EU TAXONOMY

The green taxonomy is considered the backbone of the European Commission's green finance package. The taxonomy offers a robust scheme for identifying and classifying investment opportunities ensuring investors can 'reorient capital flows towards sustainable investment, in order to achieve sustainable and inclusive growth.'

The EU Taxonomy, the foundational piece from the action plan on financing sustainable growth, is a classification tool to help investors and companies consistently determine whether an economic activity is environmentally sustainable or not. It provides specific, quantitative thresholds on environmental performance for economic activities to be considered compliant with the EU Taxonomy.

The EU Taxonomy for sustainable activities is based around six environmental objectives:

1. Climate change mitigation
2. Climate change adaption
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy, waste prevention and recycling
5. Pollution prevention and control
6. Protection of healthy ecosystems

By considering the six objectives above, the EU Taxonomy has been created to help 'investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy.'

When the EU Taxonomy comes into effect, investments marketed as financing the transition to climate mitigation objectives will require a description or explanation in terms of the Taxonomy criteria.

Who is affected by the EU Taxonomy

From the end of 2021, EU financial institutions are required to report alignment of their portfolios with the Taxonomy.

Initially, this reporting will be based on reported data and assumptions that data providers and financial institutions have made for the assets in portfolios. Financial institutions are also expected to actively engage with the companies in their portfolios, to obtain as much relevant and required information about their alignment with the EU Taxonomy as possible.

Companies in scope of NFRD will be required to report on the activities (portion of revenues, capex and opex where relevant) that are aligned to the EU Taxonomy, as of March 2022. The focus then will be on shifting financial flows towards a sustainable economy and this will have major implications for many sectors, not only the financial. The expectation is that this will greatly accelerate the transition to sustainable economic and social growth in the future.

How can Refinitiv help

Refinitiv is creating EU Taxonomy-aligned products, to help users fulfil their compliance obligation and start evaluating their portfolio against the Taxonomy.

Underpinning our EU Taxonomy solution is a combination of Refinitiv Fundamentals data for the business segment revenue data. Also from the fundamentals database we will be looking to incorporate operating metrics that capture criteria such as production of aluminium which when combined with our ESG carbon data enable us to expand on the current availability for performing technical screening criteria tests.

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The other major data set used for Taxonomy is our ESG database, we utilize a number of measures around emissions and substantial number of controversy type indicators for the DNSH and minimum social safeguard aspects of EU Taxonomy.

Finally, our reference data is of significant importance, the mapping of NAICS codes at a segment level make it possible for us to perform the mapping and translate the business classification back to the taxonomy.

Desktop

Available today is an Excel proto type via the Refinitiv Eikon template library where you can already test a portfolio of less than a thousand constituents to see how they are eligible with the first two objectives of the EU taxonomy. We also have an Eikon powered API version of the template which enables users to test their portfolio for up to 5k constituents at a time thereby saving time stitching the information manually for slightly larger portfolios.

We plan to expose EU Taxonomy level data in Eikon via company overview pages and through the use of templates via the Portfolio Analytics app.
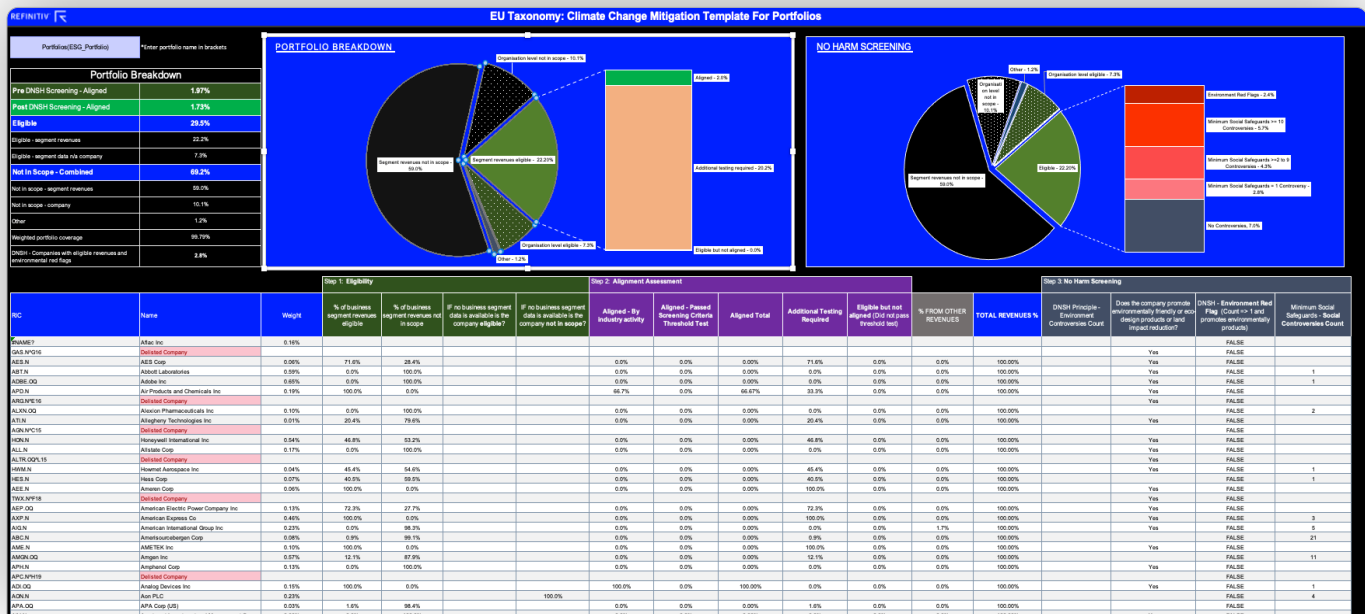
The company overview pages will show organisation level and segment level results whereas the Portfolio Analytics app will provide organisation level and portfolio summary reporting capabilities.

Bulk Feed

A bulk feed service contains all of the raw data measures against the entire universe of listed companies and includes the percentage eligible/aligned calculations. In addition to this the feed exposes all of the necessary measures needed to perform DNSH (Do No Significant Harm) and minimum social safeguards.

As other objectives of the taxonomy become public we will be expanding the bulk feed to include the relevant metrics and derived field calculations so that our customers can easily aggregate the data internally.

Within Refinitiv Eikon Excel® you can find the Refinitiv EU Taxonomy template

The model is also delivered via a Refinitiv Eikon API, for more flexible use.

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