Triodos Bank EU Taxonomy reporting methodology 2024

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1. Introduction

This document is supplementary to the text in the annual report and provides a more elaborate explanation of the methodology used by Triodos Bank to report on the EU Taxonomy.

The most important information on the EU Taxonomy is reported under Sustainability Statements. This also contains Triodos's full Taxonomy disclosure according to the EU Taxonomy Regulation Delegated Act Annex IV and Annex VI, KPIs (Key Performance Indicators) for Asset Managers and Credit Institutions respectively.

The remainder of this document is structured as follows: this chapter provides further background on the EU Taxonomy. The next chapters provide information on definitions used, the scope of the EU Taxonomy and, on a high level, the EU Taxonomy reporting process within Triodos Bank.

The methodology used for EU Taxonomy reporting was created by Group Finance in close collaboration with Group Legal. The qualitative and quantitative disclosures on the EU Taxonomy are externally audited, and limited assurance is provided on the Taxonomy related disclosures. The original methodology document was condensed to make it easier to understand for the external reader, while still providing sufficient insight into our EU Taxonomy reporting processes.

1.1 Background of the EU Taxonomy and the Sustainable Finance Action Plan

The EU Taxonomy Regulation and the Delegated Regulation are both part of the EU Sustainable Finance Action Plan (SFAP), a package of interlocking regulatory initiatives at the EU level which aims to strengthen sustainable finance and sustainable growth. This mainly consists of the Sustainable Finance Disclosure Regulation (SFDR), the CSRD (Corporate Sustainability Reporting Directive) and the EU Taxonomy. In addition to the disclosure requirement of Article 8(1) EU Taxonomy Regulation, various other sustainability-related disclosures are prescribed in the Taxonomy Regulation and the other legislative initiatives of the SFAP. The focus of this document is on the application of the EU Taxonomy.

The EU Taxonomy is a classification system created by the EU to identify which economic activities are green. The goal is to stimulate sustainable investment and to provide companies, investors and policy makers with the tools to define which economic activities can be considered environmentally sustainable. This should create transparency and security for investors, mitigate greenwashing, and provide guidance to companies on how to reduce their environmental impact. Additionally, the EU Taxonomy should increase investments that support the transition towards a low-carbon economy.[1]

Currently, within the EU Taxonomy, six environmental objectives have been set:
1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Pollution prevention and control
5. Protection and restoration of biodiversity and ecosystems
6. Transition to a circular economy

An economic activity is seen as Taxonomy-eligible if it has been included in the EU Taxonomy Delegated Acts and, thus, if there is an indication that it could contribute to one or more of the abovementioned environmental objectives. In addition to being Taxonomy-eligible, an activity can also be Taxonomy-aligned. This is the case if an economic activity:
1. Contributes substantially to one or more of the environmental objectives, based on the technical screening criteria.
2. Does no significant harm to any of the other environmental objectives.
3. Complies with minimum social safeguards.

FY2024 is the second year we report on all six environmental objectives. It is the first year our asset management activities are reported under Annex IV of the Disclosure Delegated Act. Triodos reports over the data collected from counterparties during the year. Hence, we experienced a time lag of one year as we used counterparties' FY2023 information to report over FY2024. Triodos Bank decided not to integrate the EU Taxonomy into its strategy on a more holistic level, due to the implementation phase of the SFAP regulations.

[1] See https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en

2. Definitions

2.1 Abbreviations

AIFs	Alternative Investment Funds
AuM	Assets under Management
CapEx	Capital Expenditure
CCA	Climate Change Adaptation
CCM	Climate Change Mitigation
CSRD	Corporate Sustainability Reporting Directive
DNSH	Do No Significant Harm
EUT	EU Taxonomy
EDW	Enterprise Data Warehouse
FTE	Full-time Equivalent
IE&B	Impact Equities & Bonds, T-IM business unit that focuses on listed holdings
EPC	Energy Performance Coefficient
FinRep	Financial Reporting
IPD&E	Impact Private Debt & Equity, T-IM business unit that focuses on non-listed (private) holdings
F&C	Fees and Commissions
GAR	Green Asset Ratio
KPI	Key Performance Indicator
SME	Small and Medium-sized Enterprises
NFRD	Non-Financial Reporting Directive
OpEx	Operational Expenditure
PED	Primary Energy Demand (in kWh/m^2/year)
PIE	Public Interest Entity
SCC	Substantial Contribution Criteria
SFAP	Sustainable Finance Action Plan
SFDR	Sustainable Finance Disclosure Regulation
TBBE	Triodos Bank Belgium
TBES	Triodos Bank Spain
TBNL	Triodos Bank Netherlands
TSC	Technical Screening Criteria
T-IM	Triodos Investment Management
UCITS	Undertaking for Collective Investment in Transferable Securities
UoP	Use of Proceeds

2.2 Definitions

Term	Definition
Credit institution	Triodos Bank is a credit institution as defined in article 1:1 of the Act on Financial Supervision (Wft).
Do No Significant Harm (DNSH)	Criteria under which the other environmental objectives are not harmed by an economic activity that substantially contributes to one of the environmental objectives identified by the Taxonomy.
Environmental Objectives	The six environmental objectives identified by the Taxonomy Regulation, to which environmentally sustainable activities can contribute. These objectives include climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.
EU Taxonomy	The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities[1]
NACE	The Statistical classification of economic activities in the European Community, abbreviated as NACE, is the classification of economic activities in the European Union (EU); the term NACE is derived from the French Nomenclature statistique des activités économiques dans la Communauté européenne. Various NACE versions have been developed since 1970[2].
Taxonomy-aligned	Economic activities that contribute substantially to one or more environmental objective in line with the technical screening criteria established in the Delegated Acts, do no significantly harm (DNSH) to the other objectives, and are carried out in compliance with the minimum safeguards or Art. 18 of Taxonomy Regulation.
Taxonomy-eligible	Sector or economic activity that could substantially contribute to one or more environmental objective.
Technical Screening Criteria	Detailed provisions laid down in Delegated Acts identifying when an eligible activity substantially contributes to one or more environmental objective.
Triodos Bank Group	Triodos Bank Group refers to the economic and organisational unity, under central control, constituted by a primary group consisting of Triodos Bank N.V. and all legal entities in which Triodos Bank N.V. owns more than 50% of the economic rights, and a secondary group consisting of all legal entities in which the primary group has effective management control, as well as the T-IM funds incorporated in the Netherlands and Luxembourg.

1 https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-Taxonomy-sustainable-activities_en
2 https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Statistical_classification_of_economic_activities_in_the_European_Community_(NACE)

3. Scope

This methodology applies to Triodos Bank Group. Triodos Bank is subject to the sustainability disclosure requirements of Directive 2013/34/EU (the "Accounting Directive"), as amended by Directive 2022/2464, the Corporate Sustainability Reporting Directive (CSRD). As such, Triodos Bank falls within scope of the disclosure requirement of Article 8(1) Taxonomy Regulation. As of FY2024, Triodos Bank Group will be subject to the sustainability reporting requirements of the CSRD.

Triodos Bank qualifies as a credit institution for the purposes of identifying the applicable requirements and methodologies for determining the Taxonomy disclosure, as set out by the EU Taxonomy Art. 8 Delegated Regulation. The disclosure requirement applies at the level of "prudential consolidation", i.e., based on the prudential consolidated financial statements that are disclosed in the context of supervisory financial reporting (FinRep). The disclosures pursuant to the EU Taxonomy Art. 8 Delegated Regulation should therefore also consider the activities performed by or through the consolidated subsidiaries of Triodos Bank. In order to report properly Triodos Bank should follow the prudential scope of consolidation for their activities that fall under prudential regulation and report at group level the consolidated KPIs of their respective business segments. Therefore, the asset management activities of Triodos Investment Management must be reported under Annexes III and IV. The portfolio management activities performed by private banking must be reported under annexes V and VI, because private banking is not a subsidiary of Triodos Bank. Furthermore, any non-banking activities or services that are performed within Triodos Bank Group should also be addressed based on the requirements and methodologies provided for credit institutions.

The EU Taxonomy aims to provide information to market participants about the extent to which an undertaking contributes to activities that are environmentally sustainable. This is done through a reporting obligation that requires non-financial and financial undertakings to report on several KPIs. For non-financial undertakings these are the turnover, capital expenditure (CapEx) and operational expenditure (OpEx), deriving from Taxonomy-aligned activities. For credit institutions, the relevant KPI is the Green Asset Ratio (GAR), which refers to the ratio of Taxonomy-aligned exposures over total covered assets. Other KPIs that credit institutions must disclose include off-balance sheet exposures, including a ratio similar to the GAR for Financial Guarantees and Assets under Management (AuM), a KPI on Fees and Commissions deriving from Taxonomy-aligned activities and a KPI covering the trading book portfolio (if present). Finally, the KPIs for Asset Managers are reported in a separate template.

The disclosure requirements of the Article 8(1) Taxonomy Regulation have been gradually phased in, from 1 January 2022. Starting with the requirement to disclose Taxonomy-eligibility and qualitative disclosures, in 2022 with respect to financial year 2021. For credit institutions, the requirement to disclose Taxonomy-alignment and the prescribed KPIs came into effect on 1 January 2024, with respect to financial year 2023. The rationale for this deferred application is that credit institutions can only start to disclose information on Taxonomy-alignment after such information has been disclosed by their (non-financial) counterparties.[1] Furthermore, the applicability of the requirement to disclose the F&C and Trading KPIs will remain deferred until 1 January 2026.[2]

Reporting covers only certain exposures. Exposures towards central governments, central banks, and supranational issuers are always excluded from both the numerator and the denominator of the GAR. Exposures towards undertakings not obligated to report on the CSRD and, consequently, on Taxonomy alignment, are excluded from the numerator. Hence, Triodos Bank does not have to assess the extent of Taxonomy alignment of such exposures for its mandatory disclosure obligations. This includes, among others, exposures towards small and medium-size enterprises.

4. Data

This chapter describes the process to create our quantitative disclosure, including data requirements, sources, flow of data, considerations on quantitative reporting and assumptions and limitations in the EU Taxonomy disclosure in the annual report.

4.1 Triodos Bank approach to identification of NFRD obligatory counterparties

The CSRD is relevant to determine the scope of exposures that must be included in the EU Taxonomy disclosures. For FY2024 reporting, all companies that previously were subject to the NFRD are considered CSRD obligatory. Exposures to undertakings that are not subject to the CSRD remain out of scope for the mandatory Taxonomy disclosure in 2024. The NFRD applied to a category of large undertakings that are based in the EU and meet certain size criteria. As a result of these thresholds, exposures to SMEs and exposures to most non-listed large undertakings remain out of scope. The NFRD thresholds are not relevant for exposures to counterparties that are not undertakings (e.g. households and local governments).

In order to determine the applicability of the EU Taxonomy Regulation disclosure requirements, it must be assessed whether an undertaking is subject to the CSRD disclosure requirements as laid down by Articles 19a(1) and 29a(1) of the Accounting Directive. This is a complex assessment involving several compounded size criteria that are provided in the Accounting Directive. For FY 2024 the CSRD applies to undertakings that previously fall under the NFRD.

The NFRD applied to "large undertakings" that also qualify as "public interest entities" (PIEs). Where an undertaking is a consolidated subsidiary of a group company, the NFRD criteria must be met at the consolidated level. When a subsidiary met the NFRD thresholds on an individual level, it can be assumed that the parent company also met the NFRD criteria.

Undertakings that are subject to the non-financial disclosure requirements of the NFRD must meet the following three cumulative requirements (at the consolidated level)[3]:

1. 500 employees; and
2. Balance sheet total EUR 20.000.000 **and/or** net turnover EUR 40.000.000; and
3. Being a PIE, which is any one of the following types of entities:

- EU entities with a listing on an EU regulated market;
- EU credit institutions;
- EU insurance undertakings; or

[1] Articles 10(2), 10(3) and 10(4) Delegated Regulation. For non-financial undertakings, the requirement to disclose information on Taxonomy-alignment enters into effect on 1 January 2023 with respect to financial year 2022, providing a phase-in period for credit institutions to collect Taxonomy-alignment data of their counterparties.
[2] Article 10(4) Delegated Regulation.
[3] These requirements are laid down by Articles 2(1), 3(4), 19a and 29a of the Accounting Directive. Although the focus is on the consolidated level, the criteria may also already be met at the individual level.

- EU entities that have been designated as a PIE by a Member State.

Identifying PIEs
Triodos Bank has employed multiple methods to identify PIEs. For the first criterion of being an EU entity with a listing on an EU regulated market (debt or equity), the European Securities and Markets Authority (ESMA) maintains records of entities listed on EU regulated markets. Records also exist for listed debt securities (bonds), however these are registered at debt security level and are not necessarily directly linked to the issuer. For the second and third criteria of being an EU credit institution or insurance undertaking, it is possible to identify counterparties through ECB and DNB lists of licensed EU Banks and insurers. The fourth criterion is the most complex, as no total list of designated PIEs is available per Member State. Designated PIEs are added and removed over time and methodologies differ per country. The most complex analysis is for Triodos Bank Netherlands (TBNL) and Triodos Bank Belgium (TBBE) as specific types of organisations are included, such as grid operators or central clearing parties.

An alternative for identifying (designated) PIEs is the 'auditor approach'. Only auditors with a license for PIEs are allowed to provide assurance services to PIEs. In the Netherlands and Belgium, the audit landscape is relatively small, with only a limited number of auditors being licensed to audit PIEs. These auditors are obligated to publicly disclose in their transparency reports which PIEs they audit. These lists can be used for the Netherlands and Belgium to perform a relatively simple check on whether a counterparty is a PIE. For other countries, this assessment is less reliable as the audit landscape is more fragmented.

It is also possible that counterparties meet the size criteria on an entity level, but the organizational structure is complex and/or little information is provided by the counterparty. In these situations, a best effort was made and relation managers have been asked to confirm whether the counterparty does not have listed debt or equity and is not a licensed bank or insurer.

Additional considerations on ownership structures
For undertakings owned by governments or public authorities, the government is not considered the ultimate parent for the purpose of Taxonomy reporting. In the example of a Dutch grid operator owned by the Dutch government, the unit of analysis is considered to be the grid operator, regardless of whether ownership lies 100% with the Dutch government.

Client information is considered to be leading. If a counterparty discloses in their annual report that they are obligated to report on the Taxonomy, we flag the counterparty as being CSRD obligatory, even if our analysis concluded otherwise. Similarly, if a client informs us they are not CSRD obligatory, this conclusion takes precedence even if our previous analysis indicated the contrary.

4.2 Mandatory disclosure – collecting EU Taxonomy eligibility data

This section describes how Taxonomy data is obtained for mandatory reporting. For mandatory reporting on Business Banking exposures and Treasury positions, data on the eligibility of counterparties is obtained bilaterally. This was interpreted as either obtained through publicly available information such as annual reports or obtained from clients.

Collecting Taxonomy data starts with determining if the Use of Proceeds (UoP) are known. A known UoP means that information on how the proceeds of a loan are used is specified in the loan documentation. An unknown UoP usually is a regular loan. When the UoP is known, this information is used to determine the Taxonomy eligibility and alignment. When the UoP is unknown, the general Taxonomy figures of an entity or its parent are used. Specialised lending to local governments is also considered to be lending with a known UoP.

Known UoP
We only report on known UoP within Business Banking, local government financing, and green bonds within Treasury. The methodology is further described in those sections below.

Unknown UoP
CSRD obligatory companies publish an annual report or a non-financial/sustainability report with EU Taxonomy information. In some instances, a Universal Registration Document contains this information. We used these reports to obtain EU Taxonomy eligibility data from counterparties. When no EU Taxonomy figures were found it was assumed 0% of turnover/CapEx is eligible or aligned.

4. 3 Process and data flow

The source for the quantitative reporting relates to three segments within Triodos Bank: Business Banking, Retail Banking and Triodos Group Treasury positions. All these segments are linked to the Triodos Enterprise Data Warehouse (EDW).

Business Banking
The majority of Triodos' exposures are to counterparties within the Business Banking segment. Financial information of business banking clients is stored in

Triodos Bank's core banking systems. See chapter 4.1 for more information on how the CSRD obligatory clients were identified.

Known UoP
For Business Banking, system flags are available at a product level which state a financing goal. If the system flag or the client sector gave an indication of a specific financing goal being present, a manual analysis was performed on the Credit Agreement.

The UoP were then mapped to an economic activity described in the Delegated Act Annex I Technical Screening Criteria in Annex I of the EU Taxonomy Delegated Act. The below activities were found in the case of known UOP.

TSC section	Activity	Eligibility
4.1	Electricity generation using solar photovoltaic technology	100%
4.3	Electricity generation from wind power	100%
6.15.	Infrastructure enabling low-carbon road transport and public transport	100%
7.1.	Construction of new buildings	100%
7.2.	Renovation of existing buildings	100%
7.7	Acquisition and ownership of real estate	100%
Not found in TSC	Glass Fiber	0%

Cases were encountered where the credit agreement text mentioned a financing goal of refinancing a certain energy project. We have taken the position that the goal of refinancing does not necessarily affect the possibility to determine eligibility or alignment of a loan. The end goal of the activity performed by the counterparty is nonetheless perceived as being renewable energy.

There are two approaches to testing alignment: based on information from the client's (parent's) annual report, or based on an assessment by Triodos Bank, using client information obtained bilaterally. Using the annual report relies on the full disclosure table, with a breakdown per economic activity and on whether all three criteria are met. This was the case for half of the clients with a known UoP. For the other half, Triodos Bank assessed alignment using client information. If there was insufficient evidence that the substantial contribution criteria, do no significant harm criteria, and minimum safeguards were met, it was assumed that the alignment was 0%.

Local governments – specialised lending
Specialised lending to local governments forms a distinct category within the EU Taxonomy. A manual analysis was performed on the financing goals of these exposures. Where the credit agreement offered sufficient evidence, the exposure was considered to be Taxonomy-eligible towards CCM. Additional input from TBNL was requested on loans with an indication of specialised lending, but not enough evidence to be linked to real estate. Local governments are not obligated to carry out an alignment analysis. Alignment is 0% because Triodos Bank has not carried out an alignment analysis for the local government – specialised lending exposure.

Treasury positions
The scope of EU Taxonomy reporting includes Triodos Bank's Treasury positions, such as cash and cash-related assets that are kept at other banks to maintain liquidity. These positions are also related to counterparties that may be subject to CSRD disclosure obligations.

Group Treasury holds green bonds, which is a specific exposure category where a UoP is determined. The Delegated Act does not provide extensive indications about the treatment of green and sustainability bonds but does refer to specialised lending to undertakings or for local governments (municipalities). Question 31 of the FAQ issued in February 2022[1] prescribes that financial undertakings shall include in the numerator of the eligibility disclosure the Taxonomy-eligible proceeds of environmentally sustainable bonds and debt securities issued by undertakings whose purpose is to finance specific identified activities. Based on these references, green bonds from financial undertakings, non-financial undertakings and local governments are included as part of the mandatory disclosures, without a distinction between CSRD/non-CSRD obligations. Art. 1.2.1.1. of Annex V[2], states that credit institutions shall consider the total gross carrying amount for Green Bonds. This means that green bond holdings (within Group Treasury) towards both CSRD and non-CSRD counterparties are included in the mandatory disclosure.

[1] https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-Taxonomy-article-8-report-eligible-activities-assets-faq-part-2_en.pdf

[2] "Credit institutions shall consider the total gross carrying amount of exposures to environmentally sustainable bonds issued in accordance with Union legislation. Current bond issuances qualified as green bonds by issuers whose UoP have to be invested in Taxonomy-eligible economic activities shall be assessed depending on the level of Taxonomy-alignment of economic activities in accordance with Regulation (EU) 2020/852 or of projects funded, based on specific information provided by the issuer for an issuance. Credit institutions shall provide transparency on the kind of economic activity that is being funded."

Retail Banking

Exposures to Retail Banking counterparties are exposures to households and for the largest part consist of mortgage loans. The main data sources for mortgage loans are the core banking systems and the Stater administration (only used by TBNL and TBBE). As mortgages loans relate to (residential) real estate activities, we consider all mortgage exposures as eligible for CCM. The relevant economic activity is outlined in paragraph 7.7 of Annex I of the EU Taxonomy Delegated Act: Acquisition and ownership of buildings. This excludes the energy savings loans, which are eligible under economic activity 7.2: renovation of existing buildings.

A mortgage is aligned when the three criteria are met:

Substantial Contribution Criteria:

Triodos Bank has been collecting Energy Performance Coefficient (EPC)-certificates for 12 years. These serve as the basis for assessing substantial contribution. In the Netherlands, Triodos Bank's internally stored records prevail over the public database EP-online. The Delegated Act differentiates between 'old' buildings constructed until 31 December 2020, and 'new' buildings constructed after that date. For 'old' buildings, the EPC should be of class 'A' or better, or the Primary Energy Demand (PED) should be in the lowest 15% of 'old' buildings. For 'new' buildings, the PED should be 10% below the national Nearly Zero Energy Buildings threshold. Data available at TBNL includes the year of construction but not the PED. Therefore, PED-values are retrieved for new buildings where our records match EP-online to assess alignment with the SCC. NZEB-thresholds are different for apartments and single/multi-family homes ('grondgebonden') in the Netherlands, so the PED will be coupled with building type data. Data available at TBBE and TBES does not include the year of construction so the opening date of the mortgage is taken as a proxy to identify buildings constructed before 2021. The method for 'old' buildings is applied to the section of our portfolio that has an opening date up until 31-12-2018. It can be assumed that buildings are not constructed after 31 December 2020 for this part of the portfolio only.

Do no Significant Harm:

Climate change adaptation is the only environmental objective this criterion applies to for residential mortgages. The general criteria of Appendix A are that the "*physical climate risks that are material have been identified from the table below by performing a robust climate risk and vulnerability assessment with the following steps.*" Triodos Bank makes use of data provider ClimateX[1] for assessing the material climate risks. ClimateX estimates financial damage as a percentage of a building's replacement value using climate models. The replacement value is determined by geographical as well as building-specific characteristics. Damages caused by physical climate risks are then a percentage of this replacement value per year. This corresponds to a risk score from A to F. The materiality threshold is set to 10% or higher, corresponding with a risk score of E or F.

Minimum Safeguards:

it is in line with the Energy Efficient Mortgage Hub NL to assume that Minimum Safeguards are not applicable to households, because they are not undertakings[2].

Triodos Investment Management

The activities for UCITSs and Alternative Investment Funds (AIFs) within Triodos Investment Management (T-IM) are reported under Annex IV of the DDA: KPIs for Asset Managers. T-IM provides the information required to identify the CSRD-obligatory counterparties. The approach to green debt instruments differs from the on-balance sheet disclosures with regards to green debt. A verification system to indicate whether a green bond aligns with the EU Taxonomy is not yet in place. Therefore, green debt is treated as regular debt securities where non-EU exposures are not considered as eligible.

As AIFs invest mostly in non-listed companies, only a small number of holdings were identified as CSRD obligatory. The UCITS funds invest mostly in listed companies, for which most data are publicly available. In T-IM systems, a separate field to determine whether an investee is CSRD-obligatory is not present. A manual check is performed by using ultimate parent, consolidated FTEs, consolidated revenue and consolidated total assets derived from Bloomberg. Counterparty location is determined using fund information. Using this information, a check is performed on whether the counterparty meets the CSRD criteria.

T-IM uses Sustainalytics to obtain EU Taxonomy information for SFDR fund and product disclosures. Data was only available for CCM and CCA for FY2024 reporting, so there is no data for the other 4 environmental objectives. Also, the enabling activities are not split over CCM and CCA, so it is assumed that all enabling activities are towards CCM.

[1] See https://www.climate-x.com/ for more information

[2] See https://energyefficientmortgages.nl/nl/framework/ for more information

5. Reporting

The qualitative disclosure of the EU Taxonomy is included in the Annual Report, including the full EU Taxonomy tables. It is also included in the introduction of this document in compliance with the qualitative disclosure obligations for FY2024 as set out in the EU Taxonomy Art. 8 Delegated Act annex XI.

Regarding the quantitative disclosures, Art. 5 of the Art. 8 Delegated Act requires credit institutions to present the information concerning Taxonomy reporting by using the templates in Annex VI. The template should thus be employed in its entirety in reporting Taxonomy alignment.

Triodos Bank uses Abacus[3] as a software solution for its regulatory reporting. This is also the environment in which the information for EU Taxonomy reporting is collected. The EDW provides input to Abacus for FinRep. The main source for the quantitative information on the EU Taxonomy is FinRep. FinRep is a requirement of the European Banking Authority for credit institutions to provide periodic reports to supervisory bodies containing granular income statement and balance sheet data. As stated in the 'Scope' section, the EU Taxonomy disclosure requirements apply at the level of "prudential consolidation", i.e., on the basis of the prudential consolidated financial statements that are disclosed in the context of supervisory FinRep.

To ensure consistency with FinRep the quantitative reporting template is reconciled with FinRep. FinRep itself is reconciled with the Annual Report financial statements by Group Finance. Within Abacus different reporting forms exist to provide regulatory bodies with FinRep information.

There has been much debate between banks on how to interpret the reporting requirements, which may lead to differences between banks in applying the EU Taxonomy. One of our core values is transparency, hence we aim to be open about our Taxonomy figures. But we do need proper and consistent guidance from the regulatory bodies on how to apply the Taxonomy.

Template interpretation

This section provides a high-level description of how Triodos interprets and applies the Annex VI Templates.

Gross carrying amount: In the EU Taxonomy template, the on-balance sheet items are reported in gross carrying amount. Gross carrying amount is the amortised cost of a financial asset before adjusting for any loss allowance. Because of this, the total assets in the EU Taxonomy template are EUR 183 million higher than reported in the Annual Accounts. The EUR 183 million is comprised of EUR 49 million of loss allowance and EUR 135 million of fair value changes of hedged items. Including this amount in the denominator would unjustifiably result in a volatile GAR due to accounting adjustments (instead of portfolio changes).

Financial undertakings: Row 2 of Template 1 covers all financial undertakings that are CSRD obligatory.

Local governments: Annex V of the EU Taxonomy Art. 8 Delegated Act provides limited guidance on how to treat specialised lending to local governments. Paragraph 1.2.1.4. in Annex V mentions a GAR for loans and advances financing public housing and other specialised lending to public authorities. As the word 'other' is specifically mentioned, this section should exclusively relate to specialized lending for local government financing. However, and in deviation from the ordinary meaning of 'public authority', the third Commission Notice has narrowed down the scope of 'local governments', to include governments that are not central governments. Public housing financing is understood with reference to municipalities only, and 'other local government' or 'public authority' financing as including loans granted to local governments (as defined above) with the aim of funding any assets other than the acquisition of their place of residence of households in the municipality. The specialised lending to regional and local governments has been tested for eligibility based on information provided in the credit agreements.

Collateral obtained by taking possession: Residential and commercial immovable properties are seen as activities related to real estate (Section 7.7 of the Climate Delegated Act (Acquisition and ownership of buildings) and are therefore reported eligible to CCM.

Sovereigns are considered to include all only national and supranational governments. All other governmental exposure that is not specialised lending is reported under row 47 of Template 1. Cash positions at central banks are in line with CRR considered as exposures to central banks.

Assumptions and limitations

CSRD
There is no publicly available database or uniform method available to identify which counterparties are subject to CSRD disclosure obligations. Therefore, a best effort was

[3] https://www.regnology.net/en/solutions/for-the-regulated/regnology-reporting-hub/abacus-data-and-calculation-engine/

made to determine which clients are CSRD obligatory, in order to include these exposures separately as part of the voluntary disclosures. On several occasions professional judgment was applied, as limited evidence was available.

Data limitations
No uniform method is available to determine Taxonomy alignment for known UoP and interpretations of how to treat specialised lending differ per bank. While our systems provide information on specialised lending, the specific eligibility analysis requires a case-by-case review of client documentation.

FinRep audit
While FinRep is reconciled with the annual accounts, the external audit on the FinRep figures is ongoing at the time of publication of the annual report. This means that the FinRep figures are not audited at the time of publication of the annual report.

Applying the reporting template
Despite considerable discussion among banks on how to interpret the reporting requirements, differences may still exist on how banks interpret apply reporting obligations.