



The ENGAGE Templates Version 1.0: EU Taxonomy Compliance for Mortgages

Monday, 25 March 2024



Co-funded by the
European Union



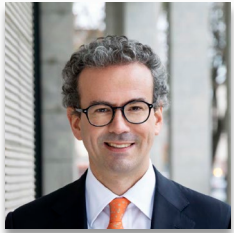


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Today's speakers



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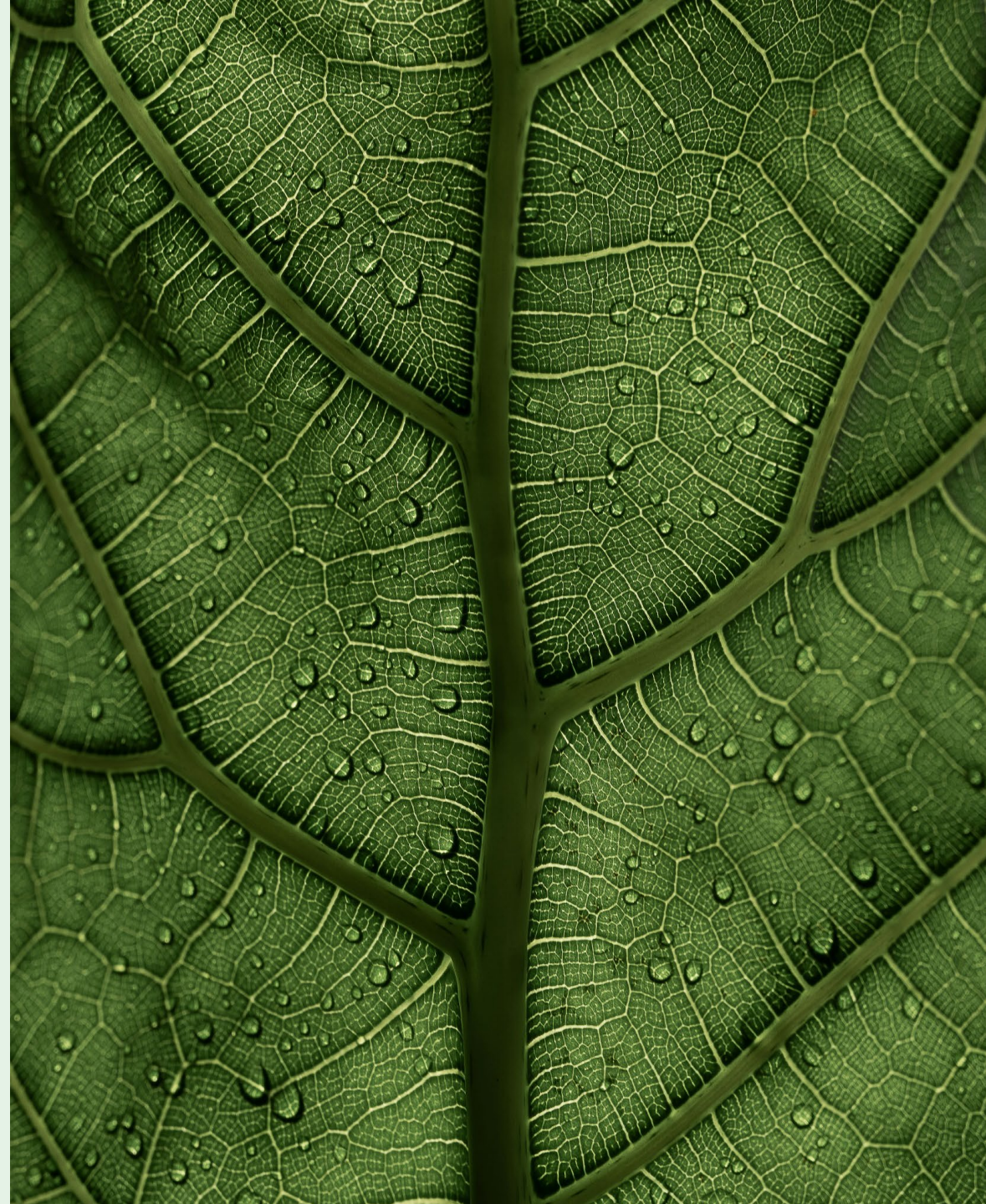
Agenda

- 15:00 Welcome & Introduction of the ENGAGE for ESG initiative
 Marco Angheben, European DataWarehouse & Project Coordinator
- 15:10 Relevant policy and regulatory developments
 Vincent Mahieu, Hypoport
- 15:20 **Unlocking the ENGAGE Templates and their benefits**
 Vincent Mahieu, Hypoport
 Gianluca Ginelli, European DataWarehouse
- 15:50 **Questions & Answers**
 Marco Angheben, European DataWarehouse



Welcome & Introduction of the ENGAGE for ESG initiative

Marco Angheben, European DataWarehouse





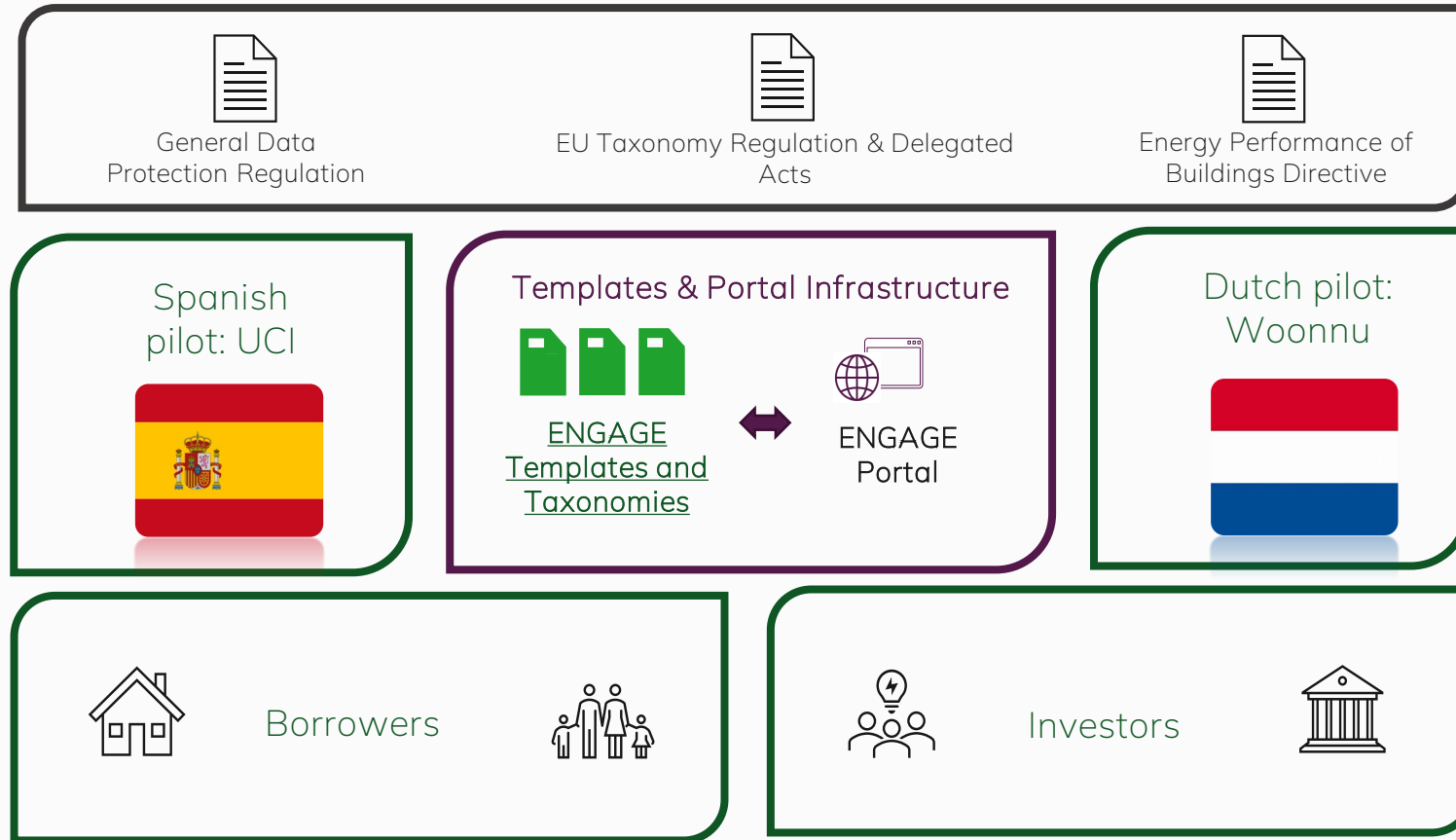
The ENGAGE for ESG initiative

- The ENGAGE for ESG initiative aims to contribute to the goals of the EU Green Deal, namely, to the activation of sustainable investments in the building sector, by promoting ESG transparency for residential mortgages and home renovation loans.
- The ENGAGE Templates 1.0, released in November 2023, include data elements that allow financial institutions to disclose the alignment of their mortgages with the EU Taxonomy requirements in line with the Substantial Contribution Criteria of the Climate Delegated Act for the economic activities of acquisition and ownership of real estate, as well as the minimum safeguards.
- The Templates will also enable the assessment of the degree of sustainability for mortgages and the classification of investments for certain mortgages as “sustainable” according to the EU Taxonomy.
- The Templates will be updated and expanded over the coming years to incorporate the most relevant European sustainability regulations. They will be operationalised through the ENGAGE Portal, a dedicated IT infrastructure currently under development.
- All institutions are invited to test the Templates and the Portal upon request to engage4esg@eurodw.eu



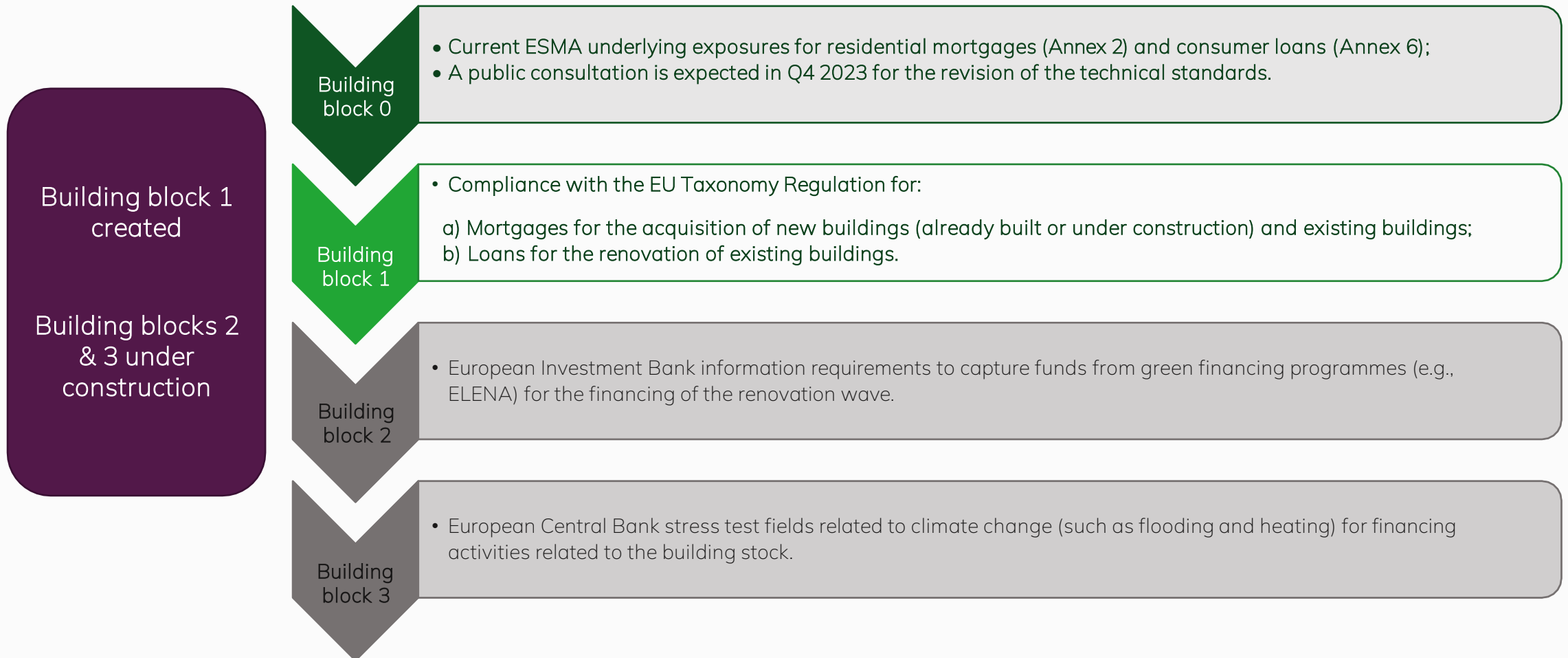
ENGAGE: The High-Level Concept

- A future proof format for real estate data encompassing Europe's most relevant regulatory and sustainable finance requirements
- Converting regulatory sustainable finance regulation into requirements incorporating both the consumer and the financial institution perspective





ENGAGE Templates Structure





Relevant policy and regulatory developments

Vincent Mahieu, Hypoport



Update on recent structured finance developments

On 5 March 2024 the European Commission adopted the RTS on PAI disclosure in STS securitisations

- The RTS introduce new metrics to report on for securitisations.
- Specifically relevant for structures where the underlying exposure is real estate.
- Relevant formulas set out in the second subparagraph of Annex I to Delegated Regulation (EU) 2022/1288 shall apply.
- The Commission Delegated Regulation is under scrutiny and will enter into force on the twentieth day following its publication in the Official Journal of the European Union.

Table 1: Indicators applicable to the assets financed by residential loans

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
	Adverse sustainability indicator	Metric	Impact [reference period n]	Impact [reference period n-1]	Explanation
Indicators applicable to the assets financed by residential loans					
Fossil fuels	1. Exposure to fossil fuels used for heating or electricity generation	Share of underlying exposures secured by real estate assets that use fossil fuels for heating generation and electricity generation.			
Energy efficiency	2. Exposure to energy-inefficient real estate assets	Share of underlying exposures secured by energy-inefficient real estate assets.			

Source: Annex of the RTS on PAI disclosure in STS securitisations

Definition of “inefficient real estate assets” according to Annex I to Commission Delegated Regulation (EU) 2022/1288

‘inefficient real estate assets’ means the real estate assets calculated in accordance with the following formula and where ‘nearly zero-energy building (NZEB)’, ‘primary energy demand (PED)’ and ‘energy performance certificate (EPC)’ shall have the meanings given to them in Article 2(2), (5) and (12) respectively of Directive 2010/31/EU of the European Parliament and of the Council ⁽²⁶⁾:

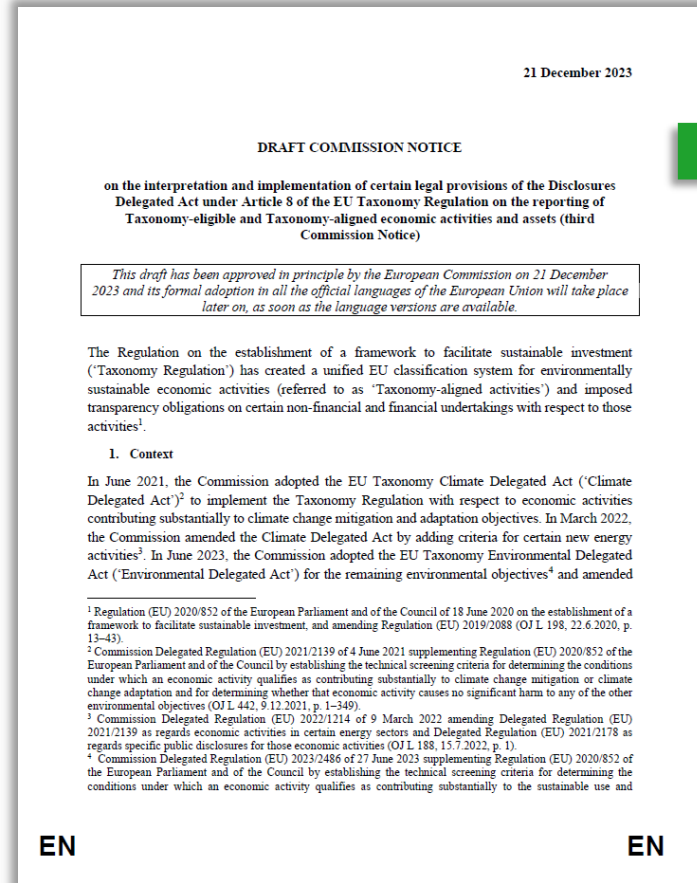
$$\frac{((\text{Value of real estate assets built before 31/12/2020 with EPC of C or below}) + (\text{Value of real estate assets built after 31/12/2020 with PED below NZEB in Directive 2010/31/EU}))}{\text{Value of real estate assets required to abide by EPC and NZEB rules}}$$



Sustainable finance policy and regulatory developments (1/3)

Publication of draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU Taxonomy Regulation.

- The document is the third Commission Notice.
- This document focuses on Disclosures Delegated Act (DDA).
- Although this is a draft document – likely not much will be changed – before it becomes the final version.



Top 5 findings for real estate

- 1 Answer 19: When a Member State changes NZEB criteria a reassessment of the EU Taxonomy-alignment should take place.
- 2 Answer 20: Financial undertakings may choose to apply any of the two variants of SCC 7.7.1.
- 3 Answer 23: the fact that buildings with expired EPC class A labels are automatically in the top 15% performance bracket alone would not on its own suffice to ascertain their Taxonomy-alignment.
- 4 Answer 34: Confirmation that Taxonomy-alignment should be reviewed, where necessary, annually.
- 5 Answer 37: Entity that claims Taxonomy-alignment must check compliance with the Minimum Safeguards.



Sustainable finance policy and regulatory developments (2/3)

ECB Climate and Nature Plan 2024 – 2025 Roadmap

The ECB has taken stock of the progress made since the climate agenda 2022 and decided to expand the work on climate change.

In 2024 and 2025 the ECB will focus on three areas:

1. The implications of the green transition;
2. The physical impact of climate change; and
3. The risks that nature loss and degradation pose to the economy and financial system.

EUROPEAN CENTRAL BANK | EUROSISTEM

CLIMATE AND NATURE PLAN 2024-2025 - ANNEX: OUR ROADMAP

Published as part of the climate and nature plan 2024-2025 on 30 January 2024. More information can be found in the related press release on the ECB's website.

		H1/2024	H2/2024	H1/2025	H2/2025
Continue and expand	Macroeconomic and financial stability analysis	Incorporate green transition policies into conjunctural analysis and macroeconomic models			
		Further develop risk monitoring and the macroprudential policy framework, and continue work on sustainable finance			
	Stress testing and scenarios	Contribute to the Fit-for-55 stress test			
		Chair the workstream of the Network for Greening the Financial System on Scenario Design and Analysis, leading the development of short-term scenarios and the provision of regular updates and improvements of long-term scenarios			
	Monetary policy strategy and implementation	Implement climate-related pool limits in the collateral framework assuming all technical conditions are in place			
		Introduce climate-related disclosure requirements in the collateral framework from 2026			
		Consider climate change in the preparation of monetary policy decisions			
	Banking supervision	Assess and follow up on banks' alignment with ECB supervisory expectations			
		Perform various supervisory actions on climate and environmental aspects, including preparatory work on transition planning			
	Climate-related data	Regularly expand and release updates of climate change-related indicators			
Acquire and provide climate-related data and integrate climate data points into the ECB's own data collections					
Payments, banknotes and market infrastructure	Consider environmental aspects in the preparatory phase of the design of a digital euro				
	Consider the relevance of environmental risks in the oversight of financial market infrastructures				
	Eco-design of the next euro banknote series and of banknotes with 100% organic cotton by 2027				
Environmental performance of the ECB's own operations and portfolios	Implement the Environmental Management Programme for 2022-2024 to continuously improve the ECB's environmental performance		Publish and implement the Environmental Management Programme for 2025-2027 to continuously improve the ECB's environmental performance		
	Continue to green the ECB's non-monetary policy portfolios and disclose progress				



Sustainable finance policy and regulatory developments (3/3)

The European Parliament adopted the Energy Performance of Buildings Directive (EPBD) IV recast.

The EPBD is the primary European Directive aimed at improving the sustainability of buildings.

Revision was necessary to contribute to the tightened goals in the European Climate Law and to enhance the EU's energy independence.

All Member States will need to maintain or accelerate the pace of building sustainability to achieve the climate goals.

The energy label classes will not be harmonized at European level.

For new construction, zero-emission building (ZEB) will become the new standard from 2030, replacing Nearly Zero-Energy Buildings (NZEB).

Existing buildings must be ZEBs by 2050. This standard will already apply to new public buildings from 2028.

The formal Council vote will take place during the Ecofin Council on Friday, April 12. Afterwards, the Directive will be officially published. Member States will then have two years to incorporate the revised EPBD into national law.

P9_TC1-COD(2021)0426

Position of the European Parliament adopted at first reading on 12 March 2024 with a view to the adoption of Directive (EU) 2024/... of the European Parliament and of the Council on the energy performance of buildings (recast)

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 194(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Acting in accordance with the ordinary legislative procedure³,



Unlocking the ENGAGE Templates and their benefits

Vincent Mahieu, Hypoport

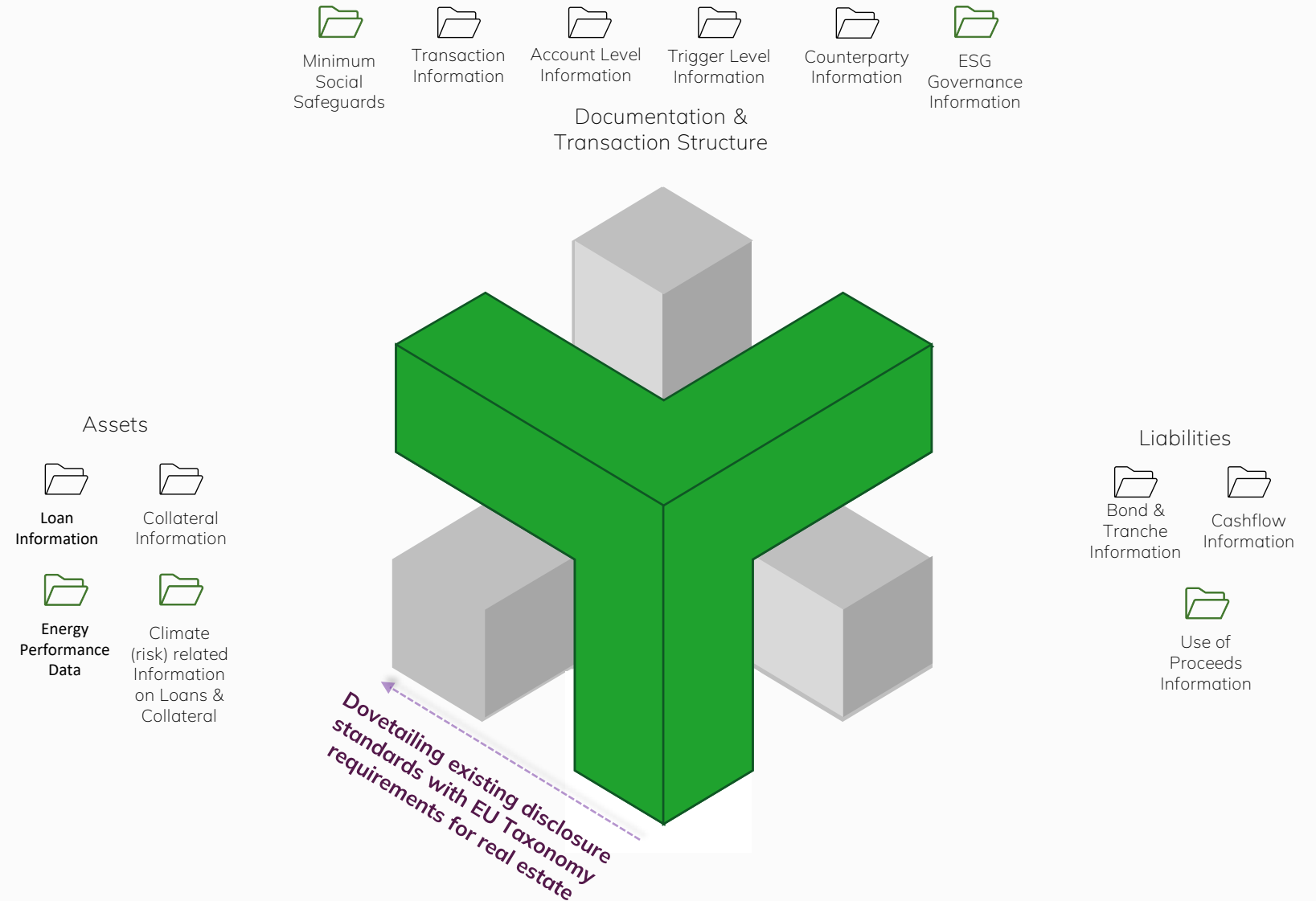
Gianluca Ginelli, European DataWarehouse



ENGAGE Templates structure

Dovetailing – Common denominators

- ✓ By identifying common denominators among regulatory disclosure requirements, financial institutions can simplify and streamline their reporting processes.
- ✓ This will reduce the time, costs and resources required to comply with multiple regulations.
- ✓ Finding common denominators among regulatory disclosure requirements will facilitate cross-border investments in residential real estate.
- ✓ By creating an EU-wide mortgage disclosure standards and promoting consistency in reporting requirements, investors can have greater confidence in sustainable financial products.





ENGAGE Templates structure based on the ESMA disclosure templates

Information Type	EU Securitisation Regulation disclosure Annex	Field Code Designator	Section	Total # Fields	Data Level
Assets	Annex 2 :RRE	RREL	Underlying exposures information section	82	Loan-level
		RREC	Collateral information section	23	Building-unit level
Documentation & Transaction Structure	ANNEX 12: NON-ABCP_INV_REP	IVSS	Securitisation information section	44	Aggregated on SPV level
		IVSR	Tests/Events/Triggers information section	10	Aggregated on SPV level
		IVSF	Cash-flow information section	6	Aggregated on SPV level
Liabilities	ANNEX 14: NON-ABCP_INSIDE_INFORMATION_OR_SIGNIFICANT_EVENT	SESS	Securitisation information section	24	Aggregated on SPV level
		SEST	Tranche/bond-level information section	42	Information as per debt tranche level.
		SESA	Account-level information section	7	Information as per relevant cash account level.
		SESP	Counterparty-level information section	9	Information as per relevant counterparty level

The EU Taxonomy is the common denominator of many sustainable finance regulations.



ENGAGE Templates structure

New: Add-On →

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Information Type	EU Securitisation Regulation disclosure Annex	Field Code Designator	Section	Total # Fields	Data Level	ENGAGE Add-On
Assets	Annex 2 :RRE	RREL	Underlying exposures information section	82	Loan-level	
		RREC	Collateral information section	23	Building-unit level	
	ENGAGE specific (new files)	EREC	ENGAGE Extended Collateral File		Quantitative	Additional information for the checking of SCC and DNSH criteria to identify the relevant energy performance metrics on a building (unit) level.
Documentation & Transaction Structure	ANNEX 12: NON-ABCP_INV_REP	IVSS	Securitisation information section	44	Aggregated on SPV level	
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		IVSF	Cash-flow information section	6	Aggregated on SPV level	
	ENGAGE specific (new files)	EGFF	ENGAGE Governance File (aggregated information)		Qualitative	Qualitative Information with reference towards Minimum Safeguards, top-15% and other relevant documentation
Liabilities	ANNEX 14: NON-ABCP_INSIDE_INFORMATION_OR_SIGNIFICANT_EVENT	SESS	Securitisation information section	24	Aggregated on SPV level	
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The ENGAGE Templates– are an add-on to the existing ESMA disclosure templates



ENGAGE Templates structure

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Assets	Annex 2 :RRE	RREL	Underlying exposures information section	82	Loan-level	
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Documentation & Transaction Structure	ENGAGE specific (new files)	EGFF	ENGAGE Governance File (aggregated information)		Qualitative	Qualitative Information with reference towards Minimum Safeguards, top-15% and other relevant documentation



For a mortgage portfolio only, these sections are relevant, because there is no liability or transaction structure.

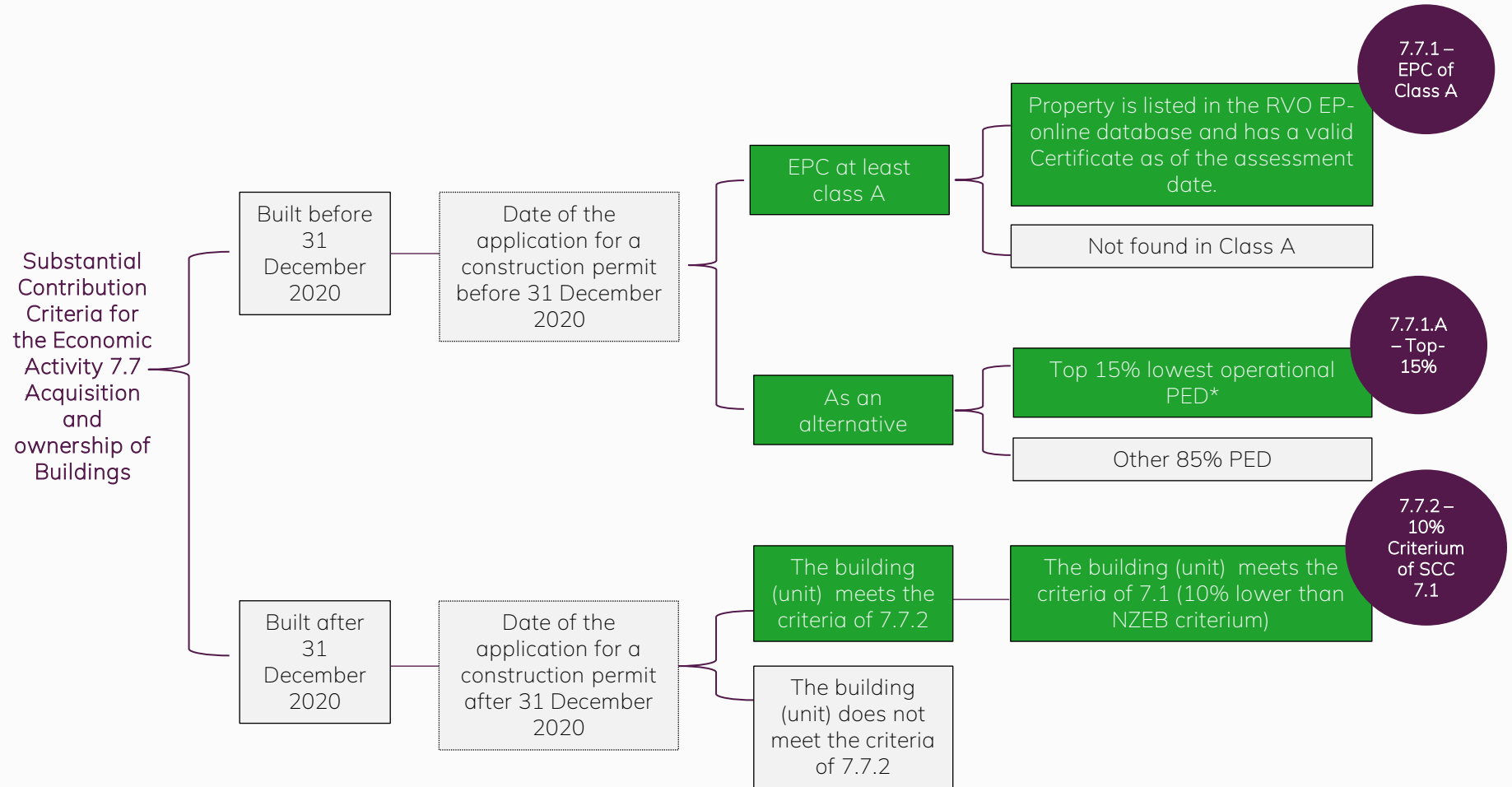
The ENGAGE Templates are transaction-agnostic. They can be used for many transaction structures such as ABS, RMBS, covered bonds and mortgage loan portfolios. The ENGAGE Templates are flexible and modular.



The ENGAGE Templates: summary

When developing **version 1.0** of the ENGAGE Templates, the ENGAGE consortium has considered:

- ✓ The ENGAGE Templates are **an add-on to existing market best practices**
- ✓ ENGAGE Templates are **scalable**. Meaning that if in the first phase the focus is on the EU Taxonomy, other elements can be incorporated at a later timeframe.
- ✓ **Continuous improvement and innovation:** The framework is designed to facilitate continuous improvement and innovation. This includes mechanisms for gathering and incorporating user feedback, as well as staying up-to-date with technological advancements and industry best practices.



The EU Taxonomy is the common denominator of many sustainable finance regulations



ENGAGE: a solution based on the EC Q&A of December 2022

Section	NACE	Substantial contribution to Climate Change Mitigation of Annex I	Footnote
7.7 Acquisition and ownership of buildings	L68	<p>1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A.</p> <p>As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.</p> <p>2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.</p>	Not Applicable

7.7.1 – EPC of Class A

7.7.1.A – Top-15%

7.7.2 – 10% Criterium of SCC 7.1

In this version of the template, we have focussed on the Substantial Contribution Criteria that are relevant for energy efficient buildings – both existing and new buildings. As we follow a phased approach, we deemed it most appropriate to begin here, with economic activity 7.7 as:

- (existing) real estate tends to be the largest part of the balance sheet of European lending institutions.
- The whole (current) balance of the loan can be attributed towards Taxonomy alignment or the Green Asset Ratio (GAR) if the TSC are met.
- These criteria are relatively straightforward to apply contrary to more challenging criteria such as the TSC for renovation loans and DNSH criteria.
- In addition, it is important that the criteria for new properties can be directly applied to identify and fund energy efficient new constructions.

We have divided activity 7.7 into 3 sub-sections

ENGAGE: a prelude based on the Q&A of December 2022

1) EPC methodologies differ per country or sometimes within a country. Some jurisdictions use energy demand instead of energy consumption. As long as it is an official Energy Performance Certificate this does not matter.



104. As of today many Energy Performance Certificates (EPC) in some Member States are based on energy consumption rather than energy demand. Can these consumption-based energy certificates be used as an equal basis to prove Taxonomy-alignment?

If it is an officially produced EPC, it can be accepted, and used on equal terms.

2) The NZEB EPC (should) contain(s) the PED and corresponding (relevant) threshold.



105. What are the actual Nearly Zero-Energy Buildings (NZEB) thresholds in each Member State (region)?

This information can be obtained from national authorities. Any new building in the EU should have an Energy Performance Certificate (EPC), and the EPC indicates the relevant value for the respective building and how it compares to reference values, such as NZEB.

3) The date of submission of the application is the relevant date for deciding which TSC to apply. Particularly relevant for new construction. This is also relevant for the top-15% analysis. This is relevant in determining which criteria to apply of SCC 7.7 before and after 31-12-2020. This answer has overlap with A143.



106. For the activity “Construction of new buildings” in Section 7.1., is the date of submission of the building application decisive for the technical screening criteria to be applied?

Yes, the date of submission of the complete application is the relevant date for deciding which TSC apply at that point in time.

ENGAGE: a prelude based on the Q&A of December 2022

4) Overall conclusion is that the TSC allow for a residential property under construction to be considered under Section 7.7 (from the consumer / user perspective) and not require it to be considered under Section 7.1.



107. Is the scope of the activity “Construction of new buildings” in Section 7.1. only limited to companies constructing the new buildings or also companies, which commission the construction of buildings (e.g. car manufacturing company which contract a construction company to build an office building)?

This applies to both construction companies and entities that commission a new building. However, the way they can claim relevant turnover/CapEx/OpEx as Taxonomy-eligible/aligned may differ, and for the entity owning the building it is also possible to use the relevant criteria in Section 7.7. of Annex I.

5) Lending to a (prospective) homeowner is a SCC 7.7 activity. SCC 7.1 does not need to be applied towards homeowners.



144. For buildings built after 31 December 2020, can the construction phase of a newly constructed property be considered as being part of the acquisition process? Can the drawn part of a construction mortgage loan therefore be considered under Section 7.7 (“Acquisition and ownership of buildings”), paragraph 2? Put differently: should Section 7.7 paragraph 2 only be used for buildings that have been completed or also for buildings that are being built? Or alternatively, should the consumer be seen as the entity undertaking the economic activity of Section 7.1 (“Construction of new buildings”) and the realised part of a property be considered for EU Taxonomy alignment according to 7.1 only?

In the case of the construction of a new building, for the construction company (and for its revenues to be considered under the EU Taxonomy), the criteria under Section 7.1. apply. For the owner of the new building (whether it acquires the building through an acquisition, or if it is building its own building), the value of the building can be considered under the EU Taxonomy based on the criteria under Section 7.7.

6) Lending to a (prospective) homeowner is a SCC 7.7 activity. SCC 7.1 does not need to be applied towards homeowners.



147. Can the construction of a building for own use count towards the activity “Construction of new buildings” in Section 7.1. or “Acquisition and ownership of buildings” in Section 7.7.?

Yes, the construction of a new building for own use can be covered under Section 7.1 “Construction of new buildings”, or Section 7.7 “Acquisition and ownership of buildings”.



ENGAGE: a prelude based on the Q&A of December 2022

107. Is the scope of the activity “Construction of new buildings” in Section 7.1. only limited to companies constructing the new buildings or also companies, which commission the construction of buildings (e.g. car manufacturing company which contract a construction company to build an office building)?

This applies to both construction companies and entities that commission a new building. However, the way they can claim relevant turnover/CapEx/OpEx as Taxonomy-eligible/aligned may differ, and for the entity owning the building it is also possible to use the relevant criteria in Section 7.7. of Annex I.

144. For buildings built after 31 December 2020, can the construction phase of a newly constructed property be considered as being part of the acquisition process? Can the drawn part of a construction mortgage loan therefore be considered under Section 7.7 (“Acquisition and ownership of buildings”), paragraph 2? Put differently: should Section 7.7 paragraph 2 only be used for buildings that have been completed or also for buildings that are being built? Or alternatively, should the consumer be seen as the entity undertaking the economic activity of Section 7.1 (“Construction of new buildings”) and the realised part of a property be considered for EU Taxonomy alignment according to 7.1 only?

In the case of the construction of a new building, for the construction company (and for its revenues to be considered under the EU Taxonomy), the criteria under Section 7.1. apply. For the owner of the new building (whether it acquires the building through an acquisition, or if it is building its own building), the value of the building can be considered under the EU Taxonomy based on the criteria under Section 7.7.

Who receives the financing?

Undertaking

Does the building unit fulfil the criteria of section 7.1 of Annex I of the EU Climate Delegated Act?

Homeowner

Does the building unit fulfil the criteria of section 7.7 of Annex I of the EU Climate Delegated Act?

The type of person (legal/physical) receiving the finance determines the relevant economic activity



ENGAGE Templates: SCC 7.7.1

Section	NACE	Substantial contribution to Climate Change Mitigation of Annex I	Footnote
7.7 Acquisition and ownership of buildings	L68	1. For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A.	Not Applicable

Interpretation:

- At the reporting or assessment date the EPC of the building unit should be of Class A.
- The application date of the construction permit is needed to assess if the building is built before 31 December 2020.
- An EPC of Class A is needed (A, A+, A++, A+++, A++++ also satisfies this condition).
- A certificate should be present with a valid validity date, as of the assessment date, irrespective of the methodology.



Field Code	Field Name
RREL1	Unique Identifier
RREL3	New Underlying Exposure Identifier
RREL5	New Obligor Identifier
RREL6	Data Cut-Off Date
RREL30	Current Principal Balance
EREC1	General Activity Designation
EREC2	Construction Year
EREC3	Construction permit application date
EREC4	Energy Performance Certificate (EPC) Class
EREC5	Estimated or officially produced Energy Performance Certificate (EPC)
EREC6	Issuance date of most recent available Energy Performance Certificate (EPC) registration
EREC7	Energy Performance Certificate (EPC) Validity Length

Key considerations:

- The application date of the construction permit is needed to assess if the building is built before 31 December 2020. For some it is clear that the building was built before 31 December 2020.
- Note Answer 104 of the Q&A: EPC methodologies differ per country or sometimes within a country. Some jurisdictions use energy demand instead of energy consumption. As long as it is an official EPC, this does not matter.



ENGAGE Templates: SCC 7.7.1 Alternative (top-15%)

Section	NACE	Substantial contribution to Climate Change Mitigation of Annex I	Footnote
7.7 Acquisition and ownership of buildings	L68	As an alternative, the building is within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence, which at least compares the performance of the relevant asset to the performance of the national or regional stock built before 31 December 2020 and at least distinguishes between residential and non-residential buildings.	Not Applicable

Key considerations:

- The application date of the construction permit is needed to assess if the building is built before 31 December 2020.
- There are a range of varying estimation techniques available to perform a top-15% study.
- We have facilitated flexibility of the method in the ENGAGE Templates and we have emphasised the message of the European Commission in the Q&A that the methodology should be public and transparent.
- Therefore, we have incorporated the numerator and denominator that is used in the top-15% assessment and some background information in the ENGAGE Templates, so that stakeholders can understand the methodology and study that is applied.



Field Code	Field Name
RREL1	Unique Identifier
RREL3	New Underlying Exposure Identifier
RREL5	New Obligor Identifier
RREL6	Data Cut-Off Date
RREL30	Current Principal Balance
EREC1	General Activity Designation
EREC2	Construction Year
EREC3	Construction permit application date
EREC18	Building unit in top-15% indicator
EREC19	Top15_Explanatory Variable
EREC20	Top15_Object Reference Value
EREC21	Top15_Object Threshold Value
EGFF1	Top15_Document Name
EGFF2	Top15_Document Issuance Date
EGFF3	Top15_Document URL
EGFF4	Top15 Document Geographic Scope
EGFF5	Top15 Numerator
EGFF6	Top15 Denominator
EGFF7	Top15 Methodology Description



ENGAGE Templates: SCC 7.7.2 (1/2)

Section	NACE	Substantial contribution to Climate Change Mitigation of Annex I	Footnote
7.7 Acquisition and ownership of buildings	L68	2. For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex that are relevant at the time of the acquisition.	Not Applicable



Section	NACE	Substantial contribution to Climate Change Mitigation of Annex I	Footnote
7.1 Construction of New Buildings	F41.1, F41.2, F43	Constructions of new buildings for which: The Primary Energy Demand (PED) ²⁸² , defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council ²⁸³ . The energy performance is certified using an as built Energy Performance Certificate (EPC).	²⁸² : The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m ² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC). ²⁸³ : Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

Interpretation:

- The EU Taxonomy requires building units with a construction permit application date after 31 December 2020 to be built according to the NZEB criteria and the PED should be 10% less than the locally applicable threshold value.
- As of 31 December 2020, NZEB should be implemented in the EU according to the Energy Performance of Buildings Directive (EPBD III). As part of this Directive, the PED should be recorded and displayed on the EPC.



ENGAGE Templates: SCC 7.7.2 (2/2)

Section	NACE	Substantial contribution to Climate Change Mitigation of Annex I	Footnote
7.1 Construction of New Buildings	F41.1, F41.2, F43	<p>Constructions of new buildings for which:</p> <p>The Primary Energy Demand (PED)²⁸², defining the energy performance of the building resulting from the construction, is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council²⁸³. The energy performance is certified using an as built Energy Performance Certificate (EPC).</p>	<p>²⁸²: The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).</p> <p>²⁸³: Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).</p>

Key considerations:

- The application date of the construction permit is needed to assess if the building is built after 31 December 2020, see answer 106 of the Q&A.
- Assess if NZEB is incorporated in the jurisdiction. Also see answer 105 of the Q&A.
- Answer 109 of the Q&A states: *“For the energy threshold, this depends on national regulations, i.e. if the EPC applies to the whole building, or to each apartment. Whichever is the requirement at national level, it should apply for both residential and non-residential buildings. The correct EPC will be provided in any case, in line with the national regulations. For identical apartments, having normally identical EPCs, a limited sub-set can be used. However, if there are different types of apartments, with different EPCs, all types need to be checked.”*
- Answer 114 of the Q&A states that the TSC applicable at the time of the building permit should be used (i.e. the date of the complete application for receiving the building permit).
- Answer 115 of the Q&A states that for new buildings, either an EPC (valid for 10 years) or an EPC as-built are valid.



Field Code	Field Name
RREL1	Unique Identifier
RREL3	New Underlying Exposure Identifier
RREL5	New Obligor Identifier
RREL6	Data Cut-Off Date
RREL30	Current Principal Balance
EREC1	General Activity Designation
EREC2	Construction Year
EREC3	Construction permit application date
EREC5	Estimated or officially produced Energy Performance Certificate (EPC)
EREC6	Issuance date of most recent available Energy Performance Certificate (EPC) registration
EREC7	Energy Performance Certificate (EPC) Validity Length
EREC8	Energy Performance Certificate (EPC) Methodology
EREC10	EU-Equivalent Energy Performance Certificate (EPC) Method / EPBD-Regime
EREC11	Primary Energy Demand (PED) of the building
EREC12	Estimated or officially produced Primary Energy Demand (PED)
EREC15	Nearly zero-energy building (NZEB) threshold



6. ENGAGE Templates: Minimum Safeguards

Article	Text
18	<p>Minimum safeguards</p> <p>1.The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</p> <p>2.When implementing the procedures referred to in paragraph 1 of this Article, undertakings shall adhere to the principle of ‘do no significant harm’ referred to in point (17) of Article 2 of Regulation (EU) 2019/2088.</p>

Interpretation:

- When addressing the question of who undertakes this economic activity, we arrive at the conclusion that in our specific context, it is the (prospective) homeowner. The term “undertaking” is not defined in the context of the Taxonomy Regulation. The term “undertaking” is commonly understood to refer to a corporation, business entity, or an organized enterprise, rather than an individual.
- The (prospective) building owner is exercising ownership – and thus carrying out the economic activity. A financial institution is facilitating this via a mortgage loan – financing the economic activity - of buying real estate.

Field Code	Field Name
EGFF8	Description on how Minimum Safegaurds are complied with
EGFF9	URL towards MSS Issuer Statement
EGFF10	Environmental Objective
EGFF11	Link alignment with the OECD Guidelines for Multinational Enterprises
EGFF12	Link towards UN Guiding Principles on Business and Human Rights
EGFF13	Link towards eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

We deem, with the current guidance, the Minimum Safeguards of the Taxonomy Regulation in the context of (mortgage) lending for residential properties to homeowners - more concretely for the economic activities of 7.2 – 7.7 of the Climate Delegated Act – Annex I, not to be applicable to households as we do not consider these to be undertakings.



ENGAGE Templates usage

Excerpt of first version of the ENGAGE Templates

- Add-on to ESMA disclosure templates
- First version of the template is based on Substantial Contribution Alignment for the activity Acquisition & Ownership of Real Estate.
- The fields to indicate alignment with the criteria.
- ENGAGE fields are conditional on the section of Annex I of the Climate Delegated Act for which the alignment is checked.
- By applying the filters, you can check the data fields that are applied to assess the criteria.
- We apply a phased approach. Data fields for e.g. renovations and DNSH criteria will be created in the next versions.

Building block 1: Field Optional for the calculation of:

Minimum Safeguards	Section 7.7.1 - EPC class A	Section 7.7.1 - Top 15%	Section 7.7.2 or 7.1 - PED 10% lower NZEB																																																																																																																																																												
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Questions & Answers


Marco Angheben, European DataWarehouse





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