



## THE CNMV ANALYSES THE INFORMATION OFFERED BY LISTED COMPANIES ON EUROPEAN SUSTAINABILITY TAXONOMY

16 October 2023

- This is the first year in which non-financial issuers have had to provide information on activities aligned with environmental taxonomy and it is the first report of the CNMV on this subject.
- In accordance with the basic direction of the taxonomy, the data reported shows that:
  - The proportion of eligibility tends to be significantly higher than that regarding alignment;
  - The greater proportion of alignment is informed for investment in fixed assets (CapEx).
- The disclosures will progressively increase. At present, a great dispersion can be seen in the data between companies, given the heterogeneity of the sectors to which they belong and the economic activities included on the date of the report.

The Spanish National Securities Market Commission (CNMV) published for the first time today the [“Report on breakdowns regarding European Taxonomy. 2022”](#), given the novelty and relevance of this information. From the data broken down by the issuing companies, this document describes the degree of eligibility and alignment with the taxonomy on climate change of the economic activities regarding Spanish issuers of securities admitted to trading in EU regulated markets.

The CNMV has supervisory powers regarding the reports published by the individual companies. Notwithstanding the foregoing, it has summarised some general recommendations in this report to help improve the information published.

Within the framework of the 2015 Paris Agreement and the commitment to be climate-neutral by 2050, different measures at EU level, promoted by the Plan for Sustainable Finance, have been adopted, highlighting the taxonomy established by the European

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Commission which allows for the identification of activities that are considered may contribute substantially towards environmental sustainability, and are included in Delegated Regulation 2021/2139.

All to be reported on up to 2022 was regarding two environmental objectives related to climate change: mitigation and adaptation.

The economic activities carried out by issuers, that are related to climate change mitigation and adaptation, can be identified as “eligible” or “aligned”. An activity is eligible whenever it is considered among those included in the Delegated Regulation on climate<sup>1</sup>, which identifies those activities that, a priori, contribute towards climate change mitigation or adaptation. Furthermore, an activity is aligned if it complies with a series of technical criteria that ensures: i) a substantial contribution towards a specific environmental objective; ii) that the activities do not cause any significant harm to the rest of environmental objectives; and iii) that a series of minimum safeguards are met.

The information on taxonomy, whenever required, will be included in the Non-Financial Statements (NFS). The Taxonomy regulation establishes companies will publish information on what percentage of their income (turnover), their investments in capital expenditure (CapEx) and their operating expenses (OpEx) these activities represent (eligible and aligned). These parameters give an idea of the proportions of the total activity of the company the activities represent (eligible or aligned).

Of all 101 issuers that sent their NFS for 2022 by 31 July 2023, 89 included information on taxonomy, 78 of these being non-financial issuers.

### **Non-financial entities: aspects regarding quantitative information**

Although the 78 issuers analysed provided information regarding taxonomy, some indicated that they had no eligible activities as their economic activities were not included in Delegated Regulation (EU) 2021/2139, or Climate Delegated Act, or quantified them as zero.

Of the 78 non-financial entities, 55 reported eligible activities (71% of the total) for turnover, 68 (87%) for CapEx, and 56 (72%) for OpEx.

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<sup>1</sup> Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

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Only 40 (51%), 44 (56%) and 34 (44%) issuers, respectively, presented aligned activities.

The greater presence of eligible activities over aligned activities is fully consistent with the fact that the latter are, by definition, a subset of the former. The data show that the eligibility proportion tends to be significantly higher than that regarding alignment for all three indicators. The greater percentage of eligibility and alignment corresponds to investment (CapEx), which indicates that these entities are investing in their production processes to reduce their carbon footprint, to have environmentally sustainable activities and to comply with the objectives set in Paris.

In all three indicators, a great dispersion can be seen within the eligibility and alignment magnitudes of the different issuers, mainly related to the heterogeneity of the sectors to which they belong and the activities they perform.

With regard to the use of templates or standard forms to fill in the information on the three ratios mentioned above, defined by [Delegated Regulation \(EU\) 2021/2178](#) or Disclosures Delegated Act, these were not used in their report by 18% of issuers regarding turnover, 11% regarding CapEx and 23% regarding OpEx. In the last case, this largely corresponded to issuers that had invoked the exemption for non-materiality.

Also, 29%, 27% and 24% respectively, partially used the templates, either by not strictly following the standard format or by not filling in all the information considered in the regulation.

### **Non-financial entities: aspects to improve on after analysing the qualitative information of the 25 issuers in the sample**

Although the information is complete in general terms, the CNMV has detected some practices that can be improved on regarding the way in which the entities report the taxonomy information and the report includes several areas for improvement in the coming years. In this sense, the CNMV states that:

- The inclusion of references in the financial statements and in other information contained in the non-financial statement makes the information more coherent and cohesive.
- It is appropriate to provide detailed and specific information on the entity regarding the concepts included in the indicators (mandatory and voluntary), the nature of the aligned and eligible activities, the fit with the technical selection criteria,

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does no significant harm (DNSH) and minimum safeguards, always avoiding literally reproducing the content of the regulation. This allows for a better and broader understanding of the analysis carried out by the issuers.

- It should be stressed that it is only possible to invoke the non-materiality criterion in the cases envisaged in the regulation, in which case the minimum disclosures this requires will be provided, such as informing on the total amount of the denominator of each ratio, that is, the total annual amount regarding turnover, CapEx and OpEx.

The analysis will be performed both regarding the mitigation and the adaptation objective. The rest of the environmental objectives will be considered from 2024 onwards.

- The minimum safeguards not only refer to human rights but also to compliance with certain minimum responsible business conduct standards. Regarding the appropriate interpretation of the taxonomy regulation, documents published by competent bodies will be prevalent.

### Some conclusions

The data reported show that the proportion of eligibility tends to be significantly greater than that of alignment in all three indicators. This would be in line with the objectives of the taxonomy regulation, this establishing the environmental performance companies will tend towards and aspire to for their activities to be sustainable.

The eligibility of the turnover indicator covers the maximum percentage of alignment to which a company may aspire. On the other hand, contrary to turnover, eligibility in CapEx usually reflects all the investments in fixed assets performed in activities included in the taxonomy, which may not coincide exactly with the ordinary activities carried out by the company at the time of the report.

It stands out that the greater proportion of alignment is informed for the key performance indicator related to investment in fixed assets (CapEx). This indicator is particularly important and suggests that companies are investing for their activities to be sustainable or to expand those that already are sustainable, while performing investments aimed at transforming their business model and reducing their carbon footprint.

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## Financial entities: information on alignment in 2024

The next reporting obligation for financial entities, in 2024, will include **alignment**, regarding the information corresponding to 2023. This will require that their systems are ready to collect the necessary data, many of which are to be obtained from the information provided by their clients and counterparties.

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