



The ENGAGE Portal Features & Unique Characteristics to Streamline EU Taxonomy Alignment

Thursday, 21 November 2024





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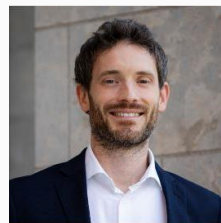
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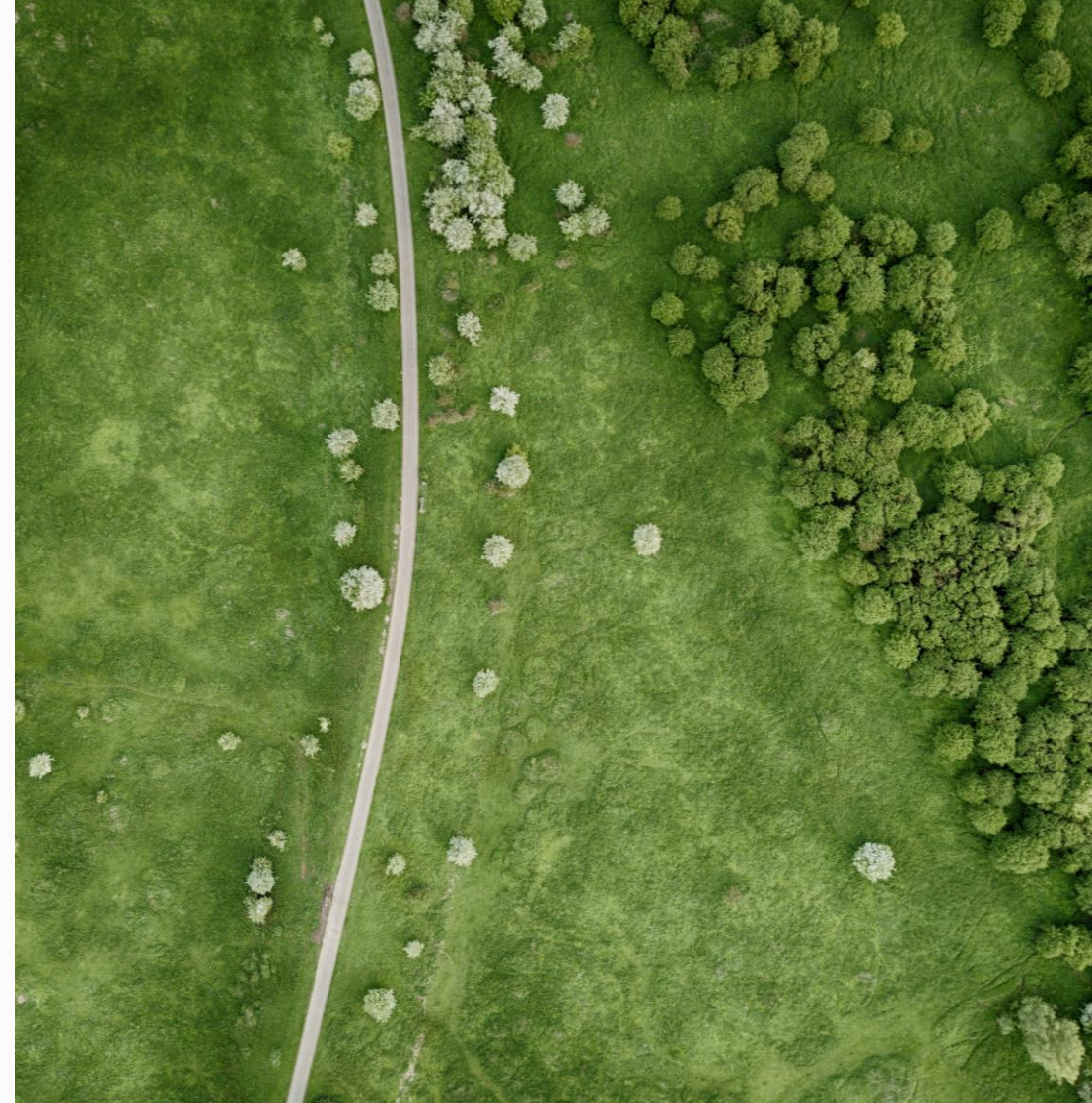


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Agenda

- Welcome and introduction
- Regulatory update
- The ENGAGE Templates: version 1.1 and upcoming version 1.2
- The ENGAGE Portal and the ENGAGE Taxonomy alignment report
- How to Become a Test User via the ENGAGE Portal
- Next ENGAGE for ESG webinars





Introduction of the ENGAGE for ESG initiative

Vincent Mahieu

Hypoport





The ENGAGE for ESG initiative

- ENGAGE for ESG is a market-driven initiative, co-funded by the EU, aimed at developing and maintaining a future-proof standard for residential real estate loans and ESG data.
- The primary focus of ENGAGE is to align with the EU Taxonomy-related disclosures, a fundamental element of EU sustainable finance regulation, by developing and creating:
 - ENGAGE Templates: enhancing existing mortgage and home renovation loan disclosure frameworks through a flexible system of add-on templates for various regulatory standards. These add-ons are market-designed and built with transparency in mind.
 - ENGAGE Portal: providing a platform where stakeholders can evaluate ESG criteria with complete transparency. The Portal also functions as a secure data room and potentially, as a repository for sustainable disclosures.
- Version 1.1 of the ENGAGE Templates is accessible [upon request](#).
- All institutions are invited to test the Templates and the Portal upon request to engage4esg@eurodw.eu
- Scope: EU, residential (mortgage) loans, EU Taxonomy, EIB disclosures, CSRD



Over 60 EU financial institutions joined and requested the ENGAGE Templates

EUROPEAN
DATAWAREHOUSE

 **HYPOPORT**

UCI

woonnu

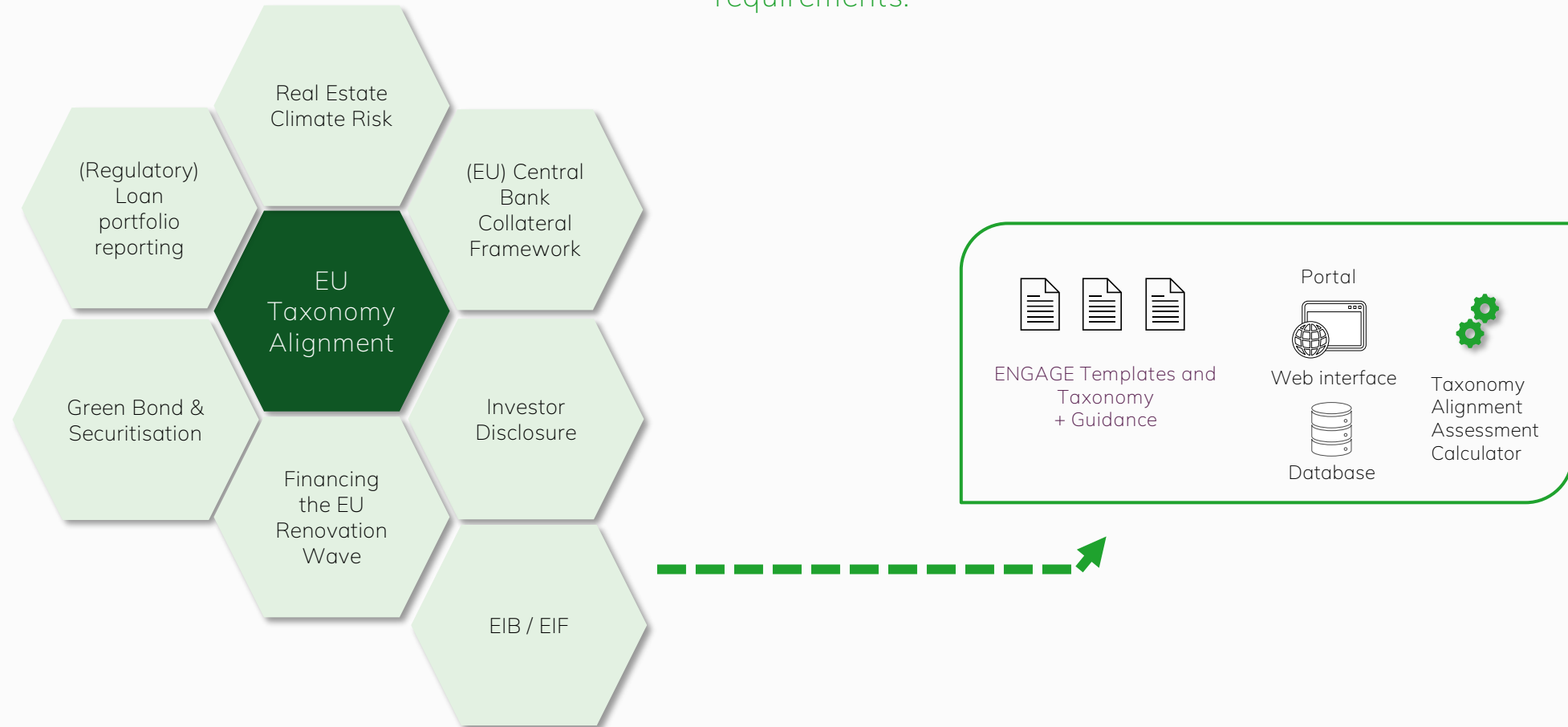

DEXAI
ARTIFICIAL ETHICS



Università
Ca' Foscari
Venezia

Scope for ENGAGE: the EU Taxonomy

A future proof format for real estate data, encompassing Europe's most relevant (regulatory) sustainable finance requirements.



EU Taxonomy is the common denominator of many sustainable finance regulations



The EU Taxonomy – Scope for ENGAGE

- The EU Taxonomy is a regulation that constitutes the cornerstone of the EU Sustainable Finance Action Plan.
- The EU Taxonomy provides a common language and uniform criteria to identify the extent to which economic activities may be considered environmentally sustainable.
- Its aim is to reorientate capital flows towards lower-emission economic activities that will help decarbonize the economy.
- The EU hopes to reach its 2030 climate targets and the ultimate goal of net-zero greenhouse gas emissions by 2050.
- The EU Taxonomy defines the minimum criteria that economic activities should comply with in order to be considered environmentally sustainable.

EU Taxonomy Alignment Steps

Substantial
Contribution
Criteria

+

Do No Significant
Harm

+

Minimum
Safeguards

=

Sustainable Activity

Additional
Technical
Screening
Criteria
Available



Taxonomy
Regulation

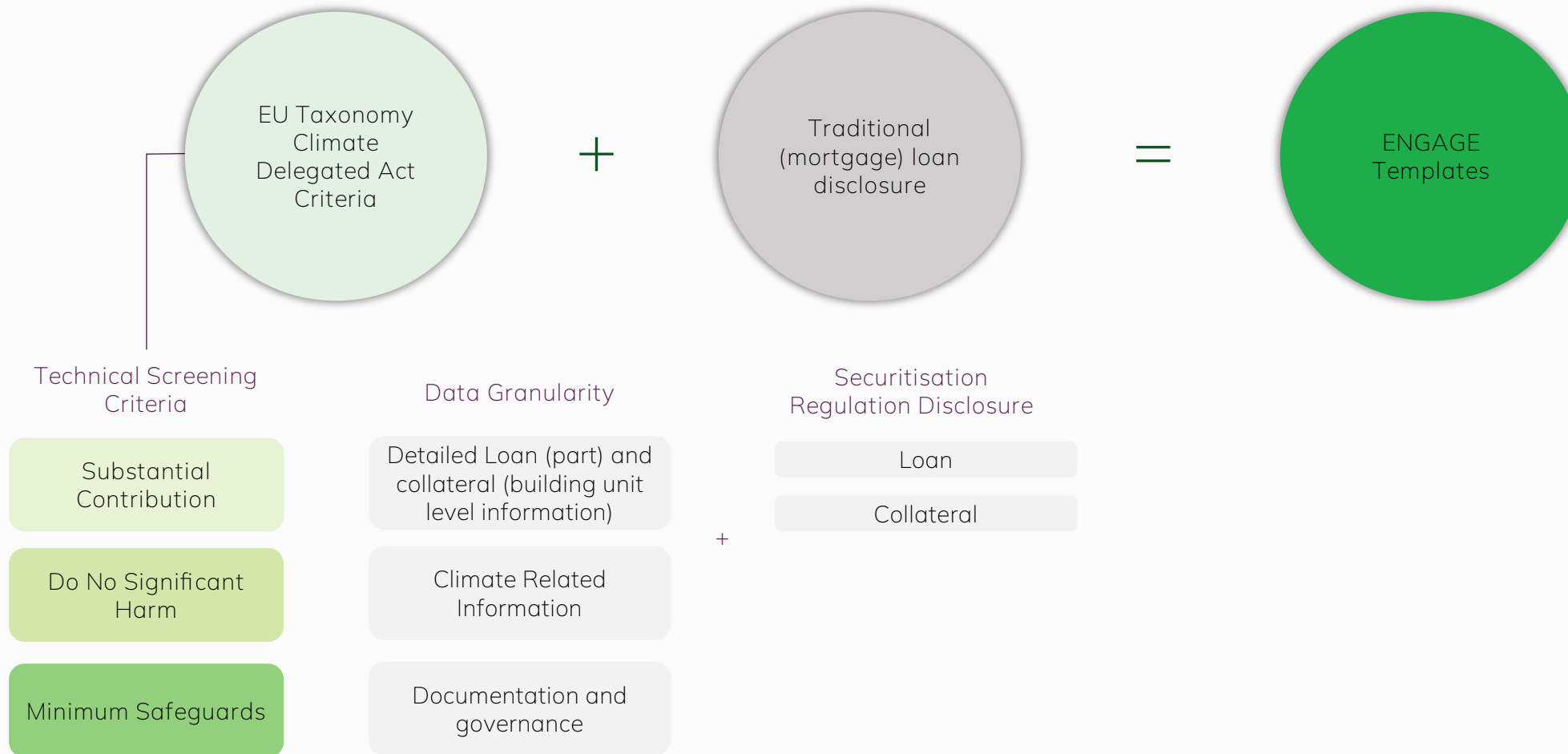


Climate Delegated
Act

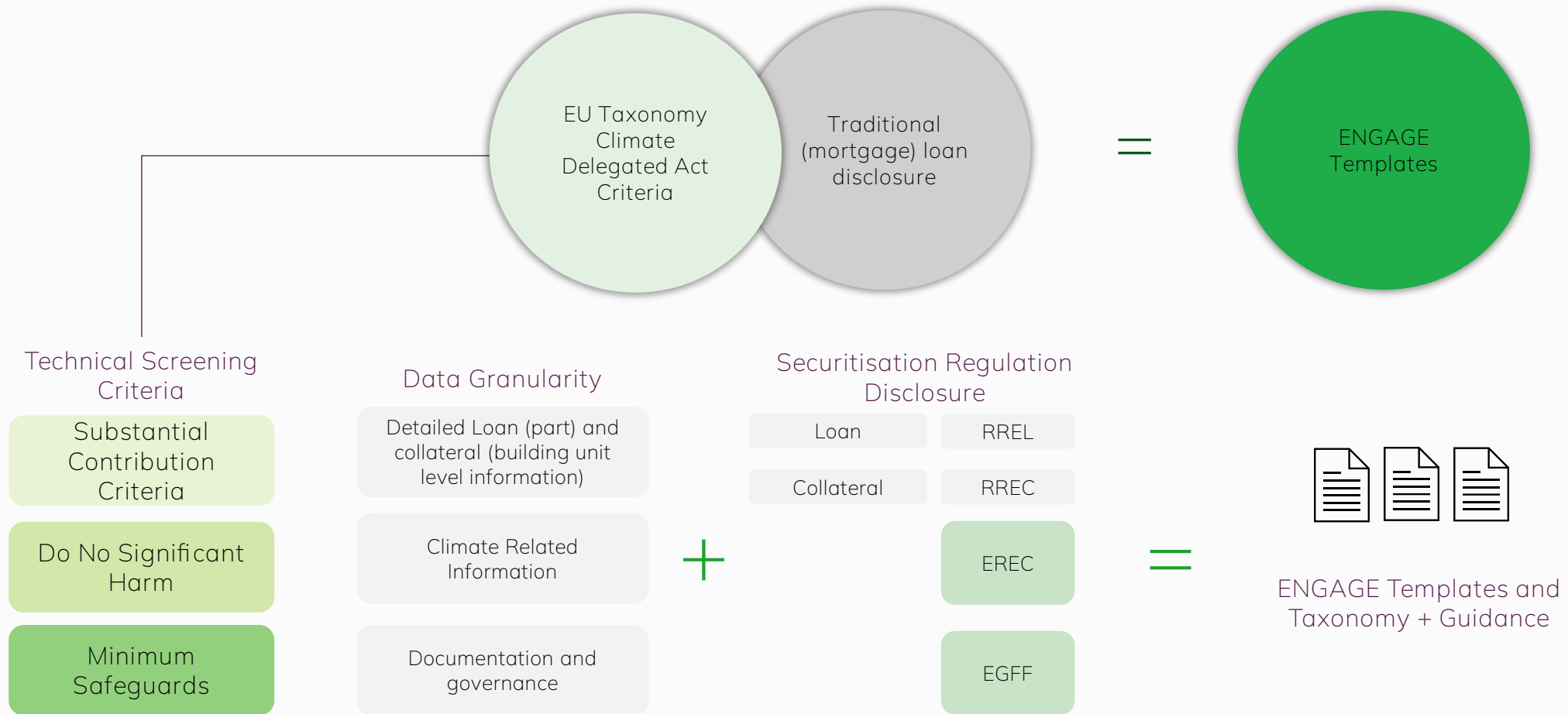


Annex I –
Climate Change
Mitigation

The EU Taxonomy – Scope for ENGAGE



The EU Taxonomy – Scope for ENGAGE



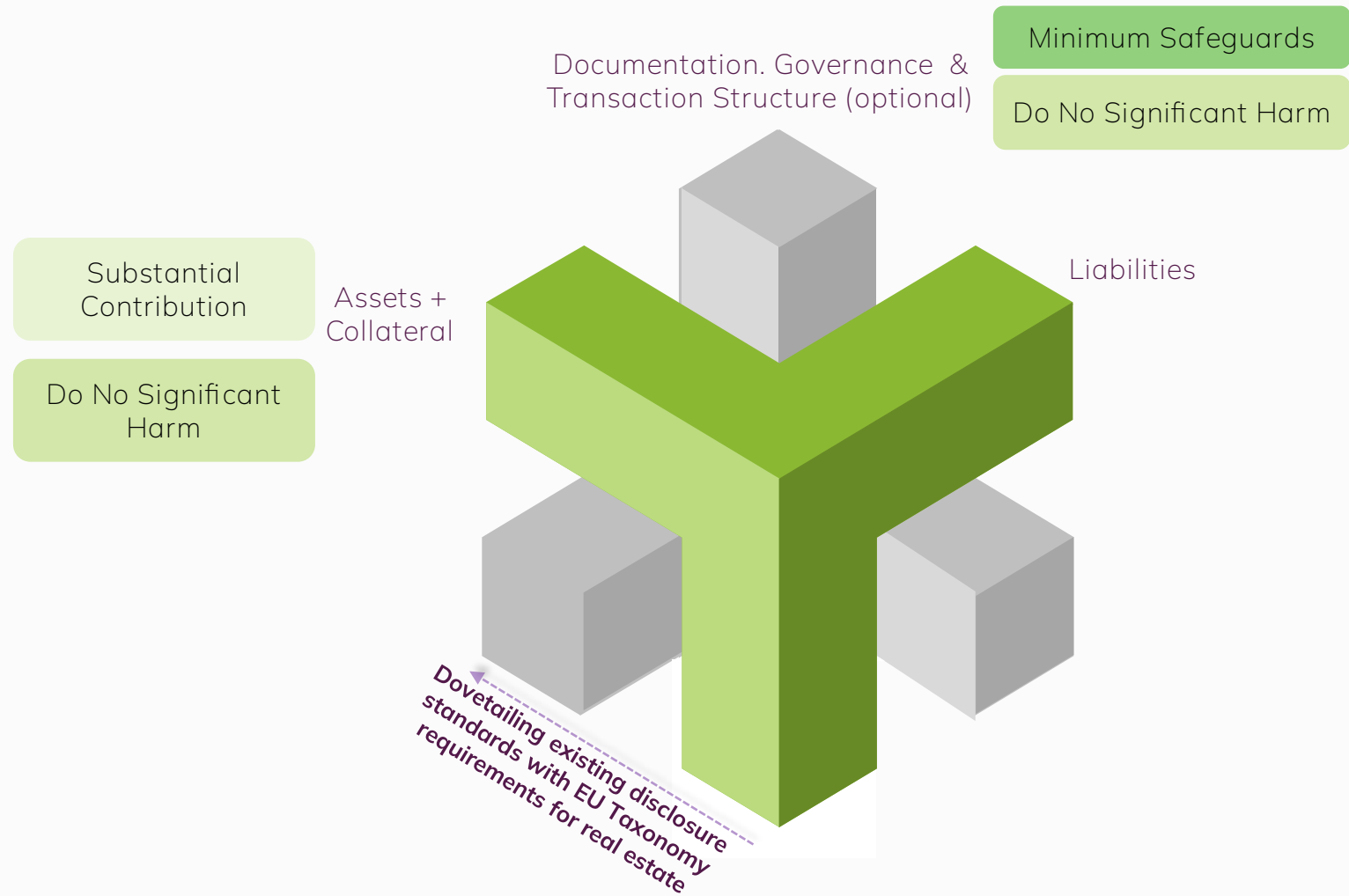
Combining the data requirements of the EU Taxonomy with common mortgage loan disclosure format(s).



ENGAGE Templates Structure

Dovetailing – Common Denominators

- ✓ By identifying common denominators among regulatory disclosure requirements, financial institutions can simplify and streamline their reporting processes.
- ✓ This is expected to reduce the time and resources required to comply with multiple regulations, allowing financing institutions to focus on their core business.



The ENGAGE Templates can be used for mortgage portfolios, funds, securitisations and covered bonds



Regulatory update

Vincent Mahieu

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Hellenic Financial Stability Fund Sustainability Report 2023

On 20 November 2024 the Hellenic Financial Stability Fund (HFSF) published its Sustainability Report for 2023.

The report covers the HFSF's ESG approach and its role in the banking sector of Greece, in particular, its role in strengthening the sustainable financing and climate transition of Greek banks.

In its report, the HFSF supports the ENGAGE for ESG initiative and urges Greek banks to join the initiative to support the increase of sustainable finance and promote better monitoring and measurement for banks' lending portfolios.



The full HFSF Sustainability Report 2023 is available at <https://hfsf.gr/en/hfsfs-esg-sustainability-report/>

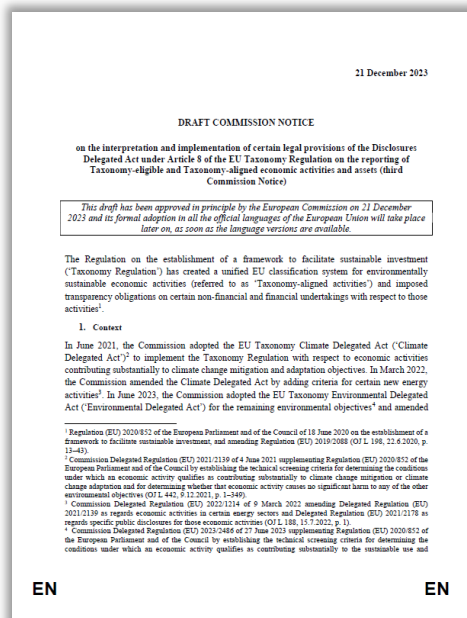


Update – Sustainable Finance developments

The Commission Notice (Q&As) on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act was published in November 2024 in the Official Journal of the European Union.

We will revisit some of the most important findings, relevant for the application of Substantial Contribution Criteria.

We explain how this will affect the ENGAGE Templates in more detail.



Top 6 Findings – for real estate

1

Answer 19: When a member State changes NZEB criteria a reassessment of 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 22: Extrapolation and estimation of EPCs based on national statistics is not allowed for alignment calculations.

4

Answer 23: Expired EPCs of Class A are not automatically in the Top-15% bucket.

5

Answer 34: Confirmation that taxonomy-alignment should be reviewed annually.

6

Answer 37: Entity that claims EU Taxonomy Alignment must check Minimum Safeguards for e.g. solar panels financed towards retail clients

The ENGAGE Templates can be used for mortgage portfolios, funds, securitisations and covered bonds



Update – Sustainable Finance developments

Top 6 Findings – for real estate

1

Answer 19: When a Member State changes NZEB criteria a reassessment of EU Taxonomy Alignment should take place.

2

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19. The criteria for substantial contribution to CCM in Section 7.1. (“Construction of new buildings”) and Section 7.7. (“Acquisition and ownership of buildings”) of the Climate Delegated Act refers to the nearly zero emissions building (NZEB) criteria, which are defined at national level. When a Member State changes NZEB criteria, should financial undertakings reassess the Taxonomy-alignment of the buildings that they finance by taking into account the new NZEB criteria?

Yes. The TSC laid down in Sections 7.1. and 7.7. of Annex I to the Climate Delegated Act refer to NZEB requirements, **which are defined at national level**. Therefore, the **grandfathering** treatment specified in Article 7(5) of the Disclosures Delegated Act for loans and instruments where the use of proceeds is known in cases where TSC are amended **does not apply** to the situation when a **Member States changes the NZEB criteria in its jurisdiction**. Hence, as of when changes to these NZEB criteria become applicable, **exposures by financial undertakings to the relevant real estate assets should be reassessed for the purposes of claiming their Taxonomy-alignment** (see also question 152 in the Commission Notice on the Climate Delegated Act).

When changes to these NZEB criteria become applicable, exposures by financial undertakings to the relevant real estate assets should be reassessed for the purposes of claiming their Taxonomy-alignment



Update – Sustainable Finance developments

Top 6 Findings – for real estate

1

2

Answer 20: Financial undertakings may choose to apply any of the two variants of SCC 7.7.1

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20. For the purpose of assessing the Taxonomy-alignment under Section 7.7. (“Acquisition and ownership of buildings”) of Annex I to the Climate Delegated Act, buildings built before 31 December 2020 must have at least an Energy Performance Certificate (EPC) class A label or be “within the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) and demonstrated by adequate evidence”. Similarly, the TSC for activity under Section 7.2. (‘Renovation of existing buildings’) of Annex I to the Climate Delegated Act, provide for two TSC for substantial contribution to CCM. Could these two criteria be used simultaneously for assessing the Taxonomy-alignment of the respective activities ?

Point (1) of Section 7.7 of Annex I to the Climate Delegated Act pertaining to the TSC for substantial contribution to CCM provide for two TSC to assess Taxonomy-alignment for buildings built before 31 December 2020. Similarly, Section 7.2 of Annex I to the Climate Delegated Act pertaining to the TSC for substantial contribution to CCM provide for two TSC to assess Taxonomy-alignment for buildings renovation. Financial undertakings may choose to apply any of the two TSC, but they should not double count the same exposures in the numerator of the relevant KPIs where a building meets both TSC. For instance, for activity ‘Acquisition and ownership of buildings’ in section 7.7 of Annex I to the Climate Delegated Act, this implies that:

- an exposure to a building without an EPC class A label can be counted in the numerator of the KPI on grounds that it meets the top 15% criterion, and
- an exposure to a building with an EPC class A label, cannot be counted twice in the numerator of the KPI on grounds that it also meets the top 15% criterion.

Financial undertakings may choose to apply any of the two variants of SCC 7.7.1



Update – Sustainable Finance developments

Top 6 Findings – for real estate

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Answer 22: Extrapolation and estimation of EPCs based on national statistics is not allowed for alignment calculations.

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22. For the purpose of assessing Taxonomy-alignment under Section 7.7. (“Acquisition and ownership of buildings”) of Annex I to the Climate Delegated Act, if a credit institution extrapolates the known national distribution of EPC A-labels to its own mortgage portfolio in a geographic area, and does not use its own mortgage information but fully relies on external data sources with no further assurance on the external data, would this constitute an estimate that could only be used for voluntary reporting?

An extrapolation of the EPC-composition of a mortgage portfolio based on national statistics alone would constitute an estimate for the purposes of assessing the Taxonomy-alignment of the mortgage portfolio that cannot be included in the KPIs of financial undertakings. For example, if national statistics show that a certain proportion of buildings built before 31 December 2020 have EPC class A, it does not imply that a mortgage portfolio automatically has the same proportion. However, estimates may be disclosed on a voluntary basis separately from the mandatory KPIs together with the methodology used to calculate such estimates.

Extrapolation and estimation of EPCs based on national statistics is not allowed for alignment calculations



Update – Sustainable Finance developments

Top 6 Findings – for real estate

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Answer 23: Expired EPCs of Class A are not automatically in the Top-15% bucket.

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23. If a credit institution assumes that buildings with an expired EPC class A which constitute collateral of residential mortgages in its portfolio are within the top 15% of the national or regional building stock expressed as operational primary energy demand (PED), would this constitute an estimate that could only be used for voluntary reporting?

Buildings with expired EPC class A label **could still be assessed** whether they meet the top 15% criterion listed in paragraph (1) of Section 7.7 of Annex I to the Climate Delegated Act, **if substantiated with further “adequate evidence”** as required by the TSC as further explained in the responses to questions 149 to 151 of the Commission Notice on the Climate Delegated Act.

Assuming 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 and their inclusion into the numerator of relevant KPIs. Estimates of Taxonomy-alignment may, however, be disclosed on a voluntary basis separately from the mandatory KPIs together with the methodology used to calculate such estimates.

Expired EPCs of Class A are not automatically in the Top-15% bucket



Update – Sustainable Finance developments

Top 6 Findings – for real estate

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Answer 34: Confirmation of Taxonomy-alignment should be reviewed annually.

6

34. Do financial undertakings need to annually review the Taxonomy-alignment of their exposures?

it is necessary that data on Taxonomy-alignment of exposures are reviewed, and, where necessary, revised annually to ensure that the sustainability statement includes a fair view of the development and performance of the undertaking's business, including its compliance with the TSC.

By virtue of the grandfathering clause in Article 7(5) of the Disclosures Delegated Act applicable to special purpose loans and certain environmentally sustainable bonds or debt securities, if the TSC are amended, financial undertakings could report the Taxonomy-alignment of such loans and instruments with the amended TSC up to five years after the date of application of the amended TSC. It is therefore not necessary to check compliance with the amended TSC during the 5-year grandfathering period. Nevertheless, financial institutions are encouraged to engage with their counterparties in view of aligning their economic activities with the amended TSC during that transitional period.

Confirmation of Taxonomy-alignment should be reviewed annually



Update – Sustainable Finance developments

Top 6 Findings – for real estate

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Answer 37: Entity that claims EU Taxonomy Alignment must check Minimum Safeguards for e.g. solar panels financed towards retail clients

37. Do financial undertakings have to comply with minimum safeguards in conducting their activities or is compliance with minimum safeguards only relevant at the level of the investee company?

The specific requirement to comply with the minimum safeguards under Article 18 of the Taxonomy Regulation applies to the entity that performs an economic activity and which claims that its activity is Taxonomy-aligned.

For the purposes of computing in their KPIs the Taxonomy-alignment of exposures to other undertakings, financial undertakings themselves do not need to comply with the minimum safeguards given that financing activities are not as such Taxonomy-eligible. However, financial undertakings should obtain adequate documentary evidence, such as Taxonomy-disclosures by the non-financial undertakings under the Disclosures Delegated Act, ascertaining that undertakings to which they are exposed meet the minimum safeguards to be able to compute as Taxonomy-aligned the exposures to those undertakings. Compliance with minimum safeguards is an integral part of the non-financial undertakings' Taxonomy KPIs that financial undertakings apply to their exposures.

As for credit institutions' GAR for known use of proceeds exposures, such as the exposures referred to in Sections 1.2.1.3. and 1.2.1.4. of Annex IV DDA regarding retail clients and public authorities, credit institutions do not need to verify compliance with minimum safeguards by those retail clients and public authorities. However, for those exposures, credit institutions should obtain adequate documentary evidence, such as Taxonomy-disclosures under the Disclosures Delegated Act by the respective producers of goods and service providers, ascertaining that undertakings producing goods and providing services that are purchased by retail clients and public authorities comply with the relevant TSC and with minimum safeguards to compute their exposures as Taxonomy-aligned. This situation concerns for instance a loan provided to a retail client or public authority for the purchase of electric cars or solar panels where the credit institution needs to ascertain the compliance with the relevant TSC and the minimum safeguards by the manufacturer of those goods to assess such a loan as Taxonomy-aligned.

Financial undertakings should comply with the minimum safeguards only if the financial services they provide are Taxonomy-eligible and they claim that those services are Taxonomy-aligned. This concerns a small number of activities in Section 6 of Annex I to the Climate Delegated Act on transport, which refers to 'financing' as part of the activity description, and non-life insurance and reinsurance underwriting activities in Sections 10.1. and 10.2. of Annex II to the Climate Delegated Act.

For guidance, undertakings are nonetheless invited to consult the Commission Notice of 16 June 2023 on the interpretation and implementation of certain legal provisions of the EU Taxonomy Regulation and links to the Sustainable Finance Disclosure Regulation ⁽⁴⁾. For further informal advice on best practices, they are invited to consult the Final Report on Minimum Safeguards of the Platform on Sustainable Finance published in October 2022 ⁽⁴⁵⁾, in particular Sections 6 and 7.

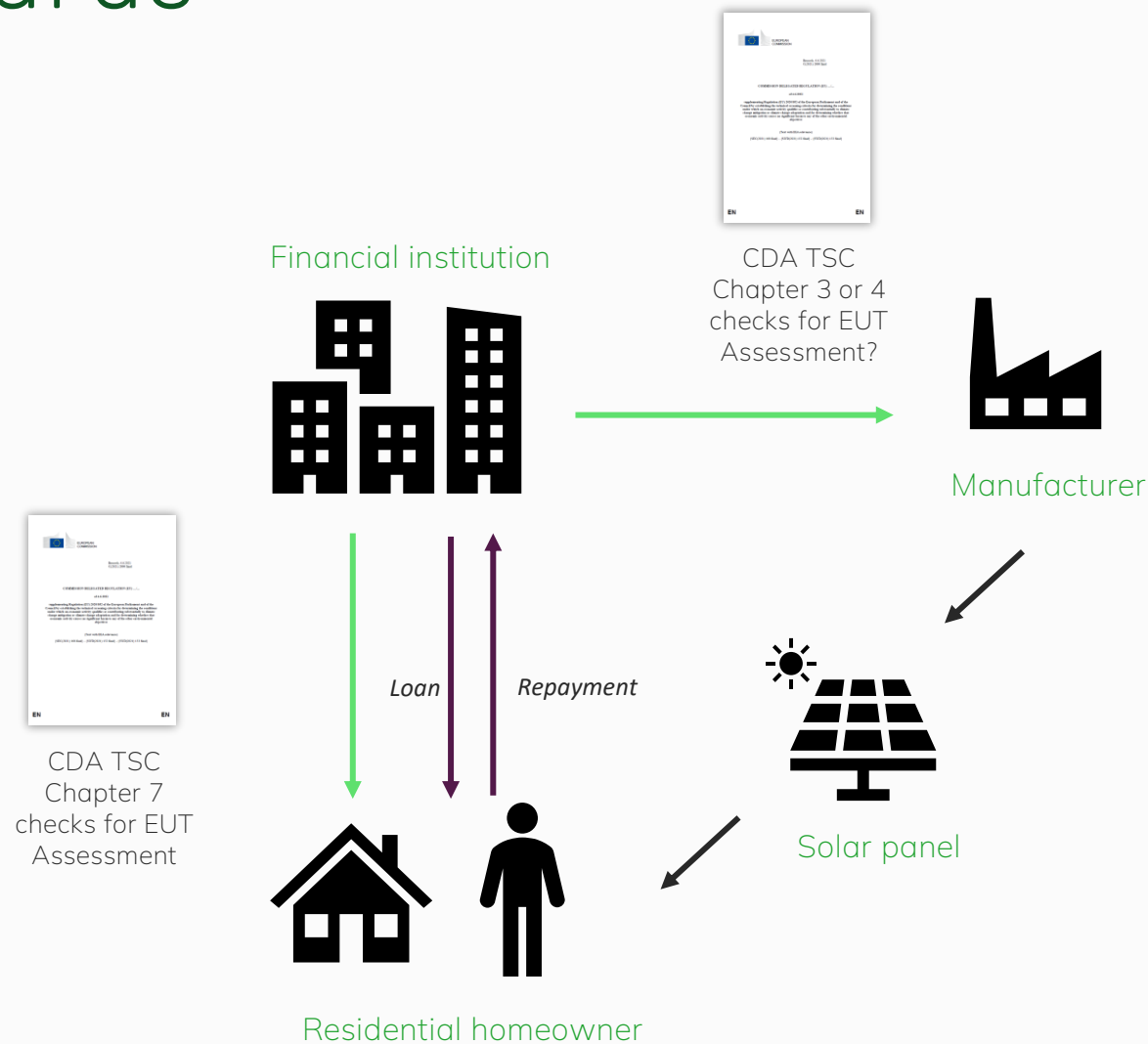
Entity that claims EU Taxonomy alignment must check Minimum Safeguards

Minimum Safeguards

Financial institution provides financing, to a (prospective) residential homeowner. This person is not an undertaking.

The financial institution checks the Technical Screening Criteria (Substantial Contribution Criteria and Do Not Significant Harm) related to the underlying exposure in the form of energy efficiency and climate risk. The criteria depend on the economic activity (new constructions, renovation, acquisition and ownership). The TSC differ per economic activity (chapter 7) and are described in the Climate Delegated Act.

If the homeowner purchases solar panels, *the credit institution needs to ascertain the compliance with the relevant TSC and the minimum safeguards by the manufacturer of those goods to assess such a loan as Taxonomy-aligned.*



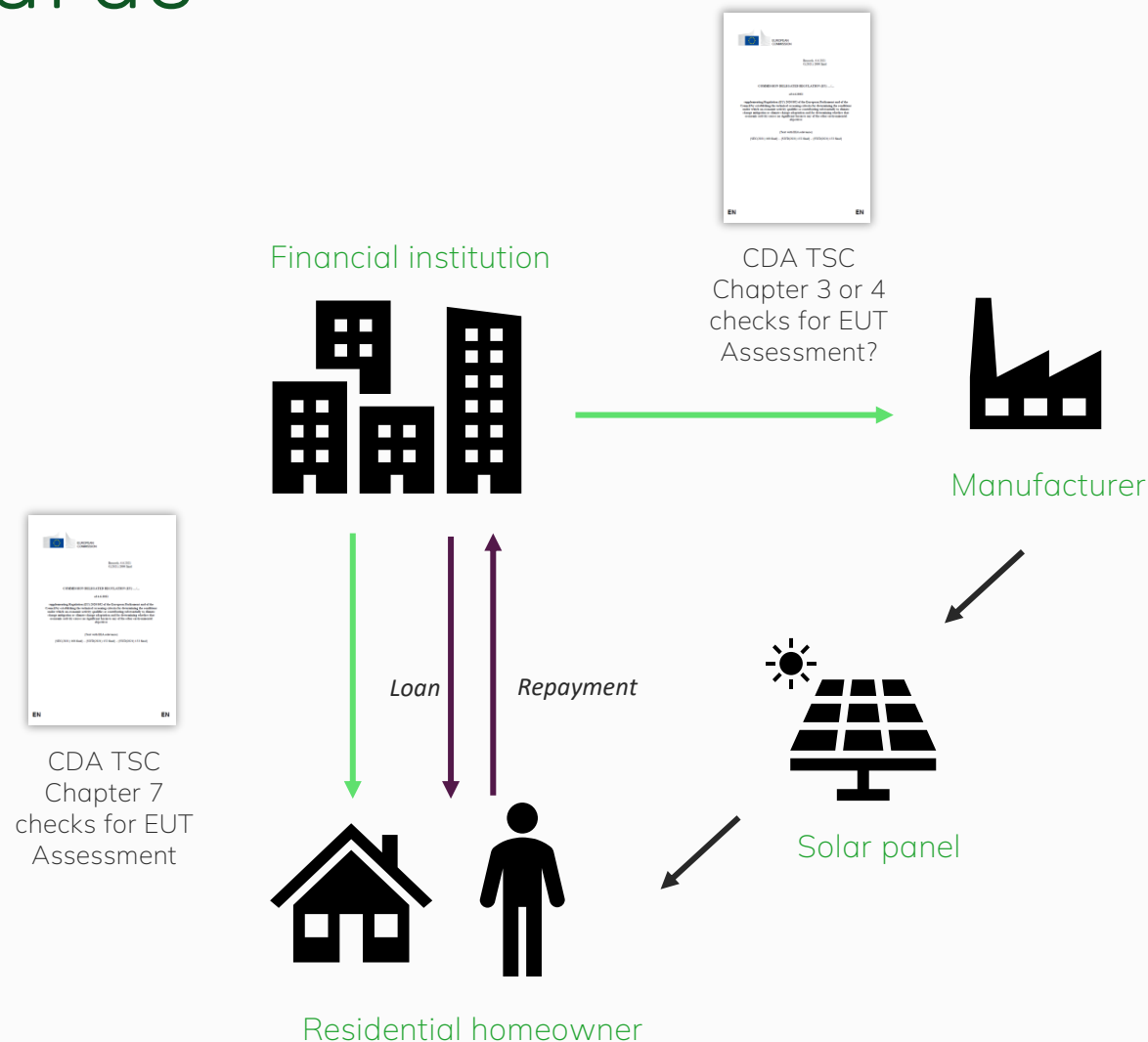
By this reasoning there is an additional check upon a third party with whom the financial institution has no economic or financial relation (the manufacturer). This answer increases the EUT assessment checks for both renovations and new buildings

Minimum Safeguards

Financial institution provides financing, to a (prospective) residential homeowner. This person is not an undertaking.

The financial institution checks the Technical Screening Criteria (Substantial Contribution Criteria and Do Not Significant Harm) related to the underlying exposure in the form of energy efficiency and climate risk. The criteria depend on the economic activity (new constructions, renovation, acquisition and ownership). The TSC differ per economic activity (chapter 7) and are described in the Climate Delegated Act.

If the homeowner purchases solar panels, *the credit institution needs to ascertain the compliance with the relevant TSC and the minimum safeguards by the manufacturer of those goods to assess such a loan as Taxonomy-aligned.*



The example of solar panels seems to be arbitrarily chosen. This would normally be a 7.6 (renewables) activity. Does the same hold for manufacturers of other items described in 7.6 (for instance heat pumps)? Or in 7.3? (for instance, insulation materials or energy efficient windows)?



Substantial Contribution Criteria 7.1 vs 7.7



EC Notice on
DDA
Provisions
2023

Answer 24: Clients' contractual relationship underlying the building should be assessed. Where the contract of the client is for construction of a new building, 7.1 should be assessed.

Answer 24: Clients' contractual relationship underlying the building should be assessed. where the contract of the client is a purchase contract, 7.7 should be assessed.



EC Notice on
CDA
Provisions
2022

Answer 107: For constructions of new buildings for entities owning the building it is possible to use Section 7.7.

Answer 144: *For the owner of the 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 Section 7.7*

Answer 147: The construction of a new building for own use can be covered under section 7.1 or section 7.7

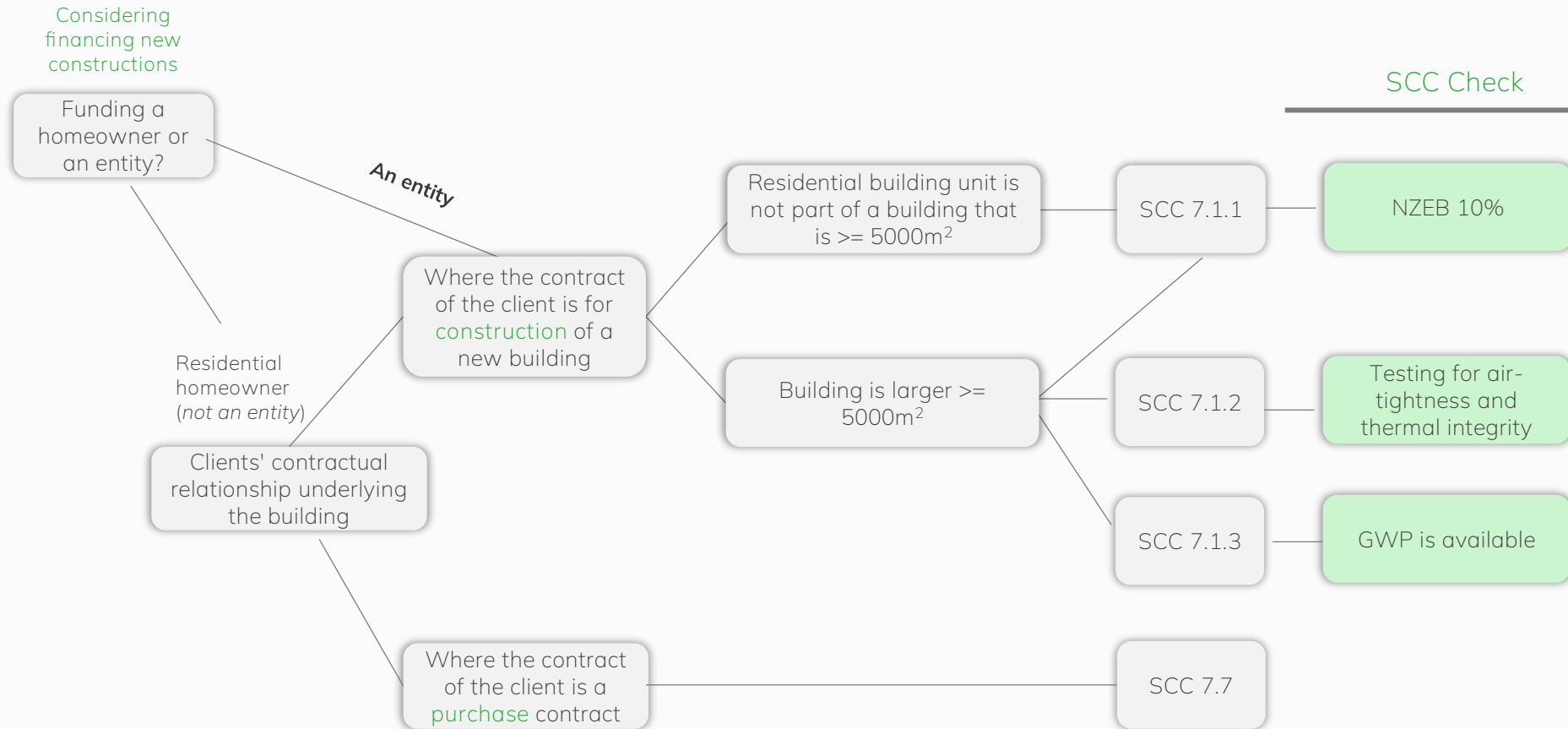
Economic
Activity
7.1



Economic
Activity
7.7






Substantial Contribution Criteria 7.1 vs 7.7



When the building is under construction and the contract (describing the contractual relationship) underlying the building is, amongst others, for construction, it is a 7.1 activity. If it is a SCC 7.1 activity, we need to check 7.1.2 and 7.1.3 and the DNSH criteria corresponding to 7.1



Substantial Contribution Criteria 7.1 vs 7.7

	 Before construction Typically, 1 – 2 years	 During construction Typically, 1 – 3 years	 After construction Typically, 20 –30 years (assuming no prepayments)
Phase	The design is made, and construction is yet to start.	The building is under construction.	Homeowners obtain the keys to the house and can live in the building.
Mortgage	Before the start of the construction typically the future homeowner goes to the notary as it becomes the landowner. This amount can be drawn from the mortgage.	The homeowner obtains a mortgage loan and pays the project developer in (pre-determined) instalments.	The mortgage is being repaid (depending on the loan type(s)) within 30 years.
EUT Activity	Economic Activity 7.1		Economic Activity 7.7

If economic activity 7.1 is used during construction, a property can shift towards 7.7 upon completion



The ENGAGE Templates: version 1.1 and upcoming version 1.2

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Templates

Guiding Documentation

Sample files

[illegible]

RREL (loan)

RECC (co)

E

RECC (collateral)

EREC (energy efficiency collateral extension)

EGFF (governance file)

Available upon
request through this
[form](#)



Economic activities – Scope for ENGAGE

When developing version 1.1 of the ENGAGE Templates, the ENGAGE Consortium has considered:

- ENGAGE data framework is an add-on to existing market best practices
- ENGAGE data framework is scalable. Meaning that if in the first phase the focus is on the EU Taxonomy, other elements can be incorporated at a later timeframe.

✓ New in v1.1:

- - Fields for DNSH
- - Minor improvements in datatype / description

❑ Backlog for ENGAGE template v1.2:

- ❑ - SCC 7.1
- ❑ - SCC 7.2, 7.3 + 7.6
- ❑ - Annex 6
- ❑ - Improvements

		Substantial Contribution	Do No Significant Harm					Minimum Safeguards	
				(2)	(3)	(4)	(5)	(6)	
New buildings	7.1	V1.2							Scope of v1.1
	7.2	V1.2							
	7.3	V1.2							
Renovations	7.4								
	7.5								
	7.6	V1.2							
Existing / new buildings	7.7	V1.1							

Guiding documentation – an excerpt

Information Classification: Internal Use



3.1 Acquisition and ownership of buildings (section 7.7 of Annex I of the Climate Delegated Act)

According to section 7.7 of Annex I of the Climate Delegated Act, the Substantial Contribution Criteria to climate change mitigation are met if:

- For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A or 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.
- For buildings built after 31 December 2020, the building meets the criteria specified in Section 7.1 of this Annex I that are relevant at the time of the acquisition.

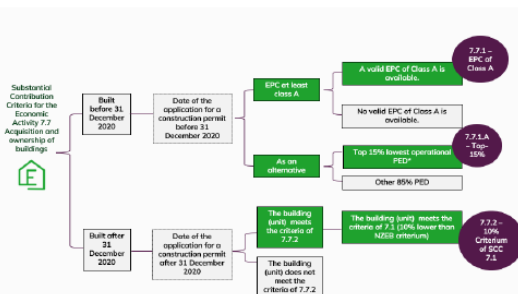


Figure1: Summarised decision tree



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Information Classification: Internal Use



The figure above shows that for buildings built before 31 December 2020 two conditions are given to determine if the SCC are met: either the building has an EPC class A, or it is within the top-15% of the national or regional building stock expressed as operational Primary Energy Demand of buildings built before 31 December 2020. For buildings built after 31 December 2020 the 10% criterion prescribed in section 7.1 applies.

In this context, the European Commission clarified in the CDA Q&A of 2023 that to determine the date in which a building was "built" under section 7.7, the date of the application for a construction permit should be used⁹. For instance, for some buildings that were built in 1950 or 2005 it is apparent that the building meets the criteria for buildings built before 31 December 2020 because the date of the application for the construction permit is clearly pre-31 December 2020. However, for some buildings that were constructed or finalised in 2021 or 2022 it is relevant to verify if the application for the construction permit is dated before 31 December 2020 or thereafter.

Therefore, for a loan to be regarded aligned with the Substantial Contribution Criteria under section 7.1 of Annex I of the Climate Delegated Act, the requirements of section 7.1 of the Climate Delegated Act will be applied if the borrower is an (corporate) undertaking, whereas either the requirements of section 7.1 or the equivalent section 7.7(2) will be applied if the borrower is a (residential) homeowner.

The DDA Q&A of 2023 addressed on the topic of new constructions a credit institution should consider its client's contractual relationship underlying the building. Therefore:

- Where the contract of the client is for construction of a new building, the credit institutions should assess the exposure against the criteria in Section 7.1 of the relevant Annex to the Climate Delegated Act;
- Where the contract of the client is a purchase contract, the credit institution should assess the exposure against the criteria in Section 7.7 of the relevant Annex to the Climate Delegated Act.

When financing a loan towards a (future) residential homeowner, where the agreement specifies that the loan is used to pay the construction company it could be regarded as a 7.1 loan. However, in this situation it could be interpreted that answer 144 of the CDA Q&A of 2023 suggests this is a loan for the homeowner, thus 7.7 can be applied. In cases of doubt whether to apply 7.1 and 7.7, it is up to the discretion of the template user to select the criteria that it regards most appropriate.

⁹ See Answer 143.



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Guiding documentation – an excerpt

Information Classification: Internal Use



3.1.1 Summary of regulatory assessment and data requirements for the SCC applicable to the EPC class A criterion

Substantial contribution to Climate Change Mitigation of Annex I

For buildings built before 31 December 2020, the building has at least an Energy Performance Certificate (EPC) class A.

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 Energy Performance Certificate (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.
- A credit institution should consider its client's contractual relationship underlying the building.

➤ Notes and considerations

- The application date of the construction permit is needed to assess if the building is built before 31 December 2020.
- A credit institution should consider its client's contractual relationship underlying the building.
- Note Answer 104 of the CDA Q&A of 2023: "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".

➤ ENGAGE Templates data fields

Based on the above assessment, the ENGAGE Templates request the fields below to assess alignment with the criterion EPC class A set forth in section 7.7.1.

Field Code	Field Name
RREL1	Unique Identifier
RREL2	Original Underlying Exposure Identifier
RREL3	New Underlying Exposure Identifier
RREL5	New Obligor Identifier
RREL6	Data Cut-Off Date



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Information Classification: Internal Use



RREL30	Current Principal Balance
RREC2	Underlying Exposure Identifier
RREC4	New Collateral Identifier
EREC3	Collateral Identifier Building block 0
EREC4	General Activity Designation
EREC5	Construction Year
EREC6	Construction permit application date
EREC7	Energy Performance Certificate (EPC) Class
EREC8	Estimated or officially produced EPC
EREC9	Issuance date of most recent EPC
EREC10	EPC original validity
EGFF1	Unique Identifier
EGFF11	Environmental Objective
EGFF15	DNSH Compliance Reference

Table 2: ENGAGE data fields for compliance with the SCC for section 7.7.1 (EPC class A criterion) in green

In green we have indicated the fields that we have identified for the assessment of this check that are identified on a building (unit) / collateral level. RREL1, 2, 3, 6, 30 are fields that are needed to identify the loan, timestamp and corresponding amount per loan. EREC4 is used to identify the type of activity and field EGFF10 -part of the Minimum Safeguards section- is in indicator for the environmental objective¹⁹.

The ENGAGE Templates additionally request for this section optional fields that might be useful for a better description of the ESG characteristics of the building.

3.1.2 Summary of regulatory assessment and data requirements for the SCC applicable to the top-15% criterion

If all buildings built before 31 December 2020 had an EPC and a PED-value, the calculation of the top-15 could be easily undertaken through the ranking of buildings PED values from low to high and the selection of the Top-15% threshold value.

However, to the best of our knowledge, there is currently no jurisdiction in the EU with a full coverage of EPCs, let alone of Prime Energy Demand values. This is due to the fact that not all residential properties built before 31 December 2020 have an EPC, and therefore, a PED is not available for all building units. To perform the Top 15% analysis, an estimation approach and corresponding evidence (hereinafter, "study") is required to determine the (estimated) operational PED of all the residential building (units) of a given jurisdiction built before 31 December

¹⁹ Climate Change Mitigation



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Guiding documentation – an excerpt

Information Classification: Internal Use



2020. All building units with an operational PED that is lower than the determined threshold value can then be considered to meet the alternative SCC of 7.7.1.

In this regard, there are two considerations to be observed in the top-15% study:

- 1) The study must relate to buildings built before 31 December 2020, meaning the application date of the construction permit must be before or on 31 December 2020.
- 2) The study must distinguish between residential and non-residential properties.

The CDA Q&A of 2023 highlight the requirement that a study describing the Top-15% should be public and transparent (*"adequate evidence should be provided (e.g. a recent study)"*).

To the best of our knowledge, there are a range of varying estimation techniques available to perform a top-15% study. For instance, this can consist in assessing the building code through time whereas other studies or assess (model) the operational PED per building unit to gauge if it is in the top-15%. We have facilitated flexibility of the method in the ENGAGE template and we have emphasised the feedback of the European Commission in the CDA Q&A of 2023 that the methodology should be public and transparent.

Therefore, we have incorporated the numerator and denominator that is used in the top-15% assessment in the ENGAGE template and some background information so that stakeholders can understand the methodology and study that is applied.

➤ Notes & considerations

- The application date of the construction permit is needed to assess if the building is built before 31 December 2020.
- Note CDA Q&A of 2023, Answer 152: if a building unit is within the Top 15% at a certain date, it does not automatically mean that it is considered to meet the SCC during its full lifetime: when the Top 15% is recalculated, it could be that an individual building unit is no longer within the Top 15% (e.g. if the composition of the building stock (and thus the top 15% threshold value) has changed).
- Also note CDA Q&A of 2023, Answer 157 regarding heritage or protected buildings that are exempt from the EPC.
- We assume that the word "alternative" means that as an alternative to using the EPC of class A. Per building unit (reference asset) an alternative assessment of the Substantial Contribution Criteria can be applied. This could be an interesting alternative when no EPC is available.

➤ ENGAGE Templates data fields

Based on the above assessment, the ENGAGE Templates request the fields below to assess alignment with the criterion Top-15% set forth in section 7.7.1.

Field Code	Field Name
RREL1	Unique Identifier
RREL2	Original Underlying Exposure Identifier



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Information Classification: Internal Use



RREL3	New Underlying Exposure Identifier
RREL5	New Obligor Identifier
RREL6	Data Cut-Off Date
RREL30	Current Principal Balance
RREC2	Underlying Exposure Identifier
RREC4	New Collateral Identifier
EREC3	Collateral Identifier Building block 0
EREC4	General Activity Designation
EREC5	Construction Year
EREC6	Construction permit application date
EREC21	Building unit in top-15% indicator
EREC22	Top 15% Explanatory Variable
EREC23	Top 15% Object Reference Value
EREC24	Top 15% Object Threshold Value
EGFF1	Unique Identifier
EGFF2	Top 15% Document Name
EGFF3	Top 15% Document Issuance Date
EGFF4	Top 15% Document URL
EGFF5	Top 15% Document Geographic Scope
EGFF6	Top 15% Numerator
EGFF7	Top 15% Denominator
EGFF8	Top 15% Methodology Description
EGFF11	Environmental Objective
EGFF15	DNSh Compliance Reference

Table 3: ENGAGE data fields for compliance with the SCC for section 7.7.1 (Top-15% criterion) in green

In green we have indicated the fields that we have identified for the assessment of this check that are identified on a building (unit) / collateral level. In purple we have identified the fields that are to be provided in the governance file. RREL1,2,3,6,30 are fields that are needed to identify the loan, timestamp and corresponding amount per loan. EREC4 is used to identify the type of activity and field EGFF10 -part of the Minimum Safeguards section- is in indicator for the environmental objective¹¹.

The complete list of these fields, with their description, is available in the ENGAGE template by selecting the option "N" in the column with the name "Section 7.7.1 - Top 15%". The ENGAGE Templates additionally request for this section optional fields that might be useful for a better description of the ESG characteristics of the building.

¹¹ CCM



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The ENGAGE Templates

Substantial Contribution
Criteria for the economic
activity 7.7 (acquisition
and ownership of
buildings)

Substantial
Contribution

7.7

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%
Criterion
of SCC
7.1

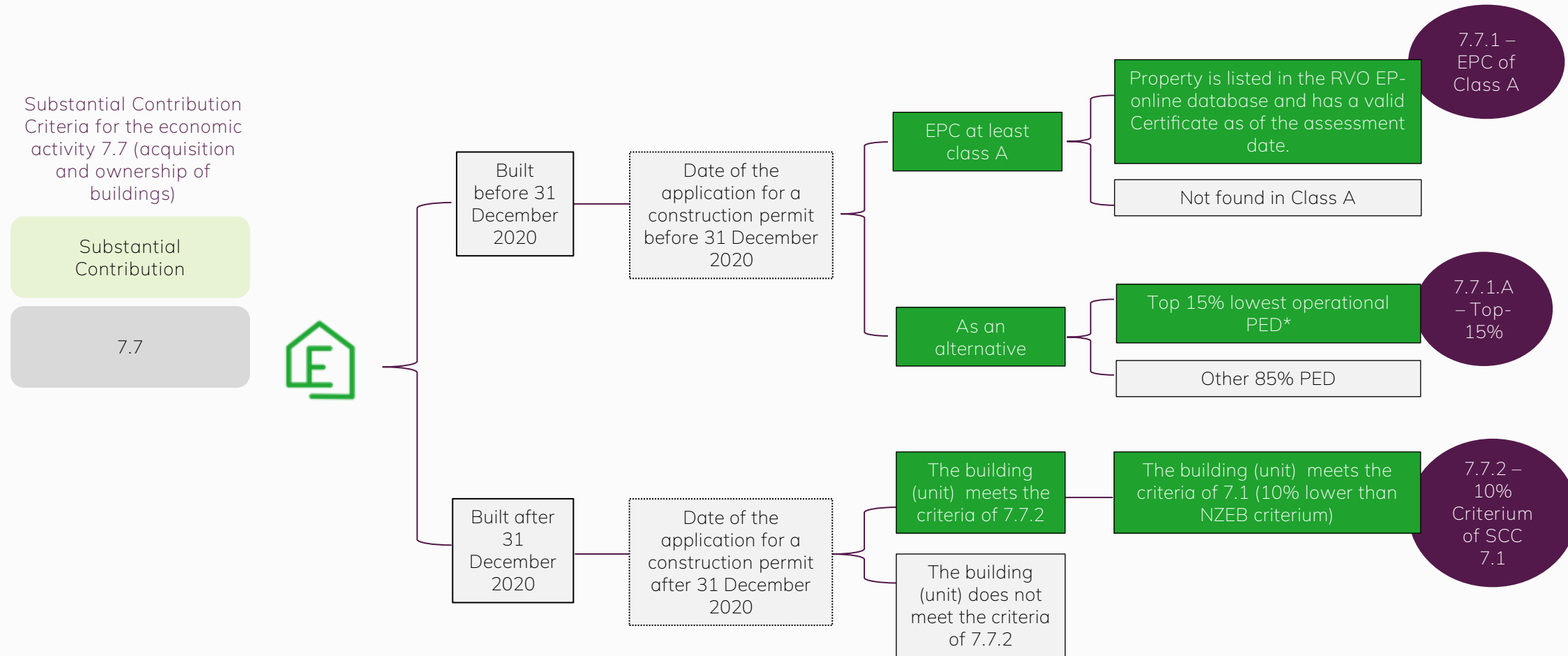
In version 1.1 of the ENGAGE Templates, we have focused on activity 7.7– for both existing and new buildings. As we follow a phased approach, we deemed it most appropriate to begin here, with economic activity 7.7, as:

- (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 Technical Screening Criteria (TSC) are met;
- these criteria are *relatively* straightforward to apply contrary to more challenging criteria such as the TSC for renovation loans and Do Not Significant Harm 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 economic activity 7.7 into 3 subsections



The ENGAGE Templates



We have divided economic activity 7.7 into 3 subsections



The ENGAGE Templates: how it works

Using the ENGAGE Templates

- Add-on to ESMA Templates.
- Per (individual) criterium we have indicated the conditional fields that the ENGAGE Portal to assess the Technical Screening Criteria.
- By applying the conditional filters, you can check the data fields that are applied to assess the criteria.

						ND Options for the BUILDING BLOCK 0		ND Options for the BUILDING BLOCK 1				Building block 1: Field Optional for the calculation of:				Building block 1: Field Optional for the calculation of:		
BUILDING BLO	TEMPLATE CATEGORY	SECTION	FIELD CODE	FIELD NAME	CONTENT TO REPORT	ND1-ND4 allow	ND5 allow	ND1-ND7 allow	ND8 allow	FORMAT	Building block 0: Minimum level of fields for	Minimum Safeguards	Section 7.7.1 - EPC class	Section 7.7.1 - Top 15% PED 10% lower NZI	Section 7.7.2 or 7.1 - PED 10% lower NZI	DN5H 7.7	DN5H 7.1	
1	ENG Annex 2: FRR Add-on	ENGAGE Additional Collateral-level information section																
1	ENG Annex 2: FRR Add-on	Economic Activity Information	ERE01	Unique Identifier	Report the same unique identifier here as the one entered into field PIREL1.			NO	NO	(ALPHANUM-28)								
1	ENG Annex 2: FRR Add-on	Economic Activity Information	ERE02	Underlying Exposure Identifier Building block 0	Unique identifier for each underlying exposure. This must match field PIREL3.			YES	YES	(ALPHANUM-1000)								
1	ENG Annex 2: FRR Add-on	Economic Activity Information	ERE03	Collateral Identifier Building block 0	Unique identifier for each collateral. This must match field PIREC3.			YES	YES	(ALPHANUM-1000)			N	N	N			
													N	N	N			
1	ENG Annex 2: FRR Add-on	Economic Activity Information	ERE04	General Activity Designation	Enter the activity designation: - Construction of a new building (CNAB) - Acquisition and ownership of building (AAOB) - Renovation of existing building (POEB) - Acquisition and ownership of buildings + renovation (AOBR) - Installation, maintenance and repair of specific measures and/or equipment (IREQ)			YES	YES	(LIST)			N	N	N			
1	ENG Annex 2: FRR Add-on	Building Information	ERE05	Construction Year	Construction year of the building or apartment as per the cadastral or other relevant documentation			YES	YES	(YEAR)			N	N	N			
													N	N	N			
1	ENG Annex 2: FRR Add-on	Building Information	ERE06	Construction permit application date	As described in "Commission Notice on the interpretation and implementation of certain legal provisions of the EU Taxonomy Climate Delegated Act establishing technical screening criteria for economic activities that contribute substantially to climate change mitigation or climate change adaptation and do no significant harm to other environmental objectives." Annex M3 for the application of the Taxonomy criteria, the date of the application for a construction permit is relevant to determine if the Substantial Contribution Criteria of 7.7.1 or 7.7.2 are applicable.			YES	YES	(DATEFORMAT)			N	N	N			
													N	N	N			
1	ENG Annex 2: FRR Add-on	Energy Performance Certificate (EPC)	ERE07	Energy Performance Certificate (EPC) Class	Enter the Energy Performance Class (i.e. "A", "B" or "C" or the indicator as applicable in your jurisdiction) as depicted on the Energy Performance Certificate (EPC). Or use: Null or Unknown			YES	YES	(ALPHANUM-100)			N	Y	Y			
													N	Y	Y			
1	ENG Annex 2: FRR Add-on	Energy Performance Certificate (EPC)	ERE08	Estimated or officially produced EPC	- Estimated EPC based on Automated Valuation Model (AVM), desktop or other methodology where there is no underlying documentation for the building (ESTM) - Officially produced EPC based on the documentation relative to the specific dwelling obtained with the consent of the property owner or owner			YES	YES	(LIST)								

Applying the conditional filters, the user can check the data fields that are applied to assess the criteria

The ENGAGE Templates: how it *works*

Building Block

- Fields marked with 0 refer to the original ESMA Templates
- Fields marked with 1 refer to the ENGAGE add-on fields

Fields used for Taxonomy Technical Screening Criteria (TSC) assessment

- Fields with N are not optional for the TSC assessment for that economic activity.
- Fields with Y are not needed per se for the specific check, for that economic activity.

ND Options for the BUILDING BLOCK 0		ND Options for the BUILDING BLOCK 1				Building block 1: Field Optional for the calculation of:				Building block 1: Field Optional for the calculation of:	
ND1-ND4 allow	ND5 allow	ND1-ND7 allow	ND5 allow	FORMAT	Building block 0: Minimum level of fields for	Minimum Safeguards	Section 7.7.1 - EPC class	Section 7.7.1 - Top 15	Section 7.7.2 or 7.1 - PED 10% lower NZ	DNSH 7.7	DNSH 7.1



The ENGAGE Portal and the Taxonomy alignment report

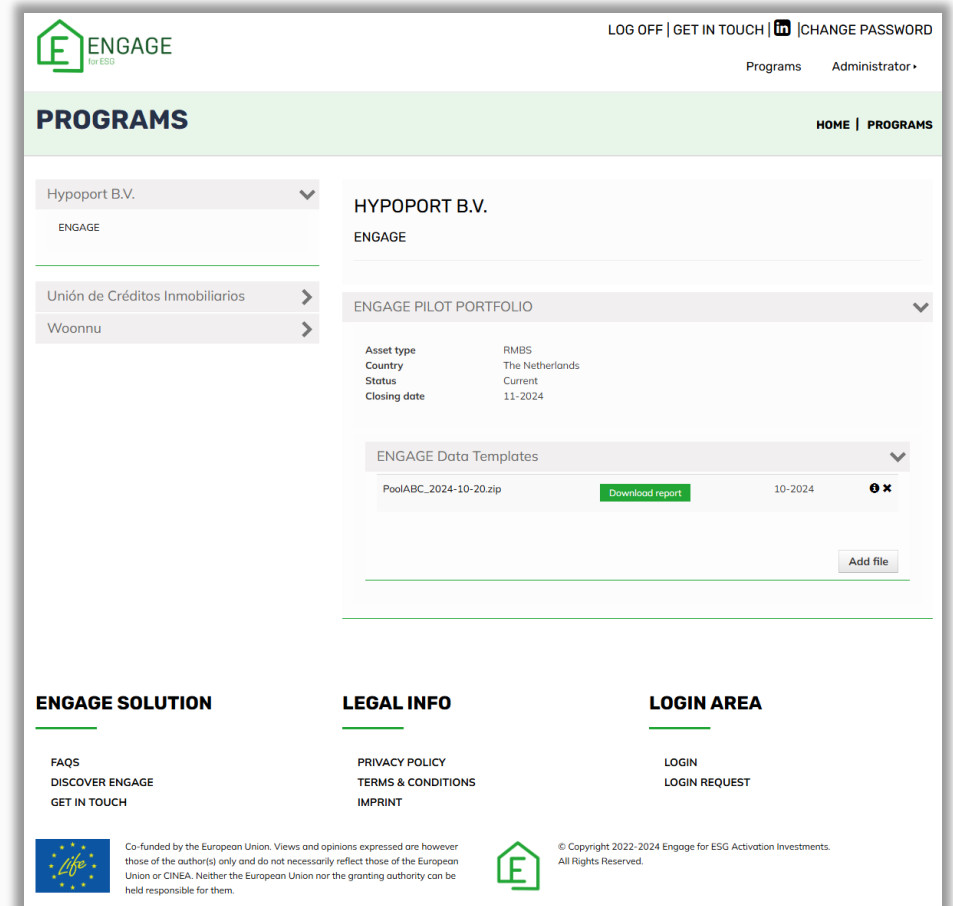
Gijs Verschuur

Hypoport



The ENGAGE Portal

- The ENGAGE Portal will enable lending institutions to upload and assess the alignment of their loan portfolios with the EU Taxonomy.
- The Portal incorporates detailed loan and collateral level checks.
- Access to multiple stakeholders (internal reporting, rating agencies, investors, regulatory supervisors, etc.) upon invitation.
- The ENGAGE Portal will enable users to assess multiple portfolios based on the EU Taxonomy.
- The Portal output is twofold:
 1. The data quality feedback;
 2. The EU Taxonomy alignment report.
- Trial access available subject to a standard legal arrangement (available upon request).





ENGAGE: EU Taxonomy alignment report



Portfolio Name
Portfolio Date (DD-MM-YY)

Example Portfolio 2024
01-08-2024

Total # of Loans
Total # of Building Units
Total Balance
TSC passed %

1300
1100
€444,600,000.00
0.00%

			TSC assessment*						TSC pass Total Portfolio											
Section	Economic Activity	Subsection	SCC (check passed)			DNSH* (check) passed			TSC Passed (SCC + DNSH)			SCC (check passed)			DNSH (check) passed			TSC Passed (SCC + DNSH)		
			# of loans	# of Building Units	Balance	# of loans	# of Building Units	Balance	# of loans	# of Building Units	Balance	% of all loans	% of total Building units	% of total Balance	% of total loans	% of total Building units	% of total Balance	% of total loans	% of total Building units	% of total Balance
7.1	Construction of new buildings																			
7.2(1)	Renovation of existing buildings	Major Renovations																		
7.2(2)		Reduction of (net) Primary Energy Demand																		
7.3	Installation, maintenance and repair of energy efficiency equipment																			
7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)																			
7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings																			
7.6	Installation, maintenance and repair of renewable energy technologies																			
7.7(1)	Acquisition and ownership of buildings	Buildings built before 31 December 2020: building has at least an Energy Performance Certificate (EPC) class A																		
7.7(1a)		Buildings built before 31 December 2020 - Alternative: building is within Top 15%																		
7.7(2)		Buildings built after 31 December 2020																		
Total																				

* If there are multiple checks under this criteria we display the aggregate result of the applicable underlying checks.
** Failed at least one of the underlying check or no data was present to accurately assess the criteria of the relevant economic activity

First overview of the ENGAGE – EUT alignment report. Portraying a breakdown of TSC assessment as per economic (sub) activity



ENGAGE: EU Taxonomy alignment report

Section	Economic Activity	Subsection
7.1	Construction of new buildings	
7.2(1)	Renovation of existing buildings	Major Renovations
7.2(2)		Reduction of (net) Primary Energy Demand
7.3	Installation, maintenance and repair of energy efficiency equipment	
7.4	Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	
7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	
7.6	Installation, maintenance and repair of renewable energy technologies	
7.7(1)	Acquisition and ownership of buildings	Buildings built before 31 December 2020: building has at least an Energy Performance Certificate (EPC) class A.
7.7(1a)		Buildings built before 31 December 2020 - Alternative: building is within Top 15%
7.7(2)		Buildings built after 31 December 2020

● — New buildings

● — Renovations

● — Existing / new buildings

ENGAGE Taxonomy Alignment Report

This report gives an aggregate overview of the portfolio (underlying exposures) in terms of EU Taxonomy alignment assessment:

- ✓ Breakdown per (sub) section of the different EU Taxonomy economic activities
- ✓ Granular information
- ✓ Detailed insights into the nuances of the Technical Screening Criteria, such as the Substantial Contribution Criteria and the Do Not Significant Harm.

The output is broken down in loans, collateral (building (units)) and balance.

ENGAGE: EU Taxonomy alignment report



Portfolio Name
Portfolio Date (DD-MM-YY)

Example Portfolio 2024
01-08-2024

Total # of Loans
Total # of Building Units
Total Balance
TSC passed %

1300
1100
€444,600,000.00
50.94%

			TSC assessment*									TSC pass Total Portfolio								
Section	Economic Activity	Subsection	SCC (check passed)			DNSH* (check) passed			TSC Passed (SCC + DNSH)			SCC (check passed)			DNSH (check) passed			TSC Passed (SCC + DNSH)		
			# of loans	# of Building Units	Balance	# of loans	# of Building Units	Balance	# of loans	# of Building Units	Balance	% of all loans	% of total Building U	% of total Balance	% of total loans	% of total Building U	% of total Balance	% of total loans	% of total Building U	% of total Balance
7.7(1)	Acquisition and ownership of buildings	Buildings built before 31 December 2020: building has at least an Energy Performance Certificate (EPC) class A.	460	411	€133,400,000.00	414	370	€120,060,000.00	411	363	€119,190,000.00	35.38%	37.36%	30%	31.85%	33.64%	27%	31.62%	33.00%	27%
7.7(1a)		Buildings built before 31 December 2020 - Alternative: building is within Top 15%	392	301	€113,680,000.00	353	271	€102,370,000.00	349	301	€101,210,000.00	30.15%	27.36%	26%	27.15%	24.64%	23%	26.85%	27.36%	23%
7.7(2)		Buildings built after 31 December 2020	23	22	€6,670,000.00	21	20	€6,090,000.00	21	22	€6,090,000.00	1.77%	2.00%	2%	1.62%	1.82%	1%	1.62%	2.00%	1%
Total			875	734	€253,750,000.00	788	661	€228,520,000.00	781	686	€226,490,000.00	67.31%	66.73%	57.07%	60.62%	60.09%	51.40%	60.08%	62.36%	50.94%

Example of breakdown per economic activity 7.1 (acquisition and ownership of buildings)



ENGAGE: EU Taxonomy alignment report

Portfolio Name Example Portfolio 2024
Portfolio Date (DD-MM-YY) 01-08-2024

Total # of Loans 1300
Total # of Building Units 1100
Total Balance €444,600,000.00
TSC passed % **50.94%**

			TSC assessment*								
Section	Economic Activity	Subsection	SCC (check passed)			DNSH* (check) passed			TSC Passed (SCC + DNSH)		
			# of loans	# of Building Units	Balance	# of loans	# of Building Units	Balance	# of loans	# of Building Units	Balance
7.7(1)	Acquisition and ownership of buildings	Buildings built before 31 December 2020: building has at least an Energy Performance Certificate (EPC) class A.	460	411	€133,400,000.00	414	370	€120,060,000.00	411	363	€119,190,000.00
7.7(1a)		Buildings built before 31 December 2020 - Alternative: building is within Top 15%	392	301	€113,680,000.00	353	271	€102,370,000.00	349	301	€101,210,000.00
7.7(2)		Buildings built after 31 December 2020	23	22	€6,670,000.00	21	20	€6,090,000.00	21	22	€6,090,000.00
Total			875	734	€253,750,000.00	788	661	€228,520,000.00	781	686	€226,490,000.00

This block displays the Technical Screening Criteria (TSC) assessment, per economic (sub) activity. This section of the report displays the absolute number of loans, building units and corresponding balance that passed these checks.



ENGAGE: EU Taxonomy alignment report

Portfolio Name Example Portfolio 2024
Portfolio Date (DD-MM-YY) 01-08-2024

Total # of Loans 1300
Total # of Building Units 1100
Total Balance €444,600,000.00
TSC passed % **50.94%**

TSC pass Total Portfolio

SCC (check passed)			DNSH (check) passed			TSC Passed (SCC + DNSH)		
% of all loans	% of total Building u	% of total Balance	% of total loans	% of total Building u	% of total Balance	% of total loans	% of total Building u	% of total Balance
35.38%	37.36%	30%	31.85%	33.64%	27%	31.62%	33.00%	27%
30.15%	27.36%	26%	27.15%	24.64%	23%	26.85%	27.36%	23%
1.77%	2.00%	2%	1.62%	1.82%	1%	1.62%	2.00%	1%
67.31%	66.73%	57.07%	60.62%	60.09%	51.40%	60.08%	62.36%	50.94%

This block displays the Technical Screening Criteria (TSC) assessment, per economic (sub) activity. This section of the report displays the relative (vis-à-vis the portfolio) number of loans, building units and corresponding balance that passed these checks.



How to become a Test User via the ENGAGE Portal

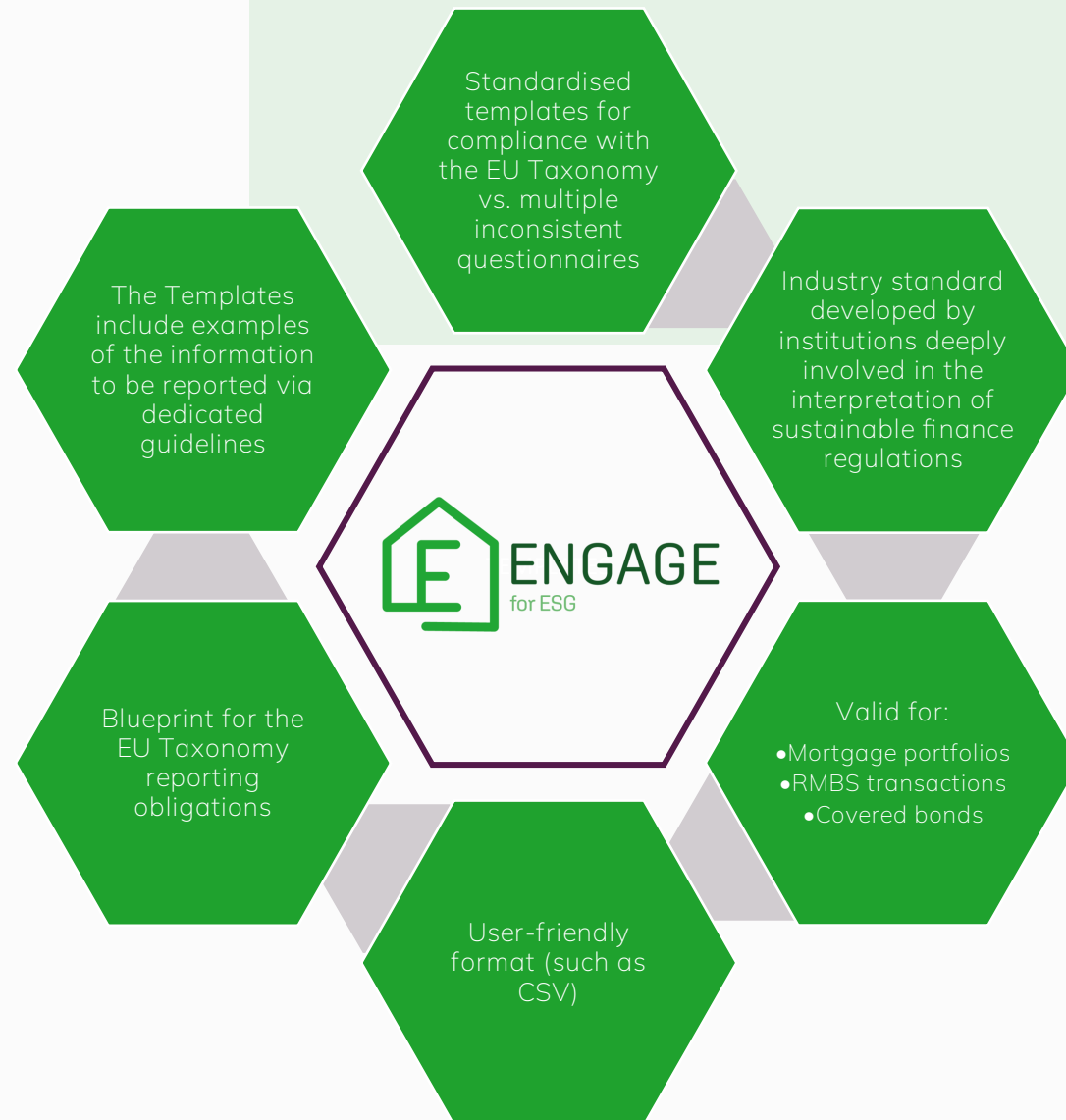
Gianluca Ginelli

European DataWarehouse



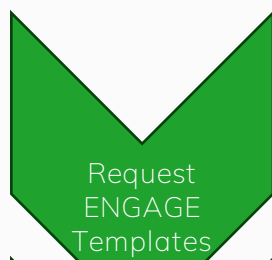


Why become a Test User via the Portal

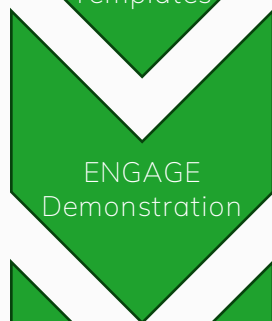




How to become a Test User via the Portal



- Version 1.1 available now through [Request for Access to the ENGAGE Templates](#)
- More than 60 institutions have requested access to the ENGAGE Templates



- The ENGAGE Team is available for clarifications on the ENGAGE Templates
- Several sessions have already been set up with interested parties



- Available from January 2025, subject to a standard legal arrangement (available upon request)
- Free of charge until October 2025
- Possibility to submit the ENGAGE sample files various times enriching the information



- For each sample file submission a compliance report is generated



ENGAGE Q1 2025 Webinar Series

Thursday, 30 January 2025 @15:00 CET

Thursday, 27 February 2025 @15:00 CET

Thursday, 27 March 2025 @15:00 CET

More details to come
Stay tuned!



Website:

engage4esg.eurodw.eu/

Social Media:

<https://www.linkedin.com/company/engage-for-esg-activation-investments/>



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