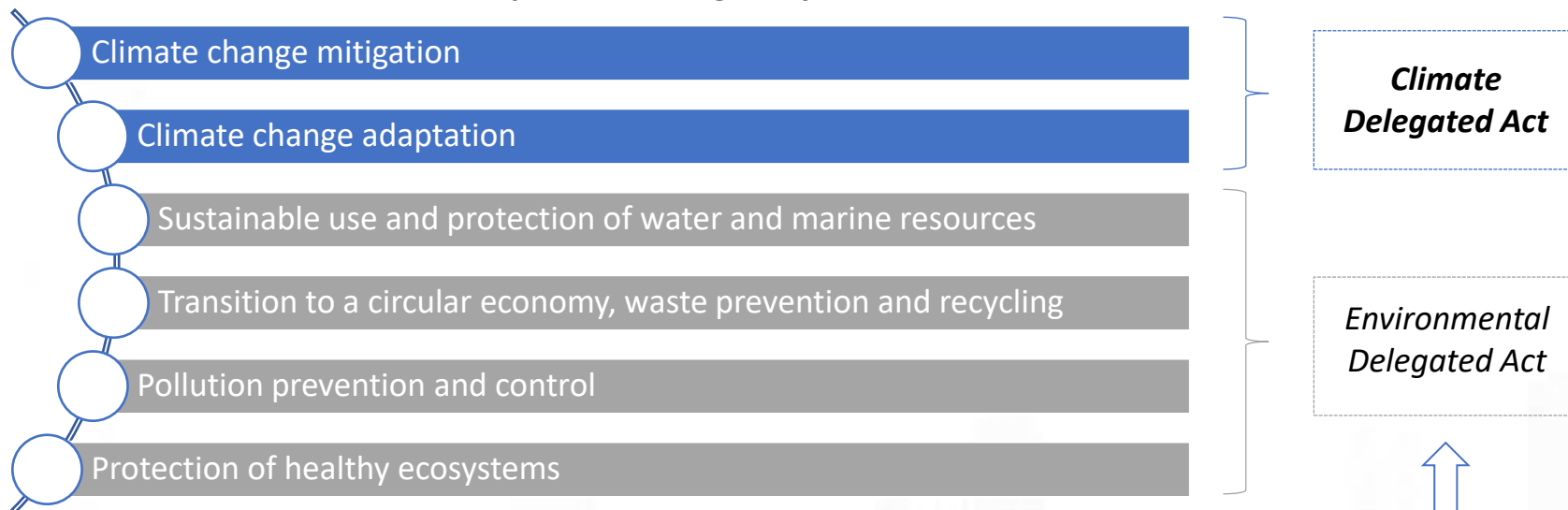
**Verifying taxonomy compliance is a huge task**

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## EU requirements will impact financial and non-financial corporations in and outside the EU



## The identified six environmental objectives & eligibility criteria



**1. Substantial contribution (SC)** to one or more of the environmental objectives

**2. Do no significant harm (DNSH)** to any other environmental objective

**3. Compliance with minimum safeguards (MS)**

**4. Compliance with the technical screening criteria (TSC)**

## The activities that in and of themselves contribute substantially and transition activities



**Construction new buildings per 2021:** The **primary energy demand (PED)** defining the energy performance of the building resulting from the new construction is **at least 10% lower** than the threshold set for the **nearly zero-energy building (NZEB) requirements**. Energy performance is certified using an as built energy performance certificate (EPC).



The **building renovation** complies with the applicable requirements for major renovations stipulated by the EPBD. The energy performance of the building or the renovated part that is upgraded must meet EPBD's cost-optimal minimum energy requirements. Alternatively, the renovation leads to **a reduction of PED of at least 30%**, based upon a building survey or energy audit.



**Buildings acquired before 31 December 2020:** Building has **at least Energy Performance Certificate (EPC) class A**. As an **alternative**, the building is **within the top 15%** of the national or regional building stock expressed as operational PED and demonstrated by adequate evidence, which at least compares its performance vs the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.



**Climate change  
mitigation**

## Climate change mitigation – construction of new buildings

### (2) Adaptation

- Identification of **physical climate risks** (eg wildfires, flooding, etc.) material to the activity by performing a robust **climate risk and vulnerability assessment** (CRVA), proportionate to the scale of the activity and its expected lifespan. Implement **adaptation solutions**.

### (3) Water

- Confirmation installed water appliances in accordance with applicable technical specifications. Wash hand basin taps and kitchen taps max water flow of 6 litres/min, showers max 8 litres/min, etc.

### (4) Circular economy

- $\geq 70\%$  of non-hazardous construction and demolition waste re-used/recycled
- Operators limit waste generation in processes related to demolition and construction
- Building designs and construction techniques support circularity

### (5) Pollution

- No manufacture, placing on the market, or use of: persistent organic polluting substances; mercury and mercury compounds; substances that deplete the ozone layer, etc.

### (6) Ecosystems

- Completion Environmental Impact Assessment (EIA) or screening; mitigation measures
- Appropriate assessment for sites near biodiversity-sensitive areas (eg UNESCO world heritage sites)

*"The procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with: The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights"*

## The International Labour Organisation's (ILO) eight fundamental conventions



Freedom of association and right to organise



Right to organise and of collective bargaining



Right not to be subjected to forced or compulsory labour



Abolition of forced and compulsory labour



Minimum age: right not to be subjected to child labour



Elimination of the worst forms of child labour



Equal remuneration for men and women workers



Non-discrimination with respect to employment and occupation

## Expansion of the Taxonomy regulation will give broader opportunities to highlight ESG efforts

### Significantly harmful (SH) activities

#### Classification of activities:

**Green:** Sustainable significant contribution (SC) level  
**Amber:** Sustainable (if improving) intermediate performance level  
**Red:** Unsustainable significant harm performance level:  
 a) transition or b) exit

Banks will be better able to show the transition away from harmful activities.

**Criteria for harmful activities derived from DNSH criteria**

### Low environmental impact (LEnvI) activities

#### No significant impact (NSI):

**a:** no potential of making a substantial contribution (except climate adaptation); &  
**b:** are not causing significant harm to any of the six EU environmental objectives; &  
**c:** meet minimum safeguards

This allows bank to report also their no harmful activities

The Platform of Sustainable Finance proposes to maybe include these activities later into the environmental taxonomy

### Social taxonomy

#### 1. Social objectives

a) Decent work (*workers*); b) Adequate living standards and wellbeing for end users (*end users*) c) inclusive and sustainable communities and societies (*communities*)

#### 2. Types of substantial contribution

a) Inherent social benefits of the activity itself; b) Avoiding and addressing negative impacts; c) Enabling activities.

#### 3. DNSH criteria

#### 4. Minimum Safeguards

#### 5. Socially harmful activities

#### Governance

The social taxonomy will support the direction of capital to sustainable purposes

The **impact of the social taxonomy** will **also depend on how it is integrated** alongside the environmental taxonomy

**DNSH climate change mitigation objective:** Real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels. Buildings built after 31 December 2020: PED does not meet the threshold for NZEB. Buildings built before 31 December 2020: EPC of D or lower or not belonging to the top 30% most energy efficient buildings. (Differs from PAI definition of 'inefficient real estate assets' of an EPC of C or below, without a top 30% boundary).