

## Template for providing your feedback on the EU Taxonomy Delegated Acts

<b>TYPE OF RESPONDENT: Company/Business organisation</b>	<b>TRANSPARENCY REGISTER NUMBER:</b> 60402754518-05
<b>COUNTRY: PwC has member firms in each of the 27 EU member states</b>	<b>SECTOR OF ACTIVITY: Professional services</b>
<b>ORGANISATION: PwC International Ltd. (PwC)</b>	<b>ORGANISATION SIZE: Large (&gt; 250 employees)</b>
<b>FIRST NAME: Gilly</b>	<b>LAST NAME: Lord</b>
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The Delegated Acts presented in this call for feedback include several activities spanning over various economic sectors substantially contributing to all six environmental objectives of the Taxonomy Regulation, however only some of these activities may be of relevance to you. To facilitate your feedback process, find an overview of included activities per sector and environmental objective on the [EU Taxonomy website](#).

Stakeholders are asked to limit their feedback only to the content of the drafts Delegated Acts subject to this call for feedback. Any other comments, including suggestions to add new activities will not be considered. A specific mechanism to channel these requests will be made available on the Commission website in the future.

When replying to this call for feedback, please clearly signal which activities in the draft Delegated Regulation(s) your comments relate to. For example, if referring to activity 3.19 regarding the manufacture of rail constituents in the draft amending Delegated Regulation regarding the objective of climate change mitigation (CCM), please mention the activity reference number (3.19) and the objective (CCM) clearly in your submission. The objectives should be abbreviated as follows:

- Climate Change Mitigation: CCM
- Climate Change Adaptation: CCA
- Water: WTR
- Circular Economy: CE
- Pollution Prevention and Control: PPC
- Biodiversity and ecosystems: BIO

If referring to the amendments to Delegated Regulation (EU) 2021/2178 regarding disclosures under the Taxonomy (Art. 8), please also clearly highlight the relevant Section or Annex your reply refers to.

In line with the taxonomy's guiding principle of establishing robust, science-based criteria, the call for feedback puts emphasis on providing a **clear scientific and technical explanation and rationale** as well as **supporting evidence** (including links to published journals and articles) for any comments made with respect to the proposed technical screening criteria.

For more information on the EU Taxonomy and activities already covered in the Taxonomy Climate Delegated Act, please visit: [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en).

Please copy/paste the below comment table for each activity that you would like to provide comments to. In addition, please name the file using your organisation's or first and last name: e.g. Company X or John\_Smith.

## **PwC response to the EC request for feedback: EU Taxonomy Delegated Acts**

Submitted through: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13237-Sustainable-investment-EU-environmental-taxonomy\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13237-Sustainable-investment-EU-environmental-taxonomy_en)

PwC International Ltd (PwC IL), on behalf of the PwC network, welcomes the opportunity to provide feedback on the draft delegated act establishing the technical screening criteria for the four other environmental objectives (sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems) and amending Delegated Regulation (EU) 2021/2178 on the disclosure requirements pursuant to art. 8 Taxonomy Regulation as well as the draft delegated act amending the Climate Delegated Act. PwC IL is registered under number 60402754518-05 in the EU transparency register

### **COMMENT 1: Eligibility-only reporting of new economic activities in 2024**

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#### **Delegated Act: Taxonomy Environmental Delegated Act**

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**Annex:** Choose an item.

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#### **ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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#### **GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

We welcome the steps taken by the European Commission to further extend the EU Taxonomy. Based on our experience from the first two years of Taxonomy reporting, we would like to highlight some issues we have identified in the drafts that might affect particularly the usability of the delegated acts and their implementation into non-financial/sustainability reporting in practice.

In the centre of our comments is the proposed implementation schedule with first time application already impacting the reports in 2024. This ambitious timetable is surprising as undertakings relied on article 8 (5) of the Disclosure Delegated Act which foresees a 12 month period after the date of application of the Environmental Delegated Act before KPIs covering the four other objectives need to be reported. Deleting article 8 (5) of the Disclosures Delegated Act is a significant change. Many undertakings will not yet have processes in place to cover turnover, CapEx and OpEx associated with the new economic activities in 2023 - which leads to increased efforts required by the undertakings to collect this data. Retrospective application may also lead to limited data reliability. The phase-in with an eligibility-only period is a welcome compromise but judging from the introduction of the reporting requirements for climate change mitigation and climate change adaptation, reporting on eligibility should not be underestimated. Therefore, we suggest reconsidering the suggested timetable and to keep the 12 month period before the extended reporting requirements become mandatory.

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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Below we elaborate on potential room for improvements in the text and the need for more guidance regarding the application of the proposed rules. We also address the Taxonomy calculator as this tool has been published at the same time as the draft delegated acts.

## **COMMENT 2: First time application – potential editorial error and challenges for financial undertakings**

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**Delegated Act: Taxonomy Environmental Delegated Act**

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**Annex:** Choose an item.

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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### **GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

In the changes of the Disclosures Delegated Act, the draft Environmental Delegated Act details the first time application for financial undertakings. According to art. 5 (7), financial undertakings shall only disclose eligibility from 1 January 2024 until 31 December 2024. Full (alignment) disclosures are required from 1 January 2026. In our view, the eligibility phase should therefore be extended from 1 January 2024 until 31 December 2025.

Furthermore, article 8 (4) of the Disclosures Delegated Act states that “financial undertakings shall use the most recently available data and key performance indicators of their counterparties to calculate their own key performance indicators”. However, as the first year of eligibility reporting is the same year for financial and non-financial undertakings, financial undertakings face the challenge of not having respective reports from non-financial counterparties available. This timing creates additional issues for financial undertakings, e.g., regarding the available data and the use of estimates. As a result, different approaches may be applied leading to Taxonomy disclosures by financial undertakings that are not comparable (consider the FY 2021 eligibility disclosures by financial undertakings which were difficult to interpret and to compare and thus met the objectives of the Taxonomy Regulation only to a limited extent).

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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**COMMENT 3: First time application – changes to current economic activities in the Climate Delegated Act and other changes to the Disclosures Delegated Act**

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**Delegated Act: Amendment to Taxonomy Climate Delegated Act**

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**Annex:** Choose an item.

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

Is our understanding correct that the changes in the descriptions and/or technical screening criteria to the economic activities that have already been included in the Climate Delegated Act need to be applied directly in all reports from 1 January 2024? I.e. for these changes the eligibility-only phase does not apply.

Is this approach also applicable for the changes to the Disclosures Delegated Act, i.e. do the proposed templates replace the previous templates starting from 1 January 2024?

Please note our comment 2 regarding issues for financial undertakings who will report on Taxonomy-alignment of the first two environmental objectives for the first time in 2024. Financial undertakings will regularly face the challenge of not having alignment information based on the changed technical screening criteria from their counterparties as their counterparties' reports that were published in 2023 will not have applied the updated criteria.

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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**COMMENT 4: Presentation**

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**Delegated Act: Taxonomy Environmental Delegated Act**

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**Annex:** Choose an item.

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

The draft delegated acts create a unique environment for undertakings in which they have to report eligibility for certain economic activities, as well as disclose information on Taxonomy-alignment (and -eligibility) for other economic activities. Art. 5 (2) requires reporting on the proportion of the Taxonomy-eligible and non-eligible new activities “in their total turnover, capital and operational expenditure and the qualitative information referred to in Section 1.2 of Annex I relevant for that disclosure”. Based on this wording to introduce the eligibility-only period for all new activities (art. 5 (2)), is our understanding correct that non-financial undertakings do not need to provide quantitative information on Taxonomy-eligibility on economic activity level but only as a total of all reported eligible activities?

Reporting on eligibility for some objectives together with full eligibility and alignment disclosures for the two climate-related objectives in the same non-financial report might be confusing for users of the Taxonomy reports. Therefore, additional guidance on how to present those sets of KPIs together in one non-financial statement would be highly appreciated. It would be of particular interest if the eligibility-only data could or actually should (must) be integrated into the reporting templates. This is at this time unclear.

We welcome the suggested changes to the reporting templates as they will help illustrate important aspects more clearly than before. Nonetheless, concrete examples on how to fill out the templates could contribute significantly to a consistent application in practice. We would be happy to share more detailed questions regarding the templates if this would be helpful. Please see below our initial list of editorial comments or questions:

- The order of environmental objectives does not match the order provided in the Taxonomy Regulation (art. 8), which is also used in the DNSH sections of the annexes to the Climate Delegated Act and the draft Environmental Delegated Act. In the draft template, pollution is placed before circular economy.
- Is it intentional that the row showing the sum of A.1 and A.2 (in the current template: “Total (A.1 + A.2)”) is deleted? It describes the full eligibility, i.e. the sum of eligible, aligned activities and eligible, not aligned activities.
- The rationale for the disclosures on the substantial contribution of eligible, but not aligned economic activities (A.2) is not clear. The suggested entries on activity-level are limited to an indication of eligible/non-eligible which is an information that is already covered by the column “code”, where undertakings are supposed to indicate the relevant environmental objectives. The sum of A.2 requires a percentage for the total substantial contribution per objective. It is unclear whether non-financial undertakings only need to allocate eligible, not aligned activities to the objective they potentially contribute or whether they need to always assess the substantial contribution and disclose the results of this assessment even if (full) alignment is not (yet) reached.

Another issue we want to highlight is the fact that each annex to the Climate and Environmental Delegated Act has its own numbering of economic activities starting with activity 1(.x). In particular, activities that are included in multiple annexes might lead to challenges in the presentation of such activities (please see below comment 7 for details on this matter).

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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## **COMMENT 5: Early adoption**

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**Delegated Act: Taxonomy Environmental Delegated Act**

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**Annex:** Choose an item.

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

Despite the generally ambitious timeline, certain non-financial undertakings may want to adopt changes arising from the two delegated acts early. Undertakings with a financial year ending e.g. on 30 June or 30 September, who publish their non-financial statements in 2023 might want to present information on the new activities early. Similarly, some undertakings may skip the eligibility-only phase and already start to prepare alignment disclosures. One example for these cases could be undertakings that will be eligible under the new activity 3.18, whereas some of the related activities might have been reported under activity 3.6 (Annex I to the Climate Delegated Acts) before. In such a case, undertakings might not want to prepare another set of disclosures on 3.6, knowing that this allocation will be replaced in the future.

Guidance would be welcome if and how early adoption is possible, and whether the information can be presented together with the mandatory information. In general, voluntary information needs to be clearly separated from mandatory information, therefore, the question whether early adoption qualifies as “regular” voluntary information is key for its practicability.

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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## **COMMENT 6: Use of undefined terms (and editorial comments)**

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**Delegated Act: Amendment to Taxonomy Climate Delegated Act**

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Annex: Choose an item.

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents): 3.18/3.19/..**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):**

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**COMMENT ON THE ACTIVITY DESCRIPTION:** The manufacture of automotive and mobility components is eligible if the components are "essential for delivering and improving the environmental performance of the vehicle". This requirement is not clearly defined and will lead to substantial interpretation questions that might limit the comparability of Taxonomy disclosures. We welcome the examples provided in recital 9 to this delegated act. Still, if no complete list of application cases is provided, uncertainties will remain. We also suggest explicitly addressing how previous FAQs (Commission notices) apply to new activities and the Environmental Delegated Act. As one relevant example the use of and/or in activity descriptions and technical screening criteria varies in the Climate Delegated Act.

Recital 10 is not clear regarding the treatment of tyres. Are tyres eligible under 3.18? If yes, which criteria apply, i.e. are rolling resistance and rolling noise to be considered, even though activity 3.18 does not explicitly include those criteria? Or will tyres only be eligible after another amendment to the Climate Delegated Act incorporating the relevant specific screening criteria?

Moreover, the vehicle categories mentioned in the description do not match the categories used in the substantial contribution criteria.

The concept of being essential for delivering the environmental performance is also used for activity 3.19 ("These constituents and services are essential to the environmental performance, operation and functioning over the lifetime of rail rolling stock") and for the substantial contribution criteria to activity 3.20 ("The activity manufactures, installs, maintains or provides maintenance, repair and technical consulting services essential to the functioning over the lifetime of one or more [equipment parts]"). The same interpretative questions apply for these activities due to the lack of a clear definition for this criterion.

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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**COMMENT 7: Complexity through reporting on six objectives**

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**Delegated Act: Taxonomy Environmental Delegated Act**

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Annex: Choose an item.

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):** The addition of the four other objectives in the form of a separate delegated act might cause additional complexities, not only for preparers and auditors but also users of the Taxonomy disclosures. One aspect that might be challenging for users to understand is that there are activities that are virtually the same across various annexes to delegated acts but their code differs. For example: The construction of new buildings is an activity that can be found in the annex for climate change mitigation, climate change adaptation (Climate Delegated Act) and the annex for circular economy (Environmental Delegated Act). As the annexes are generally independent from each other, the order and coding of activities varies: In the Climate Delegated Act the construction of new buildings is labelled as activity 7.1, whereas it is labelled as activity 3.1 in the Environmental Delegated Act for the objective of circular economy. Based on our experience with the application of the Climate Delegated Act, guidance on how non-financial undertakings need to allocate eligibility and potentially alignment across different objectives and how the different objectives for an eligible activity shall be addressed in the contextual information is needed. Such issues will be even more relevant now with all six objectives being applicable.

We also suggest considering aligning the activity descriptions for the same activities (activity titles) across the annexes. Picking up on the construction of buildings, the annex for circular economy is slightly differently worded in comparison to the climate-related objectives.

CCM/CCA: “Development of building projects for residential and non-residential buildings by bringing together financial, technical and physical means to realise the building projects for later sale as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.”

CE: “The development of **construction** projects for residential and non-residential buildings by combining financial, technical, and physical means **with a view to sell the building upon delivery or at a later date**, as well as the construction of complete residential or non-residential buildings, on own account for sale or on a fee or contract basis.”

Such differences might look negligible but can lead to substantial interpretation differences. Overall, activities with the same title should be consistently described and differences regarding the environmental objectives should be limited to the technical screening criteria.

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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## **COMMENT 8: Previous year KPIs**

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**Delegated Act: Taxonomy Environmental Delegated Act**

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**Annex:** Choose an item.

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):** Article 8 paragraph 3 of the Disclosures (Article 8) Delegated Act requires financial and non-financial undertakings to present the KPIs for the previous annual reporting period, starting with the (financial) year 2023, that is for reporting in 2024. This explicit rule leads to concerning results for undertakings that will be subject to Taxonomy reporting obligations for the first time at this or a later point in time, e.g. in 2025 (e.g. following the implementation of the CSRD). Based on the wording such undertakings would need to present previous year Taxonomy KPIs which does not seem reasonable. We suggest considering an amendment to article 8 paragraph 3 of the Disclosures Delegated Act, for example in line with the requirements in (draft) ESRS 1 paragraph 136. It should be clear that previous year figures are not required for the first year of reporting obligations for an undertaking.

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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## **COMMENT 9: Taxonomy Calculator / templates**

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**Delegated Act: Taxonomy Environmental Delegated Act**

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**Annex: Annex V-VII to Environmental Delegated Act (Art 8)**

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):** The Taxonomy Calculator provides a tool to create the Taxonomy reporting templates based on users' inputs. Based on comment 3, the first question regarding this tool affects the variants of the templates that are being used. While we expect the updated templates to be applicable from 1 January 2024, the Taxonomy Calculator still uses the templates coming from the original Disclosures Delegated Act.

We also want to highlight that the calculation of the substantial contribution does not seem to work properly.

Our concerns can be illustrated with this example:

- A non-financial undertaking generates 100% of their revenue with exactly one economic activity that is eligible (eligible turnover of 100%).
- The non-financial undertaking complies with all technical screening criteria and the minimum safeguards in most cases (80% of turnover), 20% of the turnover is (eligible, but) not aligned.
- All related turnover (potentially) contributes to climate change mitigation.

Issue 1: In the column for a substantial contribution to climate change mitigation, the Taxonomy Calculator shows 80% for this activity under A.1. In our view this approach is debatable. As economic activities that are not fully aligned are reported both in A.1 and A.2 presenting the overall

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contribution to CCM in section A.1 might be misleading. If a user is reading the tables line by line, the substantial contribution of the turnover reported under A.1 (80% of total turnover) is fully contributing to climate change mitigation (suggesting an entry of 100%). However, it could be argued that 80% is an appropriate alternative, too, in order to highlight the overall contribution to CCM of the activity.

However, the entry in the sum line for the substantial contribution (“Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)”, column 5) does not seem appropriate. In the example discussed above, the tool indicates a substantial contribution to climate change mitigation of 64%. As 80% of the total turnover are aligned and fully contributing to the objective climate change mitigation, showing less than those 80% seems incorrect (see excerpt below).

Economic Activities (1)	Code (2)	Absolute turnover (3)	Proportion of Turnover (4)	Climate Change Mitigation (5)*	Climate Change Adaptation (6)
Text		Millions, local CCY	%	%	%
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>			100%		
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>					
Electricity generation from hydropower		80.000.000,00	80%	80%	0%
			0%	0%	0%
			0%	0%	0%
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		80.000.000,00	80%	64%	0%

The viable approaches for such situations should be clearly explained and illustrated. Different ways of using the templates might lead to reports that cannot be compared and, thus, be limiting the idea of having an electronic single access point. Moreover, inconsistent disclosures between undertakings might severely affect the Taxonomy disclosures of financial undertakings. Illustrative examples would be much appreciated pieces of further guidance.

In general, as the tool is published by the European Commission and as such will be considered authoritative guidance by many users, the suggested presentation should be in line with the templates(s).

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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## **COMMENT 10: Way going forward**

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**Delegated Act: Taxonomy Environmental Delegated Act**

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**Annex: Annex V-VII to Environmental Delegated Act (Art 8)**

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**ACTIVITY (e.g. CCM 3.19 Manufacture of rail constituents):**

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**GENERAL COMMENT (incl. comments on corrections of technical mistakes in Climate Delegated Act and Article 8 Delegated Act):** Many companies followed the Platform on Sustainable Finance's reports on potentially eligible activities for all environmental objectives. In the two drafts recently published, a number of economic activities have not made the cut (manufacture of chemicals, agriculture, manufacture of textiles/apparel), leaving non-financial undertakings in those sectors with no/limited applicable activities. Any guidance and information on the further extension of the EU Taxonomy would be much appreciated.

While we appreciate the (draft) Commission notices to provide additional guidance on the implementation of the Climate Delegated Act, we want to highlight that there are still a number of issues that are not clear which cause limited comparability of Taxonomy reports. Among these issues are specific disclosures like the required adjustments of KPIs for green bonds (sect. 1.2.3.1 and 1.2.3.2 of Annex I to the Disclosures DA) and certain technical screening criteria, inter alia the need for independent third party verifications of life-cycle GHG emission savings. The lack of additional authoritative guidance on the minimum safeguards (art. 18 Taxonomy Regulation) is also challenging in practice.

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**COMMENT ON THE ACTIVITY DESCRIPTION:**

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**COMMENT ON THE ACTIVITY SUBSTANTIAL CONTRIBUTION CRITERIA:**

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**COMMENT ON THE ACTIVITY DO NO SIGNIFICANT HARM CRITERIA:**

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