



EU Taxonomy report 2022

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1. An introduction to Virya Energy

Virya Energy (“Virya”) is active in the development, financing, construction, and operation of sustainable energy sources. Our goal is to accelerate the energy transition by investing in and scaling new technologies across the energy value chain. Virya holds several entities whose activities are exclusively linked to green energy production. These entities are Parkwind, Sanchore, Eurowatt and Eoly Energy.

Parkwind is an offshore wind energy developer active across the full offshore wind value chain. Parkwind owns and operates four operational offshore windfarms in the Belgian Part of the North Sea, one in the German part of the Baltic Sea. Additionally, Parkwind is involved with several R&D programs in collaboration with universities and public institutions ranging from material science innovations to using hydrogen as an energy storage and mobility solution.

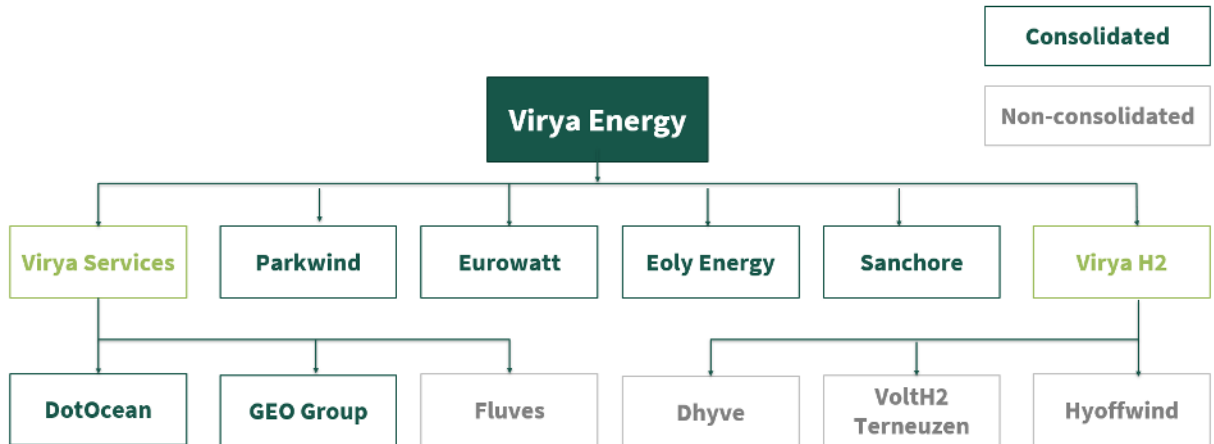
Eurowatt is active in onshore wind energy and small-scale hydropower projects. The entity owns 27 operational onshore windfarms in France, Portugal and Poland as well as 3 small hydropower facilities in the Spanish and Portuguese market. Eurowatt is expanding its activities with the development and construction of 9 new onshore windfarms in France and Poland. Through its R&D activities Eurowatt develops business solutions supporting the operation of windfarms. For instance, Eurowatt has developed and commercialised Eofix, an application digitalising the visual inspection process of onsite installations and management of identified non-conformities.

Sanchore owns and operates an onshore wind farm in India via Korys Renewable Energy¹.

Eoly Energy is mainly active in the Belgian market. The entity owns 12 onshore windfarms and is expanding its operations by the development and installation of 18 new onshore windfarms and the development of solar projects. In 2021, Eoly Energy added several new hydrogen R&D and pilot programs to the group’s portfolio. The Group’s continued involvement in hydrogen activities strengthens the **Virya H2 business unit** and Virya’s role in hydrogen development.

The **Virya H2 business unit** was created at the end of 2021 and is currently developing 3 green hydrogen facilities located in Belgium and the Netherlands. Furthermore, the H2 business unit is also engaged in H2 projects assisting companies to understand and implement green hydrogen strategies.

¹ Holding and financing company 100% owned by Virya Energy



* Consolidated entities Virya Energy FY2022

Moreover, **Virya Energy's Services** (or the "Virya Services") branch, is active in a range of services and activities supporting Virya's renewable energy activities.

Through its daughter company **GEO Group**, Virya is active as a service supplier in the renewable energy industry, both on- and offshore. GEO Group provides reliable data and valuable insights through charts and pro-active analysis of big data, using artificial intelligence to support the exploitation of – marine – assets. The services provided during each phase of the life cycle of an offshore asset ensure the safety and efficiency of (offshore) installations such as wind turbines, pipelines and platforms. In the pre-construction phase, site investigations (geophysical, geotechnical, environmental, land surveying, ...) help to determine the optimal site & construction plan. During construction, exploitation and decommissioning, CTV and Operations & Maintenance support are provided as well as subsea & marine asset integrity surveys such as ROV-inspections, cable tracking, depth of burial and Unexploded Ordnance risk management. GEO Group also develops and manufactures electrified ASVs – autonomous surface vehicles via IM Solutions.

DotOcean provides control systems for autonomous navigation of vessels and vehicles as well as advanced situational awareness software for the maritime, civil and security industry.

Finally, Virya has joint control over **Fluves**, which provides predictive maintenance systems for critical infrastructure such as pipelines, industrial assets, and offshore power cables.

2. Context EU Taxonomy

The European Union ("EU") has committed to reduce its greenhouse gas emissions to net-zero by 2050. The need for strong guidance to realise the EU's ambitious goal was met with the establishment of the Action Plan to Finance Sustainable Growth. The action plan aims to reorient capital flows towards a more sustainable economy, mainstream sustainability into risk management and foster transparency and long-termism.

The development of the EU Taxonomy Regulation² (the "Regulation") was the first action to support the realisation of the goals set out in the Action Plan to Finance Sustainable Growth ("EU Taxonomy"). The EU Taxonomy, a green classification system which allows companies to identify environmentally sustainable activities, results in the disclosure of green indicators which communicate the proportion of environmentally sustainable revenue, CAPEX and OPEX in a transparent and comparable manner.

As a first step, the EU Taxonomy requests companies to assess which of their activities have the potential to be environmentally sustainable ("EU Taxonomy-eligible")

Secondly, after identifying the EU Taxonomy-eligible activities, companies can assess if their activities are considered sustainable ("EU Taxonomy-aligned").

An EU Taxonomy-eligible activity is considered environmentally sustainable (i.e. EU Taxonomy-aligned) only when three cumulative EU Taxonomy-alignment criteria are met: (1) the activity should contribute significantly to at least one of the environmental objectives while (2) not significantly harming the remaining objectives (DNSH); Additionally, (3) the activities should be carried out respecting Minimum Social Safeguards (MSS).

In FY2022, companies in scope of the Regulation have to report on their EU Taxonomy-alignment considering the first two environmental objectives defined by the EU: climate change mitigation and climate change adaptation. The EU will add four additional environmental objectives covering a) water, b) pollution, c) biodiversity, and d) circular economy. Once adopted, companies will be requested to assess EU Taxonomy-alignment for all 6 environmental objectives.

² EU Regulation 2020/852.

Eligibility

Taxonomy eligible activities

Identification of activities which **have the potential** to be environmentally sustainable.

Alignment

Taxonomy aligned activities

Identification of activities which **are** environmentally sustainable.

Environmental objectives:



Climate change mitigation



Climate change adaptation



Sustainable use and protection of water and marine resources



Pollution prevention and control



Transition to a circular economy



Protection and restoration of biodiversity and ecosystems

An eligible activity is taxonomy-aligned when the activity...



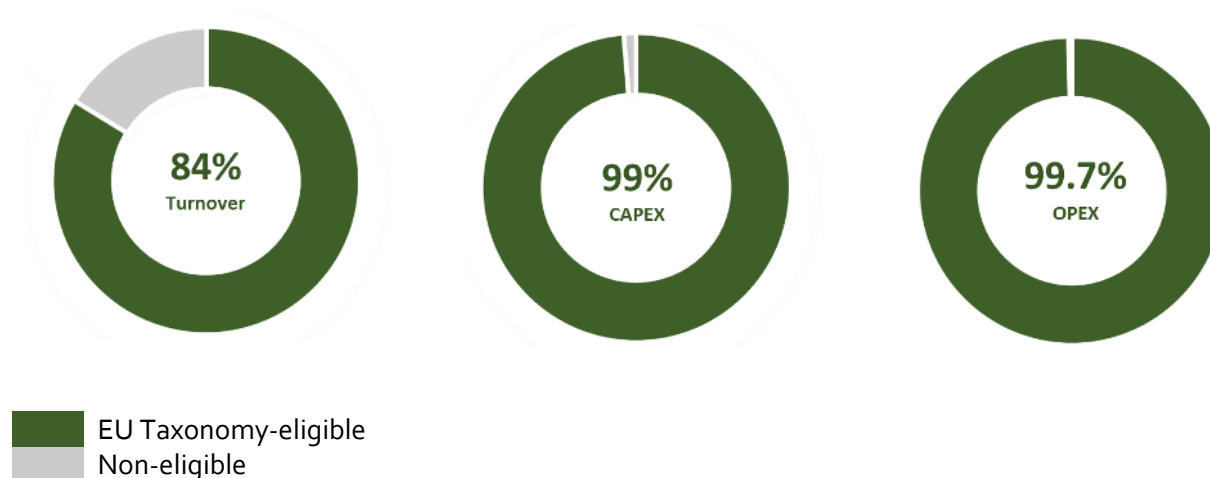
Although Virya is not yet in scope of this Regulation, Virya chooses to report on EU Taxonomy-eligibility on a voluntary basis as we strongly believe in the opportunity to communicate objectively on the sustainable nature of our activities. Virya's activities are centered around investing in and scaling new technologies across the entire energy value chain, enabling a faster transition to sustainable energy sources. A formal requirement for Virya to report on EU Taxonomy-alignment applies as of FY2025 to be reported in 2026. Please find more information about Virya's journey towards alignment in our section "[Towards EU Taxonomy-alignment](#)".

3. EU Taxonomy-eligibility at Virya Energy

For FY2022 Virya evaluated its EU Taxonomy-eligible activities for the environmental objectives of climate change mitigation and climate change adaptation, resulting in the disclosure of the proportion of EU Taxonomy-eligible revenue, CAPEX and OPEX included in this voluntary report.

An activity is considered eligible when the nature of the activity matches the description of the activities included in the EU Taxonomy Climate Delegated Act (EU 2021/2139) and Complementary Climate Delegated Act (EU 2022/1244) supplementing the EU Taxonomy Regulation (EU 2020/852).

Virya Energy has assessed its taxonomy eligibility for FY2022 and is pleased to report its consolidated KPI's:



Activities	Unit	Turnover			CAPEX			OPEX		
		2021	2022	Δ	2021	2022	Δ	2021	2022	Δ
Eligible core activities	%	97.15	83.74	-13.41	98.66	98.74	0.08	99.33	99.65	0.32
Electricity generation from wind power (4.3)	%	91.96	66.51	-25.45	93.71	93.76	0.06	95.43	90.18	-5.25
Electricity generation from hydropower (4.5)	%	0.41	0.23	-0.18	1.37	n/a	-1.37	n/a	0.33	0.33
Installation, maintenance and repair of renewable energy technologies (7.6)	%	0.02	16.82	16.80	n/a	4.53	4.53	n/a	7.15	7.15
Manufacture of hydrogen (3.10)	%	0	0.10	0.10	0.01	n/a	-0.01	0.20	0.40	0.20
Storage of hydrogen (4.12)	%	n/a	n/a	n/a	0.01	0.26	0.25	0.06	n/a	-0.06
Manufacture of low carbon technologies for transport (3.3)	%	0.03	0.08	0.05	0.01	0.04	0.03	n/a ³	n/a	n/a
Transport by motorbikes, passenger cars and light commercial vehicles (6.5)	%	n/a	n/a	n/a	0.40	0.15	-0.25	0.72	1.58	0.86
Sea coastal freight water transport (6.10)	%	4.71	n/a	-4.71	3.16	n/a	-3.16	2.92	n/a	-2.92
Non-eligible activities	%	2.85	16.26	13.41	1.34	1.26	-0.08	0.67	0.35	-0.32

3.1. Turnover

In FY2022, Virya's share of EU Taxonomy-eligible turnover amounts to 84%. Eligible turnover for 2022 is primarily related to the sale of electricity of (66.5%), and installation, maintenance & repair services provided to renewable onshore and offshore windfarms (16.8%). Electricity sales of small hydropower plants, engineering services for the development of hydrogen facilities as well as the sales of drones deployed on autonomous vessels constitute the remaining 0.41% of eligible revenue.

12.5% of non-eligible revenues are linked to installation, maintenance and repair services provided to clients active in alternative non-renewable sectors like oil and gas, and general infrastructure. Additionally, approximately 3% of non-eligible revenue is related to holding, management and administrative activities.

In FY2022, EU Taxonomy-eligible revenue decreased by 13% versus FY2021. Changes in revenue allocation compared to 2021 are mainly driven by the reclassification of Geo Group's activities. Offshore crew transfer services and offshore surveying activities previously classified as 'sea coastal freight water transport' (activity 6.10) are now reclassified to 'installation, maintenance, and repair of renewable energy activities' (activity 7.6) reflecting Geo Group's strategy to service the renewable energy industry throughout the lifecycle phases of offshore and onshore assets. Moreover, the effect of this reclassification is enhanced by full consolidation of Geo Groups results in FY2022 (versus last two months of FY2021).

3.2. Capital expenditures (CAPEX)

In FY2022, 99% of capital expenditures are linked to taxonomy-eligible activities, remaining stable with an 0.08% increase compared to FY2021. Virya's EU Taxonomy-eligible CAPEX is mostly driven by development and construction of onshore and offshore windfarms (93.8%) followed by investments made in equipment and infrastructure needed to provide installation, maintenance, and repair services to renewable sector clients (4.3%). 0.66% of remaining eligible capital expenditures relate to investments in a hydrogen bunkering facility, capitalized R&D to improve existing software platforms and Virya's car fleet.

Non-eligible capital expenditures are associated to office refurbishments, furniture, and office equipment.

3.3. Operating expenditures (OPEX)

In FY2022, Virya's EU Taxonomy-eligible operational expenditures constitute 99.7% of operational expenditures as defined by the EU Taxonomy. More than 90% of eligible operational expenses are linked to the construction and operation of windfarms, where operational expenses are mainly connected to maintenance and repair, research and development and other direct expenses such as variable leases. Additionally, 7.15% of eligible operational expenditures is linked to the installation, maintenance, and repair of renewable energy activities (activity 7.6), where operational costs mainly relate to maintenance and repair of assets.

Non-eligible operational expenditures are mostly related to (short-term) office leases and rent.

3.4. Accounting policies, estimates and assumptions

Applied accounting policies and EU Taxonomy-eligibility results are based on Virya's best interpretation of the EU Taxonomy Regulation and Delegated Acts.

Following the Disclosure Delegated Act (2021/2178), Virya's EU Taxonomy-eligibility KPI's consider only consolidated entities and exclude equity pick-ups. The KPI's take into account revenue, CAPEX and OPEX for FY2022 as specified in the consolidated financial statements prepared in accordance with IFRS. The financial year FY2022 covers the period of 01 January 2021 to 31 December 2022. Virya's consolidated financial statements only consider entity contributions for the period in which entities are consolidated³. Intra-group transactions are eliminated at consolidated level.

Non-current assets or disposal groups classified as held for sale as per IFRS 5 remain part of continuing operations and, therefore remain included in the Virya Group Result for FY2022. Parkwind's results will thus contribute to Virya's Group result up to closing of the sale. After closing, the share of taxonomy-eligible revenue, CAPEX AND OPEX Related to activity 4.3 'electricity generation from wind' is expected to shift downward.

The sequence of the financial flow identification and allocation avoids double counting when allocating revenue, CAPEX and OPEX to eligible activities. First, revenue, CAPEX and OPEX are defined in accordance with the EU Taxonomy definition resulting in the KPI's denominator. Secondly, the identified revenue, CAPEX and OPEX (denominator) is allocated to the identified eligible activities (numerator). Simultaneously, financial flows related to non-eligible activities are mapped. Finally, a check is performed confirming the total of eligible and non-eligible revenue, CAPEX and OPEX yields the initially identified financial flows as defined in the numerator.

Revenue

Total revenue consists of net revenue as recorded in the consolidated income statement and a subset of other operating income matching the EU Taxonomy revenue definition. This subset of other operating income includes revenue streams generating revenue from the sale of products or services resulting from contracts with customers such as revenue generated from the externalisation of internally developed software and the provision of services for equity pick-ups.

Eligible revenue is determined as the proportion of total revenue which is associated to one of the eligible activities.

In some cases, an allocation key based on 2022 timesheets is used to allocate revenue to the respective eligible activities.

CAPEX

CAPEX includes additions to tangible and intangible assets defined in accordance with IAS 16 (PP&E), IAS 38 (Intangible assets), IAS 40 (Investment property), IAS 41 (Agriculture) and IFRS 16 (Leases). CAPEX excludes goodwill and includes additions to tangible and intangible assets resulting from business combinations.

³ DotOcean 1st February 2022 – 31 December 2022.

Eligible CAPEX is determined by the proportion of total CAPEX which is associated to one of the identified activities.

OPEX

The EU Taxonomy OPEX definition differs significantly from classic OPEX definitions applied in financial statements. It only covers direct non-capitalised costs related to a) research and development, b) building renovation measures, c) short-term leases d) maintenance and repair, and e) any other direct expenses related to day-to-day servicing of assets of property, plant and equipment necessary to ensure the continued and effective functioning of such assets. In our understanding this includes operational expenditures as described in the OPEX table below.

Cost of goods sold is not considered OPEX according to the EU Taxonomy definition and is therefore excluded from the OPEX denominator.

Virya ensures the considered OPEX matches the EU Taxonomy definition by defining relevant cost items bottom-up. Virya refrains from reconciling OPEX to the Consolidated Income Statement as we believe this would lead to a mismatch between the included operational expenditures and the intention of the legislator. Virya shall ensure consistent application of this OPEX definition over time.

Breakdown of OPEX denominator	Description
Research and development	<ul style="list-style-type: none"> ✓ Business Development ✓ R&D projects & studies
Building renovation measures	
Short-term leases	<ul style="list-style-type: none"> ✓ Car leases ✓ Leases for office
Maintenance and repair	<ul style="list-style-type: none"> ✓ Maintenance and repair by third parties ✓ Staff cost directly related to assets ✓ IT Maintenance for software developments
Any other direct expenses related to day-to-day servicing of assets of property, plant and equipment necessary to ensure the continued and effective functioning of such assets	<ul style="list-style-type: none"> ✓ Variable leases of turbines ✓ Insurance cost operating parks ✓ Mandatory trainings (to go onsite) ✓ Offshore logistics
Total	

Eligible OPEX is determined by the proportion of total OPEX, as defined above, which is associated to one of the identified activities.

4. EU Taxonomy eligibility through investments accounted in joint ventures

Virya Energy also has activities in scope of the EU Taxonomy via investments. As per the EU Taxonomy Regulation and associated Delegated Acts activities not in scope of Virya’s consolidated entities are not included in the Virya Group result.

For instance, together with Fluxys, Virya is developing an industrial scale hydrogen facility **Hyoffwind**. Demonstrating the valuable role of hydrogen projects in Virya’s strategy, on a voluntary basis, Virya shares EU Taxonomy results for FY2022 of its equity pick-up Hyoffwind.

4.1. Hyoffwind

Turnover
n/a



5. Towards EU Taxonomy-alignment

Virya believes starting the EU Taxonomy review on a voluntary basis prepares Virya for formally required alignment reporting for when the CSRD is in force. Moreover, Virya views the exercise as an opportunity to support data requirements and availability, and the development of processes and systems to strengthen trusted disclosures.

Therefore, Virya chooses to continue the EU Taxonomy assessment on a voluntary basis next year. For FY2023, Virya will assess and disclose the EU Taxonomy-eligibility KPI’s for the environmental objectives climate change mitigation and climate change adaptation. In parallel, Virya started to analyze the technical screening criteria linked to alignment for the environmental objectives climate change mitigation and climate change adaptation. Next year, Virya will continue to analyze which activities fulfil their potential and are considered EU Taxonomy-aligned.

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