European Sustainable Finance Survey

Public financial institutions and the EU Taxonomy

2021

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Summary

The European Union (EU) has ambitious goals for a sustainable transformation of the economy and society. Public financial institutions (PFIs) can contribute to achieving these goals by providing financing and advisory to help clients become more sustainable. The EU Taxonomy for Sustainable Activities ("taxonomy") can inform PFIs' decision-making – yet, many hurdles still have to be overcome. The **European Sustainable Finance Survey 2021** invited 138 EU-based PFIs to provide insight into their approaches to sustainability and to the taxonomy. The following results are based on responses from 37 PFIs.

- **Sustainability is an important topic for most PFIs[1], but it must align with their core mandates.** Most PFIs have the mandate to correct market failures by supporting actors that would otherwise not have access to financing. Sustainability considerations are increasingly central to their decision-making, and many are currently working on their sustainability strategies. Over 50% of the participating PFIs intend to implement instruments from the 2021-27 Multiannual Financial Framework and NextGenerationEU, explicitly illustrating their willingness to contribute to European goals.
- **The EU taxonomy is among the tools that many PFIs will use to deliver on their sustainability ambitions.** 48% of PFIs assume that they (or one of their subsidiaries) are or will be required to disclose their taxonomy alignment. An additional 42% have already decided to use it voluntarily or are considering doing so. The most common plan is to draw on the taxonomy – especially its 'substantial contribution' (SC) criteria – when identifying sustainable assets or clients, e.g. for taxonomy-aligned loan, investment or guarantee products. On the contrary, almost 50% of all PFIs also see the taxonomy as a risk management tool that can identify exposure that is not in line with required transformational pathways. The majority of PFIs are also looking into taxonomy-related targets – around 26% already have such targets or are working on then, while over 50% are assessing whether to develop them.
- **PFIs expect that applying the taxonomy can be beneficial for them in many ways.** Most importantly, they think it can help them identify sustainable assets and realize their mandate to foster sustainable development. Its potential to reduce risk, including risks related to sustainability and greenwashing accusations, also ranks highly among PFIs. Moreover, it can serve as a tool to illustrate and compare sustainability performance, to develop sustainable financial products and to engage with shareholders and clients on sustainability matters.
- **Whether and how PFIs will actually (voluntarily) apply the taxonomy depends on the feasibility of its different uses.** PFIs anticipate that a several issues may make it difficult to use the taxonomy for reporting and beyond. However, PFIs are also starting to come up with workable solutions that will help them apply the taxonomy for their own purposes.
- **Many PFIs are concerned about the possibility of low taxonomy alignment.** PFIs often focus to a large extent or exclusively on clients that may not currently be considered when assessing taxonomy alignment – especially small- and medium-sized enterprises (SMEs) and public entities but also non-EU clients. PFIs are concerned that the degree of their taxonomy alignment will appear misleadingly low. Hence, many PFIs are considering to use the taxonomy to report on all of their clients or on all of their taxonomy-aligned financial products, irrespectively of the target group.

[1] Formulations such as "all/most/some/etc. PFIs" refer to participant PFIs only.

- **Lack of data is caused by many factors and can thus be addressed from different angles.** Although most PFIs are still familiarizing themselves with the taxonomy, over 75% already expect data-related challenges. For EU clients, due diligence does not suffice to collect all required data. This is especially true for the 'do no significant harm' (DNSH) criteria – several PFIs thus intend to apply only SC criteria or are hoping for solutions that will simplify the application of taxonomy criteria. For non-EU clients, PFIs expect that taxonomy criteria will require interpretation whenever they refer to EU law and/or to technologies that are not available locally. For intermediated lending or investment, PFIs expect reporting to be done by financing partners. In case of unclear use of proceeds, some PFIs propose assessing taxonomy alignment at entity level.
- **PFIs need to understand better how to conduct actual taxonomy assessments.** More advanced PFIs point out that existing taxonomy-related guidance leaves many technical questions open. Others identify inconsistencies, e.g. concerning the definition of DNSH according to the taxonomy regulation, InvestEU and the Recovery and Resilience Facility. Such issues will make it difficult to use the taxonomy in a consistent manner. Further guidance, training and harmonization will be necessary.
- **Costs, coverage and interpretation are also topics of interest for PFIs.** Assessing taxonomy alignment might raise transaction costs for clients – over 33% of PFIs thus plan to or already provide improved financial conditions for taxonomy-aligned activities. As confirmed by 69% of PFIs, greater consideration of the transition towards sustainability would also make the taxonomy more relevant for many clients. Another development – i.e. the fact that PFIs are already starting to interpret how to use the taxonomy in the most efficient manner – is viewed with mixed feelings by PFIs as it can lead to inconsistencies.
- **PFI's confidence in their ability to comply with requirements still needs to grow.** With the exception of the leaders in the field, most PFIs are only starting to work with the EU taxonomy and are not yet certain whether and how they can address challenges best.
- **Answering PFIs' support needs will help to make the taxonomy a more useful tool for fostering sustainable development.** Guidance in assessing the taxonomy alignment of difficult client groups – especially SMEs – is in high demand, even given the fact that such client groups are not (yet) covered by the taxonomy regulation. Practical tools, such as an overview of linkages between taxonomy criteria and commonly used sustainability standards, can be helpful, and their development is being watched by PFIs. Technical assistance will also be required, especially to build internal capacities. Peer exchange, potentially supported and coordinated by a central institution, will be highly relevant for many PFIs.

Introduction

The European Union (EU) has ambitious goals for a sustainable economic transformation. **The European Green Deal** is intended to transform the EU into a modern, resource-efficient and competitive economy, where there are no net emissions of greenhouse gases by 2050, economic growth is decoupled from resource use, and no person and no place is left behind. 30 percent of the 2.081 trillion euro (in current prices) of investments from the **EU budget and the Next Generation EU** recovery instrument was allocated to combating climate change and environmental destruction. **The Sustainable Europe Investment Plan**, the investment pillar of the European Green Deal, resolves to mobilise at least EUR 1 trillion in public and private sustainable investments over the next decade.

Public financial institutions (PFIs) can make a vital contribution towards achieving the EU's ambitions for sustainable development. Their mandates and goals are typically determined by their public owners (e.g. implementing organisations of local or national governments) and should thus ultimately align with European goals. They have access to public funding for sustainable economic development, provided by Member State governments and the EU.

To realize their potential for fostering sustainability it is important for PFIs to identify investment opportunities that are truly sustainable and to advise clients accordingly. **The EU Taxonomy for Sustainable Activities** ("taxonomy") was developed to help companies and the financial sectors "shift investments where they are most needed" and can be a useful tool for PFIs. Yet, knowledge gaps remain on how PFIs could use the taxonomy.

The European Sustainable Finance Survey 2021 hopes to contribute to the successful application of the taxonomy and promote a sustainable economic transformation by answering the following questions:

- How can and do PFIs use the taxonomy to promote a sustainable economy in line with the goals of the European Green Deal?
- What opportunities and challenges does the taxonomy present for PFIs?
- How well are PFIs prepared to seize these opportunities and to address these challenges?
- How can the taxonomy be improved or complemented to support PFIs in promoting sustainable development?
- What support measures are available or would be helpful?

The results are meant to help PFIs, their support organisations, and policy makers in making the best use of the taxonomy.

Survey findings

All findings draw on input from 37 EU-based PFIs. The participating PFIs are quite diverse, e.g. in terms of size, financial instruments used and client base served. *The types of PFIs covered include national promotional banks/financial institutions, export credit agencies, development banks/funds, local government credit agencies and others. The smallest (national) institution participating in the survey has about €13.5 million in total assets, while the largest (regional) institution has €550 billion in total assets. The financial instruments range from direct and indirect lending or equity investments to guarantees, insurance and grants. Most PFIs offer at least two types of instruments, of which lending is the most common. While the majority of PFIs address clients that are regulated by EU law (including small- and medium-sized enterprises (SME), large companies, public entities and retail clients), three PFIs focus on non-EU clients.*

See Annex for additional information on the participating PFIs' characteristics.

Formulations such as "all/most/some/etc. PFIs" refer to participating PFIs only, not to all European PFIs. Figures typically include answers from the 35 PFIs that responded to the survey (unless stated otherwise).

Status-quo: Approaches to sustainability and the EU Taxonomy

Sustainability is an important topic for most PFIs, but it must align with their core mandates.

1. Sustainability is an increasingly important factor in most PFIs' decision-making. With the exception of a *small number of PFIs* that focus exclusively on fostering sustainability, *most PFIs'* core mandate is to address market failures by supporting actors or activities that would otherwise not have access to financing (e.g. small companies or export activities). Yet, a *large majority of PFIs* confirm that fostering the transformation to a sustainable economy[2] already is or will soon be an explicit part of their strategy. *Several PFIs* are currently setting up sustainability departments, devising methods for measuring their sustainability performance in line with existing targets, designing thematic financial instruments, or testing sustainability strategies and tools that have recently been implemented. The *majority of PFIs* think that sustainability should play an important role in the post-COVID-19 recovery. Yet, *several PFIs* highlighted that their mandates are determined by their (public) shareholders, and that they cannot always independently determine their sustainability approaches and priorities.

[2] In the survey, "sustainable economy" was defined as an economy that does not have negative impacts on ecological or social sustainability.

2. PFIs understanding of 'sustainability' is broad, covering both environmental and social objectives. Climate change mitigation is the most important aspect of sustainability for PFIs. *Over three quarters of the PFIs* have aligned their strategies with the Paris Agreement, are in the process of doing so, or perceive the goals of the Paris Agreement to be implicitly covered by their sustainability strategies. Yet, sustainability goes far beyond mitigation for PFIs. As illustrated in figure 1, climate change adaptation, circular economy and social sustainability are also 'very important' for *over 50 % of PFIs*. *Several PFIs* comment that social sustainability covers a wide range of individual objectives, including the reduction of social and gender inequalities, fostering adequate working conditions, consumer protection, (youth) employment, diversity, education, access to essential services and infrastructure, and supporting just transitions in the face of demographic and economic change. Water and biodiversity are comparatively less important objectives, although they are still perceived as "very important" or "rather important" by *over 80 % of PFIs*. Further sustainability objectives include animal welfare, corporate governance and ethics, and reducing the environmental footprint of PFIs. The PFIs also refer to the Sustainable Development Goals and to self-developed definitions of impact and added value of financed activities.

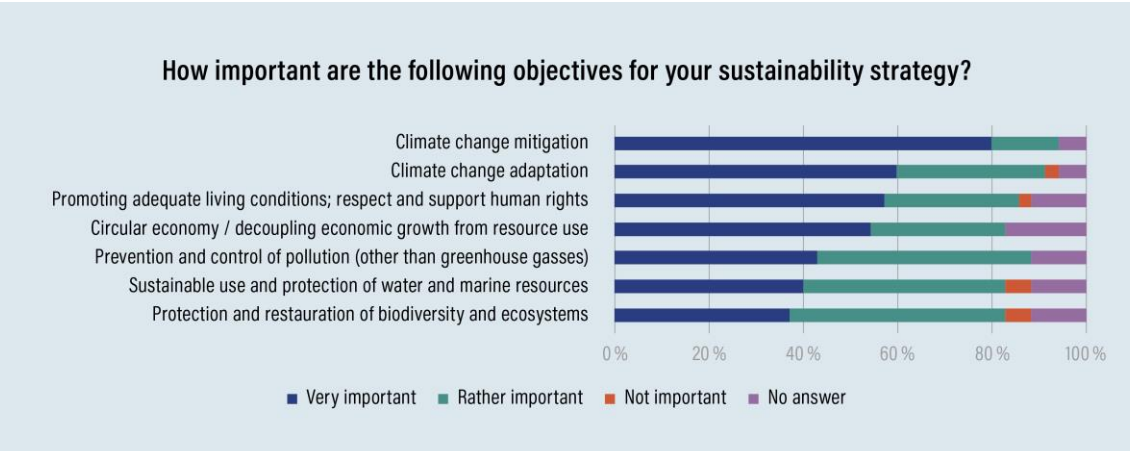

Figure 1: Importance of different sustainability objectives

3. The range of tools and approaches used to foster sustainability is equally broad. *Three quarters of the PFIs* confirm that they exclude certain unsustainable activities from being financed, guaranteed, or insured. *Three quarters* (although not exactly the same PFIs) also foster positive contribution to sustainability through targeted financial products for activities that comply with pre-defined eligibility criteria. *Almost half of all PFIs* also have an environmental, climate, and social risk management system in place. Again, *50 %* have set quantitative sustainability targets that they use to steer their business. *One third of PFIs* rate their clients against their own definition of 'sustainable'. *All PFIs*, except for those that are currently working on their sustainability strategies, use at least one of these tools.

4. Financing from the EU will be used to promote sustainability. *51% of PFIs* intend to participate in one or more of the EU's financial instruments under the new 2021-27 Multiannual Financial Framework and NextGenerationEU. Figure 2 shows that InvestEU is the most common choice – 46% of PFIs are planning to be involved. These EU financial instruments are either focused exclusively on fostering sustainable transformations (e.g. Just Transition Fund, Connecting Europe) or are accompanied by sustainability requirements (see annex for an overview of relevant instruments' features). Committing to the use of such funds expresses PFIs' willingness to contribute to the EU's sustainability goals. *23% of PFIs* still have to decide on their use of EU instruments and *26%* do not intend to get involved.

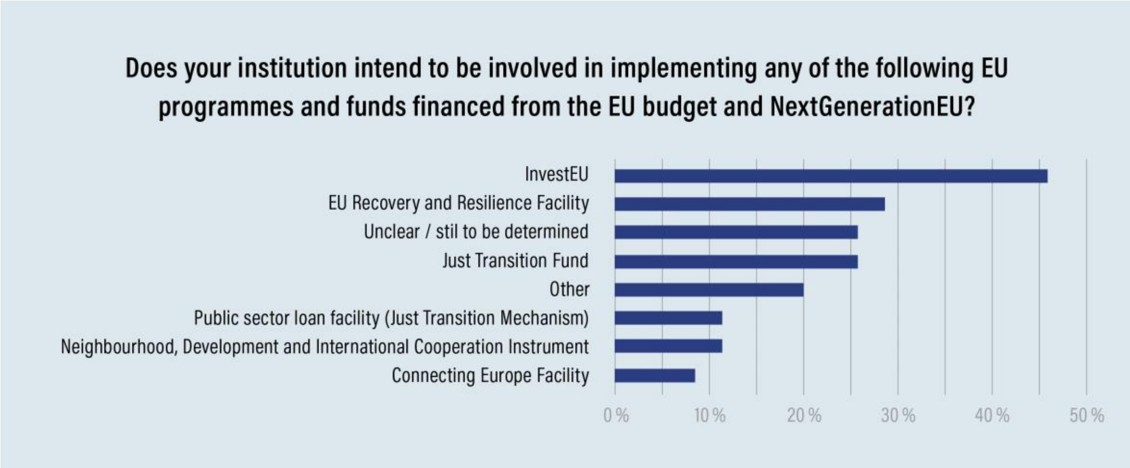

Figure 2: Intended participation in implementation of EU instruments

The EU taxonomy is among the tools that many PFIs will use to deliver on their sustainability ambitions. Most PFIs are required or determined to report on their taxonomy alignment or are assessing whether they will use the taxonomy voluntarily.

5. Around *half of the PFIs* anticipate that they will be subject to taxonomy reporting requirements. As shown in figure 3, *48% of PFIs* indicate that they or one of their subsidiaries are required to disclose taxonomy alignment[3] or that reporting might become mandatory for them if the Corporate Sustainability Reporting Directive (CSRD) is adopted in its 2021 version[4].

[3] The survey provided two answer options: "Yes, because we offer environmentally sustainable investment products" and "Yes, because we have to report non-financial information (Non-Financial Reporting Directive, NFRD)". In addition to that, two PFIs noted that they will be required to report on taxonomy alignment for other reasons:

1) the implementing decree for Article 29 of the French Energy-Climate Law requires investors to disclose on the share of taxonomy-aligned assets (or balance-sheet)
2) The capital requirements regulation (EU) No. 575/2013 (CRR) includes under article 449a the requirement to disclose (from 2022) prudential information on environmental, social and governance (ESG) risks, including transition and physical risk, addressed to large institutions with securities traded on a regulated market of any EU Member State. The Implementing Technical Standards on Pillar 3 disclosures on ESG risks propose comparable quantitative disclosures and include a Green Asset ratio (GAR), which identifies the institutions' assets financing activities that are environmentally sustainable according to the EU taxonomy.

[4] The CSRD suggests to significantly broaden the range of covered organisations compared to the NFRD.

The *remaining PFIs* are either not required to report on their taxonomy alignment or have not analysed relevant regulations yet. Interviews showed that the PFIs' understanding of reporting requirements is sometimes preliminary or based on individual interpretations (e.g. counting green bonds as 'environmentally sustainable investment products' although this still has to be clarified[5]). Actual reporting requirements may differ to some degree from the picture shown in figure 3.

Figure 3: Requirement to report on taxonomy alignment

6. Voluntary use of the taxonomy is an option for *most PFIs.* Of the *52% of PFIs* that do not fall under any (future) reporting requirements, *81%* have either decided to use the taxonomy voluntarily or are considering doing so, incl. for reporting and beyond (see findings 7-10). The same is true for *all of the PFIs* that (will likely) have to report. *Some interviewed PFIs* stated that they feel obliged to use the taxonomy voluntarily, either because they consider themselves examples for other financial institutions or because they have sustainability goals and perceive it as ambivalent not to use the taxonomy. Only *around 9% of the PFIs* are neither required to report on the taxonomy nor responded to the question of whether they would consider using the taxonomy voluntarily. *No PFI* explicitly precludes using the taxonomy voluntarily.

[5] As summarized by ICMA (February 2021), bonds do not fall under the definition of '**financial products**' in SFDR. Hence, it does not seem necessary to report on taxonomy alignment of underlying assets (except if the bond is to be certified with EU GBS). However, a more recent document by the EU (EU Impact Assessment for green bonds) leaves this aspect open: "Under this Regulation, financial market participants will also be required to report on the share of Taxonomy-alignment of the **assets in which they invest**, including potentially, **green bonds**".

PFIs see themselves using the taxonomy for a wide range of purposes.

7. The taxonomy criteria will very likely be used to define sustainable financial assets or clients, e.g. as the basis for green financial products: As figure 4 shows, *over two thirds of PFIs* intend to use the taxonomy (especially its substantial contribution (SC) criteria) to develop taxonomy-aligned loan products or have already developed such products. Using the taxonomy to develop other taxonomy-aligned investment products (such as green bonds) or other financial products (such as guarantees) is also among the highest-ranking options. Moreover, *many PFIs* state that they (will) use the taxonomy criteria more broadly, for instance as the basis for their definition of "sustainable" clients or activities.

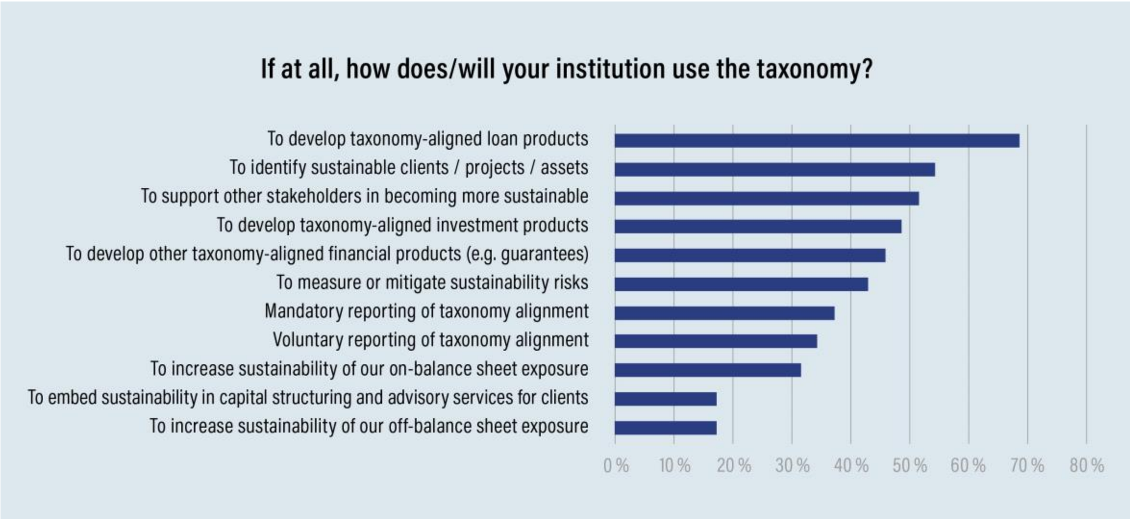

Figure 4: Different uses for the EU taxonomy

8. Another potential use of the taxonomy is for measuring or mitigating sustainability risks. This option was confirmed by almost *half of all PFIs*. Interviews showed that the analysis of sustainable activities increases awareness of the need to increase sustainability efforts in the interest of reducing risk. Additionally, insights generated during taxonomy assessments can be used to identify clients with low sustainability performance, which constitutes a risk in times of increasingly stringent sustainability policies and changing markets. *One PFI* specifically uses Do No Significant Harm (DNSH) criteria for mitigation products (found in the adaptation taxonomy) to define minimum thresholds for certain sectors.

9. Voluntary reporting is less attractive than other uses of the taxonomy. *Over 70% of PFIs* are starting to or already assess the alignment of (parts of) their portfolios with (certain criteria of) the taxonomy. This can serve as the basis for reporting on taxonomy alignment. Yet, *many PFIs* note that reporting on taxonomy alignment could be difficult and unfavourable for them, given the fact that large shares of their clients are not required to report on taxonomy alignment and may currently not be considered by financial undertakings when reporting on their own taxonomy alignment (see finding 13). *Several PFIs* mention that they find it more important to use the taxonomy to 'do good' than for reporting.

10. Although applying the taxonomy to increase the sustainability of PFIs' exposure is given low(er) priority by PFIs, the *majority of PFIs* are considering whether to develop targets for taxonomy alignment. *9% of PFIs* (i.e. 3 PFIs) already have such targets: two aim for (min.) 50 % of the portfolio to be fully taxonomy-aligned by 2025 and 2030, respectively; for the third, alignment with SC criteria is a prerequisite for approx. 70% of commitments. *11%* are currently developing or planning to develop such targets, and *6%* state that their parent/sister companies have relevant goals. *54% of PFIs* are evaluating or planning to evaluate whether taxonomy goals are feasible. Their decision will likely depend on the outcomes of their preliminary taxonomy assessments and on the availability of solutions to challenges of taxonomy use (see findings 13-27). *Only 20% of PFIs* are not currently considering any taxonomy-related targets.

Way forward: Expected benefits, challenges and solutions

PFIs expect that applying the taxonomy can be beneficial for them in many ways.

11. Using the taxonomy could offer a wide range of opportunities for PFIs. Figure 5 illustrates that all benefits that were provided as answer options in the survey questionnaire are perceived as "very relevant" or "rather relevant" by *between 65 and over 90 % of participating PFIs*. In addition to these benefits, it was also mentioned that intense debates around the taxonomy raise awareness of sustainability among customers and financing partners. Moreover, the taxonomy could lead to better refinancing conditions, help to reduce risks in the portfolio, and serve as a recipe or template for long-term sustainability that was not previously available at this level of detail and comprehensiveness. These benefits are likely drivers for PFIs' willingness to apply the taxonomy voluntarily.

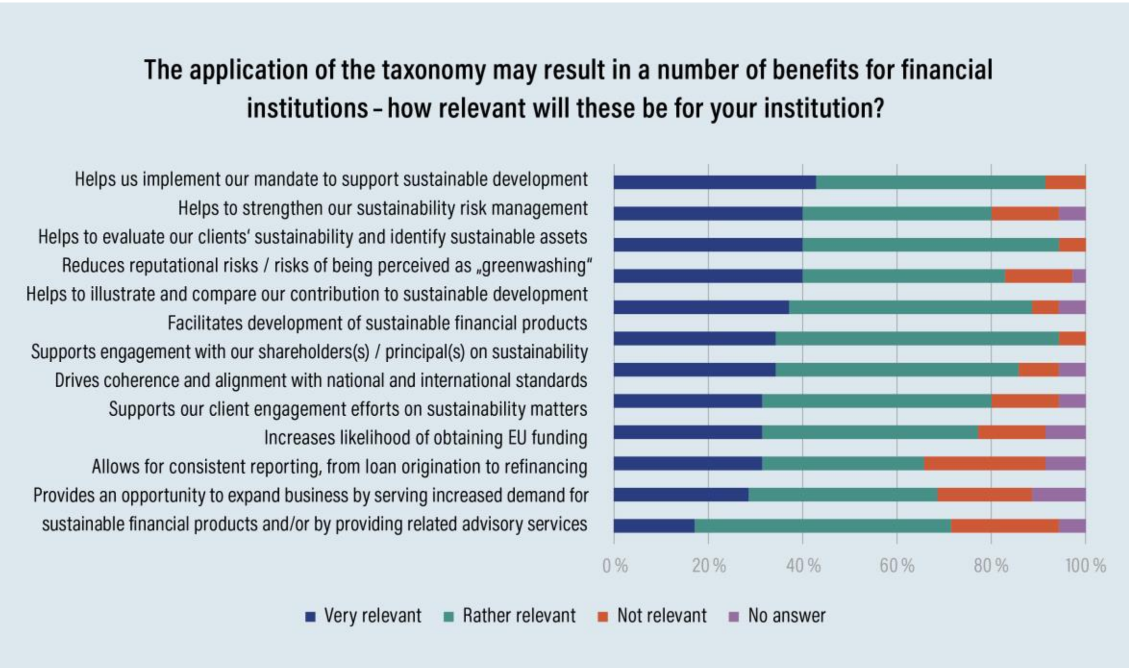

Figure 5: Expected benefits for PFIs when using the taxonomy

Whether and how PFIs will actually apply the taxonomy depends on the feasibility of its different applications.

12. Most PFIs are currently familiarizing themselves with the taxonomy. They are, however, already aware of issues that could "very likely" or "rather likely" make it difficult to use the taxonomy for reporting and beyond (see figure 6). In the interviews, several of these challenges as well as respective solutions were discussed. These are outlined in findings 13-25.

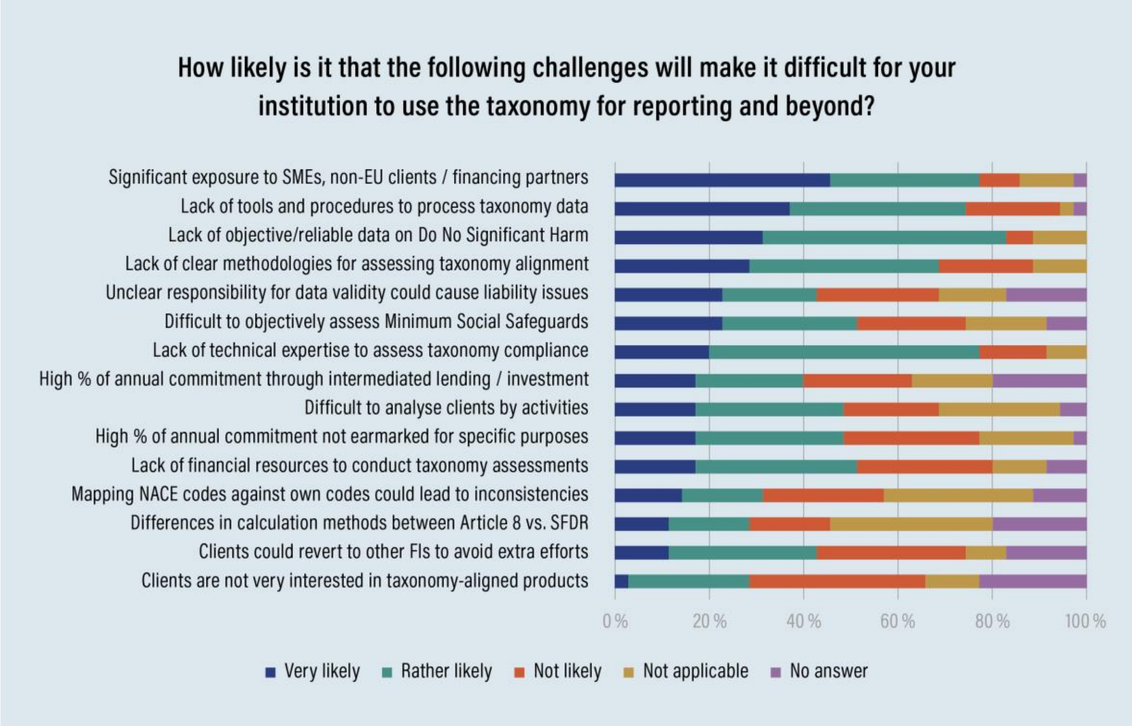

Figure 6: Challenges that might make it difficult to use the taxonomy[6]

[6] In the survey, the following answer options were given: **SMEs, non-EU clients / financing partners**: A significant share of our annual commitments is based on exposures to SMEs, non-EU clients and/or non-EU financing partners – the fact that these are excluded from the numerator of key performance indicators for financial undertakings but included in the denominator reduces the degree of our taxonomy alignment and may convey the wrong message to our stakeholders; **Tools and procedures**: We lack adequate tools and procedures for processing taxonomy-related data; **Methodologies**: The lack of clear methodologies for assessing taxonomy alignment makes it difficult to compare our results with other financial institutions; **Do No Significant Harm**: It is difficult and very time-consuming to find objective / reliable evidence of alignment with the Do No Significant Harm (DNSH) criteria; **Technical expertise:** We lack staff with sufficient technical expertise to conduct taxonomy assessments; **Minimum Social Safeguards (MSS)**: Many of our clients do not explicitly ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, making it difficult to objectively assess their compliance with Minimum Social Safeguards (MSS); **Responsibility for data validity:** It is unclear which party – e.g. we, the client or any third party – is re-quired to assess / guarantee for the validity of data – unless clarified, this could lead to liability risks; **Financial resources**: We lack financial resources to prepare for and implement taxonomy assessments (e.g. capacity building, adapting IT systems, …); **Unknown use of proceeds**: A significant share of our annual commitments is not earmarked for specific purposes (unknown use of proceeds), making it difficult to assess taxonomy alignment; **Analysis of activities**: We analyse our clients in their entirety and do not distinguish between the economic activities in which they are involved; **Intermediated lending / investment**: A significant share of our annual commitments is based on intermediated lending / investment – the fact that we have to base the calculation of our taxonomy alignment on exposures to financing partners (and not to end-customers) reduces the degree of our taxonomy alignment and may convey the wrong message to our stakeholders; **Clients reverting to other FIs**: Assessing taxonomy-alignment is costly and takes time – this may incentivize many our clients to revert to financial institutions that do not apply the taxonomy; **NACE codes**: We do not use NACE codes and have to map our industry coding system against NACE, which may lead to inconsistencies or gaps; **Article 8 vs. SFDR**: Methods for calculating the taxonomy alignment of investee undertakings differ between the "Article 8 Delegated Act" and the Sustainable Finance Disclosure Regulation; **Clients not interested**: Our clients are not very interested in taxonomy-aligned financial products

Many PFIs are concerned about potentially low taxonomy alignment.

13. PFIs' business models are not currently targeted by the EU taxonomy. As shown in table 1, *approximately two thirds of 28 PFIs* (i.e. those that provided figures on the share of different client types) have over 50% of their annual commitments towards clients that are not required to report non-financial information under the Non-Financial Reporting Directive (NFRD) and that may not be included in the calculation of the PFIs' taxonomy alignment[7]. SMEs and public entities together make up approximately 50% of annual commitments across *all 28 PFIs* (with actual values ranging between zero and 100%). *A small number of PFIs* also work (almost) exclusively outside of the EU. Against this background, roughly *three quarters of (all 35) PFIs* confirmed that the exclusion of their key client groups from taxonomy reporting is "very likely" or "likely" to make taxonomy use difficult for them because it reduces the degree of taxonomy alignment and may convey the wrong message to stakeholders (see figure 6).

	Retail	SME	Corporate	Public	FIs*	Non-EU**	Mixed	Total***
> 50% in excluded clients		5		2		4	7	18
> 50% in included clients	2		4		4			10

Table 1: Number of PFIs that have over half of their annual exposures towards clients that are either excluded from or included in calculation methods for taxonomy alignment

*FI = financial institutions; **Non-EU includes 1 x SME, 1 x corporate, 2 x public; *** Question answered by 28 PFIs

14. Voluntary use of the taxonomy for excluded client groups could be an option to better reflect PFIs' business models but can be difficult. To solve the issue of low taxonomy alignment, *many PFIs* are considering to use the taxonomy to also report on the taxonomy alignment of SMEs, public, or non-EU clients and/or to develop financial products for such clients (on which PFIs can then report). *Two PFIs* recommend including sovereign debt, SME finance and non-EU company finance more completely and transparently in the calculation methods for taxonomy-related key performance indicators. *One PFI* suggests that financial institutions could be given the choice whether to fully include or exclude such clients. Yet, assessing taxonomy alignment for clients that do not have to report relevant figures can be challenging – at least for certain client groups. Roughly *70% of the 24 PFIs* that answered the question "how feasible would it be to assess taxonomy alignment of the following clients" consider it not feasible to assess taxonomy alignment for non-EU SMEs and financing partners from non-EU countries. Opinions are more balanced for non-NFRD financing partners from EU countries and non-EU corporate clients – roughly *50% of the PFIs* that answered the question consider it (very) feasible to assess these clients' taxonomy alignment, while *the other half* find it not feasible. *Most PFIs* based their answers to this question on assumptions rather than detailed assessments. Findings 15-19 describe hurdles and solutions for analysing different client groups' alignment.

[7] Exposures to non-NFRD clients, incl. SMEs and non-EU clients/financing partners, are excluded from the numerator of key performance indicators for financial undertakings but included in the denominator. Exposures to central governments and central banks are excluded completely. For further information, see "Delegated Act supplementing Article 8 of the Taxonomy Regulation" (C(2021) 4987 final) and its Annexes.

Lack of data is caused by many factors, and can thus be addressed from different angles.

15. *Most PFIs* encounter data-related challenges. PFIs are working on identifying whether relevant data is available, e.g. by assessing whether clients are required to report on taxonomy alignment and by comparing their own definitions, criteria, and safeguard policies to the taxonomy. Although *most PFIs* confirm that they are still at early stages of such assessments, *over three quarters of all PFIs* already think that a "very likely" or "likely" challenge is the lack of adequate tools and procedures for processing taxonomy-related data, and that it is difficult and very time-consuming to find objective/reliable evidence of alignment with the DNSH criteria. Insights from interviews and other survey questions show that this is based on several underlying factors (see findings 16-19). *A small number of PFIs* already collect relevant data because they developed their systems in consideration of the taxonomy.

16. PFIs lack data for non-NFRD clients from the EU – focusing on substantial contribution criteria is an option for many. PFIs' environmental and social due diligence does not provide sufficient data to assess taxonomy alignment of EU clients that do not do so themselves. While due diligence typically focuses on ensuring compliance with existing laws, the taxonomy's DNSH criteria go beyond such law for many activities. PFIs would thus have to assess in detail whether compliance with taxonomy criteria can be confirmed. Evidence for compliance with laws (e.g. waste management plans) is not always stored, which can lead to difficulties when compliance with taxonomy criteria has to be checked ex-post. Even PFIs that collect additional environmental information, e.g. to assess eligibility for certain green financial products, confirm that many taxonomy criteria require data that is currently not being collected. DNSH criteria are also more complex for some sectors than for others, potentially leading to discrimination of clients in such sectors. To solve data issues, *many PFIs* intend to use only the taxonomy's SC criteria, while not assessing DNSH criteria and minimum social safeguards (MSS) beyond standard due diligence processes. At the same time, PFIs would also find official action helpful to reduce the complexity of taxonomy assessments. It was suggested that DNSH and MSS criteria could be simplified, for instance, by linking them to concrete legislation with which companies have to comply anyways or by mapping them against existing legislation and highlighting overlaps and gaps. Development of coefficients (i.e. factors that express average taxonomy alignment) for NACE codes to estimate taxonomy alignment for granular portfolios was rated "helpful" or "very helpful" by *over two thirds of PFIs*. Yet, it was also cautioned that such coefficients will not provide decision-relevant information and that their use might not be accepted by PFIs' stakeholders.

17. Applying the taxonomy to non-EU clients could be based on the interpretation of equivalent laws, standards or technologies. In case of non-EU clients, due diligence is typically more comprehensive. A core challenge is that EU laws do not apply to non-EU countries and clients and that the technologies and transformation paths identified in the taxonomy are not available or adapted to local conditions. PFIs thus point to existing standards, such as the IFC and World Bank Performance Standards. While *some PFIs* perceived compliance with such standards to be sufficient for ensuring taxonomy compliance, others suggest that a detailed gap analysis should be conducted to determine which additional data would have to be collected by PFIs. Another option is to interpret the taxonomy in a local context. This could be done by consultants, e.g. using (sector-agnostic) questionnaires to help identify best practices. Finally, it was stated that another option is to wait for a global taxonomy.

18. In case of intermediated lending and investment, PFIs expect reporting requirements to be covered by financing partners. *Approximately half of the PFIs* that provide loans and equity work partly or exclusively via financial intermediaries. For intermediated transactions, only a very limited amount of data is available (e.g. client type and sectoral focus/NACE codes). In interviews, *these 50% of PFIs* stated that they expect to delegate responsibility for taxonomy assessments to the financial intermediaries, e.g. by defining in product specifications which types of data they should collect. For intermediaries located in the EU, this might not be problematic, given that many of them have to report on their taxonomy alignment anyways. Nevertheless, taxonomy-related products should ideally be designed together with partner financial institutions to ensure that data requirements are as consistent as possible with partner data collection and reporting systems. This is less of an option for DFIs whose partners are not EU-based.

19. Unclear use of proceeds will likely be addressed by assessing taxonomy alignment at entity level. PFIs typically provide at least some financing, insurance, or guarantees without knowing exactly how the support is used. In a number of interviews, 12 to 40 % of non-earmarked annual commitments were mentioned (though not all PFIs were asked this question). This figure may go down once PFIs start reducing the amount of working capital provided as an answer to COVID-19. To counteract data challenges, *some PFIs* state that they will conduct assessments at client-level, even if not explicitly confirmed as an option in official regulation. A *small number of PFIs* suggested developing entity-level criteria.

PFIs need to understand better how to conduct actual taxonomy assessments.

20. Existing guidance leaves questions open – clarification and training could help. "Lack of clear methodologies for assessing taxonomy alignment" and "difficulties in assessing compliance with MSS" are fourth and fifth in the list of the most relevant taxonomy-related challenges (see figure 6). "Lack of technical expertise to assess taxonomy compliance" is also perceived as a "very likely" or "rather likely" challenge by *almost 80% of PFIs*. While *many PFIs* are still getting to know the basic functioning of the taxonomy, others are already exploring more detailed questions, e.g. how to apply the MSS to SMEs, whether equal criteria need to be applied to both purchasing and manufacturing electric vehicles, whether all or only main activities should be considered for taxonomy assessments if loans are used to finance long lists of activities, and how to assess clients' vulnerability to climate change. Moreover, it is unclear which party – i.e. the PFI, the client or any third party – is responsible for data validity. Further guidance and/or technical assistance in all of these issues will be helpful (see findings 30-34). *One PFI* also pointed out that associations and the assessed companies themselves might help to interpret the criteria.

21. PFIs note that inconsistency is another challenge for meaningful reporting. It was mentioned by *some PFIs* that the definitions of terms and methods that are relevant for taxonomy assessments vary between EU instruments. For example, the concept of DNSH differs slightly between the taxonomy regulation, InvestEU and the Recovery and Resilience Facility; the definition of "SME" provided in the Accounting Directive is not equal to the EU Recommended SME definition; there are differences in calculation methods between the draft of the "Article 8 Delegated Act" and the Sustainable Finance Disclosure Regulation. Such inconsistencies stand in the way of harmonized reporting and the comparison of results and should be addressed. Inconsistencies caused by PFI's own mapping of NACE codes against internal coding systems are perceived as (rather) challenging by *30% of PFIs*. Hence, an official mapping of NACE codes against other standard industry coding systems could help.

Costs, coverage and interpretation are topics of interest to PFIs.

22. Improved financing conditions and the gradual implementation of taxonomy criteria might attract clients that would otherwise seek other financing options. Assessing taxonomy alignment for clients would require PFIs to invest in new processes, tools and capacity building. This might lead to higher costs in comparison to finance providers or financial products that do not take the taxonomy into consideration. *Several PFIs, although less than half of all*, fear that clients would "likely" or "very likely" choose other finance providers or revert to standard non-aligned financial products for their sustainable activities. *Over one third of PFIs* therefore provide (or plan to provide) improved conditions for taxonomy-aligned activities, with lower interest rates for taxonomy-aligned lending as the most cited option. *Almost two thirds of PFIs* have not yet decided and *only two* state that they will not provide improved conditions. Besides financial incentives, it was also noted that PFIs can apply the taxonomy intelligently, for instance by raising awareness of the taxonomy and using it as a voluntary guide for structuring projects so that gradual alignment can be achieved. PFIs could also provide "light green" and "dark green" (taxonomy-aligned) finance in parallel and work towards shifting clients from one group to the other over time.

23. Expanding the coverage of objectives and sectors can make the taxonomy more relevant. *Some PFIs* note that sectors which represent important shares of their portfolios, e.g. metal processing and paper and pulp, are not (yet) covered by the taxonomy and should be considered for inclusion. A *few PFIs* even fear that clients in sectors not covered by the taxonomy might not receive sufficient support for their transformations and lose motivation. To address these clients, it was suggested, e.g., to develop simplified criteria for sectors/activities not included in the taxonomy. *Two thirds of PFIs* also state that greater consideration of the transition towards sustainability would be helpful (see figure 7) to support key client groups, i.e. organisations or actors that are not as well developed and managed as large companies and need even greater support for sustainability transitions. This could be done, for instance, by defining minimum criteria or thresholds for efficiency improvements or by determining how such thresholds could be developed together with clients using a science-based approach. Additional taxonomies for social sustainability and environmentally harmful activities would be desirable/helpful as stated by *around half of the PFIs.* The former would be particularly relevant for national promotional institutions whose mandate is to support adequate living conditions in their respective target regions. Including nuclear energy in the taxonomy is, however, explicitly supported by *less than a quarter of PFIs*[8] (see figure 8).

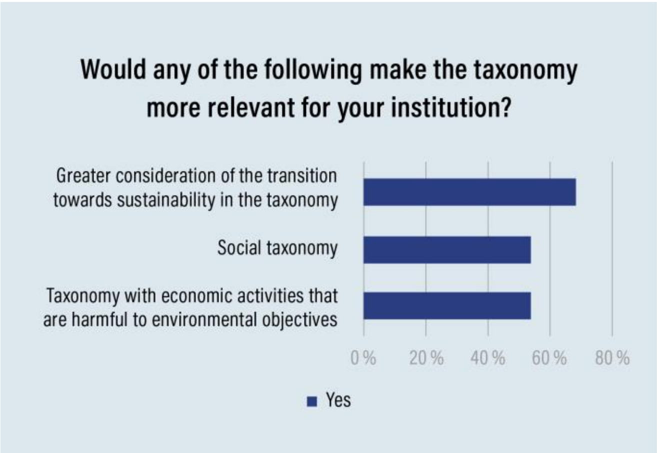

Figure 7: Interest in expanding or complementing the taxonomy

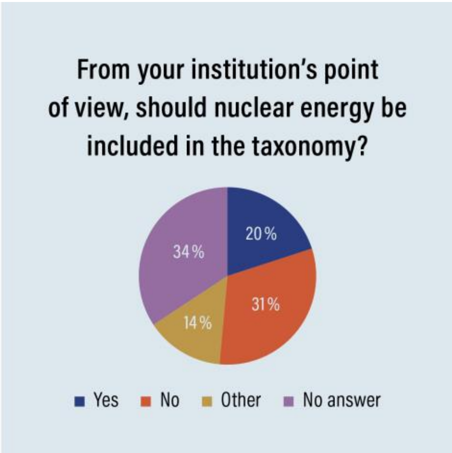

Figure 8: Nuclear energy in the taxonomy

24. Updates of the taxonomy are seen as potentially problematic but can be incorporated. *Some PFIs* state that updates of the taxonomy may lead to operational difficulties and administrative burden linked to manually making respective changes in bank-internal systems. Grandfathering (in this case allowing for older versions of the taxonomy to continue to apply to existing contracts while applying the new version(s) to future cases) was named as an option to address

[8] PFIs that answered "other" specified that they have no opinion or that they reserve their opinion on this matter. The seven PFIs that answered "yes" come from Sweden, Denmark, the Netherlands, Germany, Hungary, Poland and Greece.

this issue. *A few PFIs* also wondered whether it would be possible that tools for taxonomy assessment, once available, could include automatic updates.

25. PFIs view interpretation with mixed feelings. Given existing challenges, *many PFIs* will apply the taxonomy according to their own interpretations. This might lead to issues, e.g. when working with multiple partners that use the taxonomy differently or when comparing results. However, *a few PFIs* also pointed out that it is important to use the taxonomy to "do good" rather than to optimize reporting, especially for PFIs and client types that are not covered by official reporting requirements. Finally, it was stated *several times* that low taxonomy alignment would not be an issue for individual PFIs if all affected PFIs reported according to existing guidelines. It would thus be crucial that PFIs that intend to report on taxonomy alignment of excluded client types clearly mark their results as going beyond official calculation methods.

Overall, challenges vary between different types of PFIs – but differ only in some aspects from those faced by commercial banks.

26. Applying the taxonomy is easier for some PFIs than for others. As described above, challenges vary depending on client types and financial instruments used. As a result, some PFIs find it easier to use the taxonomy than other PFIs. Those that already use the taxonomy for sustainable financial products either have relatively small portfolios, focus on project finance, or have comparatively more resources than others to address new sustainability issues.

27. Challenges for PFIs are similar but not identical to challenges identified by commercial banks[9]. While commercial banks cite non-earmarked use of proceeds as one of their most anticipated challenges, this is a less prominent issue for PFIs. This is because they either do not have significant shares of unearmarked exposures, they find it unproblematic to assess taxonomy alignment of clients (rather than of activities), or because other challenges are more wide-reaching. Data-related challenges faced by commercial banks are similar to those stated by PFIs. Yet, this lack of data may be a bigger problem for PFIs that focus exclusively on SMEs and/or public clients. In addition, data collection is a challenge for intermediated lending and investments – a financial instrument that is commonly used by PFIs but not by commercial banks. Operational challenges (e.g. related to adapting monitoring systems to the taxonomy) are also anticipated by PFIs and roughly correspond to those mentioned by commercial banks. However, for many PFIs, concrete challenges are not yet clear, as they are only starting to consider how they will use the taxonomy. Finally, another shared challenge is that client preferences may not be fully addressed by the taxonomy, as it is not focused on fostering transformations. This aspect may be particularly relevant for PFIs that address small or underdeveloped clients that can only take small steps towards becoming taxonomy-aligned.

PFI's confidence in their ability to comply with taxonomy-related requirements still needs to grow.

28. PFIs have some degree of confidence about their ability to comply with requirements for EU instruments. *Almost half of the PFIs* intend to participate in one or several of the EU's financial instruments under the new 2021-27 Multiannual Financial Framework and NextGenerationEU (see finding 4). Of these, *17* provided answers to the question about how confident they feel complying with the different EU instruments' 1) climate action targets and 2) DNSH principles

[9] The authors' understanding of hurdles for commercial banks is based on the UNEP Finance Initiative & European Banking Federation report "Testing the application of the EU Taxonomy to core banking products" (2021). https://www.ebf.eu/wp-content/uploads/2021/01/Testing-the-application-of-the-EU-Taxonomy-to-core-banking-products-EBF-UNEPFI-report-January-2021.pdf.

(see annex for an overview of targets and sustainability requirements). *Ten PFIs* feel "rather confident" about both aspects; *five and six* even feel "very confident" about climate action targets and DNSH, respectively. *Only one and two PFIs* are "not confident". Confidence might be explained by the fact that most PFIs are still in the process of finding out how to best approach the taxonomy. *Some PFIs* also confirmed that they are confident that they can make taxonomy assessments work – in whatever way – if required.

29. Yet, *all PFIs* are still familiarizing themselves with the taxonomy. With the exception of a small number of leaders in the field, *most PFIs* are only starting to work with the EU taxonomy and are not yet certain whether and how they can best address challenges.

PFIs have a range of support needs – answering them will help them to make the taxonomy a more useful tool for fostering sustainable development.

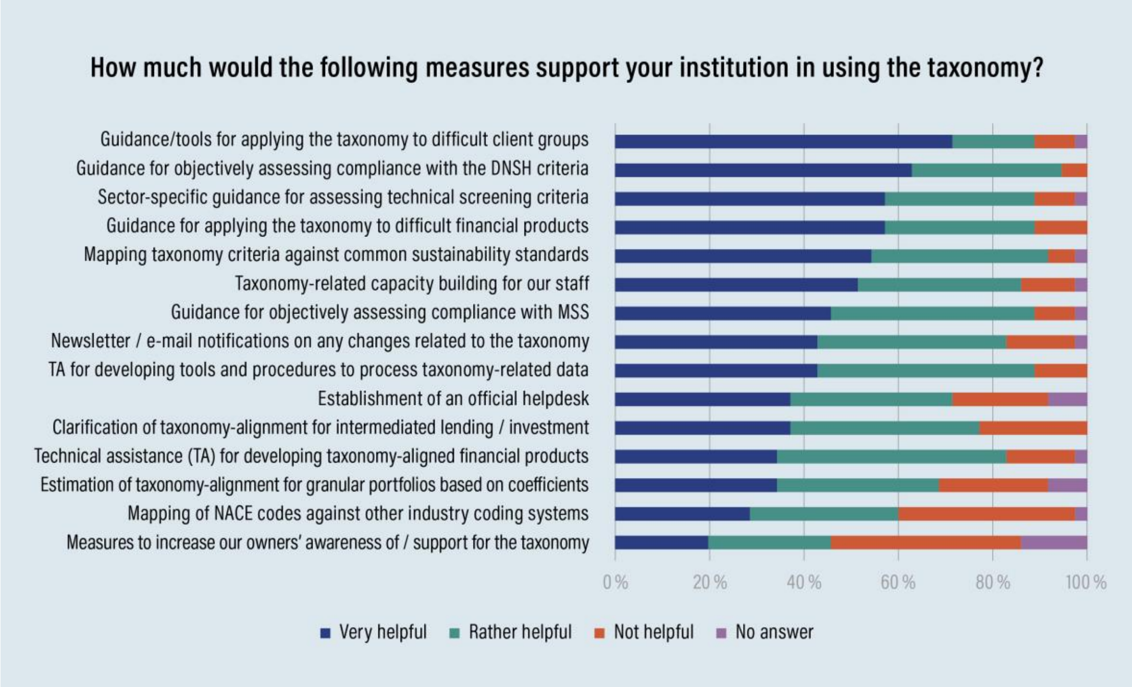

Figure 9: Support measures that would help PFIs apply the taxonomy with greater confidence[10]

[10] In the survey, the following answer options were given: **Difficult client groups**: Guidance/tools for applying the taxonomy to difficult client groups (e.g. SMEs, non-EU clients, although going beyond what is currently required for measuring taxonomy-alignment); **DNSH criteria**: Guidance for objectively assessing compliance with the Do No Significant Harm criteria; **technical screening criteria**: Sector-specific guidance for assessing compliance with the technical screening criteria; **difficult financial products**: Guidance for applying the taxonomy to difficult **financial products** (e.g. general-purpose loans, revolving credit facilities, etc.); **Mapping against sustainability standards**: Overview of linkages between taxonomy criteria and commonly used sustainability standards and schemes; **capacity building**: Taxonomy-related capacity building for our staff; **MSS**: Guidance for objectively assessing compliance with the Minimum Social Safeguards; **Newsletter**: Newsletter/e-mail notifications on any changes related to taxonomy-related regulation, guidance material, support services or other initiatives; **TA**: Technical assistance for developing tools and procedures to process taxonomy-related data; **helpdesk**: Establishment of an official helpdesk; **intermediated lending/investment**: Clarification on measuring taxonomy-alignment in case of intermediated lending/investment via financing partners; **taxonomy-aligned financial products**: Technical assistance for developing taxonomy-aligned financial products; **granular portfolios**: Estimation of taxonomy-alignment for granular portfolios (e.g. SMEs) based on coefficients for NACE codes; **NACE codes**: Detailed mapping of NACE codes against other standard industry coding systems; **owners' awareness**: Measure to increase our owner's/owners' awareness of and support for the taxonomy

30. Guidance material is required for various topics. Guidance in assessing the taxonomy alignment of difficult client groups – especially SMEs – is in high demand, even given the fact that such client groups are not (yet) covered by the taxonomy regulation. Further guidance is required in assessing compliance with DNSH criteria and (to a lesser degree) Minimum Social Safeguards as well as for applying the taxonomy to difficult financial products and to different sectors. Such guidance could consist of dedicated step by step explanations, including practical examples with calculations. Additionally, or alternatively, open questions on specific aspects could be clarified using Frequently Asked Questions (FAQ). It was mentioned in interviews that the European Commission and the European Supervisory Authorities may publish guidance to support the assessment of taxonomy eligibility.

31. Practical tools can be helpful and their development is being watched. Among the instruments that were cited as being helpful by PFIs are an overview of linkages between taxonomy criteria and commonly used sustainability standards and schemes, an EU-wide list of companies required to publish non-financial information, standardized checklists/questionnaires for assessing taxonomy alignment, an Excel tool that translates criteria into indicators that can be directly collected on projects, as well as a tool for simplified lifecycle analysis (to support assessment of circular economy practices). PFIs acknowledge that tools are currently being developed by different actors in parallel, including those in the private sector. *Several PFIs* thus want to wait to see which tools and services will become available on the market before starting to develop their own instruments.

32. Technical assistance will be required, especially to build internal capacities: Taxonomy-related capacity building for staff is perceived as the most helpful type of technical assistance (TA), followed by TA for developing tools and procedures to process taxonomy-related data, and TA for developing taxonomy-aligned financial products. It was confirmed by *several PFIs* that they have already organized or requested respective external support, either from consultants directly or through the European Commission.

33. The helpfulness of newsletter notifications and an official helpdesk would depend on their features: PFIs seem to be slightly less convinced of the relevance of a helpdesk compared to other measures. It was noted that it is more important to discuss issues rather than to simply ask for an answer. A helpdesk might not be equipped to answer questions to which no definitive answer exists yet. Hence, peer exchange is in high demand (see finding 34). However, it would be helpful if a central institution started collecting questions and helped coordinate the discussion process. Although email notifications were cited as (very) helpful by *many PFIs*, it was noted that they could be overlooked among the large number of newsletters.

34. Peer exchange can be highly beneficial. Interviews showed that peer exchange makes up another highly important element in building greater confidence around the taxonomy. *Many PFIs* mention that they already exchange with their peers on relevant topics, including through regional associations and initiatives (such as European Association of Guarantee Institutions (AECM), International Development Finance Club (IDFC), Network of European Financial Institutions for SMEs (NEFI), European Long-Term Investors Association (ELTI), European Development Finance Institutions (EDFI), Energy Efficiency Financial Institutions Group (EEFIG), Export Finance for Future (E3F)) and national banking, investor, or other associations. However, while some of these fora are equipped to lead formalized exchanges around topics of common interest, others serve only as communication platforms and depend to a high degree on the willingness of their members to take responsibility for certain topics. Hence, resources and capacities might require improvement to support peer exchange around the taxonomy. It was also mentioned by *several PFIs* that peer exchange should be as practical as possible, e.g. through workshops for sharing solutions or concrete implementations.

Annex

Methodology

Survey participants

The survey invitation was sent to 138 national and regional PFIs from all EU Members States and from the EU level. Findings are based on input from 37 PFIs. Of these, 15 provided written responses to a survey and participated in in-depth interviews, 20 provided only written responses and two participated only in interviews. Table 2 provides an overview of countries covered by the survey and interviews. The selection of interviewees was limited by the fact that many PFIs were not available for interviews.

Country	Questionnaire (number of companies)	Interviews (number of companies)
Austria	1	
Belgium		1
Bulgaria	2	
Denmark	2	
France	2	1
Germany	10[11]	4
Greece	1	1
Hungary	1	
Ireland		1
Latvia	1	
Lithuania	1	
Netherlands	3	2
Poland	1	1
Portugal	1	1
Regional	4	3
Slovakia	2	
Sweden	3	2
TOTAL	35	17

Table 2 Distribution of participating PFIs across EU countries

[11] Germany has a comparatively large number of PFIs.

Most PFIs focus on up to two types of financial instruments. Table 3 shows the different combinations. Some of these PFIs also offer a third type of financial instrument but the share of this instrument in total annual commitments is typically below 15%[12].

		Minor share (1-45%)				
		Lending	**Equity**	**Guarantees**	**Insurance**	**Grants**
Main focus (55-100%)	**Lending**	16	2	1	1	1
	Equity	4	1			
	Guarantees	2	1	3		
	Insurance	1			1	
	Grants	1				

Table 3: Overview of financial instruments used by participant PFIS

Direct and indirect lending or equity investments are equally represented within the group of participating PFIs. *Approximately half of the PFIs* that offer loans focus exclusively on direct lending, while the others work partly or exclusively via financial intermediaries. Among the PFIs that provide equity investments, approximately half focus exclusively on intermediated investments via other funds, while the other half does mostly direct investments.

Survey Questionnaire

See **https://surveys.adelphi.de/index.php/785224?lang=en**

List of relevant EU financial instruments and their sustainability requirements

Available budget:

- 2021-2027 Multiannual Financial Framework (MFF): € 1,0743 trillion
- NextGenerationEU (NGEU): € 750 billion

Overarching goals for climate and biodiversity mainstreaming:

- **Climate mainstreaming:** The 2021-2027 MFF and NGEU include an overall 30% climate target based on the Rio marker methodology. Individual climate targets have been defined for most of the programmes / instruments under the MFF and NGEU (see below).
- **Biodiversity mainstreaming:** The Commission, European Parliament and Council should work toward a target of 7.5% of annual spending for biodiversity objectives in 2024, and 10% in 2026 and 2027. The programmes / instruments under the MFF and NGEU are generally expected to contribute to these goals but no specific targets have been defined in their respective regulations.
- **Do no harm:** The **Green Deal Communication** includes a "green oath: do no harm" principle: "The objective is to ensure that all Green Deal initiatives achieve their objectives in the most effective and least burdensome way and all other EU initiatives live up to a green oath to 'do

[12] With the exception of three PFIs that offer three types of instruments, each one of which makes up more than 15% of the total annual commitments. For reasons of simplification, these three organisations were assigned to only their two most relevant financial instrument types in the table.

no harm'." This principle is again enshrined in the regulations governing some of the MFF/NGEU programmes/instruments (see below where mentioned) – but not in all of them.

Most information for the following overview (sorted by % of targeted climate contribution) is taken from **https://ec.europa.eu/info/funding-tenders/find-funding/eu-funding-programmes_en** and from the instruments'/programmes' respective regulations.

Instrument, total budget 2021-27 (current prices)	**Sustainability / taxonomy considerations?**	**PFIs involved in implementation?**
Just Transition Fund (JTF), € 19.32 billion, of which € 10.87 billion under NGEU	**100% of the funding** provided through the Just Transition Mechanism is meant to contribute to climate objectives: "Resources of the Mechanism including the Just Transition Fund will be provided to support Member States' commitments to achieve the objective of a climate-neutral Union by 2050."	Yes
Connecting Europe Facility (CEF), € 20.73 billion	CEF should contribute **60 % of its overall financial envelope** to climate objectives. The detailed climate expenditure tracking coefficients applied should be consistent with those set out in Annex I to Regulation **(EU) 2021/1060**, where applicable.	Yes, for the implementation if the **CEF Debt Instrument**
Recovery & Resilience Facility (RRF), € 723.82 billion under NGEU	Each Member State's Recovery and Resilience Plan will have to • include min. **37% of expenditure** for climate investments and reforms; Member States should use the "Methodology for climate tracking" specified in Annex VI of the **RRF Regulation**. The methodology is based on the Rio markers system with some adaptations to consider elements from the EU Taxonomy Regulation. • be **100% compliant** with the "do no significant harm" principle • explain how it contributes to **broader environmental objectives** of the green transition, including biodiversity; MS are invited to refer to the extent possible to the environmental objectives as defined in the EU Taxonomy Regulation	Yes; details on which PFIs are involved and how are determined by each Member State
Cohesion Fund, € 48.03 billion, of which € 11.29 billion transferred to the	• Operations under the Cohesion Fund are expected to contribute **37 % of the overall financial envelope** of the Cohesion Fund to climate objectives.	Yes

Instrument, total budget 2021-27 (current prices)	**Sustainability / taxonomy considerations?**	**PFIs involved in implementation?**
Connecting Europe Facility		
InvestEU, € 10.28 billion, of which € 6.07 billion under NGEU	**At least 30%** of the InvestEU Programme shall support financing for investments that contribute to EU's climate objectives. Moreover, 60% of investments under the "Sustainable Infrastructure Window" shall contribute to EU's climate and environmental objectives. The Commission has put forward: • **climate and environmental tracking methodology** for measuring the contribution of investments to climate and environmental targets of InvestEU. Tracking is done using InvestEU markers or substantial contribution criteria of the EU Taxonomy. • **method for sustainability proofing** to identify and address any significant impacts (negative and positive) that projects might have on the environment, climate and social sustainability. The method operationalises the 'do no significant harm' principle and will progressively integrate technical screening criteria of EU Taxonomy.	InvestEU financing will be available from the EIB Group, from September 2021 onwards. Financing from other implementing partners - national and regional promotional banks or international financial institutions – will be available thereafter.
Neighbourhood, Development and International Cooperation Instrument (NDICI) – "Global Europe", € 80.59 billion (current prices)	Actions under the Instrument are expected to contribute **30 % of its overall financial envelope** to climate objectives. The funding allocated under the Instrument shall be subject to an annual tracking system based on the methodology of the OECD, namely the 'environmental markers' and 'Rio markers', without excluding the use of more precise methodologies where these are available.	Yes
European Regional Development Fund (ERDF), € 226.05 billion	Operations under the ERDF are expected to contribute **30 % of the overall financial envelope** of the ERDF to climate objectives.	Yes
European agricultural fund for rural development (EARDF), € 95.51 billion, of which € 8.07 billion under NGEU	For the period 2021-2022, 26% of total common agricultural policy funds (CAP) expenditures will be dedicated to climate action. For the period 2023-2027 a 40% target is set: During the first two years of the 2021-27 MFF, the existing 2014-20 CAP regulations will continue to apply, as set out	Yes

Instrument, total budget 2021-27 (current prices)	Sustainability / taxonomy considerations?	PFIs involved in implementation?
	in the transitional regulation adopted on 23 December 2020. The regulation is in place to ensure a smooth transition to the future framework of the CAP strategic plans. CAP strategic plans are due to be implemented from 1 January 2023. The strategic plans will allow for a greater degree of flexibility between the two funds and will include the ambitions of the European Green Deal, in particular the Farm to Fork Strategy. Overall, **40% of total CAP expenditure will be dedicated to climate action.**	
REACT-EU, € 50.62 billion under NGEU	Climate contribution target: 25% (see **website** – figure not found in **regulation**)	Yes (REACT-EU is not a new funding source, but a top-up to 2014-2020 ERDF and ESF allocations)
European Social Fund Plus (ESF+), € 99.26 billion	No specific climate contribution target set in the **legal basis**	Yes

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Abbreviations

AECM	European Association of Guarantee Institutions
CEF	Connecting Europe Facility
CSRD	Corporate Sustainability Reporting Directive
DNSH	Do no significant harm
E3F	Export Finance for Future
EARDF	European agricultural fund for rural development
EDFI	European Development Finance Institutions
EEFIG	Energy Efficiency Financial Institutions Group
EIB	European Investment Bank
ELTI	European Long-Term Investors Association
ERDF	European Regional Development Fund
ESF+	European Social Fund Plus
ESG	Environmental, social and governance
EU	European Union
FAQ	Frequently Asked Questions
IDFC	International Development Finance Club
JTF	Just Transition Fund
KfW	Kreditanstalt für Wiederaufbau
MDB	Multilateral Development Banks
MFF	Multiannual Financial Framework
MSS	Minimum Social Safeguards
NDICI	Neighbourhood, Development and International Cooperation Instrument
NEFI	Network of European Financial Institutions for SMEs
NFRD	Non-Financial Reporting Directive
NGEU	NextGenerationEU
PFI	Public financial institution
RRF	Recovery & Resilience Facility
SC	Substantial contribution
SME	Small and Medium-Sized Enterprise
TA	Technical assistance
VÖB	Bundesverband Öffentlicher Banken Deutschlands

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