EnBW

EU sustainable finance taxonomy case study 2.0

A presentation of the taxonomy alignment of the EnBW business portfolio in the Integrated Annual Report 2021

with the support of Deloitte.

Contents

Foreword

Dear Madam or Sir,

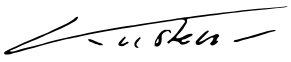
One year ago, EnBW was one of the first companies in Europe to apply the EU taxonomy to selected parts of its business portfolio. We have gained important experience in the implementation of the in some cases very complex requirements and presented and openly discussed what we have learned with many stakeholders from the worlds of politics, administration, business and science, as well as with standard setters and auditing companies.

We are still convinced that the development of the EU taxonomy can make a very important contribution to the achievement of the climate protection targets in the European Union. Regrettably, the actual core objective of the EU taxonomy – mobilizing private capital to help finance a quick transition – is often forgotten. Due to the immense amount of capital of multiple billions of euros every year that this transition will need, it will not be possible to achieve climate neutrality by 2050 at the latest at either a national or European level without these private funds. The discussions that accompanied COP26 in Glasgow once again showed that government and private-sector initiatives have to work hand in hand to turn the Paris Agreement into reality.

Neither negotiations and treaties at a government level nor private-sector initiatives have yet been able to solve the conflict of interests between the need to act quickly and the positive medium to long-term effects for climate protection and humanity. The EU Technical Expert Group and its successor organization Platform on Sustainable Finance have made important contributions to this debate with the support of scientists. The success of the EU taxonomy will depend, however, on whether sustainable finance becomes a mainstream phenomenon in harmony with the worlds of politics, business and civil society and quickly escapes from its current niche position. In our view – and we will not grow weary of emphasizing it – technologically and economically viable solutions will be required that have broad-based support from the majority of the parties involved.

This second EnBW report on the application of the EU taxonomy – including a presentation of our taxonomy-aligned business activities – demonstrates not only that EnBW is consistently and reliably investing in the future with its environmentally sustainable capex of 68.2% in the 2021 financial year but also that its engaged team is well-equipped to handle the requirements of the EU taxonomy, with the expert support of Deloitte during the introductory phase. However, the planned legislative packages threaten to introduce such a high level of detail to the reporting requirements that the positive intension of achieving greater transparency could have the reverse effect and no longer provide any additional benefit for the reporting process and the intended users of these reports. This is why we are hoping for more pragmatism from all those involved in future legislative processes when finalizing further sustainable finance initiatives.

Best regards,



Thomas Kusterer
EnBW Chief Financial Officer

Summary

Proportion of taxonomy-aligned business activities of the EnBW Group

in %	2021	2020
Adjusted EBITDA	62.6	68.0
Capex	68.2	70.0
Capex incl. IFRS 11 I IAS 28	71.2	70.0
Revenue	14.6	20.3
Opex	29.3	37.1

- EnBW reported its taxonomy-eligible and taxonomy-aligned business activities for the 2021 reporting year and published them in the Integrated Annual Report 2021 in the management report. Alongside the three required financial key performance indicators (KPIs) of capex, revenue and opex, EnBW also published the adjusted EBITDA and the KPI expanded capex.
- The guidelines for calculating the KPIs are subject to interpretation in some cases. In our view, some of the KPIs also fail to achieve the intended goal of the EU taxonomy of steering capital flows towards sustainable investment. For example, the capex KPI includes non-cash-relevant additions, such as additions to the provisions for dismantling obligations and additions to right-of-use assets from leases according to IFRS 16.
- The sheer size and complexity of the tables according to Annex II of the delegated act significantly limits – from EnBW's point of view – the user-friendliness of the information for the target audience of the EU taxonomy.
- The final version of the requirements that must be complied with in order to fulfill the disclosure obligations for the first two environmental objectives, as well as those for the specific design of the reporting obligations, were only published for the first time in December 2021. This delay made it difficult for EnBW to adequately implement the requirements internally.
- In order to determine the environmentally sustainable business activities in the business portfolio, EnBW analyzed all activities in the three segments Smart Infrastructure for Customers, System Critical Infrastructure and Sustainable Generation Infrastructure that are covered by the EU taxonomy.
- When assessing the environmental sustainability of activities, the main challenges were not in determining the substantial contribution to at least one environmental objective or complying with the minimum safeguards but rather the DNSH analyses – to ensure that the activities did not significantly harm one of the five other EU environmental objectives. The potential for damage must be considerable and relatively likely – an adequate assessment of this requires a great deal of expertise.
- The challenge when carrying out the assessment was that it had to be completed separately for every single plant. It should be possible when appropriate to assess compliance with the requirements at the level of the superordinate economic activity (e.g., 4.1, 4.3 or 4.5); this assessment would then apply to every subsumed activity that falls within the criteria set. This applies, in particular, for many DNSH criteria.
- In the most recently published technical screening criteria for natural gas and nuclear energy in the complementary delegated act, the European Commission has generally accepted these types of generation as possible transition technologies. However, many of the criteria to be fulfilled on aggregate are defined very tightly and, in some cases, open to interpretation. It is thus not currently possible, especially in the case of natural gas, to determine whether a large number of the power plants required for the Energiewende will qualify in the future. EnBW advocates a pragmatic approach in this area because although noncompliance with the taxonomy criteria will not prevent further investment as such, it will, however, make the financing of these projects more expensive and have a negative impact on the financeability of the entire company.
- The huge number of sustainable finance initiatives outside of the EU taxonomy that are currently being negotiated and agreed will leave companies facing tasks that will be very difficult to manage in the next few years.
- In the development of further sustainable finance measures, such as the pending formulation of the other screening criteria for the remaining environmental objectives, as well as for further initiatives such as the social taxonomy, it will be necessary overall to select appropriate and realistic implementation periods and take the experience gained in the implementation of the current requirements into account so that acceptance for the EU taxonomy will gradually be increased amongst both users and the target audience.

1 EU taxonomy – overview, EnBW approach and interpretation issues

1.1 Developments in 2021 through to March 2022 – obligatory requirements

The **final TEG report on the EU taxonomy** is published here.

Online ↗

Our **first EnBW case study on the EU taxonomy** can be found here.

Online ↗

The **EU Taxonomy Regulation** is accessible to the public here.

Online ↗

The delegated act for the first two **environmental objectives "climate change mitigation"** and **"climate change adaptation"** was published here.

Online ↗

The **delegated acts** and **further information on the EU taxonomy** can be found on the website of the EU Commission.

Online ↗

The **FAQ document from the EU Commission on the application of the EU taxonomy** from 2 February 2022 can be found here.

Online ↗

Annexes I-V with the **guidelines for calculating the financial KPIs** (for, amongst others, non-financial undertakings) can be found here.

Online ↗

One year ago, EnBW gained its first practical experience in implementing the EU taxonomy on the basis of the available documents at the time, namely the **final report from the Technical Expert Group on Sustainable Finance (TEG),** the draft delegated act for the EU taxonomy to define the technical screening criteria and the **ESMA recommendations** for calculating the financial KPIs. At that time, it was still necessary to explain the exact purpose of the EU taxonomy to many people involved in the discussions – both internally with respect to colleagues in the specialist departments of the EnBW Group or externally with respect to stakeholders.

For companies operating in the real economy, it has been and still is a constant challenge to monitor and implement the **huge amount of relevant legislation and other initiatives** in the area of sustainable finance, even just those that have been published by the EU Commission in the last three years.

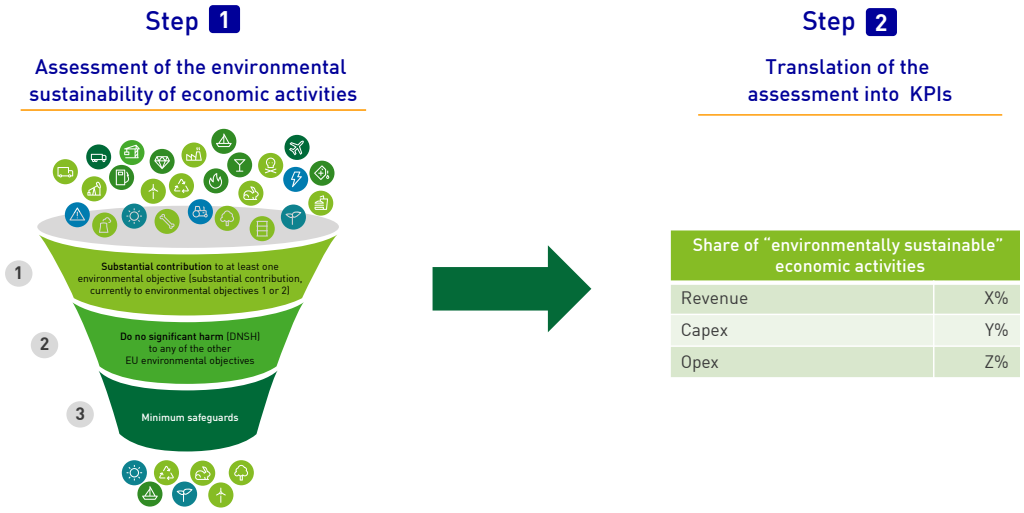
Publication of the final versions of the relevant documents for the implementation of the original EU Taxonomy Regulation was delayed until the end of 2021 due to conflicting political opinions about their purpose and design and the time limits for the European Parliament and Council to raise any objections. In general, the introduction of new or modified reporting requirements including the provision of documentation for an already ongoing reporting year should be viewed critically.

In relation to the obligatory reporting requirements for the 2021 reporting year, the final version of the first delegated act on the EU Taxonomy Regulation was only agreed on 21 April 2021, instead of as originally planned by the end of 2020, officially published on 4 June 2021 and only came into force in December 2021. This **Climate Delegated Act** defines the technical screening criteria for a selection of specific company activities with respect to the first two environmental objectives: "**climate change mitigation" and "climate change adaptation."**

The criteria for compiling and presenting the KPIs in accordance with Article 8 (4) of the Taxonomy Regulation were defined in another **delegated act** (see section 3) that was also subject to some interpretation. The final draft version of this delegated act was generally agreed and published by the Commission on 6 July 2021. The interpretation issues that existed were more or less clarified in FAQ documents published by the EU Commission on an ad hoc basis. In particular, it was no longer possible for many companies to fully take the information published in the supplementary FAQ document on 2 February 2022 into account at this late date.

Ultimately, the calculation of the proportion of environmentally sustainable activities remains a **two-stage process:** In the first stage, it is necessary to assess whether an activity complies with the technical screening criteria, i.e., whether a **substantial contribution is being made to climate protection,** and also to determine that no significant harm is being done to the other five environmental objectives. In the second stage, the **environmentally sustainable portion of revenue, capital expenditure (capex) and operational expenditure (opex)** is calculated for each of the individual activities.

Implementation of the EU taxonomy in two stages



The first delegated act with the final presentation of the screening criteria for "climate change mitigation" and "climate change adaptation" was not adopted without some resistance. Following its publication, the document was still **subject to scrutiny by the European Parliament and the Council:** It was not possible, however, for any new amendments to be agreed at this stage and no explicit approval was required. If either of the two institutions had rejected the act, both Commission regulations would not have entered into force, which is why the finalization of the delegated act was delayed.

Although it was still uncertain early on whether natural gas-fired energy generation would qualify for the **transition to a low carbon hydrogen economy** – an element that was ultimately left out of the first delegated act and moved together with the still outstanding issue of nuclear energy into the complementary delegated act (see section 4.2) – there was also intense debate on the design of the specific technical screening criteria for some types of generation based on renewable energies.

The specific requirements for activities to make a substantial contribution to the mitigation of or adaptation to climate change and especially the requirements in the technical screening criteria to do no significant harm (DNSH), **e.g., for hydropower, biomass and geothermal energy, led to serious disputes between representatives of associations, companies and the Commission,** as well as large sections of the Platform on Sustainable Finance.

The result was that the screening criteria together with the specific formal reporting requirements according to Article 8 of the Taxonomy Regulation that were already mentioned above only entered into force at the end of 2021. They are thus obligatory for the first-time reporting on the activities in 2021, despite the fact that **the full reporting requirements only became clear** at the end of the 2021 reporting year.

The two regulations were only adopted after **a number of compromises were reached** between the institutions involved, which meant that companies were generally faced with complying with the reporting obligations irrespective of whether they had already examined the subject matter. In the end, a transitional period was introduced in Article 10 of the delegated act, so that companies were only obligated to report on their activities for the completed 2021 reporting year **in a simplified form:** affected companies only need to disclose the proportion of taxonomy-eligible business activities in their total revenue, capex and opex. Reporting of taxonomy-aligned business activities and the specific breakdown of these activities according to the stated KPIs is now only obligatory from the 2022 reporting year.

1.2 EnBW approach for the 2021 financial year

While EnBW only focused on part of its business portfolio – primarily the taxonomy alignment of its activities in the former Grids and Renewable Energies segments – in the 2020 reporting year, the legal regulations were applied to the entire business portfolio in the 2021 financial year, with the exception of the not yet finalized areas of nuclear energy and energy generation and grid operation with natural gas. The reporting on taxonomy alignment was thus expanded to cover all of the EnBW business activities described in the delegated acts.

More information on the **EnBW's goal of climate neutrality** can be found on our website.

Online ↗

EnBW wants to emphasize from the very beginning that it fully supports the **Green Deal** that was published by the European Commission in December 2019. In particular, it supports the target of reducing net emissions from greenhouse gases in the European Union to zero by 2050 at the latest. EnBW already committed itself in 2020 to systematically reduce its direct and indirect CO_2 emissions by the end of 2035 and then took the next step towards reducing CO_2 emissions in Scopes 1, 2 and 3 through its **commitment to the SBTi** in September 2021.

It is important to EnBW to actively contribute to the **interpretation of the EU taxonomy requirements and criteria,** thereby demonstrating the applicability of the EU taxonomy and also helping to make it more user-friendly. By taking the approach of presenting the requirements in the EU taxonomy in the Integrated Annual Report 2021 as part of the non-financial declaration in the management report and having the disclosures audited **with reasonable assurance,** it was possible to address any questions and challenges related to the audit at an early stage and therefore establish planning certainty with respect to the internal allocation of the company's own activities and also in relation to documentation.

At numerous events held on the first-time application of the EU taxonomy, EnBW has been asked many questions about its internal organizational structures. In the second reporting year, it was possible to once again rely on the tried-and-tested internal structure of the steering committee that includes representatives from the areas of **controlling, accounting and sustainability.** In cooperation with the specialist departments and in coordination with the auditor it became clear, however, that the **verification and documentation obligations,** combined with the increase in the reported activities while maintaining the accustomed auditing standards, had risen to a not insignificant degree.

1.3 Intra-industry and cross-industry discussions on the EU taxonomy

Outside of the established internal team and the support provided by Deloitte, it was possible during the preparatory phase for the reporting published in the EU taxonomy section, as well as during the consultation phase for the delegated acts, to discuss the matter in more detail with users both inside and outside of the energy industry.

Discussions within the industry in the scope of the German umbrella organization **BDEW** and the European umbrella organization **Eurelectric** were very important in this context. Sustainable finance working groups were formed in many industry associations. In our own industry, a **working group** was formed by selected companies to examine questions on the interpretation of the legal regulations.

In cross-industry discussions, the **econsense network** and its Finance & Reporting cluster became an influential group in which unanswered questions and consultation papers were collected and reconciled. For questions dealing with the implementation of the Taxonomy Regulation, the **ASCG user forum** was an important point of call. Here, the different experiences of companies were used as a basis for addressing specific implementation challenges and formulating questions and well-founded input for the EU Commission.

At the same time, the currently valid reporting and screening criteria requirements during the individual implementation phases were agreed with our auditor to ensure that the legal requirements were adequately taken into account.

The aim of this report is to describe the experience gained by EnBW this year with respect to the possibilities and challenges in the application of the regulations and to promote further intra-industry and cross-industry dialog and discussion.

You can find more information on **econsense activities** here.

Online ↗

More information on the **ASCG user forums for the Taxonomy Regulation** can be found here.

Online ↗

2 Evaluation of the sustainability of the EnBW business portfolio

Our **first EnBW case study on the EU taxonomy** can be found here.

Online ↗

The **delegated act** with Annexes I and II that **define the technical screening criteria** for a **substantial contribution to the mitigation of or adaptation to climate change** can be found here.

Online ↗

In the 2020 financial year, reporting was based on the EU taxonomy Regulation from 22 June 2020 and the technical screening criteria in the draft delegated act for the Taxonomy Regulation for the environmental objective "climate change mitigation" from 20 November 2020. After the publication of the final delegated act on Article 8 of the Taxonomy Regulation on 6 July 2021 and the associated technical screening criteria for the environmental objectives "climate change mitigation" and "climate change adaptation" on 4 June 2021, application of the regulations was expanded to include the EnBW business activities described in these publications. The formulations and terms contained in these delegated acts are still subject to some uncertainty regarding their interpretation until they are clarified in interpretation aids, which have only been published so far to a certain extent by the EU Commission.

2.1 Analysis of taxonomy eligibility

While EnBW only considered selected business activities in the 2020 financial year, all of the Group's activities for which criteria exist according to the EU taxonomy were analyzed for the 2021 financial year and the preparation of the Integrated Annual Report 2021. The following activities were identified as taxonomy-eligible, mainly on the basis of section 4 "Energy" in Annex I to the EU taxonomy criteria:

Activities examined for the EU Taxonomy Regulation

Smart Infrastructure for Customers	System Critical Infrastructure	Sustainable Generation Infrastructure
	• Electricity distribution grids • Electricity transmission grids	• Onshore wind • Offshore wind • Solar • Run-of-river
• E-mobility	• Water grids • Water supply	• Biomass • Pumped storage

2020

2021

The extensive EnBW trading activities that have a sustainability aspect (e.g., green electricity, biogas) were not classified as taxonomy-eligible in accordance with the taxonomy requirements. Individual activities that could generally be classified according to the taxonomy criteria were classified as **taxonomy-non-eligible** for the time being, namely:

- Retrofitting of gas transmission and distribution grids to improve the integration of hydrogen and other low carbon gases
- Expansion of broadband

Infrastructure for hydrogen and low-carbon gases

Although the **gas distribution grid** was designed and built for the distribution of fossil fuel natural gas, this infrastructure is a suitable option for the transport of all gaseous energy sources, irrespective of whether they are fossil fuel-based or renewable. Similar to the electricity grid, which was not designed solely for coal-fired or wind energy but can be used in principle for both, the grids are in this respect "neutral."

According to criteria set 4.14 "Transmission and distribution networks for renewable and low-carbon gases," capital expenditure (capex) that increases the proportion of transportable hydrogen or other low-carbon gases is taxonomy-eligible and makes a significant contribution to climate change mitigation.

There is still no **regulatory framework for hydrogen grids** at either an EU or German level. Investment in the transmission grids for hydrogen will be included for the first time in the new Network Development Plan for transmission grids, which is due to be approved this year by the Federal Network Agency. This means that there should be greater clarity in 2022 on the regulations for hydrogen grids and the associated investment. For this reason, investment in the gas grids in the 2021 financial year was classified in full as being taxonomy-non-eligible.

There is as yet no agreed policy that focuses on increasing the blend of such gases as a requirement of EnBW's investment in the retrofitting of the gas grids. In this respect, it is not possible to clearly derive which investments fulfill the criteria in 4.14. Therefore, investments of this kind in the 2021 financial year were classified in full as being taxonomy-non-eligible. As soon as the Group has developed such a policy, all investments of this kind will be recognized as taxonomy-eligible in the sense of 4.14.

One criticism of the screening criteria in 4.14 is that they apparently only cover investment in increased blending of gases (capex) and the detection of methane leakages (opex). The EnBW gas grids are already being used today for the transport of hydrogen and other low carbon gases – but it is apparently not possible to classify the associated revenue as taxonomy-eligible (and taxonomy-aligned). An amendment to the criteria would be appropriate here so that this revenue could be reported as being taxonomy-eligible (and taxonomy-aligned).

Expansion of broadband

Information and communication technology can make an important contribution to reducing CO_2 emissions. The **expansion of the broadband infrastructure** is essential for this purpose. Corresponding investment could possibly be covered by the description of the activity "8.2 Data-driven solutions for GHG emissions reductions" ("...ICT solutions that are aimed at (...) transmitting (...) data..."). However, it is still unclear how to interpret the requirement of "enabling GHG emission reductions." The criteria for making a substantial contribution to climate change mitigation do not seem to be fulfilled by the expansion of the broadband infrastructure because it mainly focuses on the expansion of passive infrastructure rather than active infrastructure. In line with other energy and telecommunications companies, EnBW has thus decided not to classify the corresponding investment as taxonomy-eligible capex.

According to recent reports, it appears that the EU is currently working on corresponding taxonomy criteria. Due to the importance of this infrastructure for reducing CO_2 emissions and the considerable funding needs for this purpose, it would be advisable to develop suitable taxonomy criteria for these types of activities.

2.2 Analysis of taxonomy alignment

EnBW was able to build on the tried-and-tested process from the 2020 financial year for its assessment of whether the electricity grids (distribution and transmission grids), electricity generation via wind power (onshore and offshore) and run-of-river power plants were taxonomy-eligible and taxonomy-aligned.

In particular, the **reference values from the German Environment Agency (UBA)** were used as the basis for assessing the substantial contribution of run-of-river power plants, which with 2.702 g CO_2eq/kWh lie significantly below the taxonomy threshold of a maximum of 100 g CO_2eq/kWh. These plants thus comply with the wording of the requirements in criteria set 4.5 because compliance with the taxonomy threshold could be verified using the UBA reference values. The use of these reference values complies with the criteria in 4.5 for the life cycle assessment. Due to the very low life-cycle emissions from run-of-river power plants, it was possible to carry out the assessment at the level of the superordinate economic activity for 4.5, while nevertheless verifying the significant contribution to climate change mitigation made by each individual plant. The publication of the reference values by the UBA complies with the requirements (which are not specified in more detail) for "verification" by an independent third party, especially as the values are not determined by EnBW.

In the draft of the taxonomy criteria published by the Commission, **run-of-river and pumped storage power plants** were still both included in criteria set 4.5 "Electricity generation from hydropower." However, this criteria set now only includes run-of-river power plants. Pumped storage power plants have now been included under 4.10 "Storage of electricity." The criteria in 4.10 are less demanding than the criteria in 4.5 so that it generally simplifies things for companies subject to the reporting requirements. From a technical perspective, there is not much difference between the two types of plant, whereby cascade pumped storage systems, in particular, also include run-of-river power plants. Splitting the taxonomy-eligible and taxonomy-aligned revenue, capex and opex between 4.5 and 4.10 causes **more work simply for reporting purposes** without providing any discernible added value for readers of the reports. Switching pumped storage power plants back to criteria set 4.5 again should thus be considered, or companies should at least be given the option – in the case of certain, narrowly defined criteria sets that are essentially the same – of subsuming all business activities under this criteria set.

The **generation of electricity and heat from biomass** is always taxonomy-eligible but can only be taxonomy-aligned if, amongst other things, the greenhouse gas emission savings are at least 80% in relation to certain reference values. These savings are dependent on the type of substrate used, which differs from year to year. The EU has only developed reference values for three substrates, but a multitude of different substrates are actually used in practice. It is absolutely essential that the taxonomy criteria in Annex VI to the EU Directive on the promotion of the use of energy from renewable sources is expanded to include reference values for other substrates. Plant operators will be required (in future) to obtain certifications for each individual plant, for which the relevant substrate and the associated greenhouse gas emission savings will be determined by an independent third party. However, there are currently significant bottlenecks with respect to the provision of this type of certification and the companies subject to these reporting requirements are not always able to obtain the required certifications – through no fault of their own.

The **EU Directive on the promotion of the use of energy from renewable sources** can be found here.

Online ↗

The construction and operation of charging infrastructure for e-mobility is taxonomy-eligible and makes a significant contribution to climate change mitigation by definition. One fundamental challenge in this area could be the DNSH criteria for EU environmental objective 4 "transition to a circular economy," which states that at least 70% of non-hazardous construction and demolition waste (excluding naturally occurring material) must be prepared in accordance with the waste hierarchy. The construction of e-charging infrastructure is generally not carried out by the operator but by a general contractor and it can thus be difficult to provide the required verifications for compliance with this criterion. However, it was not problematic for EnBW to provide this verification because we work with a very small number of general contractors and it was possible to obtain the required information without too much effort.

It was possible to determine the **substantial contribution to climate change mitigation made by the water grids and the water supply** based on the clear criteria for energy efficiency and leakages for each water grid. These criteria are challenging but the required information was, however, already held by the grid operators due to existing regulatory requirements. These regulations classify water as a foodstuff and as fundamentally essential to life. There are thus very strict requirements for ensuring the availability of water, even in periods of drought, which in our opinion go above and beyond the DNSH criteria for EU environmental objective 2 "climate change adaptation." Furthermore, the criteria in the German Drinking Water Ordinance also go above and beyond the DNSH criteria for EU environmental objective 3 "sustainable use and protection of water and marine resources."

2.3 Interpretations of and recommendations for the further development of certain criteria based on selected examples

Using reference values for determining whether an economic activity makes a significant contribution to climate change mitigation is possible, in particular, when these reference values are much lower than the taxonomy thresholds (such as is the case for, e.g., run-of-river power plants).

The use of standardized reference values should be further expanded (e.g., for biomass power plants).

Assessments of compliance with criteria for the substantial contribution to at least one environmental objective, for DNSH and for minimum safeguards must be carried out individually for every single plant. It is possible sometimes to assess **compliance with the criteria on an aggregated level** (i.e., the level of the superordinate economic activity, e.g., 4.1, 4.3 or 4.5); this assessment then applies to every subsumed activity that falls within the criteria set. This applies, in particular, for many DNSH criteria.

The overarching requirement of the Taxonomy Regulation is that no significant harm is done to the achievement of the five other EU environmental objectives. Accordingly, the **potential for damage** must be considerable and relatively likely. While the taxonomy sets very strict requirements for assessing whether an activity makes a significant contribution (e.g., to climate change mitigation), the requirements for the second level of the taxonomy, the DNSH criteria, are not nearly as strict.

- If the DNSH criteria reference, for example, EU regulations with which companies must comply, it can generally be assumed that these regulations are complied with due to the legality principle in section 76 AktG. This applies as long as there is no solid evidence of any violation with any significant harm to the achievement of the EU environmental objectives as a result. Accordingly, it is not necessary, for example, for electricity generation from hydropower to provide positive evidence that each individual power plant complies with the regulations according to water law (which is difficult to produce in practice) because it can generally be assumed that this is the case (as is also stated in the TEG Taxonomy Report, p. 32).
- The DNSH requirements in the Taxonomy Regulation are thus applicable in this context. The DNSH criteria as part of the technical screening criteria provide valuable information on the circumstances under which the DNSH criteria can be assumed to have been met.

It should thus be clarified, where possible, whether and under which circumstances the manufacturing of products, components, technologies, etc., that are absolutely essential for a taxonomy-eligible economic activity (e.g., biogas) are covered by taxonomy criteria (e.g., to enable 4.19 or 4.23). If this possibility is rejected, a **criteria set for the production of biogas** should be introduced or the existing criteria set in 4.13 amended.

In addition, robust criteria for the construction and operation of **broadband infrastructure** need to be developed: Due to the importance of this infrastructure for reducing CO_2 emissions and the considerable funding needs for this purpose, it would be advisable to develop suitable taxonomy criteria for these types of activities.

3 Financial performance indicators (KPIs)

Taxonomy reporting for the 2021 financial year based on the final delegated acts can be found **in Annex 1 and Annex 2 of this publication,** as well as in the **Integrated Annual Report 2021** on our website (from p. 110 ff.↗, p. 146 ff.↗).

Online ↗

In the 2020 financial year, EnBW already expanded its financial reporting to include the disclosures on revenue, capex and opex required by the EU Taxonomy Regulation – as well as the adjusted EBITDA – ahead of time. As no criteria for compiling the financial key performance indicators (KPIs) had been published at this time, the reporting was based on the Taxonomy Regulation from 22 June 2020 and the technical screening criteria in the draft delegated act for the Taxonomy Regulation for the environmental objective "climate change mitigation" from 20 November 2020. For information on how we calculated the environmentally sustainable performance indicators for the 2020 financial year, please refer to our **first case study on the EU Sustainable Finance Taxonomy.**

Amongst other things, the criteria for determining the financial KPIs were defined with the publication of the final delegated act on Article 8 of the Taxonomy Regulation on 6 July 2021 and the associated technical screening criteria for the environmental objectives "climate change mitigation" and "climate change adaptation" on 4 June 2021. The formulations and terms contained in the delegated acts are still subject to some uncertainty regarding their interpretation until they are clarified in interpretation aids.

3.1 KPIs for the taxonomy-aligned business activities of the EnBW Group

In addition to the information required by law on taxonomy-eligible activities, we are also disclosing information on the taxonomy-aligned activities in the 2021 financial year as in the previous year. Annex II of the delegated act requires the disclosure of the KPIs and also further information for every single economic activity; this level of detail does not produce reader-friendly reporting in the view of EnBW. Therefore, we have decided to aggregate the compiled KPIs at a Group level to improve the clarity of the reporting:

KPIs for the taxonomy-aligned business activities of the EnBW Group

in € million/in %	2021	2020
Adjusted EBITDA	**2,959.3/100.0**	**2,781.2/100.0**
of which environmentally sustainable	1,853.1/62.6	1,891.7/68.0
Capex	**2,676.9/100.0**	**2,870.8/100.0**
of which environmentally sustainable	1,826.5/68.2	2,008.9/70.0
Capex incl. IFRS 11 I IAS 28	**2,963.6/100.0**	**2,907.6/100.0**
of which environmentally sustainable	2,108.9/71.2	2,036.7/70.0
Revenue	**32,147.9/100.0**	**19,694.3/100.0**
of which environmentally sustainable	4,698.4/14.6	3,993.7/20.3
Opex	**1,142.8/100.0**	**947.9/100.0**
of which environmentally sustainable	335.0/29.3	351.3/37.1

The **capex incl. IFRS 11 | IAS 28** forms the so-called **expanded capex,** which includes not only the capex according to the EU taxonomy but also **investments in entities accounted for using the equity method.**

3.2 Financial reporting obligations in the EU taxonomy

The **EU Taxonomy Regulation** is accessible to the public here.

Online ↗

The final delegated act on Article 8 of the Taxonomy Regulation that was published on 6 July 2021 specifies the calculation methodologies for the KPIs revenue, capex and opex, their presentation and **other disclosure obligations.** According to Article 10 (1) of the delegated act, so-called "non-financial undertakings," of which EnBW is one, only have to calculate the required taxonomy KPIs for taxonomy-eligible and taxonomy non-eligible business activities and disclose the information referred to in section 1.2 for the 2021 financial year. The latter includes, amongst other things, **disclosure requirements for the composition of each KPI** and the applied **accounting policies.** Presentation of the full disclosure requirements including the KPI tables in Annex II is only applicable from the 2022 reporting period onwards. Nevertheless, EnBW has decided to already publish information on the taxonomy-aligned business activities in the 2021 financial year and also to present the tables according to Annex II.

Annex I and Annex II of the delegated act on Article 8 of the EU taxonomy can be found here.

Online ↗

The reporting obligation in the EU taxonomy builds on the presentation of the non-financial declaration according to Articles 19a and 29a EU Accounting Directive (implemented in Germany in sections 289b ff. and 315b f. HGB as part of the CSR Directive Implementation Act (CSR-RUG)), which makes the disclosures for the EU taxonomy a component of non-financial reporting. Due to its integrated reporting approach, in which EnBW has already been linking financial and non-financial matters since 2014, the disclosures for the EU taxonomy can be found in the management report. The disclosures for the non-financial declaration and consequently also the reporting for the EU taxonomy have thus been audited with reasonable assurance.

Based on the EU taxonomy's goal of redirecting capital flows towards environmentally sustainable activities, the clarifications of the definitions for calculating the taxonomy KPIs in the final delegated act has initially been welcomed. Users and the target audience for the EU taxonomy disclosures should thus be provided with comparable information that is relevant for decision-making. The extent to which, in EnBW's view, the individual goals of the disclosure requirements for sustainable business activities are achieved on this basis will be presented below and critically assessed.

Capex and voluntary reporting of expanded capex

The **capex KPI** in the sense of the EU taxonomy is calculated as the proportion of total capex accounted for by sustainable investment, according to the definition in 1.1.2.1 of Annex I to the delegated act. According to 1.1.2.2 (a) of Annex I to the delegated act, the numerator for EnBW refers exclusively to assets that are associated with taxonomy-aligned business activities. To calculate the proportions, investment from the following IFRS standards were included:

- Additions to property, plant and equipment (IAS 16)
- Additions to intangible assets (IAS 38)
- Additions to property held as a financial investment (IAS 40)
- Additions to biological assets (IAS 41) – not relevant for EnBW
- Additions to right-of-use assets from leases (IFRS 16)

It is already apparent at first glance that the capex definition for the EU taxonomy does not only refer to cash-relevant investment: The additions to right-of-use assets from leases according to IFRS 16 included in the definition are not really an investment in the traditional sense. Instead, this represents an addition that will only result in payments in subsequent periods. The additions to property, plant and equipment according to IAS 16.73 e) ii) also include dismantling provisions to account for obligations to dismantle certain assets or restore the sites where they are located. This is not considered cash-relevant investment in an economic sense; these additions are instead linked to the removal of the asset and are thus a divestiture.

The obligations to dismantle and restore these sites are only included in the additions to property, plant and equipment due to the accounting principles in IAS 16. The discount rates that are applied to the dismantling provisions in the initial and subsequent valuations are also important in this context. Depending on the business model and its associated level of importance for the company preparing the accounts, this could in our view distort the presentation of the investment. At EnBW, this affects, for example, the dismantling obligations for the offshore wind farms.

In order to give potential investors a comprehensive and accurate picture of investment in sustainable business activities, EnBW believes that only **cash-relevant investment** should be presented for the purposes of the EU taxonomy. This would also correspond to traditional financial reporting and improve the comparability of the information. As part of its investment analysis in the management report, EnBW evaluates the position of the company from a financial perspective. This investment analysis not only covers investment in assets that are included in the consolidated financial statements due to full consolidation but also takes into account investment in entities accounted for using the equity method and investment in other financial assets (e.g., in other investments). In EnBW's point of view, the definition of capex in the EU taxonomy should definitely include these components because otherwise it does not give a comprehensive picture of the sustainable investment activities of the company.

EnBW's investment analysis can be found in the **Integrated Annual Report 2021** on p. 85↗.

Online ↗

Against this background, we welcome the fact that European legislators are at least giving companies the option as part of their EU taxonomy reporting to voluntarily provide information on additional revenue, capex and opex KPIs that include investments in joint ventures accounted for using the equity method pursuant to IFRS 11 or IAS 28 on a pro rata basis (1.2.3 of Annex I to the delegated act). EnBW is utilizing this option to also report the **"expanded capex,"** which includes the proportions for entities accounted for using the equity method in addition to the capex KPI required by the EU taxonomy.

However, disclosing the expanded capex still does not resolve the problem of including non-cash-relevant additions as part of investment according to the current definition of capex in the EU taxonomy. Therefore, we believe that the legislators should once again fundamentally reconsider how the capex KPI is defined. We are also critical of the lack of comparability offered by the capex KPI due to the way that the numerator is calculated. We believe that greater clarification is urgently required in this area. The variant for determining the numerator in 1.1.2.2 (b) of Annex I to the delegated act that stipulates disclosure of capital expenditure that is "part of a plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned" (so-called **capex plan**) leaves significant room for interpretation: It is unclear whether the stated capex plan refers to general investment planning, which should exist continuously in the companies affected by the Taxonomy Regulation, or rather to an investment plan in which the DNSH and minimum safeguard criteria have already been assessed. Without this, EnBW believes that it is impossible to properly plan any investment in the sense of the EU taxonomy. In addition, it is questionable in our view whether this level of granularity already exists in the plans produced by companies. The disclosure obligations in this context could be a critical issue from a competitive perspective.

Interpreting the capex KPI appears to be comparatively complex for the target audience of the EU taxonomy, especially against the background of the current requirements for only having to include a breakdown of the numerator: By referencing the section or sections of the financial report that are used to calculate the denominator for the capex KPI, readers are faced with the challenge that different components of the denominator are spread across multiple explanatory notes according to IFRS.

Revenue

The **revenue** to be taken into account for the EU taxonomy is determined based on the definition of revenue in IAS 1.82 a). To calculate the KPI for sustainable revenue, the net revenue from taxonomy-eligible and taxonomy-aligned business activities is divided by the net revenue for the Group. Regarding the definition of the revenue KPI, EnBW did not identify any unusual aspects during the compilation process. With respect to the presentation of this information for the EU taxonomy, it is clear at this point that the disclosure requirements don't appear to meet the needs of the target audience: The delegated act only requires in Annex I a quantitative breakdown of the numerator, yet no explicit disclosure of the denominator (1.2.1 Annex I to the delegated act). Annex I only requires references to the corresponding items for the capex and revenue KPIs. The delegated act talks about items in the "non-financial statements," although it can be assumed that this is an editorial mistake and "financial statements" is meant here instead. Reference to another section of the report for information on revenue appears consistent, although the target audience for the EU taxonomy may expect to find this information in the same place. The disclosure requirement in 1.2.3.1 (c) Annex I of the delegated act does require a qualitative explanation of the revenue KPI so that it is not absolutely necessary to once again present the revenue denominator in the EU taxonomy section. However, the currently prescribed disclosures cast serious doubt on the **usefulness of this information for investors and analyses.** This becomes especially clear when examining the latest developments on the energy markets: In the 2021 financial year, revenue – which acts as the denominator for the revenue KPI according to the EU taxonomy – increased by 63.2% compared to the previous year to €32,147.9 million. Increased trading activities, primarily due to growing volatility on the electricity and gas markets that led in part to higher earnings contributions, were the main reason for this increase. This was offset to some extent by lower revenue from our offshore and onshore winds farms which generated less electricity due to the weather conditions. This resulted in a decrease in the revenue KPI from 20.3% to 14.6%. The reader must have great insight into the EU taxonomy in order to understand that the reduction in the KPI was caused by an increase in trading activities which are not considered to be environmentally sustainable according to the current version of the EU taxonomy even if the trading activities include green electricity.

Opex

The **material developments in the income statement** of the EnBW Group are described in the **Integrated Annual Report 2021** on p. 77↗.

Online ↗

EnBW uses variant 1.1.3.2 (a) of Annex I to the delegated act to determine the numerator. It covers operating expenditure on assets that are associated with taxonomy-aligned business activities; the numerator includes the part of the **operating expenditure (opex)** included in the denominator. Section 1.1.3.1 of Annex I to the delegated act requires companies to take into account direct non-capitalized costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment.

The term "direct expenditures relating to the day-to-day servicing" is not explained in more detail and its thus subject to interpretation. If a broader interpretation is taken, it could also include personnel costs. As the costs for **maintenance work carried out by a company's own employees** are not, however, reported under maintenance expenses in the income statement using the standard nature of expense method in Europe but are reported instead under personnel expenses, it would only be possible to include personnel expenses with a great deal of effort. A general switch in this context to the cost-of-sale method would also involve a disproportionate amount of effort in our view.

Due to this lack of clarity in the requirements and the associated room for interpretation, it will be difficult to compare the opex KPI between companies. In our first case study on the EU taxonomy that was published in March 2021, we already questioned the meaningfulness of this KPI as an obligatory disclosure for all sectors. Opex does not play any role in current financial reporting as a performance indicator and has no relevance for the majority of companies. In our view, the adoption of the delegated act has not led to any noticeable improvement with respect to this KPI and legislators should at least question whether this disclosure should remain obligatory. Furthermore, in section 1.1.3.2 (b) of Annex I to the delegated act for the calculation of the opex KPI, the criteria for determining the numerator also reference the optional use of a capex plan as was the case with the capex numerator. In this context, please also refer to our criticism of the capex plan in the section "capex."

3.3 General presentation and scope of the reporting

As already indicated, it is obligatory according to Annex II of the delegated act for all non-financial companies to present the required KPIs revenue, capex and opex in table form from the 2022 financial year onwards. After Article 9 (3) of the first draft of the delegated act from 20 November 2020 still required the KPIs to be reported over a five-year period, Article 8 (3) of the final delegated act from 7 July 2021 only requires the disclosure of the KPIs for the current and previous reporting period.

In its reporting for the 2021 financial year, EnBW already presented the **tables from Annex II** for the KPIs capex, opex and revenue – as well as the voluntary presentation of adjusted EBITDA – for the current reporting year. We also identified some scope for interpretation in this area: Due to the inconsistent use of the percentage signs in the published tables of the delegated act, it is uncertain which cells in the tables should contain information in percent.

In addition, the tables use the word "codes" in column (2) – which could presumably mean the NACE code – but Annex I of the delegated act does not specify at all which system should be used to classify economic sectors. In the EU taxonomy, NACE codes are mentioned for the first time in Annex V, which describes the rules for determining the KPIs for credit institutions. If non-financial companies are required to state the NACE codes, EnBW does not believe that it will provide any discernible added value for the target audience of the report. The economic sector "D.35.11 Production of electricity" would probably be applicable to the majority of our business activities.

In EnBW's view, the disclosures in columns (4) and (18) are redundant. It is also unclear whether information in the tables that does not apply to the reporting company can simply be omitted, as is the case in financial reporting. This question relates to, for example, the final columns (20) and (21) in which the categories of enabling activities and transitional activities should be entered. It is also unnecessary to disclose information in columns (11) to (16) if the reporting company exclusively engages in taxonomy-aligned activities and has no taxonomy-eligible activities. By providing all of the required information in the tables for Annex II of the delegated act, they would be so large that it would make it difficult for the target audience of the EU taxonomy to analyze and interpret the data.

Aside from the dimensions of the table, a critical view must also be taken of the **granularity of the required information** (disclosure of the KPIs for each economic activity), especially when it will result in the disclosure of information relevant to competition – especially for activities that could be assigned to one single company or a certain Group activity.

Financial reporting in accordance with IFRS or HGB does not require this level of detail. The granularity of the complex and overloaded tables is in EnBW's view completely disproportionate to the difficult to interpret disclosures in the section on the EU taxonomy. Against this background, we believe that the EU taxonomy reporting should be reexamined to ensure that it is consistent with existing financial reporting. Furthermore, the first two reporting years should be analyzed and used as the basis for urgently assessing whether the intended aim of the EU taxonomy – steering capital flows towards sustainable investment – is being achieved with the current scope of the reporting.

4 Experiences, current discussions and other sustainable finance initiatives

While the second EU Taxonomy Report from EnBW was being prepared, various working papers, drafts and proposals for further sustainable finance initiatives were presented by the European Commission, the Sustainable Finance Stakeholder Platform and advisory bodies such as the European Financial Reporting Advisory Group (EFRAG) and being discussed. At the same time, users were also being asked for, amongst other things, their feedback on the suitability, appropriateness and implementation of the requirements. This means that employees in the areas of politics, controlling, accounting and sustainability have been faced for some time with a continuous stream of new changes and mostly extensions to sustainability and financial reporting. This final section of the report will focus on internal experiences with the implementation of the EU taxonomy, discussions about how to classify energy generation from natural gas and the importance and handling of other sustainable finance initiatives.

4.1 General (internal) experiences in the implementation of the EU taxonomy requirements

The first-time application of the delegated act for the implementation of the EU taxonomy and the disclosures on not only the taxonomy-eligible but also our taxonomy-aligned business activities was only possible at EnBW based on established processes that had already been introduced more than eight years ago as part of our **integrated reporting for the annual report.**

There was a huge amount of work involved in making the individual business areas aware of the new reporting requirements, the associated **data collection process** and the **provision of verifications** and meaningful documentation as evidence of economic sustainability, as well as compiling the financial KPIs.

The auditing of this information by our commissioned auditor finalized this process. We are often asked by other companies and other stakeholders how many "person-days" or working hours this work has required internally. This question is very difficult to answer. However, we can confirm that the centrally organized approach described in section 1 was beneficial for ensuring a smooth implementation process for the EU taxonomy, especially during the introductory phase, although we recommend organizing everything at a decentralized level in the long term when knowledge about the EU taxonomy has been consolidated.

A clear commitment from the Board of Management with an associated understanding of the importance and added value of the EU taxonomy, operational integration into all important centralized and decentralized functional and business units and willingness, especially in the early reporting years, to learn and refine processes, data and questions on reporting disclosures within the business units are good prerequisites for a successful implementation of the EU taxonomy in the most efficient way possible.

It is currently difficult to make a qualitative assessment of the financial KPIs relevant to EnBW of an adjusted EBITDA of more than 60% and a capex of almost 70%. In comparison to our own figures from the previous year, these KPIs appear to be fairly robust in comparison to the revenue and opex KPIs. However, it is not currently possible to compare them with other companies, either within our own industry or also those in other industries. It will only be possible to make a reliable comparison of the proportions of taxonomy-eligible activities for the individual KPIs for the first time at the end of the reporting season.

Nonetheless, there is still the dilemma that various business activities are not covered by the current delegated act in the EU taxonomy and the description and calculation methods for transitional activities, especially in the energy sector, have not been conclusively clarified for the time being.

4.2 The complementary delegated act for energy generation from natural gas and nuclear energy

The final **draft of the complementary delegated act** that includes the **screening criteria for energy generation from natural gas and nuclear energy** can be found here.

Online ↗

In our view, the key role of the EU taxonomy is not only to create transparency and set a benchmark for standards that should be reached in future but also to act as a guide to ensure private capital can make an important contribution to the acceleration of the transformation process. In this respect, the **design of the criteria for transitional activities** will also be crucial for the transformation of the energy sector in the future. In its final draft of the complementary delegated act, which includes screening criteria for energy generation from natural gas and nuclear energy, presented initially on 2 February 2022 and formally on 9 March 2022, the European Commission has attempted to find a political compromise between the various requirements for the decarbonization of the energy system in each region with a focus on technical feasibility and high ambitions of achieving the transformation as quickly as possible.

An appropriate consideration of natural gas in the EU taxonomy is, in our opinion, a key element for the success of the Energiewende in Germany, and also in quite a few other EU countries, primarily those in Eastern Europe, where coal accounts for a comparatively high proportion of their energy generation. The extent of the need for natural gas in the near future, especially now against the backdrop of the war between Russia and the Ukraine, will be dependent on whether it is actually possible to speed up the expansion of renewable energies, as well as on efficiency measures and the development of a hydrogen economy. In the foreseeable future, we still believe that there is no other alternative, however, for supporting our energy supply system that is dominated by variable renewable energies. Switching over to hydrogen as soon as possible goes without saying. This is now the overarching goal given the decarbonization targets and also the increasing need to diversify the sources of supply. Until that time, we still believe that there is a need for an initial coal to gas fuel switch at coal power plants as an important contribution to the gradual decarbonization process.

Against this background, the latest proposal from the Commission has both good and bad points: A generally positive aspect in the view of EnBW and the German energy industry is the possibility of recognizing **natural gas as a transitional activity** (Article 10 (2) Taxonomy Regulation). However, the criteria are still so strictly defined that it remains almost impossible to assess their importance for corresponding investment. We also believe that there is room for interpretation in some areas.

The proposal stipulates that **emissions over the threshold of 100 g CO_2eq/kWh** can only be considered for a limited period for new power plants with an investment decision by the end of 2030. The other aggregate requirements are extremely restrictive, whereby pure electricity generation plants have a little more flexibility than combined heat and power (CHP) plants. The main criteria include:

- The replacement of existing coal and oil-fired power plants
- Limiting the capacity of the new plant to that of the replaced power plant in the case of CHP plants, and a maximum of 15% more in the case of electricity generation plants
- Emission thresholds:
  - Electricity generation plants: 270 g CO_2eq/kWh of output or 550 kg CO_2eq/kW yearly average over 20 years
  - CHP/district heating plants: 270 g CO_2eq/kWh of output
- Full conversion to renewable or low carbon gases by the end of 2035
- Greenhouse gas (GHG) reduction targets:
  - Electricity generation plants: at least a 55% GHG emissions reduction over the life of the new plants
  - CHP plants: at least a 55% GHG emissions reduction per kWh of output energy

Essentially, it appears that only the following will qualify: peak load power plants running only for very few hours or electricity generation plants in CHP plants with a high proportion of renewable energies that are only built at the end of the 2020s. CHP plants can generally only meet the threshold of 270 g CO_2eq/kWh in optimal modes of operation that are rarely achieved in reality or with higher blends. The requirements restricting the capacity of new power plants and, with a view to the replacement of more modern (coal) power plants in the future, the emission reduction requirements are also very problematic. In addition, there are also some questions relating to the precise calculation methods.

Since the formal presentation of the draft by the Commission, the European Parliament and the Council only have the opportunity to reject the delegated act in full within the deadline period of four months. It is no longer possible to make any amendments. It is difficult to predict its chances of success; the possibility of the delegated act being rejected by the European Parliament cannot be completely excluded. If no majority is formed to reject the act, some member states such as Austria and Luxembourg have already announced that they will challenge the delegated act in court due to the inclusion of nuclear energy as an environmentally sustainable category. Therefore, it appears that any final clarification of the classification of these activities cannot be expected in the foreseeable future. This is a serious problem in view of the pending decisions to enable the quickest possible transformation to a hydrogen economy and thus a decarbonized economy as the foundation for **achieving the EU climate protection targets.**

Overall, we believe that it is necessary to focus in future revisions of the delegated acts on **technologically and economically viable approaches** for companies in order to achieve the climate protection goals at a European and German level, otherwise it will not be possible to achieve the Energiewende in Germany and Europe and especially not the transformation to a low carbon hydrogen economy. Of course, failure to comply with the EU taxonomy does not mean that investment will be prohibited, only that it could potentially be more expensive. This would, however, not only impact direct investment in a natural gas power plant but could also have implications for the financing of other low carbon investment projects and make them more difficult. More than ever before, the priority should be a quick and cost-efficient transformation. This will require the broadest possible mobilization of private capital. The design of the Taxonomy should always be directed towards this goal.

4.3 Other sustainable finance initiatives

Although the EU taxonomy is a key initiative, it is only one of many initiatives in the EU Green Deal and the revised Sustainable Finance Action Plan designed to encourage companies to make their business models sustainable. It remains to be seen whether the individual initiatives will have the intended effect as both the breadth and depth of the requirements increases.

Reporting has played a decisive role in the **further development and anchoring of sustainability** in companies for many years. The latest developments threaten to overwhelm companies and the target audience because there is a lack of knowledge and capacity to assess and apply the newly created drafts regulations and approved regulations at this speed.

Legislative proposals are currently being prepared at an EU level on numerous different sustainability themes and will be finalized shortly in some cases. These include:

- Alongside the complementary delegated act for energy generation from natural gas and nuclear energy and the delegated act for the remaining four environmental objectives, e.g., on a circular economy and to protect biodiversity, as part of the EU taxonomy, the Platform on Sustainable Finance – an advisory body consisting of various stakeholders – has already published its **key considerations for an extended taxonomy,** which goes beyond a binary classification between "green" and "not green," and its **principles for a social economy,** which are based on the same logic as the current EU taxonomy and also include similar complex forms of reporting

Information on the **Platform on Sustainable Finance** and the **drafts for the social taxonomy and an extended taxonomy** can be found here.

Online ↗

- The revision of the **Non-Financial Reporting Directive (NFRD)** to create the new **Corporate Social Responsibility Directive (CSRD)** is currently undergoing the legislative process. The associated material reporting guidelines are also being developed by the EFRAG

The **EU's proposal for a Corporate Sustainability Reporting Directive (CSRD)** is accessible to the public here.

Online ↗

- Extended requirements for sustainable purchasing will be introduced via the **Corporate Sustainability Due Diligence Directive,** which is also currently undergoing the legislative process. Alongside human rights standards and environmental protection aspects, this directive also focuses on corporate governance issues, such as sustainable management board remuneration and the creation of climate protection plans

The **draft version of the Corporate Sustainability Due Diligence Directive (so-called EU Supply Chain Directive)** was published on 23 February 2022.

Online ↗

All information on the **draft versions of the Sustainability Reporting Standards from the EFRAG working group PTF-ESRS** can be accessed here.

Online ↗

The statement from the **ASCG expert group for sustainability reporting on the work of the PTF-ESRS** can be found here.

Online ↗

From a company perspective, these represent the biggest challenges in the coming years and numerous companies will be faced with tasks that are difficult to manage. Against the background of the extremely complex draft reports produced by the individual expert groups, it is important that these **regulations are made as pragmatic as possible** and have appropriate implementation deadlines in order to boost acceptance for them and facilitate their implementation. Ultimately, there is the danger that numerous reports will have to be produced that are in many cases no longer proportionate. For example, the first proposals issued by the EFRAG working group for the development of climate protection standards include 23 subsections for the disclosure of more than 100 individual pieces of information. A fundamental rethink is required here with respect to the granularity and proportionality of these reports (see the statement issued by the ASCG expert committee for sustainability reporting on the work of the PTF-ESRS).

This becomes even more relevant as the interdependencies and cross-references with other financial market regulations (e.g., on green bonds and the granting of loans by development banks such as the European Investment Bank (EIB)) as well as other rules and regulations (access to state funding, guidelines on state aid for climate, environmental protection and energy, etc.) continue to increase.

Therefore, we call on legislators and standard setters, in particular, to closely monitor and analyze the implementation of the EU taxonomy over the next two years and to use this information to keep a sense of proportion when starting the next sustainable finance initiatives.

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Annex 1: Extract from the Integrated Annual Report 2021 p. 110 ff.

EU taxonomy

The European Commission presented the European Green Deal in December 2019. It includes the target of reducing net emissions from greenhouse gases in the European Union to zero by 2050. A key element of the EU Green Deal is the EU taxonomy, a classification system used to define "environmentally sustainable" business activities. The aim is to use defined requirements to classify economic activities EU-wide with respect to their contribution to six environmental objectives in order to encourage the development of sustainable financing products:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

Specific technical screening criteria for most of the activities that contribute to environmental objectives 1 and 2, as well as detailed reporting requirements, were made binding at the start of December 2021 by the EU Commission after the scrutiny period set by the European Parliament and the Council had expired. The criteria for some disputed activities related to objectives 1 and 2, such as the generation of energy from natural gas including the associated pipeline infrastructure and electricity generation from nuclear energy, are still being discussed. The technical screening criteria for the other environmental objectives are still in development and will thus only be relevant for the subsequent financial year. The European Commission is expected to publish a draft delegated act for the other environmental criteria in the second quarter of 2022. A concrete definition of the minimum social safeguards is also only expected in the spring of 2022.

The Taxonomy Regulation distinguishes between "taxonomy-eligible" and "taxonomy-aligned" activities:

- Activities are **taxonomy-eligible** if they comply with the taxonomy criteria for the activity and they match the description of the activity, irrespective of whether they fulfill the criteria.
- Activities are **taxonomy-aligned** if they fulfill the taxonomy criteria for the activity. In this case, they make a significant contribution to the respective environmental objective (fulfill the technical screening criteria), cause no significant harm to any of the other environmental objectives (do no significant harm, DNSH) and observe and comply with the minimum safeguards for occupational safety and human rights.

It is only necessary in the 2021 financial year to determine the taxonomy-eligible business activities and disclose their proportion of total revenue, capital expenditure (capex) and operating expenses (opex). We have decided to also voluntarily disclose the taxonomy-aligned revenue, capital expenditure and operating expenses. We are also publishing supplementary information on adjusted EBITDA and on capex including the proportion for entities accounted for using the equity method.

Business activities are taxonomy-aligned in the sense of the Taxonomy Regulation and thus "environmentally sustainable" when they:

- make a substantial contribution to climate change mitigation and climate change adaptation, verified through the fulfillment of certain technical screening criteria,
- do no significant harm (DNSH) to the achievement of any of the other EU environmental objectives, verified through the fulfillment of certain technical screening criteria and
- comply with minimum safeguards for occupational safety and human rights.

Implementation of the EU Taxonomy Regulation in the EnBW Group

To implement the taxonomy requirements across the Group, we already launched a project in the 2020 financial year. We established a steering committee to work together with the relevant specialist departments in determining the environmentally sustainable revenue, capex and opex, as well as the adjusted EBITDA, related to the Group's taxonomy-eligible activities. Our reporting was based on the Taxonomy Regulation in the version from 18 June 2020 and the technical screening criteria in the draft delegated act for the Taxonomy Regulation from 20 November 2020. It disclosed information on some of the activities in our former Grids and Renewable Energies segments, which became the new System Critical Infrastructure and Sustainable Generation Infrastructure segments in the 2021 financial year.

In the 2021 financial year, we expanded the application of the Taxonomy Regulation to all of EnBW's business activities described in the delegated acts. The delegated acts supplementing Article 8 of the Taxonomy Regulation from 6 July 2021 and the associated technical screening criteria for the objectives of climate change mitigation and climate change adaptation from the 4 June 2021 were applied. The formulations and terms contained in these pieces of legislation are subject to uncertainty and need further clarification. Our own interpretation is presented below.

As well as those activities reported in the previous year, we also considered the following business activities in the 2021 financial year that can be classified as taxonomy-eligible according to the EU taxonomy: biomass, water grids/extraction, e-mobility and hydropower (pumped storage with and without a natural flow of water).

Activities examined for the EU Taxonomy Regulation

Smart Infrastructure for Customers	System Critical Infrastructure	Sustainable Generation Infrastructure	
	• Electricity distribution grids • Electricity transmission grids	• Onshore wind • Offshore wind • Solar • Run-of-river	2020
• E-mobility	• Water grids • Water supply	• Biomass • Pumped storage	2021

The determination of whether activities in the areas of wind, solar and run-of-river were taxonomy-aligned was carried out at the level of each individual activity. The existing business transactions for each activity were analyzed and evaluated with respect to being taxonomy-aligned. In addition to the information required by law on the taxonomy-eligible activities in the 2021 financial year, we are also disclosing information on the taxonomy-aligned activities as in the previous year. All of the taxonomy-eligible activities were also classified as taxonomy-aligned.

Based on the available documentation for the six environmental objectives of the EU taxonomy (delegated acts for environmental objectives 1 and 2 and drafts for environmental objectives 3 to 6), we carried out an in-depth examination of the contributions made by our business activities. We believe that our main contribution is in the area of climate change mitigation and the contribution made by EnBW's activities to the other five environmental objectives will thus not be examined further.

The following proportions were determined:

KPIs for the taxonomy-aligned business activities of the EnBW Group

in € million/in %	2021	2020
Adjusted EBITDA	2,959.3/100.0	2,781.2/100.0
of which environmentally sustainable	1,853.1/62.6	1,891.7/68.0
Capex	2,676.9/100.0	2,870.8/100.0
of which environmentally sustainable	1,826.5/68.2	2,008.9/70.0
Capex incl. IFRS 11 I IAS 28	2,963.6/100.0	2,907.6/100.0
of which environmentally sustainable	2,108.9/71.2	2,036.7/70.0
Revenue	32,147.9/100.0	19,694.3/100.0
of which environmentally sustainable	4,698.4/14.6	3,993.7/20.3
Opex	1,142.8/100.0	947.9/100.0
of which environmentally sustainable	335.0/29.3	351.3/37.1

Proportion of taxonomy-aligned adjusted EBITDA in the segments

in € million/in %	2021	2020
Adjusted EBITDA Smart Infrastructure for Customers	323.1/100.0	335.0/100.0
of which environmentally sustainable	-34.4/-10.6	-28.1/-8.4
Adjusted EBITDA System Critical Infrastructure	1,288.5/100.0	1,346.6/100.0
of which environmentally sustainable	916.8/71.2	1,032.9/76.7
Adjusted EBITDA Sustainable Generation Infrastructure	1,535.1/100.0	1,277.8/100.0
of which environmentally sustainable	970.7/63.2	886.9/69.4

Proportion of taxonomy-aligned expanded capex in the segments

in € million/in %	2021	2020
Expanded capex Smart Infrastructure for Customers	296.9/100.0	284.4/100.0
of which environmentally sustainable	107.2/36.1	91.5/32.2
Expanded capex System Critical Infrastructure	1,711.5/100.0	1,696.8/100.0
of which environmentally sustainable	1,396.4/81.6	1,227.5/72.3
Expanded capex Sustainable Generation Infrastructure	897.8/100.0	862.3/100.0
of which environmentally sustainable	605.3/67.4	717.7/83.2

The adjusted EBITDA from environmentally sustainable activities was €1,853.1 million and thus slightly below the level in the previous year. The adjusted EBITDA from environmentally sustainable activities in the Smart Infrastructure for Customers segment is low and almost unchanged in comparison to the previous year because for many business activities there are not yet any criteria in the EU taxonomy, such as for the sale of commodities. In the System Critical Infrastructure segment, the adjusted EBITDA decreased mainly due to the considerably higher expenses for the grid reserve and balancing energy to maintain the security of supply. As a result, the proportion of adjusted EBITDA accounted for by environmentally sustainable activities in the System Critical Infrastructure segment fell slightly. The adjusted EBITDA in the Sustainable Generation Infrastructure segment was higher than in the previous year as a result of the increased volatility of market prices that was offset to some extent by lower generation at our offshore and onshore wind farms due to the weather conditions. The proportion of adjusted EBITDA accounted for by environmentally sustainable activities in this segment fell as a result. The activities in the Renewable Energies area within the Sustainable Generation Infrastructure segment are fully taxonomy-aligned.

The capex for environmentally sustainable activities was €182.4 million lower than the value in the previous year, which corresponded to a decrease of 9%. This was primarily due to additions to non-cash-relevant right-of-use assets from leases, especially in the electricity transmission grid. This fall was also due to the acquisition of smaller onshore wind farms in the previous year. The decrease in non-cash-relevant right-of-use assets from leases and the fall in company acquisitions can also be seen in the capex at a Group level. However, this effect was compensated for to some extent at a Group level by higher additions to property, plant and equipment so that the KPI for capex only fell from 70.0% to 68.2%.

The proportion of taxonomy-aligned activities in relation to expanded capex in the Smart Infrastructure for Customers segment stood at 36.1% and is thus relatively low because for many business activities there are not yet any criteria in the EU taxonomy, such as for the sale of commodities. The proportion for the System Critical Infrastructure segment is relatively high at 81.6% because our business activities relating to the electricity transmission grid, electricity distribution grid and water grid are fully taxonomy-aligned. The EU taxonomy criteria for our activities relating to the gas grids are due to be published in 2022 – once the technical screening criteria have been finalized. The proportion in the Sustainable Generation Infrastructure segment stood at 67.4% and is relatively high. The activities in the Renewable Energies area are fully taxonomy-aligned.

Revenue from environmentally sustainable activities of €4,698.4 million in 2021 was 17.6% higher than the value in the previous year. This development was mainly attributable to higher revenue from the use of the grids at the electricity grid operators in the System Critical Infrastructure segment. The proportion of total revenue accounted for by environmentally sustainable activities fell in comparison to 2020 because Group revenue from commodity sales and trading activities grew significantly by 60.3%, which was mainly due to the increased volatility on the electricity and gas markets.

The opex for environmentally sustainable activities was €335.0 million and the proportion of total opex accounted for by environmentally sustainable activities in 2021 was 29.3%, which was lower than the level in the previous year. This development was primarily due to lower expenditure on maintenance and repair services in comparison to 2020.

Due to the first-time application of the final delegated act for the Taxonomy Regulation of 6 July 2021 in the 2021 financial year, information on the EU taxonomy is only comparable with data from the 2020 financial year to a limited extent. The figures for the key performance indicators (KPIs) reported this year also differ from the figures reported in the previous year because we only reported on selected activities in the Integrated Annual Report 2020. The figures for the previous year have been restated in this Annual Report. Full information on the taxonomy-eligible and taxonomy-aligned figures according to Annex II of the delegated act for the EU taxonomy can be found on p. 146 ff↗.

Accounting policies

The proportion of sustainable **investment (capex)** exclusively refers to the assets associated with taxonomy-aligned activities. To calculate the proportions, investment from the following IFRS standards were included:

- Additions to property, plant and equipment (IAS 16)
- Additions to intangible assets (IAS 38)
- Additions to property held as a financial investment (IAS 40)
- Additions to right-of-use assets from leases (IFRS 16)

The numerator for investments taken into account according to the taxonomy comprises the following:

Composition of the capex numerator

in € million	2021	2020
Additions to property, plant and equipment [1]	1,649.6	1,655.9
Additions to intangible assets	70.3	61.0
Additions to right-of-use assets from leases	106.6	224.8
Additions to property held as a financial investment	0.0	0.0
Additions resulting from business combinations	0.0	67.2
Total	**1,826.5**	**2,008.9**

1 This includes additions to provisions recognized for the decommissioning and dismantling of property, plant and equipment in the reporting period of €14.6 million (31/12/2020: €204.4 million).

The additions to calculate the denominator can be found in notes 10 (without consideration of the column "Goodwill"), 11, 12 and 14 (column for "Investment properties") of the notes to the consolidated financial statements.

To determine the KPI for sustainable **revenue**, the net revenue that makes a contribution to the environmental objective of climate change mitigation is divided by the total net revenue for the Group. Further information on net revenue can be found in the section on external revenue on p. 76↗ and in note 1 of the notes to the consolidated financial statements.

Composition of the revenue numerator

in € million	2021	2020
Revenue from contracts with customers	4,342.5	3,713.0
Other revenue	355.9	280.7
Total	**4,698.4**	**3,993.7**

The denominator to determine the KPI for **opex** in the sense of the Taxonomy Regulation comprises the following direct, non-capitalized costs:

- Research and development
- Building renovation measures
- Short-term leases
- Maintenance and repair costs

The numerator equals the part of the opex that is related to assets or activities associated with taxonomy-aligned economic activities. The expenditure included in the numerator covers the expenditure categories presented in the following table. The numerator for calculating the opex KPI is determined as follows:

Composition of the opex numerator

in € million	2021	2020
Maintenance and repair costs [1]	328.8	342.4
Short-term leases (not recognized as right-of-use assets)	5.4	8.2
Research and development costs	0.8	0.7
Total	**335.0**	**351.3**

1 Includes building renovation measures.

As well as the KPIs required by the Taxonomy Regulation, we are also voluntarily reporting information on the environmentally sustainable **adjusted EBITDA** and **capex including the proportion for entities accounted for using the equity method** pursuant to IFRS 11 and IAS 28 **(expanded capex).** The sustainable adjusted EBITDA is the proportion of total adjusted EBITDA that makes a contribution to the environmental objective of climate change mitigation (p. 78↗). With this KPI, we can create a direct link to our key performance indicator adjusted EBITDA that is relevant for the management of the company. Detailed information on this performance indicator can be found in the section on adjusted EBITDA on p. 78 f.↗.

By reporting the expanded capex, we are disclosing all of our sustainable investment, irrespective of whether it is made within the EnBW Group. The numerator for the KPI for expanded capex is determined by taking the capex numerator from the Taxonomy Regulation and expanding it to include additions for entities accounted for using the equity method, whereby sustainable additions from acquisitions and capital increases are taken into account:

Composition of the expanded capex numerator

in € million	2021	2020
Capex numerator according to EU taxonomy	1,826.5	2,008.9
Additions to entities accounted for using the equity method	282.4	27.8
Total	2,108.9	2,036.7

Substantial contribution to the environmental objective of climate change mitigation

In the case of the business activities relating to wind and solar energy and with respect to the requirement for a substantial contribution to climate protection, it is not currently necessary to test

compliance with the criteria because these types of energy generation should remain significantly below the current threshold of 100g CO_2eq / kWh, even when analyzed over their entire life cycle. The electricity grids make a substantial contribution to climate change mitigation due to the fact that the majority of the connections in the last five years have been for renewable energies. Hydropower plants make a substantial contribution to climate protection over their entire life cycle as they have a very low greenhouse gas intensity of significantly less than 100 g CO_2eq/kWh. We used the emissions factors published by the German Environment Agency as a reference, which give figures for both run-of-river and pumped storage with natural flow of water well below the threshold of 100 g CO_2eq/kWh.

In the case of pump storage power plants and the charging infrastructure for electromobility, the taxonomy criteria generally assume that these activities make a significant contribution to climate change mitigation and it is thus not necessary to examine any other criteria. The average net energy consumption of the water grids operated by the EnBW Group fulfills the energy efficiency criteria.

No significant harm to the other EU environmental objectives

In the next stage, we examined whether any significant harm was being done to the other five environmental objectives (climate change adaptation. the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems). This predominantly relates to the legal and official regulations in the energy sector that have to be observed in order to receive approval for constructing and operating power plants. Compliance with these energy industry regulations and with any further requirements (such as those related to the circular economy) was analyzed at the superordinate level of the business activities with the aid of the respective specialist departments at EnBW. With respect to the five environmental objectives, the analysis yielded the following results:

Protecting our power plants against the physical impact of climate change **(climate change adaptation)** is economically relevant for EnBW and is thus taken into account in our investment decisions. Furthermore, climate-related risks and opportunities are increasingly being integrated into the EnBW risk management system, not least as part of our implementation of the TCFD recommendations.

The environmental objective **sustainable use and protection of water and marine resources** is particularly relevant for our hydropower plants and offshore wind activities. In particular, the criteria reference the legal and official regulations in the energy sector that have to be observed in order to receive approval for constructing and operating power plants.

In terms of the environmental objective **transition to a circular economy**, there are general regulations relating to high durability, easy dismantling, repairability and a declaration of intent to maximize the recycling of the plant at the end of its service life. The vast majority of components are designed for a very long service life, are recyclable and have monetary value at the end of their period of use (steel, aluminum, copper). These plant components can either be recycled within the EnBW Group or also sold to third parties for further use.

In terms of the environmental objective **pollution prevention and control**, there are only criteria that relate to biomass and the charging infrastructure, namely guaranteeing observance of the valid regulations. Compliance with these energy industry regulations is a prerequisite for receiving approval to operate the power plant.

For the last relevant environmental objective **protection and restoration of biodiversity and ecosystems,** we examined environmental impact assessments and other comparable assessments that are a key requirement for receiving approval for constructing and operating power plants. These assessments are only carried out as needed.

Compliance with minimum safeguards

In the third and final stage, we analyzed the business activities at a Group level with respect to their compliance with the minimum social safeguards for human rights and occupational safety (prequalification process (p. 62 f.↗), information on occupational safety (p. 107 ff.↗) and the "Report on opportunities and risks" (p. 128 ff.↗)).

Annex 2: Extract from the Integrated Annual Report 2021 p. 146 ff.

Key performance indicators for the EU taxonomy

Revenue

				No significant harm to other EU objectives (DNSH)									
EnBW activity	Revenue	Proportion of revenue	Substantial contribution to climate change mitigation	Climate change adaptation	The sustainable use and protection of water and marine resources	The transition to a circular economy	Pollution prevention and control	The protection and restoration of biodiversity and ecosystems	Minimum social safeguards	**Taxonomy-aligned proportion of revenue 2021**	Taxonomy-aligned proportion of revenue 2020	Category enabling activities	Category transitional activities
	in € million	in %	in %	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	**in %**	in %	E/-	T/-
A. Taxonomy-eligible activities	**4,698.4**	**14.6**								**14.6**	**20.3**		
A.1 Environmentally sustainable activities (taxonomy-aligned)	**4,698.4**	**14.6**								**14.6**	**20.3**		
4.1 Electricity generation via photovoltaic technology	31.9	0.1	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.1**	0.2	–	–
4.3 Electricity generation via wind power	446.8	1.4	100	Yes	Yes	Yes	Yes	Yes	Yes	**1.4**	3.8	–	–
4.9 Transmission and distribution of electricity	3,096.9	9.6	100	Yes	Yes	Yes	Yes	Yes	Yes	**9.6**	12.7	–	–
4.10 Storage of electricity [1]	832.5	2.6	100	Yes	Yes	Yes	Yes	Yes	Yes	**2.6**	2.3	–	–
4.13 Production of biogas and biofuels for the transport sector and liquid biofuels [2]	54.8	0.2	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.2**	0.2	–	–
5.1 Construction, expansion and operation of systems to extract, treat and supply water	197.8	0.6	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.6**	1	–	–
6.15 Infrastructure for low-carbon road traffic and public transport	37.7	0.1	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.1**	0.1	–	–
Revenue from environmentally sustainable activities (taxonomy-aligned) (A.1)													
A.2 Taxonomy-eligible activities that are not taxonomy-aligned													
–	–	–	–	–	–	–	–	–	–	**–**	–	–	–
Revenue from taxonomy-eligible activities that are not taxonomy-aligned (taxonomy non-aligned activities) (A.2)													
Total (A.1 + A.2)	**4,698.4**	**14.6**								**14.6**	**20.3**		
B. Taxonomy non-eligible activities	**27,449.5**	**85.4**								**85.4**	**79.7**		
Revenue from non-environmentally sustainable activities (taxonomy-aligned) (B)	**27,449.5**	**85.4**								**85.4**	**79.7**		
Total (A + B)	**32,147.9**	**100.0**								**100.0**	**100**		

1 Including 4.5 Electricity generation from hydropower.
2 Including 4.20 Combined heat/cooling and power plants with bioenergy.

Capex

				No significant harm to other EU objectives (DNSH)									
EnBW activity	Capex	Proportion of capex	Substantial contribution to climate change mitigation	Climate change adaptation	The sustainable use and protection of water and marine resources	The transition to a circular economy	Pollution prevention and control	The protection and restoration of biodiversity and ecosystems	Minimum social safeguards	**Taxonomy-aligned proportion of capex 2021**	Taxonomy-aligned proportion of capex 2020	Category enabling activities	Category transitional activities
	in € million	in %	in %	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	**in %**	in %	E/-	T/-
A. Taxonomy-eligible activities	**1,826.5**	**68.2**								**68.2**	**70.0**		
A.1 Environmentally sustainable activities (taxonomy-aligned)	**1,826.5**	**68.2**								**68.2**	**70.0**		
4.1 Electricity generation via photovoltaic technology	140.1	5.2	100	Yes	Yes	Yes	Yes	Yes	Yes	**5.2**	3.4	–	–
4.3 Electricity generation via wind power	162.1	6.1	100	Yes	Yes	Yes	Yes	Yes	Yes	**6.1**	19.2	–	–
4.9 Transmission and distribution of electricity	1,372.1	51.3	100	Yes	Yes	Yes	Yes	Yes	Yes	**51.3**	41.0	–	–
4.10 Storage of electricity [1]	16.9	0.6	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.6**	0.7	–	–
4.13 Production of biogas and biofuels for the transport sector and liquid biofuels [2]	7.2	0.3	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.3**	1.7	–	–
5.1 Construction, expansion and operation of systems to extract, treat and supply water	20.9	0.8	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.8**	0.8	–	–
6.15 Infrastructure for low-carbon road traffic and public transport	107.2	4.0	100	Yes	Yes	Yes	Yes	Yes	Yes	**4.0**	3.2	–	–
Capex from environmentally sustainable activities (taxonomy-aligned) (A.1)													
A.2 Taxonomy-eligible activities that are not taxonomy-aligned													
–	–	–	–	–	–	–	–	–	–	**–**	–	–	–
Capex from taxonomy-eligible activities that are not taxonomy-aligned (taxonomy non-aligned activities) (A.2)													
Total (A.1 + A.2)	**1,826.5**	**68.2**								**68.2**	**70.0**		
B. Taxonomy non-eligible activities	**850.5**	**31.8**								**31.8**	**30.0**		
Capex from non-environmentally sustainable activities (taxonomy-aligned) (B)	**850.5**	**31.8**								**31.8**	**30.0**		
Total (A + B)	**2,677.0**	**100.0**								**100.0**	**100.0**		

1 Including 4.5 Electricity generation from hydropower.
2 Including 4.20 Combined heat/cooling and power plants with bioenergy.

Opex

				No significant harm to other EU objectives (DNSH)									
EnBW activity	Opex	Proportion of opex	Substantial contribution to climate change mitigation	Climate change adaptation	The sustainable use and protection of water and marine resources	The transition to a circular economy	Pollution prevention and control	The protection and restoration of biodiversity and ecosystems	Minimum social safeguards	**Taxonomy-aligned proportion of opex 2021**	Taxonomy-aligned proportion of opex 2020	Category enabling activities	Category transitional activities
	in € million	in %	in %	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	**in %**	in %	E/-	T/-
A. Taxonomy-eligible activities	**335.0**	**29**								**29.3**	**37.1**		
A.1 Environmentally sustainable activities (taxonomy-aligned)	**335.0**	**29.3**								**29.3**	**37.1**		
4.1 Electricity generation via photovoltaic technology	-4.7	-0.4	100	Yes	Yes	Yes	Yes	Yes	Yes	**-0.4**	-0.1	–	–
4.3 Electricity generation via wind power	78.9	6.9	100	Yes	Yes	Yes	Yes	Yes	Yes	**6.9**	9.5	–	–
4.9 Transmission and distribution of electricity	223.6	19.6	100	Yes	Yes	Yes	Yes	Yes	Yes	**19.6**	23.7	–	–
4.10 Storage of electricity [1]	14.2	1.2	100	Yes	Yes	Yes	Yes	Yes	Yes	**1.2**	1.2	–	–
4.13 Production of biogas and biofuels for the transport sector and liquid biofuels [2]	12.6	1.1	100	Yes	Yes	Yes	Yes	Yes	Yes	**1.1**	1.0	–	–
5.1 Construction, expansion and operation of systems to extract, treat and supply water	14.0	1.2	100	Yes	Yes	Yes	Yes	Yes	Yes	**1.2**	1.9	–	–
6.15 Infrastructure for low-carbon road traffic and public transport	-3.6	-0.3	100	Yes	Yes	Yes	Yes	Yes	Yes	**-0.3**	-0.1	–	–
Opex from environmentally sustainable activities (taxonomy-aligned) (A.1)													
A.2 Taxonomy-eligible activities that are not taxonomy-aligned													
–	–	–	–	–	–	–	–	–	–	–	–	–	–
Opex from taxonomy-eligible activities that are not taxonomy-aligned (taxonomy non-aligned activities) (A.2)													
Total (A.1 + A.2)	**335.0**	**29.3**								**29.3**	**37.1**		
B. Taxonomy non-eligible activities	**807.8**	**70.7**								**70.7**	**62.9**		
Opex from non-environmentally sustainable activities (taxonomy-aligned) (B)	**807.8**	**70.7**								**70.7**	**62.9**		
Total (A + B)	**1,142.8**	**100.0**								**100.0**	**100.0**		

1 Including 4.5 Electricity generation from hydropower.
2 Including 4.20 Combined heat/cooling and power plants with bioenergy.

Adjusted EBITDA

				No significant harm to other EU objectives (DNSH)									
EnBW activity	Adjusted EBITDA	Proportion of adjusted EBITDA	Substantial contribution to climate change mitigation	Climate change adaptation	The sustainable use and protection of water and marine resources	The transition to a circular economy	Pollution prevention and control	The protection and restoration of biodiversity and ecosystems	Minimum social safeguards	**Taxonomy-aligned proportion of adjusted EBITDA 2021**	Taxonomy-aligned proportion of adjusted EBITDA 2020	Category enabling activities	Category transitional activities
	in € million	in %	in %	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	**in %**	in %	E/-	T/-
A. Taxonomy-eligible activities	**1,853.1**	**62.6**								**62.6**	**68.0**		
A.1 Environmentally sustainable activities (taxonomy-aligned)	**1,853.1**	**62.6**								**62.6**	**68.0**		
4.1 Electricity generation via photovoltaic technology	45.0	1.5	100	Yes	Yes	Yes	Yes	Yes	Yes	**1.5**	1.0	–	–
4.3 Electricity generation via wind power	609.1	20.6	100	Yes	Yes	Yes	Yes	Yes	Yes	**20.6**	24.3	–	–
4.9 Transmission and distribution of electricity	875.0	29.6	100	Yes	Yes	Yes	Yes	Yes	Yes	**29.6**	35.5	–	–
4.10 Storage of electricity [1]	301.3	10.2	100	Yes	Yes	Yes	Yes	Yes	Yes	**10.2**	6.0	–	–
4.13 Production of biogas and biofuels for the transport sector and liquid biofuels [2]	15.3	0.5	100	Yes	Yes	Yes	Yes	Yes	Yes	**0.5**	0.5	–	–
5.1 Construction, expansion and operation of systems to extract, treat and supply water	41.8	1.4	100	Yes	Yes	Yes	Yes	Yes	Yes	**1.4**	1.7	–	–
6.15 Infrastructure for low-carbon road traffic and public transport	-34.4	-1.2	100	Yes	Yes	Yes	Yes	Yes	Yes	**-1.2**	-1.0	–	–
Adjusted EBITDA from environmentally sustainable activities (taxonomy-aligned) (A.1)													
A.2 Taxonomy-eligible activities that are not taxonomy-aligned													
–	–	–	–	–	–	–	–	–	–	**–**	–	–	–
Adjusted EBITDA from taxonomy-eligible activities that are not taxonomy-aligned (taxonomy non-aligned activities) (A.2)													
Total (A.1 + A.2)	**1,853.1**	**62.6**								**62.6**	**68.0**		
B. Taxonomy non-eligible activities	**1,106.2**	**37.4**								**37.4**	**32.0**		
Adjusted EBITDA from non-environmentally sustainable activities (taxonomy-aligned) (B)	**1,106.2**	**37.4**								**37.4**	**32.0**		
Total (A + B)	**2,959.3**	**100.0**								**100.0**	**100.0**		

1 Including 4.5 Electricity generation from hydropower.
2 Including 4.20 Combined heat/cooling and power plants with bioenergy.