

# EU TAXONOMY REGULATION: AN OVERVIEW OF OUR CONTRIBUTION

**Nordex Group's consolidated disclosures  
pursuant to Article 8 Taxonomy Regulation**

- Taxonomy eligibility
- KPIs and accounting principles
- Next step: EU Taxonomy alignment
- Internal processes and outlook

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## 1. Overview

The EU "Green Deal" comprises the ambitious goal of achieving CO<sub>2</sub> neutrality in Europe by 2050. To succeed in this, the EU Commission has defined a series of measures within the "Sustainable Finance" action plan to channel capital flows into environmentally sustainable activities. A core component is the EU Taxonomy Regulation 2020/852 ("Taxonomy Regulation"): This includes a uniform and legally binding classification system in order to classify economic activities as environmentally sustainable (= Taxonomy-aligned) activities.

According to the Taxonomy Regulation, an economic activity is considered Taxonomy-compliant if it:

- Makes a significant contribution to the achievement of one or more of a total of six environmental objectives, in accordance with Articles 10 to 16,
- Does not significantly impair the achievement of the five other environmental objectives (Do No Significant Harm – DNSH), in accordance with Article 17,
- Complies with minimum requirements for occupational safety and human rights at company level (social safeguards), in accordance with Article 18.

The Taxonomy Regulation obliges companies that are required to prepare a Non-financial Statement in accordance with Section 289b (1) and Section 315b (1) of the German Commercial Code (HGB) to report on these economic activities; this also applies to the Nordex Group. For the 2021 financial year and for the reporting period from 01 January 2022 onwards, companies need to report their contributions to the first two environmental objectives: "Climate change mitigation" and "Climate change adaptation" (Art. 27 Para. 2a Regulation (EU) 2020/852). Requirements for the further environmental objectives will be defined in 2022. In addition, for the first-time companies with a reporting obligation must disclose the proportion of Taxonomy-eligible and non-Taxonomy eligible economic activities in their total revenue as well as in their capital and operating expenses for the previous reporting year. Furthermore, the qualitative information relevant to disclosure in Section 1.2 of Annex I to the Delegated Act (EU) 2021/2178 is required.

The Nordex Group supports the Taxonomy Regulation as an important step towards a sustainable transformation of the economic system. For the 2021 reporting year we are presenting the assignation and the proportion of our taxonomy-eligible activities.

Many criteria of the environmental objectives of the Taxonomy Regulation are also included as topics embedded in the Nordex Group's Sustainability Strategy. We included the "Do No Significant Harm" (DNSH) criteria of the Taxonomy Regulation in our materiality analysis process, which forms the foundation of our new Sustainability Strategy 2025. In our Sustainability Strategy we focus on the topics of Climate Protection & Decarbonization, Environmental Protection, and Sustainable Products, among others. In these areas we have also set ourselves ambitious goals for reducing greenhouse gas emissions, climate-change adaptation, circular economy and wind turbine recycling, water efficiency, and reducing hazardous materials.

We see Nordex's business activities making the greatest contribution to the first environmental goal, "Climate change mitigation". At the same time, we are also contributing to "Climate change adaptation", for instance in product development by adapting our wind turbines to extreme climatic conditions. In order to avoid a double count we assign this contribution exclusively to the first environmental objective.

## 2. Our activities and assessment of Taxonomy eligibility

In the Sustainability Report we published the required information on Nordex's Taxonomy-eligible turnover, operating expenses (OpEx) and capital expenditure (CapEx) of Nordex's business activities in accordance with Article 8 Para. 2 of the EU Taxonomy Regulation for the environmental objectives of "Climate change mitigation" and "Climate change adaptation".

In our financial reporting, at the Nordex Group we distinguish our reporting between the business segments "Projects" and "Service".

- "Projects" comprises all activities related to the development, production, construction and commissioning of wind turbines.
- The "Service" segment comprises services and products for existing turbines after handover to the customer, in particular technical services such as maintenance, the remote monitoring of wind farms, as well as the repair and technical development of existing turbines.

In both segments we carry out activities that can be assigned to two EU Taxonomy activities as currently defined in the following table:

EU Taxonomy activity	Description	NACE Code	Allocation to Nordex Segment	Climate Protection	Climate Adaptation
3.1 "Manufacture of renewable energy technologies"	Production of rotor blades, nacelles and concrete towers for the manufacture and assembly of wind turbines	C28 C.28.11 ("manufacture of turbines")	Projects (proportionally)	✓	✓
7.6 "Installation, maintenance and repair of renewable energy technologies"	Provision of services for remote monitoring, preventive maintenance, and customer training as well as modernization, set-up and operationalization of wind turbines, wind farm system planning and project development business	C28 C.28.11 ("manufacture of turbines")  F42 F42.22 ("Installation of wind energy plants")	Projects (proportionally) Service	✓	✓

### 2.1 "Manufacture of renewable energy technologies" (3.1)

The Nordex Group has 13 own production sites for rotor blades, nacelles and concrete towers in Brazil, Denmark, Germany, India, Mexico (1st and 2nd quarters) and Spain for the assembly of wind turbines and thus manufactures renewable energy technologies within the meaning of Article 2 Para. 1 of Regulation (EU) 2018/2001.

Only Taxonomy-eligible turnover, OpEx and CapEx associated with our own production operations were derived from the "Projects" segment. Operations at our suppliers' production sites are not within the scope of the report.

### 2.2 "Installation, maintenance and repair of renewable energy technologies" (7.6)

The Service Area ("Service" segment) of the Nordex Group ensures the reliable and profitable operation of our high-performance wind turbines for customers. Around 320 Service branches are operated worldwide to ensure this. Nordex Service offers customers a broad service spectrum that includes complete solutions, from 24-hour remote monitoring, through preventive maintenance and customer training, to the complete

modernization of wind turbines. All Taxonomy-eligible turnover, OpEx and CapEx from this "Service" segment are assigned to Activity 7.6.

From the "Projects" segment we have included further operations related to the construction and commissioning of wind turbines, such as wind-farm system planning, assembly/installation, and technical implementation. In addition, we have projects in selected markets where we assume responsibility for project development: Here, the Nordex Group is developing its own portfolio of wind-farm projects, in some cases right from the initial development stage. To support sales, the company's Finance Department advises customers on project financing via national and international commercial banks.

### **2.3 Supporting activities**

We have included further economic activities from the Climate Delegated Act as Taxonomy-capable which, if viewed strictly, are not directly associated with activities 3.1 and 7.6 and thus our core business activities, but have an indirect and/or "supportive" effect on our revenues. The activities result in "supportive" investment expenditures and overheads and are considered individually as a service under CapEx and OpEx. These include, for example, part of our vehicle fleet for administrative staff, and the lease of buildings for our administration:

- 6.5 Transport by motorbikes, passenger cars and light commercial vehicles
- 7.7 Acquisition of and ownership of buildings

### **2.4 Our non-Taxonomy eligible activities**

The core of our business activities corresponds to the Taxonomy-eligible activities of the Taxonomy Regulation. Certain individual items of turnover, CapEx and OpEx cannot be directly attributed to EU Taxonomy activities, even if in the broader sense they serve to maintain Nordex's overall business activity. These items include administrative activities such as Sales and Distribution, Human Resources, and Real Estate Management.

### 3. Our KPIs and accounting principles

Key Performance Indicators (KPIs) include turnover, CapEx and OpEx. For the 2021 reporting year, the share of KPIs of Taxonomy-eligible and non-Taxonomy eligible economic activities was calculated in accordance with Article 8 Para. 2 of Regulation (EU) 2020/852. The Consolidated Financial Statements are prepared in accordance with Section 315e of the German Commercial Code (HGB) to the International Financial Reporting Standards (IFRS). All IFRSs standards and interpretations of the International Financial Reporting Interpretation Committee (IFRIC) that are binding for the 2021 financial year are also relevant for the Consolidated Financial Statements items included in the calculation of the KPIs. The IFRS accounting and valuation principles apply equally to these items (see Notes to the Consolidated Financial Statements p. 103).

#### Turnover, CapEx, OpEx KPIs totals (absolute / proportions)

Key Performance Indicators (KPIs)	Total (in million EUR)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of non-Taxonomy eligible economic activities (in %)
Revenue	5,444.0	99.99	0.01
CapEx	221.1	94.86	5.14
OpEx	74.7	92.40	7.6

#### 3.1 Turnover

For the proportion of Taxonomy-eligible turnover these revenues are considered in relation to the Nordex Group's total turnover. The denominator of the turnover KPI is based on the turnover reported in the income statement. Nordex's revenue mainly comprises income from the manufacture and installation of wind turbines, as well as income from servicing wind turbines.

The proportion of Taxonomy-eligible turnover therefore originates from the "Projects" and "Service" business segments and forms the numerator of the revenue KPI (see Segment Report, p. 122f. to the Annual Report 2021).

The proportion of Taxonomy-eligible turnover was determined based on the definition of the EU Taxonomy Regulation (Article 8 Para. 2a of Regulation (EU) 2020/852) and the supplement to Regulation (EU) 2020/852, Annex I. The numerator of the revenue KPI is defined as the net revenue generated by the products and services related to the Taxonomy-eligible economic activities.

99.9% of Nordex's business activities are Taxonomy-eligible.

#### 3.2 CapEx KPI

The proportion of Taxonomy-eligible investment expenditure was determined based on the definition of the EU Taxonomy Regulation (Article 8 Para. 2c of Regulation (EU) 2020/852) and the supplement to Regulation (EU) 2020/852, Annex I). The CapEx KPI is defined as Taxonomy-eligible CapEx (numerator) divided by total investment capital expenditure as defined in the EU Taxonomy (denominator).

At the Nordex Group, the denominator of the investment capital expenditure KPI consists of the following items:

- Additions to property, plant and equipment, under IAS 16.73,
- Additions to intangible assets, under IAS 38.118,
- Additions to leased assets, under IFRS 16.53 (see Statement of changes in property, plant and equipment and intangible assets, Annual Report 2021, p. 158).

Contrary to Nordex's usual definition, the definition of CapEx considered here also includes the additions of "right-of-use" assets, under IFRS 16.

The numerator was determined based on the internal organizational structure and consists of the following categories of the EU Taxonomy (supplement to Regulation (EU) 2020/852, Annex I):

- (a) Capital expenditure that relates to assets or processes associated with taxonomy-aligned economic activities,
- (c) Capital expenditure that relates to the acquisition of production from taxonomy-aligned economic activities and individual measures that enable the target activities to become low-carbon or reduce greenhouse gas emissions.

On this basis, an assignment was made to activities 3.1 and 7.6 as well as to the supporting activities 6.5 and 7.7. Organizational units to which activities cannot be unequivocally assigned are not Taxonomy-eligible. Capital expenditure that relates to category c) can be clearly identified by the internal organizational structure, thus avoiding double counting.

The Nordex Group's CapEx expenditures are 94.86% Taxonomy-eligible.

### **3.3 OpEx KPI**

The proportion of operating expenses was determined based on the definition of the EU Taxonomy Regulation (Article 8 Para. 2b of Regulation (EU) 2020/852) and the supplement to Regulation (EU) 2020/852, Annex I.

At the Nordex Group, the expenditure that forms the basis for the OpEx KPI consists of the following items:

Operating expenditure for non-capitalized internal activities in relation to research and development (see Annual Report 2021, p. 131)

- Leasing expenses from current leases, under IFRS 16.5 (see Annual Report, p. 148),
- Leasing expenses from the rental of leased assets of low value,
- Operating expenses related to repair and maintenance activities (see Annual Report, p. 147).

The "OpEx" KPI is defined as Taxonomy-eligible OpEx (numerator) divided by total operating expenditure, as defined by the EU Taxonomy (denominator).

The numerator was determined based on the internal organizational structure and consists of the following categories of the EU Taxonomy (supplement to Regulation (EU) 2020/852, Annex I):

- (a) Operating expenditure that relate to assets or processes associated with taxonomy-aligned economic activities,
- (c) Operating expenditure that relates to the acquisition of production from taxonomy-aligned economic activities and individual measures that enable the target activities to become low-carbon manner or reduce greenhouse gas emissions.

On this basis, an assignment was made to activities 3.1 and 7.6 as well as to the supporting activities 6.5 and 7.7. Organizational units to which activities cannot be unequivocally assigned are not Taxonomy-eligible. Operating expenditures related to category c) can be clearly identified by the internal organizational structure, thus avoiding double counting.

The OpEx of the Nordex Group are 92.4% Taxonomy-eligible.

## **4. First suggestions for EU Taxonomy alignment**

By 2023, the Nordex Group has to inform about its EU Taxonomy alignment in accordance with Article 8 of the EU Taxonomy Regulation and the Delegated Acts. As they are issued contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case, we communicate the following information under reserve. We assume that the Nordex Group business activities make a significant contribution to the first and second environmental goal "Climate change mitigation" and "Climate change adaptation", have no significant impairment of the other environmental objectives and comply with minimum protection measures (social safeguards).

### **4.1 Contribution to the first two environmental objectives**

#### **Climate change mitigation**

Through its business model, the development and installation of high-performance wind turbines, Nordex is playing a key role in the rapid implementation of the energy transition and the corresponding promotion of renewable energies. Our wind turbines contribute to avoiding several million metric tons of greenhouse gas emissions annually. This way we are making a strong contribution to the first environmental objective, "Climate change mitigation", which is demonstrated by the key indicator of avoided emissions, so-called Scope 4 emissions: In 2021 alone, Nordex's wind turbines successfully avoided almost 60 Mt of CO<sub>2</sub>e emissions<sup>1</sup> worldwide.

Apart from our wind turbines, as part of our Sustainability Strategy we are also addressing targets for reducing the Group's CO<sub>2</sub> footprint at Group level. The Nordex Group became a member of the Science Based Targets initiative (SBTi) in 2021 and thus publicly committed to science-based emissions reduction. Emissions reduction targets for Scopes 1, 2 and 3 will be developed in 2022 and corresponding timelines will be set for achieving these. In addition, the identification and development of a Climate Action Plan for emissions reduction is also being launched.

Furthermore, Nordex has set itself the goal of climate neutrality based on Scope 1 and 2 by 2023 and plans to further reduce the climate impact of its business activities as part of its climate strategy.

#### **Climate change adaptation**

Every year, the Nordex Group assesses the probability of climate risks associated with current regulations, technological and market developments (transitory risks) as well as those related to physical events (physical risks). In order to better understand the impacts and prepare ourselves proactively to seize potential opportunities and mitigate risks, we are planning a detailed analysis as part of our climate strategy. Aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures<sup>2</sup> (TCFD), for 2022 we have set ourselves the goal of carrying out a comprehensive Climate Risk and Vulnerability Assessment of our physical and transitory climate risks that meet the requirements of the criteria in the "Climate change adaptation" objective. Following this we will launch the development of a plan to adapt the Nordex Group to any identified climate risks in order to mitigate their potential impact as far as possible.

In summary, we see Nordex's business activities making the greatest contribution to the first environmental objective, "Climate change mitigation". At the same time, Nordex is also contributing to "Climate change adaptation", for instance in product development by

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<sup>1</sup> For more information on the calculation basis, see Sustainability Report 2021 page 35.

<sup>2</sup> See also <https://www.fsb-tcfid.org/>



adapting our wind turbines to extreme climatic conditions. In order to avoid a double count, we assign this contribution exclusively to the first environmental objective.

#### **4.2 No significant impairment of environmental objectives**

We assume that our business activities will not significantly impair any of the environmental objectives. However, there are still many uncertainties regarding the application of the EU Taxonomy Regulation. We have already started to examine our degree of compliance with the DNSH criteria associated with the individual environmental goals in the 2021 reporting year and will communicate them transparently in the upcoming Sustainability Report 2022. We can already provide an initial outlook:

- The Nordex Group complies with the legal and regulatory requirements established in the respective regions. Many of these criteria are well-established foundations of our business activities.
- For Activities 3.1 and 7.6 an examination of the further environmental objective "Climate change adaptation" is required. For several years now the Nordex Group has been tackling climate-related risks arising from physical and transitory developments. For example, the results of this analysis include changes in weather conditions as well as in legal requirements, and are integrated in the development of new turbine types, among other processes. In the 2022 reporting year we will examine the depth of data resulting from this investigation in more detail, based on a detailed Climate Risk and Vulnerability Assessment in accordance with TCFD requirements.

#### **Other necessary criteria for Activity 3.1 "Manufacture of renewable energy technologies"**

- We comply with the relevant legislation on the environmental objective of "**Sustainable use and protection of water and marine resources**". According to our current knowledge, all sites have an operating permit that specifies the environmental requirements for their operations.
- To progress towards the objective of "**Transition to a circular economy**", within our new Sustainability Strategy we have set ourselves ambitious targets for our various production areas (rotor blades, nacelles, concrete towers). Our goal is to produce completely recyclable rotor blades by 2032 and to gradually increase the proportion of secondary materials and recycled components by 2025. Our wind turbines are already 85-95% recyclable. How the transition to a circular economy can succeed is also being investigated, for example, by the WindEurope Sustainability Working Group as well as by the cross-industry Global Alliance for Sustainable Energy, in which Nordex is actively involved.
- In the Nordex Group we have an environmental management system in place to ensure "**Pollution prevention and control**". We have set ourselves the goal of reducing and replacing our use of hazardous materials wherever possible. Currently, some hazardous materials are used in production which are tested for compatibility with the company's own guidelines before approval as production materials. The Nordex Group will carry out further investigations in 2022.
- No significant impairments have been identified for the environmental objective of "**Protection and restoration of biodiversity and ecosystems**". No Nordex production sites are located in biodiversity-sensitive areas; all sites are located in industrial areas. In addition, in the year under review the Nordex Group began to examine its sites for the occurrence of protected species as well as species on the International Union for Conservation of Nature (IUCN) Red List.

#### **4.3 Compliance with minimum protection measures**

Nordex's business operations 3.1 Manufacture of renewable energy technologies and 7.6. Installation, maintenance and repair of renewable energy technologies are based on specific principles defined in our respective Codes of Conduct as common benchmarks for

responsible, legally compliant action by our employees and suppliers. All our business decisions and activities are governed by our claim to uphold and promote human rights worldwide. In accordance with our Codes of Conduct, the ethical guidelines of the UN Global Compact and the Organisation for Economic Co-operation and Development (OECD), as well as the United Nations Universal Declaration of Human Rights that stipulate zero tolerance for child labor, forced labor, discrimination, or retaliation, provide fundamental ethical guidance for all our business activities.

Our Codes of Conduct for Nordex employees and suppliers, as well as details of our efforts to ensure compliance with occupational health and safety as well as human rights, are set out [here](#).

## **5. Internal processes and outlook**

In order to determine the Taxonomy eligibility of our business activities, the Sustainability Department assumed a coordinating role and set up a Working Group consisting of members from various departments that include Global Sustainability, Accounting, Controlling, Investor Relations, Corporate Development and Risk Management. In addition, we commissioned consultancy by external experts to ensure the correct and unified interpretation of the legal requirements.

The review of EU Taxonomy requirements regarding the DNSH criteria was launched in cooperation with other departments during the reporting period. The Nordex Group is also active in VDMA and WindEurope working groups on the application and interpretation of the EU Taxonomy Regulation.

Further information and a conclusion with limited assurance can be found in the separate Non-financial Group Report (included in the Sustainability Report 2021) based on the assurance engagement of our auditor PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

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