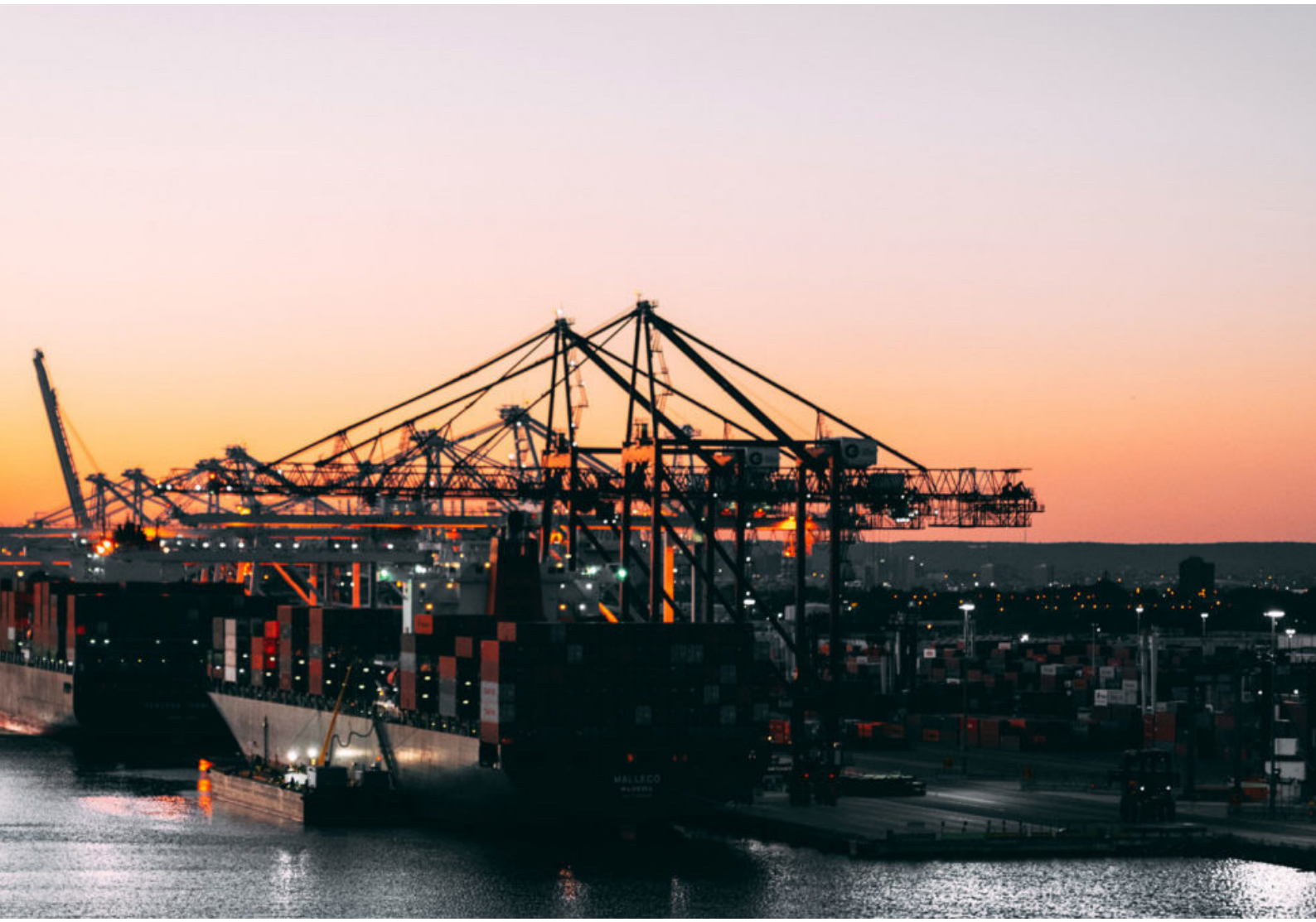
Guidelines for transition-linked financing of ports

Transition to net-zero port emission



Green Shipping Programme

KLP

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The Guidelines for Transition-Linked Financing of ports have been developed by a working group of experienced industry participants led by the Norwegian pension fund KLPs subsidiary KLP Banken and facilitated under the Green Shipping Programme.

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1.

Introduction

Transition-Linked Financing (TLF) aims to facilitate financing of companies that are making serious efforts to align their greenhouse gas (GHG) emissions with the ambition level of the Paris Agreement[1], while also addressing potential adverse environmental impacts.

Shipping is responsible for 2.9%[2] of global GHG emissions and must also play its part in the global transition to a net-zero economy. The International Maritime Organization (IMO) has recognized the need to strengthen the ambitions in the IMO strategy on the reduction of GHG emissions from ships, and it is expected that the shipping sector will work towards becoming net zero by 2050. Ports are instrumental for this transition and will need to provide a plethora of new services catering for a new and much more diverse energy situation, as well as more frequent bunkering. The current port capacity involved in the shipping of carbon-based energy will also be dramatically reduced, and consequently freed up capacity will have to be replaced by other activities. A modal shift from land to sea is also considered to be an important part of the solution for de-carbonization of transport of goods, all of which will require large future investments for the ports.

Transition finance recognizes the need for banks and investors to contribute to decarbonizing hard-to-abate industries, where low- and zero emission technology and infrastructure are unavailable or not yet commercially viable. Financing transitional activities and companies complements the financing of green activities, which can take the form of green loans/bond issuances for specific projects or assets.

In a wide range of industries, financing transitional activities has to some extent been achieved using Sustainability-Linked Bonds (SLBs) and Sustainability-Linked Loans (SLLs). These instruments include impact-oriented environmental criteria for transition activities. However, there is no specific recommendation for the port sector that can assure stakeholders that the transition activity addresses the right environmental objectives, and that the transition's emissions target is ambitious enough. To achieve this, targets and performance indicators need to align with science-based targets[3] and emission trajectories, and to take steps towards alignment with the EU Taxonomy's[4] provision for shipping and ports on a company level.

The Guidelines presented in this publication do not aim to develop a new market standard, but rather to support a Paris-aligned transition for the port sector. This relates to how ports may contribute to the global decarbonization effort, while ensuring that emission reduction efforts do no significant harm to other environmental objectives outlined in the EU Taxonomy. As such, these Guidelines outline how ports should:

- align their emission-intensity performance with a pathway towards net-zero emission by 2050
- take steps towards alignment with the Do No Significant Harm (DNSH) criteria under the environmental objective of climate change mitigation in the EU Taxonomy.

In particular, this document provides guidance on selecting Key Performance Indicators (KPIs) and

[1] The main aim of the Paris Agreement is to keep a global average temperature rise this century well below 2 degrees Celsius and to drive efforts to limit the temperature increase even further to 1.5 degrees Celsius above pre-industrial levels.
[2] Faber, J. et al. (2020), Fourth IMO GHG Study, Delft, CE Delft, July 2020.
[3] An emissions reduction target is defined as 'science-based' if it is developed in line with the scale of reductions required to keep global warming in accordance with the ambitions in the Paris Agreement.
[4] As described in Appendix B of these Guidelines, the EU Taxonomy classification system establishes a list of environmentally sustainable economic activities.

Sustainability Performance Targets (SPTs) using the same methodology outlined in the Sustainability-Linked Bonds Principles (SLBP[5]) and/or the Sustainability Linked Loans Principles (SLLP[6]).

The purpose of this document is to tailor the fundamentals in the SLB/SLL Principles to ports, focusing on transitional Key Performance Indicators, Sustainability Performance Targets, and reporting requirements. For other provisions, the SLB/SLL Principles will be adopted as in Figure 1.

These Guidelines build on the *Guidelines for Transition-Linked Financing: Transition towards net-zero emission shipping*[7], developed by a working group of experienced industry participants led by the Norwegian pension fund KLP and facilitated under the Green Shipping Programme.

FIGURE 1: Overview of how the Guidelines for Transition-Linked Financing link with existing ICMA standards

[5] 'Sustainability-Linked Bond Principles (SLBP)'. International Capital Market Association (ICMA). Viewed at www.icmagroup.org
[6] 'Sustainability-Linked Loan Principles (SLLP)'. Loan Syndications and Trading (LSTA). Viewed at wwwlsta.org
[7] Guidelines-for-Transition-Linked-Financing.pdf (grontskipsfartsprogram.no)

2.

Defining transition-linked financing for ports

The definition of Transition-Linked Financing for ports is the same as the LSTA/LMA[8] and ICMA[9] definitions of Sustainability-Linked Bonds and Sustainability-Linked Loans, but where Key Performance Indicators and Sustainability Performance Targets are defined. This document uses the term transition rather than sustainable, as the working group considers it to be a better description of the outcome. Sustainability can be interpreted as an end goal, while transition characterizes a company's process towards sustainability.

[8] Loan Syndications and Trading Association (LSTA); Loan Market Association (LMA)
[9] International Capital Market Association (ICMA)

3.

Guidelines for transition-linked financing

These Guidelines for Transition-Linked Financing for ports are based on the principles for Sustainability Linked Loans / Sustainability Linked Bonds, with some extensions and specifications to reflect a greater need for transparency and accountability from companies in transition. The following sections outline the extensions that should be considered for the existing principles.

3.1 Selecting Key Performance Indicators (KPIs)

Transition-Linked Financing aims to improve the borrower's environmental profile over the term of the loan/bond, and the environmental profile is captured through assessing selected Key Performance Indicators. According to the Sustainability Linked Loans Principles and Sustainability Linked Bond Principles, Key Performance Indicators should be material to the company's transition strategy, measurable, externally verifiable, and benchmarkable. Based on the working group's assessment of these principles for ports, borrowers subject to this Guideline shall specifically report performance on selected Key Performance Indicators for the following:

- **Decarbonization**: For GHG emissions, borrowers should use the metrics grams CO_2e per passenger and/or per tonnes goods as applicable. The Key Performance Indicators calculation method is described in Appendix A.
- **Alignment with the EU Taxonomy**: In addition to the decarbonization criteria, borrowers should take steps towards alignment with the Do No Significant Harm criteria of the EU Taxonomy, specifically on elements that are currently unregulated. Details are found in Appendix B.

3.2 Calibration of Sustainability Performance Targets

The calibration of Sustainability Performance Targets should follow the principles set out in the SLL and SLB standards.

Following these principles, the Sustainability Performance Targets related to decarbonization should be aligned with the trajectory of a target of zero GHG emissions in 2050, in line with the method provided by the Climate Bond Initiative[10].

The borrower must meet the transitional target set within the tenure of the loan or bond. Appendix A provides additional guidance on the Key Performance Indicators selection, trajectory construction, and guidelines related to calculating and reporting on metrics, and how to apply the criteria for different companies.

Efforts towards other environmental objectives should be made in alignment with the EU Taxonomy's environmental objective of climate change mitigation and its Do No Significant Harm criteria.

When calibrating Sustainability Performance Targets, research and development initiatives and the technological maturity of solutions enabling the company's transition strategy can be considered.

Borrowers cannot use carbon credits to improve performance when reporting on Key Performance Indicators under Transition-Linked Financing.

3.3 Loan Characteristics

According to SLB/SLL Principles.

[10] Climate Bonds Initiative is an international organisation working solely to mobilise the largest capital market of all, the $100 trillion bond market, for climate change solutions

3.4 Reporting

The Sustainability Linked Loans Principles apply, but with greater emphasis on disclosure of transitional activities and measures.

The borrower's compliance with the Transition-Linked Financing criteria shall be reported to the bank(s) on an annual basis.

Borrowers shall specifically report on:

- their carbon intensity in relation to the trajectories described in Appendix A
- whether or not they comply with the annual target(s) set out in the loan agreement
- an assessment of the performance, outlining the reason(s) behind target compliance/non-compliance
- the Do No Significant Harm criteria under the environmental objective of the climate change mitigation objective in the EU Taxonomy, going beyond existing international regulations, as described in Appendix B.

Borrowers are encouraged to publicly disclose their performance in addition to their overall environmental strategy and ambition levels, for example as part of their Environmental Social and Governance (ESG) reporting or as part of an integrated reporting of the port. The reporting should include target(s), progress towards said target(s), and analysis of trend performance (i.e., the reason(s) behind improvement/non-improvement). When a bank has facilitated at least five transition-linked loans or bonds under application of the Guidelines, it shall report – to the Green Shipping Programme – aggregated and anonymized data displaying their financing and related environmental impact for assessment of the Guidelines' total impact.

3.5 Verification

According to SLB/SLL Standard

Appendix A.

Decarbonization criteria

Numerous bond and loan placements over the past years have applied decarbonization criteria linked to the instrument's characteristics. Such criteria are normally defined on a placement-by-placement basis, but adherence to established principles has become the market standard and should be expected.

This Appendix provides guidance on the selection of Key Performance Indicators and targets that are science-based and on a path towards zero GHG emissions in 2050. A zero-emission target in 2050 aligns with the Climate Bonds Initiative's (CBI) target and the EU Taxonomy's climate change mitigation objective.

The list below summarizes the decarbonization criteria:

- Banks shall require at least one of the Key Performance Indicators (KPI). Ports with activities related to both passenger traffic and handling of goods, shall report on both KPIs.
  - KPI (P) measured as CO_2e emissions per passenger,
  - KPI (G) measured as CO_2e emissions per tonnes goods
- Borrowers shall report on a yearly basis the metrics against the applicable carbon intensity trajectory. The carbon intensity trajectories should be designed to reach zero emissions in 2050.
- If material changes are made in emissions sources the KPI trajectory and SPT can be recalculated to form a new starting point. Previous years measurements should be restated if possible.
- If the borrower is subject to multiple carbon intensity trajectories, the borrower shall report on each KPI.
- Banks can consider relaxed screening criteria for a limited period in cases where companies present material plans to invest in particularly innovative solutions., e.g. green energy production in port.
- Borrower shall disclose if they are currently using a green framework and whether or not current emission levels are according to the framework's targets.

i. Background for Key Performance Indicator selection

GHG emissions can be measured both in absolute terms (total emissions) and on an intensity basis (emissions per unit work). While the total emissions are what ultimately needs to be reduced to mitigate climate change, the figure does not reflect a company's relative performance, as it captures neither the ports work input nor, consequently, the carbon intensity of a port. A complicating factor is that on a national/global level, moving transport work from land to seaborne transport will generally have a positive climate effect, thus making increased port capacity/activity attractive. However, for the port as an isolated GHG source, the result will be negative with regards to absolute terms, although it can have a positive effect on an intensity basis.

For these reasons, a relative intensity-level metric is selected. There are multiple alternative carbon intensity indicators possible, however the working group considers it important to relate GHG emissions to either number of passengers, or to tonnes goods, passing through the port. We then end up with metrics measuring grams of CO_2e emitted per passenger or per tonnes goods

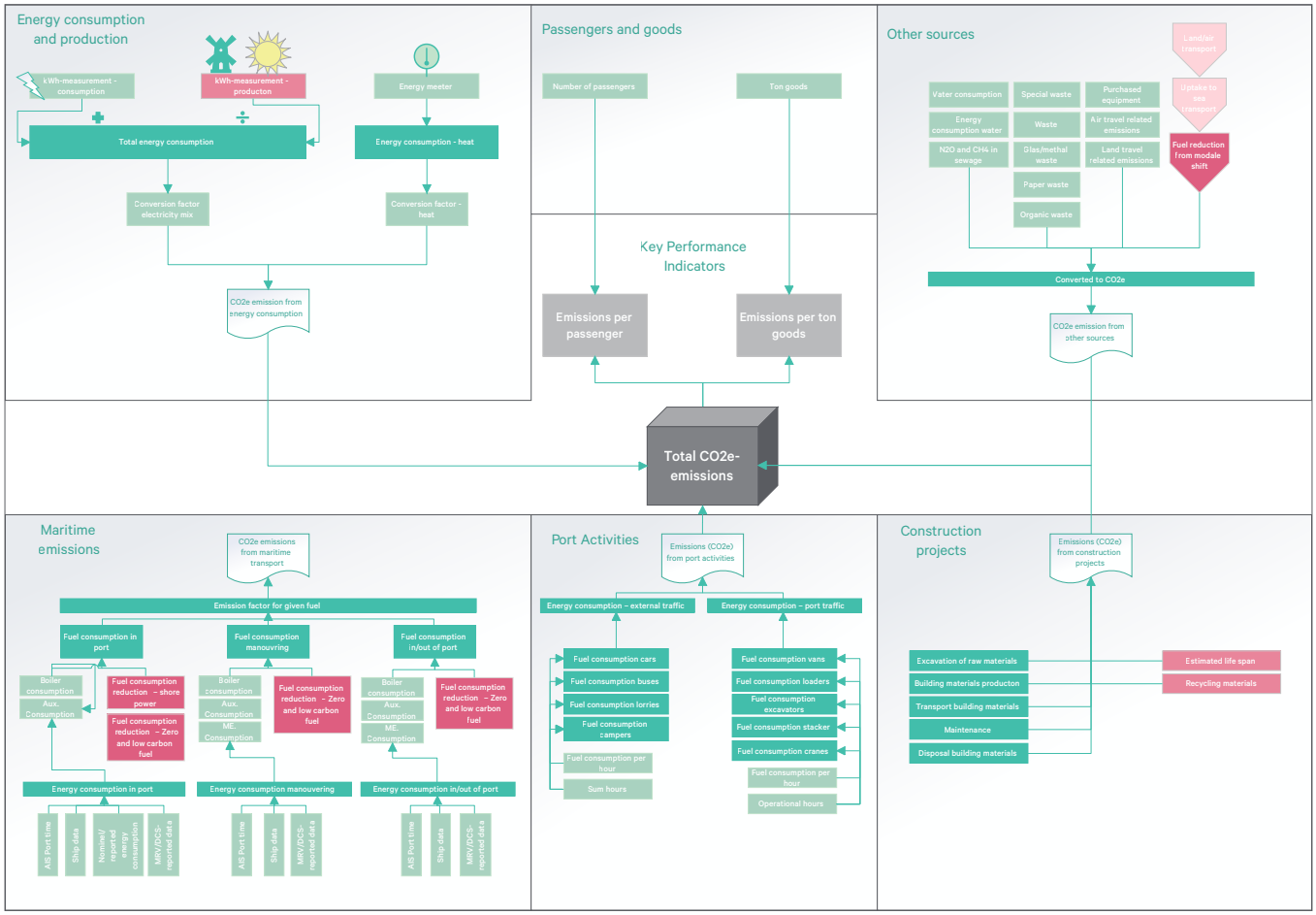


FIGURE 2: Emission calculation model for deriving Key Performance Indicators (Based on work done by The Port of Kristiansand)

Figure 2 illustrates the emission model selected for a port to establish Key Performance Indicators for their port. Note that such an emission calculation will be specific for the respective port and will only be relevant for comparing the port's development on carbon intensity, and not to compare its performance to other ports.

The conceptual model allows for calculation of different sources of emission, each of which are broken down to possible sub-sources of relevance for the respective port. Other emission sources can be relevant and should be included if material. When calculating KPIs ports should include their Scope 1 and Scope 2 GHG emissions independent of a materiality assessment, and, if material, Scope 3 GHG emissions and the related risks.

Sources of emissions can include:

- Marine emissions from vessels:
  - Sailing in/out of port (based on reported (MRV) data, or AIS data together with an emission model for the relevant energy source)
  - Manoeuvring in port (based on reported (MRV) data, or AIS data together with an emission model for the relevant energy source)
  - When in port (Based on reported times of AIS based, together with nominal consumption models – shore power use should be deducted using relevant electricity mix)
- Emissions related to port activities:
  - From external traffic such as cars, busses and lorries loading and un-loading on Ro-Pax ferries (based on nominal fuel consumption per hour per group of vehicles and an emission model for the relevant energy source)
  - From port traffic such as the ports own vehicles and machineries/cranes (based on nominal fuel consumption per hour and an emission model for the relevant energy source)
- Emission related to energy consumption (and production) based on electric and heat energy received by the port. In case the port manages own energy production, this may be deducted.

- Emissions related to construction projects such as materials, transport, maintenance and recycling should be related to an acknowledged standard such as NS3720:2018 - Method for greenhouse gas calculations for buildings
- Other sources are also catered for in the model where factors such as the climatic effects of water/sewage, waste and travel should be accounted for.

The KPIs should be calculated yearly to document the emissions and to track changes over time.

ii. KPI Trajectories

Banks shall assess the borrower's KPI value against the applicable port activity and types of carbon intensity trajectories. The carbon intensity trajectories are designed to reach zero emissions in 2050. Decarbonization trajectories to be used under these Guidelines are constructed with the methodology applied by relevant initiatives.

Figure 3 under illustrates the individual trajectories of the selected KPIs for goods and passengers towards 2050. The calculation of the applicable KPIs must be measured prior to implementation of the framework to form the starting point of the trajectory. A yearly re-calculation of the KPIs will document the effects of the measure. If the KPIs are on, and under, the trajectory, they are aligned with the SPT and in accordance with this framework.

Examples on how the KPI can be measured:

KPI (P) = $\frac{\sum_i^n C_i}{\sum_i^n P_i*}$ and/or KPI (G) = $\frac{\sum_i^n C_i}{\sum_i^n M_i*}$ where C is the annual carbon emission, P is yearly PAX, and M is the yearly tonnes of goods.

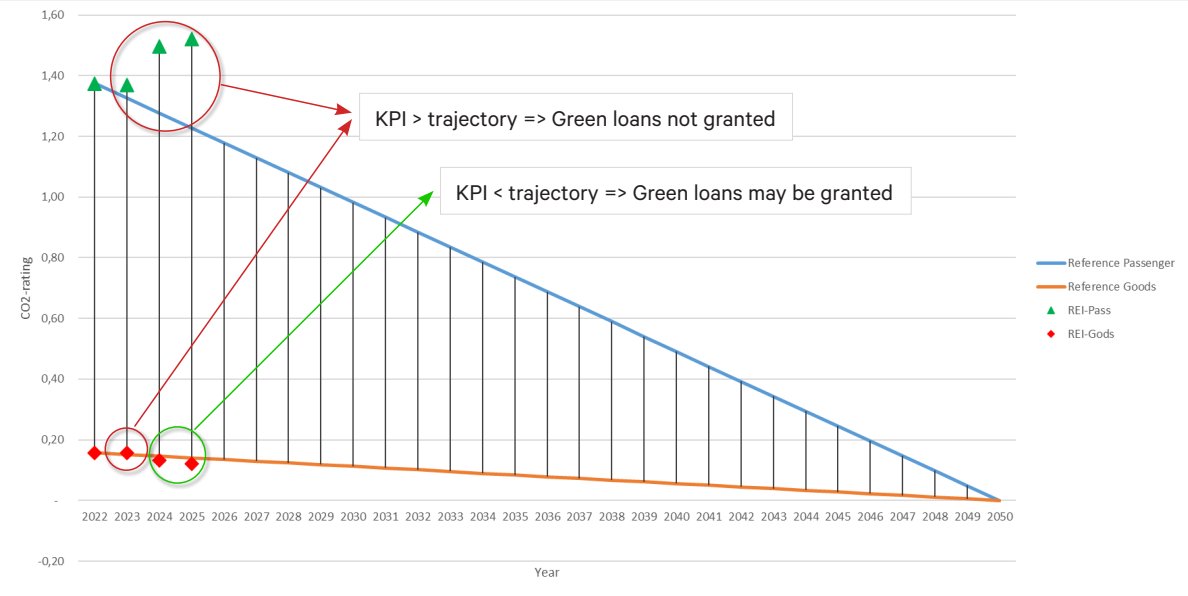


FIGURE 3: Key Performance Indicator trajectories (with respect to passenger and goods) towards 2050 and how the calculated performance complies

Example of how to apply the guidelines.

"Port A plans to invest in a bunkering solution for green ammonia and is addressing its bank to consider the possibility of transition loan financing. The port primarily has passenger traffic, and therefore it is natural to calculate CO2 intensity per person (and not CO2 per tonnes goods).

As of today, the port has xx in CO2e emissions per person. The analysis shows that the measure will expect to cut CO2 emissions per person by 10 percent first xx years, and then as more ammonia ships are transporting passengers the emissions will come down to 50 percent in 2040.

Case studies

In order to exemplify how the carbon intensity calculations may work out for a theoretical port, three different cases were evaluated. The sample port reports 400 000 passengers and 3 500 000 tonnes of goods yearly as the base case.

CASE 1

New container quay and added crane capacity, with a resulting increase in goods capacity. Also, full electrification of all cranes (from diesel).

- Calculate current KPI
- Calculate emissions resulting from quay extension
- Calculate expected increase in tonnes goods as a consequence of pier extension
- Calculate increase in emissions from increase in number of containerships
- Calculate reduction in emissions as a consequence of electrifying cranes
- Calculate updated new KPI
- Compare new KPI against emission trajectory towards 2050

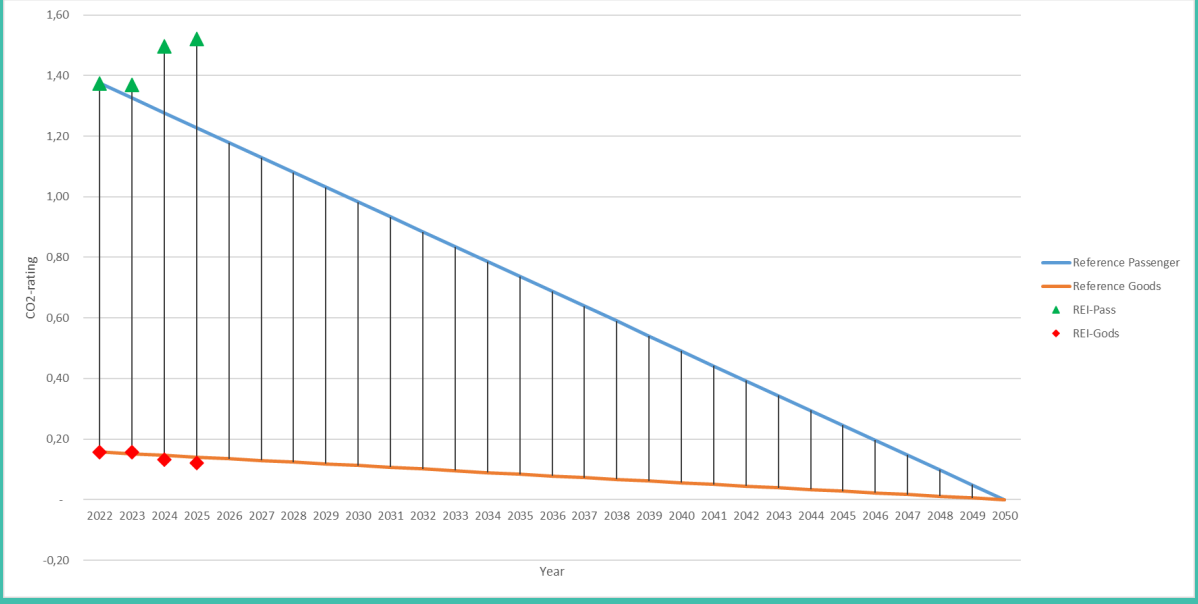
Assume constant emissions for non-affected activities.

As can be seen in the table below, emissions related to construction work are increasing in 2023 due to the construction of the terminal, and port activity is reduced with the introduction of electric crane – halved in 2023 and zero in 2024 and onwards. From 2024 the goods activity is increased by 1 mill tonnes.

	CO2 emission (tonnes)			
	2022	2023	2024	2025
Energy	28 289	28 289	28 289	28 289
Maritime	440 133	440 133	496 378	505 720
Port activity	80 538	76 636	73 127	73 127
Construction projects	814	2 914	814	814
Other sources	180	180	180	180
Number of passengers	400 000	400 000	400 000	400 000
Tonnes goods	3 500 000	3 500 000	4 500 000	4 500 000

As illustrated in the figure below, even though the total CO2 emission is increasing, the carbon intensity for goods is decreasing below the threshold from 2024. However, the number of passengers is constant, and consequently the subsequent carbon intensity is considerably increased.

CONCLUSION: Green loans pricing is implemented by 50% as one of two KPIs are on target from 2024. If the targets are not met in 2025 the pricing of the loans will go back to ordinary levels.



CASE 2

Establish a new fuel terminal/depot for low/no-carbon fuel in order to support the ports fleet with a more diverse fuel mix.

- Calculate current KPI
- Calculate emission related to establishing a new terminal.
- Calculate realistic potential for substituting current fuel consumption on vessels with alternative fuel.
- Calculate reduction in emissions by using alternative fuel sources
- Calculate updated new KPI
- Compare new KPI against emission trajectory towards 2050

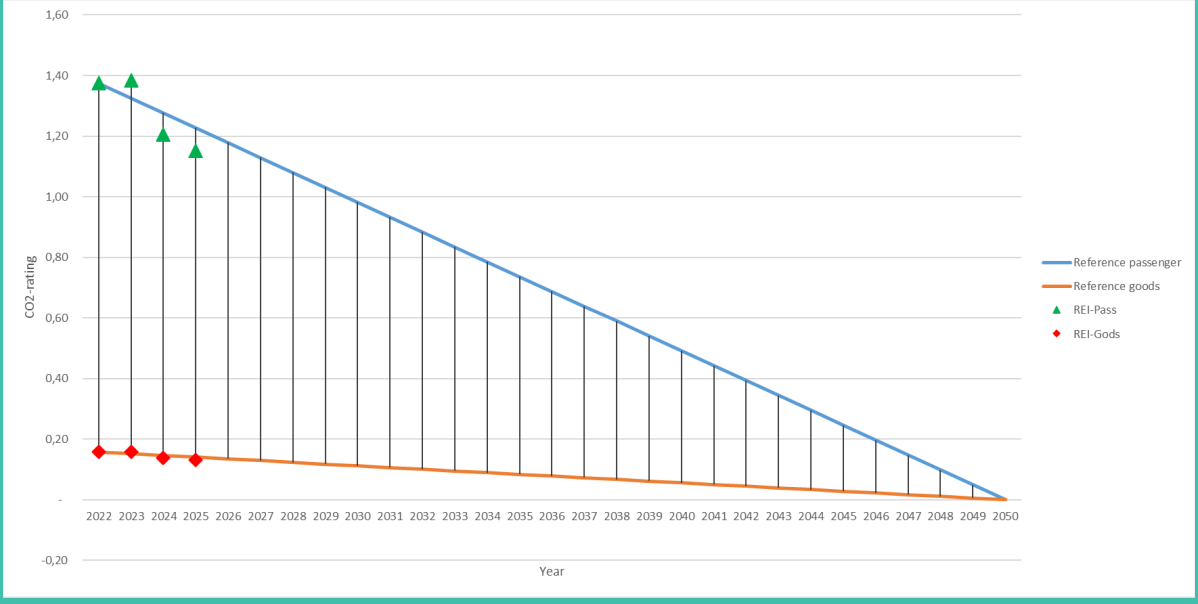
Assume constant emissions for non-affected activities.

As can be seen in the table below, emissions related to construction work are increasing in 2023 due to the construction of the new fuel terminal. From 2024 the emission from the maritime activity gradually decreases due to a higher proportion of use of alternative fuels.

	CO2 emission (tonnes)			
	2022	2023	2024	2025
Energy	28 289	28 289	28 289	28 289
Maritime	440 133	440 133	372 093	350 661
Port activity	80 538	80 538	80 538	80 538
Construction projects	814	4 600	814	814
Other sources	180	180	180	180
Number of passengers	400 000	400 000	400 000	400 000
Tonnes goods	3 500 000	3 500 000	3 500 000	3 500 000

As seen in the figure below, emission per passenger and tonnes goods increase in 2023 above threshold, then dip below both in 2024 and 25 due to the reduced emission from maritime activity.

CONCLUSION: The port will receive 100% green pricing on loans for 2024 and 2025.



CASE 3

Upgrade the electrical power infrastructure and establish shore power connection points on multiple quays.

- Calculate todays KPI
- Calculate emission related to the new infrastructure.
- Calculate realistic potential for substituting current fuel consumption on vessels with electric power – for vessel in port/sailing in/out (Battery hybrid vessels) of port and activities while in port.
- Calculate reduction in emissions by using electric power
- Calculate updated new KPI
- Compare new KPI against emission trajectory

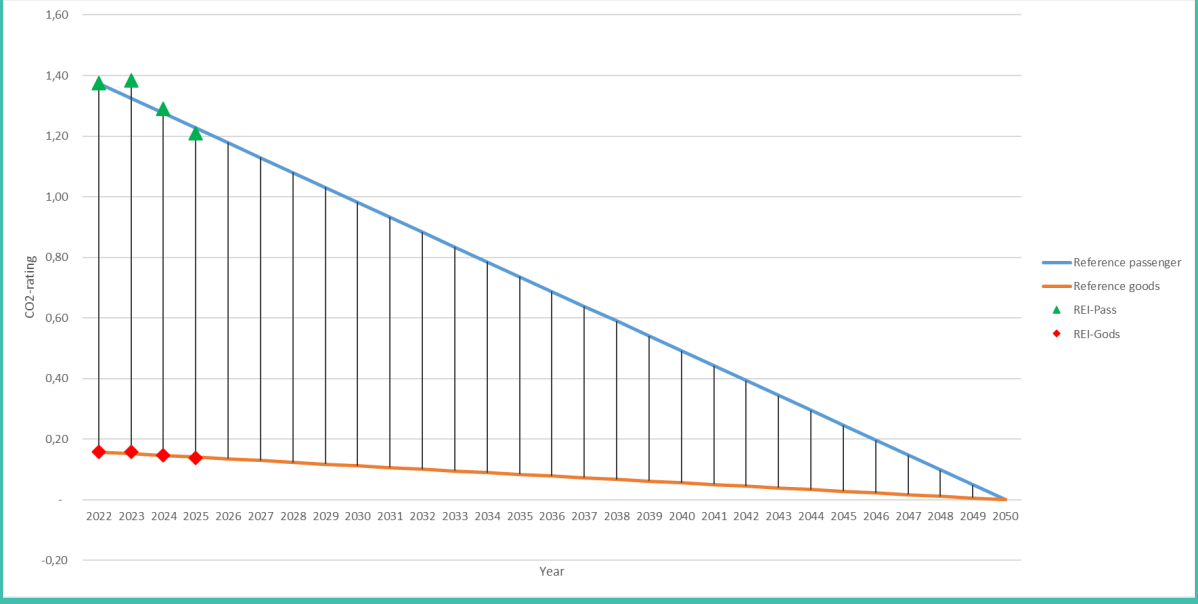
Assume constant emissions for non-affected activities.

As can be seen in the table below, emissions related to construction work are increasing in 2023 due to the construction work related to the shore power system. From 2024 the emission from the maritime activity gradually decreases with the increased use of shore power. There is also a slight increase in emission from energy due to the increase in electrical power consumption, however still much smaller than the consequent decrease in emission from maritime port activity.

	CO2 emission (tonnes)			
	2022	2023	2024	2025
Energy	28 289	28 302	28 317	28 289
Maritime	440 133	440 133	406 344	374 403
Port activity	80 538	80 538	80 538	80 538
Construction projects	814	4 600	814	814
Other sources	180	180	180	180
Number of passengers	400 000	400 000	400 000	400 000
Tonnes goods	3 500 000	3 500 000	3 500 000	3 500 000

As seen by the figure below, the carbon intensity is negatively affected in 2023, and the expected implementation in 2024 is still not large enough to move the carbon intensity under the threshold value. However, in 2025 one may see that the carbon intensity is below threshold both related to passengers and to goods.

CONCLUSION: The port will receive 100% green loans pricing for 2025.



iii. Reporting and calculating Key Performance Indicators at a company level

Borrower shall calculate their KPIs denoted as the level of alignment with the applicable trajectory for a given year, expressed in percentage terms. If the borrower is subject to multiple carbon intensity trajectories, a KPI score should be calculated for each KPI.

iv. Balancing short- and mid-term emission reductions with long-term potential

Banks can consider relaxed screening criteria in terms of KPIs compliance in cases where companies present plans to make material investments in innovative solutions that are a necessary part of the future technology and energy mix of shipping.

Investments in low- and zero-emission solutions are in some cases not the most cost-efficient way of reducing the company-wide carbon intensity within a shorter period represented by the tenure of the financing. However, such investments will have large repercussions in the long term and represent major steps towards compliance with the climate change mitigation objective of the EU Taxonomy. Banks can therefore consider relaxed screening criteria in terms of KPI compliance in cases where companies present plans to invest in innovative solutions that are a necessary part of the future technology and energy mix.

Possible examples

- Bunkering facilities for alternative fuels
- Energy production (wind/solar)
- Investment in other projects with substantial environmental effects
- Etc.

Appendix B.

EU-taxonomy for ports

Criteria to ensure steps are taken towards alignment with the EU Taxonomy's environmental objective of climate change mitigation, in particular its Do No Significant Harm (DNSH) criteria.

To meet the EU's climate and energy targets for 2030 and reach the objectives of the European Green Deal, it is vital that investments are directed towards sustainable projects and activities. To achieve this, a common language and a clear definition of what is 'sustainable' is needed. This is why the action plan on financing sustainable growth called for the creation of an EU Taxonomy, a common classification system for sustainable economic activities. The EU taxonomy is a classification system, framed in the EU Taxonomy Regulation[11], that establishes a list of environmentally sustainable economic activities. The EU Taxonomy will provide companies, investors, and policymakers with definitions of which economic activities can be considered environmentally sustainable. In this way, it should create security for investors, protect private investors from greenwashing, help companies to become more climate-friendly, mitigate market fragmentation, and help shift investments to where they are most needed.

The EU Taxonomy identifies six environmental objectives, to at least one of which an economic activity must contribute significantly, while doing no significant harm (DNSH) to any of the other environmental objectives. The activity must also hold minimum safeguards of social rights. The EU Commission ('the Commission') has delegated competences under the EU Taxonomy Regulation to develop technical screening criteria for the specific identification of substantial contribution to an environmental objective under the regulation and Do No Significant Harm (DNSH) criteria.

In the context of these Guidelines for Transition-Linked Finance for ports, the most relevant environmental objective in the EU Taxonomy is climate change mitigation. For this environmental objective, the EU Commission has developed technical screening criteria and Do No Significant Harm criteria for maritime transport activities. The EU Taxonomy's criteria for substantial contribution to climate change mitigation is presumed to be aligned with the decarbonization criteria of these Guidelines, moving towards zero GHG emissions in 2050 – at least in the sense of being on a pathway towards alignment. Maritime transport also holds transitional criteria under the EU Taxonomy.

There are two groups of criteria especially relevant for maritime infrastructure and ports[12]:

1) Infrastructure enabling low carbon water transport

Substantial contribution criteria:

1. The activity complies with one or more of the following criteria:
   a) the infrastructure is dedicated to the operation of vessels with zero direct (tailpipe) CO_2 emissions: electricity charging, hydrogen-based refuelling;
   b) the infrastructure is dedicated to the provision of shore-side electrical power to vessels at berth;
   c) the infrastructure is dedicated to the performance of the port's own operations with zero direct (tailpipe) CO_2 emissions;
   d) the infrastructure and installations are dedicated to transhipping freight between the modes: terminal infrastructure and

[11] Sustainable finance taxonomy - Regulation (EU) 2020/852

[12] EU taxonomy for sustainable activities (europa.eu)

superstructures for loading, unloading and transhipment of goods.

2. The infrastructure is not dedicated to the transport or storage of fossil fuels.

2) Infrastructure for water transport

Substantial contribution criteria:

1. The economic activity has implemented physical and non-physical solutions ('adaptation solutions') that substantially reduce the most important physical climate risks that are material to that activity.

2. The physical climate risks that are material to the activity have been identified from those listed in Appendix A to this Annex by performing a robust climate risk and vulnerability assessment with the following steps:
   a. screening of the activity to identify which physical climate risks from the list in Appendix A to this Annex may affect the performance of the economic activity during its expected lifetime;
   b. where the activity is assessed to be at risk from one or more of the physical climate risks listed in Appendix A to this Annex, a climate risk and vulnerability assessment to assess the materiality of the physical climate risks on the economic activity;
   c. an assessment of adaptation solutions that can reduce the identified physical climate risk.

   The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:
   a. for activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale;
   b. for all other activities, the assessment is performed using the highest available resolution, state-of-the-art climate projections across the existing range of future scenarios (554) consistent with the expected lifetime of the activity, including, at least, 10 to 30 year climate projections scenarios for major investments.

3. The climate projections and assessment of impacts are based on best practice and available guidance and take into account the state-of-the-art science for vulnerability and risk analysis and related methodologies in line with the most recent Intergovernmental Panel on Climate Change reports (555), scientific peer-reviewed publications and open source (556) or paying models.

4. The adaptation solutions implemented:
   a. do not adversely affect the adaptation efforts or the level of resilience to physical climate risks of other people, of nature, of cultural heritage, of assets and of other economic activities;
   b. favour nature-based solutions (557) or rely on blue or green infrastructure (558) to the extent possible;
   c. are consistent with local, sectoral, regional or national adaptation plans and strategies;
   d. are monitored and measured against pre-defined indicators and remedial action is considered where those indicators are not met;
   e. where the solution implemented is physical and consists in an activity for which technical screening criteria have been specified in this Annex, the solution complies with the do no significant harm technical screening criteria for that activity.

In addition to criteria of substantial contribution to climate change mitigation, the EU Taxonomy includes criteria to ensure no significant harm is inflicted by the economic activity on any other environmental objectives (Do No Significant Harm criteria). To promote alignment with the EU Taxonomy, these Guidelines include separate reporting requirements on the implementation of Do No Significant Harm criteria. Further, the requirement to meet minimum social safeguards is expected to be assessed as part of a due diligence process in the initial stages of a financing process. Since the EU Taxonomy is under continuous development, updates on how these Guidelines promote a path towards EU Taxonomy alignment will be undertaken in accordance with updates made by the EU.

i. Criteria

To promote alignment with the EU Taxonomy, the company shall report on Do No Significant Harm criteria under the environmental objective of climate change mitigation in the EU Taxonomy on a yearly basis, specifically on the following EU Taxonomy Do No Significant Harm criteria going beyond existing international regulations:

ii. Transition to a circular economy

The company shall report on measures taken to manage waste in accordance with the requirements of Annex 1 to Commission Delegated Regulation (EU) .../... [13][in particular, implementation of Regulation (EU) 1257/2013].

iii. Climate mitigation

The company shall report on share of activity dedicated to transportation or storage of fossil fuel

[11] https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf

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