CNMV
Comisión Nacional del Mercado de Valores

Report on European Taxonomy disclosures

Financial year 2022

Report on European Taxonomy disclosures

Financial year 2022

Comisión Nacional del Mercado de Valores
Edison, 4
28006 Madrid

Bolivia, 56
08018 Barcelona

Heros, 3
48009 Bilbao

The CNMV's reports and publications are available online at www.cnmv.es

Layout: Cálamo y Cran
ISSN: 1979-2071

Index

Index of tables

Index of figures

Executive summary

This report analyses the presentation of quantitative and qualitative information disclosed by issuers under Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June, or the Taxonomy Regulation, given that it represents a new and significant development. The analysis does not include a review of specific compliance with the European Environmental Taxonomy criteria, which is carried out as part of the annual oversight exercise.

This report provides an overview of the information submitted by these issuers regarding the indicators required by the regulation, together with a more detailed analysis of the disclosures provided for a sample of 25 non-financial undertakings, subject to eligibility and alignment requirements in 2022. Financial undertakings are not required to submit their alignment indicators until 2024, for information pertaining to the financial year 2023. This is because it involves gathering a substantial amount of data, a significant portion of which must be obtained from their counterparties' provided information.

Non-financial undertakings: quantitative information

All issuers provided taxonomy information, although some have reported that they do not have eligible activities as they are not included in Delegated Regulation (EU) 2021/2139 or the Climate Delegated Act, or have quantified them as zero. As detailed below, until 2022 only the two objectives related to climate change (mitigation and adaptation) had to be reported, out of the total of six identified in the taxonomy.

Thus, of the 78 non-financial undertakings, 55 (71%) in turnover, 68 (87%) in CapEx, and 56 (72%) in OpEx reported eligible activities above zero.

In terms of aligned activities, i.e. activities that make a significant contribution to the defined objectives and meet the other required criteria, 40 (51%), 44 (56%) and 34 (44%) issuers respectively presented such activities.

For all three indicators, the different issuers report a wide dispersion of eligibility and alignment rates, mainly because of the heterogeneity of the sectors they belong to and the activities they carry out compared to those included in the taxonomy.

The data show that the eligibility rate tends to be significantly higher than the alignment rate for all three indicators. This is in line with the objectives of the taxonomy, which, in the interest of promoting gradual improvement, sets the level of environmental performance that companies should aim for and strive to achieve in order to make their activities sustainable.

The highest percentage of eligibility and alignment corresponds to CapEx, as expected, given that it includes investments in the adaptation of fixed assets and in the development of new activities included in the taxonomy, as well as investment related to the acquisition of products from economic activities that comply with the taxonomy and individual measures identified in the taxonomy that enable the target activities to have low carbon emissions or lead to a reduction in greenhouse gases, provided that these measures are implemented and operational within 18 months.

The activities most reported as aligned in CapEx, based on their absolute value, are related to energy, especially electricity generation, transmission and distribution of electricity from renewable energies. The energy and construction and real estate sectors presented the highest alignment rates in CapEx, in some cases with rates well above eligibility in terms of turnover. This tell us that, although they are investing to expand their already sustainable activities, especially in renewable energies, they are also investing in the transition to a low-carbon business model.

It is striking that, although there are a low number of activities that enable adaptation, a high percentage of issuers report a positive alignment in turnover (30%, with 10% contributing exclusively to adaptation). However, the percentage of alignment in CapEx and OpEx with respect to adaptation is low. In this context, non-financial undertakings are reminded that adapting an economic activity does not make it sustainable but resilient; therefore, the term “adapted activity” is used and the turnover generated by such activity should not be taken into account, unless it is an enabling activity. Only investments made and expenditure incurred on fixed assets (CapEx and, if applicable, OpEx) should be counted, and only when they are part of a plan developed in response to a risk assessment.

Regarding the use of Annex II templates of the Delegated Regulation (EU) 2021/2178 or Disclosures Delegated Act, 18% of issuers for the turnover indicator, 11% for the CapEx indicator and 23% for the OpEx indicator, did not use them in their reporting. In the latter case, the majority were issuers that had made use of the immateriality exemption in section 1.1.3.2. of the said Delegated Act.

In addition, 29%, 27% and 24% respectively used the templates only partially, either because they did not strictly follow the format or because they did not fill in all the information.

In this context, it should be recalled that the use of the templates is mandatory and that they must be filled in accordance with the regulation.

Similarly, at the end of section III, the recommendations are detailed and the criteria to be considered in relation to qualitative disclosures are recalled.

Non-financial undertakings: qualitative information

The review of qualitative information has been limited to a sample of 25 non-financial undertakings. With respect to the qualitative information provided by such non-financial undertakings, issuers should consider the following observations, improvements or recommendations for their taxonomy reporting in the coming years:

– It is recommended to include references to the financial statements and other information included in the statement of non-financial information, as this will lead to more coherence and cohesion of the information provided.

– Detailed and company-specific information should be provided on the different approaches included in the indicators (mandatory and voluntary), the nature of the aligned and eligible activities, whether and how the technical selection criteria, the Do No Significant Harm criteria (DNSH) and the minimum safeguards are met, avoiding verbatim reproduction of the content of the Regulation in order to allow a better and more comprehensive understanding of the analysis carried out by the issuers.

– It is recalled that the criterion of immateriality can only be applied in cases stipulated under the legislation, in which case the disclosures required by the legislation must be provided, and this criterion must be followed by issuers in future years.

– It is also recalled that the analysis must be carried out for both mitigation and adaptation objectives. From 2024, the rest of the environmental goals should also be considered. The amendments made to the Delegated Act in Article 8 of the Taxonomy Regulation allow for the reporting of the contribution to each environmental objective, thus avoiding double counting in the use of the templates.

– It should be noted that the minimum safeguards do not only refer to human rights, but also to minimum standards for responsible business conduct, both of which should be reflected in the taxonomy information to be submitted.

– In cases where the interpretation of the regulatory criteria is not clear, and in relation to the need to apply professional judgement in order to arrive at an appropriate interpretation of the taxonomy regulations, as opposed to possible sectoral criteria, by consultants or private bodies, preference should be given to documents published by the competent bodies in the field, such as the European Commission's publications of questions and answers on the subject.

Introduction

This report aims to describe the eligibility and alignment characteristics with the climate change taxonomy of the economic activities of Spanish securities issuers admitted to trading on regulated markets in the European Union (hereinafter, issuers or undertakings), based on the information provided in accordance with Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June or **Taxonomy Regulation**.[1] These disclosures have been derived from the non-financial statements (NFS) for the financial year 2022, for those undertakings that are subject.

The above-mentioned regulation makes it possible to identify the activities carried out by these undertakings as environmentally sustainable by taking into account the above-mentioned taxonomy approved by the EU, which sets 6 environmental targets,[2] although only the first two, relating to climate change, have to be reported on until the financial year 2022.

The above-mentioned Regulation is complemented by Delegated Regulation (EU) 2021/2178 (**Disclosures Delegated Act or DDA**),[3] which sets out the content and presentation of the information to be disclosed, and Delegated Regulation (EU) 2021/2139 (**Climate Delegated Act, or CDA**),[4] which describes the criteria for verifying the contribution to climate change mitigation and adaptation.

Delegated Regulation (EU) 2022/1214, of 9 March, (**Complementary Climate Delegated Act or CCDA**)[5] amends the Climate Delegated Act by including, under strict conditions, nuclear energy and gas as transitional activities contributing to climate change mitigation. In addition, the European Community (EC) has published several Frequently Asked Questions (Q&A)[6] documents that have facilitated the interpretation of the current legislation. Furthermore, the Sustainable Finance Platform, an advisory body to the European Commission, has published several papers on the use of the taxonomy and on possible voluntary disclosures.[7]

1 https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:4481971

2 The 6 objectives are: i) climate change mitigation, ii) climate change adaptation, iii) sustainable use and protection of water and marine resources, iv) transition towards a circular economy, v) pollution prevention and control, and vi) protection and restoration of biodiversity and ecosystems.

3 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2178

4 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R2139

5 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022R1214

6 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022XC1006%2801%29
https://ec.europa.eu/finance/docs/law/221219-draft-commission-notice-eu-taxonomy-climate.pdf
https://ec.europa.eu/finance/docs/law/221219-draft-commission-notice-disclosures-delegated-act-article-8.pdf

7 https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en

The Regulation mentioned above envisages a phased introduction of the disclosures, distinguishing between financial and non-financial undertakings. This meant that the NFS 2021 of financial and non-financial issuers with more than 500 employees would for the first time include indicators on the share of economic activities **eligible** for climate change mitigation and adaptation objectives, which for non-financial companies in particular refer to their total turnover, capital expenditure (CapEx) and operating expenses (OpEx).

In addition, the NFS for the 2022 financial year of non-financial issuers were the first to facilitate the proportion of economic activities **aligned** with the taxonomy (including the information required by the Complementary Climate Delegated Act 2022/1214 mentioned above). As this information is part of the mandatory content of the NFS, required by the applicable regulatory framework, it must be included in the third-party review process of the NFS as a whole.[8]

Considering the novelty and relevance of these disclosures, an analysis of the information, both quantitative and qualitative, as well as of the related voluntary disclosures, has been carried out and is described in the following sections.

The report is based on the disclosures made publicly by the issuers without prior review of their content. The actions carried out by the CNMV as part of its oversight function in relation to the NFS 2022, and therefore to the information relating to the taxonomy, will be included in the *Report on the CNMV's supervision of non-financial information and main enforcement priorities for the following financial year* for 2022, which is expected to be published in the first quarter of 2024.

Regarding the information to be reported in the coming years, on 13 June 2023, the EC presented a new set of taxonomy criteria for the remaining 4 targets, in addition to the 2 climate targets already developed. Furthermore, an amendment to the CDA was proposed to expand the economic activities that contribute to climate change mitigation and adaptation, as well as an amendment to the DDA to clarify the disclosure requirements for new activities.[9]

The environmental taxonomy criteria will be regularly reviewed and further developed in line with technological changes and advances, which will facilitate the extension to new sectors and activities, including transitional and enabling activities that may be added over time.

Finally, it should be noted that the new Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD)[10] will gradually increase the number of undertakings obliged to report taxonomy information from 2024.

8 Directive 2013/34/EU gave Member States the option to require the information contained in the NFS to be verified by an independent verification service provider. The Spanish legislator chose to force the information included in the NFS to be verified by an independent verification service provider.

9 With regard to these draft regulations, a procedure of at least 4 months and a possible extension of 2 further months is pending in order to formally adopt the delegated acts, which are expected to apply from January 2024.

10 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32022L2464

I Scope

This report provides an overview of the climate taxonomy information provided by the issuers in their NFS for 2022 with a two-fold scope:

i) An overview of the information submitted by **all issuers** required to publicly disclose taxonomy information in 2022, mainly to show what information they provide on the indicators required by the Regulation, how they do so and to provide an overview of these indicators by sector.

ii) A more in-depth analysis of transparency practices for a **sample of 25 non-financial undertakings** (hereafter the selected sample) in the first year, 2022, reporting alignment, without including information on any enforcement activities.

Both scopes are explained in more detail below.

Number of issuers subject to the publication of taxonomy information

Of the 101 issuers that presented their NFS[11] in the consolidated management report for the 2022 financial year as at 31 July 2023, 89 provided information on taxonomy[12] (similar figures to 2021).

Obliged issuers that have submitted taxonomy information to the CNMV TABLE 1

	2021	2022
Consolidated NFS	102	101
Taxonomy-related information	89	89
Non-financial undertakings	77	78
Financial undertakings and insurance companies[13]	12	11

Source: CNMV.

The difference between issuers that reported an NFS and those that have submitted taxonomy information arises from the fact that Law 11/2018, of 28 December,[14] for

11 These figures do not include an undertaking that has not yet submitted its annual financial report for 2022 due to an irregular year-end before 31 August and is obliged to submit an NFS but not to report taxonomy-related information.

12 This figure does not include an undertaking that has submitted its NFS and has more than 500 employees but does not report any taxonomy-relevant information as this is provided by its parent company in Germany.

13 It includes a holding company that only reported some of the indicators required for financial undertakings.

14 https://www.boe.es/boe/dias/2018/12/29/pdfs/BOE-A-2018-17989.pdf

public interest entities[15] and from the 2021 financial year onwards has lowered the threshold for the number of employees required for the purpose of submitting an NFS to 250, while the threshold for submitting taxonomy information under the Taxonomy Directive and Directive 2014/95/EU on non-financial reporting and diversity (NFRD) is 500 employees.[16]

Nevertheless, five undertakings, with an average of fewer than 500 employees voluntarily submitted taxonomy information in the 2022 financial year. However, this information was not complete in all respects and was therefore not taken into account for the purposes of this report.

Some companies have a financial year that differs from the calendar year (irregular financial year) and two of them[17] were not required to report on alignment in the annual report considered for this publication, so they were only considered for eligibility purposes.

As mentioned in the introduction, the taxonomy information must be verified with limited assurance by an independent verification service provider, as part of the review of the NFS as a whole. As in the previous year, all issuers have submitted the corresponding verification report for the consolidated NFS, without the NFS for 2022 being subject to any qualification.[18]

Regarding taxonomy-related information, most of the review reports (91% of the 89 issuers obliged to provide taxonomy-related information) contained an emphasis paragraph on taxonomy. Further details on these aspects can be found in Chapter II of this report (section "Comparability of KPIs with those of the previous year").

Selected sample

The 25 non-financial undertakings in the selected sample were identified mainly on the basis of the mixed selection model, which was also used to determine the issuers that underwent a substantive review during the year as part of the CNMV's supervision of financial and non-financial information, as described in the *Report on the CNMV's supervision of non-financial information and main enforcement priorities for the following financial year. Financial year 2021*.

As only non-financial undertakings were required to report information on the alignment of their economic activities in the financial year 2022, financial undertakings were excluded from the composition of the selected sample for this purpose.

Although an attempt was made to show sectoral representativeness, the results of the selected sample, although partially indicative, cannot be fully extrapolated to the group of undertakings that are obliged to report taxonomy information to the CNMV.

15 With the exception of undertakings that qualify as small and medium-sized enterprises within the meaning of Directive 2013/34/EU.

16 As mentioned above, the CSRD will lead to a gradual increase in the number of undertakings obliged to report taxonomy information.

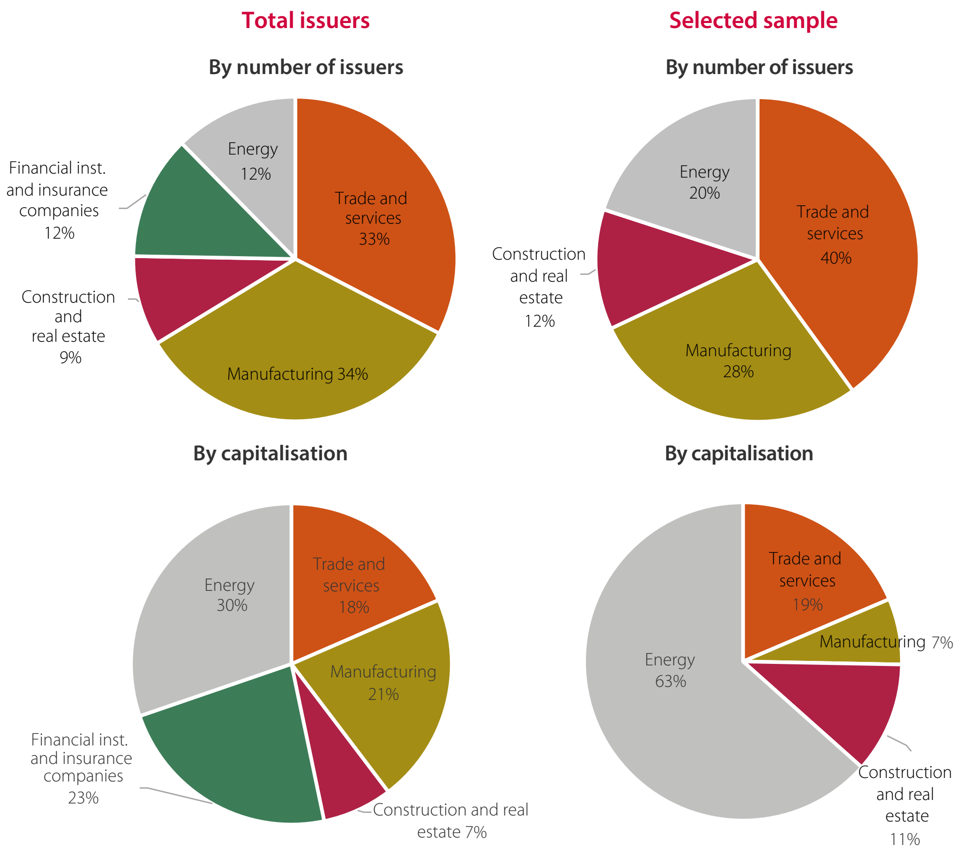
17 For two non-financial issuers, whose year-end is 30 September, the eligibility reported in their annual financial report for the year ending 30 September 2022 has been taken into account for the purposes of this report.

18 In 2021, an issuer submitted a qualification, but it did not refer to the taxonomy.

The following graphs show how both scopes are distributed by sector and market, taking into account the number of issuers and their market capitalisation[19] at 31 December 2022.

Scope

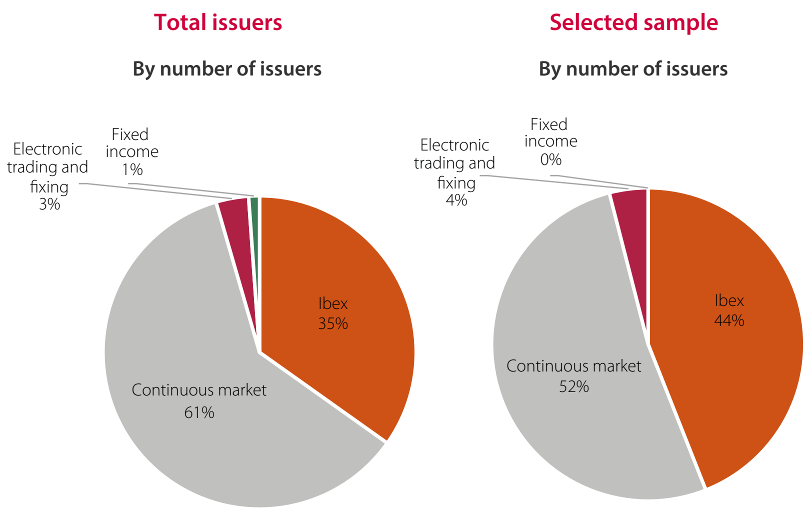
Sectoral distribution of issuers FIGURE 1



Source: CNMV.

In addition, their distribution by market is as follows:

Distribution by market FIGURE 2



Source: CNMV.

19 Only the fixed income of an issuer in the Trade and services sector is listed and is therefore not considered as it does not have market capitalisation.

Three Ibex-listed undertakings[20] were not yet required to prepare taxonomy information for the 2022 financial year, as they did not have an annual average of more than 500 employees (and only one of them was required to prepare the 2022 NFS).

20 Inmobiliaria Colonial, SOCIMI, S.A., Merlin Properties, SOCIMI, S.A. and Solaria Energía y Medioambiente, S.A.

II Non-financial undertakings: quantitative information

This chapter illustrates taxonomy-related information provided by the 78 obliged non-financial issuers, as set out in their 2022 NFS.

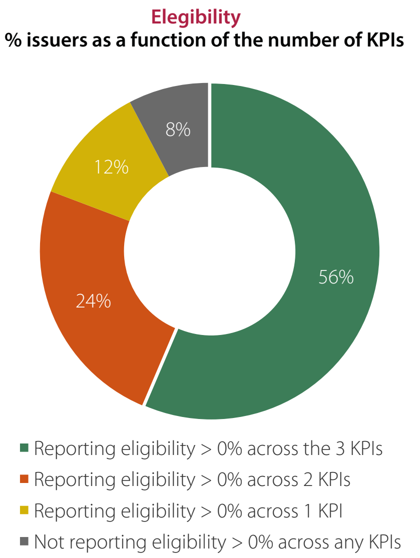
In relation to aligned activities, in line with the regulations, different terms are used interchangeably throughout this report: aligned, taxonomy-aligned, or environmentally sustainable activities.

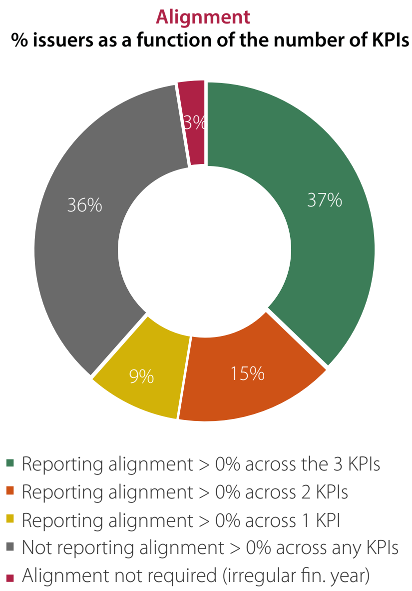
What information do they provide?

All issuers provided taxonomy-related information, although, as will be seen in the sections corresponding to each of the three key performance indicators (hereinafter, KPI, indicator or ratio), in several cases they indicated that they had no eligible activities, as they were not included in the Climate Delegated Act, or they quantified them at zero. This is particularly true for the turnover or revenue KPI, although it should be noted that, in these cases, some of these issuers did report a positive CapEx KPI due to the investments made.

Over half of the issuers (56%) reported eligibility above 0% across the three turnover, CapEx and OpEx KPIs. However, this percentage is reduced to 37% in the alignment report:

Number of indicators reported by the 78 issuers FIGURE 3





Source: CNMV.

Of the 24% of issuers reporting eligibility above 0% for two indicators, most of these correspond to CapEx and OpEx (53% of issuers), although of these only 40% report alignment above 0% for both.

The most determined indicator with positive values or above 0% is CapEx, which is disclosed by 87% of issuers with an eligibility above 0% and 56% with positive alignment, and is therefore the indicator most frequently reported by issuers providing only one KPI.

As we will see below, this is also the indicator with the highest percentage of eligibility and alignment, which shows that undertakings are making efforts to reduce their carbon footprint, carry out environmentally sustainable activities and fulfil the Paris goals.

The OpEx indicator is the least reported indicator with positive alignment (reported by only 44% of issuers and 72% of eligibility).

The figure above illustrates the gap issuers would have to cover to convert the indicators they report with eligibility into indicators aligned with the taxonomy.

The following shows what is reported for each of the three key indicators relating to turnover, CapEx and OpEx.

Key performance indicator relating to turnover

A total of 55 (71%) of the 78 non-financial undertakings reported a share of turnover from taxonomy-eligible activities that was not 0%, but only 40 (51%) reported turnover or revenue related to aligned or environmentally sustainable activities (see Figure 4).

It is important to note the following:

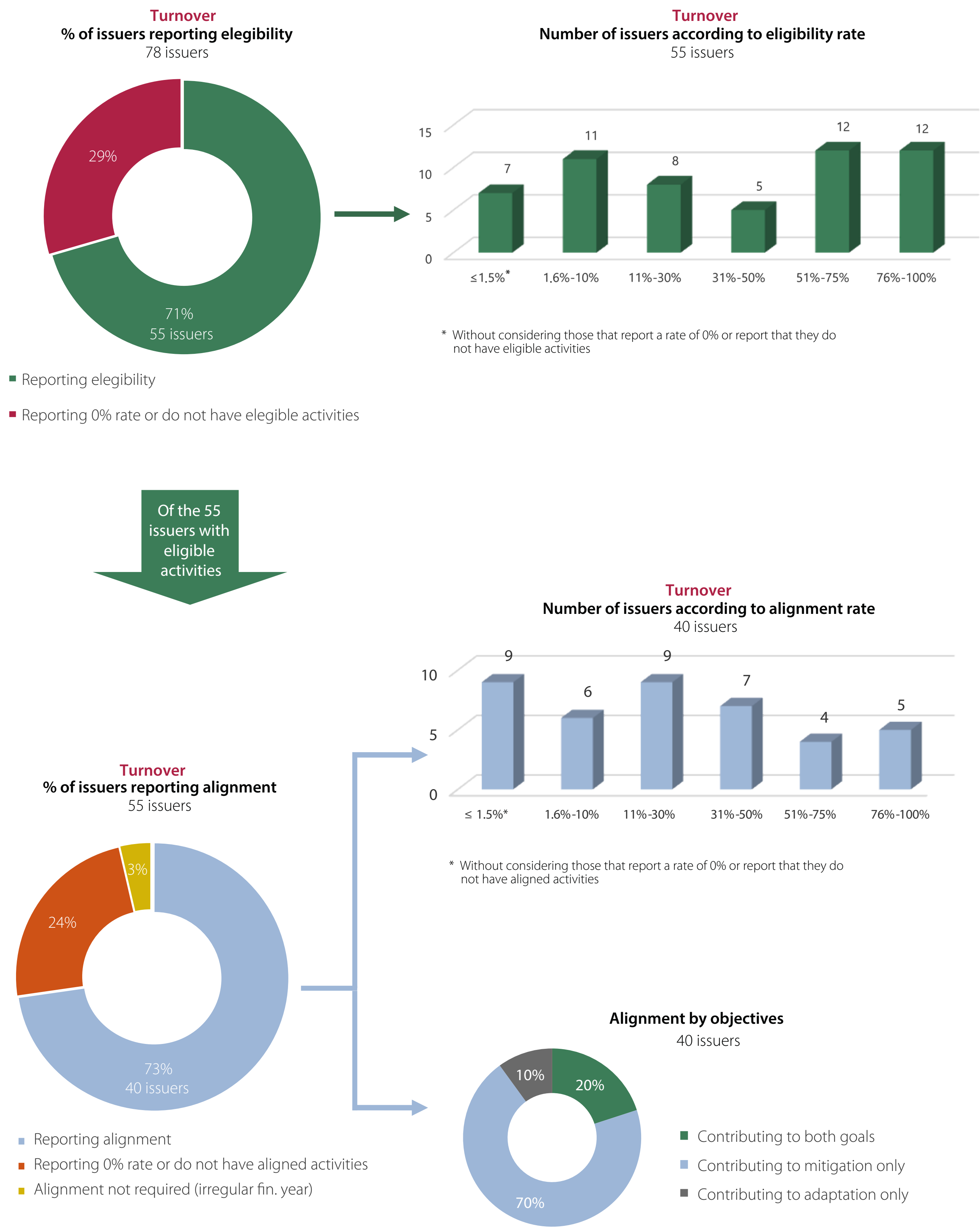
- There are 23 issuers (29% of the 78) that report an eligibility rate of 0% or report that they have no eligible activities, mainly because their main activities are not listed in the Climate Delegated Act (e.g. pharmaceutical and healthcare sector, food manufacturing, consumer goods distributors, hotel companies, airlines, etc.).

- Of the 55 issuers reporting positive eligibility, 13 (24%) had an alignment rate of 0%, largely because one or more of the conditions for classifying an activity as aligned were not met (lack of fulfilment of the significant contribution (SC) criteria, do no significant harm to other environmental objectives (or DNSH), and not carried out in accordance with the minimum safeguards), which is not always adequately explained (see section on "Satisfaction of criteria" in Chapter III).

  In some cases, issuers reported that they had not performed sufficient analysis to determine whether the activities were aligned or not, some because they did not have the necessary information and others because the percentage of eligible activities was not considered material.

Issuers reporting eligibility and alignment for turnover

FIGURE 4



Source: CNMV.

> With regard to the indicators of turnover and capital expenditure, the regulations only provide for the possibility of not having to carry out the analysis to determine the alignment of activities if the company lacks evidence and has great difficulty in making such an assessment and if, in addition, it is an activity that is not material to the business. In this case, it must report an alignment rate of zero for this taxonomy-eligible activity (without performing an additional assessment).

– The variation in the magnitude of the eligibility and alignment indicators, as depicted in figures 4 and 5 within this section, can be attributed to the diverse sectors and activities of issuers, as well as occasional disparities in the interpretation of regulatory criteria for similar activities.

  A 33% of issuers reporting positive eligibility and 38% of issuers reporting positive alignment have a rate less than or equal to 10%, while conversely 44% and 23%, respectively, have a rate greater than 50%.

– A 90% of issuers reporting positive alignment make a significant contribution to the climate change mitigation target and 30% to the adaptation target, with 20% contributing to both targets.

> In this sense, the CDA encompasses two different types of activities that can contribute to climate change adaptation: adaptation activities and enabling activities.
>
> The adaptation of an economic activity does not make it sustainable, but resilient. Therefore, the term "adapted activity" is used and the turnover generated by such an activity should not be taken into account unless it is an enabling activity. Only the expenses borne and the investments made on fixed assets (CapEx and, if applicable, OpEx) should be counted, and only when they are part of a plan developed in response to a risk assessment.

  Sometimes they report that they have carried out activities that could contribute to the adaptation target, but that they have only considered the mitigation target in the analysis carried out in this first year of implementation.

> It should be remembered that the rates for each environmental objective must be reported (see the section "Double counting" in Chapter III).

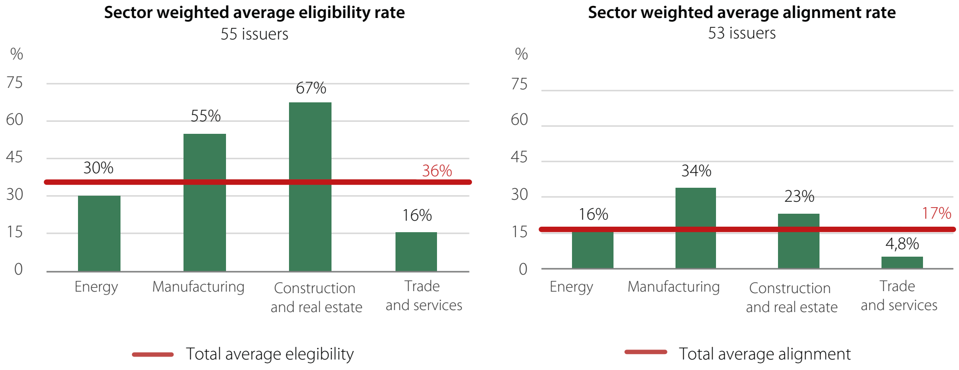
The following figures show the average eligibility and alignment rates weighted by total denominator amount (turnover), by sector and overall for the 55 issuers reporting positive eligibility.

These figures do not include the 23 issuers (29% of the 78 obliged issuers) that reported an eligibility rate of 0% or stated that they have no eligible activities. A total of 14 of them belong to the Manufacturing sector and 9 to the Trade and services sector.

As there are institutions with a rather heterogeneous mix of activities in most sectors, the dispersion of the weighted average rates by sector is high.

Average rates by sector of turnover eligibility[21] and alignment

FIGURE 5



Source: CNMV.

In addition, it should be noted that occasionally, for the same activity, different interpretation criteria of the regulations have been observed for issuers in the same sector, or there are even issuers presenting multiple scenarios[22] (see the section on Voluntary information in Chapter III).

The above figures show a significant decrease in the average alignment rate versus overall eligibility in all sectors, which is generally explained by the above-mentioned non-fulfilment of any of the requirements set out in the relevant regulations to qualify an activity as aligned (SC, DNSH or minimum safeguards). In other cases, issuers presented certain amounts as eligible but not aligned, explicitly stating that this was due to the complexity or different interpretation of the criteria in the regulations, and that they were waiting for more clarity about how to present them. Finally, in some cases, particularly for the CapEx and OpEx KPIs, issuers indicated that they had not performed sufficient analysis to determine whether or not the activities were aligned; some of them because they did not have the necessary information, and others because the percentage of eligible activities was not material.

It is important to note the following about the above figures:

– The highest eligibility rate corresponds to the **Construction and real estate sector**. Of the eight undertakings in this sector, six had a rate of more than 70%. Although all report positive alignment, these rates are significantly lower than the eligibility rates.

  Half of the issuers in this sector have seen their alignment metrics fall by more than 50 per cent compared to their eligibility rates.

– Regarding the eligibility of the **Manufacturing sector**, we may highlight the notable diversity in issuers' activities (16). Specifically, 44% of issuers (constituting 37% of the total turnover in this sector) report an eligibility rate below 12%, while 38% (representing 56% of sector turnover) report an eligibility rate of over 59%.

  With regard to the decrease in the alignment rate compared to the eligibility rate (55% vs. 34%), it should be noted that one of the institutions with an

21 In the alignment figure, the two undertakings with irregular fiscal years that are not required to report are excluded from the 55 issuers.

22 In the case of issuers reporting more than one scenario, the most restrictive scenario has been considered in the figures.

irregular financial year (which accounts for 21% of this sector's turnover) does not report an alignment rate, as it is not obliged to do so. If it were excluded from the average eligibility rate, this would be 43% compared with an alignment rate of 34%.

– In **the Energy sector**, more than half of the undertakings (55%, representing 31% of the sector's turnover) have an eligibility rate greater than 50%.

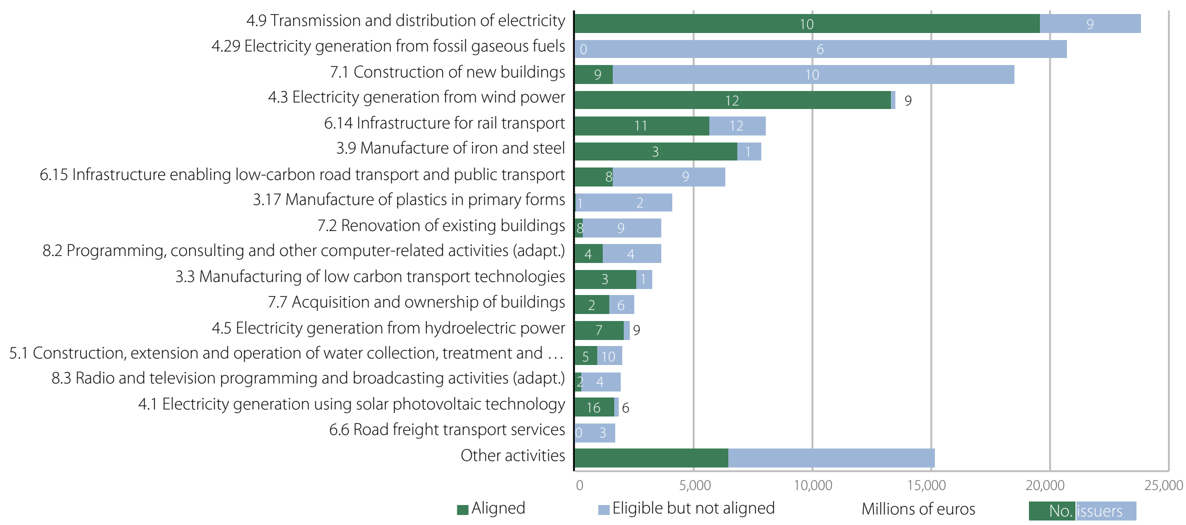
  Furthermore, it is important to note the specific circumstances of issuers primarily involved in activities pertaining to renewable energies within the sector. These undertakings typically demonstrate high eligibility rates, which are maintained in terms of alignment. However, 3 out of 11 issuers in this sector have an eligibility of below 9%, including one whose main activity is related to fossil fuels and accounts for 36% of the sector's turnover.

– Within the **Trade and services sector**, a majority of issuers (65%, constituting 81% of the sector's turnover) display eligibility rates below 20%. This shows that a significant portion of their activities falls outside the purview of the Climate Delegated Act. Only 15% of issuers possess eligibility rates above 50%.

  With regard to the decrease in the alignment rate compared to the eligibility rate, it should be noted that 30% of the institutions present an alignment rate of 0% in their activities (all of them with an eligibility lower than 19%).

Lastly, the figure below presents the activities that were most frequently reported by the 52 issuers with eligibility above zero,[23] categorised by their absolute turnover. Additionally, it indicates the number of issuers who reported these activities as aligned and/or eligible but not aligned in each instance.

Activities with the highest allocated turnover[24] FIGURE 6



Source: CNMV.

23 Of the 55 issuers, the two undertakings with an irregular financial year that are not required to report alignment and one issuer that has not submitted the template in Annex 2 of the DDA with regard to turnover and has not broken down the figures by area of activity, are excluded.

24 The number of issuers in this figure illustrates the number of issuers that have reported an activity as "aligned" and/or "eligible but not aligned", whereby one and the same issuer may be counted in more than one activity and may also have reported the same activity as both "aligned" and "eligible but not aligned" and would therefore be counted in both.

As can be seen in the figure above, it is not always the activities reported by a larger number of undertakings that account for a larger amount of funds, and vice versa. This is the case, for example, with activity 4.29, which was only reported by 6 issuers but has a very high amount of allocated turnover.

For the turnover KPI, a total of 74 different activities were reported in terms of total eligibility and, of these, 55 were fully or partially disclosed as aligned. Of the total of 113 economic activities included in European regulations to date, they represent 65% and 49%, respectively, which is a reflection of the heterogeneity and dispersion already mentioned.

Additionally, no activity has been reported as aligned by more than 16 issuers, nor as eligible and not aligned by more than 12. Of the 52 issuers, 36% described a single eligible activity, 19% two, and 17% three. Of the 40 issuers with positive alignment, these percentages were 33%, 10% and 13%, respectively. In contrast, 4 issuers (10%) reported between 18 and 22 activities with alignment.

Most of the reported activities in terms of absolute value correspond to those of group 4 *Energy*, submitted mainly by undertakings in the Energy sector (with an average turnover higher than those of other sectors, so that the 11 issuers in this sector account for half of the turnover of all issuers reporting positive eligibility), although they also concern issuers belonging to other sectors such as Manufacturing and the Construction and real estate sector.

These activities also correspond to those reported by a larger number of issuers, with 4.1 standing out as the most frequently reported activity, although its relative weight is lower in absolute terms.

The activities with the highest alignment in terms of absolute value are 4.9, 4.3, 3.9 and 6.14, in this order. On the other hand, activities can be observed, such as 4.29 and 7.1, which are eligible, but for which a relevant portion is not aligned.

The category of other activities encompasses a diverse range of 58 activities that correspond to different categories. However, certain activities within group 5 *Water supply, sanitation, waste treatment, and decontamination* and group 6 *Transport* stand out. These activities have greater weight in terms of absolute value compared to others and are reported by a larger number of issuers.

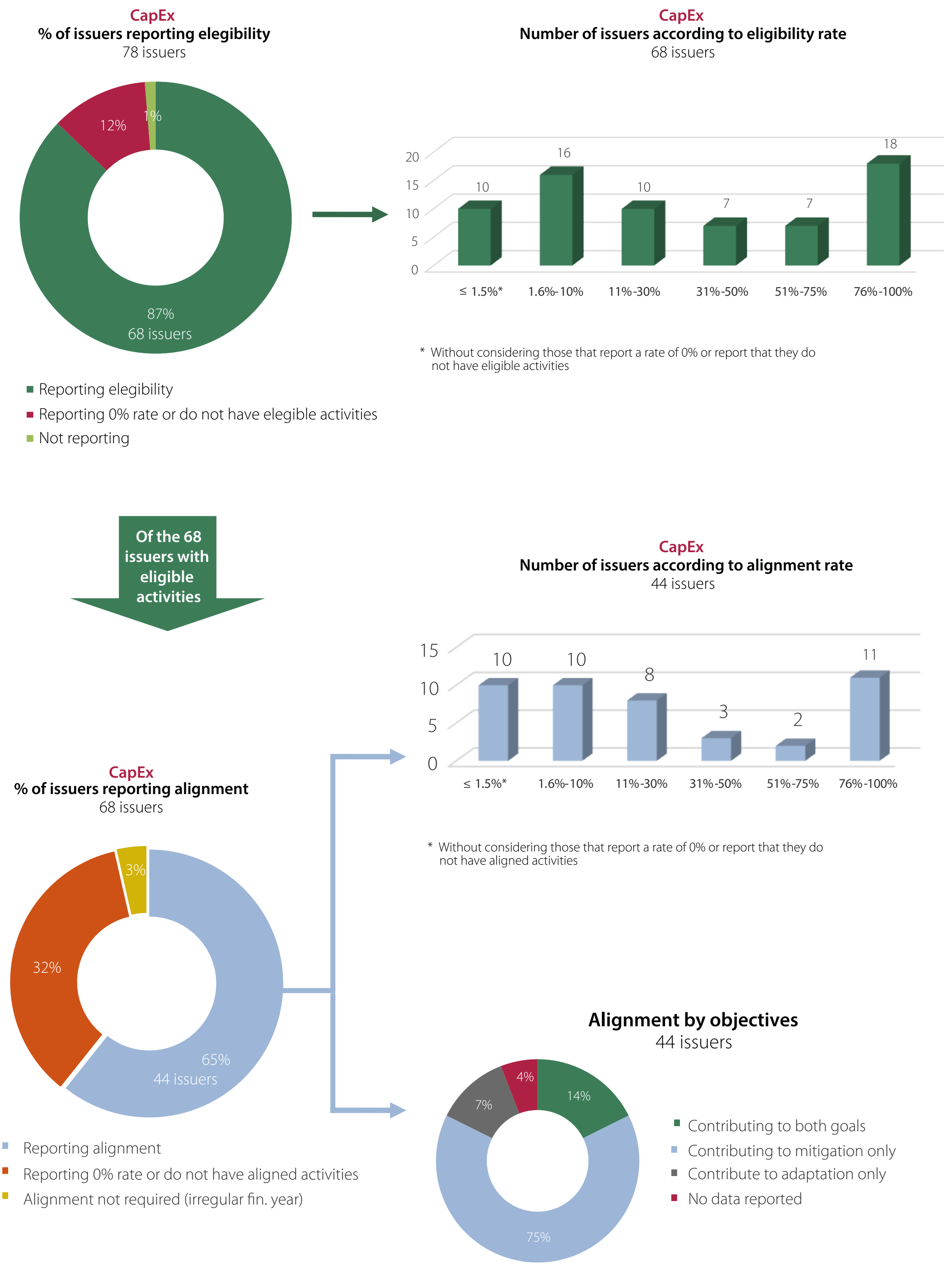
Furthermore, a number of activities within group 7 *Construction and real estate activities* are reported by a considerable number of issuers. However, their relative importance in terms of weight is not as significant.

Key performance indicator relating to investments in fixed assets (CapEx)

Of the 78 non-financial undertakings, 68 (87%) reported a CapEx share of taxonomy-eligible activities that was greater than 0%, but only 44 (56%) reported CapEx for aligned, i.e. environmentally sustainable, activities (see Figure 7).

Issuers reporting CapEx eligibility and alignment

FIGURE 7



Source: CNMV.

It is important to note the following:

– A total of 9 issuers (12%) reported a rate of 0% or indicated that they had no eligible activities. This figure is lower compared to turnover because, as mentioned above, issuers whose current volume of core activities is not included in the taxonomy do report CapEx due to, among other things, investments mainly in properties (e.g. installation of solar panels or energy efficiency solutions), although they generally do not represent relevant percentages in eligibility and in almost all cases do not fulfil the alignment requirements. Only one issuer (1%) has not reported CapEx information.

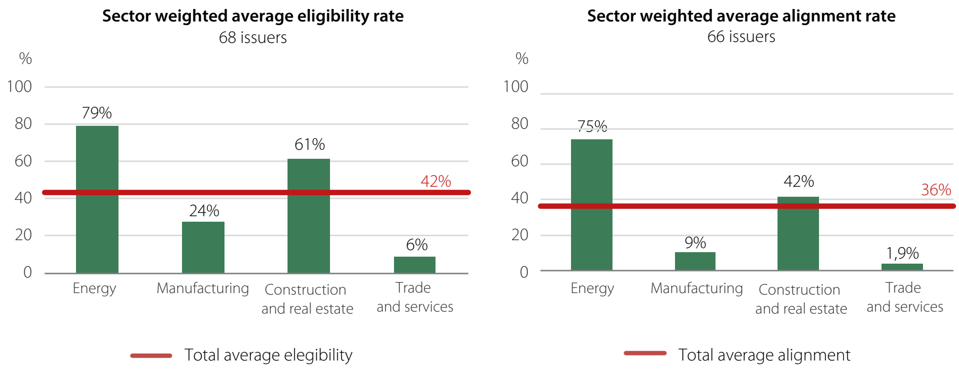
– Of the 68 issuers reporting positive eligibility, 22 (32%) had an alignment rate of 0% (and 16 of them had an eligibility of less than 12%).

– The diversity in the magnitude of the eligibility and alignment indicators is closely related to the heterogeneity of the sectors and activities of issuers, as illustrated in figures 7 and 8. A 38% of issuers reporting positive eligibility and 45% of issuers reporting positive alignment have a rate less than or equal to 10%, while 37% and 30%, respectively, have a rate greater than 50%.

– Almost all of the issuers reporting positive alignment contribute substantially to climate change mitigation (89%) and 21% to the adaptation target, with 14% contributing to both. As indicated in the turnover KPI section, issuers sometimes indicated that they had not performed sufficient analyses to assess the contribution to the adaptation target.

The following figures show the average eligibility and alignment rates weighted by the total amount of the denominator (total CapEx investments) by sector and in total for the 68 issuers:

Average rates by sector of CapEx eligibility[25] and alignment FIGURE 8



Source: CNMV.

In these figures, 10 issuers have been excluded (12% of the 78 required issuers), because they reported a 0% eligibility rate, reported that they had no eligible activities or did not provide information. A total of 4 of them belong to the Manufacturing sector and 6 to the Trade and services sector.

Again, as there are institutions with a rather heterogeneous mix of activities in most sectors, the dispersion of the weighted average rates by sector is high.

The above figures show that across all sectors, except for energy, there is a significant decrease in the average alignment rate with respect to the total eligibility rate. This reduction can be attributed to the same factors previously discussed in relation to the turnover KPI.

25 In the alignment figure the two undertakings with irregular fiscal years that are not required to report are excluded from the 68 issuers.

The following stand out in the above figures:

– The Energy sector and the Construction and real estate sector display the highest rates, indicating the greater investment efforts of these undertakings in environmentally sustainable activities.

  In the **Energy sector**, 82% of the 11 undertakings (accounting for 84% of total CapEx investment) had an eligibility rate above 50%, and generally remain at very similar levels in terms of alignment. The CapEx eligibility and alignment rates are much higher than their turnover rates, partly because of their investments to refocus their business model towards sustainable activities.

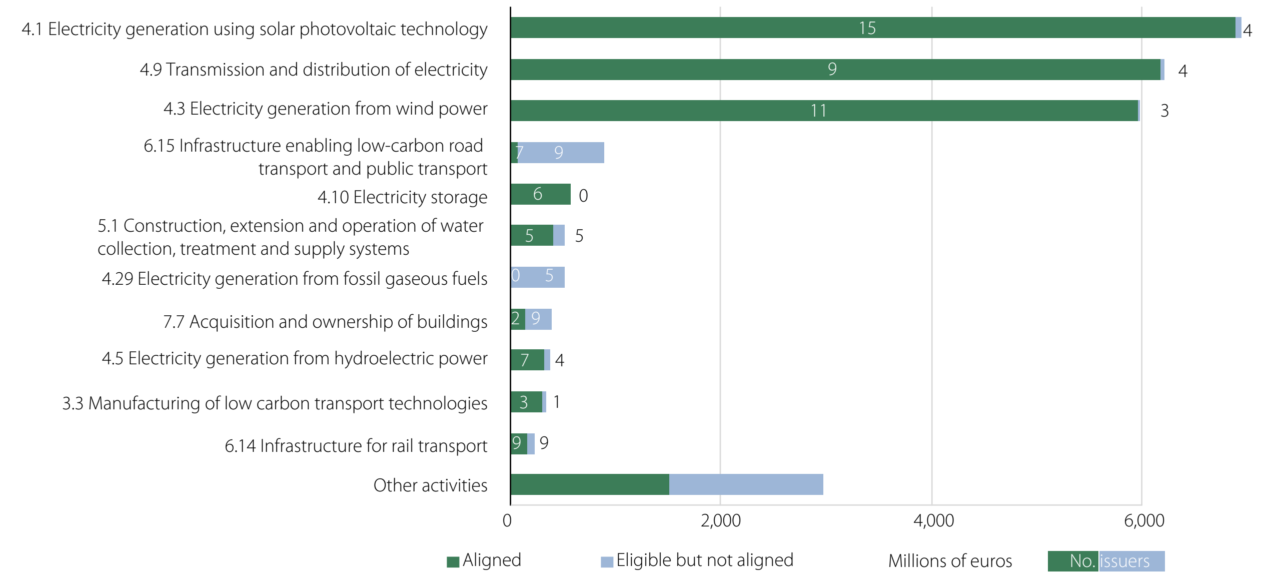
  In the **Construction and real estate sector**, 75% of issuers (which account for 66% of the total CapEx investment in their sector) reported an eligibility rate of higher than 55%. Although all (8) report positive alignment, these rates are significantly lower than the eligibility rates. Half of the issuers in this sector have seen their alignment rates fall by more than 50 per cent compared to their eligibility rates.

– The lower eligibility and alignment rates observed in **Manufacturing** and **Trade and services** sectors can be attributed, as mentioned earlier, to the inclusion of sub-sectors whose primary activities are not covered by the taxonomy. Consequently, these sub-sectors report notably low eligibility rates, associated with CapEx investments in the buildings where the activities are conducted.

Lastly, the figure below presents the activities that were most frequently reported by the 63 issuers with eligibility above zero,[26] categorised by their absolute CapEx. Additionally, it indicates the number of issuers who reported these activities as aligned and/or eligible but not aligned.

Activities with the highest CapEx allocated[27]

FIGURE 9



Source: CNMV.

26 Of the 68 issuers, the two undertakings with an irregular financial year that are not required to report alignment and three issuers that did not submit the CapEx template in Annex 2 of the DDA, are excluded.

27 See footnote 24.

As can be seen in the previous figure, it is not always the activities reported by a larger number of undertakings that account for a larger amount of funds, and vice versa. This is the case, for example, with activity 6.14, which is reported as an aligned activity by 9 issuers and as an eligible but not aligned activity by 9 issuers but which does not have a very relevant amount of allocated CapEx.

For the CapEx KPI, a total of 69 different activities were reported in relation to eligibility, of which 56 were fully or partially disclosed as aligned (61% and 50%, respectively, of the total activities collected by European regulations to date).

Additionally, no activity has been reported as aligned by more than 15 issuers, nor as eligible and not aligned by more than 16. Of the 63 issuers, 35% described a single eligible activity, 19% two, and 21% three. Of the 43 issuers which reported positive alignment, these percentages were 30%, 12% and 16%, respectively. In contrast, 2 issuers (5%) reported between 16 and 19 activities with alignment, respectively.

The CapEx activities that are most frequently reported in terms of absolute value are generally the same as those reported for turnover. This is due to the fact that these activities are linked to issuers' investments in their core businesses. The investments in group 4 *Energy*, particularly those associated with activities 4.1 and 4.3 that include renewable energies, underline the heightened investment commitment mentioned earlier towards environmentally sustainable activities, with a stronger alignment in terms of absolute value.

The 59 activities included in "other activities" are very varied and fall into several categories. Some of them, in group 7 *Construction and real estate activities*, do not carry significant weight in terms of absolute value compared to the overall total, but are reported by a greater number of issuers. Examples of such activities include 7.3 Installation, maintenance, and repair of energy efficient equipment, 7.6, 7.5, and 7.2 Renovation of existing buildings).

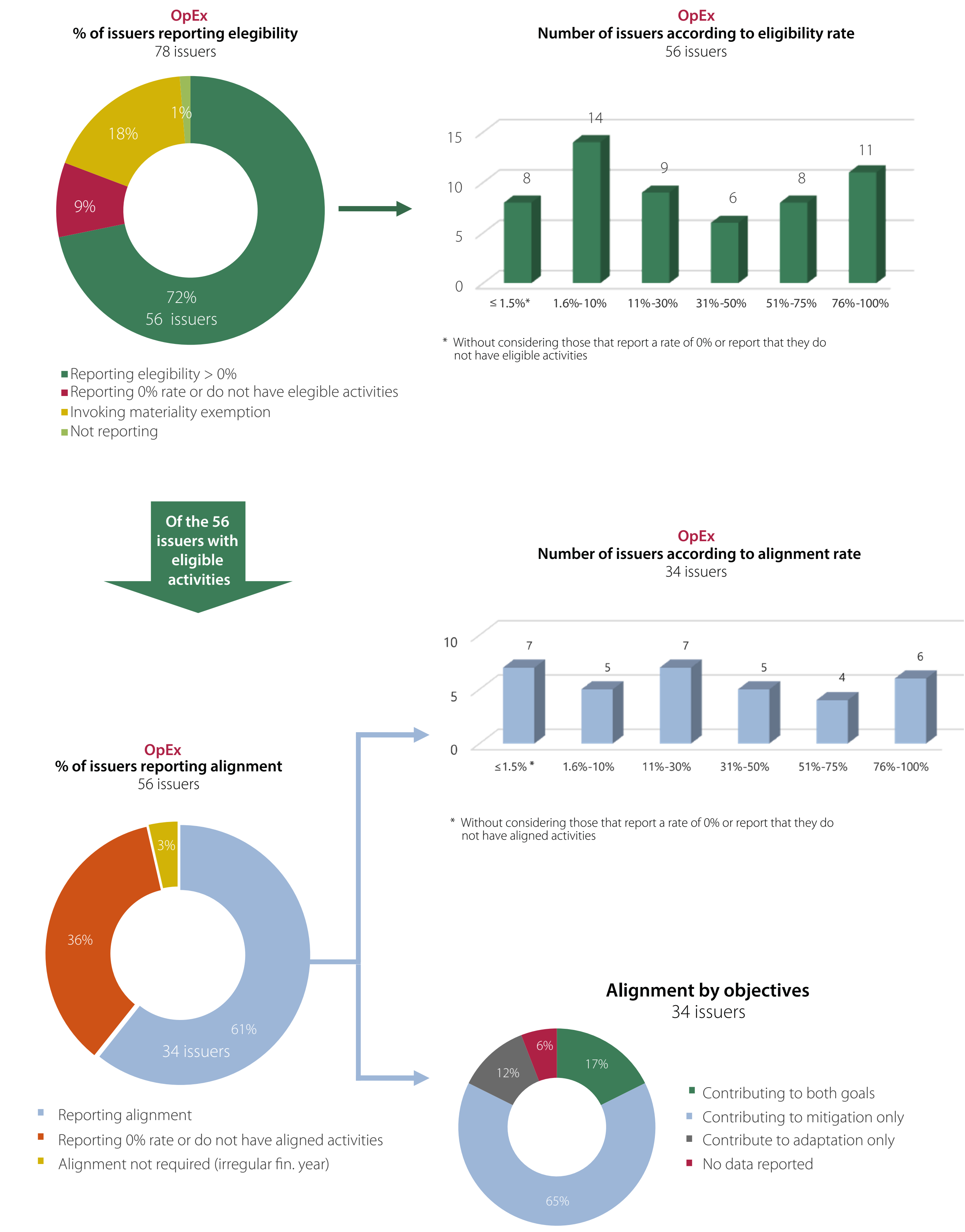
As noted, these activities are related to CapEx investments made in the buildings where the issuers conduct their business, without in many cases corresponding to their primary revenue-generating activities.

Key performance indicator for operating expenditure (OpEx)

Of the 78 non-financial undertakings, 56 (72%) reported an OpEx rate of taxonomy eligible activities other than 0%, but only 34 (44%) reported OpEx for environmentally sustainable aligned activities (see Figure 10).

Issuers reporting OpEx eligibility and alignment

FIGURE 10



Source: CNMV.

It is important to note the following:

– A total of 21 issuers (27%) did not report a positive eligibility rate. This includes those who reported a 0% rate, those who indicated that they had no eligible activities and, additionally, those who invoked the immateriality exemption in section 1.1.3.2. of the DDA (for the latter 14 issuers, not all of them provided all the disclosures and explanations required by the regulations). Only one issuer (1%) did not report information relating to OpEx without a sufficient explanation.

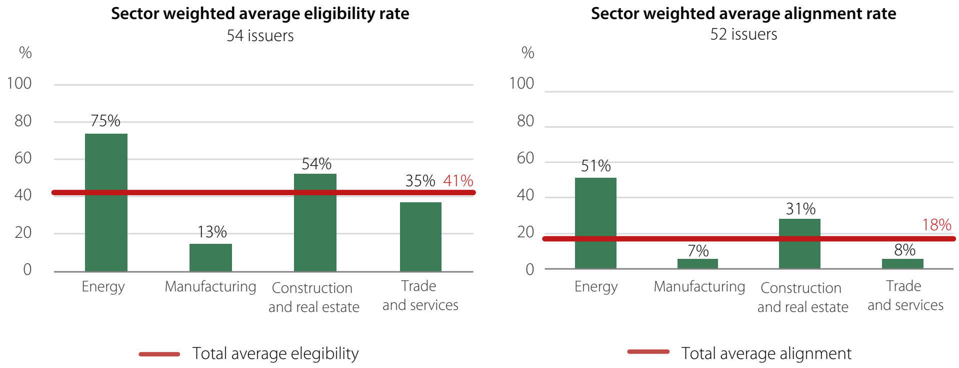
– Of the 56 issuers reporting positive eligibility, 20 (36%) had an alignment rate of 0% (and 15 of them had an eligibility of less than 11%).

– As with the KPIs for turnover and CapEx, differences can also be observed in the eligibility and alignment indicators. 39% of those reporting positive eligibility and 35% of those reporting a positive alignment had a rate of less than or equal to 10%, and, conversely, 34% and 29% respectively had a rate of more than 50%.

– Almost all issuers (82%) reporting a positive alignment reported that they contribute substantially to climate change mitigation and 29% to adaptation, with 17% contributing to both. As noted, issuers sometimes report that they did not perform sufficient analyses to assess the contribution to the adaptation target.

The following figures show the average eligibility and alignment rates weighted by total denominator amount (total investment in OpEx), by sector and overall for the issuers reporting positive eligibility:

Average rates by sector of OpEx eligibility[28] and alignment FIGURE 11



Source: CNMV.

In these figures, a total of 26 issuers have been excluded (33% of the 78 required issuers), in most cases for reporting a 0% eligibility rate, having no eligible activities, or benefiting from the materiality exemption. Of the excluded issuers, 12 correspond to the Manufacturing sector, 11 to Trade and services and 3 to Construction and real estate.

Again, as there are institutions with a rather heterogeneous mix of activities in most sectors, the dispersion of the weighted average rates by sector is high. Furthermore, in the case of OpEx, the apparent variance in criteria employed by different issuers regarding the items to be included in the denominator of the rate contributes to the aforementioned dispersion.

Consistent with the observations made for the turnover KPI, the preceding figures show a decrease in the average alignment rate in relation to the total eligibility rate across all sectors.

28 In both figures, two undertakings that have not reported the denominator data are excluded from the 56 issuers. In addition, the alignment figure excludes two undertakings with an irregular financial year that are not required to report the rate.

It is important to note the following about the above figures:

– The highest eligibility rate corresponds to the **Energy sector**, where 64% of the issuers (7 issuers, representing 83% of the total OpEx of the sector) have an eligibility greater than or equal to 50%. Practically all of them presented, to a greater or lesser extent, decreases in their alignment rate compared to the eligibility rate. Specifically, 45% had falls in their alignment rate of more than 10% and two issuers of 40%).

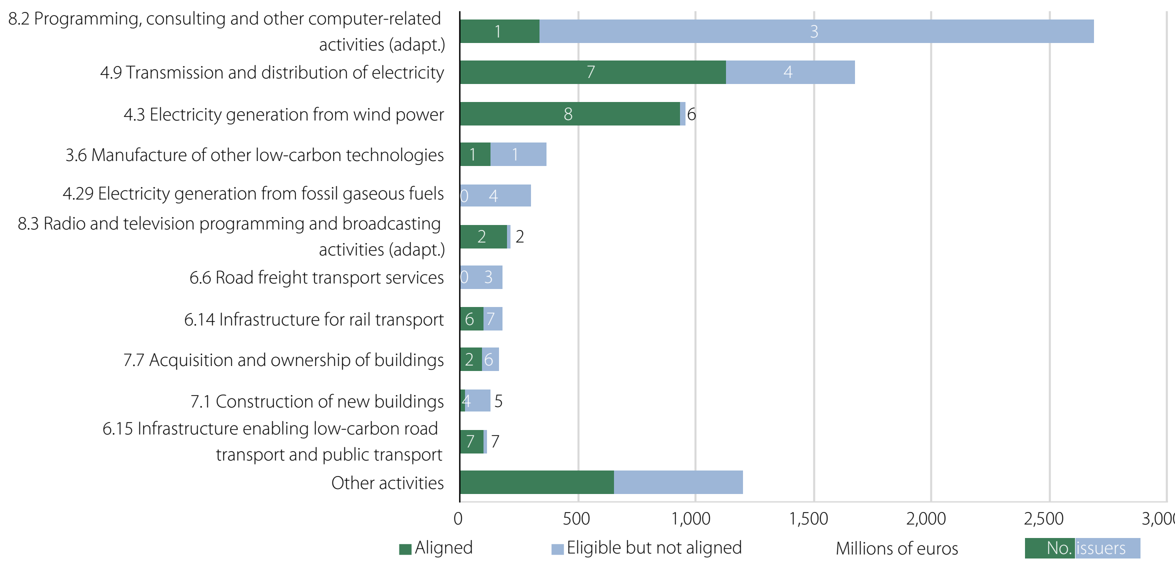
– In the **Construction and real estate** sector, practically all the issuers (80%, representing 99.8% of the total OpEx of the sector) have eligibility levels of higher than 45%. More than half of them showed decreases of more than 35 p.p. in their alignment rates compared to their eligibility rates.

– Within the **Trade and services** sector, the majority of issuers (63%, representing 55% of the sector's OpEx) had eligibility rates below 20%. However, the average for the sector is significantly higher at 35%, as can be seen from the figure. This is mainly due to the impact of one company, which accounts for 31% of the total OpEx amount of the sector (denominator) and which reported an eligibility rate of 90% (and an alignment rate of 16%), which largely explains the decrease in the sector's average alignment rate.

– Regarding the eligibility of the **Manufacturing sector** (19 issuers), more than half of the issuers have an eligibility below 20%, and practically all reported zero or practically zero alignment.

Lastly, the figure below presents the activities that were most frequently reported by the 50 issuers with eligibility above zero,[29] categorised by their absolute OpEx. Additionally, it indicates the number of issuers who reported these activities as aligned and/or eligible but not aligned in each instance.

Activities with the highest OpEx allocated[30] FIGURE 12



Source: CNMV.

29 Of the 56 issuers, we exclude the two undertakings with an irregular financial year that are not required to report alignment, three issuers that did not submit the OpEx template in Annex 2 of the DDA not detailing the values by activity and one issuer that does not detail the activities in its template.
30 See footnote 24.

As can be seen in the previous figure, it is not always the activities reported by a larger number of undertakings that account for a larger amount of funds, and vice versa. This occurs, for example, in the case of activity 8.2., which is reported by only 3 issuers as an eligible but not aligned activity and by one as aligned, but has a very significant amount of allocated OpEx.

For the OpEx KPI, a total of 63 different activities were reported in relation to eligibility, of which 48 were fully or partially disclosed as aligned (56% and 42%, respectively, of the total activities collected by regulations to date). Additionally, no activity has been reported as aligned by more than 11 issuers, nor as eligible and not aligned by more than 7.

Of the 50 issuers, 36% listed only one eligible activity, 26% two, 18% three and the remaining 20% four or more. Out of the 33 issuers which reported positive alignment, these percentages were 27%, 24%, 21% and 28%, respectively. In contrast, 2 issuers (6%) reported between 19 and 20 activities with positive alignment, respectively.

It is important to point out the relevance in absolute value of activity 8.2, which is mainly focused on the issuer mentioned above, whose OpEx accounted for 31% of the total.

Excluding this activity, activities 4.9 and 4.3, which relate to OpEx investments in the same eligible activities and/or are aligned in terms of turnover, mainly in the Energy sector, are the activities with the greatest alignment in terms of absolute value.

The "other activities" category includes 52 diverse activities in different categories. Among them, the most reported activities in terms of number of issuers are groups 4 *Energy* and 7 *Construction and real estate activities*. However, their relative importance in terms of absolute value is not as significant (such as 4.1, 7.6, and to a lesser extent, 7.3).

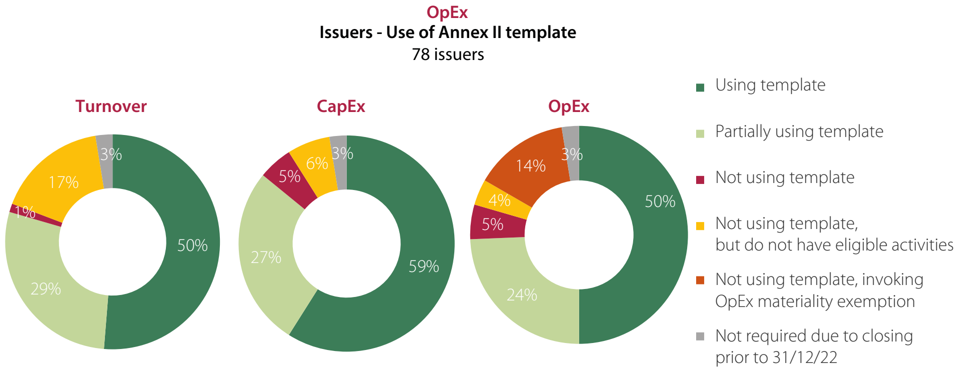
The most reported activities in terms of absolute value are the same for all three indicators and correspond to groups 4 *Energy* (4.3, 4.9 and 4.29), 6 *Transport* (6.14 and 6.15) and 7 *Construction and real estate activities* (7.7). 77% of issuers who reported positive alignment for any of the three KPIs presented some enabling activity and 54% some transition activity.

How do they report?

Use of templates

The following figures show what percentage of the 78 non-financial issuers have used the templates included in Annex II of the DDA for reporting each of the three indicators:

Use of the Annex II templates (78 issuers) FIGURE 13



Source: CNMV.

Approximately 90% of issuers submitted the template for at least one of the three indicators. It is important to note the following about the above figures:

– Only 1% of issuers for the turnover indicator and 5% for CapEx and OpEx of issuers with eligible activities did not use the templates, although these were generally issuers with low eligibility percentages.

  17% in the case of turnover KPIs, 6% in CapEx and 4% in OpEx did not submit templates, although these were undertakings that reported that they did not have eligible activities. In addition, in the case of OpEx, 14% of issuers did not submit templates when benefiting from the non-materiality exemption provided for in the regulations.

– Therefore, most of them reported the data on the indicators using the templates, although 29% in the case of the turnover KPI, 27% in the case of CapEx and 24% in the case of OpEx used the templates, albeit partially, either because they did not strictly follow the format or because they did not fill in all the information.

Most of the cases where it was only partially used are due to the omission of columns whose reporting is optional in this exercise, or whose data cannot yet be reported or would be empty. This applies, for example, to the columns referring to comparative data or to the columns corresponding to the substantial contribution ("SC") criteria for objectives other than mitigation or adaptation to climate change.

In other cases, issuers did not completely or correctly fill in all the information required in the templates. For example: data for non eligible activities (B), A1+A2 subtotals, or A+B total were not provided, activity breakdown did not match these subtotals, or some of the columns related to DNSH criteria were missing, etc.

Ten non-financial undertakings have included some of the activities described in the Complementary Climate Delegated Act in the templates required by the DDA. This includes certain activities related to fossil gas and nuclear energy in the list of economic activities that contribute to climate change mitigation and adaptation, although only five of them submit the information using the additional templates required by the Complementary Climate Delegated Act.

These undertakings, belonging to the energy, industrial and construction sectors, reported having performed two of the activities described in the CCDA: activity 4.29 *electricity generation from fossil gaseous fuels* and activity 4.30 *high-efficiency co-generation of heat/cool and power from fossil gaseous fuels*. Specifically, 9 companies have considered the first activity as eligible (in no case aligned), while 3 undertakings have considered the second activity as eligible (only one of them classified a minor amount as aligned).

In relation to templates, the CNMV recalls that:

– The use of the templates is mandatory, in accordance with Article 2.2. of the DDA.

– Those companies that carry out activities related to nuclear energy and fossil gas, referred to in the Complementary Climate Delegated Act, must submit such information considering the templates in Annex XII.

– There is a certain inconsistency in the way the issuers have filled in the templates.

The planned amendment of the DDA, referred to in the introduction, introduces changes to the templates.

Comparability of KPIs with the previous year

As explained in the Introduction, non-financial undertakings had to report their eligibility KPIs in relation to climate change mitigation and adaptation objectives in their 2021 NFS and, additionally, the corresponding alignment KPIs in 2022.

As 2022 was their first alignment reporting exercise, it was not mandatory to provide comparative KPIs, although seven issuers have voluntarily submitted them in their templates, corresponding to various sectors, most notably energy.

The templates contained in Annex II of the current DDA do not contain any comparative information on eligibility at activity level, although some issuers (around 35%) provide this in more or less detail, albeit not always via the templates but in the text itself.

The NFS verifiers of the 78 issuers obliged to report taxonomy have included a paragraph emphasising such information in most of their reports (91%). This paragraph not only refers to the section of the NFS that reports on the criteria followed by the directors, but also frequently points out that the information on comparative adjustment is not included. In quite a lot of cases (around 60%), it is pointed out that the eligibility information itemised is not exactly comparable to that of 2021 or that the latter has even been restated (which is generally explained by the fact that it was not required in the same detail in 2021 as in 2022).

Some issuers who noted that their eligibility data was not comparable, disclosed their 2021 KPIs in restated form. One of the reasons given by the issuers is that they have carried out a more detailed analysis of the fit of their activities with those of the CDA as described in the CDA, taking into account subsequent publications by the European Commission (e.g. with regard to the fact that they have not only used the CNAE Code as a reference). Eligibility information was not considered comparable on other occasions, namely for those issuers that had started to report nuclear and gas related activities under the CCDA.

III Non-financial institutions: qualitative information

Below are certain of the **qualitative** disclosures provided by the 25 non-financial institutions forming the selected sample (the sample):

Disclosures accompanying key performance indicators

Inclusion of references

- One third of the companies in the sample did not include cross-references to the corresponding items in the financial statements for turnover and CapEx. In this respect, it could be useful to include a sufficiently detailed reconciliation of the denominators of the 3 ratios.

- A certain heterogeneity was observed in the cost and investment items included in the CapEx and OpEx indicators, without in all cases sufficient explanations being given on the policies pursued by the undertakings in this regard.

- Only 30% of the sample refers to other information contained in the NFS. Most frequently, the information refers to the chapters or sections describing climate action and human rights, in the latter case when it comes to compliance with the minimum safeguards.

Allocation of amounts to the numerator

- Although most undertakings provide some information on how the amounts allocated to the numerator of the eligibility and alignment indicators for turnover, CapEx and OpEx were determined, in most cases these disclosures reflect verbatim the content of the DDA, in many cases simply stating that the denominator was taken as the starting point and only the proportion of turnover, CapEx and OpEx corresponding to eligible/aligned activities was taken into account. More detailed and specific information would be more useful to investors and other users.

Nature of the activities

- 40% of the sample provided sufficient information on the nature of their taxonomy-eligible economic activities and of taxonomy-aligned activities, 36% could improve the content, and 20% provided little or no information on this aspect.

- Some undertakings in the sample that have eligible/aligned activities simply list them, using the terminology used by the CDA, which does not provide additional useful and specific information about the activities.

Satisfaction of criteria

– Practically all the undertakings analysed provide some qualitative information. The percentage of companies with eligible activities[31] that provide some form of information on how compliance with the technical screening criteria was assessed for each activity is around 75% and 60% for the criteria of do no significant harm. The percentage rises to 85% for disclosures relating to the satisfaction of minimum safeguards criteria at company level.

Explanation of the differences between aligned and eligible activities

– 75% of the sample provides certain explanations that help to understand the difference between the eligibility and alignment indicators, although in 25% of the cases it is considered that this information could be improved.

  Furthermore, some companies go beyond and specify the criteria that are not met in order not to consider certain eligible activities as aligned.

Double counting

– 50% of the companies in the sample provide information on the criteria used in relation to double counting.

  In this context, section 1.2.2.1. of Annex 1 of the DDA stipulates that undertakings must explain how they have avoided double counting in the allocation of the numerator of the key performance indicators relating to turnover, CapEx and OpEx across all economic activities.

  Some of the companies analysed have not only evaluated this concept in terms of the contribution of an activity to more than one objective, but have also taken into account aspects aimed at avoiding transactions between group companies, cross-sector exchanges or the inclusion of the same item in two different indicators or twice within the same indicator.

  Some issuers have stated that although they have activities that could contribute to the climate change adaptation objective, the analysis in 2022 only considered the climate change mitigation objective to avoid double counting when calculating the financial indicators.

Voluntary information

– Half of the sample provides some type of voluntary information in addition to that which must be provided in accordance with the DDA. In 20% of cases it is comparative information on eligibility and in some cases, on eligibility and alignment, or only on alignment, in a few cases commenting on the change over time from one year to the next.

  Two undertakings describe the activities within the scope of the Climate Delegated Act in which they participate through equity accounted companies (associates or joint ventures) and in some cases provide figures on the amounts of CapEx invested and revenues associated with the activity, but do not provide

31 Five undertakings in the sample do not have eligible activities or their eligibility indicators are very immaterial.

indicators or ratios, which would be permitted under paragraph 1.2.3. of Annex 1, which permits the disclosure of turnover, capital expenditure and OpEx indicators that include equity investments accounted for in joint ventures in accordance with IFRS 11 or IAS 28 on a pro rata basis relative to their interest in the equity of the joint venture.

One undertaking has completed the sections of the template relating to the do no significant harm criteria of its eligible but not aligned activities, while another company has completed the columns relating to the enabling and transition activities that correspond to the above activities.

Two issuers point out possible different interpretations of the regulation that affect the inclusion of some activities as eligible by indicating in the template of Annex II of the DDA the data of the indicators calculated according to the most restrictive criterion and indicating, in the text, a second possible interpretation that would correspond to additional information.

One of the above cases concerns road construction, operation, maintenance or management, which has led to some differences in the criteria of the companies that carry out this activity. They have considered the possibility of considering all roads as eligible because they allow the transport of zero-emission vehicles, or only the specific elements of the roads that explicitly allow zero-emission transport (such as electric charging stations or hydrogen refuelling stations).

– With regard to voluntary disclosures, the DDA and the subsequent EU FAQs state that companies are free to provide additional voluntary disclosures if they consider them relevant to investors' understanding of the company's taxonomy, provided that this information is not part of the mandatory disclosures, the reasons for these disclosures are justified, they do not contradict or misrepresent the mandatory disclosures and do not outweigh the mandatory disclosures. In these cases, the basis for this disclosure, the methods used for its preparation and a clear explanation of how it differs from the mandatory declaration shall be detailed. In addition, undertakings must take into account the content of ESMA guidelines on alternative performance measures (APM).

  In the sample of companies reviewed, some cases were found where the voluntary disclosures are not always properly identified and distinguished from the mandatory disclosures and/or the basis for their preparation, or how they differ from the mandatory disclosures, are not properly explained.

With regard to qualitative disclosures, the CNMV emphasises certain aspects that must be taken into account when preparing future disclosures:

– Both when calculating the (mandatory and voluntary) indicators and when including the information that enables the indicators to be understood, companies must take into account the content of the DDA, explain and justify the criteria chosen and avoid limiting the information to a mere reproduction of the literal content of the Delegated Act.

– It is important to provide a thorough explanation of the cost items included in the denominators of the CapEx and OpEx indicators.

- If the exemption is used to not calculate the numerator of the OpEx indicator, it is necessary to disclose the total value of the denominator along with the corresponding template for the indicator (with a numerator value of zero). Additionally, an explanation must be provided to justify its lack of materiality in relation to the entity's business model.

- With regard to the turnover and CapEx indicators, the regulations only provide for the possibility of not carrying out the analysis to determine if the activities are or are not aligned, if the company lacks evidence and has great difficulty in making such an assessment and if, in addition, it is an activity that is not material to the business. In this case, it must report an alignment rate of zero for this taxonomy-eligible activity (without performing an additional assessment).

- In order to facilitate the understanding of the nature of the eligible and aligned activities carried out by the undertakings, it is advisable to include a brief description of at least the main activities for the purposes of the taxonomy, specifying which projects, areas of activity or segments they belong to, so that this information can be linked to other content of the annual financial report, e.g. the note to the annual report corresponding to the "Financial information by Segment".

- For a better understanding of the analyses performed in relation to the aligned activities, the disclosures on how the entity has assessed compliance with the technical screening criteria, do no significant harm and minimum safeguards, and which of these, if any, are not met, are particularly important. Support may be provided in the form of references to other information contained in the NFS, addressing issues such as climate strategy or respect for human rights. Minimum safeguards require companies to establish procedures that comply with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

- The analysis must be carried out for both mitigation and adaptation objectives, and the analysis must not be limited to a single objective. From 2024, the rest of the environmental goals should also be considered.

- In these first years of application of the regulations, it is understandable that doubts arise about its application. In relation to an appropriate interpretation of the taxonomy regulations, the consideration of documents published by the competent bodies in the field should prevail.

IV Financial undertakings

The three indicators used by non-financial companies are not adequate to demonstrate the extent to which the economic activities of financial institutions are taxonomy-aligned. Therefore, the DDA specifies which indicators financial undertakings must report, in order to reflect the extent to which their activity is aligned with the sustainability objectives and criteria established by the EC, based on the activities of their counterparties, such as their borrowers or policyholders.

Article 8.4 of the DDA determines that financial institutions will use the most recent available data and the indicators of their counterparties to calculate their own. In case the information is not readily available or not public, the EC, in its non-binding question and answer documents, encourages financial undertakings to contact the underlying entities within the scope of the NFRD, and they may use voluntary disclosures and bilateral exchanges with their counterparties to provide taxonomy-related information.

In addition, financial undertakings could choose to report additional voluntary information, including estimates of counterparty data, separately from their mandatory disclosures, provided that such information does not contradict or misrepresent the mandatory disclosures and is accompanied by certain qualitative information, such as the basis for such disclosures, the method of calculation and a clear explanation of how they differ from the mandatory disclosures.

Thus, the report for the 2022 financial year, like that for the 2021 financial year, should contain the following information on **eligibility**, accompanied by the relevant qualitative disclosures that substantiate it:

FINANCIAL INSTITUTIONS	
Proportion in total assets of exposures to:	
Eligible and ineligible economic activities	Central governments, central banks and supranational issuers
Derivatives	Companies not subject to the scope of the NFRD

Credit institutions	Insurance and reinsurance companies
Proportion of its trading portfolio and on demand interbank loans in its total assets	Proportion of assets invested that are taxonomy-aligned and proportion of non-life policy underwriting activities related to climate change adaptation.

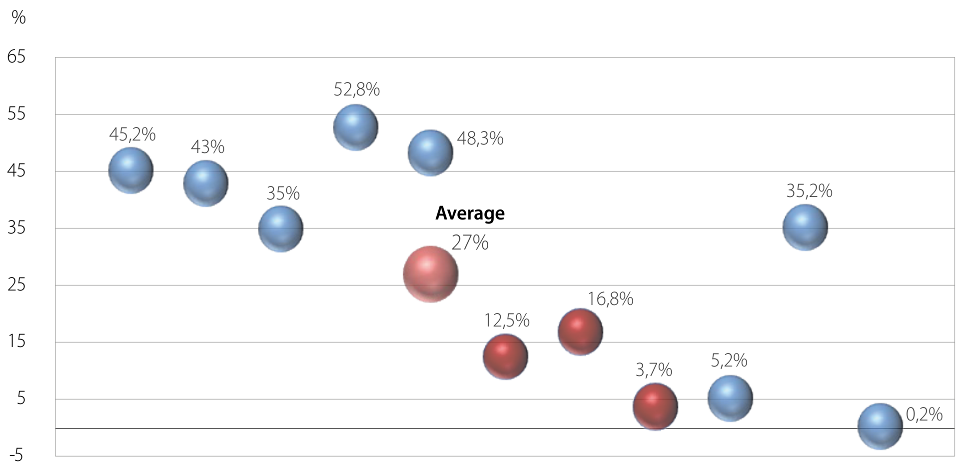
The Green Asset Ratio (GAR) indicator is particularly important. It will show the percentage of **taxonomy-aligned** exposures in relation to the total assets (excluding sovereign, central bank, and trading book exposures) as of 2024, based on information from the 2023 financial year.

In a first step, financial undertakings only had to report their eligibility indicators in the 2022 financial year, where the numerator includes the activities listed in the taxonomy, without assessing whether they fulfil the technical criteria to be considered an environmentally sustainable (aligned) activity.

The following figure shows the percentages for the above indicator, which reflects the eligible activities of the 11 security issuers that reported the taxonomy indicators for financial undertakings.

Three of the 16 listed financial institutions were not obliged to report taxonomy information because they have fewer than 500 workers,[32] while two others benefit from the exemption provided for in the NFRD and Law 11/2018, as they are included in the consolidated management report of another parent entity.

Share of eligible assets of financial institutions FIGURE 14



Source: CNMV.

On average, the indicator for Spanish financial institutions is 27%, although there is considerable variability depending on each institution, ranging from 0.2% to 52.8%. In addition, we may observe a higher indicator of eligibility in relation to total assets for credit institutions (blue) compared to insurance companies (red).

The European Commission specifies in the Q&A documents mentioned above that if the intended use of certain funds is not known, the sum of the amounts related to loans and advances, debt securities and equity stakes, weighted by the turnover indicator and the investment indicator of the counterparty, will be taken into account when calculating the aligned/eligible exposures. Three financial undertakings reporting taxonomy indicators in 2022 provide the indicator corresponding to their eligible economic activities based on the counterparty's turnover and CapEx.

One undertaking has disclosed the indicators on an individual basis for the most relevant undertakings in the group which represent 95% of total assets.

32 One of them reports information voluntarily, which has not been included in the figure.

Some financial institutions provide comparative information for which they do not claim to have carried out any restatement, and in two cases additional voluntary indicators are provided, such as the BTAR ratio (Banking Book Taxonomy Alignment Ratio), which includes exposure to counterparties not subject to the NFRD.[33]

The next reporting obligation for financial undertakings, in 2024, will have to incorporate **alignment** with regard to information for the 2023 financial year. This assumes that their systems are ready to collect the necessary data, much of which must be obtained from their counterparties' information.

These undertakings should also strive for transparency in disclosing the judgements and assumptions made during the calculation of their indicators, aiming to provide a comprehensive contextualisation and specific explanation of the information provided.

33 The Taxonomy Regulation does not allow financial institutions to consider exposures to companies not subject to the NFRD in their ratios, and exposures to companies domiciled outside the EU and those not subject to the NFRD (as is the case for the vast majority of SMEs, although listed companies will be bound by the CSRD from 2026) are excluded from the calculation of the indicators.

V Conclusions

This report presents a description and preliminary analysis of the public disclosures provided by the issuers. It focuses primarily on how the information resulting from the requirements of the European Taxonomy Regulation is presented, but limited to the first two environmental objectives, climate change mitigation and adaptation. It was not verified whether the economic activities, expenditures and investments of the companies fulfil the criteria of the climate taxonomy.

The reported data shows that the eligibility rate tends to be significantly higher than the alignment rate for all three indicators. This would be in line with the objectives of the Taxonomy Regulation, which sets out the level of environmental performance that companies should aim for in order for their activities to be sustainable. The climate taxonomy seeks to incentivise companies and other economic actors to progress in decarbonisation and transition towards a low-carbon business model and resiliento to the physical impacts of climate change.

“Eligibility” in the turnover indicator covers the maximum percentage of alignment a company can aspire to. CapEx eligibility, unlike turnover, usually reflects all investments in fixed assets made in activities included in the taxonomy, which may not be exactly the same as the ordinary activities carried out by the company at the time of the report.

The highest level of alignment is observed in the key performance indicator associated with investments in fixed assets (CapEx). This shows that companies are making investments to make their activities sustainable or expand those that are already sustainable. Additionally, they are investing in initiatives aimed at transforming their business models and reducing their carbon footprint.

Significantly, the energy and construction/real estate sectors, which have high environmental impact, exhibit the highest alignment rates in terms of CapEx. This suggests that these sectors are making investments focused on decarbonising their operations and transitioning towards a low-carbon business model. The activities most reported as aligned in CapEx, in terms of absolute value, are electricity generation, transmission and distribution of electricity from renewable energy.

The lowest eligibility and alignment rates are found in the Manufacturing and the Trade and services sectors, as they include activities that have not yet been examined or activities that do not contribute significantly to climate objectives. However, this does not prevent them from benefiting from the taxonomy to invest in adapting their activities and facilities to the increasing physical risks of climate change or to reduce their carbon footprint.

While mitigation aims to reduce the causes of climate change by reducing greenhouse gas (GHG) emissions, adaptation aims to address the consequences and impacts of climate change by strengthening systems and infrastructure. The contribution to adaptation is divided into technologies, products or services that facilitate the adaptation of other economic activities (or enabling activities) and into economic activities that have been adapted. The taxonomy establishes the criteria that must be met by economic actors to adapt their economic activities. The adaptation of an economic activity does not make it sustainable, but resilient. Therefore, the term "adapted activity" is used and the turnover generated by such an activity should not be taken into account unless it is an enabling activity. Only the incurred expenses and the investments made on fixed assets (CapEx and, if applicable, OpEx) should be counted, and only when they are part of a plan developed in response to a risk assessment.

It is striking that, although there are a low number of activities that enable adaptation, a high percentage of issuers report a positive alignment in turnover (30%, with 10% contributing exclusively to adaptation). However, the percentage of alignment in CapEx and OpEx with respect to adaptation is low.

Throughout the report certain aspects have been identified that the CNMV believes should be improved or taken into account in future years:

i) Deficiencies in terms of the qualitative information provided.

When calculating indicators and presenting disclosures, undertakings must take into account the content of the Delegated Act, not limit themselves to a simple literal transcription and explain the criteria used. They should also detail and explain the costs included in the CapEx and OpEx indicators.

To facilitate the understanding of the taxonomy-aligned activities, it is recommended to include a brief description of the most important activities and to indicate to which projects or segments they belong. It is important to provide disclosures on how they were evaluated, whether and to what extent the technical screening criteria were met, and to refer to other related content in the annual financial report, such as the transition plan, emission reduction targets, anti-corruption policies and measures, or respect for human rights.

ii) Use of templates.

The use of the templates is mandatory and must be fulfilled as required by the regulations. Those companies that carry out activities related to nuclear energy and fossil gas, referred to in the Complementary Climate Delegated Act, must submit such information considering the templates as specified in Annex XII.

iii) Materiality.

However, where operating expenses (OpEx) are not relevant to the business model of non-financial companies, such firms may be exempted from calculating the OpEx numerator; they must report zero as the numerator, provide the denominator disclosures, together with an explanation of their lack of relevance to the business model.

Nevertheless, in regard to turnover or CapEx, a company can opt not to evaluate alignment with the taxonomy only in cases where it lacks evidence and encounters significant challenges in assessing a taxonomy-eligible activity. Additionally, this exemption applies solely to activities that are non-material for the business, in which case the company must report a 0% alignment value for that specific taxonomy-eligible activity without conducting further assessment.

iv) The ratios for each environmental objective must be reported.

Sometimes issuers state that they carry out activities that could contribute to the adaptation target, but that they the mitigation target has only been taken into account in the analysis carried out in this first year of implementation.

It is important for issuers to note that it is mandatory to assess and report on eligibility and alignment for each environmental objective, including the adaptation objective.

Undertakings should provide a disclosure of key performance indicators (KPIs) based on the economic activity undertaken, including transition and enabling activities, and the environmental objective achieved. The amendments made to Article 8 of the Delegated Act, which introduce new templates, enable reporting on the contribution to each environmental objective without the risk of double counting.

v) Content of the minimum safeguards.

The minimum safeguards, which are not limited to human rights matters, require – as indicated in Article 18 of the Taxonomy Regulation – companies to establish procedures that comply with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The purpose of these minimum safeguards is to ensure that activities and investments are not considered “sustainable” if they violate essential social principles, human and labour rights, or fail to meet minimum standards of responsible business conduct (e.g. anti-corruption and anti-bribery policies and due diligence).