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How Equinor navigates to meet the EU Taxonomy requirements

Marius Nafstad 17 September 2021



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Setting the scene

Delegated Act on Taxonomy Disclosures (Art. 8)

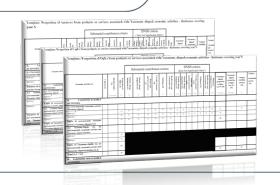
2022 - Financial Year 2021

- For climate change mitigation and adaptation activities
- Disclose the share of Taxonomy-eligible and Taxonomy non-eligible activities in total activities and related qualitative information

2023 - Financial Year 2022

- All six environmental objectives
- Tabular form (template)
- Granular information
- KPIs
- Turnover
- CapEx
- OpEx
- Disclosure accompanying KPIs
- Accounting policy
- Contextual information of KPIs

2021	Revenue	Сарех	Орех
EU Taxonomy			
Eligible activities	XX	XX	XX
Non-eligible activities	XX	XX	XX
Total	хх	хх	хх





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Challenges

- > Understand and impact regulation
- > Identify and map taxonomy eligible/non-eligible activities
- > Identify the data needed to calculate the KPIs
- > Embed taxonomy to other tools and systems
- > How and where to report the data
- > How to ensure quality in the numbers
- > Accounting policy and impact
- ➤ Impact on strategy
- > Consistency in application across industry



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25, C27, C28	Manufacturing	3.2	Manufacture of low carbon technologies	The economic activity manufactures one of the activity complies with
	Manufacturing	3.3	Manufactor of batteries	The economic activity manufactures technologically complies with
	0.2, Manufacturing	5	Manufacture of energy efficiency equipment to	The economic activity manufactures, repairs, inan- the economic activity manufactures rechargeable batter The activity complies with The economic activity manufactures one or more of the IThe activity complies with The economic activity manufactures technologies that ar The activity complies with The activity manufactures one of the following: grey cem The activity complies with The activity manufactures one of the following: If a activity complies with The activity complies with the life-cycle GHG emissions of the activity complies with
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20.13	Manufactur	ing - 43	Manufacture of chlorine Manufacture of organic basic chemicals and applydrous ammonia	The activity compiles with the activity complies with
20.13	Manufactu	ring 5.13	Manufacture of organic	GHG emissions (149) Calculate one of the following criteria.
20.13	Manufactu	ring 3.14	Manufacture of organic damage of anhydrous ammonia	The activity complies with one of the ionome with the Re The activity complies with GHG emissions(149)Calculated in accordance with the Re The activity complies with The activity complies with one of the following criteria: The activity complies with The activity complies with the activity comples with the activity complies with the activity complex of the activity complies with the activity comp
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20.15	Manufact	ring 3.16	Manufacture of plastics in primary hotovoltaic techno	olog The activity generates electricity using bower. The activity complies wit
20.15	Manufact	uring 3.17	stactricity generation using solar protected solar power	The activity complies with one of the following criteria: The activity complies with one of the following criteria: The activity complies with one of the following criteria: The activity complies with olog The activity generates electricity using CSP technology. The activity generates electricity from wind power. The activity complies with the activity complies with the activity complies with the activity generates electricity from generates with the activity complies with the activity complies with the activity complies with the activity complies with the activity generates electricity from generates with the activity complies with the activity generates with the activity generates with the activity complies with the activity generates with the activity generate
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35.11, F	12.22	4.5	Electricity generation from renewable non-fossil ga	1 Agricultural biomass used in the
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33.22	Energy			

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EU Taxonomy Steering Committee

Why a steering committee?

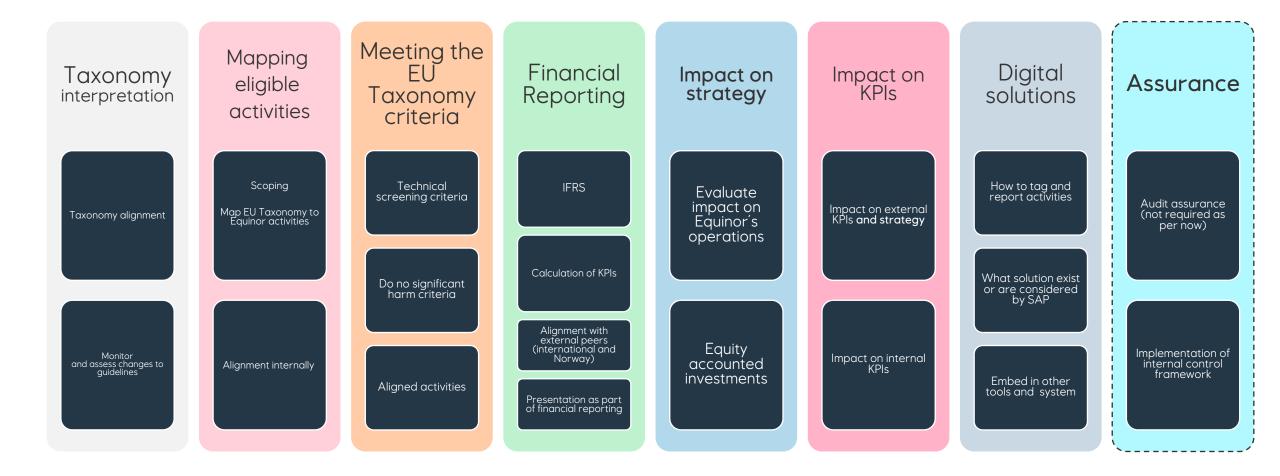
- New mandatory reporting requirements with short implementation timeline
- Expect disclosures to get high public attention
- Uncertainty with regards to methodology and scoping
- Uncertainty with regards to ability to get data needed to report
- Requires cross functional collaboration in order to succeed
- Can impact business strategy

Representatives in the committee:

- CFO function (leader and project owner)
- Legal
- Business area representatives
- Corporate climate and sustainability
- Corporate strategy
- Low carbon solutions

Work streams

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Communication

External auditor

Competence

	_
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Achievements to date

- Establishment and education of project team and steering committee
- Influence towards regulators
- Information to stakeholders
- Initiated / participated in peer group working groups / discussions
- Started mapping activities





Impact assessment

Approximate magnitude of costs under CSRD/NFRD scope

"Large companies under the scope of CSRD (former NFRD) are expected to bear administrative costs related to the EU Taxonomy."

The input provided in this limited exercise suggested **one-off costs approximately in the range of 40 000 - 125 000 EUR** per company, and **recurring costs in the range of 20 000 - 50 000 EUR per year**, albeit with a certain degree of uncertainty around these estimates.





Backup

High level process for Taxonomy reporting

MAP ACTIVITIES TO **EXISTING ACCOUNTS**



Identify economic activities and map to existing accounting centres

EXTRACT DATA ON ELIGIBLE AND NON-ELIGIBLE ACTIVITY



Separate eligible and non-eligible activity in each accounting centre and extract revenue, capex and opex

PERFORM TECHNICAL **SCREENING & ALLOCATE KPIs**



For each activity and accounting centre, validate against TSCs and allocate aligned and non-aligned revenue, capex and opex

PREPARE DISCLOSURE TABLES



Calculate disclosure tables

Number of eligible assets per activity



Required data points



Number of technical and accounting decisions

Example

50 eligible assets a

20 data points b

1000 technical and accounting decisions

QUALITY ASSURANCE

a Assumes five eligible activities with ten assets each. For large companies, the scope of the reporting will be substantially larger.

b Data points: Outcome of SC test; outcome of 5 DNSH tests; outcome of 5 DNSH tests; outcome of Social Safeguard test; activity type (enabling/transitional); eligible and ineligible turnover, capex and opex; and aligned and non-aligned turnover, capex and opex.

9 | SBN Webinar

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The new template, turnover KPI example

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year N

year N																					
				Su	Substantial contribution criteria DNSH criteria ('Does Not Significantly Harm')																
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	1	Climate change adaptation (12)	marine resources	Circular economy (14)		Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy- aligned proportion of turnover, year N (18)	Taxonomy- aligned proportion of turnover, year N-1 (19)	Category (enabling activity or) (20)	Category '(transitio nal activity)' (21)	F
		Currency	%	%	%	%	%	%	%	Y/ N	Y/ N	Y/N	Y/ N	Y/ N	Y/N	Y/N	Percent	Percent	E	Т	ı
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																		
A.1. Environmentally sustainable activities (Taxonomy-aligned)																					
Activity 1 3				%	%	%	%	%	%		Y	Y	Y	Y	Y	Y	%		E		
Activity 2			%	%	%	%	%	%	%	Y	Y		Y	Y	Y	Y	%				
$Turnover\ of\ environmentally\ sustainable$ activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%								%				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																					
Activity 1			%																		
Activity 3			%																		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)			%														П				
Total (A.1 + A.2)			%														%		%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES		1	'																		ļ
Turnover of Taxonomy-non-eligible activities (B)			%																		
Total (A + B)			%																		

FY2021

FY2022

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Turnover KPI, Annex II Templates

Template: Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year N

				Substantial contribution criteria ('Does Not Significantly Harm')																
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	water and marine resources	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy- aligned proportion of turnover, year N (18)	Taxonomy- aligned proportion of turnover, year N-1 (19)	Category (enabling activity or) (20)	Category '(transitio nal activity)' (21)
		Currency	%	%	%	%	%	%	%	Y/	Y/	Y/N	Y/	Y/	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%						l	N	N		N	N						
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Activity 1 3				%	%	%	%	%	%		Y	Y	Y	Y	Y	Y	%		Е	
Activity 2			%	%	%	%	%	%	%	Y	Y		Y	Y	Y	Y	%			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%								%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Activity 1			%																	
Activity 3			%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			%																	
Total (A.1 + A.2)			%														%		%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)			%																	
Total (A + B)			%																	

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The proposed KPIs

- 1. KPI related to turnover (turnover KPI)
- KPI related to capital expenditure (CapEx) (CapEx KPI)
- KPI related to operating expenditure (OpEx) (OpEx KPI)

Numerator

Denominator

