

2.3.6. European taxonomy for environmentally sustainable economic activities

According to the environmental taxonomy criteria of the European Union, around 85% of Viscofan's business volume is not eligible under the European taxonomy as it does not have a significant impact on the six environmental objectives.

The activity of cogeneration of heat/cold and electricity based on natural gas is eligible for the objectives of adaptation to and mitigation of climate change and the activity of manufacturing casings, films and bags obtained through the treatment of plastic polymers is eligible for the objective of transition to a circular economy as the manufacture of plastic containers.

In the case of cogeneration, the technical alignment requirements require further development to facilitate the replacement of fossil fuel in line with the pioneering decarbonisation work that the Group is carrying out in Spain.

Regarding casings, films and bags obtained through the treatment of plastic polymers, based on the preliminary analysis carried out, the value chain of this activity has not yet fully progressed to meet the technical alignment criteria established in the regulations, towards which Viscofan is working, particularly the development and promotion of casings with a percentage of recycled material and materials of natural origin.

Foundation

In its Communication of 8 March 2018, the European Commission published its "Action Plan: Financing Sustainable Growth", launching an ambitious and comprehensive strategy to make finance a key driver for moving towards an economy that ensures that the goals of the Paris Agreement and the European Union's (EU) 2030 Agenda for Sustainable Development are met.

In this context, the package of measures presented defines 10 specific actions that have as one of their main objectives to redirect capital flows towards sustainable investments. As a consequence of the first of these actions, the Taxonomy Regulation, Regulation (EU) 2020/852, has been published, which aims to establish a classification system that, based on objective criteria, determines which economic activities are sustainable.

The Taxonomy Regulations establishes six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and the ecosystems

This regulation has been modified gradually over several years to include the technical selection criteria for the 6 objectives.

On 4 June 2021, the Delegated Regulation (EU) 2021/2139 was published on sustainable activities for the objectives to mitigate and adapt to climate change. Therefore, technical selection criteria were established to determine the conditions in which it is considered that an economic activity substantially contributes to these two objectives, and to determine if such economic activity does not cause significant harm to any other environmental objectives.

On 6 July 2021, the Commission adopted the Delegated Regulation (EU) 2021/2178, completing article 8 of the Taxonomy Regulation. This delegated act specifies the content, methodology and presentation of the information that must be disclosed to the financial and non-financial companies in relation to the proportion of environmentally sustainable economic activities with regard to its commercial, investment or lending activities.

On 9 March 2022, the European Commission published Delegated Regulation 2022/1214 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards public disclosure of specific information on these economic activities.

On 27 June 2023, the European Commission adopted Delegated Regulation (EU) 2023/2486, which completes Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical selection criteria to determine in what conditions an economic activity will be considered to contribute substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to the prevention and control of pollution, or to the protection and recovery of biodiversity and ecosystems, and to determine whether such economic activity does not cause significant harm to any of the other environmental objectives. It also introduces amendments to Commission's Delegated Regulation (EU) 2021/2178, specifically with regard to the disclosure of specific public information on such economic activities.

On 27 June 2023, the Commission adopted Delegated Regulation (EU) 2023/2485, amending Delegated Regulation (EU) 2021/2139, establishing additional technical selection criteria to determine the conditions in which an economic activity contributes substantially to climate change mitigation or adaptation to climate change, and to determine whether that economic activity does not cause significant harm to any of the other environmental objectives.

Activity classification bases

In order to determine that an activity is "environmentally sustainable", it is necessary to start from the distinction established by the Regulation between two types of activities:

- **Eligible activities:** Those that have a significant impact on the achievement of any of the six environmental objectives set out in the Regulation, irrespective of whether that economic activity meets any or all of the technical selection criteria set out in those delegated acts.
- **Aligned activities:** Those that have a significant impact on the achievement of any of the six environmental objectives set out in the regulation and in addition:
 - Does not cause any detriment to the other environmental objectives set out in the Regulation
 - It complies with technical selection criteria established by the Commission.
 - It is carried out in accordance with the minimum guarantees set out in Article 18 of the Regulation.

Reporting obligations for the 2023 financial year

In accordance with the regulations in force on the date of formulation of this management report, Viscofan's reporting obligations with respect to the taxonomy are the following:

- For the objectives of mitigation and adaptation to climate change, Viscofan must report activities as eligible or non-eligible and whether they are aligned with the taxonomy, in the same way as in the previous year.
- For the other four environmental objectives, as set out in Article 10, paragraph 6 of Delegated Regulation (EU) 2021/2178, as amended in 2023 by Delegated Regulation (EU) 2023/2486, from 1 January 2024 to 31 December 2024 Viscofan is required to disclose the proportion of eligible and non-eligible economic activities according to the taxonomy under Delegated Regulation (EU) 2023/2486.

Analysis of implications for Viscofan

Analysis of eligibility with respect to the 6 environmental objectives

The Viscofan Group has conducted an analysis to identify the eligibility of the Group's activities with respect to the six environmental objectives:

The Traditional Business division, which represents 81% of the Viscofan Group's business volume (see note 20.1 of the consolidated report), includes the manufacture and distribution of cellulose, fibrous and collagen casings for sausages and other applications. This activity has not been identified by the European Commission as having a significant impact on any of the six environmental objectives, and, therefore, they are not eligible activities that are included in the annexes to the regulations described above.

The New Business division represents 12% of the Viscofan Group's business volume and encompasses several activities. Of these, the activity of manufacturing casings, films and bags obtained through the treatment of plastic polymers is included as an eligible activity in the objective of transition to a circular economy as the manufacturing of plastic containers. The rest of the division's activities are not eligible according to the taxonomy or are of little relevance.

Energy sales account for 7% of the Viscofan Group's business volume. They include the cogeneration activity, which in the Viscofan Group consists of the sale to third parties of the electricity that the Group does not use in the production process of its main activity, is included in Annexes 1 and 2 of the Regulation as an eligible activity with respect to the objectives of climate change mitigation and adaptation to climate change. The rest of the energy sales correspond to income from the sale of electricity transformed at the Zacapu facilities (Mexico), an activity that is not eligible according to the taxonomy.

Analysis of alignment with environmental objectives

Cogeneration

Viscofan has carried out alignment analysis of the cogeneration activity based on the provisions of Annex I of the Regulation, which includes the criteria that this activity must meet in order to be considered as making a substantial contribution to climate change mitigation.

In this regard, the technical criteria for selection of substantial contribution set out in section 4.30 (High efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels) of this Annex set a minimum level of greenhouse gas emissions for a cogeneration activity to be aligned that is technically impossible to achieve with the use of 100% fossil fuel, requiring the blending of non-fossil fuels and the development of new technologies that would allow such consumption.

In this respect, within the search for decarbonisation of its processes, Viscofan is being a pioneer and in 2022 and 2023, it has successfully completed use of a cogeneration engine with green hydrogen as fuel. Although a regular continuous supply of green hydrogen is not currently available, Viscofan has already installed two cogeneration engines with the capacity to partially use green hydrogen and thus be prepared for a rapid transition when such a supply becomes available.

Manufacture of casings, films and bags through the treatment of plastic polymers

Viscofan has carried out alignment analysis of this activity based on the provisions of Annex II of the Regulation, which includes the criteria that this activity must meet in order to be considered as making a substantial contribution to the transition to a circular economy.

Based on this analysis, the activity of manufacturing casings, films and bags through the treatment of plastic polymers does not meet the established technical criteria of circularity and reuse.

Although, Viscofan, within its objective of promoting a circular economy, has developed the eFAN casing, which contains up to 95% recycled or bio-based plastic material, and although for now sales of this product are low, Viscofan is seeking to increase their importance through commercial promotion and by improving supply sources. The Group's main plastic extrusion and converting centres have the certification of ISCC PLUS, a sustainability certification programme for bio-based and circular (recycled) raw materials not regulated as transport fuels, according to the European Renewable Energy Directive, for all markets and sectors.

Calculation of indicators

The main key performance indicators have been calculated in accordance with the EU Commission Delegated Regulation, which complements Regulation (EU) 2020/852 of the European Parliament and of the Council. This regulation details the content and presentation of the information that must be disclosed by companies subject to articles 19 bis or 29 bis of Directive 2013/34/EU in relation to sustainable economic activities from an environmental perspective. It specifies the method for complying with the obligation to disclose information about the presentation of data related to economically sustainable activities from an environmental point of view.

Calculation of the key performance indicator on turnover

For the calculation of the indicator, the accounts required by the Regulation have been identified in the denominator, the turnover being the amount included as "Sales and services rendered" (see note 20 of the Notes to the Consolidated Financial Statements).

For the calculation of the numerator, the amount of sales and service provision of the eligible activities has been used.

Calculation of the key performance indicator for capital expenditure (CapEx)

To calculate the CapEx indicator, the denominator includes total investments in intangible assets, investments in property, plant and equipment and investments in assets for rights of use of the Viscofan Group, see notes 5, 6 and 7 of the Notes to the Consolidated Financial Statements.

For the numerator, projects carried out during the year that can be considered as eligible activities for the CapEx indicator as indicated in Article 8 of the Regulation are taken into account.

Calculation of the key performance indicator for operating expenses (OpEx)

To calculate the OpEx indicator, the Viscofan Group's accounting accounts for research and development expenses, building renovation measures, short-term leasing expenses and maintenance and repairs or expenses to ensure the proper functioning of the assets have been identified. The sum of these accounts is the denominator.

For the numerator, the breakdown of the accounts by Cost Centre has been extracted by analysing the nature of the expenditure in order to identify whether it is associated with an eligible activity as indicated in Article 8 of the Regulation.

Economic indicators

This section includes the indicators by economic activity in relation to their eligibility and alignment with the Taxonomy of Sustainable Finance. They have been presented following the templates included in Commission Delegated Regulation (EU) 2021/2178, of 6 July 2021, modified by Commission Delegated Regulation (EU) 2023/2486, of 27 June 2023:

Information about activities related to fossil gas

This information responds to the reporting requirements of Delegated Regulation (EU) 2022/1214 of 9 March 2022 for the key performance indicators applicable to activities related to fossil gas. In particular, for Viscofan the cogeneration activity referred to in section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139.

Turnover

In million €	Year 2023			Substantial contribution criteria								Criteria for the absence of material injury						Proportion of turnover that conforms to the taxonomy, 2022	Category, Facilitating activity	Category, Transition activity
	ID	Absolute Turnover	Proportion of Turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Contamination	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Sustainability and protection of water and marine resources	Transition to circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees	%			
Economic activities																				
Row legend		€	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	T	
A. ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY																				
A.1 Environmentally sustainable activities (conforming to the taxonomy)																				
Turnover of environmentally sustainable activities (that conform to the taxonomy) (A.1)		0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	
A.2 Activities eligible according to the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																				
Row legend		€	%	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL		
High-efficiency cogeneration of heat/cooling and electricity from fossil fuels	CCM. 4.30.	79.5	6.5%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	7.1%	
Manufacture of plastic containers	CE. 1.1	109.5	8.9%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	
Turnover of activities eligible according to taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy) (A.2)		189.0	15.4%	6.5%	N/A	N/A	8.9%	N/A	N/A	N/A	8.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.1%	
Turnover from activities eligible according to taxonomy (A.1 + A.2)		189.0	15.4%	6.5%	N/A	N/A	8.9%	N/A	8.9%	N/A	8.9%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	7.1%	
B. INELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																				
Turnover from activities not eligible according to taxonomy		1,036.8	84.6%																	
TOTAL		1,225.8	100.0%																	

In million €	Year 2023		Substantial contribution criteria										Criteria for the absence of material injury						Proportion of CapEx that conforms to the taxonomy, 2022	Category, Facilitating activity	Category, Transition activity
	ID	CapEx	€	%	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Contamination	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Sustainability and protection of water and marine resources	Transition to circular economy	Pollution prevention and control	Protection and restoration of biodiversity and ecosystems	Minimum guarantees				
A. ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY																					
A.1 Environmentally sustainable activities (conforming to the taxonomy)																					
Economic activities			0.0	0.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%			
A.2 Activities eligible according to the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																					
	Row legend	€	€	%	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL				
	High-efficiency cogeneration of heat/cooling and electricity from fossil fuels	CCM- 4.30.	0.4	0.4%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	0.5%			
	Manufacture of plastic containers	CE. 1.1	7.4	8.8%	N/EL	N/EL	N/EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A			
	CapEx of activities eligible according to taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy) (A.2)		7.8	9.2%	0.4%	N/A	N/A	8.8%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.5%			
	CapEx of eligible activities according to taxonomy (A.1 + A.2)		7.8	9.2%	0.4%	N/A	8.8%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.5%			
B. INELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																					
	CapEx of ineligible activities according to taxonomy		76.3	90.8%																	
	TOTAL		84.1	100.0%																	

Legend: Y: YES; N/No; EL: Eligible; N/EL: Not eligible; CCM: Climate Change Mitigation; F: Facilitator; T: Transition

In million €	Year 2023		Substantial contribution criteria						Criteria for the absence of material injury						Proportion of OpEx that conforms to the taxonomy 2022	Category		
	ID	OpEx €	%	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Contamination	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Sustainability and protection of water and marine resources	Transition to circular economy	Pollution prevention and control			Protection and restoration of biodiversity and ecosystems	Minimum guarantees
Economic activities																		
Row legend				Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	F
A. ACTIVITIES ELIGIBLE ACCORDING TO TAXONOMY																		
A.1 Environmentally sustainable activities (conforming to the taxonomy)																		
OpEx of environmentally sustainable activities (that conform to the taxonomy) (A.1)		0.0	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	
A.2 Activities eligible according to the taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy)																		
Row legend				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL		
High-efficiency cogeneration of heat/cooling and electricity from fossil fuels	CCM. 4.30.	2.8	7.8%	EL	EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	6.4%	
Manufacture of plastic containers	CE. 1.1	1.2	3.4%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL	N/A	
OpEx of activities eligible according to taxonomy but not environmentally sustainable (activities that do not conform to the taxonomy) (A.2)		4.1	11.2%	7.8%	N/A	N/A	3.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.4%	
OpEx of eligible activities according to taxonomy (A.1 + A.2)		4.1	11.2%	7.8%	N/A	N/A	3.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.4%	
B. INELIGIBLE ACTIVITIES ACCORDING TO THE TAXONOMY																		
OpEx of ineligible activities according to taxonomy		32.5	88.8%															
TOTAL		36.5	100.0%															

Legend:
Y: YES; N: No; EL: Eligible; N/EL: Not eligible; CCM: Climate Change Mitigation; F: Facilitator; T: Transition

