

EU Taxonomy: As Reported Dataset

Methodology

S&P Global Sustainable 1 – June 2024

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Terms and definitions

Term	Definition
As reported	Publicly reported data by companies on their EU Taxonomy performance
Standardized	Cleaning and normalization of quantitative data reported by companies to make it more usable for dataset subscribers
Non-Financial Counterparties (NFC)	Represents all undertakings that principally engage in the production of non-financial goods and services
Financial Market Participants (FMP)	Represents all undertakings that are financial and includes asset managers, credit institutions, investment firms and insurance companies
European Commission Template	Data disclosure template recommended by the European Commission (EC) in the annexures of Article 8 disclosure delegated act (EU) 2021/2178
Customized	For the purposes of this dataset, 'customized' represents any disclosure on EU Taxonomy that doesn't follow the template recommended by EC
Not Required	Represents absence of data point that is not required by the EU Taxonomy
Not Reported	Represents absence of data point that is required by the EU Taxonomy
NULL	Represents absence of numeric data point
Third party assurance	Represents external audit or assurance conducted on the data disclosed by the company

Introduction and Context

The EU Taxonomy ('EUT') is a tool that will help companies and investors navigate the transition to a low-carbon, resilient and resource-efficient economy. It is a classification framework that sets out the criteria for an activity to be considered environmentally sustainable, which provides a common language on sustainability performance for investors, issuers, policymakers, regulators, and companies. It is a key pillar of European Green Deal aimed at achieving zero emissions in Europe by 2050. Under the EUT regulation, financial market participants (FMPs) and non-financial counterparties (NFCs) undertakings are expected to disclose their eligibility and alignment with the EUT. NFC subjected to the Non-Financial Reporting Directive (NFRD) disclose their EUT performance data at both activity level and aggregated company level. FMPs use the data disclosed by NFCs to calculate EUT disclosure at the product level. For example, a bank would disclose their green asset ratio based on the EUT performance of individual companies in its loan book. As a first step to address client requirements S&P Global Sustainable1 (here after S1) developed the Independent Assessment dataset in 2022. This product majorly utilizes the data points available within S&P and is estimated in nature. The independent assessment can be used for voluntary reporting since it is estimated and for mandatory disclosures clients can make use of As Reported dataset, which is the focus of this document. For comprehensive details on Independent Assessment methodology, please refer to the methodology report and contact your respective S1 account manager for a copy.

S1 launched the EUT As Reported Dataset in 2023. This dataset focuses on collecting EUT performance data 'as reported' by companies and is aimed at providing the required intelligence to FMPs to meet their regulatory requirements. SFDR RTS Article 17(2)(b) states that use of estimates is not allowed for investee companies subject to NFRD directive and the data disclosed by the companies needs to be used. In 2023, the data collection was kicked-off for over 2000+ companies. The EUT data collected for NFCs and FMPs is presented in separate tables given the differences in the EC disclosure template and Key Performance Indicators (KPIs). Starting from 2024 NFCs are required to disclose on the four non-climate objectives and the data structure has been updated to accommodate these regulatory developments. Similarly, FMPs were required to disclose only on eligibility until 2023 and from 2024 they are required to disclose on alignment. The dataset has been updated to cover key metric related to FMP alignment disclosures. We will continue to refine the FMP data framework based on review of latest FMP disclosures and based on feedback from clients.

Key features of the dataset include:

- As reported data on activity and aggregated company level, EUT eligibility and alignment for NFCs.
- As reported data at aggregated company level, EUT eligibility and alignment for FMPs.
- Data structure is closely aligned with the disclosure template recommended by European Commission.
- Harmonization and standardization of company reporting to ensure consistent units, currencies, and data formats, and inclusion of analyst notes and observations in a dedicated data field.
- A regulatory status flag indicating whether the company has explicitly confirmed it is subjected to NFRD or CSRD or EU Taxonomy. Concepts on EU Taxonomy, NFRD and CSRD are linked to the common objective of EU green deal and they overlap with each other. Only companies themselves are best placed to confirm on the regulations and directives they are subjected to. Considering these reasons, S1 only captures the information explicitly reported by the companies on their regulatory status.
- Tracking of third-party assurance of company EUT reporting.

Data sources and collection

The data collection template used by S1 closely follows the template recommended by the European Commission. The data on EUT performance for a given company is researched and collected by a dedicated team of analysts. Companies report their EUT performance in multiple places and hence the data is obtained from various sources including websites and integrated reports. Key reporting mechanisms used by companies for EUT disclosure includes and is not limited to annual reports, sustainability reports, integrated reports, and websites.

Analytical methods/Methodology Overview

The methodology of this dataset is based on the following key components:

- 1) **Data Collection:** The EU Taxonomy As Reported Dataset is collected by a dedicated team of analysts with extensive training and experience in capturing data from corporate reporting. The data collection process covers both official company publications, such as annual reports and sustainability reports stored in the S&P Global Capital IQ repository, and more informal disclosures such as content presented on company webpages and standalone EUT focused publications. The data collection process is flexible to allow for accommodation of the varied reporting formats and approaches adopted by companies across regions and sectors, but also designed to align closely with the guidelines of the EUT regulation. This allows for the capture of reported data items, and analyst commentary is added wherever applicable. The data collection process is conducted on an ongoing basis throughout the year, with companies processed in batches.
- 2) **Standardization:** Raw as reported data is standardized via a set of transparent rules to ensure ease of use and comparability, whilst also preserving the integrity of the datapoints reported by companies. Original, non-standardized data items are presented in separate fields alongside standardized data items to allow for flexible application in user workflows. Key examples of standardization include harmonization of currencies and monetary units, removal of symbols such as >, ~ or <, and the standardization of data types (numeric, string etc.) within data items to ensure

compatibility with downstream automated processing adopted by users. Please refer to appendix for further details on standardization process.

- 3) Quality Assurance and Validation: Data collected is verified at two levels. This includes a quality assurance review by dedicated QA analysts not involved in the collection of data for a given company, and a series of automated validation checks that flag any potential errors or inconsistencies in the data capture. All identified QA issues are reviewed and addressed prior to dataset release.

Monitoring and review

S1 applies a rigorous quality assurance process to the development and ongoing maintenance and enhancement of the EU Taxonomy As Reported Dataset based on input data validation, model unit testing, output data validation and qualitative review. S1 also monitors regulatory developments with respect to the EUT and ensures that any necessary methodology changes are implemented promptly to maintain alignment with the regulation requirements.

All new methodologies and any material changes to existing methodologies are reviewed and approved by an independent methodology governance committee.

Assumptions and Limitations

- The level of detail reported by disclosing companies varies. Few companies follow the template provided by the European Commission while others do not and instead report on EUT performance at high level. This means that disclosure may be incomplete for some companies.
- EUT reporting norms are in the early stages of development and as such it is expected that errors or inconsistencies may arise in company reporting, for example due to data gaps, data errors or differing interpretations of the EU Taxonomy disclosure template published by the European Commission. As the focus of this dataset is on 'as reported' company disclosure, S1 will not correct any errors or inconsistencies in company reporting. However, analysts will add notes/commentary to the 'Comments' field where appropriate.

Maintenance/updates

The FMP data to be delivered in Q2 2024 will be a beta version and the standardized data will be delivered in Q4 2024. The column structures and column names in beta version are subjected to change based on review of FMPs disclosing data and based on feedback from clients. This update relates to only ~500 FMPs in the dataset and for the remaining 1500+ NFC companies, standardized data will be delivered in Q2 2024.

EUT regulation has categorized FMP in to four broad categories, namely credit institutions, asset managers, investment firms and insurance & reinsurance. Each individual category has been provided one or more templates by the commission and this has led to multiple templates for FMPs. Given this scenario, the data disclosed by FMPs, especially banks, is complex and high in volume. To tackle this challenge S1 has developed a harmonized data collection framework to capture data from different categories in a single framework. This

was achieved by focusing on headline figures which are crucial for dataset users. Similarly, only the latest data will be collected, and data disclosed by FMPs on previous year (year n-1) will be excluded.

NFC companies generating electricity from nuclear and fossil gas are required to disclose data in addition to the standard disclosure recommended in delegated act template. Such companies are expected to disclose EUT performance of nuclear and fossil gas across five different templates. The disclosure made by reporting companies under this section is complex due to the nature of the template. For example, data requested under selected templates on alignment and eligibility overlaps with the standard activity level information that companies are asked to disclose. Also, there are different templates recommended for alignment disclosure. After review, S1 selected templates and metrics that are consistent with broader EUT framework.

Maintenance of historic data:

The EUT As Reported dataset was launched in 2023 and the data collected during this period marks the first set of as reported data. S1 aims at developing the dataset in line with developing regulatory requirements and disclosure landscape, which is dynamic and fast evolving. This development process will likely result in changes to the methodology and changes to column structure, resulting from changes to the regulation. Such changes may include inclusion of new data points and redundancy of selected data points. S1 aims to effectively maintain historic data, where possible. The delivery mechanism of this dataset will aim to deliver historic data through the most updated column structure. This will enable users to access data delivered in the past, using the existing data delivery framework. Below are some of the key considerations S1 will endeavor to take when seeking to align historical data with methodological updates resulting from regulatory changes:

1. When column headers are updated, the historic data too will get displayed under the latest column name and older version of column name will be discontinued from usage.
2. **In cases where new columns are added, they will be marked using terminologies like 'NULL' or 'Not Required', depending on the nature of the information contained in the relevant column for rows corresponding to historic data.** This is because the logic followed for historic data was in line with the regulation in force at that point in time, which did not require the disclosure. Hence, in this context, **'NULL' or 'Not Required' does not represent data not being disclosed by companies** but that this data was not required to be disclosed in historical years by the regulation at that time. S1 will not make changes to historic data to align past disclosure with regulatory developments.
3. Where the nature of disclosure required changes resulting from changes to regulation, for example where additional values may be added to relevant list of possible disclosures, these will not apply to historical years where such disclosure was not required by the regulation at that time.
4. In cases where an existing data column is rendered redundant by future changes to regulation, rows **corresponding to latest years it will be marked using terminologies like 'NULL' or 'Not Required'.** This will enable historic data to flow through these columns and also indicate the point in time their inapplicability was effective. Hence, in this context, **'NULL' or 'Not Required' does not represent data not being disclosed by companies** but that this data is not required to be disclosed due to the most recent changes to the regulation made at that point in time.
5. S1 will make best efforts to retain all historic data points collected, where possible

Appendix

1. Standardization process

- I. When reporting companies use internal activity names instead of the ones specified by the EUT regulation in delegated act document, the EUT activity name is marked as **'Undefined Activity in EUT'** and the actual name used by reporting company is captured in the adjacent column.
- II. For the objective specific percentage columns (CCM% and CCA%) companies were inconsistently reporting data based on their interpretation of the template provided by European Commission. Few companies reported the same value as proportion % value for that activity and few companies were reporting 100%. To overcome this challenge the column **'Objective Contributed'** was introduced to clearly highlight the objective towards which the activity contributes.
- III. Few companies were reporting their aggregated DNSH performance instead of providing objective level breakdown as recommended by the EUT regulation. To capture this data point, the column **'Combined DNSH Assessment'** was introduced.
- IV. Dedicated columns for Percentage Eligible (%), Percentage Aligned (%) and Percentage Non Eligible (%) values were introduced for users to access the key data points in a straightforward manner.
- V. Companies were reporting absolute value using different currency units and denominations. So, all absolute values were normalized to **million EUR in the column 'Absolute value Standardized (M EUR)'**. At the same time, the dataset also provides the actual absolute value reported by companies along with the respective denomination and currency units.
- VI. Percentage rescaling: Whenever companies report a percentage value lesser than 0% it is scaled up to 0% and whenever companies report a percentage value greater than 100%, it is scaled down to 100%. At the same time, the actual percentage data reported by the company is also captured for users to decide on which data column they would like to use.
- VII. Standardized data columns were introduced to handle company data disclosures with symbols. Whenever companies report their absolute value or percentage figures along with a symbol, three key columns come into play. Below is an example based on Proportion (%) column:
 - a. Proportion (%) Symbol: Captures symbols that accompanies the data disclosed by companies. If no symbols were reported, this column will be marked as NULL.
 - b. Proportion (%): Captures the data point disclosed by company.
 - c. Proportion (%) Standardized: Captures the standardized data prepared by S1. The function of this column is evident for symbols like range. In such instances the mean is provided in this column as a single usable value. When no symbol specific calculations are involved, the same value from Proportion (%) column will be captured.

Sample data to explain the column functionalities:

Proportion (%) Symbol	Proportion (%)	Proportion (%) Standardized
NULL	4.28	4.28
<	10	10
>=	90	90
Range	10-20	15

Related Documentation

- EUT Regulation or Regulation (EU) 2020/852: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>
- EUT Delegated acts or Regulation (EU) 2021/2139: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2139>
- Article 8 disclosure delegated acts or Regulation (EU) 2021/2178: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2178>
- Nuclear and Gas delegated acts or Regulation (EU) 2022/1214: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32022R1214>
- Non-climate objectives delegated acts or Regulation (EU) 2023/2486: https://finance.ec.europa.eu/publications/sustainable-finance-package-2023_en
- SFDR RTS (EU) 2022/1288 Article 17(2)(b): https://eur-lex.europa.eu/eli/reg_del/2022/1288/oj

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