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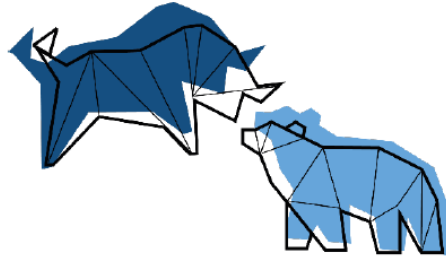
EU TAXONOMY FROM AN INVESTOR RELATIONS PERSPECTIVE

MITGLIEDERVERSAMMLUNG
DEUTSCHER INVESTOR RELATIONS VERBAND

Martin Ziegenbalg, EVP Investor Relations DPDHL Group

Deutsche Post DHL
Group





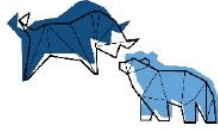
DIRK

Deutscher
Investor Relations
Verband

DIRK-Webinar: EU-Taxonomie – Das fehlende Puzzleteil zur Nachhaltigkeitsberichterstattung?

14. September 2020

Recap



Referenten

#DIRK WEBINAR



**Prof. Dr.
Alexander Bassen**
Universität Hamburg



**Prof. Dr.
Kerstin Lopatta**
Universität Hamburg

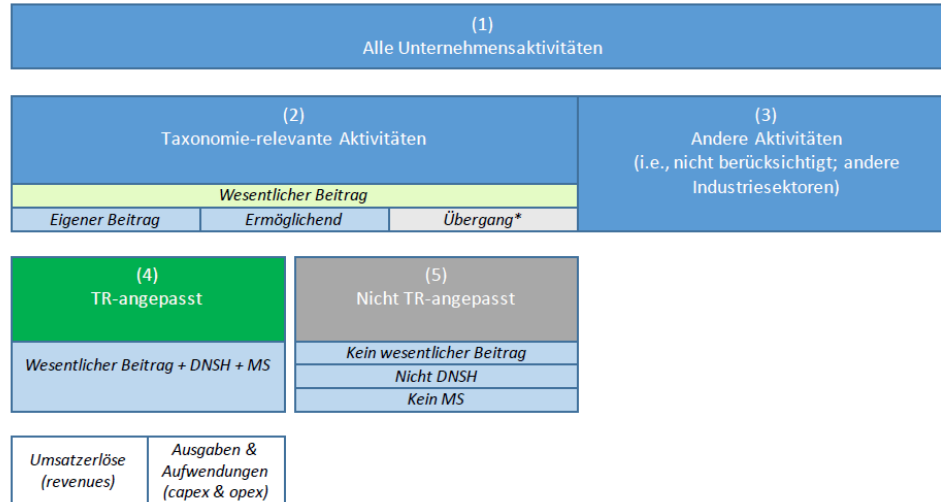


Oliver Stratmann
LANXESS AG



2. b) EU-Taxonomie

Klassifizierung von Wirtschaftsaktivitäten



* Gemäß Artikel 10 Abs. 2 nur auf das erste Umweltziel anwendbar (Klimaschutz)

Expectations for sustainable business practice have become more prominent than ever and are anchored in DPDHL Group's business strategy

Expectations

Policymakers...



European Commission

Home > Strategy > Priorities > A European Green Deal

A European Green Deal
Striving to be the first climate-neutral continent

Incl. EU Taxonomy

...pay growing attention ¹⁾

Civil society...



...pushes for ambition

Investors...



BlackRock

"Climate Risk Is Investment Risk"

...take a more active role

Customers



...reducing GHG (incl. in the supply chain)

Quantitative target(s)

Logos: BMW, Nike, Amazon.com, VW, HP

...expect action

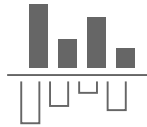
Strategy 2025...



Putting the financial sector at the service of the climate – focus of EU Taxonomy legislation



**Reorienting capital flows
towards sustainable
investments**












**Mainstreaming
sustainability into risk
management**



**Fostering transparency
and long-termism**

EU Green Taxonomy – What it is about

Definition	<p>Taxonomy is</p> <ul style="list-style-type: none"> • A classification system that defines when an economic activity is environmentally sustainable Simplified: The Taxonomy defines Green activities • Using simple and precise thresholds within detailed technical screening criteria 	<p>Taxonomy is not</p> <ul style="list-style-type: none"> • A mandatory list for investments • A rating of good or bad companies • Making any judgement of financial performance – only the environmental performance 	
Environmental objectives	<p>Phase I: Application 01/2022 for FY 2021</p> <ul style="list-style-type: none">  Climate change mitigation  Climate change adaptation 	<ul style="list-style-type: none">  Water protection  Circular economy 	<p>Phase II: Application 01/2023</p> <ul style="list-style-type: none">  Pollution prevention  Protection ecosystems
Users	<p> Large companies</p> <p>All companies that have NFRD reporting obligations¹⁾</p>	<p> Financial market participants</p> <p>When offering financial products in the EU</p>	<p> EU and Member States</p> <p>When setting public measures, standards or labels for green financial products</p>

1) NFRD=EU Non-Financial Reporting Directive; Obligates Public-interests entities with more than 500 Employees
EU Taxonomy from an investor relations perspective | Martin Ziegenbalg | 2nd October 2020

Application for companies (1/3)

1 Identify substantial contribution of activities

Substantially contribute ...to at least 1 out of 6 environmental objectives

Phase I: Application 01/2022¹⁾

- Climate change mitigation
- Climate change adaption

Phase II: Application 01/2023

- Water protection
- Circular economy
- Pollution prevention
- Protection ecosystems

1) First publication in 2022 covering financial year 2021

2 Prove taxonomy-alignment of activities

Do no significant harm (DNSH) ...to any of the other five environmental objectives

Comply with minimum safeguards

- OECD Guidelines on Multinational Enterprises
- UN Guiding Principles on Business & Human Rights

3 Disclosure

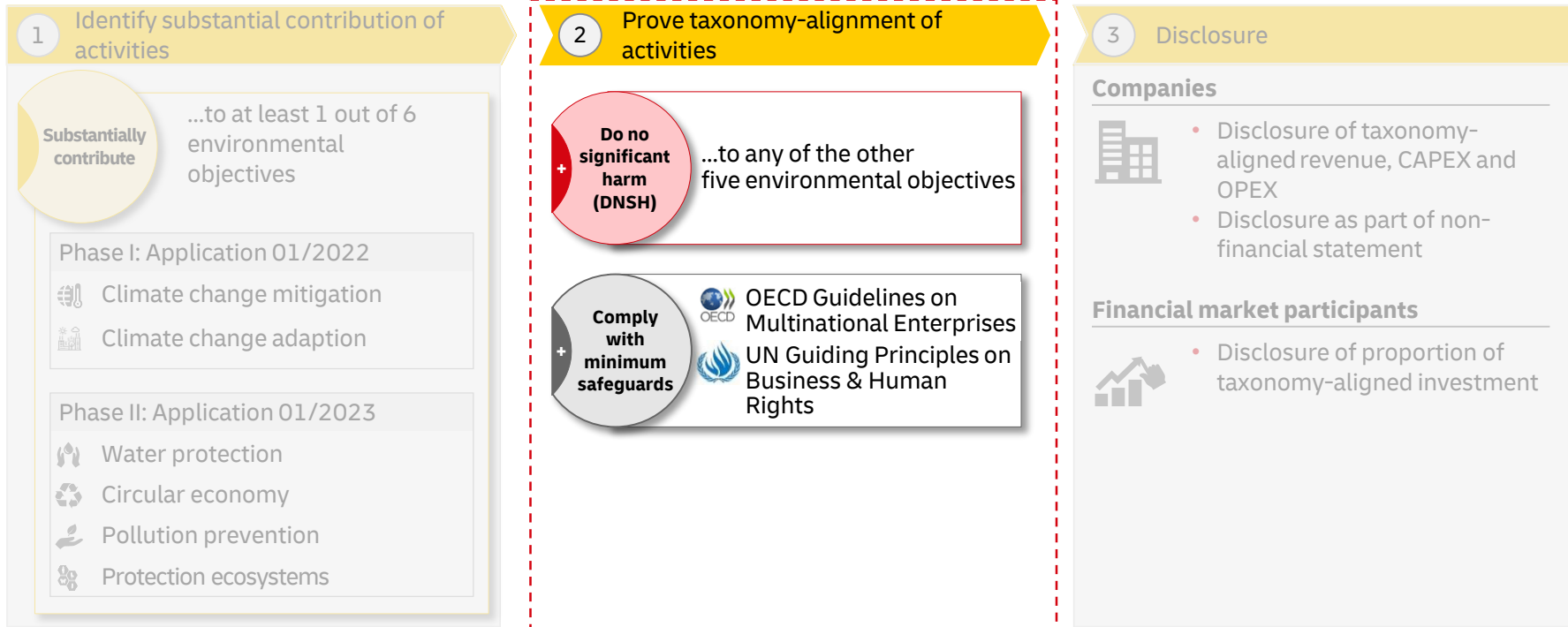
Companies

- Disclosure of taxonomy-aligned revenue, CAPEX and OPEX
- Disclosure as part of non-financial statement

Financial market participants

- Disclosure of proportion of taxonomy-aligned investment

Application for companies (2/3)



Application for companies (3/3)

1 Identify substantial contribution of activities

Substantially contribute ...to at least 1 out of 6 environmental objectives

Phase I: Application 01/2022

- Climate change mitigation
- Climate change adaptation

Phase II: Application 01/2023

- Water protection
- Circular economy
- Pollution prevention
- Protection ecosystems

2 Prove taxonomy-alignment of activities

Do no significant harm (DNSH) ...to any of the other five environmental objectives

Comply with minimum safeguards

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- UN Guiding Principles on Business & Human Rights

3 Disclosure

Companies

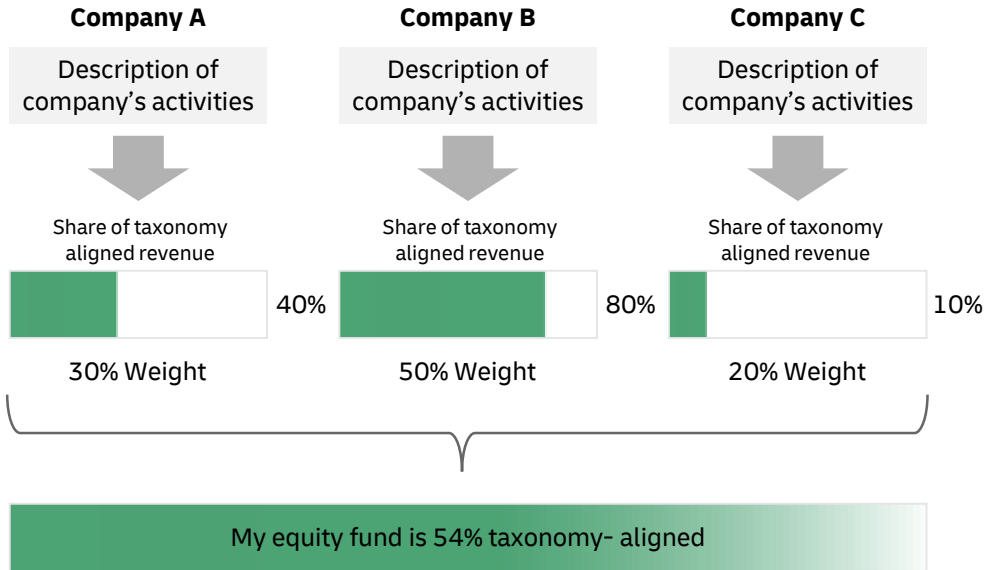
- Disclosure of taxonomy-aligned revenue, CAPEX and OPEX
- Disclosure as part of non-financial statement

Financial market participants

- Disclosure of proportion of taxonomy-aligned investment

Application for financial market participants

How to apply the Taxonomy to an equity portfolio



Investor's disclosure

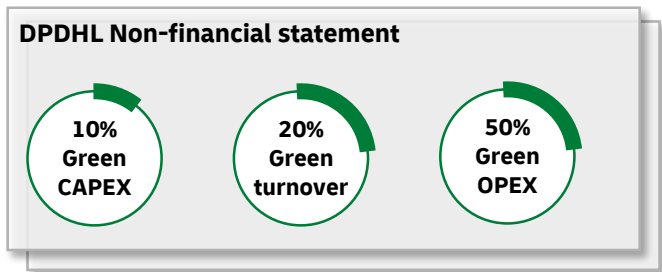
- Transparency of taxonomy-alignment of portfolio
- Linkage to environmental objective
- Differentiation between enabling and transition activities

Implications DPDHL

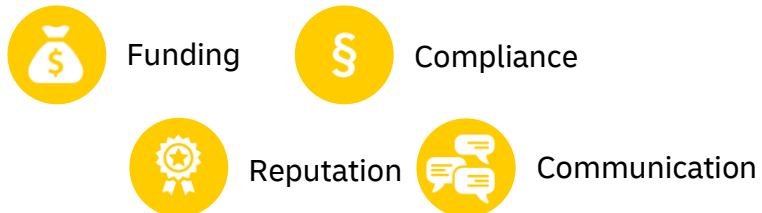
- Investor have to collect information from companies taxonomy disclosure
- Data provider will be used for further data input and data analysis

Who will use taxonomy reporting?

Taxonomy reporting



Why important?



User

	Investors	Aiming for green investment portfolio
	Rating agency	Using as rating criteria for companies
	Customer (B2B)	Looking for sustainable business partner
	Employee	Motivated to work for a sustainable employer
	Consumer	Willing to buy green products

Roadmap ESG Reporting

STEPS TO ACHIEVE A SUCCESSFUL IMPACT RELATED ESG REPORTING

- **Screen ESG KPIs** and reporting formats
- Check feasibility (**availability of data/assurance levels**)
- **Alignment with topic owners** and controlling teams

- **Finalize** reporting format for **Full Year 2020**
- Decide on **material ESG topics** and KPIs in **alignment with strategy**
- Prepare for the **application of EU-Taxonomy**
- Implement **data collection processes** and define responsibilities
- **Update internal control system** for ESG data quality and auditability

- Decide on **mid-term reporting** format(s)
- Potentially **further digitize processes**
- **Introduce new approach** to public

ESG reporting roadmap at DPDHL Group

2019 Financial Year



Sustainability >

Organization and strategy >	Environment >	Employees >	Society >
Sustainable Development Goals >	GoGreen program >	Human rights & employee relations >	Disaster management >
Sustainable solutions >	GoGreen action areas >	Diversity & inclusion >	Employability >
Memberships >	Green products & services >	Employee development >	Employee volunteering >
External Recognition >	Measuring emissions >	Employee engagement >	Refugee aid >
	Managing subcontractors >	Occupational safety & health >	
Responsible Business Practice >	2019 Sustainability Report >	Download Center >	Contact us >
Code of Conduct >			
Supplier management >			

Starting Financial Year 2020

Integration of ESG Content into Annual Report

- Integrated NFS and additional ESG information on assurance levels to be improved over time
- Start gathering data to report on EU-Taxonomy to integrate ESG information on advanced level and applying EU-Taxonomy in 2021

Enhanced ESG reporting outside of annual report

- Additional ESG information e.g. “ESG Statbook” on Website
- Check consequently whether sustainability information meets all target groups’ needs

Investor feedback & main take-aways

No uniform requirement or recommendation on standards

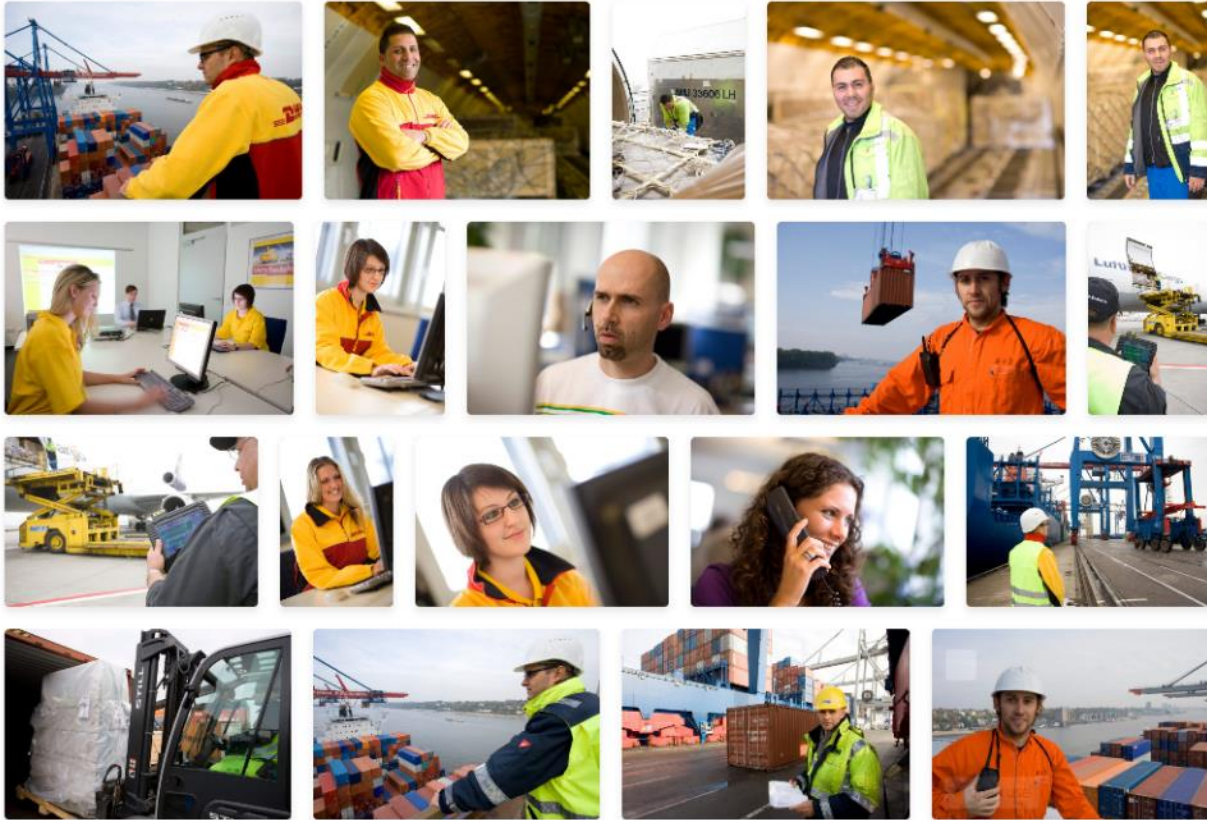
- The entire spectrum of ESG becomes more relevant for investors and they are looking for more granular and comparable level of information
- No single data provider or reporting standard: MSCI resp. GRI/SASB most prominent
- Investor approaches and processes on ESG still are very much in flux

Need for ESG vs financial data is not fundamentally different

- Transparency on climate and ESG related risks and opportunities matters especially in carbon intensive industries
- As with financial performance, key action topics should be best identified by company itself
- Investors want to gauge risks & opportunities through analysis of public info & data
- Remuneration is a commitment proof

EU Taxonomy is relevant, but not the only variable to drive sustainable investments

- Disclosure according to EU Taxonomy is mandatory for European investors but not the only metric for sustainable business development
- Very ambitious criteria and timeline
- Not all services defined yet



Q&A

**CONNECTING
PEOPLE.
IMPROVING
LIVES.**