SLOVENSKÉ ELEKTRÁRNE

Report on reporting of key indicators According to EU taxonomy for 2021

Bratislava, 27.10.2022

In July 2020, Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation"), which established a basic framework for classifying economic activities in terms of their environmental sustainability (the "EU Taxonomy"), entered into force. In accordance with Article 10 of this regulation, companies meeting specified criteria must report selected non-financial information on a mandatory basis from 1 January 2022. The criteria defining mandatory reporting companies are set out in Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, which has been transposed into Slovak law in particular in the provisions of Section 20(9) and (10) of Act no. 431/2002 Coll. on Accounting, as amended.

Economic activities eligible for reporting in accordance with the EU taxonomy are listed in the Annexes of Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions, under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (hereinafter "the Climate Delegated Regulation"), published in the Official Journal of the EU on 9 December 2021. **Annex I** of the Climate Delegated Regulation sets out the technical screening criteria determining the conditions under which an economic activity qualifies **as contributing substantially to climate change mitigation**, as well as whether the economic activity causes no significant harm to any of the other environmental objectives defined by the Taxonomy Regulation; **Annex II** of this Regulation sets out the technical screening criteria determining the conditions under which an economic activity qualifies **as contributing substantially to climate change adaptation**, as well as whether the given economic activity does not significantly disrupt the achievement of any of the other environmental objectives.

In connection with this obligation, Slovenské elektrárne, a. s., must also, with effect from 1 January 2022, report in the prescribed manner the proportion of its revenues, capital expenditures and operating expenditures that are eligible for reporting under the EU Taxonomy ("taxonomy-eligible") in the company's total revenues, capital expenditures and operating expenditures for the relevant period.

According to Annexes I and II of the Climate Delegated Regulation, Slovenské elektrárne, a. s., has identified those economic activities that are eligible for reporting under the EU Taxonomy – an overview of which is given in **Table 1**.

The report of key indicators of the EU Taxonomy by Slovenské elektrárne, a. s., for the year 2021 is contained in **Table 2**.

Table 1: The Company's EU taxonomy-eligible economic activities

Economic activity number	Economic activity name	NACE code
4.1	Production of electricity using solar photovoltaic technology	D35.11, F42.22
4.5	Production of electricity from hydroelectric power	D35.11, F42.22
4.10	Storage of electricity	-
4.15	District heating/cooling	D35.30
4.25	Production of heat/cold using waste heat	D35.30

An eligible economic activity is, according to Article 1 of Commission Delegated Regulation (EU) 2021/2178 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation ("the Delegated Disclosure Regulation"), **an economic activity that is described in the relevant delegated acts adopted pursuant to the Taxonomy Regulation, regardless of whether that economic activity meets any or all of the technical screening criteria** set out in the relevant delegated acts (for 2021, that delegated act is solely the Climate Delegated Regulation). The declaration of an economic activity as eligible under the EU Taxonomy is therefore not the result of an assessment of the environmental sustainability of that economic activity and its significant contribution to one or more of the environmental objectives set out in Article 9 of the Taxonomy Regulation.

Due to the publication of the Delegated Disclosure Regulation regulating the content and presentation of the information to be disclosed by businesses under the Taxonomy Regulation only on 10 December 2021, as well as the difficulty of assessing the eligibility of economic activities under the Climate Delegated Regulation, the Commission **has allowed to report economic activities for the year 2021 in a simplified form, focusing only on selected elements of these activities, and to publish qualitative information on eligible and non-eligible economic activities**.

The following year (i.e. for 2022) Slovenské elektrárne, a. s., will also publish information on economic activities that are designated as EU taxonomy-aligned. Also, the scope of the assessment is expected to increase in the coming years with the addition of technical screening criteria for other environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution, protection and restoration of biodiversity and ecosystems), or the extension of the existing Climate Delegated Regulation to new economic activities (e. g. in the field of nuclear energy use).

In this context, we note that on 15 July 2022 there was published in the Official Journal of the European Union, the Commission Delegated Regulation (EU) 2022/1214 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities (the "Complementary Delegated Regulation"). Under this Complementary Delegated Regulation, economic activities related to the use of nuclear energy should be considered as activities that are aligned with Article 10(2) of the Taxonomy Regulation, i.e. economic activities potentially eligible under the EU Taxonomy. However, due to the fact that the Complementary Delegated Regulation was published after the completion of work on the reporting of the EU Taxonomy indicators for 2021, economic activities related to nuclear energy were not included in the proportion of economic activity indicators eligible under the EU Taxonomy

Table 2: EU Taxonomy key indicators for 2021

	Spolu (in '000 €)[1]	**Proportion of taxonomy-eligible economic activities** (in '000 € / %)	**Proportion of taxonomy-non-eligible economic activities** (in '000 € / %)
Revenue	**2 967 380**	226 970	2 740 410
		8%	92%
Capital expenditure	**389 181**	7 336	381 845
		2%	98%
Operating costs	**467 001**	113 049	353 952
		24%	76%

1) Source: Independent auditor's report and consolidated financial statements prepared in accordance with International Financial Reporting Standards applicable in the European Union as at 31 December 2021.

Revenue

Revenue includes turnover recognised in accordance with International Accounting Standard (IAS) 1(82)(a) adopted by Commission Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. The proportion of EU taxonomy-eligible revenue is calculated, according to Annex I of the Delegated Disclosure Regulation, as the proportion of net turnover derived from activities eligible under the EU Taxonomy (numerator) divided by net turnover (denominator) as defined in Article 2(5) of Directive 2013/34/EU. In order to determine which revenues are eligible under the EU Taxonomy, we considered all of the Company's revenues and included those related to the economic activities listed in Table 1 in the numerator.

Capital expenditure

According to Annex I of the Taxonomy Regulation, EU taxonomy-eligible capital expenditure must include additions to tangible and intangible assets during the financial year before depreciation, amortisation, and any revaluations, including those resulting from revaluation and impairments for the financial year and excluding changes in fair value. Of these expenses, those that:

a) relate to assets or processes related to economic activities in accordance with the EU taxonomy,
b) are part of a plan to expand economic activities in accordance with the EU taxonomy, if they are to be implemented within five years of the date of entry into force of the Delegated Disclosure Regulation,
c) relate to the purchase of outputs from EU taxonomy-aligned economic activities and individual measures enabling the target activities to become low-carbon or lead to a reduction in greenhouse gas emissions if they are to be implemented within 18 months.

For determining taxonomy-eligible capital expenditures, all ongoing and planned investment projects were assessed, and those with activities listed in Table 1 were included in the numerator. Considering the total volume of investment projects, these were in 2021 **less significant**. Most of the planned investment projects will be implemented **in an expected investment horizon of five years**, thus also fulfilling the condition of investments being implemented within five years according to the EU Taxonomy, and therefore the proportion of expenditure on eligible activities will increase in future years.

Operating costs

Taxonomy-eligible operating costs may, under Annex I of the Taxonomy Regulation, include direct costs relating to research and development, renovation of buildings of the repair and servicing of assets, or short-term rentals that relate to taxonomy-eligible economic activities and:

a) relate to assets or processes related to taxonomy-eligible economic activities,
b) relate to an investment plan for the expansion of taxonomy-eligible economic activities,
c) relate to the purchase of outputs from taxonomy-eligible economic activities and individual measures to reduce the carbon footprint.

For determining the eligibility of operating costs under the EU Taxonomy, all operating costs were allocated to the following eligible categories:

- research and development,
- renovation of buildings and assets,
- repairs and servicing of asset items,
- short-term rental.

Total operating costs are included in the denominator, and those operating costs incurred for economic activities in accordance with Annex I of the Climate Delegated Regulation as per Table 1 are placed in the numerator. The amount and proportion of these expenditures is given in Table 2.