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Commission Notice
on the InvestEU Programme climate and environmental tracking guidance

Disclaimer:

The purpose of this Notice is to provide technical guidance and criteria to assess whether InvestEU financing and investment operations contribute to the climate and environmental objectives and the respective InvestEU targets set out in InvestEU Regulation recitals (10) and (11), and Article 8(8).

It was prepared by various Commission departments in cooperation with potential implementing partners.

The InvestEU climate and environmental tracking guidance is to be used by the implementing partners and financial intermediaries involved in the InvestEU programme.

It may be updated as necessary in light of the experience gained in implementing the InvestEU Regulation and the evolution of other relevant EU legal frameworks, e.g. the EU Taxonomy.

The guidance provided in this Notice is without prejudice to the interpretation which may be given by the Court of Justice of the European Union (CJEU). Nor can the views expressed in this technical guidance prejudice the position that the European Commission might take before the CJEU.

Guidance on the InvestEU Programme climate and environmental tracking for implementing partners

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1 Introduction

Pursuant to Article 8(7) of the InvestEU Regulation¹, implementing partners must provide the information necessary to allow the tracking of investment that contributes to meeting the EU objectives on climate and environment, on the basis of guidance to be provided by the Commission. The purpose of the climate and environmental tracking is to **monitor** the proportion of operations covered by the InvestEU Fund that contribute to EU climate and environmental objectives and to track the progress towards the relevant targets².

Recital 10 of the InvestEU Regulation states that actions under the InvestEU Programme³ are expected to contribute at least 30% of the overall Programme's financial envelope to climate objectives. Moreover, budgetary resources used for the provisioning of the EU Guarantee must contribute to the 30%⁴ overall target for the Union budget expenditures supporting climate objectives. The results of InvestEU climate tracking must also be used to determine the contribution of InvestEU Programme to this overall target for the Union budget.

Box 1 InvestEU Programme

The InvestEU programme consists of the InvestEU Fund, the Advisory Hub and the InvestEU portal.

The InvestEU Fund aims to mobilise public and private investment using EU budget guarantees in line with EU policy priorities. The investment support will be allocated under four dedicated policy windows: sustainable infrastructure (SIW), small and medium-sized enterprises (SMEW), research, innovation & digitalisation (RID) and social investments and skills (SISW).

An advisory support mechanism - the 'InvestEU Advisory Hub' - will provide technical and project development assistance to help with the preparation of investable projects, access to financing and related capacity building.

The 'InvestEU portal' is a dedicated database that helps projects get visibility and provides investors with information about potential investment opportunities.

All actions under the InvestEU programme fall within the scope of climate tracking⁵.

Moreover, Article 8(8) of the InvestEU Regulation introduces a climate and environment target for the sustainable infrastructure policy window (SIW). In particular, implementing partners must target that at least 60% of the investment under this window⁶ contributes to EU climate and environmental objectives. The Regulation also provides (Article 8(8)) that the European Commission together with implementing partners must seek to ensure that the budgetary guarantee

¹ Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and Amending Regulation (EU) 2015/1017.

² Pursuant to Article 8 of the InvestEU Regulation, the Climate and environmental tracking guidance concerns the InvestEU Fund. However, actions under InvestEU advisory contributing to climate and environmental objectives shall also be tracked using the criteria set in this guidance. The term 'climate and environmental tracking' in this report refers to climate tracking for InvestEU and climate and environmental tracking for the sustainable infrastructure window (SIW). Climate action objectives are considered as those that are linked to climate mitigation and adaptation. Environmental action objectives are considered as those that are related to water resources, circular economy, pollution prevention & control, biodiversity & ecosystems.

³ In addition and separately from climate tracking, InvestEU actions will be sustainability proofed, thus minimising detrimental impacts and maximising benefits on the climate, environment and social dimensions.

⁴ InvestEU Regulation recital 10.

⁵ See recital 10 of the InvestEU Regulation.

⁶ EU Guarantee Allocation to the Sustainable Infrastructure Window amounts to EUR 9 887 682 891.

for the SIW is distributed in a balanced way between the different policy areas referred to in Article 8(1) (a) of the InvestEU Regulation.

As mentioned in Recital 11 to the InvestEU Regulation this guidance uses in an appropriate way the criteria to be set by the delegated acts in line with the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the ‘EU Taxonomy Regulation’) to determine whether an economic activity makes a substantial contribution⁷ to environmental objectives.

Implementing partners must provide the necessary information to track investments under InvestEU (Article 8(7)). This Commission guidance document supports them by providing detailed practical information and rules and procedures on the methodology for tracking climate and environmental investments supported under InvestEU.

This guidance was prepared in close cooperation with implementing partners and other stakeholders involved in InvestEU who participated in the ‘sustainability proofing and climate and environmental tracking’ working group.

1.1 Main principles

The climate target applies to all the actions carried out under the InvestEU Fund. However, climate tracking concerns both the InvestEU Fund and the InvestEU Advisory Hub⁸. Furthermore, the climate and environmental target applies only to the sustainable infrastructure window (SIW) of the InvestEU Fund.

Climate and environmental tracking under the InvestEU programme should be based on the tracking methodology described in this guidance. The methodology is aligned with the methodology for the Recovery and Resilience Facility (RRF) and that for the overall EU budget, but also takes into account the specific features, nature and requirements of the InvestEU programme.

Climate and environmental tracking methodology and targets should apply to both the EU and the Member State compartments of the InvestEU Fund. However, calculation and monitoring of the targets⁹ should be done separately for the EU and the Member State compartments.

The objective should be to reach the climate and environmental targets at the InvestEU Fund level by the end of the investment period of 31 December 2028 for signed operations¹⁰. Progress towards the targets should be measured as a proportion of signed financing and investment operations¹¹ in the total portfolio supported by the InvestEU Fund. During implementation, the Commission will closely monitor the aggregate InvestEU contribution to these targets based on InvestEU approved and signed operations.

Targets for specific financial products used by implementing partners will be set in guarantee agreements and will be based on the product’s characteristics and policy objectives. For each

⁷ This shall include enabling activities as defined in article 16 of the EU Taxonomy Regulation.

⁸ The Commission will also estimate the climate related expenditure in the InvestEU portal. This should be estimated based on a proportion of climate related projects compared to total projects published on the portal.

⁹ 30% for climate, and 60% for climate and environment under the SIW.

¹⁰ InvestEU Regulation Article 13 provides that support of the EU Guarantee may be granted for financing and investment operations for an investment period ending on 31 December 2027. Contracts between the implementing partner and the final recipient or the financial intermediary or other entity should be signed by 31 December 2028.

¹¹ As defined in Article 2(10) of the InvestEU Regulation. For the purpose of climate tracking of intermediated operations this should mean the operation as submitted for policy check approval by the Commission and for final approval by the Investment Committee. Financing provided indirectly to final recipients will be referred to as ‘intermediated sub-operations’ throughout this guidance.

financing or investment operation submitted to the Investment Committee for approval, the implementing partners will indicate the expected contribution to climate objectives (and environment for the SIW) in the guarantee request form¹². Implementing partners will also report *ex post* the contribution to climate and where applicable, environment objectives.

Tracking should apply to the amount of financing provided by the implementing partner or financial intermediary and supported by InvestEU¹³. Tracking should be based on rules and guidance applicable at the date of submission of the operation for approval to the Investment Committee. Potential subsequent revisions of this guidance should not apply retroactively to projects already approved.

Implementing partners should track InvestEU supported operations using:

- either **the InvestEU markers**¹⁴ (those listed in Annex 1 No 1 to 82); or
- on a voluntary basis, **substantial contribution criteria**¹⁵ of the adopted delegated acts of the EU Taxonomy Regulation.

For intermediated operations to be tracked *ex ante* as contributing to climate or environmental objectives, the climate or environmental aspect should rely where possible on contractually agreed commitments or targets between implementing partners and financial intermediaries or, if not, on well-defined contractual description of financing that provides a basis for robust estimate.

For direct operations, when using InvestEU markers, distinct markers could apply to different components of the same financing or investment operation. The applicable components should be determined based on the proportion of relevant expenditure or revenues (in case of support to enterprises) linked to a specific intervention field. An operation with clearly distinct components can be split only if a significant part (as a general rule a minimum 10% of total project cost) of the components contribute to the intervention fields listed in Annex 1. As a general rule, an operation should not be split into more than three distinct components.

Ancillary costs and investments necessary to carry out a financing or investment operation contributing to climate and environmental targets (e.g. cost related to skills and training, improved access for persons with reduced mobility, digitalization, technical assistance, studies, etc.) should be counted, using the coefficients applicable to that operation, as contributing to InvestEU climate and/or environmental targets.

The outcome from the sustainability proofing process can be used to assess if an operation meets the criteria of the InvestEU markers in Annex 1 or of the EU Taxonomy for climate or environmental objectives.

¹² This should apply to any other documents submitted for the Commission's approval for items such as 'eligibility sheet for thematic products'.

¹³ Also referred in this guidance as "InvestEU supported financing or investment operations".

¹⁴ Adapted for InvestEU and based on RRF markers (RRF Regulation (EU) 2021/241 Annex VI).

¹⁵ This shall include enabling activities as defined in article 16 of the EU Taxonomy Regulation: an economic activity shall qualify as contributing substantially to one or more of the environmental objectives if it directly enables other activities that make a substantial contribution to one or more of those objectives.

2 Using InvestEU markers

2.1 For direct operations

This refers to financing and investment operations where the implementing partner provides the financing directly to the final beneficiary¹⁶. This section sets the guidance for direct financing and investment operations.

InvestEU markers are listed in Annex 1 (No 1 to 82). Annex 4 can also be used for further clarifications and examples¹⁷. For any operations aligned with the EU Taxonomy criteria, a 100% coefficient may apply. To that end, Annex 1 includes a list for EU Taxonomy environmental objectives and applicable coefficients (40% or 100%) for climate and environmental objectives (Annex 1: no 77 to 82).

2.1.1 Climate tracking methodology for direct operations

Climate tracking measures and monitors the proportion of InvestEU programme actions that contribute to EU climate objectives. This specifically concerns operations - or their components - that contribute to climate change mitigation or climate change adaptation.

For each direct financing or investment operation submitted to the Investment Committee for approval, the implementing partner should assess and report its expected contribution to climate objectives.

Tracking approach based on InvestEU markers (Annex 1):

For each direct financing operation or investment operation, this should include:

1. Applying InvestEU markers (Annex 1) to financing and investment operations or their components following the approach described in this guidance.
2. In the case of Annex 1 markers, coefficient(s) for climate change objectives corresponding to the relevant intervention field(s) should apply for the calculation of operation's contribution to climate objectives. In case of a split between several components, the operation's aggregate climate contribution should be the weighted average of the climate contributions of its components¹⁸.
3. After the adoption of the relevant EU Taxonomy criteria¹⁹: for operations or their components that are aligned with the EU Taxonomy criteria under the climate change mitigation or adaptation objectives, a 100% climate coefficient should apply. Annex 1 includes a list of EU Taxonomy objectives and applicable coefficients for climate objectives (Annex 1: No 77 to 82).
4. Climate tracking results should be reported to the Commission (see section 5).

¹⁶ A financing or investment operation taking the form of, or including, a guarantee from the implementing partner to a third party financier in relation to specific projects assessed and selected by the implementing partner, is assimilated to a direct operation.

¹⁷ For direct debt financing under SMEW, IPs can choose to use a single methodology for both direct and intermediated operations (Annex 1 or Annex 4). The choice would have to be specified in the guarantee agreement.

¹⁸ The size of the financing and investment operation's components should be calculated according to their proportion of the total project cost.

¹⁹ The first EU Taxonomy delegated act covering two of the six objectives (climate mitigation and climate adaptation) should be adopted by the Commission in Q2 2021 and enter into force in January 2022. A delegated act covering the four remaining environmental objectives should be adopted by the end of 2021 and enter into force at the beginning of 2023.

2.1.2 Climate and environmental tracking methodology for direct operations

Pursuant to Article 8(7) of the InvestEU Regulation, for each direct financing or investment operation submitted to the Investment Committee for approval, the implementing partner should assess and report the expected contribution to climate and/or environmental objectives²⁰.

The tracking should be done for all direct operations under all windows. However, the climate and environment target of 60% applies only to the operations under the SIW.

Unless otherwise specified in this section, the climate and environmental tracking for direct operations follows the principles described in Sections 2.1.1 and 3 of this guidance.

Box 2 Balance between climate and environment

Article 8(8) of the InvestEU Regulation stipulates that the European Commission together with implementing partners must seek to ensure a balanced distribution between the different policy areas under the sustainable infrastructure window.

This means that a balanced split should be ensured between projects that mainly contribute to climate priorities and those that contribute to environmental priorities in order to avoid certain project categories being overrepresented.

The balance will be achieved mainly through policy prioritisation that will be set in guarantee agreements with implementing partners based on tools defined in the investment guidelines. The distribution between sectors will be continuously monitored using various indicators, including climate and/or environmental markers.

For each direct financing operation or investment operation under SIW, climate and environmental tracking should include:

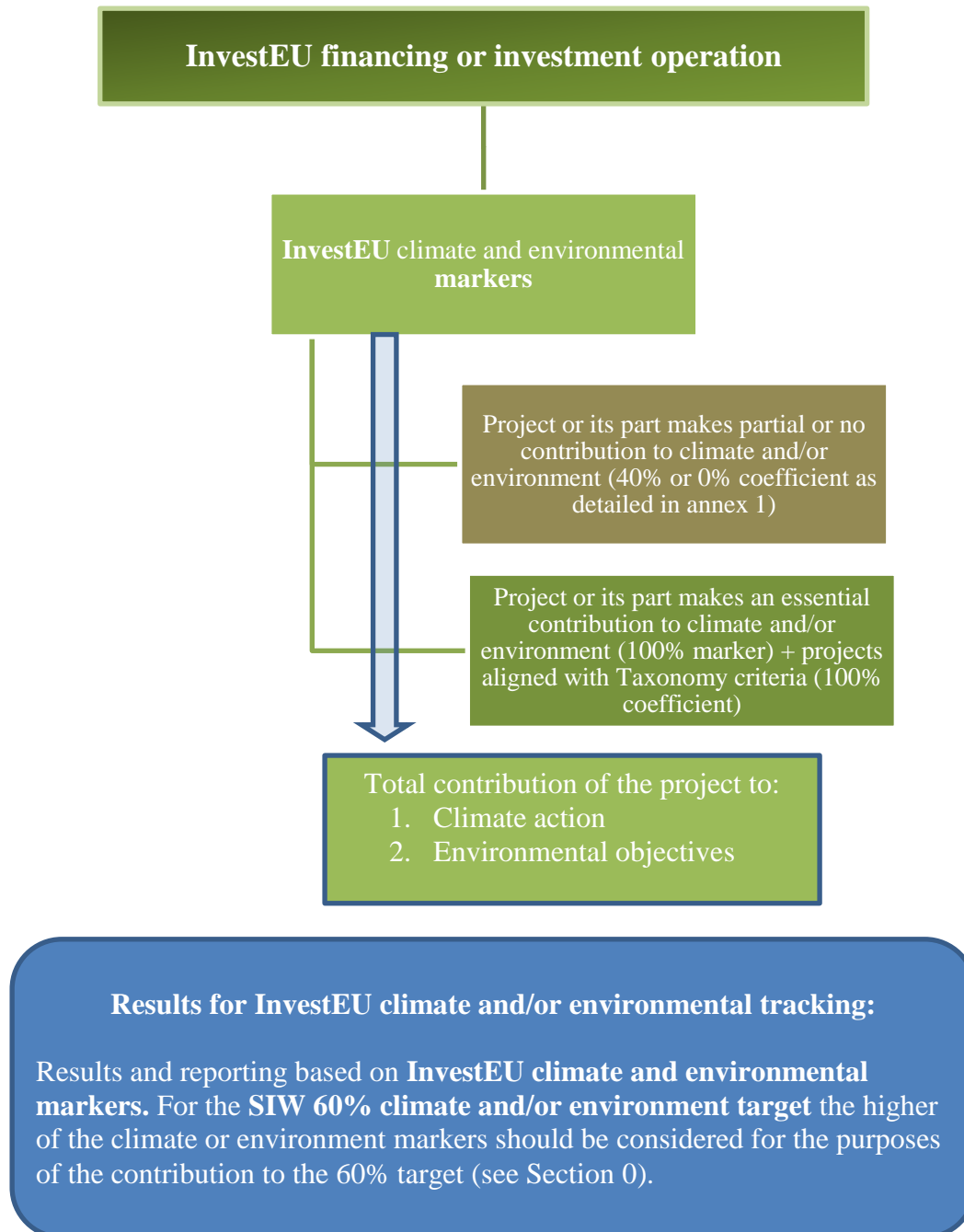
1. In addition to the climate coefficient (as described in section 2.1.1 above), each specific financing and investment operation should be attributed a 0%, 40% or 100% environmental coefficient. For this purpose, coefficient(s) for environmental objectives corresponding to the relevant intervention field(s) should apply.
2. After the adoption of the relevant EU Taxonomy criteria: for all operations that fulfil the Technical Screening criteria for Substantial Contribution to environmental objectives (objectives other than climate change mitigation and adaptation) of the EU Taxonomy, a 100% environmental coefficient should apply to the relevant component of the operation. Annex 1 includes a list of EU Taxonomy environmental objectives and applicable coefficients for environmental objectives (Annex 1: no 77 to 82).
3. Climate and environmental coefficients for each financing or investment operation will initially be allocated separately based on the relevant intervention field.
4. Contribution to climate and/or environmental objectives should be calculated based on the respective climate and environmental coefficients applicable to the financing or investment operation.
5. If a financing and investment operation contributes to both climate and environmental objectives, the higher of the two coefficients should be considered for the purposes of the

²⁰ Ex post reporting is explained in Section 5.2.

contribution to the 60% target specified in Article 8(8). This approach considers both climate and environmental support and avoids double counting²¹.

In line with Article 8(8) of the InvestEU Regulation, the results of climate and environmental tracking must be reported to the Commission (see Section 5 and Annex 2).

Figure 1 InvestEU climate and environmental tracking using InvestEU markers (Annex 1)



²¹ If an intervention field's climate and environmental coefficient both amount to 40%, they cannot be added together even if the climate and environmental components of projects are distinct from one another. In such cases, an operation's (or component's) contribution to climate and environmental target should be 40%.

2.1.3 Tracking examples for direct operations using InvestEU Markers

This section sets out some general examples to demonstrate the use of InvestEU markers for direct operations supported by InvestEU:

- a) Financing or investment operation corresponds in its entirety to one specific intervention field listed in Annex I.

The proposed EUR 50 m financing operation is for the construction of a railway in the TEN-T core network.

Result: Marker 53 ‘Newly built railways - TEN-T core network’ applies to the proposed operation.

Contribution to climate action and 30% target: 100% = EUR 50 m.

Contribution to environmental objectives: 40% = EUR 20 m.

Contribution to 60% climate and/or environmental target under SIW: 100% = EUR 50 m.

- b) Different components of a financing or investment operation correspond to different intervention fields that have the same coefficient.

The proposed EUR 50 m financing operation is for storage and distribution infrastructure for drinking water (50%) and wastewater collection and treatment facilities (50%). Neither investment will comply with specific energy efficiency criteria.

InvestEU marker number 30 ‘Providing water for human consumption’ and 33 ‘Waste water collection and treatment’ could apply to different components of the projects.

Result: The implementing partner should apply the above-mentioned markers to the relevant components of the operation.

Contribution to climate action and 30% target: 0% for both markers = EUR 0 m.

Contribution to environmental objectives: 100% for both markers = EUR 50 m.

Contribution to 60% climate and/or environmental target under SIW: 100% = EUR 50 m.

- c) Only one component of the financing or investment operation corresponds to an intervention field listed in Annex I.

The proposed EUR 50 m financing operation should support RDI activities of a mid-cap company for hybrid and fully electric cars and technologies related to autonomous vehicles. The implementing partner notes that 30% of the operation should be dedicated to RDI activities for hybrid and fully electric cars.

Applicable InvestEU marker number 4: ‘Research and innovation processes, technology transfer and cooperation between enterprises focusing on the low carbon economy, resilience and adaptation to climate change.’ The coefficients for the marker are 100 and 40% for climate and environmental objectives respectively.

Result: The implementing partner should apply the above-mentioned marker to the relevant components of the operation. The component not covered by the markers receives the climate coefficient of 0%.

Contribution to climate action and 30% target: 100% = EUR 15 m.

Contribution to environmental objectives: 40% = EUR 6 m.

Contribution to 60% climate and/or environmental target under SIW: higher of the two = EUR 15 m.

- d) Use of EU Taxonomy including in cases where Annex 1 does not include an intervention field that corresponds to the nature of the proposed financing and investment operation or its component.

The proposed financing operation is to support a company developing an ICT project focused on artificial intelligence technology which will mainly be used to provide data and analytics on greenhouse gas (GHG) emissions. Based on an assessment by a third party, the proposed ICT solutions demonstrate substantial life-cycle GHG emission savings compared to the best performing alternative technology available on the market²².

This operation is therefore ‘Taxonomy aligned’, which means that it is considered to substantially contribute to climate objectives.

Using the InvestEU markers as set out in Annex 1, the operation will fall under marker No 1: ‘Green ICT solutions’ in view of digitising SMEs or large enterprises.

Result: Using InvestEU climate & environmental markers: a coefficient of 40% should apply for operations or their components for the climate objective and a coefficient of 0% for the environment objective.

Using the EU Taxonomy Regulation: If the implementing partner can demonstrate that the operation or its distinct components is/are compliant with the technical screening criteria of any EU Taxonomy delegated acts, a 100% coefficient should apply to the relevant component of the operation and associated objectives. Since in this case the EU Taxonomy criteria for climate change mitigation would be respected, a coefficient of 100% should apply for the climate objective.

2.2 Intermediated financing or investment operations

This section applies to:

- financing and investment operations related to portfolios of sub-operations supported through financial intermediaries, and
- direct debt financing and investment operations under the SMEW.

In the case of intermediated financing, implementing partners will not be able to assess each sub-operation with the final beneficiary and will have to rely on reporting from financial intermediaries. The proposed approach outlined in this section applies to all InvestEU windows including for climate action and to environmental tracking for intermediated financing or investment operations under the SIW.

The approach applies to *ex ante* tracking and should rely, where possible, on contractual commitments or targets agreed between implementing partners and financial intermediaries or, if not possible, on a well-defined contractual description of the planned sub-operations to be financed,

²² Section 8.2 of the draft delegated act of the EU Taxonomy for climate mitigation https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW.

providing sufficient basis for a credible estimate that can be used for target setting and tracking purposes.

The existence of such commitments and the level of the targets should depend on the policy objective of the financing and investment operations and on the type of InvestEU financial product. The targets should be determined by the implementing partner and the financial intermediary and included in contractual arrangements based on InvestEU policy objectives and the nature of the underlying support as agreed with the Commission in the guarantee agreement. Any such targets should be ambitious, taking into account what can be realistically achieved in a given policy and market context. Financial intermediaries will be expected to meet them. If the climate target is not met, the financial intermediary should analyse the causes, discuss the situation with the implementing partner and take remedial action (e.g. more targeted marketing) if appropriate.

In line with Article 8(7) of the InvestEU Regulation, implementing partners should report *ex ante* the expected contribution to climate and environmental objectives in the guarantee request form they submit to the Investment Committee for approval. If the contractual agreement does not include such climate and environmental targets, the reported *ex ante* contribution should be 0%, unless otherwise specified in this guidance.

Implementing partners should provide *ex post* reporting based on information provided by financial intermediaries using the criteria and methodology set out in this guidance (see Section 5 as well as the report template in Annex 3). Unless otherwise agreed, such reporting by financial intermediaries should be based on assessment of each supported sub-operation.

For climate tracking and/or environmental tracking of intermediated operations, implementing partners should use one of the following criteria:

- InvestEU markers listed in Annex 1, as complemented by further clarifications and examples provided for intermediated financing (Annex 4).
- EU Taxonomy technical screening criteria for climate tracking (after adoption of the relevant delegated acts).
- The implementing partner's own established system for climate and environmental tracking or climate or environmental related eligibility criteria under a specific InvestEU financial product, if the system or the eligibility criteria can be considered equivalent to or more conservative (e.g. Taxonomy alignment) than the criteria set out in Annex 1 and 4, and subject to a review of such a system by the Commission. This has to be explicitly agreed in the guarantee agreement.

The chosen tracking system and criteria should ensure effective tracking and alignment with InvestEU criteria, and should minimise the administrative burden for financial intermediaries and final recipients (it should particularly avoid double tracking systems for financial intermediaries). The general tracking approach should be agreed in the guarantee agreement²³.

Unless otherwise specified, this climate tracking approach should apply to:

- investment loans for specific projects or activities that can be considered to contribute to climate and/or environmental objectives;

²³ The tracking approach may be different for each InvestEU financial product based on the nature of financial intermediaries and final recipients. This may, if justified, include giving financial intermediaries a choice between different tracking methodologies in this guidance (e.g. Annex 4 or EU Taxonomy alignment).

- working capital financing and loans to final recipients²⁴ that can be considered to substantially contribute to climate and/or environmental objectives;
- equity investments that can be considered to substantially contribute to climate and/or environmental objectives.

Implementing partners and financial intermediaries should determine whether a sub-operation is aligned with climate and/or environmental criteria through one or more of the following means depending on the type of operations:

- verification of supported sub-operations against the criteria for climate and environmental objectives;
- verification of invoices, technical specifications or related documents;
- detailed due diligence on sub-projects carried out by the financial intermediary or the implementing partner;
- certification by an independent third party organisation (certifying either that Taxonomy criteria are met or those of Annex 1 or 4; e.g. energy audits, etc.);
- self-declaration by final recipient;
- other appropriate means that allow checking that the criteria are met.

Following the adoption of the EU Taxonomy delegated acts and as part of the InvestEU midterm review, the practical application of their use for InvestEU will be further reviewed and analysed by the Commission in cooperation with the implementing partners.

2.2.1 Guarantees for portfolios of loans to final recipients

For investment loans to count as contributing to climate or environmental objectives, the purpose of the financing provided in the final recipient transaction should respect the relevant criteria.

Working capital loans (see footnote 6) to final beneficiaries can be classified as contributing to climate and/or environmental objectives if the following criteria are met:

- Climate or environmental action represents a ‘great majority of their activity’ meaning that at least 90% of the recipient’s revenue during the preceding financial year²⁵ or future revenues as per a business plan are/will be generated from an activity that complies with the relevant criteria in this guidance. In this case the whole financing operation can be considered as contributing to climate and or environmental objectives and appropriate coefficients should apply depending on the intervention field.
- In case the proportion of revenues that complies with the criteria is lower than 90%, only the part that fulfils the criteria can be considered as contributing to climate or environmental objectives. For example a company receives a EUR 100 000 working capital loan. The preceding financial year it generated 45% of its revenues from activities that comply with the criteria for the climate objectives. In this case, 45% of the loan can be considered as contributing to climate objectives.
- The remaining revenues that do not comply with the relevant criteria for the climate or environmental objectives should not be related to any of the InvestEU ‘excluded activities’ (InvestEU Regulation Annex V). For example, the final recipient’s revenues should not be generated from activities related to mining or to the extraction, processing, distribution,

²⁴ Or any other type of financing for general purposes of the enterprise.

²⁵ In case of start-ups this shall be based on the business plan.

storage or combustion of solid fossil fuels and oil, or from investments related to the extraction of gas.

Ex post reports should be based on information provided by financial intermediaries. Such reporting should entail an assessment of each supported sub-operation against the criteria listed in Annexes 1 and 4.

2.2.2 Intermediated equity financing into companies

This section covers venture capital funds, impact investing funds, and other intermediated equity investments into SMEs, mid and large caps. Since equity investments are much riskier than debt, financial intermediaries perform thorough due diligence of beneficiaries` financial and operational aspects continuously until the sale of the investment. For any InvestEU support, financial intermediaries should include in their due diligence the compliance with the climate and environmental tracking criteria as described in this guidance.

Equity investments for final beneficiaries can be classified as contributing to climate and/or environmental objectives if financial intermediaries can demonstrate that their ‘main purpose of financing’ complies the following criteria:

- Climate or environmental action represents a ‘great majority of their activity’ meaning that at least 90% of the recipient’s revenue during the preceding financial year²⁶ or future revenues as per a business plan are/will be generated from an activity that complies with the relevant criteria in this guidance. In this case the whole financing operation can be considered as contributing to climate and or environmental objectives and appropriate coefficients should apply depending on the intervention field.
- If the proportion of revenues that complies with the criteria is lower than 90%, only the part that fulfils the criteria can be considered as contributing to climate or environmental objectives. For example, a company gets a EUR 1 000 000 equity investment. The preceding financial year it generated 45% of revenues from activities that comply with climate action criteria. In this case, 45% of the investment can be considered as contributing to climate action.
- The remaining revenues of supported final recipients (i.e. companies) that do not comply with the relevant criteria for climate or environmental objectives should not be related to any of the InvestEU excluded activities (InvestEU Regulation Annex V). For example, the final recipient’s revenues should not be generated from activities related to mining or to the extraction, processing, distribution, storage or combustion of solid fossil fuels and oil, or from investments related to the extraction of gas.

A particular category of equity investments concern impact-investing operations addressing social, climate and environmental objectives that can count as contributing to climate or environmental objectives based on criteria in this guidance.

i) Financing allocated to new funds

The contribution to climate and environmental objectives reported *ex ante* should correspond to the specific contractual climate target and investment strategy agreed between the financial intermediary and implementing partner.

²⁶ In case of start-ups this shall be based on the business plan.

If there is no pre-existing target or if the fund's investment strategy does not target climate or environmental investments, an *ex ante* coefficient of 0% should apply.

Ex post reports should be based on information provided by the financial intermediaries. Such reporting by financial intermediaries should entail an assessment of each supported sub-operation.

ii) Financing allocated to existing funds

In the case of investments in existing funds, in particular equity funds, intermediaries already have a granular view of the activities that they cover.

The contribution to climate and environmental objectives reported *ex ante* should be the higher of:

- The share of climate and environmental operations in the existing portfolio (as reported using questions in Annex 3).
- If relevant, specific targets on climate and environmental operations agreed between the financial intermediary and implementing partner (or as part of the fund's investment strategy). If there are no pre-existing targets (investment strategy), an *ex ante* coefficient of 0% should apply.

Ex post reports should be based on information provided by financial intermediaries. Such reporting by financial intermediaries should entail an assessment of each supported sub-operation.

3 Tracking using the EU Taxonomy criteria

The implementing partners can, on a voluntary basis, track the InvestEU supported financing and investment operations using the criteria set out in the EU Taxonomy Regulation's delegated acts, where available. In this case, EU Taxonomy related results should be used to measure the implementing partner's contribution to contractually agreed climate and environmental targets. Implementing partners intending to voluntarily use the 'substantial contribution' criteria set out in the EU Taxonomy Regulation's delegated acts would need to explicitly agree this with the Commission in the guarantee agreement²⁷.

For intermediated operations, financial intermediaries and implementing partners can decide, on a voluntary basis, to track the InvestEU investment operations that contribute to climate and environmental objectives using the 'substantial contribution' criteria of the EU Taxonomy Regulation's delegated acts, where available.

For operations falling outside the scope of the EU Taxonomy and until the official adoption of its relevant delegated acts²⁸, the InvestEU markers and the methodologies explained in Section 2 could be used or an equivalent system explicitly agreed with the Commission and specified in the guarantee agreement²⁹.

If the implementing partner reports the climate and/or environmental contribution using the EU Taxonomy 'substantial contribution' criteria, the methods and methodologies recommended under sustainability proofing process might also help with the assessment of the technical screening criteria.

²⁷ Once an implementing partner or financial intermediary voluntarily decides to track based on EU Taxonomy criteria it would no longer be possible to switch back to InvestEU markers.

²⁸ First half of 2021 for climate mitigation and adaptation and end of 2021 for the other four environmental objectives.

²⁹ Notably based on the common principles for climate mitigation finance tracking or definitions equal to or more conservative than InvestEU markers criteria.

Box 3 EU Taxonomy

The EU Taxonomy³⁰ is a classification of economic activities that contributes substantially to six environmental objectives³¹.

Given the emergence of a number of different taxonomies in the financial industry in recent years, the EU Taxonomy Regulation aims to create common definitions and standards to facilitate sustainable investment in the EU. By doing so, it aims to address risks of greenwashing³² in the financial sector, thereby facilitating the reorientation of private capital towards sustainable economic activities.

The EU Taxonomy defines an economic activity as substantially contributing to the six environmental objectives if it fulfils the following conditions:

- meets the requirements of the technical screening criteria for substantial contribution to at least one environmental objective;
- meets the requirements of the technical screening criteria for the ‘do no significant harm’ assessment for all other five environmental objectives;
- complies with minimum social safeguards.

The Commission should adopt two delegated acts setting out the technical screening criteria to determine when activities contribute substantially to the EU’s environmental objectives. The first EU Taxonomy delegated act covering two of the six objectives (climate mitigation and climate adaptation) should be adopted by the Commission in the first half of 2021 and enter into force at the beginning of 2022. The delegated act for the four remaining environmental objectives is scheduled to be adopted by the end of 2021 and enter into force at the beginning of 2023. The EU Taxonomy technical screening criteria that will be set out in delegated acts adopted by the Commission, builds on the work of a dedicated Technical Expert Group (TEG) on sustainable finance and subsequent work by the EU Platform on Sustainable Finance.

The Commission is currently preparing an IT tool that will facilitate the use of the EU Taxonomy by allowing users to navigate easily through the EU Taxonomy criteria.

The current version of this guidance takes into account, where appropriate, the draft delegated act of the EU Taxonomy for climate mitigation and adaptation published on the Commission’s website³³. The guidance should be updated once the delegated acts are officially adopted by the Commission. The InvestEU midterm review must analyse the InvestEU climate tracking methodology and assess a potential further alignment with the EU Taxonomy technical screening criteria, including with the ‘do no significant harm’ criteria, for the remaining implementation period.

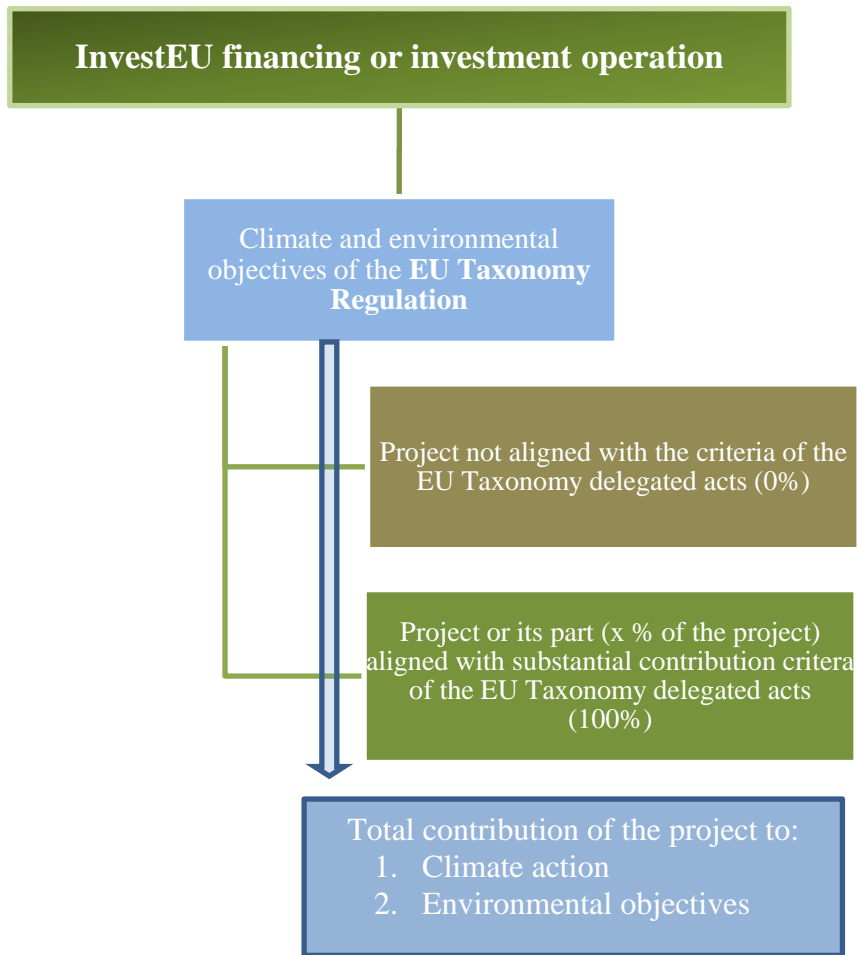
³⁰ Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

³¹ The six Taxonomy’s environmental objectives are: 1. Climate change mitigation; 2. Climate change adaptation ; 3. The sustainable use and protection of water and marine resources; 4. The transition to a circular economy; 5. Pollution prevention and control and 6. The protection and restoration of biodiversity and ecosystems.

³² Unsubstantiated claims to mislead consumers and stakeholders that products, services or projects are environmentally friendly.

³³ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12302-Climate-change-mitigation-and-adaptation-taxonomy#ISC_WORKFLOW

Figure 2 Climate and environmental tracking using the EU Taxonomy criteria³⁴



³⁴ More specifically, using the criteria published in the adopted EU delegated acts of the EU Taxonomy Regulation and where they are available.

4 Climate tracking for InvestEU Advisory

The share of the advisory climate action contribution should be determined at the time of approval of the various advisory initiatives. This share should apply to cross-sectoral/ horizontal advisory initiatives as well as to those under policy windows. In practice, before approval of each advisory initiative, depending on the proposal's objectives, the Commission attributes the appropriate climate marker (0%, or 40% or 100%) to all or to parts of the advisory initiative after consulting the relevant advisory partner.

The Advisory Hub actions shall, where appropriate, be assessed in relation to the climate relevance of each project that is receiving the services of the Hub. For this, the methodology set in this guidance should be used.

5 Reporting

5.1 Ex-ante reporting

Direct operations

Implementing partners should indicate the expected contribution to climate (and separately for environmental for the SIW) objectives for each financing or investment operation in the request for EU Guarantee support submitted to the Investment Committee. The information in the guarantee request form should include:

- A qualitative and quantitative assessment of the contribution to the climate objectives (and environmental for the SIW). The qualitative assessment should justify the choice of the InvestEU markers or the respect of EU Taxonomy criteria.
- The InvestEU climate (and environmental for SIW) proportion (% of InvestEU supported financing) to be attributed to the operation based on the InvestEU climate and environmental tracking guidance.
- Annexes 2 and 3 include draft reporting templates (details to be specified in guarantee agreements).

Intermediated operations

Implementing partners should indicate the expected contribution to climate (and environmental for the SIW) objectives for each financing or investment operation in the request for EU Guarantee support submitted to the Investment Committee. This should be based on the target or on the investment strategy agreed between the implementing partner and financial intermediary. Annexes 2 and 3 include draft reporting templates (final version and details to be specified in guarantee agreements and in the guarantee request form).

5.2 Periodic ex-post reporting

5.2.1 Direct operations

Implementing partners should report the contribution to the climate and environmental objectives of the approved and signed financing agreements covered by the InvestEU Guarantee to the Commission in the operational reporting (Article 28 of the InvestEU Regulation). For operations under SIW, the implementing partner should report the contribution to the climate objectives, the contribution to the environmental objectives, and the combined contribution to climate and environmental objectives, separately.

The contribution of financing and investment operations could differ from the one expected at the time of approval or signature of an operation. This is especially relevant in the case of operations where the contribution was initially reported based on estimates and targets. If during the implementation an implementing partner becomes aware that relevant criteria for climate and environmental tracking of a specific project are, contrary to initial expectations, not respected, this has to be reported and justified in the *ex post* report. *Ex post* reporting should use the same criteria and methodology as that used during the appraisal or upon InvestEU approval of a given operation.

5.2.2 Intermediated operations

Implementing partners should report the estimated or, when available, the realised contribution to the climate and environmental objectives of the approved and signed financing agreements covered under the InvestEU Guarantee to the Commission in the operational reporting (Article 28 of the InvestEU Regulation). Reports should be provided at aggregate level for each InvestEU supported portfolio per financial intermediary. For operations under SIW, the implementing partner should report the coefficients for climate objectives, the coefficients for environmental objectives, and the coefficients for climate and environmental objectives combined, separately.

The contribution of financing and investment operations could differ from the one expected at the time of approval of an operation. This is especially relevant in case of operations where the contribution was initially reported based on estimates and targets. For *ex post* reporting, the implementing partner should report the estimated contribution until the realised contribution is known (e.g. actual contribution depending on the type of intervention at the end of the investment period or at full disbursement, etc.).

While reporting to the Commission should be on aggregate portfolio level per financial intermediary, it should, unless otherwise agreed, be based on assessment of each underlying sub-operation using the methodology presented in this guidance.

5.3 Calculation of the contribution to the 30% InvestEU climate target

The Commission should calculate the overall contribution to climate action and monitor the achievement of the relevant targets separately for the EU and Member State component. This calculation should be based on climate tracking data collected and reported initially *ex ante*, to be replaced at completion of each operation by *ex post* reports by implementing partners, using the criteria in this guidance document.

Contribution to the 30% climate target should be calculated using the following formula:

$$\frac{\text{Sum of InvestEU supported financing contributing to climate action (in million EUR)}}{\text{Total amount of InvestEU supported financing (in million EUR)}}$$

Specific targets should be agreed for each financial product in the guarantee agreements depending on its objectives and policy priorities. The Commission and the implementing partners should use the above methodology and formula to monitor the specific objectives set out in the guarantee agreements.

5.4 Calculation of the contribution to the SIW 60% climate and environmental target

The Commission should calculate and monitor the overall contribution to climate and environmental target under SIW separately for the EU and Member State component. This

calculation should be based on the tracking data collected and reported *ex post* by implementing partners, using the criteria in this guidance document.

Contribution to the 60% climate and environmental target should be calculated using the following formula:

$$\frac{\text{Sum of SIW supported financing to climate or environmental objectives (in million EUR)}}{\text{Total amount of InvestEU supported financing under SIW (in million EUR)}}$$

Specific targets should be agreed for each SIW financial product in the guarantee agreement based on its objectives and relevant policy priority. The Commission and the implementing partners should use the above methodology and formula to monitor any specific objectives set out in the guarantee agreements.