THE 1ST EDITION SOUTH AFRICAN GREEN FINANCE TAXONOMY

An introduction to the Green Finance Taxonomy for South Africa

SEPTEMBER 2022

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

TECHNICAL PARTNERS

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NBI
National Business Initiative

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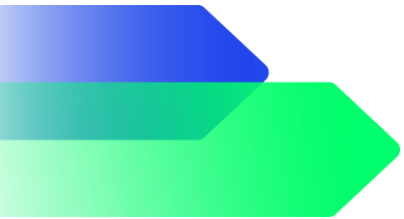

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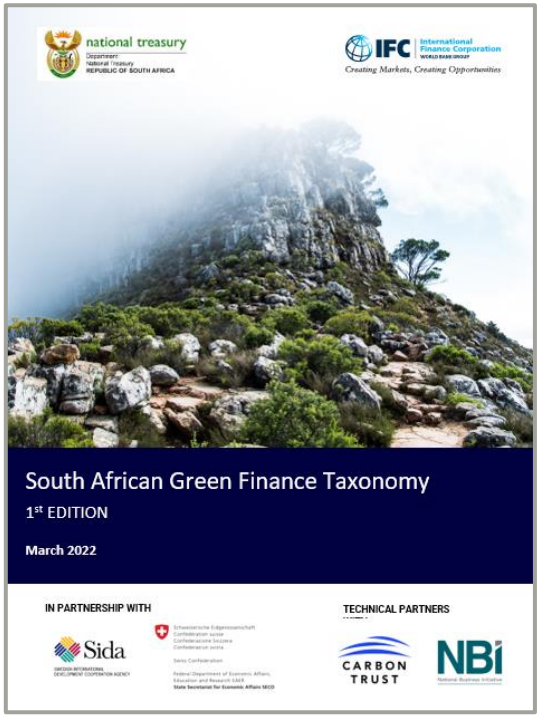
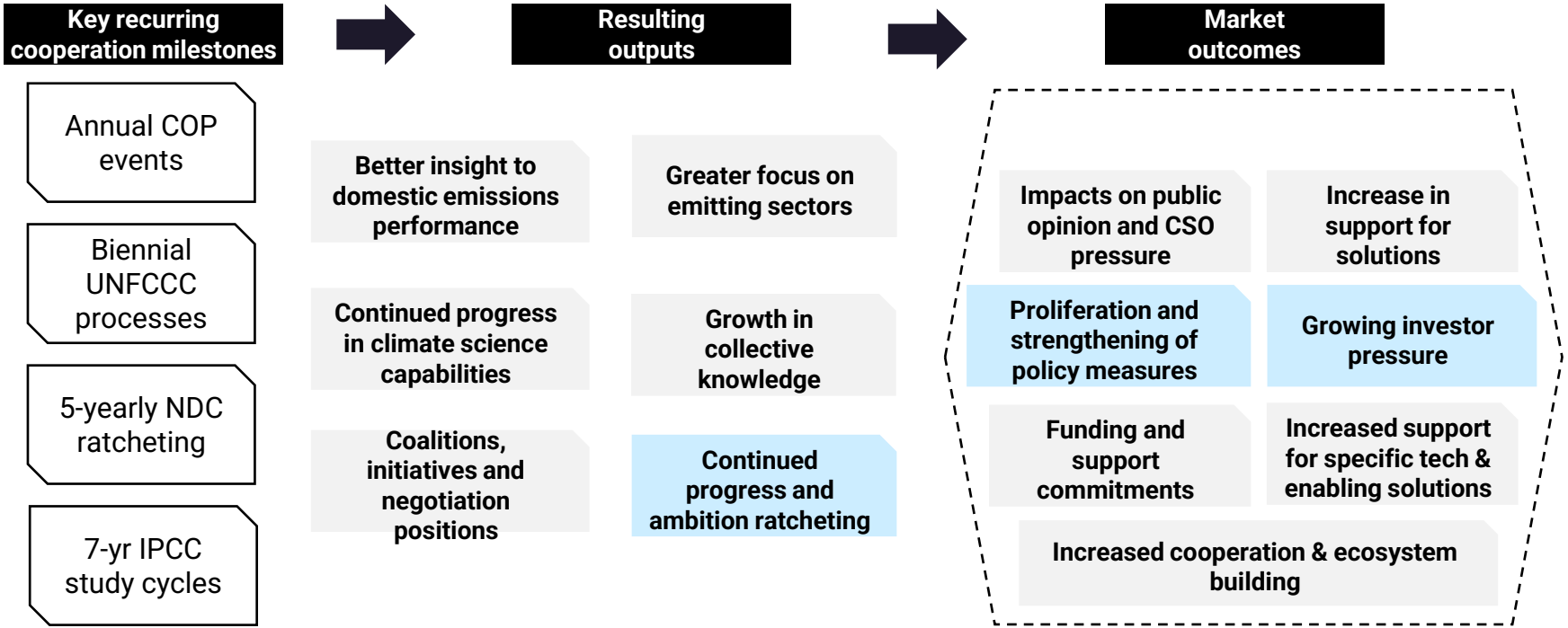


Why a Taxonomy? 1/3

Global climate change cooperation milestones will continue to drive market pressures



Why a Taxonomy? 2/3

Financial Institution's (FI's) reducing climate risk through tools and data; developing opportunities and capabilities

Increasing pressure for financial sector reform

- **Many governments & regulators** *(incl. EMs)* agree climate change poses fiscal stability risk
- **Investors** *(incl. IDFIs)* recognise climate change risk and will increasingly lean on investees and beneficiary governments
- **Actors working in coalition** are solving technical problems to reduce uncertainty – *get involved and keep up!*

Increasing industry definitions for sustainable and transition focused assets, projects and sectors accompanied by **practical evaluation tools**

- National and market-based taxonomies and standards
- Supervisory guidance and regulation
- Tools commissioned and proliferated by IFIs, DFIs and NGOs

Increasing data by which to discern performance and trajectories for decision-making

- Financial sector reporting regulations that percolate
- Improvements in data analytics
- Proliferation of data services and open source platforms

Growing pipeline of investments that meet the investor requirements

- Financial innovations and blended finance are de-risking major technologies
- Greater policy alignment in support of key technologies

Growing awareness and technical capabilities among investors and financiers

- Funded capacity building programmes
- Knowledge and practice development and sharing coalitions
- Growing implementation examples

Actors seeking to benefit from these developments need to **align** projects, assets and developments; **be savvy** about diversifying and structuring concessional finance; and **be proactive** in investor relations and market engagement

Why a Taxonomy? 3/3

Finance taxonomies assist markets to simplify thematic transactions to become the norm for FDIs

Numerous sustainable finance taxonomies

EU Sustainable Finance Taxonomy has far-reaching implications for Emerging Markets, where European FIs deploy significant finance

- *Home jurisdiction **regulatory pressures to align** reporting and investment portfolios*
- *Challenges where historic focus had been purely 'social' or lacked granularity of performance insight*

International work underway towards harmonisation / interoperability

- *Common Ground Taxonomy for EC and China comparison*
- ***SA GFT 'comparability review'***
- ***Proposition for a regional African taxonomy***
- *G20 and IPSF working groups' focus*

Tools are being systematically embedded

The variety of Finance Institutions are grappling with taxonomy development implications, and building processes to align

- *International **regulations apply to Bonds and to claims regarding green** products and green investments*
- *FIs now need to **be certain of the characteristics and performance of underlying investments** to make claims*
- *Expanding and aligning current diligence and reporting requirements*
- *This matters to those seeking to access finance; **be ready to provide evidence** of alignment, performance and effective risk management*

Taxonomies expanding into multi-objective ESG coverage

Multiple jurisdictions testing social, transition, non-compatible and risk taxonomies

- *Existing static taxonomies are coming into acceptance, but cover only part of impact objectives and risks*
- *Implication is that **definitional structure will come social and transition investment** – soon to impact those financial flows*
- *This is 1st through EU regulations requiring insight into value chains – often into emerging markets*
- *2nd, by **growing awareness and focus on 'just transition' and 'inclusiveness' principles***

No longer a choice, if international development finance is sought

Inclusive green stimulus plans, and economic transitions

*African economies are exposed and can benefit, as global trends affect these FDI and export reliant economies. There are many No-Regrets decisions. An RSA example; studies show **alignment of economic recovery plans with economic decarbonisation** likely to:*

- *Create access to up to $83bn additional international funding*
- *Ensure access to cheaper funding (e.g., up to 18bps cheaper bonds)*
- *Have a marked positive job impact – up to 500k direct jobs unlocked in green investments (mitigating losses with smart transition policy)*
- *Contribute toward economic prosperity, as approach mitigates up to R1.8Tr in transition risks (**e.g., EU CBAM**) and enhances competitiveness*

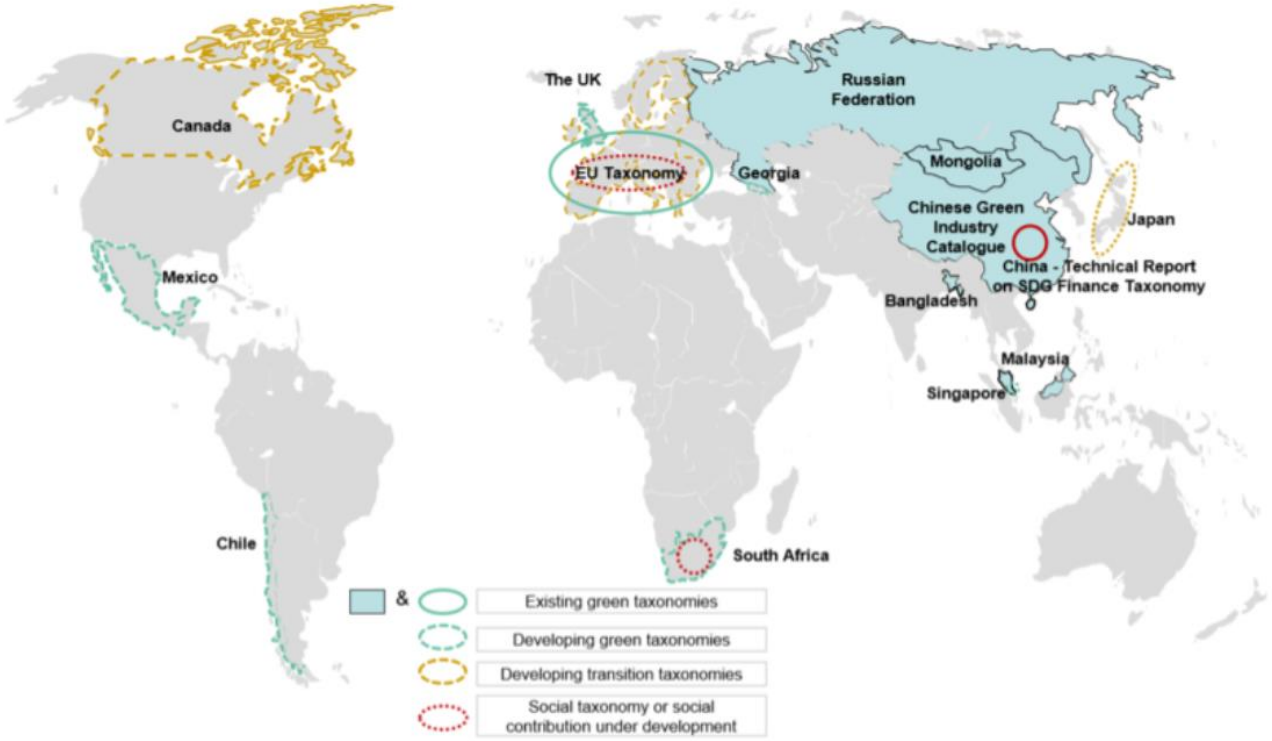
Innovative climate finance creates fiscal space, and need not increase debt burden

- *ICF and alternative finance instruments **often willing to accept lower returns** and participate in innovative transaction structures to pool and share investment risks*
- *Encourages **private sector participation** (even in shallow capital pools); economic transformation and socio-economic development focus*
- *Developing access to international green markets and climate finance*
- *E.g., debt-for-climate swaps; incubators and accelerators for access to TA and FS; a multitude of blended finance and partnerships options*

Source: Adapted from - Bank for International Settlements (2021), NBI and BCG (2020), Hourcade, J.C; Glemarec, Y; de Coninck, H; Bayat-Renoux, F.; Ramakrishna, K., Revi, A. (2021), Institution for Environment and Development (2013), United Nations (2014)

Taxonomies Internationally

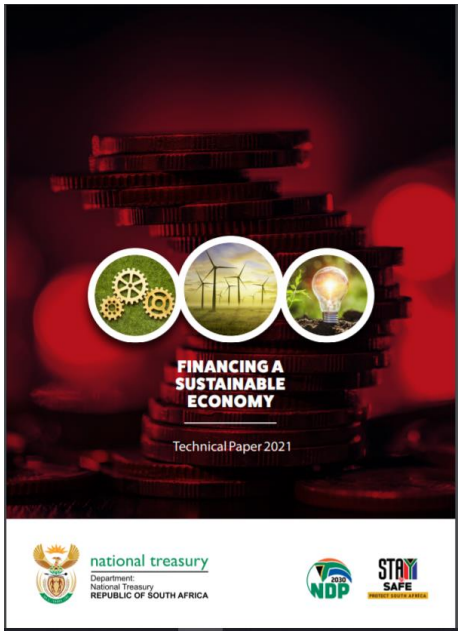
Development of Sustainable Finance Taxonomies across the world



Source: Sustainable Taxonomy development worldwide: a standard-setting race between competing jurisdictions | Our Center of Expertise (natixis.com)

Origins

The need for, and purpose of, a national Green Finance Taxonomy was defined in National Treasury's landmark Technical Paper released in 2021, *Financing a Sustainable Economy*. The paper included the Taxonomy as part of 5 key themes:



National Treasury Report *Financing a Sustainable Economy*

Key recommendations for implementing sustainable finance

Five Working Groups

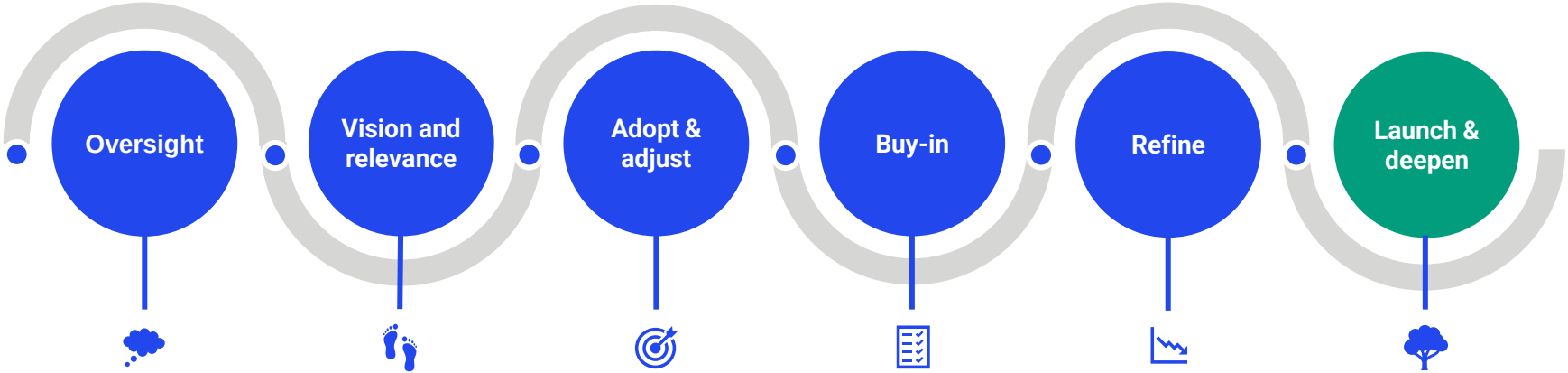
Taxonomy	Disclosure	Sustainable Finance	Building sector capacity	Benchmark climate risk

Taxonomy Working Group

1. Establish 1st Edition SA Green Finance Taxonomy	2. Define a Governance / Maintenance approach	3. Make further recommendations concerning taxonomy related development

Development Process 1/2

Since early 2020, the team have worked to design, gather input and refine the taxonomy



Established a Taxonomy Working Group and considered governance and maintenance

Defined the overarching definition, purpose and objectives

Early Draft Version, adapting from the EU Taxonomy

Different market engagement approaches

Finalise 1st edition and complementary knowledge

Create awareness and launch 1st Edition, build capacity across sectors and regulators

Development Process 2/2

The development of the taxonomy has been a two phased approach, beginning with rigorous input to refining the document and supporting guidance, and then moving to embedding the use and considering expansion

First phase of taxonomy development

1. Adoption of an agreed **taxonomy governance mechanism** to maintain the national taxonomy; define a mechanism and protocol for how the taxonomy can be refined and expanded over time
2. The **first national green finance taxonomy**, with further areas for development; a first comprehensive draft for the country to take forward and evolve
3. Provide beta testing support, **develop pilot testing case studies and a supporting knowledge product** to accompany the 1st Edition Green Finance Taxonomy; share the demonstrations and learnings
4. Develop a series of three briefing notes and a white paper as **knowledge products on key subjects** to accompany the 1st Edition Green Finance Taxonomy; contextualize its development and impact

Second phase of taxonomy development

	STUDY EXAMPLES & NEED	DESIGN AND MARKET TEST	STUDY POLICY STRATEGY	SUPPORT COORDINATION
A **Develop** potential expansion	+ Climate transition taxonomy			
	+ Non-compatible taxonomy			
	+ Social and just transition taxonomy			
B **Embed** use	**Provide technical assistance to enabling actors** to understand approaches, coordinate and plan embedding the green finance taxonomy in the ecosystem			
	Develop further pilots (capacity building & TA) to different types of taxonomy users			
	Develop and promote open access tools and knowledge products for users			

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Creating Markets, Creating Opportunities

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SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

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Swiss Confederation

Federal Department of Economic Affairs, Education and Research EAER
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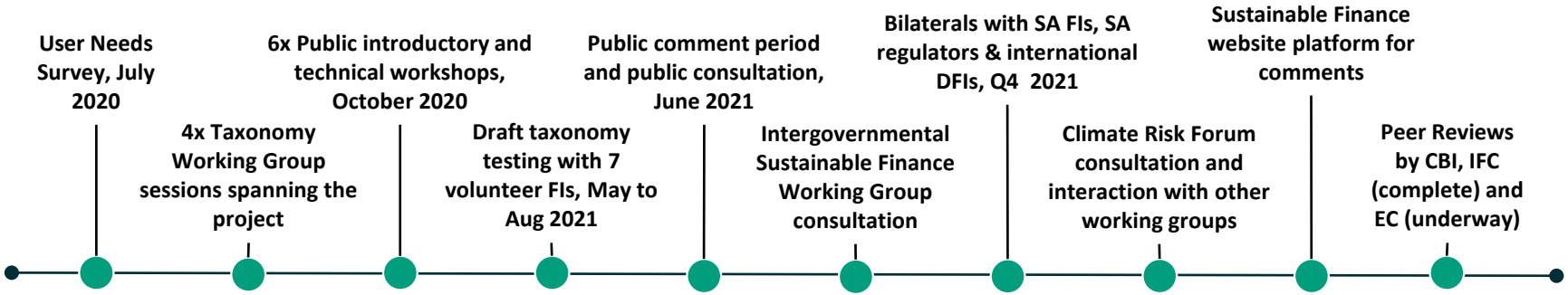
Consultation Process

A rigorous consultation process to develop and refine the Taxonomy has been followed over two phases of development



Development of the South African Green Finance Taxonomy 1st Edition in a 1st phase of development

Embedding the 1st Ed in a 2nd phase of work

Piloting at 6 organisations, including the following sectors: commercial banking, development banking, municipal, private equity and asset management, Q4 2021 onwards

Deepening across the regulatory environment, Q1 2022 onwards

Embedding the Taxonomy

To stimulate uptake, an approach targeting the regulatory environment and taxonomy users has been undertaken

ECOSYSTEM & POLICY REFORM

target policy subsystems, work with enabling actors

- **Technical capacity building**
- **Optionality considerations**
- **Market impact considerations**

Outputs include:

- Guide to implementation
- Regulatory options
- Product concepts
- Identification of support needs
- Disclosure guidance

accelerate learning and adoption rates

ACTIONS OF INDIVIDUAL ACTORS AND COALITIONS

create and diffuse knowledge

- **User pilots**

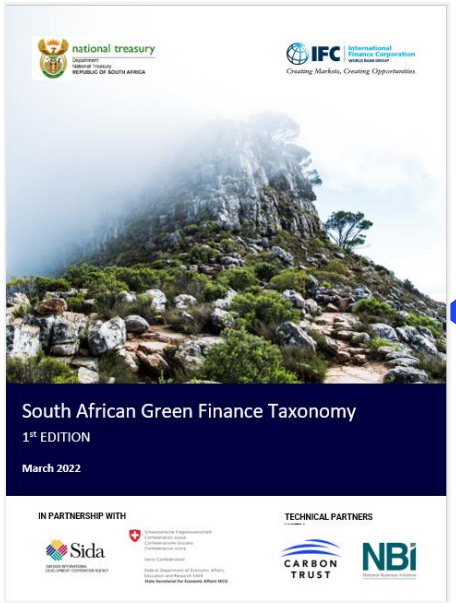
Outputs include:

- Capacity building
- Assessment tools
- Case studies
- Knowledge products
- Identification of implementation challenges and areas requiring further guidance

Resources Currently Available

The 1st Edition SA GFT and supporting briefing papers are publicly available and a comprehensive source of information

1st Edition South African Green Finance Taxonomy



1. User Guidance
2. User Orientation
3. Technical Standards

All documents accessible at:
https://sustainablefinanceinitiative.org.za/

+ Additional Knowledge Resources on the Sustainable Finance Initiative Taxonomy Working Group website, including:

The process and insights from the development of the 1st Edition of the South African Green Finance Taxonomy

Why and how South Africa's ambitious Green Finance Taxonomy is aligned with the EU Sustainable Finance Taxonomy

Rationale for a phased approach to developing South Africa's Sustainable Finance Taxonomy

Briefing note specific to Green Finance Taxonomy Development for Green Buildings

Summary responses to comments on the Draft Green Finance Taxonomy

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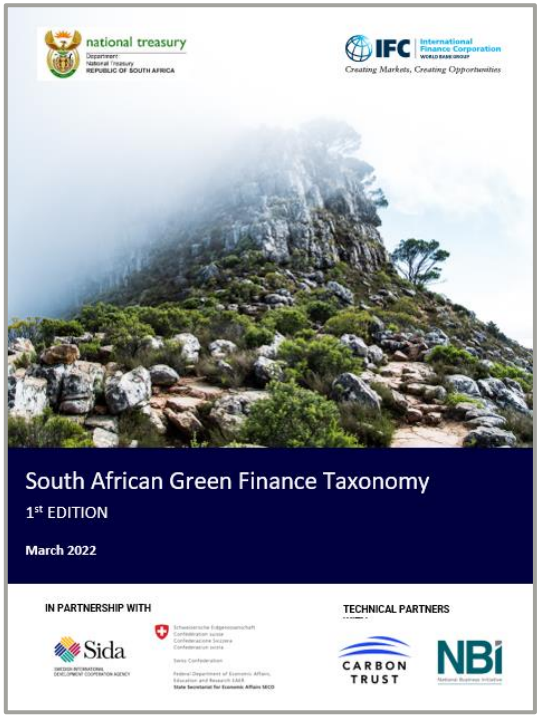


What is a Green Finance Taxonomy?

A Green Finance Taxonomy is a tool that sets out the rules and results for what is green (taxonomy-aligned)

Providing certainty

Tool placing emphasis on making significant holistic contributions to ESG dimensions without detracting from others, with specific technical characteristics for performance

National Interest

Developed in response to market demands and recognition of fiscal risks if failing to advance sustainable finance

Standardisation

Can may be used to track, monitor and demonstrate credentials of green activities in a standardised and efficient way

Catalogue

Official classification or catalogue defining sustainable economic activities based on international best practice and South Africa's national policies and priorities

Defines 'green'

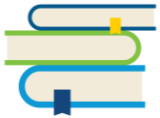
Defines eligibility for minimum set of assets, projects and sectors to be qualified as 'green'

Financial Flows

Can be used by investors, issuers, shareholders, regulators, government and others as a tool to understand financial flows, considering international precedent and financial systems

What does the Green Finance Taxonomy Support?

As a standardised metric for ‘green’ the taxonomy supports several key objectives



✔ A future economy reference

Sets **objectives of sustainable progress without trade offs**

Enables the **identification of economic activities that make significant environmental and/or social contribution**

✔ A tool to drive change

Sets the destination and direction of travel, allowing **recognition of economic activities that are supporting transition**

Sets the bar high and requires commitment, so resources and efforts align and contribute to achieving a sustainable economy

✔ A communication enabler

Provides a **common language** and understanding of what is required

Enables performance tracking and reporting for environmentally and socially fit and unfit activities

The taxonomy does not replace –

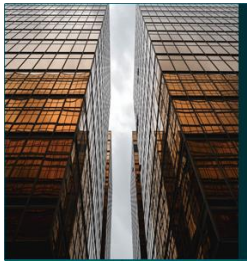
X The need for robust ESG management, effective due diligence and fiduciary duty

X Investment and financing strategies

The Taxonomy's Relevance

It has relevance across sectors and approaches

Can be used by and between different actors



Lenders

- Corporate and general purpose loans
- Green bonds
- Project finance
- Credit facilities

Investors

- Government securities
- Investment-grade bonds
- Listed and unlisted equity
- Indexes
- Direct investments

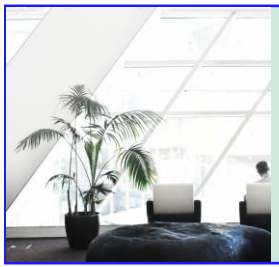
Owners and developers

- Project finance
- Development finance

Can be used for different investments

Use of Proceeds known

- The economic activity that is being financed is clearly identifiable
- Use the 7-step process to assess taxonomy alignment



General investment

- An alternative approach is to assess company level exposure to different economic activities, in the taxonomy

Can recognise direct and enabling activities

Own performance

- Recognition for activities that are already aligned and/or contribute to the green economy

Enabling activity

- Entity performing the aligned economic activity, producing goods and services
- Entity implementing the aligned activity

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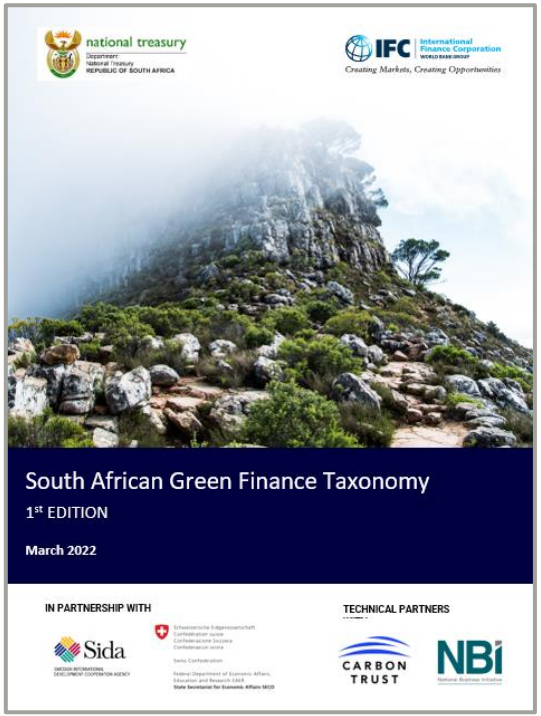
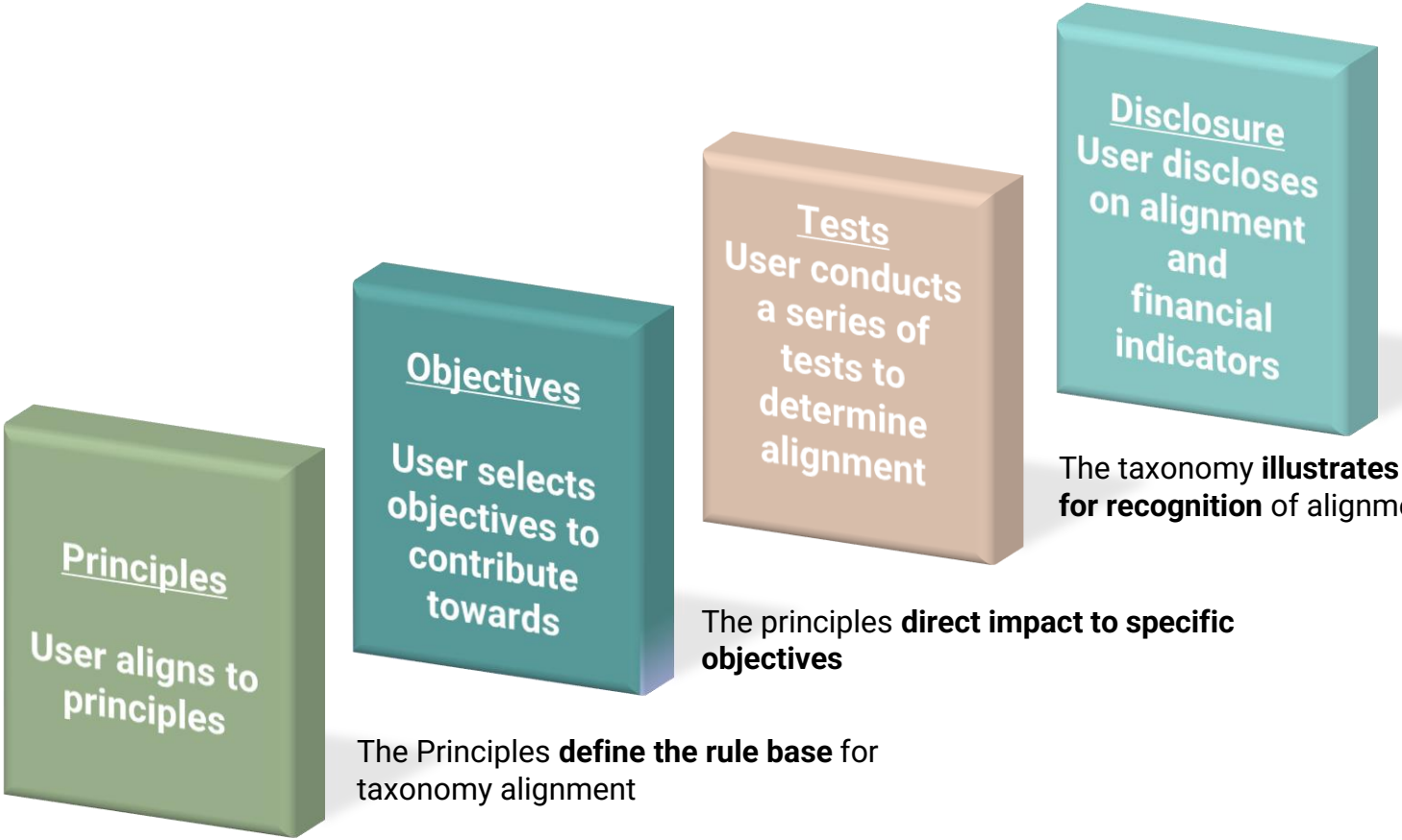


Structure 1/3

The taxonomy is structured according to principles guiding technical screening criteria



The Principles **define the rule base** for taxonomy alignment

The principles **direct impact to specific objectives**

The taxonomy **illustrates assessment steps for recognition** of alignment

It outlines **what should be disclosed**

Structure 2/3

The technical core of the taxonomy is framed around three principles specifying requirements and thresholds per economic activity

At the core of the taxonomy is the definition of a sustainable economic activity. An activity must:

Make Significant Contribution (MSC) to at least one of six environmental objectives:

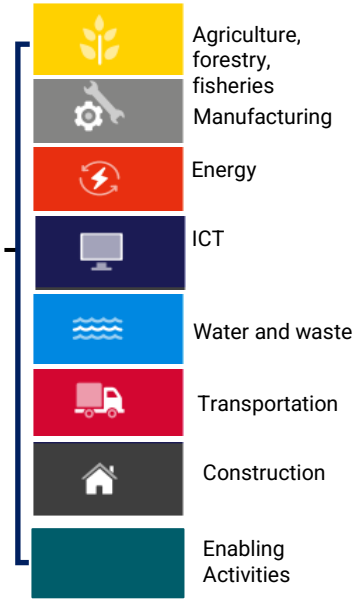
1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use of water and marine resources
4. Sustainable resource use and circularity
5. Pollution prevention
6. Ecosystem protection and restoration

Do No Significant Harm (DNSH) to any of the other five environmental objectives

1. An economic activity should not qualify as environmentally sustainable if it causes harm to the environment

Comply with Minimum Social Safeguards (MSS)

1. It avoids violation of minimum "social safeguards" (i.e., avoids adverse social impacts).

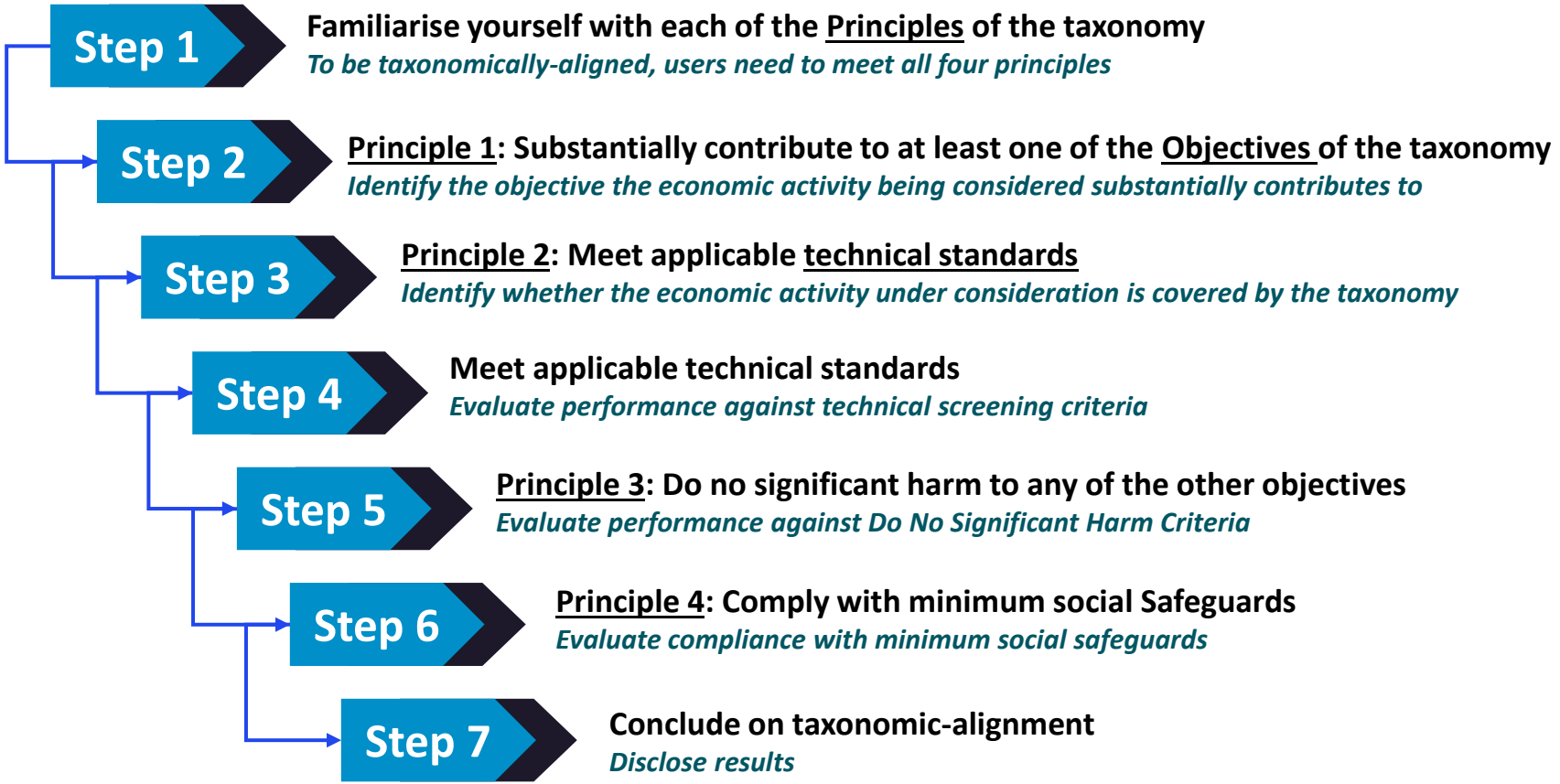


Coverage: 67 activities across 8 sectors

Technical Screening Criteria (TSC) define the specific ***requirements and thresholds*** for an activity to be considered as significantly contributing to a sustainability objective. The performance thresholds in these criteria are science-based and developed on the basis of a robust methodology and an inclusive process set to achieve climate neutrality and deliver on climate change adaptation.

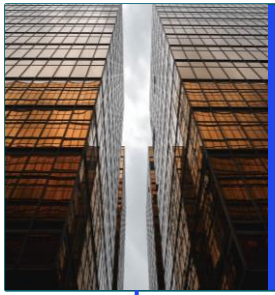
Structure 3/3

In determining alignment to the taxonomy, there is a '7-Step approach'



Application of the Taxonomy

The following decision tree may be helpful in practically applying the taxonomy by defining use of proceeds



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- Listed and unlisted equity
- Indexes
- Direct investments

Owners and developers
- Project finance
- Development finance

Can the types of investment/finance/**use of proceeds be defined** to a specific activity at asset or project level?

NO

YES

Alternative application option is to explore **splitting client exposure across activities for the purpose of classification**.

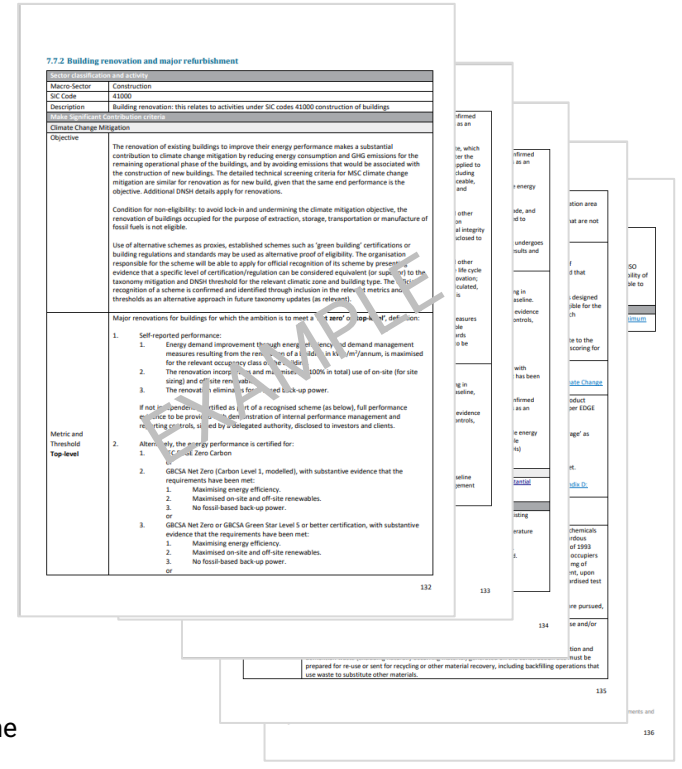
then

Refer to the '7-Step approach' in determining alignment to the taxonomy.

Example 1/3

The Green Finance Taxonomy 1st Ed. includes orientation and substantial technical detail for alignment assessment

Classification				Environmental Contributions											
				Make substantial contribution						Do No Significant Harm					
Taxonomy Macro-sector	SIC Macro-Sector	Economic Activity and SIC Code	Link to Technical Screening Criteria	Climate change mitigation	Climate change adaptation	Sustainable use of water and marine resources	Sustainable resource use and circularity	Pollution prevention	Ecosystem protection and restoration	Climate change mitigation	Climate change adaptation	Sustainable use of water and marine resources	Sustainable resource use and circularity	Pollution prevention	Ecosystem protection and restoration
	(Construction, 43)	Sic code 35300													
Energy	Electricity, gas, steam and air conditioning supply	Production of Heating/Cooling using Waste Heat Sic code 35300	Section 7.3.12	⏱	⏱					✔	✔		✔	✔	✔
Energy	Electricity, gas, steam and air conditioning supply	Production of electricity, heating and cooling from gravity potential energy No specific SIC code	Activity to be developed in future												
Water and Waste	Water, sewerage, waste and remediation	Water collection, storage, distribution treatment and supply Sic code 36000	Section 7.4.1	⏱	⏱						✔	✔			✔
Water and Waste	Water, sewerage, waste and remediation	Centralized wastewater treatment Sic code 37000	Section 7.4.2	⏱	⏱						✔			✔	✔
Water and Waste	Water, sewerage, waste and remediation	Anaerobic digestion of sewage sludge Sic code 37000	Section 7.4.3	⏱	⏱					✔	✔			✔	
Water and Waste	Water, sewerage, waste and remediation	Separate collection and transport of non-hazardous waste in source segregated fractions Sic code 38110	Section 7.4.4	⏱ ✚	⏱						✔		✔	✔	
Water and Waste	Water, sewerage, waste and remediation	Anaerobic digestion of bio-waste Sic code 38210	Section 7.4.5	⏱	⏱					✔	✔			✔	
Water and Waste	Water, sewerage, waste and remediation	Composting of bio-waste Sic code 38210	Section 7.4.6	⏱	⏱						✔			✔	



7.7.2 Building renovation and major refurbishment

Macro-Sector	Construction
SIC Code	41000
Description	Building renovation: this relates to activities under SIC codes 41000 construction of buildings
Climate Change Mitigation	
Objective	The renovation of existing buildings to improve their energy performance makes a substantial contribution to climate change mitigation by reducing energy consumption and GHG emissions for the remaining operational phase of the buildings, and by avoiding emissions that would be associated with the construction of new buildings. The detailed technical screening criteria for MSC climate change mitigation are similar for renovation as for new build, given that the same end performance is the objective. Additional DNSH details apply for renovations. Condition for non-eligibility: to avoid lock-in and undermining the climate mitigation objective, the renovation of buildings occupied for the purpose of extraction, storage, transportation or manufacture of fossil fuels is not eligible. Use of alternative schemes as proxies, established schemes such as 'green building' certifications or building regulations and standards may be used as alternative proof of eligibility. The organisation responsible for the scheme will be able to apply for official recognition of its scheme by presenting evidence that a specific level of certification/regulation can be considered equivalent (or superior) to the taxonomy mitigation and DNSH threshold for the relevant climatic zone and building type. The official recognition of a scheme is confirmed and identified through inclusion in the relevant metrics and thresholds as an alternative approach in future taxonomy updates (as relevant).
Metric and Threshold Top-level	Major renovations for buildings for which the ambition is to meet a 'near zero' or 'top-half' definition: 1. Self-reported performance: 1. Energy demand improvement through energy efficiency and demand management measures resulting from the renovation of a building is kWh/m²/annum, is maximised for the relevant occupancy class or building type. 2. The renovation incorporates and maximises (100% in total) use of on-site (for site sizing) and off-site renewables. 3. The renovation eliminates fossil fuel based back-up power. If not independently certified as part of a recognised scheme (as below), full performance evidence to be provided, independent demonstration of internal performance management and reporting controls, signed by a delegated authority, disclosed to investors and clients. 2. Alternatively, the energy performance is certified for: 1. Near Zero Carbon 2. GBCSA Net Zero (Carbon Level 1, modelled), with substantive evidence that the requirements have been met: 1. Maximising energy efficiency. 2. Maximised on-site and off-site renewables. 3. No fossil-based back-up power. or 3. GBCSA Net Zero or GBCSA Green Star Level 5 or better certification, with substantive evidence that the requirements have been met: 1. Maximising energy efficiency. 2. Maximised on-site and off-site renewables. 3. No fossil-based back-up power. or

The first step would be to consult the **Catalogue of sectors and activities** and locating the economic activity of relevance. This would then refer the user to the specific **Technical Screening Criteria** for that economic activity.

Example 2/3

e.g. Solar PV & wind Power projects

Section 6: Catalogue of sectors and activities

Classification			
Taxonomy Macro-sector	**SIC Macro-Sector**	**Economic Activity and SIC Code**	**Link to Technical Screening Criteria**
Industry	Manufacturing	Manufacture of Paper Sic code 17010	Activity to be developed in future
Energy	Electricity, gas, steam and air conditioning supply	Production of electricity, heating and cooling from Solar PV, Concentrated Solar Power, Wind Power and Ocean Energy Sic code 3510	Section 7.3.1
Energy	Electricity, gas, steam and air conditioning supply	Production of electricity, heating and cooling from Hydropower Sic code 3510	Section 7.3.2

1. MSC

Section 7: Technical screening criteria

7.3.1 Production of electricity, heating and cooling from Solar PV, Concentrated Solar Power, Wind Power and Ocean Energy

Sector classification and activity	
Macro-Sector	Electricity, gas, steam and air conditioning supply
SIC Code	3510
Description	Construction and operation of electricity generation facilities that produce electricity, heating and cooling from Solar Photovoltaic, Concentrated Solar Power (CSP), Wind Power and Ocean Energy
Make Significant Contribution criteria	
Climate Change Mitigation	
Objective	• Support a transition to a low carbon net-zero emissions economy • Avoidance of lock-in to technologies which do not support the transition to a low carbon economy net-zero emissions economy • Ensure that economic activities meet best practice standards • Ensure equal comparability within an economic activity with regards to achieving low carbon net-zero emissions economy target • Where necessary, incorporating technology-specific considerations into secondary metrics and thresholds
Metric and Threshold	For Solar PV The activity generates electricity using solar PV technology. For CSP The activity generates electricity using CSP technology. For Wind power The activity generates electricity from wind power. For Ocean energy The activity generates electricity from ocean energy.
Climate Change Adaptation	
Depending on the primary objective of the activity, refer to Section 8 Screening criteria for activities making a substantial contribution to climate change adaptation. Users of the Taxonomy should identify and explain which criteria they are responding to.	

Example 2/3

e.g. Solar PV & wind Power projects

Do No Significant Harm assessment

The main potential significant harm to other environmental objectives from the installation and operation of photovoltaic (PV) panels relate to:

- The PV installation siting: impacts on ecosystems and biodiversity if built in a designated conservation area or other areas with important ecosystem and biodiversity value.
- The impacts from the production and end-of-life management of the PV systems and its component/materials: potentially significant environmental impacts are associated with the sourcing/production of materials and components of PV systems (see 'Manufacture of low carbon and resource efficiency technologies' for DNSH criteria)

The main potential significant harm to other environmental objectives from CSP is associated with:

- the construction of the installation and the substantial land-take associated with the installation
- impacts to birdlife from the high temperatures generated by the plant
- impacts of the cooling system on water resources

In spite of the crucial contribution of wind energy to mitigating climate change, there may be conflicts arising between its deployment and nature conservation at a local level. The main environmental exposures to be considered as a Do No Significant Harm (DNSH) criteria, in the most stringent sense, include:

- Underwater noise created in the installation of bottom-fixed offshore wind turbines;
- The composite waste generated from both on- and offshore wind turbine blades at the end of their lifetime;
- The possible disturbance, displacement or collision of birds and bats by the construction and operation of wind farms
- The possible deterioration of water ecosystem associated to the construction of offshore wind farms
- The possible visual impacts created by landscape change in the installation of wind turbines

The main potential significant harm to other environmental objectives from ocean energy is associated with:

- Construction, deployment, operation and maintenance of ocean energy installations can impact on marine ecosystems and biodiversity
- Pollution from lubricants and anti-fouling paints and emissions from maintenance and inspection vessels

2. DNSH

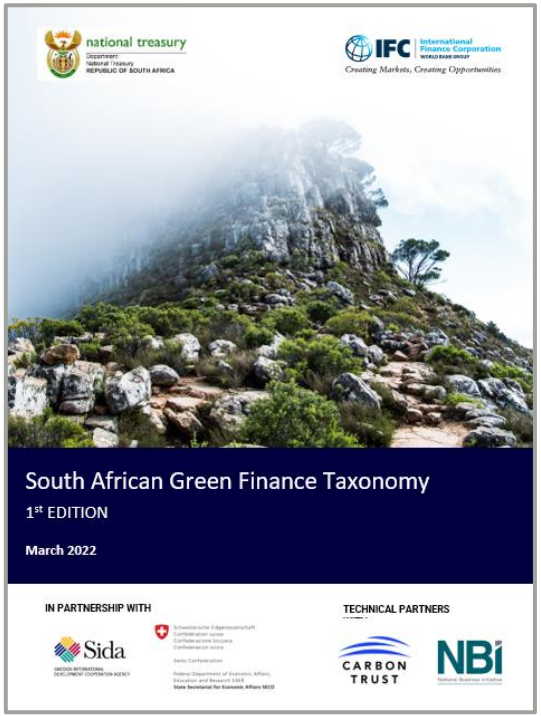
Climate change mitigation	For Solar PV, CSP, Wind power and Ocean energy adaptation projects N/A
Climate change adaptation	For Solar PV, CSP, Wind power and Ocean energy mitigation projects The activity complies with the criteria set out in Appendix A: Generic Criteria for DNSH to Climate Change Adaptation.
Sustainable use of water and marine resources	For Solar PV, CSP, Wind power and Ocean energy The activity complies with the criteria set out in Appendix D: Generic criteria for DNSH to sustainable use of water and marine resources.
Ecosystem protection and restoration	For Solar PV, CSP technology, Wind power and Ocean energy The activity complies with the criteria set out in Appendix E: Generic criteria for DNSH to ecosystem protection and restoration.
Pollution prevention	For Solar PV N/A For CSP N/A For Wind power N/A For Ocean Energy • Measures in place to minimise toxicity of anti-fouling paint and biocides which implements the International Convention on the Control of Harmful Anti-fouling Systems on Ships • Use of chemicals must adhere to the National Environmental Management Act, 1998 (Act No.107 of 1998), the Hazardous Substances Act, 1973 (Act No.15 of 1973) and the Occupational Health and Safety Act No.85 of 1993.
Sustainable resource use and circularity	For PV, CSP, Wind Power and Ocean Energy • The activity assesses availability of and, where feasible, uses equipment and components of high durability and recyclability and that are easy to dismantle and refurbish.

Comply with Minimum Social Safeguards

Companies and other issuers disclosing against the Taxonomy must comply with the criteria set out in Appendix C: Minimum Social Safeguards.

3. MSS

Contents

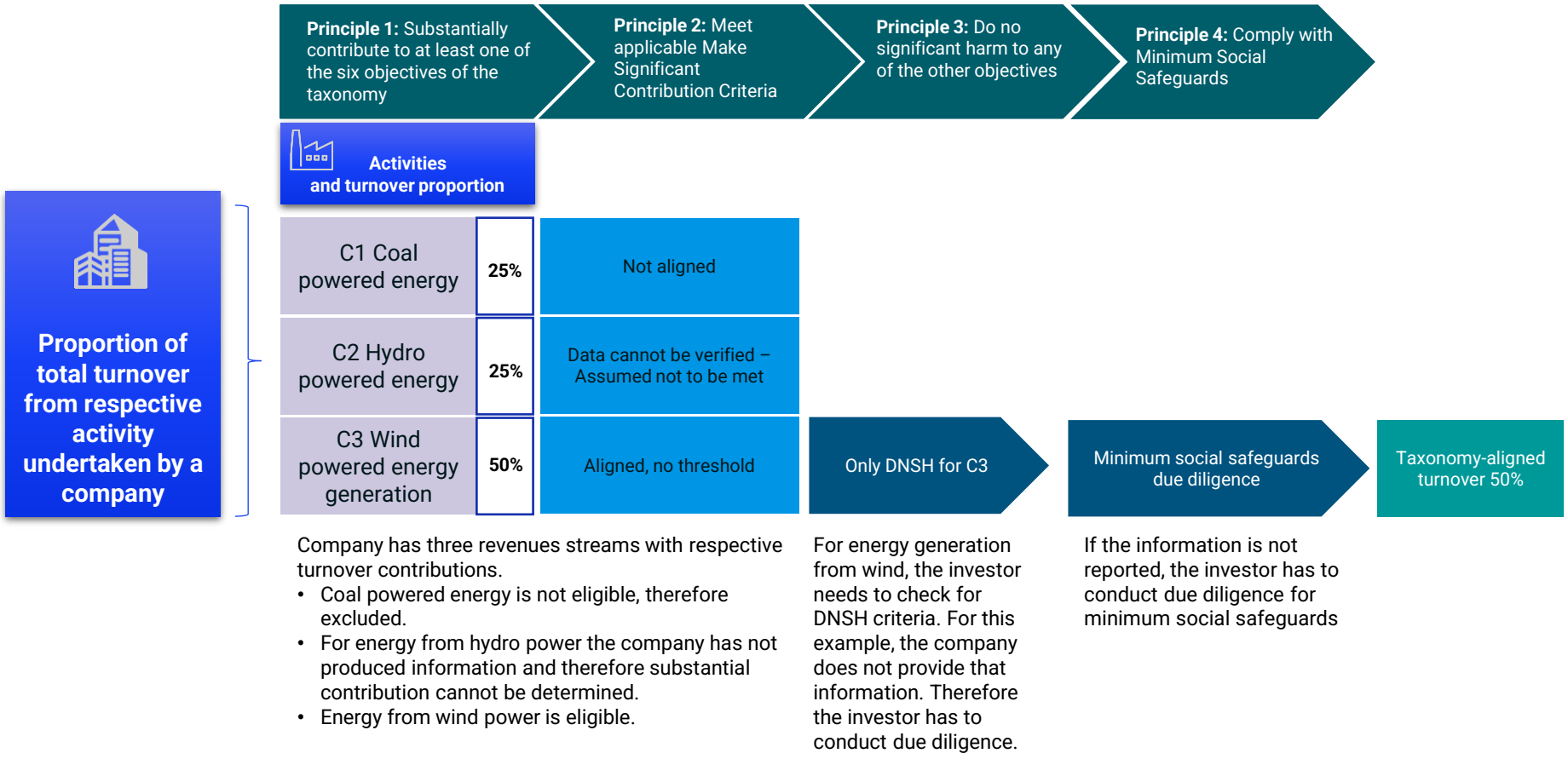


Reporting Turnover from Asset to Company-level

Once asset-level taxonomic-alignment is determined, the share of finance attributable on a company-level can be determined

Reporting Turnover on a Company-Level

Turnover is ring-fenced according to renewable energy activity and then taken through the four Principles of the taxonomy



Company has three revenues streams with respective turnover contributions.

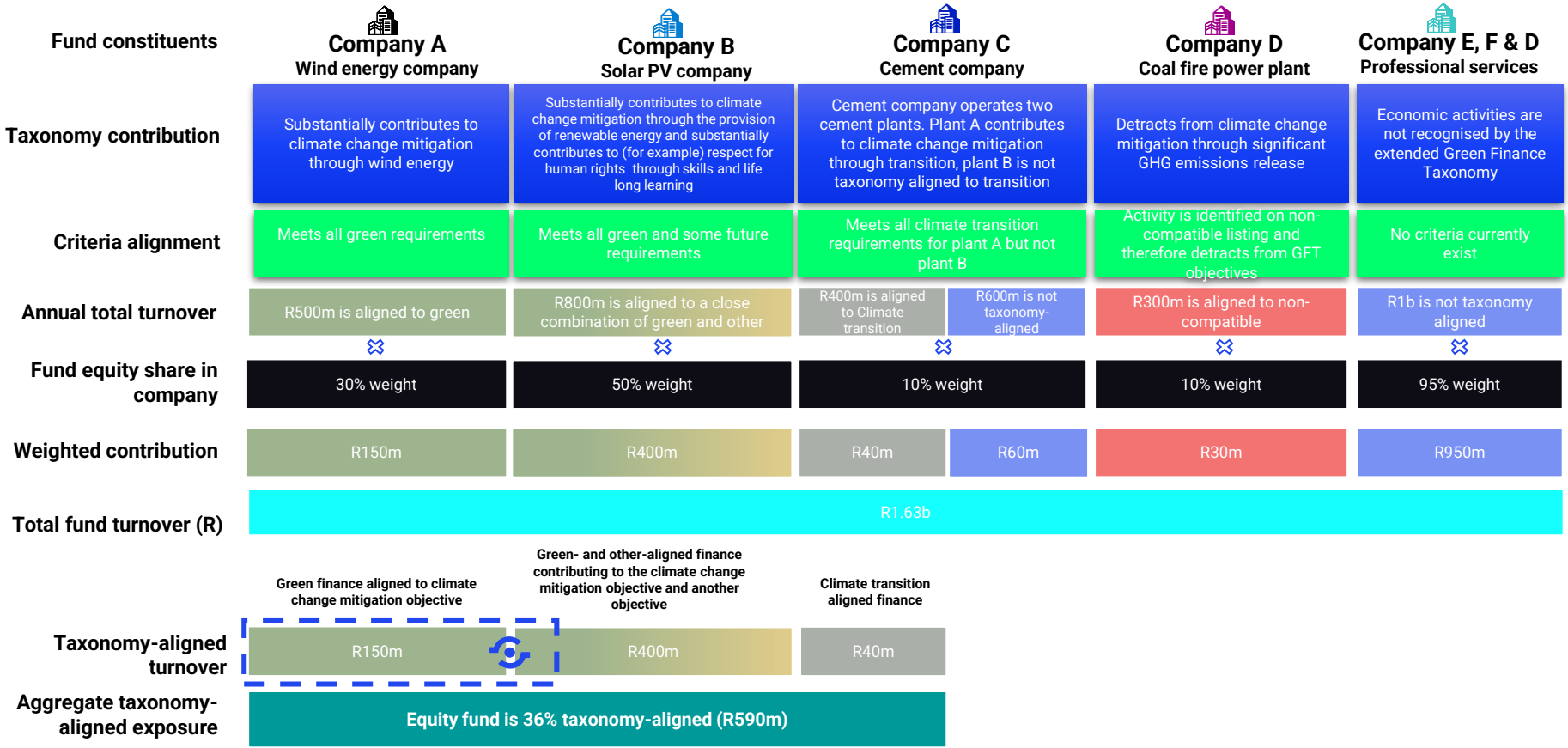
- Coal powered energy is not eligible, therefore excluded.
- For energy from hydro power the company has not produced information and therefore substantial contribution cannot be determined.
- Energy from wind power is eligible.

For energy generation from wind, the investor needs to check for DNSH criteria. For this example, the company does not provide that information. Therefore the investor has to conduct due diligence.

If the information is not reported, the investor has to conduct due diligence for minimum social safeguards

Reporting Financial Metrics from Company to Fund-Level

Once asset-level taxonomic-alignment is determined, the share of finance attributable on a company-level can be determined



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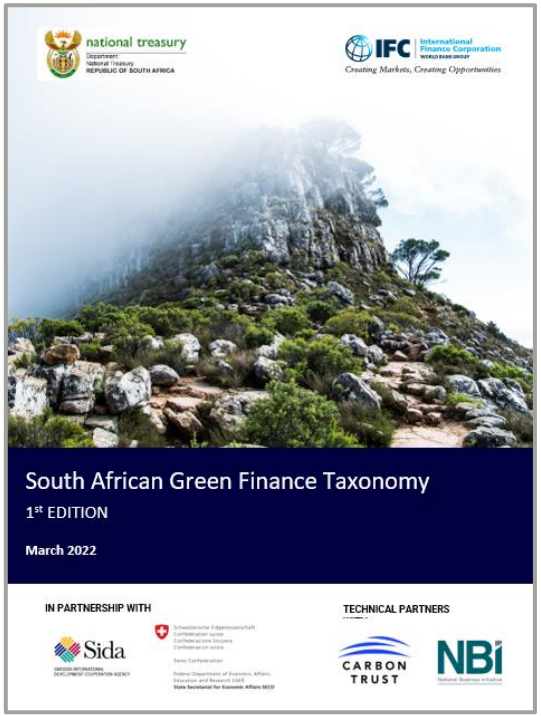
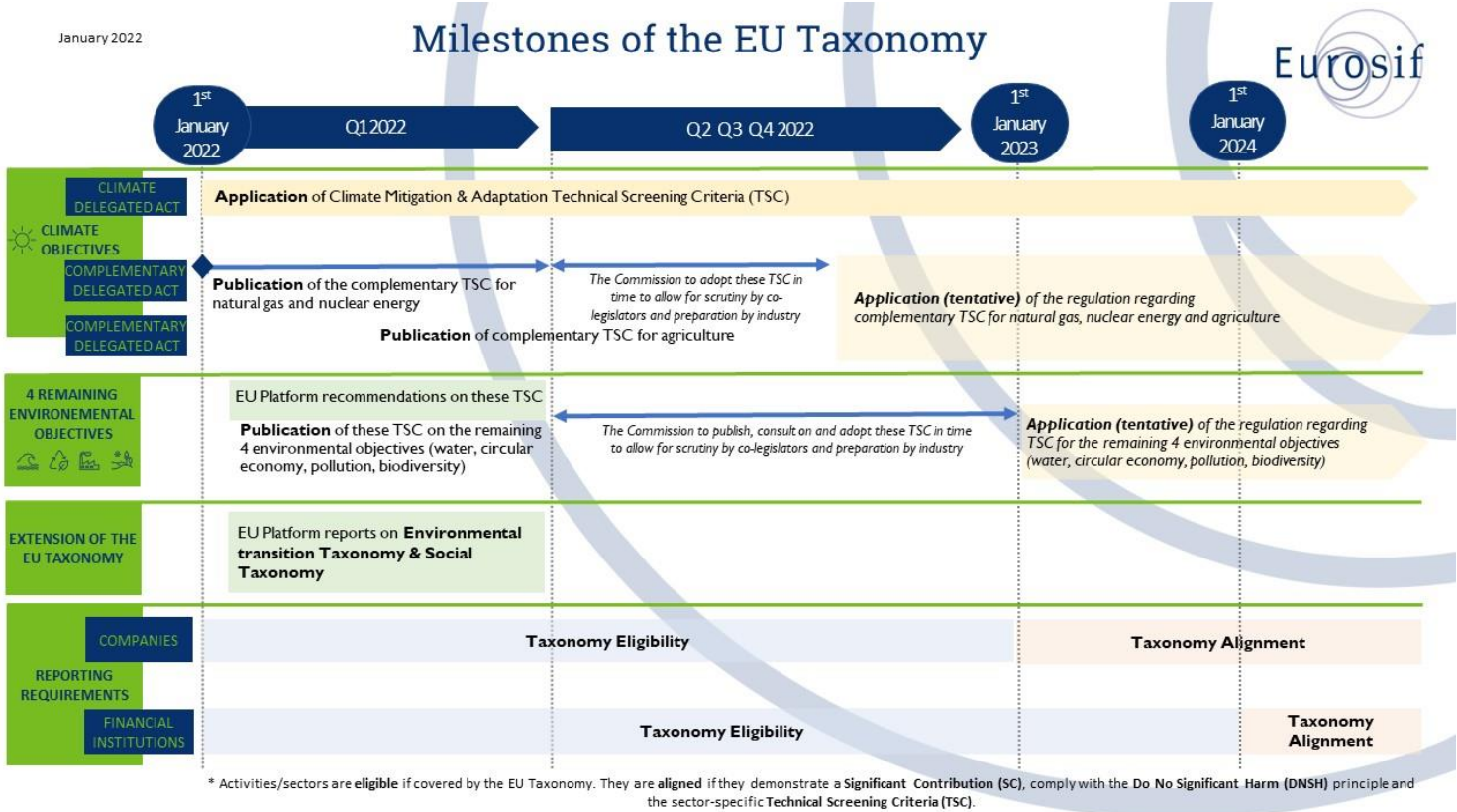


The EU Approach 1/2

The EU taxonomy is at a similar stage of development, however is coming into mandatory enforcement applying a staggered approach

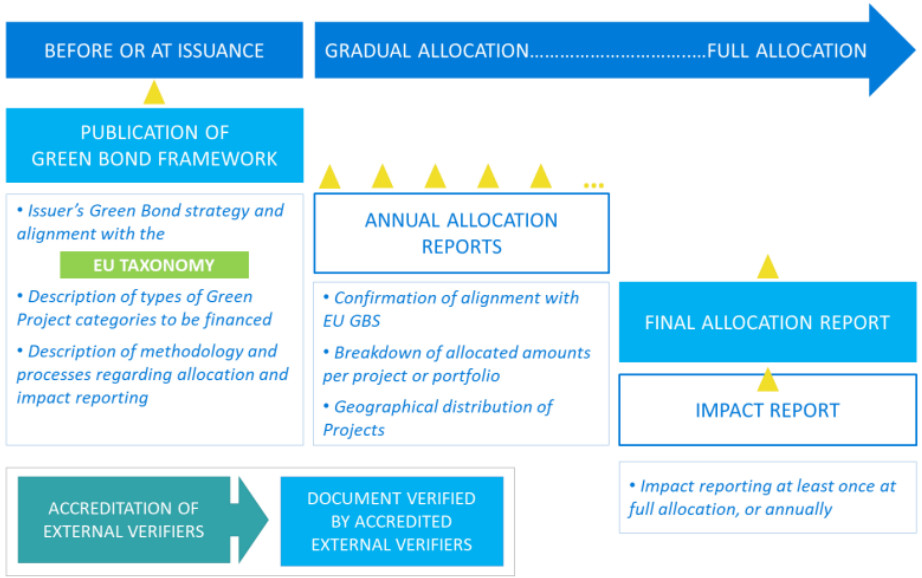


Source: Eurosif, 2022

The EU Approach 2/2

One of the regulatory approach to mandatory enforcement is the EU Green Bond Standard

- Aims to establish a voluntary uniform green bond standard for the EU
- The EUGBS will “set a gold standard for how *companies and public authorities* can use green bonds to *raise funds on capital markets* to finance such ambitious large-scale investments, while meeting tough sustainability requirements and *protecting investors*”
- Requirements:
  1. Taxonomy-alignment mandatory
  2. Transparency
  3. External review
  4. Supervision by European Securities Markets Authority (ESMA)



Source: EU TEG Report on EUGBS Overview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