IV

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EUROPEAN COMMISSION

COMMISSION NOTICE

Technical guidance on sustainability proofing for the InvestEU Fund

(2021/C 280/01)

DISCLAIMER:

The purpose of this notice is to give technical guidance on the screening and sustainability proofing of projects receiving InvestEU support, in line with recital (13) and Articles 8(5) and 8(6) of the InvestEU Regulation.

This document was prepared by the Commission with the support of JASPERS and in cooperation with potential implementing partners. For the climate dimension, this document is consistent with the 'Technical guidance on the climate proofing of infrastructure in the period 2021-2027'. This document also reflects, to the extent possible and relevant, the results of two studies. One study, 'Technical Support Document for Environmental Proofing of Investments under the InvestEU Programme', was run by DG Environment. The second study, 'InvestEU Programme: Guidance on social sustainability proofing of investment and financing operations', was run by DG Employment.

The guidance on sustainability proofing should be used by the implementing partners, financial intermediaries and project promoters/final recipients involved in the deployment of the InvestEU Fund. The sustainability proofing guidance could be relevant for other programmes as well.

The guidance may be updated in light of the experience with the implementation of the concerned EU legislation. The present guidance may be complemented with international, national or sectoral considerations or guidance.

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1. INTRODUCTION

The InvestEU Regulation ([1]) introduces **sustainability** of financing and investment operations as an important element in the decision-making process when approving the use of the EU guarantee. For the purpose of this document, **sustainability** ([2]) refers to the three dimensions set out in Article 8(5) of the InvestEU Regulation: climate, environmental and social.

To ensure that financing and investment operations receiving support from the InvestEU Fund are in line with or contribute to the EU's broader sustainability commitments, the InvestEU Regulation requires an *ex ante* sustainability proofing to identify and address any significant impacts (negative and positive) that these operations might have on the three dimensions.

The purpose of this guidance is to help implementing partners, financial intermediaries, and project promoters/final recipients deal with the InvestEU Regulation's sustainability proofing requirements. Although this guidance was specifically developed for the InvestEU Fund, it could be used in a wider context by any party (e.g. a project promoter, a financial institution or a public authority) that wishes to take into consideration sustainability aspects in their activity. This guidance was developed in cooperation with potential implementing partners.

The guidance adheres to the principles of proportionality, transparency, and avoidance of undue administrative burden. The proposed approaches for the climate, environment and social dimensions take into consideration the existing practices and specific needs in those areas.

It is structured as follows:

— **Chapter 1** sets the general **legal context** and clarifies some of the **concepts** used throughout the guidance.

— **Chapter 2** presents the approach for the sustainability proofing of **directly financed operations.** This chapter provides: (i) detailed guidance on how to perform the analysis for each of the three sustainability dimensions; and (ii) recommendations on how to include the results of these analyses in the economic appraisal of the project.

— **Chapter 3** provides guidance on the aspects of sustainability proofing related to **indirectly financed transactions.** This guidance is based on different types of financing and applicable requirements take into consideration their specificities.

— **Chapter 4** describes the **roles and responsibilities** of different actors involved, as well as information on how the sustainability proofing could be aligned with the overall InvestEU processes.

— **Annexes** – include checklists developed to help implementing partners and project promoters perform the sustainability proofing, as well as a summary of further available resources.

1.1. Scope

The sustainability aspects should be verified for financing and investment operations under all windows of the InvestEU Fund. Nevertheless, some differentiations between operations and windows will be necessary to ensure proportionality and reduce undue administrative burden. Articles 8(5) and 8(6) of the InvestEU Regulation set out the relevant requirements for sustainability proofing.

Pursuant to Article 8(5) of the InvestEU Regulation, financing and investment operations ('operations') above a certain threshold (set later in this guidance in Chapter 1.3) and seeking InvestEU support must first be subject to **InvestEU screening** ([3]). This screening is intended to help the implementing partners to determine whether operations have environmental, climate or social impacts (negative and positive).

([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 (OJ L 107, 26.3.2021, p. 30), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0523&from=EN

([2]) This document does not address the financial standing of financing and investment operations receiving InvestEU support.

([3]) InvestEU screening is a concept used only for the purpose of this guidance and is not to be confused with the screening carried out by the relevant competent authorities, e.g. in the context of the EIA Directive and other relevant legislation.

If following the InvestEU screening, the implementing partner concludes that an operation has a significant impact on any of the three dimensions, then the operation must undergo **sustainability proofing**. The scope of the proofing will depend on the outcome of the InvestEU screening, and it might cover one or more dimensions. The proofing will aim to minimise the operation's detrimental impacts and maximise its benefits to any of the three dimensions.

For the purpose of this guidance, **a project** means an investment in physical assets and/or in activities with clearly delineated scope and objectives, such as: (i) infrastructure; (ii) acquisition of equipment, machinery or other capital expenditures; (iii) technology development; (iv) specific research, digital and/or innovation activity; (v) energy efficiency refurbishments. **The subject of the screening and proofing must be the project and its impacts thereof.**

For **general purpose financing (e.g. corporate finance for general purposes) or direct equity investments**, the scope of the assessment will be: (i) the general approach of the final recipient to integrating sustainability considerations in their processes; and (ii) the final recipient's capacity to address the related aspects and impacts deriving from their activities.

1.2. **Legal compliance**

Financing and investment operations supported by the InvestEU Fund, irrespective of their size and whether proofing is performed or not, must comply with the relevant EU and national legislation. This includes complying with the applicable environmental, social and labour law obligations established by Union law, national law, collective agreements or the international social and environmental conventions listed in Annex X to Directive 2014/24/EU of the European Parliament and of the Council ([4]).

The implementing partner (or the financial intermediary for indirect finance) should identify the relevant legal requirements ([5]) applicable to the operation and should verify ([6]) the compliance with the environmental and social legislation and regulations.

The sustainability proofing performed for the purposes of the InvestEU Regulation will not replace the compliance check with legal requirements under EU legislation and national law. The assessments carried out under EU and national legislation will provide the necessary input data (i.e. estimates of baseline emissions, descriptions of the likely significant effects of the project, positive effects, etc.) that will be used for the proofing, where applicable. The sustainability proofing will identify whether there are any residual impacts. It will also quantify and, where possible, monetise the residual impact that has been assessed to be of a high and/or medium risk. Subsequently, the proofing will address any residual impacts in the project's economic appraisal, together with expected benefits stemming from the positive impacts of the project. This is the real added value of the sustainability proofing beyond compliance with legal requirements.

The co-legislators have explicitly required that implementing partners undertake sustainability proofing of investments under the InvestEU Fund. This implies 'raising the bar' and going beyond a requirement to merely comply with existing legislation. The co-legislators provide guidance on this issue in the InvestEU Regulation. For instance, some recitals refer to the European Pillar of Social Rights ([7]), the Paris Agreement ([8]), the United Nations Sustainable Development Goals ([9]) and the 2018 Global Risks Report ([10]). Article 8(5) states that projects inconsistent with the climate objectives are not eligible for support under the InvestEU Fund. Moreover, Article 8(6) of the InvestEU Regulation refers to the climate vulnerability and risk assessment to address adaptation and climate resilience, cost of greenhouse gas ('GHG') emissions, accounting of impacts on the principal components of the natural capital, social impact of the projects, and identification of projects inconsistent with climate objectives.

([4]) Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN

([5]) A non-exhaustive list of legal requirements to be considered and complied with – as applicable – is provided in Annex 1 of this guidance. Applicable legislation may vary by business sector and country.

([6]) The implementing partners or financial intermediaries are not expected to replace competent authorities charged with enforcing the legal requirements. They should verify the existence of the proof of legal compliance in the form of permits, authorisations or require a self-declaration, as applicable, etc.

([7]) https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

([8]) https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

([9]) https://sdgs.un.org/goals

([10]) https://www.weforum.org/reports/the-global-risks-report-2018

1.3. **Thresholds**

In line with the principle of proportionality, and as required by Article 8(5) of the InvestEU Regulation, **operations below an established threshold are exempt from the requirement for screening and sustainability proofing.** This threshold applies specifically to InvestEU sustainability proofing, and it does not supersede in any way the legal obligations on project developers from the Environmental Impact Assessment Directive 2011/92/EU of the European Parliament and of the Council ([11]) (hereafter referred to as the 'EIA Directive') or other applicable EU or national law.

Based on current practice and experience gained in the area of environmental impact assessment and sustainability proofing of infrastructure projects, the **thresholds below which sustainability proofing will not be required** are as set out in the two points below:

(i) **For direct operations**:

a. For (investment) projects, based on total project investment cost ('PIC'), the threshold is **EUR 10 million** ([12]).

b. For general corporate finance/direct equity investments, based on total financing provided by the implementing partner to the final recipient, the threshold is **EUR 10 million.**

(ii) **For intermediated operations**:

a. For infrastructure funds, the same threshold as for direct operations applies to the underlying projects. Based on total project investment cost, this threshold is **EUR 10 million**.

b. For financing of SMEs, small mid-caps and other eligible enterprises, no screening or full sustainability proofing will be required ([13]). However, a simplified form of sustainability proofing and specific safeguards will be applicable to ensure a minimum alignment with EU commitments, while trying not to overburden small economic actors with complex requirements. The sustainability proofing approach for intermediated financing is detailed in Chapter 3 of this guidance.

1.4. **Sustainability proofing guidance and criteria of the EU Taxonomy** ([14])

The sustainability proofing requirement in the InvestEU Regulation aims to encourage and reward projects that have positive climate, environmental and social impacts, whilst reducing their negative impacts. Sustainability proofing makes possible to: (i) identify a project's impacts; (ii) introduce mitigation measures to address these impacts; and (iii) where possible, recognise opportunities to improve the project's sustainability performance.

The EU Taxonomy makes it possible to classify certain economic activities as environmentally sustainable (i.e. substantially contribute to at least one of the six environmental objectives ([15]) as defined in the Taxonomy Regulation, do no significant harm to any of the other five environmental objectives, and comply with the Minimum Social Safeguards). Sustainability proofing can take into account this classification, and then provide a more in-depth (granular) identification of positive and negative impacts. For this reason, the technical screening criteria of the EU Taxonomy will be used appropriately, including the principle of do no significant harm, after entering into force, where relevant and to the extent possible, throughout the screening and proofing process.

However, it should be noted that the InvestEU Fund covers a broader eligibility spectrum of investments than those economic activities covered by the EU Taxonomy. The InvestEU Fund also aims to take a balanced approach to different EU policy priorities, some of which might not have a strong sustainability potential, whereas the EU Taxonomy is a classification system set up to determine activities that substantially contribute to environmental objectives in the first instance.

([11]) Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 26, 28.1.2012, p. 1) as amended by the Directive 2014/52/EU.
([12]) VAT not included.
([13]) This is without prejudice to the specific eligibility criteria developed for different products.
([14]) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).
([15]) The six environmental objectives under the Taxonomy Regulation are: climate change mitigation; climate change adaptation; sustainable use and protection for water and marine resources; transition to the circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.

Do No Significant Harm ('DNSH') criteria

To ensure that projects do not significantly harm EU environmental objectives, as for the EU Taxonomy, compliance with relevant EU environmental legislation is the starting point. Furthermore, compliance with relevant national environmental legislation and environmental permits needed for the construction and operation of projects is required, including those identified in the DNSH criteria of the EU Taxonomy. Taking into consideration the provisions of the InvestEU Regulation and of this guidance, the legal compliance is a prerequisite for any financing or investment operation qualifying to receive InvestEU support.

The other DNSH criteria that do not refer to environmental legislation should be used, when in force, as a reference for proposing mitigation measures or to identify projects inconsistent with the achievement of climate objectives – to the extent possible and on a best effort basis – for the cases where proofing is required in line with this guidance (for both direct and indirect financing, as further detailed in Chapter 2 and Chapter 3).

In practice, the following steps should be taken:

1. Based on InvestEU screening, the implementing partner determines whether proofing is needed for a certain criteria/dimension

↳

2. Check if the activity is covered by the EU Taxonomy ([16])

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3. Check if there are DNSH criteria for the activity

↳

4. Use the DNSH criteria, on a best effort basis, to propose additional mitigation measures, if needed.

All InvestEU financing and investment operations ([17]), for both direct and indirect financing, should meet the following four conditions based on the DNSH criteria to climate change mitigation and the Minimum Social Safeguards ('MSS'), with a clear view of not altering the overall eligibility criteria of InvestEU, as defined in the InvestEU Regulation and the Investment Guidelines. The four conditions are set out in the bullet points below:

— For projects covering the following activities: anaerobic digestion of bio-waste; landfill gas capture and utilisation – a monitoring plan should be put in place for methane leakage at the facility.

— For projects covering transport of CO_2 and underground permanent geological storage of CO_2 – a detailed monitoring plan in line with the provisions of the CCS Directive 2009/31/EC ([18]) and EU ETS Directive (EU) 2018/410 ([19]).

([16]) Sustainability proofing is applicable to all activities covered by InvestEU, regardless if they are covered by the EU Taxonomy or not, in line with this guidance.

([17]) The operations should meet the eligibility criteria set in the Investment Guidelines, financial product fiches or the Guarantee Agreement.

([18]) Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006 (OJ L 140, 5.6.2009, p. 114).

([19]) Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (OJ L 76, 19.3.2018, p. 3).

— For projects covering the following activities: freight rail transport; inland freight water transport; retrofitting of inland water passenger and freight transport; sea and coastal freight water transport; freight transport services by road – no InvestEU support should be granted for financing of vessels, vehicles or rolling stock specifically dedicated ([20]) to transport fossil fuels (such as rolling stock for mining of coal or oil tankers).

— Comply with the MSS as laid out in Article 18 of the Taxonomy Regulation ([21]). Those minimum safeguards do not affect the application of more stringent requirements – where applicable – that are related to the occupational, health, safety and social sustainability set out in Union law.

In particular, the implementing partners/financial intermediaries should ask for confirmation from the project promoter/final recipient concerning its operations that ([22]):

1. The project promoter/final recipient has in place effective measures, commensurate to the nature and scale of the operation and its potential environmental and social risks and impacts, to ensure:

   a. respect for social rights, meaning avoidance of infringement on the social rights established in EU legislation, and addressing any adverse human rights risks and impacts caused by their operation;

   b. meaningful stakeholder engagement ([23]), including an appropriate mechanism to register and address grievances, as applicable and required by relevant legislation.

2. Its project workers ([24]):

   a. are not subjected to forced or bonded, and child labour;

   b. enjoy equal treatment and equal opportunity (equal remuneration for men and women for work of equal value);

   c. are not discriminated against based on race, colour, sex, religion, political opinion, national extraction or social origin;

   d. have the freedom of association (freedom to form and be members of a labour union) and the right to organise (right to organise strikes); and

   e. have the right to collective bargaining.

([20]) Dedicated is defined as built and acquired with the explicit intention to predominantly transport or store fossil fuels over the life of the project (*source* EIB Group Climate Bank Roadmap 2021-2025).

([21]) MSS also include the objective of 'aligning with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work and the International Bill of Human Rights.' As specific requirements for compliance are yet to be decided, this part is not applicable at present to InvestEU operations.

([22]) This can be done in the form of a self-declaration by the final recipient. It can also be done by including these references in the contractual arrangements: (i) between the implementing partner and the final recipient; or (ii) between the implementing partner and the financial intermediary and between the financial intermediary and the final recipient, as the case might be.

([23]) Also known as a public participation process (including access to information and a consultation process) and access to justice in the EU legal framework (such as set out in Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (EIA Directive) as amended by Directive 2014/52/EU, Directive 2010/75/EU on Industrial Emissions (Integrated Pollution, Prevention and Control).

([24]) The term 'project workers' refers to: (i) people employed or engaged directly by the promoter (including the project proponent and the project implementing agencies) to work specifically on the project (direct workers); and (ii) people employed or engaged through third parties to perform work on core functions of the project, regardless of location (contracted workers). In addition, the risks of child labour and/or forced labour in supply chains should be analysed and managed, if identified.

1.5. **Mid-term evaluation and review of this guidance**

Under Article 29 of the InvestEU Regulation the Commission must submit by 30 September 2024 to the European Parliament and to the Council an independent interim evaluation report on the InvestEU Programme. The evaluation must also cover the application of sustainability proofing. Based on the results of this evaluation and taking into consideration the developments on the financial market, the entry into force of the EU Taxonomy ([25]) and of the updated Non-financial Reporting Directive (NFRD) ([26]), the requirements described in this guidance might be modified in time (for both direct and indirect financing).

Therefore, it is highly recommended to both implementing partners and financial intermediaries to take these likely developments into consideration because they might affect future operations.

2. SUSTAINABILITY PROOFING FOR DIRECT FINANCING OPERATIONS

2.1. **General principles and overall proofing approach**

This chapter provides implementing partners with the methodologies and tools they need to perform the InvestEU screening and proofing of proposed *direct financing and investment operations* for the three sustainability dimensions, as required by Article 8(5) of the InvestEU Regulation ([27]). Article 8(6) gives further details regarding the objective of the guidance, which must allow to:

(a) as regards adaptation, ensuring resilience to the potential adverse impacts of climate change through a climate vulnerability and risk assessment, including through relevant adaptation measures, and, as regards mitigation, integrating the cost of greenhouse gas emissions and the positive effects of climate mitigation measures in the cost-benefit analysis;

(b) accounting for the consolidated impact of projects in terms of the principal components of the natural capital, namely air, water, land and biodiversity;

(c) estimating the social impact of projects, including on gender equality, on the social inclusion of certain areas or populations and on the economic development of areas and sectors affected by structural challenges such as the need to decarbonise the economy;

(d) identifying projects that are inconsistent with the achievement of climate objectives;

(e) providing implementing partners with guidance for the purpose of the screening provided for under paragraph 5.

Figure 1 visualises the proposed approach for InvestEU sustainability proofing of direct financing and investment operations. It covers the following steps:

— **Assessment of compliance** with EU and national legislation. This is a prerequisite for all operations to be financed. It will include the assessment of compliance with legal requirements under the three dimensions of the sustainability (climate, environmental, social) and can be performed throughout the proofing process in parallel with the due diligence process, if needed, and should be completed, as a general rule, before the request of the EU Guarantee. Where this is not possible, appropriate conditions should be put in the legal documentation to ensure that the project will be fully compliant with applicable legislation.

— **InvestEU screening** to identify potential risks and impacts on the three dimensions of the proposed operations.

— **Further assessment and proofing for the relevant elements at risk under each dimension**, based on identified potential risks and impacts, including the identification of mitigating measures and assessing consistency with climate objectives ([28]).

([25]) By the time this mid-term review takes place, the EU Taxonomy will be in force, and the technical screening criteria will have been developed. There will possibly also be some additional guidance on how to address these criteria.

([26]) https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive

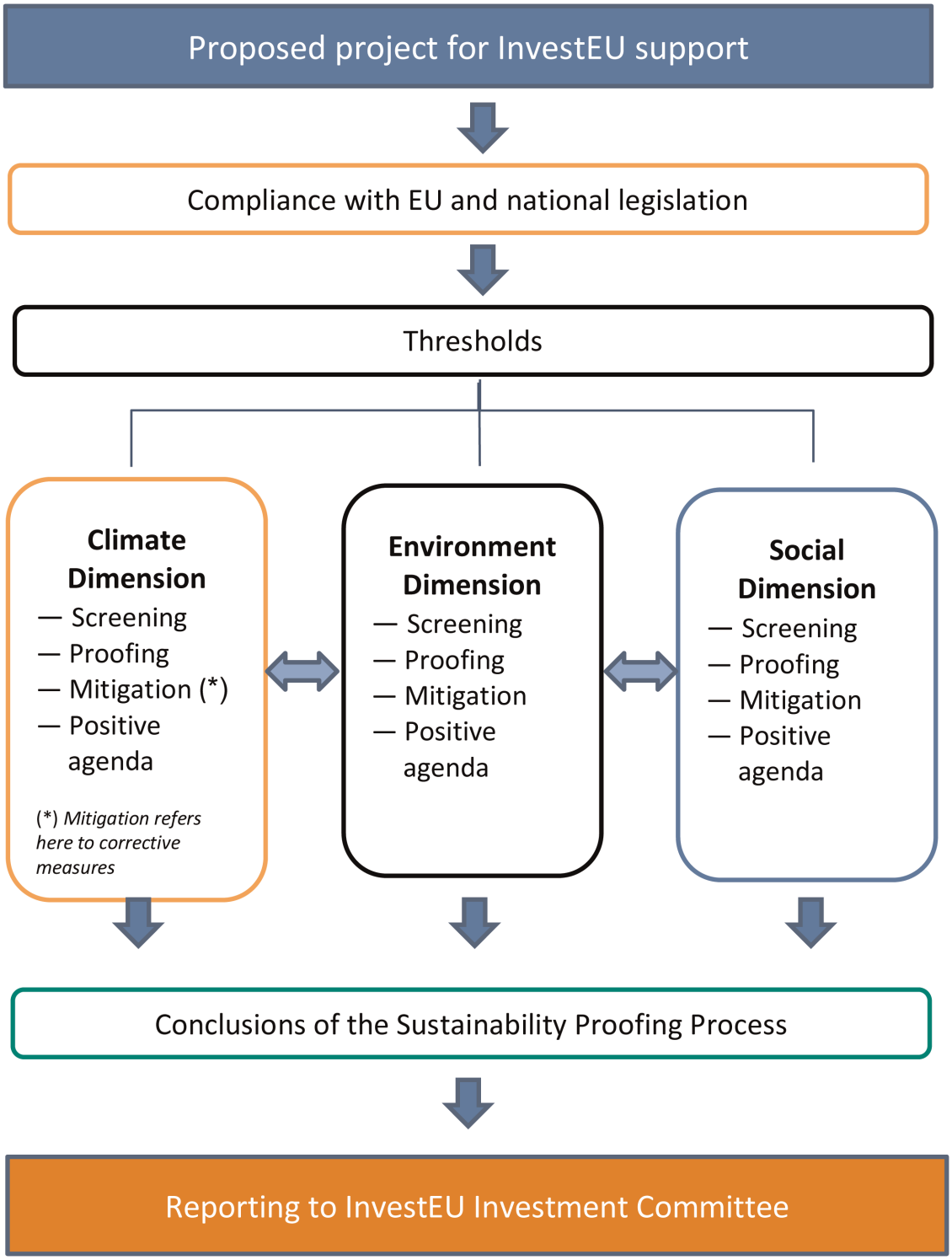
([27]) According to Article 8(5) of the InvestEU Regulation, 'financing and investment operations [*supported by the InvestEU fund, ed.*] shall be screened to determine whether they have an environmental, climate or social impact. If those operations have such an impact, they shall be subject to climate, environmental and social sustainability proofing with a view to minimising detrimental impacts and to maximising benefits to the climate, environment and social dimensions … Projects that are inconsistent with the climate objectives shall not be eligible for support under this Regulation'.

([28]) Additional actions to avoid or reduce any remaining negative effects, if any, or consideration of a 'positive agenda' (i.e. actions to improve environmental, social and climate credentials of the operation).

— **Conclusion of the sustainability proofing and reporting** to the InvestEU Investment Committee, to support decision making on the request for the EU Guarantee.

Figure 1

Overview of sustainability proofing approach



All operations supported by InvestEU, irrespective of their size must comply with applicable EU and national legislation. For this reason, **an assessment and confirmation of legal compliance will be required for all operations**.

As described in the previous chapter, thresholds apply based on the size of the total investment operation and, when below these thresholds, no further screening and proofing will be required. The exception to this rule is those projects that require an environmental impact assessment ('EIA') under the EIA Directive (Annex I projects or screened-in Annex II projects), where proofing for the environmental, social and climate dimensions will be required regardless of the total project cost, for the impacts identified in the EIA report ([29]) and building on it. Such an approach is consistent with the requirements of the Invest EU Regulation.

For projects below the threshold, implementing partners and project promoters are nevertheless strongly encouraged to assess on a case-by-case basis whether the specific investment operation: (i) presents significant potential risks under one or more sustainability dimensions; and (ii) would benefit from going through at least the screening phase described in the following sections.

To encourage the take-up of the positive agenda, the implementing partners, in cooperation with the project promoters/final recipients, are strongly recommended to consider the possibility of increasing the positive impacts of the projects they are financing, thus increasing their overall sustainability performance. Checklists have been developed to help identify opportunities to increase positive impacts (see Annex 3), to be used on a voluntary basis.

Finally, this guidance recommends performing the assessment for the three dimensions in an integrated manner paying close attention to linkages and synergies across dimensions ([30]).

Infrastructure projects require a relatively long period to get through all the legal procedures of permitting and authorisations. For projects where the outcome of the proofing has identified additional measures and where such projects have already received all relevant authorisations and permits, it is understood that only limited additional measures can be recommended and implemented in some cases (for example, measures that could have been implemented in earlier stages of the project development cycle cannot be implemented anymore). Therefore, the implementing partner and the project promoters will be in the situation of being able to propose only those additional measures that can be realistically accomplished for projects in such an advanced stage of development. Such situations should be specifically highlighted and properly explained in the documentation to be presented to the Investment Committee (especially if any additional measures were recommended and implemented).

To avoid confusion over the terminology used in the overall context of the InvestEU Programme (e.g. Investment Guidelines), we propose to use in this chapter the term **project** as defined in Chapter 1.1 when referring to the underlying operations that will be subject of InvestEU screening, and proofing (if case) ([31]).

2.2. **Climate dimension**

2.2.1. *Introduction*

This section covers the methodology to be followed when performing the sustainability proofing of the climate dimension in the context of InvestEU direct financing.

As required by Article 8(6) of the InvestEU Regulation, this methodology aims at providing implementing partners with the principles and tools to: (a) as regards adaptation, ensure resilience to the potential adverse impacts of climate change through a climate vulnerability and risk assessment and through the implementation of commensurate relevant adaptation measures; and (b) as regards mitigation, to assess consistency with EU climate ambitions and commitments, to integrate the cost of greenhouse gas emissions related to the proposed projects, as well as to reflect the positive effects of climate mitigation measures in the options analysis, economic appraisal and/or cost-benefit analysis.

([29]) For the impacts identified in the EIA report, where the EIA process will serve as key input to the sustainability proofing. Please see also Chapter 2.4.3 which gives recommendations for projects below the threshold.

([30]) As an example, for the subset of projects subject to an EIA (Annex I or Annex II screened-in), undertaken in line with the requirements of the EIA Directive as amended, the outcome of the climate proofing must also be reflected in the EIA report.

([31]) The assessment of environmental, climate and/or social dimensions must also take into account associated/ancillary infrastructure and facilities that can be considered an integral part of the project or without which the project will not be viable, as normally done by implementing partners in the context of their internal due diligence (see for example EIB Environmental and Social Handbook and EBRD Environmental and Social Policy). Some general guidance on this subject is available here: https://ec.europa.eu/environment/eia/pdf/Note%20-%20Interpretation%20of%20Directive%2085-337-EEC.pdf

The methodology presented in this guidance largely mirrors the methodology described in detail by the **Commission notice on technical guidance on the climate proofing of infrastructure in the period 2021-2027 ('Guidance on the climate proofing of infrastructure in the period 2021-2027')** ([32]). As a result, the methodology presented in this document draws on internationally recognised methodologies both for the vulnerability and climate risk assessments, and for the assessment and mitigation of GHG emissions.

This methodology aims at identifying: (i) the nature and extent to which climate change and its impacts may harm a given project in order to decide on commensurate adaptation measures; and (ii) how a project can contribute to overall targets for GHG reduction, including when the project is part of a coherent planning framework (e.g. part of an integrated urban development plan) and related investment programme. While the methodology was developed for infrastructure projects, recommended approaches and tools could be used beyond what might be considered strictly infrastructure to identify the climate-change risks a project is exposed to, or to assess the GHG emissions related to the project with respect to the EU climate objectives.

As described in the 'Guidance on the climate proofing of infrastructure in the period 2021-2027', for climate change adaptation, the use of other recent and internationally recognised approaches and/or methodological frameworks (e.g. IPCC 5th Assessment Report, AR5) ([33]) to carry out climate risk assessments of projects remains possible in addition to the ones the guidance draws on, as they are expected to allow the user to arrive at equivalent conclusions.

For climate change mitigation, the main reference for assessing GHG emissions is the EIB Carbon Footprint Methodology ([34]), as recommended in the 'Guidance on the climate proofing of infrastructure in the period 2021-2027'. Alternatively, internationally agreed and published carbon footprint methodologies may be used. The internal methodologies of implementing partners may also be applied, provided that they are consistent with the International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting ([35]).

Whichever methodology is applied should be openly stated. In all cases, absolute (gross) and relative (net) emissions associated with projects should be reported. The scope of reporting for a project (i.e. whether it is for the whole of the project or only a part), and the choice of baseline scenario for calculating relative GHG emissions should be made transparent.

The Paris Agreement ([36]) sets the internationally agreed goal for limiting the global average increase in temperature and the global goal for climate-resilient development or adaptation. The approach presented throughout this entire chapter aims at supporting the development of investment operations aligned with the goals of the Paris Agreement and the EU Climate Law, once adopted.

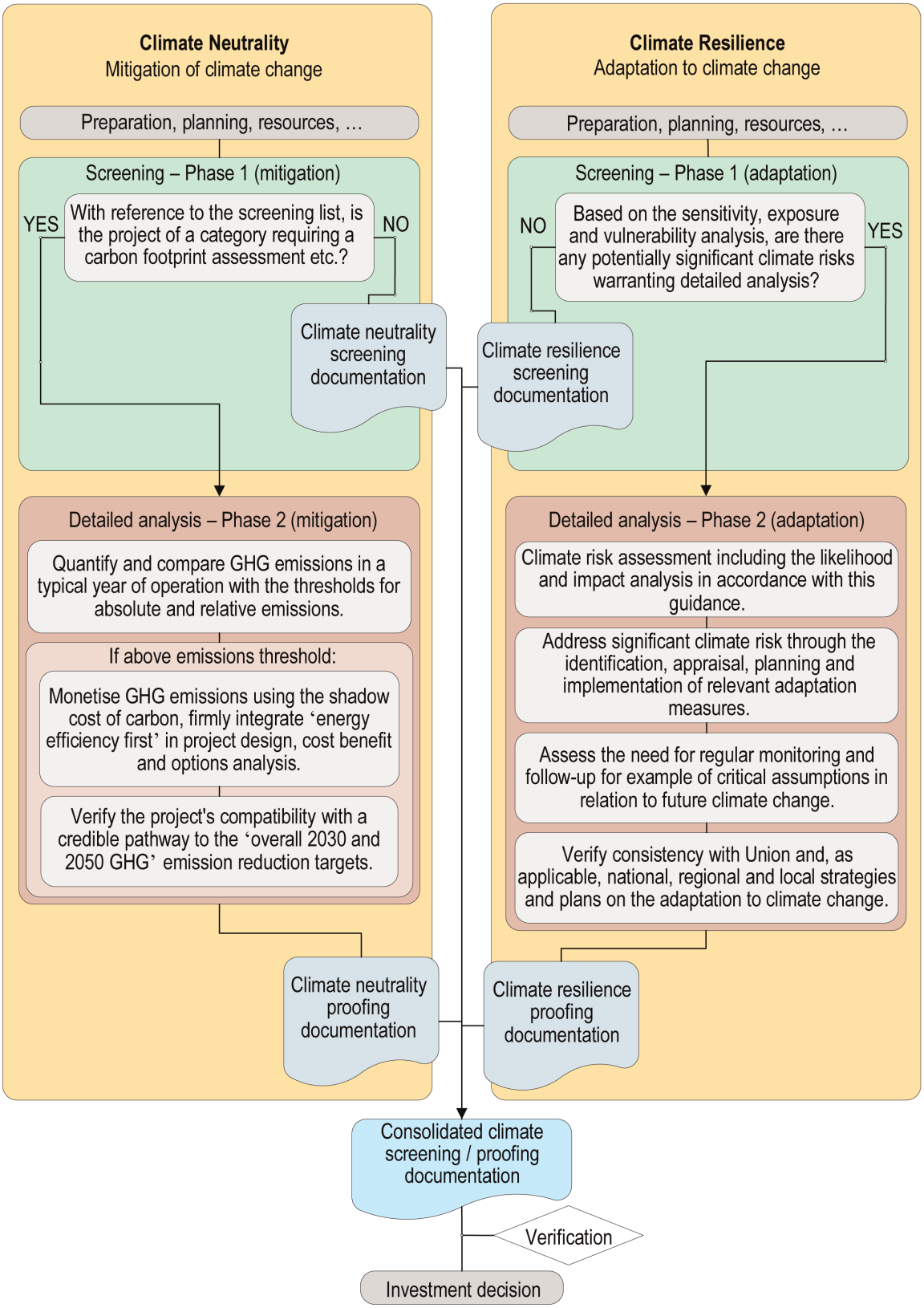
2.2.2. *General approach to climate sustainability proofing*

Climate proofing is a convenient shorthand for a process that integrates considerations of climate change adaptation and climate change mitigation into the development of existing assets and/or planned investment operations. Figure 2 illustrates the main steps of climate proofing.

([32]) The 'Guidance on the climate proofing of infrastructure in the period 2021-2027' will be published in the first half of 2021.
([33]) See also the methodological framework developed in the context of the European Financing Institutions Working Group on Adaptation to Climate Change (EUFIWACC): https://www.eib.org/attachments/press/integrating-climate-change-adaptation-in-project-development.pdf
([34]) https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf
([35]) The IFI GHG Accounting Group is currently working on a document that would provide additional good practice guidance, to be published in 2021.
([36]) Paris Agreement: https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Figure 2

Overview of the climate proofing process



Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

The diagram reflects the two pillars of climate proofing. The pillar to the right focuses on climate resilience and adaptation to climate change. The pillar to the left focuses on climate neutrality and mitigation of climate change.

Each pillar of analysis is divided into two phases. The first phase covers a **screening step** meant to identify on one side, the significance of potential climate risks for the investment under consideration (for adaptation) and, on the other side, to assess consistency with EU climate commitments and to quantify respective GHG emissions (for mitigation). The outcome of the screening phase will determine whether a **second phase of further detailed assessment** is needed.

For InvestEU, the focus of climate proofing for direct financing is on individual projects that are in different stages of development and that involve different types of stakeholders (public or private). Having said that, integrating climate considerations in the preparation of an investment is a continuous process that needs to be considered, whenever possible, from the beginning and then in all the phases of the project cycle ([37]) and the related processes and analyses.

The '**Guidance on the climate proofing of infrastructure in the period 2021-2027**' provides more information on the process of climate proofing over the various steps of the project cycle ([38]).

2.2.3. *Legal compliance*

In line with Recitals 8, 9 and 10 of the InvestEU Regulation, projects financed by the InvestEU Fund should contribute to achieving EU climate ambitions and commitments, including the objective of EU climate neutrality by 2050 and the Union's new 2030 climate targets. In addition, Article 8(5) states that projects that are inconsistent with the climate objectives shall not be eligible for support under the InvestEU Regulation.

Climate change considerations are also an important component in the environmental impact assessment ('EIA') of a project (see following Chapter 2.3 on environmental proofing). This applies to both pillars of climate proofing, i.e. climate change mitigation and adaptation.

For the subset of investment operations requiring an EIA (Annex I or Annex II screened-in), undertaken in line with the requirements of the EIA Directive as amended, the outcome of the climate proofing will also be reflected in the EIA report. The EIA and other environmental assessments should ordinarily be planned and integrated into the project life cycle with due consideration of the climate proofing process.

Following the check against legal compliance requirements, and depending on the total project cost of the investment, the project moves on to the screening step.

For operations below the threshold of EUR 10 million that do not require an EIA (Annex II screened out or not falling under the scope of the EIA Directive) no climate proofing is required. However, to promote a positive approach to addressing climate change considerations, and to raise awareness about the climate risks (and related impacts) of the proposed investment, project promoters and implementing partners are strongly encouraged to:

— Consider performing the climate resilience screening step described in the following sections to identify potential climate-related risks to the proposed project (and related assets). Where relevant, they should also plan appropriate adaptation measures to be included in the project.

— As regards to carbon footprint assessment, implementing partners and project promoters could also perform the assessment for investment projects below the EUR 10 million threshold, particularly when: (a) there are doubts that the proposed investment could lead to emission increases/reductions above the thresholds described in Section 2.2.5.1 below; and (b) when the proposed project is part of a wider investment programme for which an overall assessment in term of GHG emissions has been performed ([39]).

([37]) Project cycle management (PCM) is the process of planning, organising, coordinating, and controlling a project effectively and efficiently throughout its phases, from planning through implementation and operation to decommissioning.

([38]) See also EUFIWACC (2016) – available here: http://www.eib.org/attachments/press/integrating-climate-change-adaptation-in-project-development.pdf

([39]) See section on screening. Projects in certain sectors – e.g. urban transport – are often set within an integrated planning document (e.g. a Sustainable Urban Mobility Plan) aiming to set out a coherent investment programme.

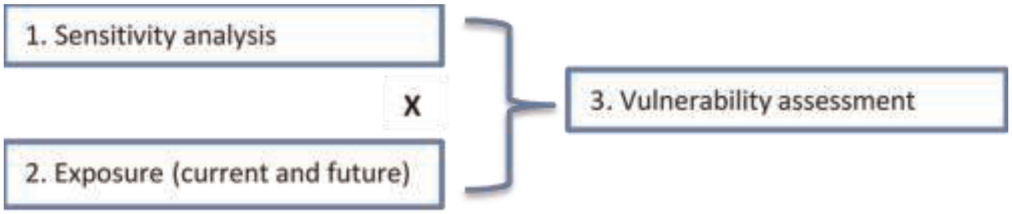
For operations above the threshold of EUR 10 million, regardless of whether they require an EIA or not, the assessment must proceed with the InvestEU screening and proofing process, if applicable, in line with the guidelines for climate resilience and climate neutrality, as described in the following sections.

2.2.4. *Climate resilience*

2.2.4.1. Screening for climate resilience – adaptation to climate change

As recommended by the '**Guidance on the climate proofing of infrastructure in the period 2021-2027**', the screening step for climate resilience is the first step of the proofing process and it is aimed at **identifying and assessing potential climate change related risks – current and future – to the projects proposed for receiving InvestEU support**.

The screening assessment is broken down into three steps as follows:



The aim of the **vulnerability assessment** ([40]) is to identify the material climate hazards ([41]) for the given specific project type at the planned location.

The vulnerability of a project is determined by a combination of two aspects: (i) how sensitive the project's components are to climate hazards in general (**sensitivity**); and (ii) the probability of these hazards occurring at the project location now and in the future (**exposure**). These two aspects can be assessed in detail separately (as described below) or together.

The aim of the **sensitivity** analysis is to identify which climate hazards are relevant to the specific type of investment, irrespective of its location. The sensitivity analysis should cover the project in a comprehensive manner, looking at the project's various components and how the projects operate within the wider network or system.

A score of 'high', 'medium' or 'low' should be given for each theme and climate hazards:

— **High sensitivity**: the climate hazard may have a significant impact on assets and processes, inputs, outputs and transport links;

— **Medium sensitivity**: the climate hazard may have a slight impact on assets and processes, inputs, outputs and transport links;

— **Low sensitivity**: the climate hazard has no (or an insignificant) impact.

([40]) There are various definitions of vulnerability and risk, see e.g. IPCC AR4 (2007) on vulnerability and IPCC SREX (2012) and IPCC AR5 (2014) on risk (as a function of likelihood and the consequences of the hazard), http://ipcc.ch/

([41]) For a structured overview of climate change indicators and climate change impact indicators (hazards) see e.g. EEA Report 'Climate change, impacts and vulnerability in Europe 2016', https://www.eea.europa.eu/publications/climate-change-impacts-and-vulnerability-2016, EEA Report 'Climate change adaptation and disaster risk reduction in Europe', https://www.eea.europa.eu/publications/climate-change-adaptation-and-disaster and ETC CCA Technical Paper 'Extreme weather and climate in Europe' (2015), http://cca.eionet.europa.eu/reports, and https://www.eionet.europa.eu/etcs/etc-cca/products/etc-cca-reports/extreme-20weather-20and-20climate-20in-20europe, as well as https://www.eea.europa.eu/soer-2020/intro (Chapter 7) http://www.eea.europa.eu/soer-2015/europe/climate-change-impacts-and-adaptation

Figure 3

Analysis of sensitivity to climate hazards

SENSITIVITY ANALYSIS

Indicative sensitivity table: *(example)*		Climate variables and hazards: Flood	Heat	…	Drought
Themes	On-site assets, …	High	Low	…	Low
	Inputs (water, …)	Medium	Medium	…	Low
	Outputs (products, …)	High	Low	…	Low
	Transport links	Medium	Low	…	Low
	Highest score 4 themes	High	Medium	…	Low

The output of the sensitivity analysis may be summarised in a table with the sensitivity ranking of the relevant climate variables and hazards for a given project type, irrespective of the location, including critical parameters, and divided in, e.g. the four themes.

Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

The aim of the **exposure** analysis is to identify which hazards are relevant to the planned project location, irrespective of the project type. The exposure analysis can be split in two parts: (i) exposure to the *current climate;* and (ii) exposure to the expected *future climate*. Available historic and current data for the relevant location should be used to assess current and past climate exposure. Climate model projections ([42]) can be used to understand how the level of exposure may change in the future. Particular attention should be given to changes in the frequency and intensity of extreme weather events.

A score (i.e. 'high', 'medium' or 'low') should be given for each climate hazard on current and future exposures.

Figure 4

Exposure analysis

EXPOSURE ANALYSIS

Indicative exposure table: *(example)*	Climate variables and hazards: Flood	Heat	…	Drought
Current climate	Medium	Low	…	Low
Future climate	High	Medium	…	Low
Highest score, current + future	High	Medium	…	Low

The output of the exposure analysis may be summarised in a table with the exposure ranking of the relevant climate variables and hazards for the selected location, irrespective of the project type, and divided in current and future climate. For both the sensitivity and exposure analysis, the scoring system should be carefully defined and explained, and the given scores should be justified.

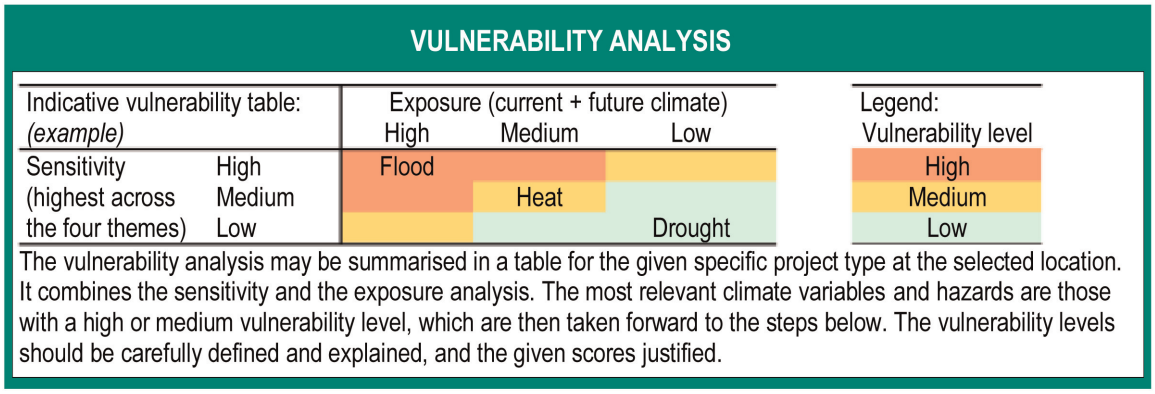
Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

The **vulnerability analysis** combines the outcomes of sensitivity and exposure analyses, respectively, to identify the most relevant hazards for the proposed investment (these can be considered as those vulnerabilities with a 'Medium' or 'High' ranking).

([42]) More information regarding climate modelling projections recommended can be found in the 'Guidance on the climate proofing of infrastructure in the period 2021-2027'.

Figure 5

Vulnerability analysis



Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

If the scores for sensitivity and exposure both rank 'low', or when the combined vulnerability assessment concludes – with a reasoned justification – that all vulnerabilities are deemed low or insignificant, no further (climate) risk assessment may be needed. In such cases, the InvestEU proofing process could then end here, and the results of the analysis performed must be reported with the necessary details and justifications.

If the scores for sensitivity and/or exposure (or the overall vulnerability when jointly assessed) rank 'medium' and/or 'high', then the project needs to undergo a climate risk assessment according to the methodology described in the following section.

In any case, the ultimate decision to proceed to a detailed risk assessment based on identified vulnerabilities needs to be based on a justified implementing partner's assessment (to be done with the support of the project promoter and/or the team performing the climate assessment) of the specific situation of the proposed investment ([43]) ([44]).

For more detailed methodological guidance on the screening phase, implementing partners and project promoters shall refer to the 'Guidance on the climate proofing of infrastructure in the period 2021-2027'.

2.2.4.2. Climate risk assessment and adaptation to climate change

For projects whose vulnerability assessment has identified a 'medium' or 'high' potential climate risk, a detailed climate risk assessment should be carried out.

The **climate risk assessment** provides a structured method of analysing relevant climate hazards and their related impacts to provide information for decision-making in relation to the proposed investment. Any potential significant risks to the project due to climate change should be managed and reduced to an acceptable level by relevant and commensurate adaptation measures to be embedded in the project.

([43]) The climate vulnerability assessment may take place relatively early in the project development cycle, and depending on the maturity of the project, the decision to proceed to a detailed climate risk assessment may sometimes have to be taken by the project promoter. In such cases, the assessment could then be subject to an independent verification (or an internal verification by the IP), before it is reaching the financing decision stage.

([44]) As recommended by the 'Guidance on the climate proofing of infrastructure in the period 2021-2027', it may be relevant to consider the investment in a wider context. Climate change will also affect the environmental and social systems around the assets financed by the InvestEU investment and their interactions with these systems. Also, the operations of the investment might be seriously affected by the impact of climate change on other infrastructure that supports its activities, including associated facilities. This highlights the importance of thinking in an integrated, cross-sectoral way to consider climate risks and resilience in a wider context of ecosystems and social systems.

This process works by:

— assessing the likelihood and severity of the impacts associated with the hazards identified in the vulnerability assessment performed at the screening phase;

— assessing the significance of the identified potential risks for the specific investment operation;

— identifying adaptation measures to address potential significant climate risks.

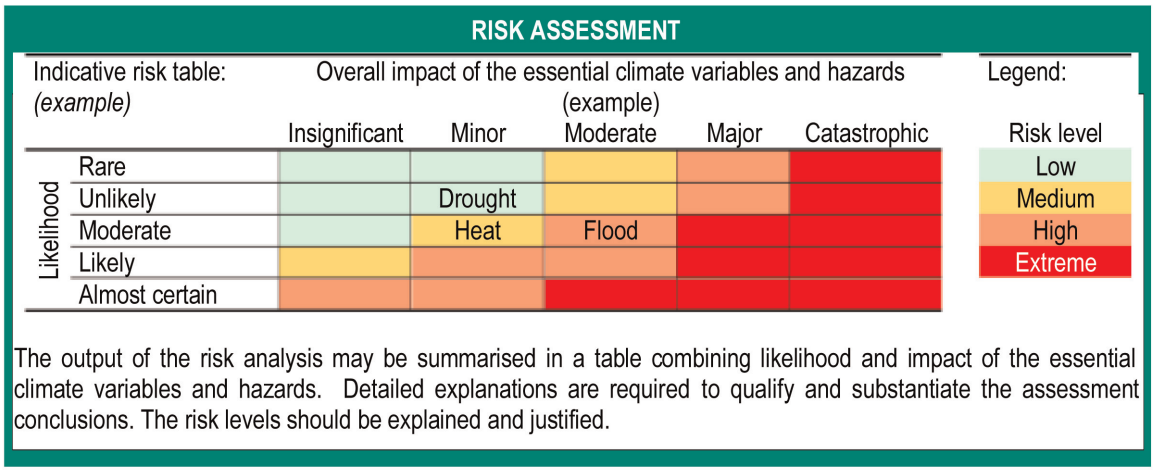
The **likelihood** or probability looks at how likely the identified climate hazards are to occur within a given timescale, e.g. the lifetime of the project. It may be summarised in a qualitative or quantitative estimate for each of the relevant climate hazards. It is noted that the likelihood may significantly change during the lifespan of the project.

The **impact** (also referred to as the severity or magnitude) looks at what would happen if the identified climate hazard did occur, and what the consequences would be for the investment. This should be assessed on a scale of impact per hazard. Among other things, this assessment will typically consider: (i) the physical assets and operations; (ii) health and safety; (iii) environmental impacts; (iv) social impacts; (v) financial implications; and (vi) reputational risk. The assessment needs to cover the adaptive capacity of the project and the system in which it operates, e.g. how well the project can cope with the impact and how much risk it can tolerate. It also needs to consider how fundamental this investment project is to the wider network or system (i.e. criticality) and whether it may lead to additional wider impacts and cascading effects.

The **significance level of each potential risk** can be determined by combining the two factors of likelihood and impact. The risks can be plotted on a risk matrix to identify the most significant potential risks and those where future action is needed through adaptation measures.

Figure 6

Overview of the risk assessment



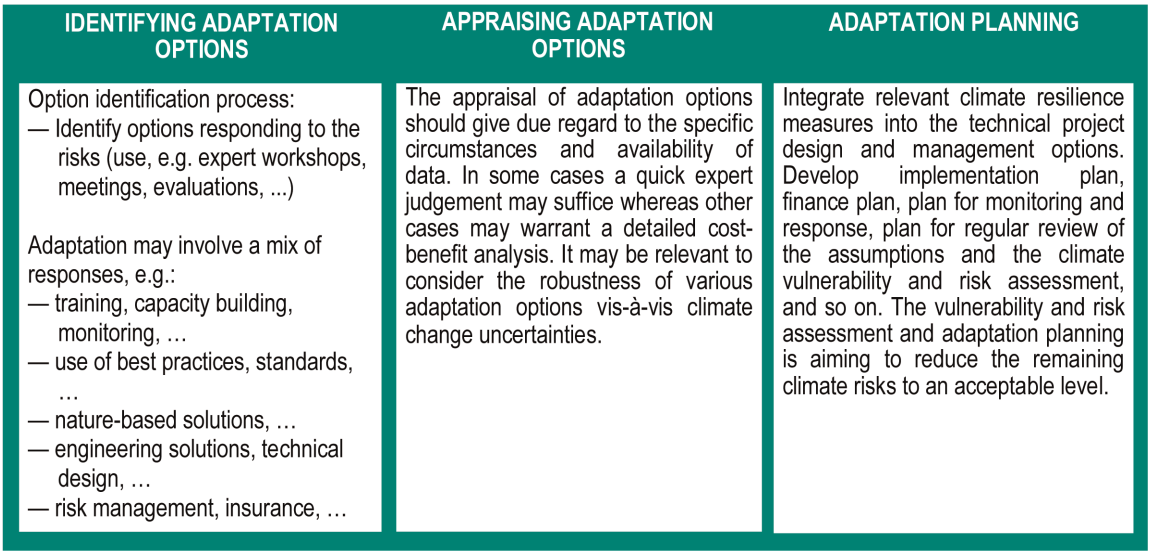
Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

Judging what is an acceptable level of risk, or what is significant and what not, is the responsibility of the project promoter and the expert team that carries out the assessment, and is specific to the circumstances of the project. In any case, this assessment should always be described in a clear and logical manner, and coherently integrated into the overall risk assessment for the project. This information is also very important for the implementing partner because the materialisation of the risks will have a material impact on the proposed investment and could result in the default of the supported operation.

If the risk assessment concludes that there are potential significant risks to the project due to climate change, these risks must be managed and reduced to an acceptable level ([45]).

Figure 7

Overview of the identification, appraisal and planning/integration of relevant adaptation options



Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

For each significant risk identified, relevant **adaptation measures** must be considered and assessed. Adaptation will often involve adopting a combination of structural measures (e.g. changes to the design or specification of physical assets and infrastructure, or the adoption of alternative or improved solutions) and non-structural measures (e.g. land-use planning, enhanced monitoring or emergency response programmes, staff training and knowledge sharing, development of strategic climate risk assessments, financial solutions such as insurance).

Different adaptation options should be assessed to find the right measure or mix of measures or even consider deferred implementation timings (flexible/adaptive measures), that can be implemented to reduce the risk to an acceptable level. The preferred measures should then be integrated into the project design and/or its operation to enhance its climate resilience ([46]).

([45]) There may be also elements of an investment project that are considered to be non-essential and where the costs of adaptation measures outweigh the benefits of avoiding the risks and the best option could be to allow the non-essential infrastructure to fail under certain circumstances. This is also a form of risk management.

([46]) There is an increasing amount of literature and experience on adaptation options, appraisal and planning, as well as the related resources for specific Member States. Interested Implementing Partners could for example consult:
— Climate-ADAPT (http://climate-adapt.eea.europa.eu/) concerning adaptation for examples of adaptation measures and case studies
— DG REGIO Study on 'Climate change adaptation of major infrastructure projects': https://ec.europa.eu/regional_policy/en/information/publications/studies/2018/climate-change-adaptation-of-major-infrastructure-projects
— EEA Report 8/2014 'Adaptation of transport to climate change in Europe', http://www.eea.europa.eu/publications/adaptation-of-transport-to-climate
— EEA Report 1/2019 'Adaptation challenges and opportunities for the European energy system – Building a climate-resilient low-carbon energy system': https://www.eea.europa.eu/publications/adaptation-in-energy-system

Finally, as a good management practice, it is recommended to the project promoter to undertake ongoing monitoring throughout the operational lifetime of the investment in order to: (i) check the accuracy of the assessment and feed into future assessments and projects; and (ii) identify whether specific trigger points or thresholds are likely to be reached, indicating the need for additional adaptation measures.

2.2.5. *Climate neutrality and mitigation* ([47]) *of climate change*

2.2.5.1. Screening for climate change mitigation

Mitigation of climate change means making efforts to reduce GHG emissions or increase sequestration of GHGs. These efforts are guided by **EU emission reduction targets for 2030 and 2050**. Meeting the EU targets, and globally the goals of the Paris Agreement, requires a fundamental shift in our economies from high-carbon activities to the deployment of low-carbon and net-zero solutions such as renewable energy and CO_2 sequestration, in combination with significant advances in energy and resource efficiency. The principle of 'energy efficiency first' emphasises the need to prioritise alternative cost-efficient energy efficiency measures when making investment decisions, in particular cost-effective end-use energy savings, etc. ([48]). The quantification and monetisation of GHG emissions can support investment decisions based on that principle.

To verify and assess the compatibility of proposed projects with EU climate neutrality objectives, implementing partners and project promoters may use, to the extent possible, the 'do no significant harm' criteria to climate mitigation of the EU Taxonomy Regulation. Alternatively, the implementing partners and project promoters could make reference to the Paris alignment low-carbon criteria of the EIB, as published in the EIB Climate Bank Roadmap, or they could apply another internationally recognised and published methodology for assessment of Paris alignment with the low-carbon goals.

In addition, many projects supported by InvestEU in the period 2021-2027 will involve assets with a lifespan that extends beyond 2050. Therefore, expert analysis is needed to verify whether the project is compatible with, for instance, operation, maintenance and final decommissioning in the overall context of net-zero GHG emissions and climate neutrality. The early and consistent attention to the emission of greenhouse gases in the various development stages of the projects will help with the mitigation of climate change. A range of choices – in particular during the planning and design stages – may affect the project's total GHG emissions over its lifespan from construction and operation until decommissioning.

In this context, the screening of an InvestEU operation with regard to GHG emissions **aims to identify if a proposed project must undergo a carbon footprint assessment**. This is relevant for determining the need for a deeper assessment in this respect and for the inclusion of monetary values of such externalities in the economic appraisal of the investment.

While CO_2 emissions should be estimated for all projects, Table 1 below provides an indication of those project categories where it is expected that the emissions would most likely be significant, or not, as the basis for performing the InvestEU screening.

In line with the 'Guidance on the climate proofing of infrastructure in the period 2021-2027', InvestEU projects will have to perform a carbon footprint assessment if are likely to entail:

— Absolute emissions greater than 20 000 tonnes CO_2e/year (positive or negative)

— Relative emissions greater than 20 000 tonnes CO_2e/year (positive or negative)

In this respect, the *project categorisation presented in Table 1 is for guidance only*.

Implementing partners and project promoters may use a quantitative assessment, expert knowledge based on previous projects or other published sources to determine whether a project is likely to be above or below the thresholds presented above. **Where there is uncertainty, then a carbon footprint calculation should be undertaken** to assess whether the project is likely to be above or below the thresholds.

([47]) In this guidance, the word 'mitigation' is context-specific meaning vis-à-vis climate proofing and environmental proofing. For instance, in relation to climate proofing, 'mitigation' refers to human intervention to reduce GHG emissions or enhance the sinks of greenhouse gases.

([48]) *Energy efficiency first* is defined in Article 2(18) of Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action (OJ L 328, 21.12.2018, p. 1), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2018.328.01.0001.01.ENG

Table 1

Screening list for carbon footprint – indicative examples of project categories

Screening:	Categories of projects
In general, depending on the scale of the project, a carbon footprint assessment WILL NOT be required for these categories, unless it is expected that the project will be leading to significant emissions of CO_2 or other greenhouse gases.	— Telecommunications services — Drinking water supply networks — Rainwater and wastewater collection networks — Small scale industrial wastewater treatment and municipal wastewater treatment — Property developments ([1]) — Mechanical/biological waste treatment plants — R & D activities — Pharmaceuticals and biotechnology — Any other project category or scale of project for which it is clear and can be confirmed without doubt that the absolute and/or relative emissions are below 20 000 tonnes CO_2e/year (positive or negative) ([2])
In general, carbon footprint assessment WILL be required	— Municipal solid waste landfills — Municipal waste incineration plants — Large wastewater treatment plants — Manufacturing Industry — Chemicals and refining — Mining and basic metals — Pulp and paper — Rolling stock, ship, transport fleet purchases — Road and Rail infrastructure ([3]), urban transport — Ports and logistic platforms — Power transmission lines — Renewable sources of energy — Fuel production, processing, storage and transportation — Cement and lime production — Glass production — Heat and power generating plants — District heating networks — Natural gas liquefaction and re-gasification facilities — Gas transmission infrastructure — Any other project category or scale of project for which the absolute and/or relative emissions could exceed 20 000 tonnes CO_2e/year (positive or negative)

([1]) Including among other safe and secure parking and external border checks.
([2]) Projects in certain sectors – e.g. in urban transport – are often set within an integrated planning document (e.g. a Sustainable Urban Mobility Plan) aiming at defining a coherent investment programme. While each individual investments/projects included in such investment programmes might not be above the thresholds, it may be relevant to assess GHG emissions at the level of the whole programme, with the goal to capture its overall important contribution towards GHG mitigation.
([3]) Measures addressing road safety and reduction of freight noise may be exempted.

Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

Projects with expected emission levels above the thresholds must be further assessed in the following phase of the climate mitigation proofing ([49]).

2.2.5.2. Carbon footprinting and monetisation of GHG emissions

As described above, mitigation of climate change is about reducing GHG emissions and limiting global warming. Projects and other types of investments can contribute to this, for instance, through the design and selection of low-carbon alternatives.

In this guidance, carbon footprinting is used not only to estimate the GHG emissions of an investment when it is ready for implementation, but equally importantly to support the consideration and integration of low-carbon solutions during the planning and design stages, including at the stage of ranking and selection of alternative investment options, with a view to promoting low-carbon considerations and solutions ([50]). It is therefore recommended that climate proofing is integrated from the outset in the preparation of the proposed investments, and that estimates of GHG emissions linked to the investment are duly considered also in the options analysis and in the Economic Appraisal or Cost-Benefit Analysis.

For projects where the InvestEU screening has identified the potential for significant absolute and/or relative emissions, implementing partners will be asked to confirm the compatibility of proposed projects with EU climate neutrality objectives and to perform (in cooperation with the project promoter) or request from the project promoter a quantification of the project's GHG emissions, using an internationally accepted carbon footprint methodology ([51]).

These emissions should then be monetised and integrated in the economic appraisal and in the selection of low-carbon options, and reported to the Investment Committee as part of the sustainability proofing exercise.

The 'Guidance on the climate proofing of infrastructure in the period 2021-2027' uses the EIB Carbon Footprint Methodology ([52]) as main reference for carbon footprint calculation. This recommended methodology includes default approaches for calculating emissions for various sectors including:

— Wastewater and sludge treatment

— Waste treatment management facilities

— Municipal solid waste landfill

— Road transport

— Rail transport

— Urban transport

— Building refurbishment

— Ports

— Airports

— Forestry

([49]) Due to cumulative effects, some small GHG emissions may be the tipping point from a non-significant impact into the category of significant impact – and would then have to be accounted for.

([50]) It is recommended to adopt the same approach to the planning stage, for instance in the transport sector, where the most relevant choices to reduce greenhouse gas emissions occur within options related to the operational setup of the network and the selection of modes and policies.

([51]) The Carbon footprint might be calculated by the Implementing Partner based on information received form the project promoter, or it could be requested to the project promoter. In case the project promoter is the one performing the Carbon footprint, a verification either by the Implementing Partner or an external independent expert would be ideally required. Alternatively, the Carbon footprint might be performed by an independent expert.

([52]) EIB Project Carbon Footprint Methodologies for the Assessment of Project GHG Emissions and Emission Variations, July 2020, https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf

As indicated above, alternative internationally agreed and documented carbon footprint methodologies can also be used, provided that minimum requirements are respected as highlighted in Chapter 2.2.1.

For a more detailed treatment of the carbon footprint methodology, implementing partners are encouraged to consult the 'Guidance on the climate proofing of infrastructure in the period 2021-2027'.

Carbon footprinting involves many forms of uncertainty, including uncertainty about the identification of secondary effects, about the baseline scenarios and baseline emission estimates. Therefore, greenhouse gas estimates are by definition approximate. Uncertainties inherent in greenhouse gas estimates or calculations should be reduced as far as is practical, and estimation methods should avoid bias.

Where uncertainty exists, the data and assumptions used to quantify greenhouse gas emissions should be conservative. Conservative values and assumptions are those that are more likely to overestimate absolute emissions and 'positive' relative emissions (net increases), and underestimate 'negative' relative emissions (net reductions).

Once GHG emissions have been quantified, they should be monetised and included in the economic appraisal of the proposed investment operation. This monetisation should be carried out by using an established and internationally agreed 'shadow cost of carbon'. The application of a shadow cost of carbon to the change in emissions resulting from a project has the effect of monetising its carbon intensity and rewarding projects that lead to emission reductions.

This guidance recommends the use of the shadow cost of carbon recently set out by the EIB as the best available evidence on the shadow cost of meeting the temperature goal of the Paris Agreement (i.e. the 1,5 C target) ([53]). This recommendation is in line with the 'Guidance on the climate proofing of infrastructure in the period 2021-2027', and it helps to ensure comparability of data between different projects presented for approval to the Investment Committee.

For the individual years in the period from 2020 to 2050, the shadow cost of carbon is indicated in Table 2.

Table 2

Shadow cost of carbon for GHG emissions and reductions in EUR/tCO_2e, 2016-prices

Year	EUR/tCO_2e	Year	EUR/tCO_2e	Year	EUR/tCO_2e	Year	EUR/tCO_2e
2020	80	**2030**	250	**2040**	525	**2050**	800
2021	97	**2031**	278	**2041**	552		
2022	114	**2032**	306	**2042**	579		
2023	131	**2033**	334	**2043**	606		
2024	148	**2034**	362	**2044**	633		
2025	165	**2035**	390	**2045**	660		
2026	182	**2036**	417	**2046**	688		
2027	199	**2037**	444	**2047**	716		
2028	216	**2038**	471	**2048**	744		
2029	233	**2039**	498	**2049**	772		

Source: Guidance on the climate proofing of infrastructure in the period 2021-2027.

([53]) EIB Group Climate Bank Roadmap 2021-25 https://www.eib.org/attachments/strategies/eib_group_climate_bank_roadmap_en.pdf Note this refers to the full shadow cost of meeting targets across the full economy, rather than the costs – explicit or implicit – of different climate policies (taxes, permits, regulations, standards, etc.).

The abovementioned abatement cost of carbon represents the *minimum recommended value to be used to monetise GHG emissions*. The use of higher values for the cost of carbon will be allowed ([54]), for instance when such values are used in a specific Member State or by the implementing partner concerned. Furthermore, the shadow cost of carbon may be adjusted when more information becomes available.

The monetary evaluation of the climate change impacts delivered by the project fits into the more comprehensive economic appraisal that is usually carried out by IPs. More information on how to include monetised GHG emissions in the Economic Appraisal expected for InvestEU investments is provided in Chapter 2.6.

2.2.6. *Reporting and monitoring*

The results of the **climate resilience proofing** should be reported by the implementing partner as part of the documentation to be presented to the Investment Committee on the outcome of the overall sustainability proofing as further developed in Chapter 4.2.2.

For climate adaptation, this should cover a summary of the outcome of the process performed, with clear conclusions on identified potential climate change risks to the investment, and should describe:

— The methodology used for the climate resilience proofing, concisely specifying the sources of data and information used in the assessment;

— The steps followed and possible uncertainties in the underlying data and analysis;

— The project development stage at which the vulnerability and risk assessment was undertaken; and

— Related adaptation measures identified and included in the investment scope to reduce risks to acceptable levels, if applicable.

The vulnerability and risk levels must be supported by detailed explanations to qualify and substantiate the assessment conclusions. The level of detail of the risk assessment will depend on the scale of the project (its type, size and relative importance) and the project development stage. For each significant risk identified, the documentation shall also present how the preferred adaptation measure(s) have been or will be integrated into the project design and/or its operations to enhance its resilience at the relevant development stages.

The documentation must also present the outcome of the **proofing on climate mitigation aspects**, if applicable, clarifying how it was performed. For those projects that underwent a full climate mitigation assessment, the IP shall also report on:

— Compatibility of proposed projects with EU reduction targets;

— Methodology used to estimate and monetise GHG emissions, the scope of reporting (i.e. what project components are included/excluded from the calculation) and details of the baseline scenario used;

— The quantification of the investment's absolute (gross) and relative (net) GHG emissions

— The carbon prices used to monetise the quantified GHG emissions, and how the monetisation of GHG emissions was included in the overall economic appraisal of the investment.

During the operation phase of the investment, it is recommended to the project promoter to revisit the climate proofing and underlying assumptions and crosscheck with relevant observations, latest climate science, projections and data, and adjusted climate policy objectives, and report findings to the implementing partner.

([54]) If a higher cost of carbon is used, this cost must be duly justified by a sound methodology based on internationally accepted principles.

2.3. **Environment dimension**

2.3.1. *General approach to environmental proofing*

Environmental proofing for InvestEU refers to a method for **accounting for the consolidated impact of a project in terms of the principal components of natural capital, namely air, water, land** ([55]) **and biodiversity**, as required by Article 8(6) of the InvestEU Regulation. This includes positive and negative impacts, whether they be direct or indirect.

Natural capital yields a flow of ecosystem services or benefits ([56]). These services can provide economic, social, environmental, cultural, or other welfare benefits. The value of these benefits can be understood in qualitative or quantitative (including in monetary) terms, depending on their context.

An explanation of key environmental terms considered for the purposes of proofing is provided below:

— **Natural capital**: It is another term for the stock of renewable and non-renewable resources (e.g. plants, animals, air, water, soils, and minerals). Projects can affect both the extent of these resources (e.g. by changing land use) and their quality (e.g. the condition of habitats).

— **Ecosystem services**: Natural capital provides ecosystem services, such as food, timber, clean air, clean water, climate regulation and recreation.

— **Impacts**: They are changes in the natural capital or in the ecosystem services it provides. Natural Capital accounting involves measuring these impacts to improve how they are taken into account in decision-making:

  — Through quantification, often as flows. For example, water abstraction affects the stock of water and can affect the future availability of water over time (this can be measured in m^3/year). Another example is the discharge of pollutants, which affects the condition of air or water (and can be measured in the exceedance of limit values per day). Changes to land use is another quantifiable flow: this can affect the number of recreation trips made to a site (number of trips per year) or the reduction in enjoyment from those trips (level of enjoyment per trip).

  — Where proportionate (possible and reasonable), by expressing the impacts in monetary terms. Monetary valuation helps to convert impacts to estimated damage costs (or benefit estimates), such as: (i) the value of water no longer available for use (expressed in EUR per m^3 per year); (ii) costs incurred due to increased health issues from air pollution (expressed in EUR per disease case per year); or (iii) the loss of biodiversity (in EUR terms).

Table 3 provides examples of the links between natural capital and impacts.

Table 3

Linking impacts to relevant changes in the physical environment and damages or benefits

Natural capital	Changes in natural capital or ecosystem services	Examples of Impacts (positive and negative)
Air		
Air pollution	Volume of pollutants emitted	— Impacts on human health — Impacts on buildings (e.g. corrosion)
Water		
Water pollution	Volume of pollutants discharged	— Impacts on human health — Impacts on the quality of inland or marine waters

([55]) For the purposes of this guidance, land is considered in conjunction with soil.
([56]) Definition taken from the Natural Capital Coalition.

Natural capital	Changes in natural capital or ecosystem services	Examples of Impacts (positive and negative)
Water consumption	Volume of water abstracted	— Impacts on water-dependent activities — Impacts on water-dependent physical environments — Impacts on the hydrological cycle (e.g. flooding, low flow events)
Land		
Waste generation	Quantity of waste generated	— Impacts on waste management costs — Impacts on the physical environment (e.g. due to landfill or emissions from incineration) and hence flows
Change in land use	Hectares of land use developed or intensified	— Changes in outputs and materials from land — Changes in carbon sequestration and storage — Changes in the costs of providing services that would have been provided naturally — Impacts on in-situ and outdoor interactions — Changes in the cultural value of land
Biodiversity		
Effects on species	Proportion of species affected, level of threat and/or protection of species affected	— Changes in the local population and conservation status of species — Changes in the value of genetic resources (may be opportunity cost) — Changes in the costs of providing services that would have been provided naturally (e.g. pest control) — Changes in the cultural value of species
Effects on habitats and ecosystems	Area of habitat or ecosystem lost or in reduced condition	— Changes in conservation status of habitat or condition of ecosystem [1] — Changes in outputs and resources from land and sea — Changes in the costs of providing services that would have been provided naturally — Changes in the cultural value of land and sea — Changes in resilience (for example natural disasters)

[1] In line with EU guidance on integrating ecosystems and their services into decision-making, SWD (2019) 305 final.

Source: Technical Support Document for Environmental Proofing of Investments under the InvestEU Programme.

In line with Chapter 2.1, the approach to sustainability proofing for the environmental dimension is based on several steps. These steps include a decision point (based on the level of risk identified on one or more elements during the screening of a project) where it can be decided that no further proofing is required for impacts of potentially low risk (i.e. impacts unlikely to be significant) ([57]).

For projects requiring an EIA (Annex I or screened-in Annex II project), the implementing partner will:

— Review the identified impacts and risks and the proposed measures to avoid, prevent or reduce (mitigation measures) and, as a last resort, offset (compensation measures) likely significant negative impacts on the environment. The above should be available in the EIA report and other documentation such as permits, additional studies or reports from other assessments.

— Review that an assessment has been carried out of the risks of any significant negative impacts remaining after mitigation (i.e. the residual impacts should have been assessed as part of the EIA report):

  — Where medium-risk and/or high-risk residual impacts have been identified in the EIA report, then the implementing partner should conduct proofing of those significant negative. Where feasible, the proofing should include quantification and monetisation. This further assessment could trigger additional (compensation/offset) measures as explained later in the chapter.

  — Where the residual impact has been assessed as low risk in the EIA report, no further proofing is necessary.

For projects screened out with mitigation measures, the implementing partner will:

— Review the identified impacts and risks and the mitigation measures proposed in the screening decision and supporting documentation, to avoid or prevent what might otherwise have been significant negative impacts on the environment:

  — Where medium-risk and/or high-risk residual impacts have been identified (e.g. in the screening documentation or during the review process), proofing of those significant negative impacts should be carried out. Where feasible, the proofing should include quantification and monetisation.

  — Where only low-risk residual impacts have been identified, no further proofing is necessary.

For projects screened out without mitigation measures and for projects outside the scope of the EIA Directive, the implementing partner will:

— In cooperation with the project promoter, recognise whether there is a need for additional studies or reports and review the impacts and risks identified in those additional studies and reports, and consider possible mitigation measures to avoid or prevent what might otherwise have been significant negative impacts on the environment.

— Where proportionate (possible and reasonable), quantify and monetise the identified impacts.

For all projects:

— The implementing partner is strongly recommended to use the positive checklist to identify possibilities to improve the performance of the project.

— The implementing partner must report to the InvestEU Investment Committee and monitor the project.

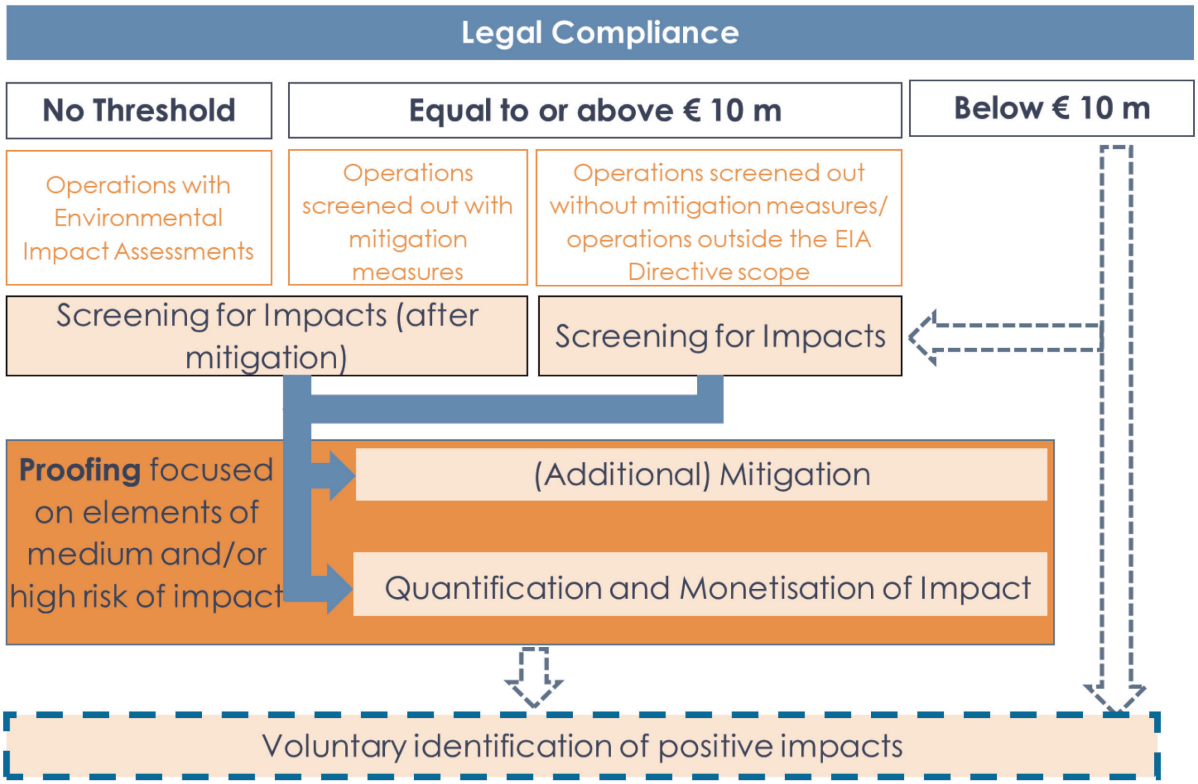
It is necessary to ensure consistency in what is required across the different natural capital components, while also taking into account the need for proofing to be proportionate (possible and reasonable). When reviewing projects for financing with support from the InvestEU Fund, the implementing partner will carry out these assessment steps on the basis of documentation provided by the project promoter (i.e. environmental reports, decisions, permits). This documentation may be complemented by questionnaires completed by the project promoter (e.g. based on the implementing partner's own due diligence procedures) or other studies and reports, as considered necessary.

Finally, legal compliance is a requirement for all projects.

([57]) More information on the roles and responsibilities can be found in Chapter 4.1.

Figure 8

Outline of Environmental Screening – Proofing



The following sections provide guidance on how implementing partners, with the support of the project promoter, could address each individual step of the assessment.

2.3.2. *Legal compliance*

All InvestEU supported operations, whether subject to sustainability proofing or not, must comply with applicable EU and national legislation. Legal compliance is a prerequisite for any support. Implementing partners must put in place or review their existing procedures to verify ([58]) such compliance.

To ensure that all implementing partners apply acceptable standards, this section:

— outlines general principles for the legal compliance checks; and

— proposes specific checks for compliance with key EU environmental directives.

The general principles are listed in the bullet points below:

— The required legal compliance will follow the progress of the due diligence process as normally applied by the implementing partner ([59]).

([58]) Including requesting declarations of compliance from final recipients.

([59]) When implementing partners start engaging with the promoter, the environmental decision making might be still in progress. This could signify that in the beginning the implementing partners can only identify the applicable legal framework for the project, and the environmental decision making could run in parallel with the overall due diligence process and compliance can be confirmed at a later stage.

— **It is recommended that projects belonging to categories listed in Annex I of the EIA Directive and Annex II projects that require an EIA** (i.e. projects with significant and/or likely significant impacts), **both be considered for InvestEU financing when they are at a reasonably mature stage**. This will enable the implementing partner to perform most of the compliance checks before funds are committed. In exceptional cases, flexibility on this recommendation could be possible and projects could be considered for financing at an earlier stage. In such exceptional cases, the finalisation of the procedures and fulfilment of the compliance requirements would then be a condition for the relevant disbursement ([60]). However, projects listed in Annex I of the EIA Directive can be presented to the Investment Committee only when they are at a reasonably mature stage, meaning the EIA report is finalised and the public consultation is completed.

— In the exceptional cases of non-mature projects (e.g. projects without completed environmental assessments and/or permitting procedures) a project would have to be assessed on the basis of the available information. As a first step, this assessment could be limited to identifying the applicable key environmental directives, and securing a clear indication on when the legal compliance could be confirmed. For projects listed in Annex II of the EIA Directive, as a general rule, the screening decision by the competent authorities should be available at the moment the project is submitted for approval to the Investment Committee. However, in duly justified cases, the project may be more immature (e.g. low risks expected, as for example in the case of charging station projects). In such cases, the proofing can be performed by the implementing partner using only the checklists proposed in this guidance. For potentially problematic projects (e.g. because of their likely significant effects on Natura 2000 sites or public opposition), project specific environmental conditions should be proposed by the implementing partner and included in the financing contract. Irrespectively of the project specific conditions (if required), as already mentioned, the financing contract should always include, for such immature projects, a standard general condition regarding the submission of missing assessments and/or permits. These conditions must be met at the latest before the relevant disbursement and the legal compliance check should be completed at that stage and reported to the Investment Committee ([61]). If the assessment concludes that the project is too immature and carries too many risks, then the project should not receive support and the implementing partner should apply at a later stage for the EU Guarantee.

— **EU environmental directives** as transposed into national legislation should be the **main reference point** for carrying out legal compliance checks.

— The completed check for a project's compliance with the applicable EU environmental legislation should result in a clear-cut answer on whether it is 'compliant' or 'non-compliant'. This check should be supported with proof in the form of permits, approvals, licences or permissions provided by competent authorities with reference to either relevant directives or transposed national legislation.

— If there are **serious doubts** on whether a project complies with EU and/or national legislation, implementing partners should consult Member States and/or the Commission ([62]).

The following sub-sections discuss the key environmental directives for the legal compliance checks.

(a) The EIA Directive

The EIA Directive applies to a wide range of public and private projects, which are set out in Annexes I and II to this Directive:

— **Mandatory EIA**: All projects listed in **Annex I** are considered as having significant effects on the environment and therefore require an EIA.

— **EIA following determination by Member States (screening)**: For projects listed in **Annex II**, the national authorities must determine whether the project shall be made subject to an EIA. This decision is made through the 'screening procedure', which determines the effects of **projects on the basis of thresholds/criteria or a case-by-case examination**. The national authorities have to take into account the criteria laid down in Annex III of the EIA Directive.

([60]) For multi-component projects, the legal compliance will be verified for each component as it is developed. In certain cases, conditions precedent could apply to each disbursement relevant for the respective component of the project. Studies for the development of projects and disbursements associated with these studies are exempt from this requirement.

([61]) If based on the results of the environmental decision making, significant changes occur in comparison to the initial assessment of the Implementing Partner, then the proofing should be updated to include these changes. This should be reported to the Commission in line with the provisions of Chapter 4.2.

([62]) See Chapter 4 for the arrangements for this consultation with the Commission.

The EIA compliance check should confirm the project's fulfilment of the key requirements of the EIA Directive. In this respect, it is important to note that a few projects might still have been authorised under the previous 'non-revised' EIA regime (Directive 2011/92/EU) and not under the 'revised' current EIA regime (Directive 2011/92/EU modified by Directive 2014/52/EU of the European Parliament and of the Council ([63])). The EIA compliance check should be made against the applicable Directive in force at the time the EIA process was triggered (see in detail Article 3 of Directive 2014/52/EU).

Checklist 0 (see Annex 3) proposes a list of questions to guide implementing partners in the verification of compliance with the EIA Directive.

(b) The Birds and Habitats Directives

The Natura 2 000 network was set up pursuant to the Habitats Directive ([64]). Under this Directive, Member States must designate Special Areas of Conservation (SACs) to ensure the favourable conservation status of: (i) habitat types listed in Annex I to the Directive throughout their range in the EU; and (ii) species listed in Annex II to the Directive throughout their range in the EU. Under the Birds Directive ([65]), the network must include Special Protection Areas (SPAs) designated for 194 particularly threatened species and all migratory bird species.

Any plan or project likely to have a significant effect on a Natura 2000 site, either individually or in combination with other plans or projects, must undergo an **appropriate assessment** by the Member State (pursuant to Article 6). This assessment must determine the project or plan's implications for the site, in view of the **site's conservation objectives** ([66]). The competent authorities can only agree to the plan or project after having ascertained that it will not adversely affect the integrity of the site concerned (Article 6(3) of the Habitats Directive ([67])).

In exceptional circumstances, a project may still be allowed to go ahead, in spite of a negative assessment, if: (i) there are no alternative solutions; and (ii) the plan or project is considered to be justified by imperative reasons of overriding public interest, including those of a social or economic nature. In such cases, the Member State must take appropriate **compensatory measures** to ensure that the overall coherence of the Natura 2000 network is protected (Article 6(4) of the Habitats Directive). The Commission must be informed about these measures via a standard notification form 'Information to the European Commission according to Article 6(4) of the Habitats Directive' ([68]). In certain cases, when a priority habitat or species is significantly affected and the project is justified for socioeconomic reasons, an opinion of the Commission is required. Methodological guidance on the provisions of Articles 6(3) and 6(4) of the Habitats Directive 92/43/EEC ([69]) includes further information to supplement this section.

For implementing partners, when checking compliance with the Habitats and Birds Directives, three scenarios are possible:

— a project has been screened out by Member State authorities from requiring an appropriate assessment (i.e. the project is not likely to have significant negative effects on Natura 2000 site/s); or

— a project has been subject to an appropriate assessment by the Member State authorities, which resulted in a positive conclusion being given by the authorities, that the project will not have significant effects on Natura 2000 site/s (under Article 6(3) of the Habitats Directive); or

— a project has been subject to an appropriate assessment, which resulted in a negative conclusion from the Member State authorities (i.e. the project has significant negative effects on Natura 2000 sites under Article 6(4) of the Habitats Directive).

([63]) Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (OJ L 124, 25.4.2014, p. 1).
([64]) Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:31992L0043
([65]) Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009L0147
([66]) According to the Commission guidance on setting conservation objectives (2012), site-specific conservation objectives set the condition that species and habitat types in a site must achieve, so that the site can contribute to the overall goal of favourable conservation status of these species and habitat types at national, biogeographical or European level (see Article 2(2) of the Directive).
([67]) Article 6(3) also applies to Special Protection Areas classified under Article 4 of the Birds Directive.
([68]) https://ec.europa.eu/environment/nature/natura2000/management/docs/art6/form_art_6_4_en.doc
([69]) https://ec.europa.eu/environment/nature/natura2000/management/docs/art6/natura_2000_assess_en.pdf

Checklist 0 (see Annex 3) proposes a list of questions to guide the verification of compliance with the Habitats and the Birds Directives, depending on the scenario (as described above) applicable to an individual operation.

(c) The Water Framework Directive

The Water Framework Directive (2000/60/EC) ensures the full integration of the economic and ecological perspectives in the management of water quality and quantity. The Directive applies to fresh, coastal and transitional waters and ensures an integrated approach to water management that respects the integrity of whole ecosystems.

The Directive's key objective is to achieve (by 2015 ([70])), good status for the over 111 000 surface waters (e.g. rivers, lakes, coastal waters) and the over 13 000 groundwaters in EU territory. Achieving 'good status' means securing good ecological and chemical status for surface waters and good quantitative and chemical status for groundwaters (groundwaters are the main sources for abstraction of drinking water).

The Water Framework Directive also introduces a requirement that river management be based on river basins (i.e. the natural geographical and hydrological unit) and not on administrative or political boundaries. The River Basin Management Plan details how the objectives set for the river basin (ecological status, quantitative status, chemical status and protected area objectives) are to be reached within the timescale required.

For implementing partners, there are two scenarios possible when checking compliance with the Water Framework Directive:

— In the first scenario, the project involves a new modification to the physical characteristics of a surface water body or alterations to the level of groundwater bodies that will NOT cause deterioration in the status of a water body or cause failure to achieve good water status/potential. In this case, the implementing partner must review the justification provided by the project promoter to support this conclusion.

— In the second scenario, the project involves a new modification to the physical characteristics of a surface water body or alterations to the level of groundwater bodies which deteriorate the status of a water body or cause failure to achieve good water status/potential. In such cases, the implementing partners should review whether each of the conditions under Article 4(7) have been fulfilled, i.e.:

  — all practicable mitigation measures were taken to mitigate the negative impacts;

  — the benefits of the project outweigh the benefits of achieving the objectives of the Water Framework Directive and/or the project is of overriding public interest;

  — there are no significantly better environmental options to achieve the project's objective which are technically feasible and not disproportionately costly; and

  — the project and the abovementioned justifications are included in River Basin Management Plan (RBMP).

Checklist 0 (see Annex 3) proposes questions to guide the verification of compliance with the Water Framework Directive.

(d) Other relevant Directives

Depending on the nature of operations falling under a specific line of support, implementing partners are expected to verify compliance with specific directives, on the basis of authorisations, permits, licences, etc. provided by the project promoters. These could include:

([70]) The finding of the fitness check of the Water Framework Directive shows that the Directive has been successful in setting up a governance framework for integrated water management for the more than 110 000 water bodies in the EU, slowing down the deterioration of water status and reducing chemical pollution.
On the other hand, the Directive's implementation has been significantly delayed and less than half of the EU's water bodies are in good status, even though the deadline for achieving this was 2015, except for duly justified cases.

Directive 2001/42/EC ([71]) – the Strategic Environmental Assessment

In case of some environmentally sensitive operations because of their nature, size or location, it is advised that the implementing partner reviews whether a project is consistent with a planning framework (e.g. a sectoral or a land-use plan), in particular as regards alternatives or cumulative effects.

Directive 2010/75/EU ([72]) – the Industrial Emissions Directive

The implementing partner should confirm the project's compliance with the Industrial Emissions Directive on the basis of:

— A permit (not always applicable and available at the time of the submission of the application): i.e. whether it complies with the Emission Limit Values set according to the Directive and with Associated Emission Levels set in implementing decisions on Best Available Techniques (BAT-AELs), as appropriate; or

— The environmental project documentation submitted as part of the application (e.g. environmental permits, etc.).

Directive 2008/98/EC ([73]) – the Waste Framework Directive

The implementing partner will verify the project's compliance with the Waste Framework Directive including the justification with reference to key requirements of the Directive. In particular, the justification needs to explain:

— how the project is consistent with the waste hierarchy (Article 4);

— how the project contributes to the achievement of the preparing for re-use and recycling targets (Article 11(2)).

— whether the project is consistent with the relevant waste management plan (and is included in it as a *sine qua non* condition) and waste prevention programme (Articles 28 and 29).

Directive 2012/18/EU ([74]) – the Seveso-III Directive

The Seveso-III Directive (2012/18/EU) aims to prevent major accidents involving dangerous substances. However, because accidents may nevertheless occur, the Directive also aims at limiting the consequences of such accidents not only for human health but also for the environment. The Directive covers establishments where dangerous substances may be present (e.g. during processing or storage) in quantities exceeding certain thresholds. Excluded from the Directive are certain industrial activities which are subject to other legislation providing for a similar level of protection (e.g. nuclear establishments or the transport of dangerous substances).

Depending on the amount of dangerous substances present, establishments are categorised into a lower or upper tier, with the latter being subject to more stringent requirements. The implementing partner will verify compliance of the project with the Seveso-III Directive on the basis of the environmental project documentation submitted as part of the application (e.g. EIA, environmental permits, etc.). In particular, the implementing partner will verify whether projects falling under the scope of the Seveso Directive upon completion will have to meet either the lower or upper tier requirements (in particular the obligation for the promoter to prepare a major accident prevention policy or a safety report that will have to be submitted to the competent authority of the Member State).

2.3.3. *InvestEU screening for the environmental dimension*

For **projects that undergo an EIA or are subject to the determination of the necessity of an EIA**, it is expected that this process and work will provide a key contribution to the InvestEU screening and proofing process because the Directive requires that:

— For projects requiring an EIA, a description of the features of the project and/or measures envisaged to avoid, prevent or reduce and, if possible, offset likely significant adverse effects on the environment, is part of the EIA report.

([71]) Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (OJ L 197, 21.7.2001, p. 30).
([72]) Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).
([73]) Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).
([74]) Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012 on the control of major-accident hazards involving dangerous substances, amending and subsequently repealing Council Directive 96/82/EC (OJ L 197, 24.7.2012, p. 1).

— For projects with a screening determination that an EIA is not necessary, the determination will state any features of the project and/or measures, where proposed, envisaged to avoid or prevent what might otherwise have been significant adverse effects on the environment.

For these cases, the *InvestEU screening step would review the residual impacts identified in the EIA report* (after mitigation measures identified during the environmental procedure) for the four environmental elements (air, water, land and soil, biodiversity), as well as for the cross-cutting themes of noise and odour.

For **projects outside the scope of the EIA Directive or for projects screened out without mitigation measures as a result of the implementation of nationally set thresholds or criteria**, the *InvestEU screening step will also review impacts* on the same elements and cross-cutting themes.

As a first step, (residual ([75])) environmental impacts should be reviewed with the use of **Checklist 1** ([76]) (see Annex 3). Column (1) of Checklist 1 should reflect the existence or absence of (residual) impacts.

As already mentioned, this review will be carried out on the basis of the environmental documentation provided by the project promoter. This documentation can include environmental assessment reports, decisions and permits, additional studies or reports if considered necessary. **Once a (residual) impact is identified then this impact should be qualified in terms of risk by considering the combination of its *significance* and its *likelihood* of occurrence.**

The implementing partner should use three qualifications to indicate the **significance of the (residual) impact** (column 2 of Checklist 1) based on information provided by the project promoter:

Minor → Moderate → Significant/adverse

To categorise the significance of the impact, the implementing partner will use the underlying environmental documentation, additional reports if considered necessary, as well as expert judgement considering elements such as, emission volumes, the nature of the identified impact, etc. More detailed indications for each of the natural capital elements are provided in the 'Technical Support Document for the Environmental Proofing of Investments', and in tables:

Table Air S3 – 1:	For impacts to Air Quality
Table Water S2 – 5 and Table Water S3 – 3	For impacts on the Water Environment
Table Land S2 – 2 and Table Land S3 – 1	For impacts on Soil/Land
Table Biodiversity S2 – 1 and Table Biodiversity S3 – 1	For impacts on Biodiversity
Table CC S3 – 1	For Noise Impacts
Table CC S3 – 2	For Odour Impacts

The implementing partner should also indicate, based on the information and assessments carried out by the project promoter the likelihood of the impact (column 3 of Checklist 1):

Low (not likely to happen) → **Moderate** (even chances of happening or not) → **High** (likely to happen)

The level of risk (column 4 of Checklist 1) for each impact will then be assessed by combining its identified significance and its likelihood (see matrix in Figure 8). For projects with EIAs, the associated reports are expected to include an assessment of the significance of the residual impacts.

([75]) For operations subject to an EIA or operations that were screened out from the need to undergo an EIA with mitigation measures.
([76]) The checklists provided can be adapted by the implementing partner to fit the requirements of a specific project or project category.

Figure 9

Risk qualification for each impact identified

		Impact		
		Minor	Moderate	Significant/Adverse
Likelihood	Low	Low Risk	Low Risk	Medium Risk
	Moderate	Low Risk	Medium Risk	High Risk
	High	Medium Risk	High Risk	High Risk

For medium-risk and/or high-risk impacts, the implementing partner must proceed with proofing. No further proofing will be necessary for low-risk impacts.

In addition to the above, the implementing partner is strongly recommended to proceed with a positive agenda proofing (see Chapter 2.3.5).

2.3.4. *Proofing: Mitigation, Quantification and Monetisation*

For projects requiring an EIA or screened out with mitigation measures: For each of the residual impacts identified as medium risk and/or high risk, the implementing partner will require the project promoter to examine (on a voluntary basis) the feasibility of additional (for instance mitigation) measures that could reduce the residual risk to a lower level.

For projects outside the scope of the EIA Directive or screened out without mitigation measures: If the implementing partner, in cooperation with the project promoter, using checklist 1, identifies medium risk and/or high risk impacts, then they should identify mitigation measures, where feasible, to reduce the risk to a lower level.

Any measures resulting from the above should follow the principles of the mitigation hierarchy relevant for the natural capital element:

— Avoidance of negative impacts (if feasible).

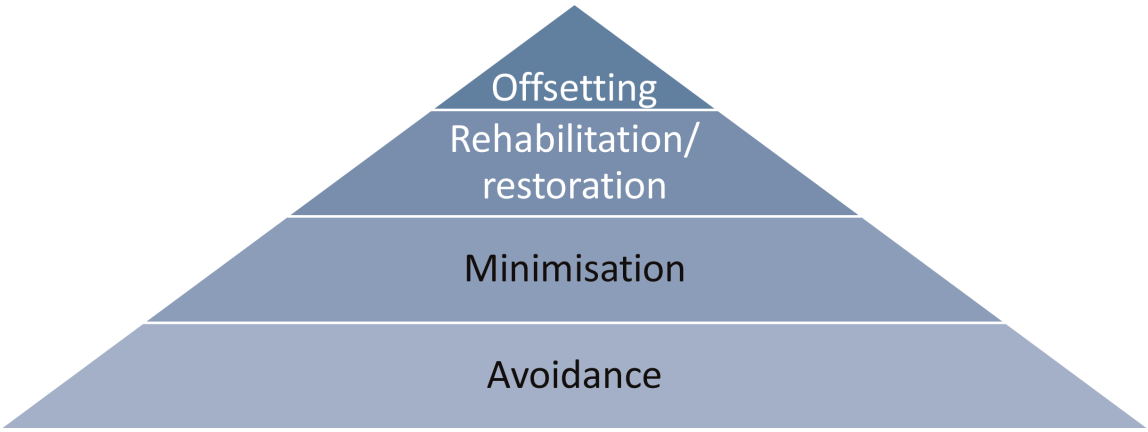
— Decreasing the extent of any unavoidable impacts, with consideration given to the duration, intensity and type of impact (direct, indirect and cumulative).

— Rehabilitation and restoration to ensure that stocks that have been degraded or negatively affected by a project are restored or renewed.

— Offsetting can be considered as a last resort for (medium- to high-risk) negative impacts that cannot be avoided, minimised, or balanced out through restoration.

Figure 10

The mitigation hierarchy



Source: European Commission – Technical Support Document for the Environmental Proofing of Investments.

Good mitigation is specific to context and location, and it also depends on the impact that must be mitigated. Examples of mitigation measures are presented in the 'Technical Support Document for the Environmental Proofing of Investments'.

When the project promoter is able to propose feasible additional measures, the implementing partner should ask the project promoter to reassess the *residual* risk (see Checklist 1).

In collaboration with the project promoter, the implementing partner, on the basis of the existing documentation (environmental report, permits etc.), will provide, when and where available, a quantification of residual impacts that after mitigation (mitigation as a result of the environmental procedures and/or mitigation proposed in the context of InvestEU sustainability proofing) have a medium and/or high risk.

For guidance on quantification see the 'Technical Support Document for the Environmental Proofing of Investments' and tables:

Table Air S3 – 1:	For impacts to Air Quality
Table Water S3 – 3:	For impacts on the Water Environment
Table Land S3 – 1	For impacts on Soil/Land
Table Biodiversity S3 – 1 and S3-2	For biodiversity
Table CC S3 – 1	For Noise Impacts
Table CC S3 – 2	For Odour Impacts

Quantification enables implementing partners to understand the magnitude of the (residual) environmental impacts after all mitigation measures have been determined and included in the proposed project. Quantification is also a prerequisite for including the monetary valuation of these impacts – where it is proportionate and reasonable to conduct such a valuation – in the project's overall economic appraisal.

As discussed in the 'Technical Support Document for the Environmental Proofing of Investments' and in the 'EC CBA Guide to Cost Benefit Analysis of Investment Projects (2014)', the monetary valuation of environmental impacts is typically based on the concept of Total Economic Value, consisting of use and non-use values ([77]). Several valuation techniques, often (but not exclusively) based on surveys and/or choice experiments methods, can be used to measure it.

These techniques are usually resource-intensive (they require a large amount of project-specific data and analysis). For this reason, a benefit transfer approach is more frequently used where studies in the literature already provide country-specific reference values (i.e. unit costs) for environmental impacts that can be used in the valuation process.

Sections 4 to 8 of the 'Technical Support Document for the Environmental Proofing of Investments' provide a review of unit values to facilitate the use of benefits transfer for monetary valuation ([78]). In addition, the forthcoming 'Economic Appraisal Vademecum', which is being prepared by DG REGIO with the support of JASPERS, illustrates good practices in the economic assessment of environmental impacts for a number of selected sectors.

The use of monetisation depends therefore on several factors, including available data, project scale, type of impact, etc.

([77]) See in particular Chapter 4.3 'Environment remediation, protection and risk prevention'.

([78]) These unit values vary, however, in terms of their robustness and acceptance. For example, the use of existing unit values for the damage costs associated with increased air emissions and noise is nowadays accepted and consolidated practice in the EU. By contrast, existing unit values related to impacts on water, land and biodiversity, are more scarcely used as they are considered more location specific.

The applicability of these techniques is left to the professional judgement of the implementing partner/project promoter, including if and how to carry out a monetary valuation of the environmental impacts after mitigation, following the proportionality principle.

When carried out, the monetary valuation of the environmental impacts delivered by the project is then to be included in the project's more comprehensive economic appraisal that is usually carried out by implementing partners in the context of EU supported projects, as discussed in Chapter 2.6 of this guidance (Economic Appraisal).

2.3.5. *Positive agenda*

Project promoters are strongly encouraged to consider the positive agenda **Checklist 2** (developed for each environmental element, see Annex 3) for potential actions that could help reinforce the project's positive effects. The voluntary positive agenda checklist can be used for all types of projects including below and above threshold, and all risk categories. As a result of the completion of the positive agenda checklist, project promoters are encouraged to propose additional actions to improve the operation's environmental performance. When additional actions to improve the project's environmental performance are identified and included in the project, promoters are encouraged to quantify the resulting positive impacts and – where proportionate and reasonable – monetise them for inclusion in the project overall economic appraisal.

The positive agenda checklist may include but is not limited to:

— **Air** (promoting energy efficiency and the use of renewables, minimising polluting emissions and the use of hazardous substances);

— **Water Environment** (improving fresh water and marine water quality, promoting efficient use of water, limitation of abstraction and discharge);

— **Land and Soil** (promoting erosion reduction, improving soil organic matter and biodiversity, reducing land degradation, remediation of contaminated sites);

— **Biodiversity** (conservation of biodiversity-rich and/or protected areas, restoration of biodiversity and ecosystems, increased resilience of ecosystems, control or removal of alien species, conservation of native species or genetic diversity);

— **Noise** (reduction of noise levels);

— **Odour** (reduction of odorous emissions).

2.3.6. *Reporting and monitoring*

As described in Chapter 4, at the end of the environmental screening and proofing process, the implementing partner is required to provide to the InvestEU Investment Committee a summary of the sustainability proofing that covers the following key elements:

— For all projects, a confirmation of the legal compliance with key EU environmental legislation (as presented in Checklist 0).

— The result of any screening exercise:

  — Whether there are any impacts identified as medium and/or high-risk (column 4 of Checklist 1);

  — Any (additional) voluntary mitigation measures for these medium- and/or high-risk impacts (column 5 of Checklist 1) and whether the risk is reduced as a result.

— The (residual) risk after any additional mitigation proposed in the context of InvestEU proofing (column 6 of Checklist 1).

— An assessment (preferably quantified) of medium and/or high-risk residual impacts (column 6 of Checklist 1) and also where proportionate (i.e. reasonable and possible), monetisation of these impacts.

— Any considerations in relation to the positive agenda (see Checklist 2).

In the context of the monitoring required under InvestEU, the implementing partner should confirm and report, based on monitoring performed as part of their internal procedures and/or requested to the project promoters:

— Any significant changes to the proofing outcome, as originally reported that would come as a result of the completion of permitting procedures.

— The implementation of mitigation measures linked to adverse and high-risk impacts.

— The fulfilment of environmental conditions and undertakings, if any, by the project promoter.

2.4. **Social dimension**

2.4.1. *General approach to social sustainability proofing*

InvestEU financing and investment operations aim at generating positive social impact for the society at large. However, there may also be projects that involve adverse impacts for some individuals or communities. For example, there could be an infrastructure project that has potential impacts on enhancing spatial inequalities or public health, involving land use change and/or impacts on different aspects of the life of citizens. Potential effects negatively affecting social conditions should be identified as early as possible, and if feasible, the design of those projects should be adjusted to avoid or minimise these impacts, and/or appropriate mitigation measures should be identified to manage the unavoidable impacts. The proofing process will make sure these situations are identified, assessed, and properly addressed by the project promoters.

Industry standards for assessing the social dimension are largely aligned with each other. Nevertheless, they still vary slightly among different market players. As much as possible, the initial screening of operations should aim to identify direct, indirect and cumulative impacts on essential social aspects. Social proofing, i.e. improvement of the initial proposal, would help to minimise detrimental impacts and maximise social dimension benefits whenever needed.

To achieve this, the review of the projects' social aspects should include at a minimum the following key components:

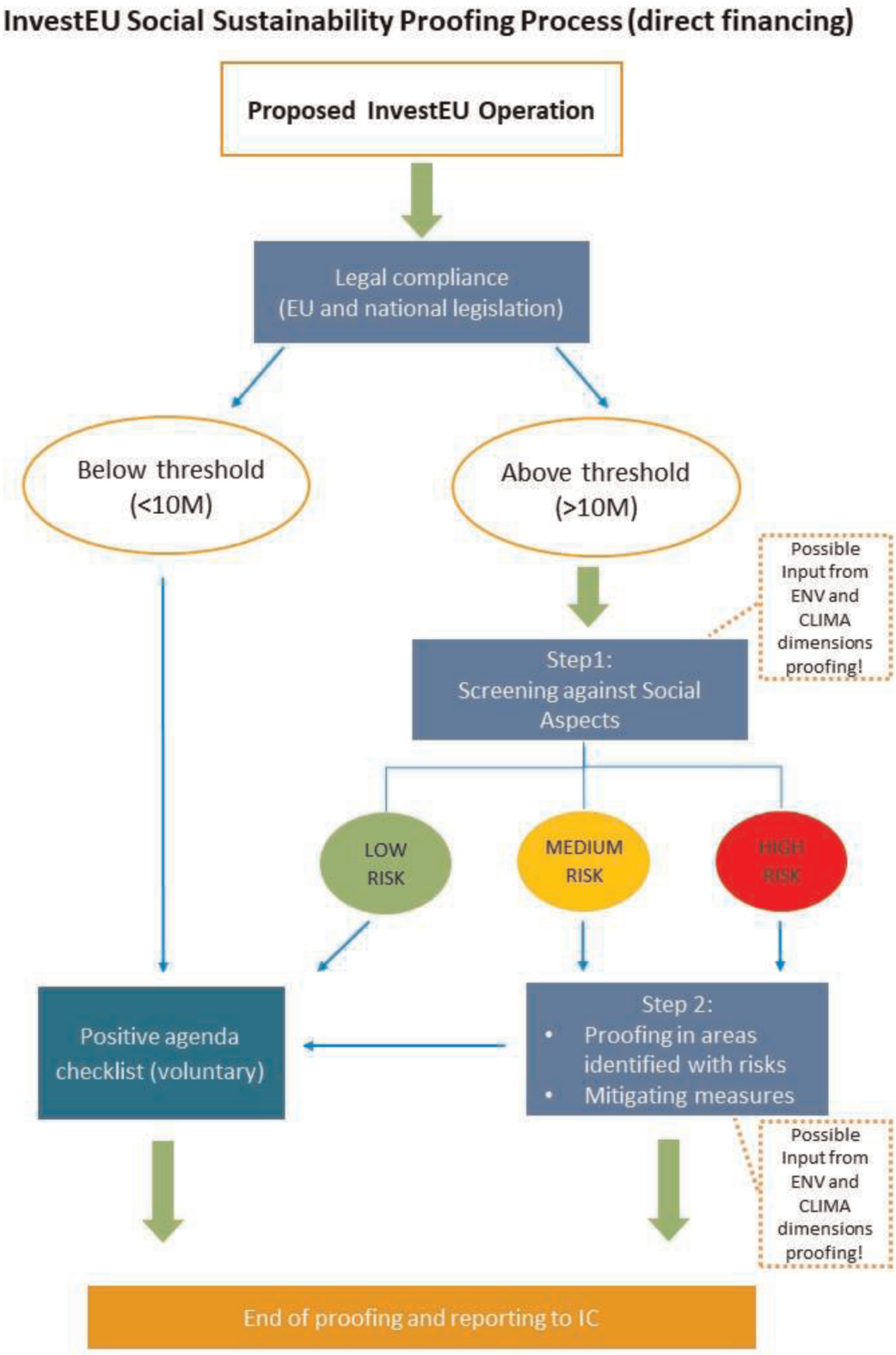
— Screening and determining the positive impacts of the projects and associated risk;

— Categorisation of risks for directly financed projects above the threshold, based on an assessment of potential negative impacts;

— Screening the projects' social performance based on the social screening criteria described in the following sections, and including any conditions for the project if necessary;

— Recommendations for enhancing positive social impacts based on the positive agenda checklist described in Chapter 2.4.6 of this guidance.

The following flowchart shows the social sustainability proofing process in its entirety.



2.4.2. *Legal compliance framework for the social dimension*

By conception and design, InvestEU will also contribute to the social sustainability in the EU, fostering the renewal of the economy, the generation of quality jobs and improved living and working conditions. EU and Member State legal requirements for projects and operations to be supported under any of the InvestEU Fund windows are the safeguard foundation for achieving socially sustainable impacts.

Similarly as for the environmental aspects, the relevant social legislation presents a solid basis for the social sustainability proofing process. The EU has a strong legislative framework that guarantees the rights of Europeans as citizens, workers (regardless of their nationality), and stakeholders in many areas, including occupational safety and health, working conditions, information disclosure and consultations with workers and the public, gender equality, and non-discrimination ([79]). However, compared to the environmental legislation, the powers of the EU in the social field are more limited, and social aspects are primarily addressed through national legislation. Nevertheless, the InvestEU Regulation specifically requires to estimate social impact of projects, including on gender equality, on the social inclusion of certain areas or populations and on the economic development of areas and sectors affected by structural challenges such as the need to decarbonise the economy.

Therefore, taking into consideration compliance with the relevant national and EU legislation covering these areas, looking for achievement of social progress by means of InvestEU interventions will be the foundation for the social sustainability proofing. Examination of compliance will continue throughout the process as all relevant legal requirements may not be known at the early stage (see the legal compliance framework in Annex 1) ([80]). For this reason, the project promoter will be expected to ensure legal compliance, be attentive to the positive agenda options (see Chapter 2.4.6) and present the implementing partners with the evidence upon request ([81]).

2.4.3. *Social screening of operations*

Following the legal compliance check, and depending on the total project cost of the investment, the operations move on to the screening step.

To identify the extent and complexity of the potential social impacts and risks, the implementing partner should screen the proposed project. The extent and complexity of social issues vary from project to project. Projects may have negative as well as positive social impacts. The implementing partner must ensure that: (i) the adverse social impacts of projects are identified through the screening process described below; and (ii) their positive social impacts are encouraged through the use of the positive agenda checklist ([82]). Any opportunities to maximise positive impacts that may be identified as part of the screening process should also be taken into consideration.

In carrying out the social sustainability proofing process, the implementing partners will build on and use their existing standards and procedures, and complement them as needed based on the requirements of this guidance.

For projects below the threshold of EUR 10 million, the proofing process in principle ends here. For projects below the threshold that are subject to an assessment according to the EIA Directive ([83]), some social aspects would be assessed as part of the EIA process. In such cases, the implementing partners are strongly encouraged to complement the EIA process with the social screening presented in this guidance. Similarly, they are strongly encouraged to consider, based on the positive agenda checklist, the recommendations for increasing the positive social impacts irrespective of project size. In all cases, minimum safeguards related to labour, health, safety and other relevant social sustainability requirements set out in the EU law must be respected.

([79]) The most relevant social principles and standards in this regard are in the EU Treaties and the Charter of Fundamental Rights, and in various directives which the Member States are obliged to implement into their respective national legal systems.

([80]) InvestEU will primarily support operations in the EU. However, in limited cases, there might be neighbouring countries involved (e.g. in trans-border projects or similar). In this limited cases, the project promoters will be asked to consider the social aspects following the spirit and principles of the relevant EU legislation.

([81]) Such evidence may be in the form of copies of any relevant legal permits, decisions, opinions or in the absence of these, self-declaration by the project promoter relating to the compliance with relevant legal requirements.

([82]) See Annex 3.

([83]) Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment as amended by Directive 2014/52/EU.

For projects above the threshold of EUR 10 million, the project would be screened for relevant social impacts and risks. The following points will be regarded as the key social aspects to be considered when carrying out an *ex ante* assessment for the social dimension:

1. Labour and working conditions;

2. Occupational and public health, safety and security;

3. Protection and inclusion of vulnerable persons and/or groups ([84]);

4. Gender equality;

5. Land acquisition and expropriation ([85]);

6. Protection of cultural heritage;

7. Stakeholder engagement ([86]).

The initial screening of projects is meant to guide the project promoter to consider, and the implementing partner to identify, as much as possible the key social impacts and risks the project is expected to have. In doing so, the implementing partner should also consider the project promoter's capacity, the context, the location, the sector, and the type of project.

The social screening process will be considered along with the climate and environmental elements, and will take into account any relevant social elements from the EIA process in case of operations that are subject to an assessment according to the EIA Directive. The social aspects will correspond to the relevant requirements for project promoters at the proofing stage. The information provided should allow implementing partners to assess that there are no obvious breaches and that there are no ongoing investigations. The initial screening of those aspects should also encourage the implementing partner to propose improvements in the project design, including support through technical assistance, in view of managing potential detrimental impacts and/or maximising positive impacts.

The implementing partner might identify, as a result of the InvestEU screening process, that one or more of the social aspects described below are not adequately covered and carry medium or high risks as per risk categorisation described in Chapter 2.4.4 of this guidance. If this happens, the proofing will be triggered for the area in question and the final recipient will be asked to carry out appropriate further assessment and remedy the situation.

Labour and working conditions

The overall aim under this social aspect is to ensure the protection of the fundamental rights of workers and promote efficient worker-management relationships, based on the development of fair working conditions and in compliance with national labour, employment and social security laws, and the fundamental principles and standards embodied in EU Law and in the ILO core conventions.

Compliance with the mentioned labour legislation will be required for project promoters/final recipients with respect to all project workers, including full-time, part-time, temporary work agency, fixed-term, seasonal and migrant workers, regardless of whether these workers are employed directly by the client or by a third party, as well as for primary suppliers ([87]).

([84]) In some cases certain individuals or groups are vulnerable, marginalised, systematically discriminated against or excluded on the basis of their socioeconomic characteristics. Such characteristics include, but are not limited to, sex, sexual orientation, gender, gender identity, ethnicity, caste, indigenous or social origin, age, disability, religion or belief, political or any other opinion, activism, affiliation to a union or any other form of workers' organisation, nationality, language, marital or family status, education and/or literacy, medical condition, migrant/refugee, minority or economic status (in terms of income and access to services).

([85]) Including both physical and economic displacement.

([86]) Also known as public participation process (including access to information and consultation process) in the EU legal framework (e.g. Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment as amended by Directive 20124/52/EU, Directive 2010/75/EU on Industrial Emission (Integrated Pollution, Prevention and Control)).

([87]) Primary suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project.

At the screening stage, the implementing partner should:

— Identify likelihood of risks of: child labour, forced labour, discrimination and unequal treatment towards migrant or non-national workers, gender inequality, discrimination and/or restrictions to freedom of association or other risks of violations of fundamental labour right, due to country context, sector, promoter, contractor or supply chain ([88]);

— Consider if the project promoters have management capacity appropriate to the workforce and the size of the project, and consistent with national laws, in case of identified labour risks.

Occupational and Public Health, Safety and Security ([89])

In line with the Principle 10 of the European Pillar of Social Rights for 'Healthy, safe and well-adapted work environment and data protection' of workers, the aim under this social aspect is to ensure, promote and protect health, safety and security of any individuals involved in the project. This should be achieved by providing healthy, safe and secure working conditions; evaluating and managing health, safety and security risks; and preventing any adverse impacts related to health, safety and security. Specific aspects to be considered during the proofing process are in relation to hazardous materials safety, natural hazards, security, exposure to diseases, traffic and road safety, emergency preparedness, whenever necessary and as relevant.

At the screening stage, the implementing partner should:

— Identify the likelihood of the project's adverse impacts and the risks it presents to occupational and public health, safety, and security ([90]);

— Consider the project promoter's management capacity in relation to occupational and public health, safety and/or security management in case of identified adverse impacts and risks.

Protection and inclusion of vulnerable persons and/or groups ([91])

In line with the Principles 2, 3 and 17 of the European Pillar of Social Rights for 'Gender Equality', 'Equal Opportunities' and 'Inclusion of people with disabilities', the overall aim under this social aspect is to uphold and promote the rights and interests of vulnerable groups and/or individuals, identify any risks and/or adverse impacts that may affect them, and ensure that appropriate measures protect such groups and/or individuals throughout the duration of the project. Where relevant, this should include considering the relevant obligations and/or taking positive actions to remove barriers against those who are often excluded from the development process because of disabilities, as relevant so that they can enjoy their rights and participate fully in society and the economy.

For projects affecting Indigenous Peoples ([92]), the objective is to ensure that the project fosters full respect for their rights, aspirations, identity, culture, and livelihoods, and to enter into good-faith negotiation with Indigenous Peoples affected by the project and obtain their Free, Prior, and Informed Consent (FPIC) ([93]).

([88]) Especially for projects involving operations outside of the EU due to international supply chains.
([89]) A wide variety of EU measures on safety and health at work have been adopted on the basis of Article 153 of the Treaty on the Functioning of the European Union. European directives are legally binding and must be transposed into national laws by Member States. Further information on safety and health at work can also be found at the website of the European Commission's DG Employment and Social Affairs.
([90]) For projects subject to an EIA, some of these aspects (including those related to any impacts and risks related to community and public health and safety) may be dealt with in the permitting process and the information on this may be included in the EIA report, if available at this stage.
([91]) See footnote 84 for definition.
([92]) Indigenous peoples living in the European Arctic include the Saami and the Inuit (Kalaallit). Specifically, the Saami live in circumpolar areas of Finland, Sweden, Norway and north-west Russia, the Nenets, Evenk and Chukchi in Russia, and the Inuit (Kalaallit) in Greenland. IPs may also be present in the Union's Outermost Regions and Overseas Countries and Territories.
([93]) FAO has developed an FPIC good practice manual: https://www.refworld.org/pdfid/57fdec864.pdf

At the screening stage, the implementing partner should:

— Identify the likelihood of the project having disproportionate adverse impacts on vulnerable, marginalised, discriminated-against individuals and/or groups, such as exacerbating inequalities through, for example, impacting affordability, availability and quality of services and dwelling, including energy, education and health;

— Identify the likelihood of any risks and/or adverse impacts that may disproportionally affect persons with disabilities, in relation to a fair working environment, non-discrimination, prevention of any forms of violence, potential barriers for access to services or project benefits ([94]);

— Identify the likelihood of the project affecting Indigenous Peoples;

— If the project is likely to affect the persons or groups mentioned above, consider the project promoter's capacity to take mitigation measures so that such persons and/or groups are not disproportionately impacted by the project.

Gender equality

In line with Principle 2 of the European Pillar of Social Rights for 'Gender Equality', the overall aim under this social aspect is to ensure equal opportunity for women and men at the workplace, prevent any discrimination related to gender, promote equal treatment between men and women, and take equal health, safety, and security measures for all workers regardless of their sex. Even though women's involvement in the labour market has increased in Europe, inequalities such as gender wage gaps continue to persist and affect women's empowerment. As a key component of the EU Gender Equality Strategy 2020-2025 ([95]), as well as of Sustainable Development Goals ([96]), gender equality promotes the equal opportunity, responsibility and participation for women and men.

At the screening stage, the implementing partner should:

— Identify the likelihood of the project having significant impacts that might affect women and girls disproportionately, or carrying specific gender risks or gender-based discriminatory social norms;

— Identify the likelihood of the project to have significant risks relating to gender discrimination and/or Gender-Based Violence and Harassment (GBVH) including i.e. past complaints relating to these aspects, negative media/NGOs coverage on the project and/or the project promoter;

— Consider the capacity of the project promoter to manage them appropriately in case of identified risks.

Protection of cultural heritage

The overall aim under this aspect is to help conserve cultural heritage in the context of InvestEU projects, protect cultural heritage from the adverse impacts of project activities by promoting the cultural heritage impact assessment and management, and foster awareness and appreciation of cultural heritage, where relevant and feasible. The project promoter will therefore have responsibilities in managing cultural heritage. These responsibilities will require the project promoter to take actions to identify, assess, make and implement decisions about the impact on cultural heritage from operations supported by the InvestEU Fund.

At the screening stage, the implementing partner should:

— Identify likelihood of the project impacting tangible and/or intangible cultural heritage, including in terms of cultural heritage significance;

— Consider the project promoter's capacity to manage any identified impacts on cultural heritage and consult the relevant stakeholders in case of identified impacts;

— Take into account the opinion of the competent authority responsible for cultural heritage as part of permitting documentation (if available at this stage).

([94]) In line with the European Disability Strategy 2010-2020. A new strategy will be adopted for the period 2021-2030.
([95]) https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/gender-equality-strategy_en
([96]) Sustainable Development Goal 5: 'Achieve gender equality and empower all women and girls'.

Land acquisition and expropriation

The overall aim under this social aspect is to promote rights to adequate housing, to adequate standards of living, and to property of displaced persons and manage adverse impacts arising from their loss of assets, or access to assets and/or restrictions on land use. In projects where physical or economic displacement of people is required, the project promoter will be expected to comply with the applicable national or regional legislation on land acquisition and/or expropriation. The project promoter will also be expected to comply with the EU Charter of Fundamental Rights (primarily Article 17), the European Social Charter (primarily Articles 31 and 34(3)), and the European Pillar of Social Rights No 19. Special attention will be paid in projects requiring the displacement of people that are occupying or otherwise using land or assets without a formal title such as slum dwellers, squatters, or other vulnerable groups.

At the screening stage, the implementing partner should identify:

— The likelihood of the project requiring land acquisition, and expropriation;

— The likelihood of the project requiring displacement or affecting the use of land by informal titleholders or informal land users.

Stakeholder engagement ([97])

The overall aim under this social aspect will be to promote effective and inclusive stakeholder engagement, as a means to uphold the rights to: (i) access to environmental information; (ii) public participation in the decision-making process; and (iii) access to justice ([98]). Such engagement should be proportionate to the nature and scale of the project and to the project's potential impacts and risks. The promoter will be expected to support the competent authorities in carrying out the relevant public participation process, including in a transboundary context.

At the screening stage, the implementing partner should:

— Identify the likelihood that the project might carry significant reputational risks, lead to opposition by local communities, or legacy issues (e.g. ongoing or expected court case, complaint(s), protest and/or Civil Society Organisation (CSO) scrutiny)

— Consider the capacity of the project promoter to implement appropriate stakeholder engagement, as relevant and/or support the competent authorities in carrying out the public participation process, in case of identified risks;

— Based on the environmental and social impacts and risks identified, consider the levels of stakeholder engagement, including project information disclosure, consultation and access to grievance, likely to be needed for the project, or in case of advanced projects, stakeholder engagement carried out to date.

2.4.4. *Categorisation of social risk*

As a result of the screening process, and based on the social impacts identified through this process, the implementing partners should be able to determine the levels of social risk for the proposed project. In determining the social risk levels, the implementing partner should also consider the project promoters' capacity to mitigate these social impacts and risks.

([97]) Stakeholders are persons and/or communities who are: (i) directly and indirectly project affected by the project, including their legitimate representatives; (ii) having an interest in the project and/or the ability to influence its outcome, either positively or negatively; and (iii) participating in the project: (a) institutions, groups and individuals who have various roles in the project; and (b) project workforce. Also known as 'public concerned' in the EU as defined in the relevant EU legal framework (e.g. Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment as amended by Directive 20124/52/EU, Directive 2010/75/EU on Industrial Emission (Integrated Pollution, Prevention and Control)).

([98]) In line with the United Nations Economic Commission for Europe's (UNECE) Aarhus Convention on access to information, public participation in decision-making and access to justice in environmental matters (known as the Aarhus Convention), https://unece.org/DAM/env/pp/documents/cep43e.pdf See Annex 1 for definition of 'environmental information'.

This initial screening should also indicate the acceptability of the project for receiving InvestEU support. For example, if as a result of the screening, the implementing partner concludes that the proposed project would have some significant permanent impacts that cannot be mitigated nor compensated, and carry very high residual social risks, the project would not be acceptable for financing under the InvestEU. The table below gives an overview of the categorisation method for social risks before the application of any mitigation measures.

Table 4

Social risk categorisation

Risk category	Definition	Examples of types of impacts and risks	Potential implications for proofing
Low risk	There are no, or only negligible temporary negative social impacts, or some permanent negative social impacts but without significant harm, the effects of which can be fully mitigated.	— The project does not affect any or very few vulnerable persons and/or groups. — The project does not carry any significant labour risks. — The risk to health and safety is minimal. — The Stakeholder Engagement carried out to date has been appropriate and no risks were identified.	An operation of this type would not require further proofing.
Medium risk	Social impacts can be readily identified, but remedial and/or mitigation measures are expected to reduce or limit the main adverse effects.	— The project requires the displacement of informal settlers or land users where the displacement impacts are limited in magnitude, and readily addressed through mitigation measures. — The project negatively and directly affects vulnerable people where the potential impacts are limited, and readily addressed through mitigation measures. — The risk to health and safety is medium. — The project is likely to have impacts on cultural heritage that will require appropriate mitigation measures.	An operation of this type may require some additional assessment and/or management measures for the identified impacts and risks. It may also attract specific social contractual conditions, and require regular monitoring and/or reporting on the identified social issues.
High risk	There may be highly significant, adverse and/or long-term social impacts, the severity of which is difficult to determine at the screening stage.	— The project requires the displacement of informal settlers or land users, where the displacement impacts are of significant magnitude, and require appropriate mitigation measures. — The project has significant negative direct impacts on vulnerable people that will require appropriate mitigation measures. — The project is likely to have significant impacts on Indigenous Peoples (e.g. impacts on their land, dwellings, livelihoods or cultural heritage). — Due to country context, sector, promoter, contractor or supply chain [1], there are risks of child labour, forced labour, discrimination and/or restrictions to freedom of association or other risks of violations of fundamental labour rights.	An operation of this type will generally require further appropriate assessment and management measures for the identified impacts and risks. It may also attract specific social contractual conditions, and require regular monitoring and/or reporting on the identified social issues.

Risk category	Definition	Examples of types of impacts and risks	Potential implications for proofing
		— The risk to health and safety is high. — The project will lead to permanent destruction of a heritage site. — The project carries a significant reputational risk (e.g. ongoing or expected court case, complaint(s), protest and/or CSO scrutiny).	
N/A	The level of significance of permanent social impacts or risks is not acceptable	— The project is linked to use of child and forced or bonded labour. — The project may result in limiting people's individual rights and freedom or violate human rights.	An operation of this type would be found unacceptable for financing under the InvestEU.

([1]) In particular with primary suppliers.

Based on the project's social risk level determined following the methodology presented above, the implementing partners will need to consider progressing to the proofing stage, as detailed in the next section, and implement the following actions:

i. *Projects with high social risk*

An in-depth assessment of the identified social impacts and risks is required, and mitigation or remedial measures might be necessary:

— Implementing partner identifies the applicable legal requirements and makes sure that the project promoter is aware and takes all the necessary steps to obtain all permits and authorisations etc., and acts in line with national law and international standards.

— Implementing partner identifies the potentially significant social risks, the stakeholders to be affected by the project, competent authorities to be contacted/consulted:

  a. Makes sure that the stakeholder engagement, including public consultation, was made in line with the legal requirements and the related documentation is publicly available, as applicable;

  b. Depending on the phase in which the project is (early design or already permitted) – design modifications could be recommended or mitigation measures as described in the following section;

— The project promoter is responsible for carrying out the EIA, where relevant, or any other study deemed necessary by the implementing partner.

— Covenants can be included in the financing contract, disbursements could be conditioned by receiving the required permits and authorisations, implementation of the agreed mitigation measures, etc.

ii. *Projects with medium social risk*

For these projects, limited assessment will be required based on the areas where specific impacts were identified. A certain level of remedial/mitigation measures might still be needed, but the scale is reduced to punctual interventions:

a. Implementing partner identifies the applicable legal requirements and makes sure that promoter is aware and takes all the necessary steps to obtain all permits and authorisations, including preparation of the EIA report as relevant etc.;

b. Social assessment still required for the relevant areas;

c. Specific studies might be required by the implementing partner for the punctual impacts identified;

d. Punctual mitigation/remedial measures might still be identified and the implementing partner might advise the project promoter on their implementation.

iii. *Projects with low social risk*

These projects are exempt from the in-depth analysis and further proofing on the social dimension. They may proceed to the step involving consideration of the positive agenda checklist.

2.4.5. *Social proofing* ([99])

Once the InvestEU screening determines that a project has a social impact that requires closer examination, the social dimension must be subject to sustainability proofing assessment. In other words, **proofing will be performed only for the aspect(s) identified to be significantly impacted by the supported operation**. In accordance with Article 8(5) of the InvestEU Regulation, if the implementing partner concludes that no sustainability proofing is to be carried out, it must provide a justification to the Investment Committee.

The project promoter/final recipient should ensure that EU and international standards applicable in the seven areas mentioned in Chapter 2.4.2 are adequately taken into account in the design of the project for new projects and for projects in an early development phase. Impacts should be assessed and their management integrated with other components of environmental and/or social assessment, in order to support a holistic and comprehensive approach to risk management (to the extent possible).

Influencing project factors to be considered in such an undertaking (although not exhaustive) include:

— the project promoter's capacity to manage the identified impacts and the related internal standards and practices;

— impact severity defined as a function of the scope (i.e. the type of impact), scale (i.e. the number of people affected and duration of the effects) and the degree of remediability (i.e. to what extent the impact can be avoided or mitigated);

— the track record of contractors and public/private security providers associated with the project;

— possible legacy issues.

The projects identified as having **medium and high social risks** will be subject to further proofing against the same social aspects, with a view to:

(i) undertaking further appropriate impact assessment or relevant studies; and/or

(ii) developing appropriate mitigation measures for those impacts that have been identified at the screening stage.

Social proofing based on the social aspects will be performed as follows.

Labour and working conditions. Under this aspect, the implementing partner will verify that the project has the relevant systems in place to ensure respect of the relevant EU and international rules applying to labour and working conditions. If there are any potentially significant risks and impacts related to project workers' individual and/or collective labour rights, appropriate further assessment should be conducted and appropriate mitigation measures should be put in place. For projects identified as having high labour risks, the implementing partner may require from the project promoter the latest reports or opinion issued by the national labour inspectorate if available, the use of labour assessments during project preparation, or regular labour audits during project implementation.

([99]) Examples of mitigation measures are presented in the 'Guidance on social sustainability proofing of investment and financing operations'.

If assessments confirm the potential impacts and risks, then measures should be taken by the project promoter to remedy these. Depending on the affected area, the project promoter might need to put in place procedures to ensure that the contractual rights of the workers are well established and respected, that dispute resolution mechanisms are in place, that a good communication system exists for the workers to access available mechanisms.

Specifically, the implementing partner will consider if the project promoter has put in place internal procedures commensurate to the size and type of the project, as relevant, with respect to:

— Human Resources Policies, e.g. adoption and maintenance of written human resources policies and management systems or procedures covering, inter alia, risks related to child and forced labour;

— Non-Discrimination and Equal Opportunity guidelines, i.e. employment decisions on the basis of personal characteristics unrelated to inherent job requirements, such as gender, race, nationality, political opinion, migrant status, affiliation to a union, ethnic, social or indigenous origin, religion or belief, marital or family status, disability, age, sexual orientation or gender identity;

— Existence of a dispute resolution mechanism or alternative channels that allow workers to raise workplace concerns.

Examples of proofing for labour and working conditions		
Identified impacts & risks	Examples of possible further assessment if risks are identified	Examples of potential mitigation measures if risks are identified
Human Resources, workforce and contracting arrangements — High numbers of migrant workers (excl. highly qualified expats) employed under different terms and conditions than the nationals. **Worker engagement and freedom of association** — There are (public) allegations of discrimination or reprisal against union members. **Forms of coercion** — Workers' documents are retained by employer — Workers are required to pay a recruitment fee/or re-pay travel costs to employer. **Young workers** — Young people under 18 are working on the project.	For a project at an early stage, a Labour Assessment may be carried out to identify and assess further the labour risks. For projects at an implementation stage, Labour Audits could be conducted at regular intervals.	Appropriate mitigation measures to address perceived inadequacies (e.g. migrant labour is employed on equal terms to local labour, and is recruited fairly) and indicators for reporting on improvements (e.g. improved working conditions, support for vulnerable groups). Special attention may need to be given to the ways that contractors, sub-contractors and/or suppliers treat their labour force. Arrangements for ensuring minimum acceptable standards may be agreed between the implementing partner and the project promoter before disbursement and inserted to the satisfaction of the implementing partner into the contractual documentation.

Occupational and public health, safety and security. Under this social aspect, the implementing partner will verify whether the project promoters/final recipients protect and promote the health, safety and security of workers by putting in place appropriate management plans and measures for safe, healthy and secure working conditions and health, safety and security risks to project affected communities and consumers during the project life cycle from both routine and non-routine activities.

For example, the implementing partner should verify and require the project promoter/final recipient to ensure that appropriate equipment is available to workers to ensure their protection during the project's implementation, that procedures are in place to deal with health and safety issues, and mechanisms for financial compensation exist, as relevant.

Specifically, the implementing partner will verify that the final recipient has in place, as relevant and commensurate to the size and type of the project:

— A risk assessment to evaluate threats and adverse occupational and public health, safety and security impacts regarding project's activities;

— A health, safety and security management plan that should be regularly updated;

— Adequate Personal Protective Equipment ('PPE') for workers to ensure their protection during the project's implementation. Any individual present on project sites, including workers, visitors, customers, clients and sub-contractors should be appropriately and freely equipped in compliance with the health, safety and security management plan;

— Sound supervision throughout the project life-cycle guaranteeing the health, safety and security of workers;

— Organisation of an emergency response related to project's activities in collaboration with local authorities and affected communities in order to take effective actions in case of emergency situations;

— Assessment of the risk of transmissible diseases, including COVID-19, and preparation of management plan in case of COVID-type of diseases identified during the project review.

Examples of proofing for occupational and public health, safety and security		
Identified impact & risk	Examples of possible further assessment if risks are identified	Examples of potential mitigation measures if risks are identified
— Significant health impacts of the project on local population — Medium or high OHS risks	Assessment of the occupational and/or public health, safety and security risks, as relevant, in form of standalone or broader assessments and reports (such as the EIA report).	The preparation and implementation of the relevant health and safety management plans, including relevant emergency prevention, preparedness and response and disease prevention and containment plans, traffic management, security management plans, and influx management. It could also include appropriate training and codes of conduct for security forces and all other security management arrangements on site.

Protection and inclusion of vulnerable persons and/or groups. Under this social aspect, the implementing partner will take the necessary measures to identify and avoid potential risks and impacts posed by the project on the lives and livelihoods of vulnerable, marginalised or discriminated against persons and groups, and Indigenous Peoples. When avoidance of these impacts and risks is not feasible, together with the project promoter, the implementing partner will take steps to reduce, minimise, mitigate or effectively compensate/remedy such impacts. This verification should take into consideration the type of investment proposed for receiving InvestEU support, taking note that it is more relevant for specific projects (such as social infrastructure). For potential impacts on Indigenous Peoples, the implementing partner will require the project promoters to verify their presence in, or their collective attachment to, a proposed project area. In case of their presence, the project promoters will set up FPIC and develop appropriate plans for impact mitigation and compensation, including benefit-sharing mechanisms.

Specifically, the implementing partner will verify that the final recipient has in place, as relevant and commensurate to the size and type of the project:

— Appropriate measures to avoid and/or minimise risks and adverse impacts on vulnerable persons and/or groups including persons with disabilities (e.g. provide equal treatment and avoid and/or minimise discrimination's impacts throughout the project cycle) are taken by the project promoter/final recipient;

— For projects affecting Indigenous Peoples, (i) a satisfactory FPIC process; (ii) an appropriate plan to mitigate impacts and/or benefit-sharing with the indigenous communities; (iii) a signed agreement that confirms the (conditional or unconditional) consent of indigenous people for the project with the associated plan (the plan must be realistic and appropriately budgeted).

Examples of proofing for protection and inclusion of vulnerable persons and/or groups		
Identified impact & risk	Examples of possible further assessment if risks are identified	Examples of potential mitigation measures if risks are identified
— Potential disproportionate adverse impacts resulting from project activities and/or associated facilities on vulnerable groups, including on indigenous populations; — The project may further strengthen the barriers to accessing services for already marginalised and excluded persons and/or groups, such as people with disabilities.	A social assessment (as stand-alone or as part of the EIA) covering the type, scope, nature and significance of both positive and negative project impacts on these persons and/or groups ([1]). When the project affects the Indigenous Peoples, a social assessment tailored to the cultural and socioeconomic specificities and sensitivities of indigenous communities would be warranted.	— Measures to avoid, minimise, mitigate or remedy negative impacts and, as appropriate, to reinforce positive effects for vulnerable persons and/or groups, including identifying opportunities and actions to promote benefit-sharing modalities for the affected communities, including these groups. — Where the operation affects Indigenous Peoples there should be: (i) a satisfactory FPIC process; (ii) an appropriate plan to mitigate impacts and/or benefit-sharing with the IP communities; and (iii) a signed agreement confirming the (conditional or unconditional) consent of the indigenous community for the project with the associated plan, which must be realistic and appropriately budgeted.

([1]) In line with the International Principles for Impact Assessment of the IAIA. http://www.socialimpactassessment.com/documents/IAIA%202015%20Social%20Impact%20Assessment%20guidance%20document.pdf

Gender equality. For projects where potential adverse gender related impacts and risks are identified, the implementing partner will require the project promoter to further assess the potential impact of investments on both women and men, thereby making it possible to highlight those prevailing inequalities, pay gaps, discrimination, challenges, vulnerabilities, and otherwise hidden risks of doing harm that are relevant to an operation.

The project promoter will also be required to identify any possible and relevant gender-sensitive remedial actions and measures to effectively prevent and address any form of violence, harassment, including sexual harassment, exploitation and abuse ('SHEA'), gender-based violence ('GBV'), bullying, intimidation, and/or exploitation. Such measures may include but are not limited to: (i) developing a supportive organisational culture that takes reports of GBV/SHEA seriously; (ii) having accessible grievance mechanisms in place for workers, service users and communities to report incidents or raise concerns about GBV/SHEA; and (iii) providing training and awareness-raising activities to employees and external stakeholders so they can learn about company's zero tolerance for GBV/SHEA, and about what constitutes GBV/SHEA.

Specifically, the implementing partner will verify that the project promoter/final recipient has in place, as relevant and commensurate to the size and type of the project:

— Policies and procedures to ensure equal treatment between women and men, prevent gender-based violence and harassment, and prevent all forms of gender discrimination throughout the project cycle. These policies and procedures might include a corporate policy on gender, diversity and inclusion, covering Gender-Based Violence and Harassment ('GBVH') either as a separate policy or integrated into wider policies;

— Adequate response measures in case of any form of violence such as gender-based violence, intimidation, exploitation, bullying, harassment, including sexual harassment and/or abuse.

Examples of proofing for gender equality		
Identified impact & risk	Examples of possible further assessment if risks are identified	Examples of potential mitigation measures if risks are identified
— The project increases the vulnerability of women caused by problems such as discrimination, social attitudes, and marginalisation from decision-making. — Discrimination and inequality of opportunity in the project-related labour force, and risk of GBV/SHEA in the project context.	A **Gender Analysis** may be performed to assess the impact that the operation may have on females and males, and on gender relations (the economic and social relationships between males and females, which are constructed and reinforced by social institutions).	— A **Gender Action Plan** or a similar document that lays out the interventions that address gender inequalities and meet the different needs of women and men — **Gender-responsive management plans** and women's meaningful engagement in the design and implementation of projects, — Development of effective systems, policies and code of conduct for mitigating the risks of GBV/SHEA.

Land acquisition and expropriation. For projects requiring land acquisition or expropriation, the implementing partner will gather from the promoter relevant information about the project's compliance with the applicable national or regional legislation on land acquisition and/or expropriation, as relevant.

For projects that affect the use of – or access to – natural resources by communities, the implementing partner should verify whether such impacts were duly assessed and mitigated in available reports (such as the EIA report). If these impacts were not taken into account, the implementing partners should ask the project promoters to undertake relevant assessments.

For projects requiring the displacement of persons that occupy land or assets without a formal title (such as slum dwellers or squatters), the implementing partner will verify that the project promoter/final recipient has in place, as relevant and commensurate to the size and type of the project:

— A documented approach based for dealing with displacement, implementation and monitoring arrangements to be adopted to ensure that the process is done in accordance with applicable national or regional legislation related to land acquisition and/or expropriation and the EU Charter of Fundamental rights (Article 17), the European Social Charter (primarily Articles 31 and 34(3)), the European Pillar of Social Rights (Principle 19).

Examples of proofing for land acquisition and involuntary resettlement		
Identified impact & risk	Possible further assessment if risks are identified	Potential mitigation measures if risks are identified
Physical or economic displacement of persons without legal land title, squatters, or slum dwellers.	In some cases, a census ([1]) and a socioeconomic baseline survey ([2]) may be needed to determine the number of people to be displaced, livelihoods affected, and property to be compensated.	Mitigation and/or compensation measures (potentially in the form of an Action Plan) to ensure that, at a minimum, the living conditions of those affected by the project are restored, and ideally, improved.

([1]) The census should include an inventory of losses (assets, access to resources or services, etc.), a detailed measurement survey and valuation of lost assets, and it covers the total affected population.
([2]) The socioeconomic baseline survey can be derived from a sample survey and is critical in identifying the current socioeconomic, cultural and political profile of the affected persons; their levels of overall resilience or vulnerability; and ensuing degrees and sorts of impacts.

Cultural heritage. Under this social aspect, the implementing partner will ensure that the project promoter/final recipient integrates cultural heritage management into their operations to avoid or mitigate the adverse impacts of their projects/activities on cultural heritage. If such impacts are unavoidable, the implementing partner will introduce requirements to support the conservation of cultural heritage from adverse impacts in the context of Invest EU operations by promoting the cultural heritage impact assessment and management, the equitable sharing of benefits from the use of cultural heritage and the awareness and appreciation of cultural heritage. For projects requiring an EIA, impacts on tangible cultural heritage (i.e. physical cultural resources) should be dealt with in the permitting process, and the information should be available in the EIA report.

To this end, the implementing partner will verify that the project promoter/final recipient has in place, as relevant:

— An assessment of the project's impacts on tangible and intangible cultural heritage, including the significance of cultural heritage;

— An opinion of the competent authority responsible for cultural heritage and confirmation that the relevant stakeholders have been consulted;

— Mitigation measures and the implementation of a chance find procedure and programme.

Examples of proofing for cultural heritage		
Identified impact & risk	Examples of possible further assessment if risks are identified	Examples of potential mitigation measures if risks are identified
— The operation involves significant excavations, demolitions, movement of earth, flooding or other changes in the physical environment; — The operation is located in, or in the vicinity of, a cultural heritage site recognised by the country of operation; — The operation has adverse impacts on the culture, knowledge and practices of local communities.	An expert assessment of the significance of cultural heritage, requirements of national legislation and relevant international conventions, the results of consultations with affected communities. The assessment and mitigation of impacts on cultural heritage will be conducted in accordance with relevant provisions of national and/or local laws, regulations and protected area management plans, national obligations under international laws and internationally accepted good practice.	— Appropriate mitigation measures to reduce and mitigate any adverse impacts on cultural heritage, along with the implementation schedule and required budget for such measures; — The establishment of rules for managing chance finds; — Procedures and systems to manage cultural heritage in a way that is appropriate to the operational and cultural heritage context; — Integrating cultural heritage management considerations into all relevant operational plans and procedures, such as ground disturbance permit systems, human resources policies, health and safety procedures.

Stakeholder engagement. Under this social aspect, the implementing partner will ensure that the proposed projects have put in place stakeholder engagement processes commensurate to the project's environmental and social risks. These processes should be based on an inclusive and systematic approach to engage constructively with stakeholders. The implementing partner will consider if the project promoter is engaging with stakeholders early on in the environmental decision-making process, when all options are still open, to allow for their meaningful contribution and ensure that their opinions, interests and concerns are taken into account to reach an optimal result.

For projects with legal requirements for public participation, the implementing partner should gather information about the ongoing or planned dialogue between the promoter, the affected communities and other interested parties throughout the project life cycle.

Projects that are particularly complex or that carry significant risks may call for the establishment of a stakeholder engagement plan ('SEP') or an equivalent documented process to identify the main stakeholders and set up the right forms and levels of engagement.

Specifically, the implementing partner will verify that the project promoter/final recipient has in place, as relevant and commensurate to the project's scope and impacts:

— Evidence that the relevant information is disclosed in a timely manner, either electronically or by other appropriate means, allowing the public to access this information easily and effectively. This information includes the purpose of the project, its risks, adverse impacts and opportunities, the stakeholder engagement process, the grievance mechanism and if necessary, the envisaged public consultations.

— Detailed arrangements for the consultation process, including in transboundary context, where applicable.

— Summary of the results of the overall consultation process and how those results have been incorporated or otherwise addressed, as reflected in the decision/s from the relevant competent authorities which satisfy the requirements set out in the EU legal framework;

— A SEP or an equivalent documented process to lay out the strategies for engaging with stakeholders. This document should be updated during the project's implementation if any changes happen.

— Availability of an effective grievance mechanism so stakeholders can raise their concerns, and to ensure a good complaint handling process, including confidentiality and protection measures where it is needed.

— Planned measures to examine any claims of unlawful or abusive acts affecting stakeholders. Appropriate measures should be undertaken, including, where necessary, a report to competent authorities to avoid any reoccurrence.

Examples of proofing for stakeholder engagement		
Identified impact & risk	Examples of possible further assessment if risks are identified	Examples of potential mitigation measures if risks are identified
— Significant environmental and/or social impacts that require project information disclosure and/or public participation; — The operation carries great reputational risks, has drawn opposition from local communities, or is affected by legacy issues.	Beyond the legal requirements, a good practice would be to carry out a **Stakeholder Analysis**, in order to identify, analyse, and document the different stakeholders, both those who are/or are likely to be directly or indirectly affected, positively or negatively, by the project and those who might have an interest in, or may influence, the project (other interested parties). This can be carried out as part of the EIA process.	— For complex and risky projects, a **Stakeholder Engagement Plan (SEP)** or an equivalent document, which describes the entire stakeholder engagement process for the project, specifies activities, outlines roles, resources, and timeline, and serves as a guiding document throughout the project cycle. — A **project-level grievance mechanism** to receive and facilitate redress for concerns and grievances of stakeholders throughout the project cycle.

2.4.6. *Positive agenda*

The objective of the present sustainability proofing process is to ensure that projects supported by InvestEU are adequately screened using a minimum set of social criteria. This process will be implemented in a highly diverse context, with project promoters and financial counterparties applying different levels of social assessment and with projects presenting a diverse complexity of social issues.

The social criteria focus on identifying, assessing and managing the potential adverse impacts. Nevertheless, it is highly recommended that the project promoters also consider the positive agenda checklist for potential actions that could contribute to reinforcing the project's positive effects. Using the positive agenda checklist will be a highly recommended voluntary step in all scenarios (i.e. projects below and above threshold, and in all risk categories). The use of the positive checklist would bring additional scoring for the operation ([100]).

The positive agenda would focus on the following three key elements:

Gender equality and women's empowerment: The project promoters/final recipients, in cooperation with implementing partners, are encouraged to consider planning and designing projects with the different needs of women, men, girls and boys in mind. Planning and designing projects in this way make better and more sustainable operations that improve the lives of more people, carrying a significant multiplier effect. Such gender lens increases access to, and use of, assets or services provided by investments, thereby increasing social returns.

([100]) See Annex 3 for details.

For instance, attention to gender in the transport sector can contribute to a greater impact. Long, unreliable, or unsafe commutes draw women away from better-paid formal jobs that tend to cluster in commercial and business centres, and into lower-paid informal sector or part time jobs that are closer to home. In this case, considering gender issues increases the use of transport services and makes these services more effective. It also gives greater employment choices to women. Similarly, in the water sector, there is ample evidence that women's participation as managers of local water supply and as disseminators of good sanitation behaviour contributes to more sustainable water supply and sanitation systems.

Diversity in the workforce and women's participation in corporate decision-making can significantly influence the businesses performance and return on investment. Companies with greater gender diversity are more likely to have higher financial returns than national industry medians in their sector. Evidence also suggests that businesses and countries are most successful when they are best able to harness the innovation and creativity of both women and men.

Specifically, the implementing partners should consider supporting:

— Projects whose **primary intent** is to address a recognised gender gap or whose beneficiaries are disproportionately women (e.g. reproductive health clinics, or support to women farmers to access credit);

— **A sector** that will have a transformative impact on gender equality and time savings for women (e.g. care economy, research into cervical cancer);

— Integrating **design features** into infrastructure projects to ensure equal access for women and men (e.g. bus routes and schedules adapted to women's travel patterns and needs, gender-sensitive architectural or urban planning);

— **Employment creation** for women, direct and indirect. This includes **special measures** to attract women into the workforce or to break down occupational segregation at the level of the promoter and/or during project operation (e.g. child care facilities, diversity policies that go beyond mere compliance with existing legislation).

Social inclusion: The project promoters/final recipients, in cooperation with the implementing partners, are encouraged to consider planning and designing projects that promote social inclusion, and equality. Social exclusion and poverty continue to be a problem in the EU ([101]). In line with the global commitment to the 2030 Agenda, any project that translates the principle of 'leaving no one behind' into action would score additional points.

Specifically, the implementing partners should consider supporting projects that promote:

— **Affordability**: Affordable services or infrastructure meant to reach more vulnerable populations or increase equality in access (e.g. public transport fares/tolls, social housing, health and/or education where there are user fees, collateral for credit);

— **Accessibility & Redressing Inequalities**: Connection to utilities (e.g. household connections from deprived socioeconomic areas), redressing geographical inequalities in access to services such as health and education, connecting isolated areas and addressing gaps in services to underserved areas or groups, such as free transport to schools;

— **Non-discrimination**: Targeting specific groups that face barriers in accessing services, putting specific measures in place to foster inclusion (e.g. overcoming social norms that limit access to health care services by ensuring access to female professional), accessible infrastructure design (e.g. to enable access for people with disability).

Resilience building: The project promoters/final recipients, in cooperation with the implementing partners, are encouraged to support investments that will reduce the likelihood of future shocks and increase society's resilience to these shocks when they do occur. The frequency and intensity of such shocks – including the pandemic, global economic crises, natural disasters and climate change impacts – has increased over the years. Central to the approach of much needed resilience building should be a focus on well-being and inclusiveness.

([101]) In 2017, 22,4 % of the EU population were still at risk of poverty or social exclusion – including 24,9 % of all children in Europe, 23,3 % of women, and 18,2 % of those over 65. About 7 % of all Europeans still lived in severe material deprivation, and that number is likely to increase due to the economic implications of the pandemic.

Specifically, the implementing partners should consider supporting projects that promote:

— **Socially inclusive climate action**: Leaving no one behind by ensuring that climate action promotes an inclusive and fair transition to a low-carbon society, including for the people most affected by climate change (e.g. climate adaptation, affordable climate insurance, climate-smart technologies for farmers, off-grid renewables, etc.).

— **Economic resilience**: Building capacity to endure unforeseen shocks by investing in infrastructure in geographic areas with greater vulnerability to shocks (i.e. areas with greater exposure to shocks and less capacity to withstand such shocks) or in those areas likely to come under pressure in the future, and building sustainable private sector ecosystems by investing in financial inclusion and job creation.

2.4.7. *Reporting and monitoring*

As described in Chapter 4, at the end of the proofing process, the implementing partner will be required to provide to the InvestEU Investment Committee a summary of the sustainability proofing that covers the following key elements:

— Confirmation of the legal compliance check;

— Categorisation of risks for directly financed projects above the threshold, based on an assessment of potential negative impacts;

— For low-risk projects, justification for no further proofing;

— Outcome of further assessment under the proofing phase, and the production of a social scoreboard;

— Plans to manage identified risks and impacts, if needed;

— Summary of the measures for enhancing positive social impacts, if applicable.

The next key stage is monitoring by the project promoter, which in the case of social dimension is not a single action but an ongoing and iterative process. For this reason, it is essential that E&S issues be taken into account during overall project monitoring.

If the implementing partner identifies significant impacts that can affect the social performance of the project, they can recommend mitigation measures in cooperation with the project promoter (such as those presented in the sections above), and have a conditional approval of the operation. Some monitoring requirements might also be included in the contractual agreement with the final recipient.

2.5. **Horizontal provisions for the three dimensions**

This section provides some general recommendations to the implementing partners, valid for all three dimensions. These recommendations cover: (i) how to judge the capacity of the project promoter/final recipient to deal with all the climate, environmental and social aspects described in this guidance; and (ii) what type of contractual arrangements the implementing partner could envisage, if necessary.

2.5.1. *Capacity of the project promoter*

In the climate, environmental and social due diligence process, one essential factor that determines the success of any measure or the smooth management of sustainability issues is the capacity of the project promoter/final recipient to deal with all related requirements. The more experienced a project promoter/final recipient is, the greater the chances that they are capable of dealing with climate, environmental and social impacts.

When considering the capacity of the project promoter/final recipient, the implementing partner could check ([102]):

— If the project promoter has procedures and systems in place to deal with sustainability issues, if it clearly commits to an efficient use of natural resources, respect for human rights, equal treatment and other social aspects;

([102]) Information presented in Chapter 2.7 could also be useful when assessing the capacity of the project promoter.

— If the project promoter has any targets in this respect, if the management board is involved and the commitments are recognised at organisational level;

— If the project promoter has appropriate tools to implement commitments, methods and tools to assess the different impacts, if they have the capacity to act on any findings, to monitor and report on them;

— If the project promoter has an Environmental and Social Management System ('ESMS') in place or equivalent that is EMAS or ISO 14001, ISO 45001 or equivalent, aligned or certified. If the ESMS is audited;

— If there are sufficient staff and financial resources to deal with the sustainability issues;

— The track record in dealing with sustainability aspects and dealing with the implementing partner.

2.5.2. *Contractual arrangements*

During the sustainability-related due diligence, the implementing partner might come to the conclusion that: (i) the project promoter/final recipient needs to take additional measures (e.g. implement an ESMS, mitigation measures); or (ii) some licences and permits can only be presented at a later stage; or (iii) some actions agreed need to be monitored, etc. If this is the case, the implementing partner might take the following actions:

— Introduce contractual clauses and covenants aiming to ensure that the appropriate sustainability measures are implemented, and that penalties are issued for non-conformities or non-implementation. These might refer to:

  — Conditions for signature, meaning that the pending aspects should be finalised before the signature of the financing contract;

  — Conditions for disbursement, meaning that disbursement of funds can be done only upon fulfilment of certain conditions;

  — Specific covenants, meaning that not respecting specific commitments could trigger some sort of penalty that could result in extreme cases in even recalling the financing.

— Introduce monitoring and reporting requirements for the project (e.g. implementation of preventive, remedial, mitigation and compensation measures on the basis of which negative impacts were reduced/eliminated/offset, progress reports on the status of implementation of different measures and on the sustainability performance of the operation, information on litigation issues, etc.)

Such requirements should be clearly formulated to avoid misunderstandings regarding the roles, the content and what is expected from the project promoters/final recipients.

2.6. **Economic appraisal of operations**

The assessment of environmental, social and climate change impacts delivered by the project fits into the more comprehensive economic appraisal that is often carried out for publicly EU supported projects.

Economic appraisal aims to assess the extent to which an investment project contributes to overall social welfare and economic growth. It takes into account the benefits and costs brought to society by the project, and gauges the value the project generates for all stakeholders, to determine whether society as a whole benefits from the project.

Economic appraisal can be used to rank investment projects by their socioeconomic value and could help in allocating limited available funding and resources among different investments or consumption options. Depending on the data available and identifiable on project costs and benefits, different tools can be used for economic appraisal, such as Cost-Benefit Analysis ('CBA'), Cost-Effectiveness Analysis ('CEA'), Least-Cost Analysis ('LCA'), and to a more limited extent Multi-Criteria Analysis ('MCA') ([103]).

([103]) It is worth noting that these tools are not necessarily alternative to each other and may be used as complements. For example, an MCA analysis can be used to screen strategic options at the preliminary stage of project cycle. Once the strategic option is identified, a comparison of the specific technical solutions can be then carried out by means of CBA/CEA/LCA.

For InvestEU financing and investment operations, the Investment Committee will take multiple criteria into consideration when deciding on whether to grant the EU Guarantee. One of these criteria will be the project's contribution to sustainable growth. The results of the economic appraisal can be used to address this criterion. For example, when CBA is used, the economic rate of return ('ERR') provides an indication of the welfare generated by the project. In other cases, the economic performance of the project can be verified against benchmarks.

The following sections present the main forms and the existing practices of economic appraisal. For InvestEU, CBA is not a prerequisite and alternative approaches to economic appraisal are also accepted.

2.6.1. *Forms of economic appraisal*

CBA is the preferred approach for assessing investment projects because it offers a robust, objective and evidence-based analytical framework for project appraisal. CBA is based on the quantification of the project's expected benefit and cost streams in monetary terms and is typically used to appraise a wide variety of public and private investments. When the benefits outweigh the costs, to the extent that the expected ERR exceeds the societal hurdle rate, the project is considered economically viable.

When CBA is used, the environmental, social and climate impacts are assessed in monetary terms (where monetisation of those impacts is possible and reasonable), and takes the form of cash flow items of the analysis (either positive or negative) that enters in the calculation of the economic performance indicators, including the ERR ([104]).

CBA typically takes the form of a comparison between a 'with project' and 'without project' scenario.

CEA is recommended when there is only one single outcome of the project, and decision-makers wish to compare options that meet the same objective, even if with different intensities, at the least cost. It is typically used for small projects or projects that are not a self-standing unit of analysis but instead are a necessary component within a larger investment, such as choice of technology, purchase of equipment or machinery, or development of a specific activity or programme. LCA is used when the options achieve the same output with the same intensity, but with different costs. In this case, they are compared based on their life-cycle costs.

When CEA (or LCA) is used, the assessment of environmental and climate impacts is often not included in the economic analysis because it is not considered proportionate to the type and size/importance of the project (or because impacts are considered equivalent across all project options being considered). In this case – or when there is no economic appraisal at all – it is suggested to assess these impacts separately (as part of an environmental, social and climate assessment of the project, following the principles illustrated in this guidance). As an alternative approach, the cost-effectiveness result (usually in the form a ratio between costs and output) can be adapted to incorporate the key project's economic externalities, such as CO_2 and air pollutant emissions (as it is practice in the e.g. energy sector). When negative, these externalities can be included as a cost (i.e. enter the numerator of the cost-effectiveness ratio).

MCA is a tool for informing decision-makers on the extent to which the project, and its options, are suited to the overarching policy framework and contribute to the policy objectives. It is typically used for multi-sector projects or projects with many outputs/impacts that are not always possible to monetise. MCA is particularly suitable at the planning phase of the project development cycle to evaluate different investment scenarios.

When MCA is used, the assessment of environmental, social and climate impacts is carried out in quantitative and qualitative terms. These impacts can be set as policy objectives for which criteria, weights and scoring indicators are used (to assess the extent to which the project is likely to meet them). The MCA methodology can include quantitative aspects of the project performance as criteria. For example, a monetary assessment of the impact on climate change mitigation can be one criterion, and a minimum value can be required. In this way, some outputs typical of the CBA are integrated into the MCA.

([104]) For the 2014-2020 period, Commission Implementing Regulation (EU) 2015/207 (OJ L 38, 13.2.2015, p. 1) provided benchmark *social discount rates* (5 % for Cohesion Member States and 3 % for other Member States), which remain a useful reference for the period 2021-2027. Similar values are also recommended by the 2014 Commission CBA Guide. Some relevant good practices will also be described in the forthcoming 'Economic Appraisal Vademecum' (EAV) being prepared by DG REGIO in coordination with other Commission DGs and with the support of JASPERS.

2.6.2. *Existing practices for economic appraisal*

As part of Cohesion Policy, the regulation for ESIF 2014-2020 included a strict obligation for major projects to undertake a Cost-Benefit Analysis ('CBA'). This CBA must follow the methodology described in the European Commission's Guide to Cost-Benefit Analysis of the Investment Projects (2014) ([105]). For the period 2021-2027, a more flexible and proportional approach is proposed, consistent with the approach to economic appraisal followed by the EIB and other potential implementing partners (see below). The new approach will be presented in the forthcoming 'Economic Appraisal Vademecum' ('EAV') that is being prepared for publication by early 2021 by DG REGIO in coordination with other Commission DGs and with the support of JASPERS.

The EAV will complement, not replace, the Commission's 2014 CBA Guide and is meant to be a resource that can be used across different funds in the 2021-2027 financial perspective. Although CBA will remain the default appraisal tool for several Commission-funded initiatives, other tools are suggested in specific circumstances.

In the context of InvestEU, some potential implementing partners might also use economic appraisal as part of their usual project appraisal process, as described below for a sample of selected international financial institutions.

— The **European Investment Bank ('EIB')** conducts an economic appraisal of the projects financed by the Bank. The EIB uses CBA as the default methodology to estimate a project's ERR that accounts for broader project benefits and costs to society, including environmental externalities. The EIB also uses CEA and, more recently, MCA, taking into account the changing circumstances of each sector. The assessments of projects' environmental and social impacts are based on the standards published in the Bank's environmental and social handbook. The results of the economic appraisal enter into the overall evaluation framework of projects applying for a loan from the EIB. The 'Economic Appraisal of Investment Projects at the EIB' (2013) sets out the economic appraisal methods that the Bank uses to assess the economic viability of projects ([106]).

— The approach to sustainability followed by the **European Bank for Reconstruction and Development ('EBRD')** involves incorporating environmental and social requirements into the appraisal and implementation of all Bank-funded projects. Each EBRD funded project is subject to environmental and social appraisal against EBRD's Environmental and Social Policy and associated Performance Requirements, as well as EU substantive environmental standards. Also, in January 2019, the EBRD began undertaking an economic assessment of projects with high GHG emissions. In general, when applying the economic assessment, a cost-benefit analysis is conducted, unless a cost-effectiveness analysis is deemed to be more appropriate in some specific circumstances, as described in the Methodology for the economic assessment of EBRD projects with high greenhouse gas emissions (2019) ([107]).

— Similarly, the **Nordic Investment Bank ('NIB')** reviews projects' potential impacts as well as the environmental and social risks according to their Sustainability Policy and Guidelines ([108]). The Bank reviews the relevant information provided by borrowers, such as an environmental impact assessment and applicable permits and licences. In addition to sustainability, the NIB also analyses the projects' technical and economic quality based on a quantitative and a qualitative assessment.

2.6.3. *Recommendations for InvestEU*

The use of CBA and/or other economic appraisal methods in the context of InvestEU will depend on implementing partners' usual project appraisal process (current or planned). The choice of the most appropriate tools is ordinarily left to the professional judgement of the implementing partner, taking into consideration the sector concerned, the availability of empirical data, and the complexity of the project.

For those implementing partners that don't have (yet) an established approach or procedure for performing economic appraisal (as part of their usual project appraisal process), the forthcoming 'Economic Appraisal Vademecum' and the other reference documents provided in Annex 4 can provide a useful framework (suggesting the most appropriate economic appraisal method per investment type).

([105]) See: https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cba_guide.pdf
([106]) See https://www.eib.org/attachments/thematic/economic_appraisal_of_investment_projects_en.pdf
([107]) See: https://www.ebrd.com/news/publications/institutional-documents/methodology-for-the-economic-assessment-of-ebrd-projects-with-high-greenhouse-gasemissions.html
([108]) See: https://www.nib.int/filebank/a/1332328414/506da9436eb1c0d4ec17b8b5a929d820/56-Sustainability_Policy_Guidelines-2012.pdf

As discussed in Chapter 2.2 on climate proofing, the recommended methodology for the monetary valuation of impacts on climate change is based on the EIB's Carbon Footprint Methodology. This methodology consists of estimating the volumes of GHG emissions generated (or avoided) by the project, through appropriate emission factors, and valuating them by using a shadow price of carbon.

From a climate proofing perspective, it is important that the economic analysis of the project has a credible baseline that is consistent with the general direction of EU climate policy. Whilst there remains an element of professional judgement in the speed and nature of the transition, good practice requires that the baseline assumptions are made clear. In particular, a baseline that assumes the continued use of highly-intensive carbon activities out to 2050 would be unlikely to be deemed credible.

As discussed in Chapter 2.3 on environmental proofing, the monetary valuation of environmental impacts is typically based on a Total Economic Value approach that can be estimated with different techniques and external references. For some specific impacts such as noise or air pollution, studies in the literature provide country-specific reference values (unit costs). These reference values can be used to monetise those impacts (both negative and positive) that could be quantified, and include them in the evaluation process ([109]).

Both monetised environmental and social impacts (where feasible and proportionate), and monetised GHG emission generated/avoided by the project should normally be included in the economic appraisal to determine the project's ERR or alternative relevant indicators ([110]) to be reported to the InvestEU Investment Committee.

2.7. **Corporate finance for general purposes**

In case a general purpose financing transaction ([111]) qualifies for receiving InvestEU support, respecting the conditions set in the InvestEU Regulation and the Investment Guidelines (in terms of addressing policy priorities, additionality, market failures or sub-optimal investment situations, etc.), then a simplified version of the proofing should apply above the threshold. In this case, there is no specific asset or purpose that can be analysed and its impacts identified and assessed.

In this situation, the implementing partner's assessment should focus on: (i) the final recipient's approach towards integrating sustainability considerations in its processes; and (ii) the final recipient's capacity in general to manage environmental and social risks.

For such cases, the following actions are recommended to the implementing partner:

— Check whether the final recipient is active in a sector that usually is associated with higher environmental and social risks;

— Verify whether the final recipient has an ESMS in place, including a policy on environmental and social responsibility and proven skill/ability in managing and addressing relevant climate, environmental or social risks and impacts (of its business or operations). For example, it the implementing partner could check that:

  — organisational structures and procedures are in place, with set roles and responsibilities, and designated qualified personnel, including in terms of external communication;

  — financial resources are available to effectively implement the ESMS, ESMS that is EMAS or ISO 14001, ISO 45001 or equivalent, aligned or certified;

  — if the ESMS is externally audited, the latest report of the auditors etc.;

([109]) The *'Technical Support Document for the Environmental Proofing of* Investments' prepared by DG Environment provides a review of unit values to facilitate the use of a benefits transfer approach for monetary evaluation. Some information and references to relevant literature are also provided in the European Commission's CBA Guide. In addition, the forthcoming Economic Appraisal Vademecum being prepared by DG REGIO with the support of JASPERS illustrates good practices in the economic assessment of environmental impacts for a number of selected sector.

([110]) Using the chosen discount rate, which needs to be described and justified in the sustainability proofing documentation.

([111]) This is a transaction that has no defined, concrete scope, but it is more destined to provide current financing to a company to cover its short-term operational needs (e.g. working capital lines).

— depending on the final recipient, if an annual report is produced the implementing partner could verify if it includes ESG information and the extent/detail/adequacy of the ESG information it provides.

— Verify the sustainability track record of the final recipient:

— legal compliance with environmental and social legislation relevant for their activity and operations (for example, based on operating permits);

— past record of non-compliance with environmental and social legal requirements in recent years ([112]): any fines and penalties for breaches, accidents or incidents in recent years involving significant environmental damage or serious injuries or deaths, any appeals/recourses initiated by stakeholders or other third parties (e.g. for accidental spills of polluting substances, fires, work accidents etc.);

— any social issues and community relations, public protests, grievances or complaints, workers' strikes, etc.

The same approach presented above can also be considered for direct equity investments, if this type of intervention will be possible under the financial products negotiated and included in the Guarantee Agreements. In addition to the bullets above, for direct equity investments it will also be required, as applicable:

— Companies covered under the ETS ([113]) where the InvestEU supported investment < 30 %: they must be actively encouraged to adopt green transition/decarbonisation plans;

— Companies covered under the ETS where the InvestEU supported investment > 30 %: they must be actively required to adopt green transition/decarbonisation plans.

3. SUSTAINABILITY PROOFING APPROACH FOR INDIRECT FINANCING OPERATIONS

In intermediated financing, the implementing partner does not directly assess the underlying, individual projects or operations. This is because there is at least one financial intermediary between the implementing partner and the final recipient ([114]). Moreover, the approval process for the intermediated financing is different from the one for direct financing ([115]). In this case, the underlying individual projects or activities financed (hereinafter 'the transactions' ([116])) are not presented for approval to the Investment Committee.

For intermediated financing, the responsibility for ensuring the sustainability of the underlying transactions across the three dimensions is delegated to the financial intermediary. The level of the proofing requirements will depend on the type of financing provided, potential type and risk ([117]) level of the underlying transactions and the type of final recipients ([118]).

3.1. General proofing requirements

Irrespective of the type of intermediated finance, the sustainability proofing approach must involve:

— an assessment by the implementing partner of the capacity of the financial intermediary and its systems and/or procedures to screen, assess and manage environmental, climate and social risks associated with their business activities; and

— a set of minimum requirements for underlying transactions proportionate to the level of risks they represent.

([112]) This can be done by checking media coverage, NGOs' reports and websites, social media, publicly available databases, etc. A horizon of the past five years is recommended (if not possible, at least the last two years should be covered).
([113]) The sectors covered by the ETS are presented in the Annex I of the ETS Directive: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02003L0087-20200101&qid=1604659666744&from=EN#tocId68
([114]) For more details on the financial intermediaries that could be involved, please see the Investment Guidelines (Chapters 2.3.1, 6.1.2.1, 6.2.2.1, 6.3.2.1 and 6.4.2.1).
([115]) In terms of what is presented to the Investment Committee.
([116]) With the exception of the section on Infrastructure Funds, where the term project or investment operation will be used.
([117]) Risk in this section refers to environmental and social aspects, not the financial risk. For indicative guidance on the categorisation of environmental and social risks see EBRD's Environmental and Social Risk Categorisation List – https://www.ebrd.com/who-we-are/our-values/environmental-emanual-toolkit.html
([118]) Final recipients are not known at the moment when the due diligence of the financial intermediary takes place.

3.2. **Types of financing**

The intermediated financing covers a wide variety of financing types and a range of financial intermediaries with different business activities. Therefore, it is necessary to distinguish between the different types of intermediation, as the underlying transactions could trigger different impacts and different approaches. The following types of intermediated finance should be differentiated to determine the appropriate sustainability proofing approach: (i) infrastructure funds; (ii) non-infrastructure funds; and (iii) intermediated credit lines or other debt products targeting SMEs, small mid-caps and other eligible entities.

3.2.1. *Infrastructure funds*

Infrastructure projects are the projects most likely to have an adverse impact on the three dimensions. This is why requirements are more stringent in the case of infrastructure funds.

Based on total project investment cost, sustainability proofing will be required for underlying projects with a total project cost of EUR 10 million (excluding VAT) or more.

In this case, the implementing partner and the fund manager have different responsibilities.

3.2.1.1. Requirements for the implementing partner

As part of their due diligence, the implementing partner must assess the capacity of the fund manager to carry out an assessment of environmental, social and climate aspects in line with the principles and objectives of sustainability proofing as per Article 8(5) and 8(6) of the InvestEU Regulation ([119]).

For this purpose, the implementing partner must assess whether there is an Environmental and Social Management System ('ESMS') ([120]) in place. They must also check the following points about the ESMS:

— The fund's investment strategies and policies taking into consideration climate, environmental and social factors. They must also verify that these investment strategies are aligned with the temperature and adaptation goals defined in the Paris Agreement, and consistent with pathways towards low-carbon and climate-resilient development.

— The fund's organisational capacity and competency, including a check on whether the fund manager has trained, dedicated and committed staff.

— The procedures in place to be implemented by the fund throughout the appraisal and monitoring process to identify and manage any risks associated with the supported operations.

— The due diligence process of the fund, including the fund's existing tools and procedures to assess an investment operation and report on the outcome of the due diligence to the fund's governing bodies and the consistency with the principles and objective of sustainability proofing.

— Appropriate tools and processes for reporting and monitoring.

If, based on the above checks, the implementing partner does not have any material reservation as to the fund's ESMS adequacy and the fund's ability to identify and manage the environmental, climate and social risks of its underlying investments, then the implementing partner can rely on the fund's ESMS to assess the projects supported by the fund under InvestEU.

The fund manager will be required to report to the implementing partner on the environmental, climate and social performance of the underlying projects. The implementing partner will reserve the right to ask the fund manager for information ([121]) on individual projects to verify how the fund carries out the climate, environmental and social due diligence.

([119]) As further explained in Chapter 2.

([120]) An ESMS is defined as a set of policies, processes and practices adequate for identifying, assessing, managing and monitoring environmental, climate and social risks and impacts associated with the underlying projects or activities financed by the financial intermediary.

([121]) The information request must be commensurate and proportionate to the underlying projects, and consider any legal and confidentiality obligations.

If, at the moment of the assessment by the implementing partner, the fund manager does not have an ESMS in place or certain gaps ([122]) are identified by the implementing partner, the fund will need to implement an appropriate ESMS or improve the existing one by the first drawdown or at the latest by the final close.

3.2.1.2. Requirements for the fund manager

The following section describes the approach recommended to the fund managers for developing their ESMS.

The fund manager is expected to set up an ESMS and maintain it for the lifetime of the fund, or as a minimum for the period for which the InvestEU support will be utilised. The ESMS will set the required policies, organisational structure, planning activities, responsibilities, practices, procedures and resources. This will ensure the systematic and structured assessment of the investments and the monitoring of their ongoing compliance with the Environment, Climate and Social Requirements ('ECS Requirements') spelt out below:

i. Screen all projects against the list of activities excluded for Invest EU support and against any other exclusion list determined by the implementing partner applying its internal policies;

ii. Check compliance with the relevant EU and national environmental, climate and social laws and regulations (including the applicable environmental, climate, social and labour obligations established by Union and national Law);

iii. Ensure consistency with the principles and objectives of sustainability proofing; and

iv. Ensure consistency with the implementing partner's own standards and internal rules and procedures.

As part of the investment process, the fund manager will be required by the implementing partner to:

i. Identify the potentially significant environmental, climate and social risks;

ii. Categorise the respective risks associated with the investment according to their significance;

iii. Review the mitigation measures to be put in place by the promoter against the ECS Requirements;

iv. Agree on an action plan with the project promoter if an underlying project does not comply with the ECS Requirements;

The fund manager may also take into consideration, to the extent possible and on best effort basis, the 'Do No Significant Harm' criteria set out by the EU Taxonomy in their assessment.

Climate dimension

The fund manager will be required, through its engagement with project promoters, to integrate the following climate considerations ([123]) in their ESMS:

— For climate adaptation: For projects above the threshold, the ESMS should include appropriate processes to assess the significance and integrate climate adaptation and vulnerability risks and appropriate design/mitigation measures, where relevant. If significant risks are identified, the fund manager should check that appropriate climate adaptation measures are being put in place by the project promoter ([124]).

— For climate mitigation: The ESMS must ensure appropriate analysis, quantification and reporting on GHG emissions for projects emitting more than 20 000 tonnes CO_2e/year.

Environment dimension

For projects requiring an EIA, the fund manager should be asked to: (i) verify that the environmental procedures are carried out in accordance with the national legislation; (ii) collect the related documentation; (iii) verify that the public consultation and stakeholder engagement is undertaken; and (iv) check that the mitigation measures included in the assessment are being implemented by the project promoter.

([122]) As regards the capacity of the fund manager to perform the assessment of underlying projects consistently with the principles and objectives of the sustainability proofing detailed in this guidance and with the implementing partner's standards and internal rules and procedures.

([123]) See also Chapter 2.2 for additional guidance

([124]) For example, in the context of the EIA process where significant climate risks have been identified, the fund manager must verify that the mitigation measures indicated in the EIA report or the screening decisions are put in place by the project promoter.

For Annex II EIA projects screened-out (as a result of a case-by-case examination), the fund manager should require the screening decision, and verify that the project promoter implements any mitigation measures included by the competent authorities.

For projects subject to the requirements of the Habitats Directive and/or the Birds Directive ([125]), the fund manager must verify compliance in particular with Article 6(3) of the Habitats Directive, and that the competent authority concluded that:

— a project has been screened out by the Member State's authorities from requiring an appropriate assessment, i.e. the project is not likely to have significant negative effects on Natura 2000 site/s; or

— a project has been subject to an appropriate assessment by the Member State's authorities, which resulted in a positive conclusion being given by the authorities that the project will not have significant effects on Natura 2000 site/s (under Article 6(3) of the Habitats Directive); or

— a project has been subject to an appropriate assessment, which resulted in a negative conclusion from the Member State's authorities, i.e. the project has significant negative effects on Natura 2000 site/s (under Article 6(4) of the Habitats Directive).

For projects outside the scope of the EIA Directive, it is highly recommended that the fund manager uses either the guidance in chapter 2 for identifying potential impacts (and Checklist 1), or applies international recognised standards, such as IFC Performance Standards, EIB E&S Standards, EBRD Performance Standards, or Equator Principles.

Social dimension

The projects should be in line with the Minimum Social Safeguards as described in Chapter 1.4.

Moreover, the fund manager should verify that the project promoter has appropriate procedures in place to ensure compliance with, at a minimum, national laws (including on employment, labour and occupational and community health and security). The fund manager must also check that the project promoter has systems in place to protect and promote the health, safety and security of workers. Specific aspects are to be considered in relation to hazardous materials safety, natural hazards, security, exposure to diseases, traffic and road safety, emergency preparedness, where relevant and pertinent.

The fund manager should also check whether the stakeholder engagement and public consultation required by the relevant environmental and social directives have been carried out.

If significant social impacts are identified in case of projects requiring an EIA, the fund manager must verify that the mitigation measures indicated in the EIA report or in the screening decisions are put in place by the project promoter.

It is recommended that the fund manager considers expanding the analysis of social aspects in line with the provisions of Chapter 2.4 ([126]).

To promote the take-up of the positive agenda, the fund manager, in cooperation with the project promoters/final recipients, is encouraged to also take into consideration the possibility of enhancing the positive environmental, climate and social impacts of the projects they are financing, thus increasing their overall sustainability performance ([127]).

The fund manager must report on a regular basis to the implementing partner on the main environmental, climate and social performance of the fund's investments, including on agreed sector and relevant E,S,C indicators (such as GHG emissions, job creation, no impact on biodiversity, etc.), and economic benefits, both qualitative but also quantitative, where feasible.

3.2.2. *Non-infrastructure equity or debt funds*

The potential adverse impact on the three dimensions of InvestEU investments in non-infrastructure funds depends on the sustainability risk exposure the fund is expected to manage, i.e. the sustainability risk profile of the expected underlying transactions.

([125]) More information in Chapter 2.3.2.
([126]) It is also recommended to give proper consideration to the principles set in the European Pillar of Social Rights.
([127]) More guidance on the positive agenda can be found in Chapter 2 and Annex 3.

The implementing partner will need to assess whether there is an ESMS or similar procedures (i.e. procedures to manage environmental, climate and social risk management) in place; and verify that the ESMS or procedures are proportionate to the fund's sustainability risk profile.

As a minimum, the fund manager must have the capacity to:

i. Screen all transactions against the list of activities excluded for InvestEU support and against any other exclusion list determined by the implementing partner applying its internal policies.

ii. Require that all transactions financed comply with the relevant national environmental, climate and social laws and regulations, including environmental, labour and occupational health and safety regulations, planning permissions, operating licences and permits, as relevant.

iii. Identify those transactions with a significant environmental, climate or social risk and, for these high-risk projects, ensure at a minimum the following safeguards, as relevant:

   a. For projects requiring an environmental impact assessment: The fund manager must verify that all permits are in place and that all assessments and authorisations are in line with applicable national legislation.

   b. Where the fund is likely to invest in companies covered under the ETS ([128]), the following requirements will apply:

      i. For funds with an InvestEU supported investment < 30 %: Companies covered under the ETS must be actively encouraged to adopt green transition/decarbonisation plans.

      ii. For funds with an InvestEU supported investment > 30 %: Companies covered under the ETS must be actively required to adopt green transition/decarbonisation plans

   c. For investments in funds where social impact goals are intrinsic to the strategy pursued by the financial intermediary (impact investing): accountability for their impact achievement should be ensured.

3.2.3. *Intermediated credit lines or other debt products targeting SMEs, small mid-caps and other eligible entities*

In line with the principle of proportionality and taking into consideration that building expertise across the environmental, climate and social dimensions requires some time and investment from the side of financial intermediaries, **a simplified approach to sustainability proofing will be implemented.**

The implementing partner will need to assess if the financial intermediary has appropriate environmental, climate and social risk management procedures in place covering the following; and determine its capacity to:

i. Screen all transactions against the list of activities excluded for Invest EU support and against any other exclusion list determined by the implementing partner applying its internal policies.

ii. Require that all transactions be in accordance with the relevant national environmental, climate and social laws and regulations (including environmental, labour and occupational health and safety regulations, planning permissions, operating licences and permits), as relevant.

iii. Identify those transactions requiring an environmental impact assessment and verify that all permits are in place and that all assessments and authorisations are in line with applicable national legislation.

iv. Additionally, transactions having as final customers segments of individual persons with a social policy objective (e.g. vulnerable groups or social enterprises) may require adequate protection based on high ethical finance principles as it is the case today for micro-finance operations covered by the European Code of Good Practice for Micro-finance operations. This should be further specified in the Guarantee Agreement with the implementing partner.

([128]) The sectors covered by the ETS are presented in the Annex I of the ETS Directive: https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02003L0087-20200101&qid=1604659666744&from=EN#tocId68

The implementing partner will encourage the financial intermediary to apply best practices across all three sustainability dimensions in all its business activities regardless of whether these are supported under InvestEU or not.

In particular, the financial intermediary is encouraged to:

— develop and maintain sound environmental, climate and social management practices through implementing an ESMS, including developing and maintaining the necessary organisational capacity to manage environmental, climate and social risks, and allocating appropriate human and financial resources for this function.

— where appropriate, the financial intermediary should explore opportunities for developing financing solutions with high environmental, climate and/or social benefits in line with the provisions of the 'Climate and environmental tracking guidance' and the InvestEU financial products provisions, taking into account the EU Taxonomy for Sustainable Finance whenever possible and in support of the European Green Deal. The financial intermediary should also explore opportunities to develop financing solutions contributing to gender equality, social inclusion and economic development of areas and sectors particularly affected by structural challenges.

Where the implementing partner identifies gaps, Technical Assistance may be used to address these gaps.

4. ROLES, RESPONSIBILITIES AND THE INVESTEU PROCESS

4.1. Roles and responsibilities

This document is primarily developed to help implementing partners address the sustainability proofing requirements of the InvestEU Regulation. However, it is also important to provide a clear picture of the roles and responsibilities of the different actors involved. Sustainability proofing is an exercise that includes many stakeholders, and primary responsibility will always lie with the project promoter/final recipient.

This section presents information on how each party is involved in the process. **It does not aim to be exhaustive**, and distinguishes between direct and indirect financing.

4.1.1. *Role and responsibilities of the project promoter/final recipient*

The project promoter/final recipient is the principal responsible for developing and implementing the project. Taking into consideration the guidance on proofing for direct and indirect financing set in Chapters 2 and 3, the project promoter/final recipient has the responsibilities outlined below.

For direct financing or infrastructure funds the project promoter/final recipient:

— is responsible for: (i) ensuring compliance with the relevant EU, national or international legislation; (ii) informing themselves about the formalities necessary; (iii) obtaining necessary permits or authorisations and fulfilling the conditions laid down by these permits and authorisations.

— is responsible for providing all the necessary information and documentation with an appropriate level of detail to the implementing partner (or fund manager) to allow them to perform their due diligence and to address the requirements of this guidance.

— is responsible for carrying out additional studies or impact assessments, as required by law (e.g. under the EIA Directive), if required by the competent authorities, or if required by the implementing partner (or fund manager). The project promoter/final recipient is also responsible for performing any stakeholder consultations/stakeholder engagement process as required by law (e.g. under the EIA Directive), if required by the competent authorities or by the implementing partner (or fund manager).

— depending on the content of the authorisations granted, the project promoter/final recipient is responsible for monitoring, assessing and managing the climate, environmental and/or social impacts of the project on an ongoing basis. The project promoter/final recipient is also responsible for putting in place a climate, environmental and/or social management plan or equivalent (as such a plan is not specifically required in the EIA Directive) to address any identified impacts. This plan could set out mitigation measures to reduce negative impacts or actions to increase the project's positive effects.

— must comply with the finance contract and comply with the contractually agreed climate, environmental and social obligations, if any. This includes complying with the requirement to provide periodic reports (if so required) on the climate, environmental and/or social performance of the project to the implementing partner (or fund manager) as requested based on this guidance, or in accordance with their existing rules and procedures.

— may need to set up organisational structures to effectively identify and manage E&S issues.

— informs the implementing partner (or fund manager) in a timely and documented manner about any substantial change which is likely to significantly affect the sustainability status of the project or its original design and modify the assessment performed (e.g. the administrative or judicial suspension or annulment of authorisations, accidents) or any litigation that might arise during the lifetime of the financing.

— promptly informs the implementing partner (or fund manager) in a timely and documented manner about any incident/accident that might have a potential effect on the project's climate, environmental and/or social performance, or on its relations with the stakeholders/communities.

— manages any other requirement that might stem from the sustainability proofing of the project.

For indirect financing (except infrastructure funds)

With the exception of infrastructure funds (covered above), for the rest of intermediated financing a simplified approach is applicable, as described in Chapter 3. In this case, as a minimum, the final recipient has the following obligations:

— is responsible for: (i) ensuring compliance with the relevant EU, national or international legislation; (ii) informing themselves about the formalities necessary; (iii) obtaining necessary permits or authorisations and meeting the conditions laid down by these permits or authorisations.

— presents proof of formal authorisation procedures to the financial intermediary (in the form of permits, decisions or authorisations as required by national legislation), as required by the financial intermediary or as applicable.

— confirms legal compliance by self-declaration, as applicable.

— is responsible for providing all the necessary information and documentation to the financial intermediary to allow them to perform their due diligence and address the requirements of this guidance.

— is responsible for implementing decarbonisation plans, if applicable (as per Chapter 3.2.2).

4.1.2. *Role and responsibilities of the implementing partner*

Direct financing

For direct financing, the implementing partner will have the following responsibilities:

— screen all projects against the list of activities excluded for InvestEU support (Annex V.B of the Invest EU Regulation).

— check the project's compliance with the relevant legal framework and verify that all permits/licences are in place in line with legal requirements.

— perform the InvestEU screening and proofing, when applicable, in line with this guidance. This might include, for example:

  — verifying the documentation presented by the project promoter/final recipient;

  — identifying and verifying whether there is any residual negative impact caused by the project; quantifying and, where possible, monetising both negative and positive impacts to include in the project economic appraisal;

  — requiring additional studies and reports, as it might result necessary from the assessment, and verifying the mitigation measures for the identified impacts proposed by the promoter;

— advising and supporting, where necessary and to the extent possible, the project promoter/final recipient in managing the climate, environmental and/or social risks of the project;

— assessing the capacity of the project promoter/final recipient to deal with and implement all the proofing related requirements;

— carrying out the economic appraisal of the project, where applicable;

— monitoring the project and its sustainability status for the duration of the contract with the project promoter, as well as the fulfilment of conditions included in the finance contract;

— providing the sustainability proofing summary (or justification for not undergoing sustainability proofing) to the Investment Committee and engaging in dialogue, if additional clarifications are required.

Indirect financing

For intermediated financing, the implementing partner should promote InvestEU as an instrument that supports sustainable finance principles and encourage financial intermediaries to adopt a responsible behaviour from a sustainability perspective. Depending on the type of intermediation, this might include the following:

— for infrastructure funds, assess the fund manager's capacity to deal with sustainability proofing requirements, as applicable, in line with the requirements described in Chapter 3;

— assess the capacity of the financial intermediary and the systems and/or procedures the financial intermediary has in place to screen, assess and manage environmental, climate and social risks associated with their business activities and in line with the requirements of this guidance;

— include specific requirements in the agreements with the financial intermediaries, as it might result necessary to ensure that the applicable provisions of this guidance are properly addressed.

Whenever possible, it is recommended that the implementing partner should help financial intermediaries to develop their own environmental and social systems and encourage financial intermediaries to develop financial products that will contribute to the European Green Deal.

4.1.3. *Role of the financial intermediary*

The roles and responsibilities of the financial intermediary are described in detail in Chapter 3.

4.1.4. *Role of the Investment Committee* ([129])

For **direct operations**, the Investment Committee must consider in the decision-making process the information provided by the implementing partners in line with the provisions in Chapter 4.2.

The Investment Committee is entitled to request supplementary information from the implementing partners on sustainability aspects and the results of the proofing, if they consider it necessary or if they judge insufficient the justification for not needing proofing.

4.1.5. *Role of the Commission*

The Commission, in cooperation with the implementing partners, will monitor that this guidance is applied consistently and coherently across the policy windows of the InvestEU Fund.

The Commission will inform, via the relevant governance bodies and related documentation, implementing partners about the development of EU policy priorities and sustainability commitments and how these are reflected in InvestEU.

([129]) The rules and procedures for the Investment Committee, as well as the approval process, are not in the scope of this guidance. The information presented here aims to map the results of the proofing with the different stages or stakeholders, but it is purely informative.

The Commission is responsible for updating this guidance, in particular to include the results of the evaluation to be performed at mid-term review. It is also responsible for updating this guidance with any relevant methodological or legal developments that might improve the application of the sustainability proofing or the sustainability performance of financing and investment operations supported.

4.1.6. *Competent public authorities* ([130])

Competent public authorities are a special category of stakeholders that play an important role in the sustainability proofing process, although they are not directly involved in it. The competent public authorities must ensure that legal requirements are correctly implemented and complied with by all economic actors. They are responsible for enforcing the law, performing all required verifications and issuing permits, licences or any other type of authorisations.

In some cases, competent public authorities could in principle assist project promoters with the entire legal process. They could also assist implementing partners or financial intermediaries to understand the environmental or social impacts of the projects and their broader context with respect to the cumulative impacts on these dimensions.

4.2. **InvestEU process**

The results of the sustainability proofing will be integrated into different related workstreams and will feed into the decision-making process. The following section explains how the proofing might be aligned with these other processes. This section also addresses the differentiation between direct and indirect financing. However, sustainability proofing is just part of a broader framework and any requirement stemming from this guidance should be aligned with the overall processes for the InvestEU Programme ([131]).

4.2.1. *Policy check*

All financing and investment operations will be subject to a policy check and the implementing partners must submit a Policy Check Request Form to the Commission in this respect ([132]). For the EIB, the Article 19 Procedure applies. The scope of the procedure is to ensure that the proposed operation generally complies with EU legal requirements ([133]) and is in line with or contributes to EU policy goals and ambitions, including those on sustainability. Only operations that have passed the Policy Check will be presented to the Investment Committee. The policy check step is part of the more general InvestEU process of submission and approval of financing and investment operations ([134]).

For **direct financing**, the policy check will be performed for stand-alone investments (investment projects, general corporate finance, etc.). At the moment of the policy check, the information available to the implementing partners might not allow for a deeper assessment or the carrying out of the complete InvestEU screening for the identification of possible sustainability impacts. Therefore, the implementing partner, on a best effort basis, will provide **preliminary information** on the legal and regulatory framework applicable to the proposed operation for the three dimensions of the sustainability.

The environmental and social information included for the policy check should be concise and provide a clear picture to the Commission about the legal and regulatory aspects relevant for the project. Additional information that could be provided includes, to the extent possible: (i) specificities about the location and nearby protected areas; (ii) public consultations launched and other similar details. On the basis of this information, it is expected that the implementing partner will be in a position to identify the applicable legal and regulatory framework, in particular if the project falls under the scope of the EIA Directive or if sectoral legislation is applicable (e.g. Habitat Directive, Water Framework Directive, Industrial Emissions Directive).

During the consultation, the Commission may provide feedback on particularities of different sectors or areas, or on the applicability of EU environmental legislation. The consultation process will be further specified and detailed in the Guarantee Agreement.

([130]) This section is included solely to acknowledge the important role of the competent authorities. It is not meant in any way to add additional verification requirements for the implementing partners.
([131]) Specific obligations will be included in the Guarantee Agreement.
([132]) In line with Article 22 of the InvestEU Regulation.
([133]) The legal compliance here includes overall compliance, it does not refer to the legal compliance related to the proofing process, which is detailed in Chapter 2 and Chapter 3.
([134]) The overall process designed for InvestEU needs to be followed as outlined in the separate work stream on the submission and approval process.

To summarise, the implementing partner could provide the following information in the Policy Check Request Form:

— The broad legal and regulatory framework applicable to the project, to the extent it can be identified at this stage ([135]), depending on the maturity of the project (e.g. any EU, international or national legislation that is relevant for the three dimensions, to the extent possible).

— If the project falls under the scope of the EIA Directive – Annex I or Annex II, and whether the EIA decision-making has been completed. If the project falls under Annex II, if the screening procedure by the competent authority was finalised and if so whether an EIA is required.

— If the revised EIA Directive applies to the project whether respective provisions on climate change are met.

— Reference to the Water Framework Directive, the Habitats and Birds Directive, the Industrial Emissions Directive etc., when applicable and to the extent possible.

4.2.2. *Guarantee request form*

For **direct operations**, it may be determined that based on the InvestEU screening no proofing is needed. If this is the case, then a justification should be provided to the Investment Committee (please see template in Annex 2).

In cases where proofing is required, the implementing partner must prepare a sustainability proofing summary ([136]) on the **climate, environmental and social dimensions**, in line with the guidance. This summary must be presented as an Annex to the Guarantee Request Form. The template for this summary is the one agreed in the context of the approval process and governance of the InvestEU Programme.

The summary should include concise information on the sustainability performance of the proposed project that will help the Investment Committee to better understand the climate, environmental and social profile of the operation. The summary should include details about the relevant dimension/s. In case no proofing is required for one or two dimensions, this information will be included in the justification mentioned above.

This summary is meant to illustrate: (i) identified impacts (negative or positive); (ii) key measures implemented; and (iii) residual risks ([137]) after all mitigation measures were put in place. It should also explain why these residual risks or mitigated impacts are acceptable to go further with the financing of the project, and in line with the InvestEU objectives. Where applicable, the monetisation and inclusion of negative and positive impacts (including externalities in the economic appraisal) should also be covered. It is recommended that the language used should not be too technical. This will help appeal to a larger audience and give the Investment Committee a clear picture of the proposed project's sustainability status.

More detailed guidance on what could be included in the sustainability proofing summary can be found in Annex 2.

4.2.3. *Scoreboard*

The results of the sustainability proofing of the project must also be included in the scoreboard to accompany the guarantee request form. Sustainability proofing is one of the aspects, among several other considerations, to be taken into account in the assessment of the operations proposed for receiving the EU Guarantee. The specific requirements and criteria for the scoreboard are included in the relevant Delegated Act.

4.2.4. *Reporting to the Commission*

The InvestEU Regulation includes provisions on the reporting and monitoring obligations – please see Articles 17 and 28, and Annex III.

In principle, the following results of the sustainability proofing process must be reported to the Commission:

1. The sustainability proofing summary – this should be reported annually together with the reports of implementing partners to the Commission for each project that undergoes proofing (*ex post*) – direct financing.

([135]) The implementing partner is expected to indicate what is fairly possible, on a best effort basis, at this moment in time.
([136]) For publication purposes, as applicable, due regard to rules and practices regarding confidential and commercially sensitive information will be given.
([137]) Residual risks are to be presented only for projects requiring an EIA where they are being calculated by the competent authorities

For infrastructure funds, a simplified version of the sustainability proofing summary should be reported annually (in line with the other reporting requirements established between the implementing partner and the fund manager, and in line with the overall workstream on reporting). As a minimum, this simplified version should include information on the type of the transaction, sector, confirmation of legal compliance, identified impacts and mitigation measures put in place (as applicable), methodologies used for determining the carbon footprint, recommendations for enhancing the positive agenda, where possible.

2. Any substantial change in the sustainability profile or in the performance of the approved operation, any litigation that might appear as soon as it happens or any breach of contract by the final recipient, if conditional clauses were included in the financing agreement as soon as it happens. If possible, information on the corrective actions put in place could also be included.

   This is required for direct financing. For indirect financing, implementing partners should use their own rules and procedures, and are not required to report to the Commission.

3. Annual GHG emissions of the project in case these emissions are above the thresholds used to calculate the carbon footprint – to be specified in the operational reporting requirements. This is required for direct financing and infrastructure funds.

4. Annual GHG emissions reduced/avoided in tonnes of eq. CO_2 – aggregate level – to be specified in the operational reporting requirements. This is required for direct financing.

5. Number of projects that undergo a full climate risk and vulnerability assessment for climate adaptation. This is required for direct financing and infrastructure funds.

6. For intermediated financing, implementing partners should report on how many financial intermediaries have an ESMS in place;

The reporting requirements will be further specified in the Guarantee Agreement.

ANNEX 1

List of legal requirements

The following list is only indicative, it does not constitute an exhaustive coverage of all legal requirements that could be applicable to the different financing and investment operations for the three dimensions. It aims to support implementing partners and, where relevant, financial intermediaries, in performing the review of legal compliance of proposed InvestEU financing and investment operations.

Climate dimension – legal compliance framework

ETS Directive (Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC. Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814).

CCS Directive (Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006).

Environmental dimension – legal compliance framework

The key directives specified in the guidance on the environmental dimension are listed below.

Depending on the nature of operations falling under a specific line of support, for direct financing implementing partners are expected to verify compliance with specific directives, on the basis of authorisations, permits, licences, etc. provided by the project promoters.

Environmental Impact Assessment Directive (Directive 2011/92/EU as amended by Directive 2014/52/EU)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0052

Strategic Environmental Assessment Directive (Directive 2001/42/EC)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32001L0042

Habitats Directive (Council Directive 92/43/EEC of 21 May 1992)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:31992L0043

Birds Directive (Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32009L0147

Water Framework Directive (Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32000L0060

Industrial Emissions Directive (Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32010L0075

Waste Framework Directive (Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32008L0098

Seveso-III Directive (Directive 2012/18/EU of the European Parliament and of the Council of 4 July 2012)- https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32012L0018

Social Dimension – legal compliance framework

The EU and its Member States have a robust legal framework related to Human Rights, Labour and Social Protection standards. In the context of the due diligence process, project promoters/final recipients seeking InvestEU support must provide the implementing partner with evidence showing that the proposed operations comply with applicable EU and national legislation.

The checklist below aims to support implementing partners and, where relevant, financial intermediaries, in performing the review of legal compliance of proposed InvestEU financing and investment operations for the social dimension.

The implementing partner should verify if the proposed operation is in compliance with the following EU legislation, as relevant:

— Charter of Fundamental Rights of the European Union: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012P/TXT

— The main texts of EU employment, social affairs and inclusion legislation in the following areas:

  — Labour law

  — Health & safety at work

  — Free movement of workers

  — Social security coordination

  The full texts of European legislation (Directives, Regulations, Decisions, etc.) and other official documents (Communications etc.) are available from the EU's Eur-Lex website.

Legal instrument	Scope
Council Directive 2000/43/EC of 29 June 2000	Equal treatment between persons irrespective of racial or ethnic origin
Directive 2010/41/EU of the European Parliament and of the Council of 7 July 2010	Equal treatment between men and women engaged in an activity in a self-employed capacity
Directive 2003/88/EC of the European Parliament and of the Council of 4 November 2003 of working time	Working Time Directive
Council Directive 1999/70/EC of 28 June 1999	Framework agreement on fixed-term work
Council Directive 97/81/EC of 15 December 1997	Framework Agreement on part-time work
Directive 2008/104/EC of the European Parliament and of the Council of 19 November 2008	Temporary agency work
Council Resolution of 30 November 1998 within the framework of the development cooperation of the Community and the Member States	Indigenous peoples
Directive 89/391/EEC – OSH 'Framework Directive' Further EU OSH Legislation	— Health and safety at work — Working environment adapted to their professional needs — Working environment that enables them to prolong their participation in the labour market
Directive 89/654/EEC of 30 November 1989	Minimum safety and health requirements for the workplace
Directive 2009/104/EC of the European Parliament and of the Council of 16 September 2009	Minimum safety and health requirements for the use of work equipment by workers at work
Council Directive 89/656/EEC of 30 November 1989	Minimum health and safety requirements for the use by workers of personal protective equipment at the workplace

Legal instrument	Scope
Council Directive 94/33/EC of 22 June 1994	Protection of young people at work
Council Directive 92/85/EEC of 19 October 1992	Measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding
Directive (EU) 2019/882	Accessibility requirements of products and services for persons with disabilities
Council Decision 2010/48/EC	Adoption by the European Community of the United Nations Convention on the Rights of Persons with Disabilities
Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 (EIA Directive) Amended by Directive 2014/52/EU of the European Parliament and of the Council of 16 April 2014.	Public participation as part of the process of the assessment of the effects of certain public and private projects on the environment
Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010	Public participation related to industrial emissions (integrated pollution prevention and control)
Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 (Strategic Environmental Assessment)	Public participation in the context of the assessment of the effects of certain plans and programmes on the environment
Directive 2003/4/EC of the European Parliament and of the Council of 28 January 2003	Public access to environmental information
Convention on access to information, public participation in decision-making and access to justice in environmental matters (Aarhus Convention, Aarhus 1988)	Access to environmental information, public participation in decision-making and access to justice
Convention on environmental impact assessment in a transboundary context (Espoo Convention, Espoo 1991)	Public participation and consultation in a transboundary context
Directive 2019/1152 on Transparent and Predictable Working Conditions	— Information regarding aspects of the work — Probationary periods — Additional employment — Anti-abuse legislation for zero-hour contracts — Requests to transfer
Directive 2011/98	Common set of rights for third-country workers legally residing in a Member State
Directive 2006/54/EC	Equal treatment for men and women in regard to employment, promotion, pay, and working conditions

Legal instrument	Scope
Directive 2002/14/EC	General Framework for informing and consulting employees in the European Community
Directive 2000/78/EC	— Conditions of access to employed or self-employed activities — Employment and working conditions — Membership of and involvement in an organisation of employers or workers or any other organisation whose members carry on a particular profession — Discrimination and equal treatment — Accommodations for disabled persons
Directive 94/33/EC	— Work by children — Vulnerability of young people — Working and night work for young people — Annual rest and breaks
The Examination of Grievances Recommendations, 1967 (No 130) by ILO	— Worker's rights around submitting grievances without prejudice — Grievance examination procedures
Regulation (EU) 2017/821 of the European Parliament and of the Council	Supply chain due diligence obligations for the European Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas

ANNEX 2

Information to be provided to the InvestEU Investment Committee (Chapter 2)

I. **Justification for not carrying out the proofing** – as per the requirements of the InvestEU Regulation (recital 13 and Article 8(5))

Identification of the project

Project total cost (exclusive of VAT):

☐ below EUR 10 million

☐ above EUR 10 million

InvestEU screening results [1]

If project is exempted from screening/proofing based on the threshold, please mention this together with a short confirmation of legal compliance

If not:

Climate	**Adaptation:** Briefly describe the basis for not undertaking the climate risk assessment based on the results of the climate vulnerability assessment. **Mitigation:** Is the project recommended to undergo Carbon footprint as per Chapter 2.2 of the sustainability proofing guidance? ☐ Yes ☐ No Brief justification of why the Carbon footprint is not necessary or any other considerations taken into account.
Environment	Briefly describe the legal framework for environmental matters relevant to the project: e.g.: short information whether a project is consistent with a planning framework (i.e. whether it results from a plan/programme that was subject to a strategic environmental assessment); whether the project falls (or not) in the scope of the EIA Directive, the Habitats and Birds Directives, the Water Framework Directive, the Industrial Emissions Directive, etc. Briefly describe the results of the InvestEU screening performed based on Checklist 1 in Annex 3 of the sustainability proofing guidance. For example, provide a short justification for why: (i) it is considered that the project has no impact/s or only low impact/s on the elements of the natural capital and the two cross-cutting themes; (ii) the project requires an EIA, but no significant residual impacts were identified.

Social	Briefly describe the results of the InvestEU screening performed based on the Checklist in Annex 3 of the sustainability proofing guidance. For example, provide a short justification why it is considered that the project has no impact/s or only low impact/s on the dimensions of criteria of the social dimension described in Chapter 2.4 of the sustainability proofing guidance.

([1]) In line with the requirements of the sustainability proofing guidance as regards proportionality.

II. **Information that could be included in the sustainability proofing summary:**

(a) *Identification of the project:* general information about the project (sector and area of eligibility, type of financing, amount, total project cost, final recipient, location, etc.);

(b) *EIA Directive:* project subject to EIA (which requires environmental proofing regardless the total project cost);

(c) *Short description of the sustainability proofing process:* this part will be taken over in the Guarantee Request Form and will include the project's key sustainability aspects:

— Compliance and consistency of the operation with the applicable EU legislation and EU policies in the relevant field/s, as well as with other relevant international convention/s and national law, or any compliance issues (if any);

— Results of the sustainability proofing process: (i) a summary of climate/environmental/social impacts, both positive and negative; (ii) proposed mitigation or compensation measures and their costs (if available); (iii) residual risks (if any); and (iv) monetisation aspects (if applicable), etc.;

— Specific arrangements, as applicable: e.g. special contractual provisions regarding conditions precedent and covenants, special monitoring arrangements, etc.; identification of infrastructure projects where only limited mitigation measures were identified by the implementing partner and whether they have been recommended and implemented.

(d) *Climate dimension* – more detailed information regarding the climate dimension will be provided in this section, as applicable and relevant to the project:

— Legal framework applicable to the project from a climate perspective, for example whether the revised EIA Directive (2014) applies to the project and whether climate considerations were duly addressed as part of the EIA report;

— Climate adaptation: a summary description and results of the climate vulnerability assessment, descriptions of the risks identified and of the climate risk assessment, adaptation measures put in place and their costs, residual risks (if any), and how they will be addressed during the project's implementation and operational phase;

— Climate mitigation: basis for undertaking the Carbon footprint, if the Carbon footprint was calculated by the implementing partner or another party (project promoter or independent expert), the methodology used, the basis for undertaking (or not) the monetisation of GHG emissions and identification of low-carbon options, shadow costs of carbon used and underlying methodology (if different from what recommended), specify the expected lifespan of the infrastructure and describe the project's compatibility with conditions of climate neutrality;

— Voluntary measures that the final recipient agreed to put in place to improve the climate performance of the project (climate adaptation under the threshold, use of better technologies to reduce GHGs emissions, etc.).

(e) *Environmental dimension* – more detailed information regarding the environmental dimension will be provided in this section, as applicable and relevant to the project:

— Compliance with the regulatory and legal framework applicable to the project, EIA Directive (available EIA or screening decisions), other relevant Directives, situation of permitting and authorisations necessary, any compliance issues (if any);

— If the information necessary to carry out the proofing was taken over from formal reports required by the legislation and/or if additional studies were required by the implementing partner;

— Short description of the identified impacts for any of the environmental elements detailed in this guidance, assessment of alternatives, cumulative impacts, the proposed mitigation and compensation measures and their costs, quantification and monetisation of the residual risks as included in the project economic appraisal, where applicable;

— Justification of why the residual risks or identified/mitigated impacts are considered acceptable and description of any mitigation measures identified and implemented (beyond those needed due to legal compliance);

— Voluntary measures based on the positive checklist in Annex 3 that were undertaken by the project promoter/final recipient to improve the project's environmental performance and their costs, as well as a confirmation of their inclusion in the project's economic appraisal.

(f) *Social dimension* – more detailed information regarding the social dimension will be provided in this section, as applicable and relevant to the project:

— Compliance of the operation with applicable labour and social legislation and compliance with international conventions and charters, and any compliance issues (if any);

— Short description of the identified impacts for any of the social criteria detailed in this guidance, the proposed mitigation and compensation measures and their costs, any additional reports required by the implementing partner (if case);

— Justification of why the residual risks or identified/mitigated impacts are considered acceptable and in line with the InvestEU objectives;

— Voluntary measures based on the positive checklist in Annex 3 that were undertaken by the project promoter/final recipient to improve the project's social performance of the project and their costs;

— Impact Investing objectives, in particular on gender equality, social inclusion or social resilience and/or on of areas and sectors affected by structural challenges, as applicable.

g) *Other sustainability aspects* – other relevant aspects to the sustainability assessment, as applicable to the project:

— Public consultations and other types of stakeholders engagements: if these were carried out as part of an EIA procedure or by the promoter on a voluntary basis, any resulting obligations and how they were addressed, additional mitigation measures implemented for protecting the cultural heritage, etc.;

— Information on the capacity of the project promoter/final recipient to deal with the identified impacts and implement the measures recommended, the systems they have in place, and if these systems are subject to some type of audit or follow specific standards;

— Information about contractual arrangements, conditional clauses introduced in the financing contract, additional undertakings that needs to be performed by the project promoter/final recipient, special disbursement conditions, incorporation of sustainability obligations in the financing contract, reporting and monitoring requirements.

ANNEX 3

Proofing checklists to be used by implementing partners for proofing under each dimension

Proofing checklists – climate dimension (Chapter 2)

Climate dimension – Checklists for screening and proofing

Climate resilience – adaptation to climate change

Screening Phase		
Checklist:	**Yes / No**	**Comments and Info to be provided by the implementing partner in the SPG documentation to the Investment Committee**
Has information been provided to explain at which project development stages climate change adaptation/resilience issues have been considered, and how this was done?		
Is there a description of the methodology used for the vulnerability and risk assessment process, and does this methodology appear logical and complete, and ultimately in line with the SPG guidance?		
Are there references to relevant [1] climate forecasts and data sources, covering both current and future climate? Does this cover both short-term and long-term scenarios where relevant (i.e. covering the project lifetime and/or analysed period)?		
Have all relevant hazards (climate change factors) been taken into account?		
Has the vulnerability of the project (and its components) been assessed (based on the project type and where the project is located)?		
Please provide the detailed conclusions of the vulnerability assessment and a detailed justification on the choice to a) stop the proofing process or b) proceed to the risk assessment phase.		
Climate risk assessment		
If the project was assessed as vulnerable to certain climatic factors (i.e. the screening phase concluded that there are potential climate risks), has a risk assessment been undertaken (assessing both probability and impact of climate change adaptation risks)?		

Climate resilience – adaptation to climate change		
Have significant climate change adaptation risks been identified for the project?		
If so, have relevant measures been implemented into the project (incorporated into design and/or operation and maintenance)?		
Are the measures proven to reduce the risks to an acceptable level?		
Please provide the detailed conclusions of the climate risk assessment.		
Has the consistency with EU and, as applicable, national, regional and local strategies and plans on the adaptation to climate change, and other relevant strategic and planning documents been verified and confirmed?		

([1]) Commensurate to project boundaries including expected lifetime of physical assets.

Climate neutrality – climate change mitigation		
Screening Phase		
Checklist:	**Yes / No**	**Comments and Info to be provided by the implementing partner in the SPG documentation to the Investment Committee**
Does the project fall under one of the project categories with limited expected emission levels and for which carbon footprint assessment WILL NOT be required?		
Are absolute and/or relative emissions expected to be below 20 000 tonnes CO_2e/year (positive or negative)?		
Please provide the detailed conclusions of the screening and a detailed justification on the choice to (a) stop the climate mitigation proofing process; or (b) proceed to the estimation and monetisation of GHG emissions.		
Consistency with EU climate objectives and carbon footprinting		
Is the project compatible with EU climate neutrality objectives based on the application of the Taxonomy DNSH criteria or other internationally accepted methodology? Please provide details on the methodology used to confirm compatibility and on the conclusions reached.		

Climate neutrality – climate change mitigation		
Have the project's GHG emissions been calculated in accordance with an internationally recognised methodology? Please provide details as required in the SPG guidance.		
Have the estimated annual greenhouse gas emissions of the project in a standard (or average) year of operation been provided, in both (a) absolute; and (b) relative terms (i.e. compared to a baseline, 'without project' scenario), in tonnes of CO_2 equivalent per year?		
Have the incremental GHG emissions associated with the project been monetised (using a standard shadow price of carbon) and were they included in the economic appraisal or CBA?		
Does the project result in an increase or reduction of GHG emission? Please provide details.		
Has the project's compatibility with a credible pathway towards the overall 2030 and 2050 GHG emission reduction targets been verified and confirmed? As part hereof, for infrastructure with a lifespan beyond 2050, has the project's compatibility with operation, maintenance and eventual decommissioning under conditions of climate neutrality been verified and confirmed?		

Proofing checklists – environment dimension (Chapter 2)

Environmental dimension – legal compliance – Checklist 0

A.1. Consistency of the operation with a planning framework	**Yes / No**
A.1.1. Is the operation part of a plan/programme/strategy at local, regional or national level?	
A.1.2. If yes, was this plan/programme/strategy subject to an environmental assessment in line with SEA Directive 2001/42/EU?	
(The IP will rely on a self-declaration from the project promoter)	
A.2. Application of Directive 2011/92/EU of the European Parliament and of the Council (the 'EIA Directive') as amended	
A.2.1. Is the operation listed in EIA Directive annexes:	
— Annex I to the EIA Directive (go to question A.2.2)	
— Annex II to the EIA Directive (go to question A.2.3)	
— Neither of the two Annexes (go to question A.2.4)	
(A short justification should be provided why the operation is considered not to be listed in any of the Annexes)	
A.2.2. When covered by Annex I to the EIA Directive, include the EIA report, Non-Technical Summary and the Decision of Competent Authority concluding the EIA process [1], and use the text box below for additional information and explanations:	
1. Was the EIA Report prepared pursuant to Article 5(1) and Annex IV of the EIA Directive?	
2. Were consultations with environmental authorities, authorities with regional and local competencies concerned by the project, the public and, if applicable, consultations with other Member States, carried out in accordance with Articles 6 and 7 of the EIA Directive?	
3. Was the decision of the competent authority (if already adopted), made available to the public.	
A.2.3. When covered by Annex II of the EIA Directive:	
1. If an EIA has been carried out, please include the necessary documents listed under point A.2.2	

2. If an EIA has not been carried out, please include the determination required in Article 4(5)(b) ([2]) of the EIA Directive (often referred to as 'a screening decision') and confirm that it was made available to the public and that Annex III criteria were considered.	
3. If a determination has not been carried out, please provide the thresholds or criteria used according to the national law and Article 4(2)(b) of the EIA Directive.	
A.2.4. When the operation is not covered by the EIA Directive Annexes, please provide the construction permit (or other relevant approval permit), if available.	
A.3. Application of Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora (1) (Habitats and Birds Directive); assessment of effects on Natura 2000 sites	
A.3.1. Was the operation subject to an appropriate assessment as required by Article 6(3) ([3]) of the Habitats Directive?	
A.3.2. If the reply to question A.3.1 is 'Yes', please provide:	
1. the appropriate assessment carried out according to Article 6(3) of the Habitats Directive;	
2. a copy of the standard notification form 'Information to the European Commission according to Article 6(4) of the Habitats Directive', as notified to the Commission (DG Environment), if applicable and/or;	
3. an opinion of the Commission under Article 6(4) of the Habitats Directive for projects having significant impacts on priority habitats and/or species and justified by imperative reasons for overriding public interest other than human health and public safety or beneficial consequences of primary importance for the environment.	
A.3.3. If the reply to question A.3.1 is 'No', please provide:	
1. the justification for why an appropriate assessment was not deemed necessary (as part of EIA decisions or as a stand-alone document);	
2. a map (at scale of 1:100 000 or the nearest possible scale) indicating the location of the operation and Natura 2 000 sites concerned.	
A.4. Application of Directive 2000/60/EC of the European Parliament and of the Council (the 'Water Framework Directive'); assessment of effects on water bodies	
A.4.1. Will the operation deteriorate the status of a water body or cause failure to achieve good water status/potential?	

1. *If the reply to question A.4.1 is 'Yes',* [4] *please provide the assessment and a detailed explanation of how all the conditions under Article 4.7 of the Water Framework Directive were/are to be fulfilled.*	
2. *If the reply to question A.4.1 is 'No', please provide a justification of why using the exceptions listed under Article 4(7) is not deemed necessary (e.g. all potential effects of the operation have been shown to be temporary or insignificant in WFD terms at the scale of the water body and no possible in-combination effects have been identified or no residual impact on the water body if the identified mitigation measures will be implemented, etc.)*	
A.5. Where applicable, information on compliance with other environmental directives	
A.5.1. Application of Directive 2010/75/EU of the European Parliament and of the Council (the 'Industrial Emissions Directive') —	
Please explain how the project complies with the requirements of Directive 2010/75/EU, in particular with the application of Best Available Techniques (BAT) and, where applicable, with the emission limit values set out in that Directive.	
A.5.2. Any other relevant environmental directives (please explain below)	

([1]) This can take the form of a Reasoned Conclusion (Article 1(2) g.iv of the EIA Directive) or the Development Consent (Article (1) 2.c of the EIA Directive).
([2]) Article 4(4), for screenings undertaken under the EIA Directive before its revision in 2014.
([3]) Please note that Article 6(3) also apply to Special Protection Areas classified under Article 4 of the Birds Directive.
([4]) Please note that if the project/operation does not involve a new modification to the physical characteristics of a water body or alterations to the level a groundwater body, the application of Article 4(7) WFD is limited to high status surface water bodies and sustainable human activities. Outside the later, operations that deteriorate the status of a water body (or hinder the objective set) will be considered non-compliant.

Checklist for identifying potentially significant negative impacts on Air						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description** [1] **[1]**	**What is the significance of the impact [2]** [2]	**What is the likelihood of the impact [3]** [3]	**What is the Risk level of the impact [4]** [4]	**Proposed (additional) mitigation [5]**	**Residual Risk level after (additional) mitigation [6]**
1. Will the project/operation involve actions which will affect on air quality, e.g. due to dust emissions, energy consumption, emissions from manufacturing processes, or significant changes in transportation modes or infrastructure?						
2. Is the project/operation located in an Air Quality Zone which does not meet the targets set under the regional/national Air Quality Plan? Would emissions from the project relate to those same targets?						
3. Are there any other factors which should be considered such as consequential development which could lead to impacts on air quality or the potential for cumulative impacts with other existing or planned activities in the locality (e.g. through increases in other industrial manufacturing activity as part of the creation of a manufacturing cluster)?						
4. Would any other activities be required as a consequence of the project, which could lead to an increase in atmospheric emissions?						

([1]) For projects subject to an EIA or 'screened out' from an EIA, the answer yes or no should be done on the basis of impact after mitigation (as a result of environmental decision making).
([2]) The significance of impacts (column 2) to be assessed according to a following scale: minor-moderate-significant/adverse.
([3]) The likelihood of the impact (column 3) to be assessed according to a following scale: low (not likely to happen); moderate (equal chances of happening or not); high (likely to happen).
([4]) The level of risk (column 4) for each impact will be assessed by combining its identified significance and its likelihood (see matrix in Figure 8 on p. 29).

Checklist for identifying potentially significant negative impacts on the Water environment						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description [1]**	**What is the significance of the impact [2]**	**What is the likelihood of the impact [3]**	**What is the Risk level of the impact [4]**	**Proposed (additional) mitigation [5]**	**Residual Risk level after (additional) mitigation [6]**
1. Will the project involve actions which will affect surface waters, groundwaters or marine waters (temporarily or permanently)?						
2. Will the project lead to risks from contamination of the water environment from discharges of pollutants into surface waters, groundwater, coastal waters or the sea? Or, will it lead to significant discharges to waste water treatment works?						
3. Will the project involve the use, storage, transport, handling or production of substances/mixtures (including biocides and pesticides) which could be harmful to the water environment? When answering this question, please take into account their hazard classification as well as any other classification under REACH (e.g. as a SVHC due to PBT/vPvB or Endocrine Disrupting properties)						
4. Are there any other factors which should be considered such as consequential development which could lead to impacts on water quality or the potential for cumulative impacts with other existing or planned activities in the locality/area (e.g. through increases in other industrial manufacturing activity as part of the creation of a manufacturing cluster)?						
5. Are there any areas within or around the location which are already subject to pollution or environmental damage e.g. where existing legal environmental standards are exceeded that could be affected by the project?						

Checklist for identifying potentially significant negative impacts on the Water environment						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description [1]**	**What is the significance of the impact [2]**	**What is the likelihood of the impact [3]**	**What is the Risk level of the impact [4]**	**Proposed (additional) mitigation [5]**	**Residual Risk level after (additional) mitigation [6]**
6. Is the project location susceptible to erosion, flooding or drought conditions, which could give rise to impacts on the water environment?						

Checklist for identifying potentially significant negative impacts on Land and Soil						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description [1]**	**What is the significance of the impact [2]**	**What is the likelihood of the impact [3]**	**What is the Risk level of the impact [4]**	**Proposed (additional) mitigation [5]**	**Residual Risk level after (additional) mitigation [6]**
1. Will the project/operation involve actions which may cause erosion?	This may result from: — soil disturbance e.g. ploughing up-and-down slopes — removal of vegetative soil cover and/or hedgerows — Inappropriate use of heavy machinery					
2. Will the project/operation involve actions which may cause decline in soil organic matter?	This may result from: — conversion of land use — drainage of wetlands — deforestation					

Checklist for identifying potentially significant negative impacts on Land and Soil						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description** [1]	**What is the significance of the impact** [2]	**What is the likelihood of the impact** [3]	**What is the Risk level of the impact** [4]	**Proposed (additional) mitigation** [5]	**Residual Risk level after (additional) mitigation** [6]
3. Will the project/operation involve actions which may cause compaction?	This may result from: — inappropriate use of heavy machinery — high livestock densities — large construction works					
4. Will the project/operation involve actions which may cause salinisation?	This may result from: — poor irrigation technology — inappropriate drainage — overexploitation of ground-water					
5. Will the project/operation involve actions which may cause landslides?	This may result from: — rupture of topography due to construction works — land use changes, e.g. defor-estation — extraction of materials					
6. Will the project/operation involve actions which may cause soil contamination?	This may result from: — industrial installations — mining installations — storage of chemicals — atmospheric deposition of dangerous chemicals					

Checklist for identifying potentially significant negative impacts on Land and Soil						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description** [1]	**What is the significance of the impact** [2]	**What is the likelihood of the impact** [3]	**What is the Risk level of the impact** [4]	**Proposed (additional) mitigation** [5]	**Residual Risk level after (additional) mitigation** [6]
7. Will the project/operation involve actions which may cause sealing?	This may result from: — urban sprawl — increased transport					
8. Are there any areas or features of historic or cultural importance on or around the location that could be affected by the project?						
9. Does the project affect communities' use of or access to natural resources?						
10. Are there any other factors which should be considered such as consequential development which could lead to impacts on land take and the potential for cumulative impacts with other existing or planned activities in the locality/area (e.g. through increases in other industrial manufacturing activity as part of the creation of a manufacturing cluster)?						
11. Would any other activities be required as a consequence of the project, which could lead to land and soil use?						

Checklist for identifying potentially significant negative impacts on Biodiversity						
	SCREENING				PROOFING	
Question	Yes / No / Brief description [1]	What is the significance of the impact [2]	What is the likelihood of the impact [3]	What is the Risk level of the impact [4]	Proposed (additional) mitigation [5]	Residual Risk level after (additional) mitigation [6]
1. Are there any designated sites that could be affected by the project?						
2. Will construction or decommissioning of the project involve actions which will cause temporary impacts on a designated site or natural ecosystem?						
3. Will construction or decommissioning of the project involve actions which will cause impacts on protected sites or locally important sites or natural ecosystem?						
4. Could the project itself, during its operational phase, have an impact on a designated site or locally important site or natural ecosystem?						
5. Will the Project lead to risks from contamination of designated sites or natural ecosystem?						
6. Will the Project involve the use, storage, transport, handling or production of substances/mixtures (including biocides and pesticides) which could be harmful to flora and fauna?						
7. Are there any other areas on or around the location that are important or sensitive for reasons of their ecology that could be affected by the project, including presence of threatened species?						
8. Are there any habitats or natural ecosystem that are important (e.g. for nesting) or sensitive, which are not designated but which could be affected by the project?						

Checklist for identifying potentially significant negative impacts on Biodiversity						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description [1]**	**What is the significance of the impact [2]**	**What is the likelihood of the impact [3]**	**What is the Risk level of the impact [4]**	**Proposed (additional) mitigation [5]**	**Residual Risk level after (additional) mitigation [6]**
9. Are there any other factors which should be considered such as consequential development which could lead to impacts on the surrounding biodiversity?						
10. Are there any designated areas or locally important habitats or natural ecosystem within or around the location which are already subject to pollution or environmental damage e.g. where existing legal environmental standards are exceeded, that could be affected by the project?						

Checklist for identifying potentially significant negative impacts on noise						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description [1]**	**What is the significance of the impact [2]**	**What is the likelihood of the impact [3]**	**What is the Risk level of the impact [4]**	**Proposed (additional) mitigation [5]**	**Residual Risk level after (additional) mitigation [6]**
1. Will the project/operation involve actions which will could give rise to noise and vibration levels above the levels which cause annoyance or negative health effects? Please consider both daytime and night-time effects.						
2. Will the project be located in an urbanised or residential area, and result in significant increases in day-time or night-time noise levels during its operation?						

Checklist for identifying potentially significant negative impacts on noise						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description** [1]	**What is the significance of the impact** [2]	**What is the likelihood of the impact** [3]	**What is the Risk level of the impact** [4]	**Proposed (additional) mitigation** [5]	**Residual Risk level after (additional) mitigation** [6]
3. If the project involves changes in transport infrastructure or rolling stock, have noise and vibration issues been considered as part of project design or equipment design?						
4. Are there any transport routes on or around the location which are susceptible to high levels of traffic or congestion or which cause environmental noise problems, and which could be affected by the project?						
5. Are there any other factors which should be considered such as consequential development which could lead to the potential for cumulative impacts with other existing or planned activities in the locality/area (e.g. through increases in traffic or other industrial manufacturing activity as part of the creation of a manufacturing cluster)?						
6. Are there any areas on or around the location which are occupied by sensitive land uses e.g. hospitals, schools, places of worship, community facilities, which could be affected by the project? Are there any areas on or around the location which are already subject to excessive noise pollution or vibration related impacts, e.g. where existing EU objectives are not being achieved and which could be affected by the project?						

Checklist for identifying potentially significant negative impacts on odour						
	SCREENING				PROOFING	
Question	**Yes / No / Brief description** [1]	**What is the significance of the impact** [2]	**What is the likelihood of the impact** [3]	**What is the Risk level of the impact** [4]	**Proposed (additional) mitigation** [5]	**Residual Risk level after (additional) mitigation** [6]
1. Will operation of the project give rise to offensive odorous emissions?						
2. Is there potential for the odours to be of a nature and at an intensity that could give rise to annoyance or negative health impacts?						
3. Will the site be located in an area that, taking into account wind direction etc., there is potential for residential and other vulnerable populations as receptors to be affected?						
4. Are there any other factors which should be considered such as consequential development which could lead to the potential for cumulative impacts with other existing or planned activities in the locality/area (e.g. through increases in activity as part of a cluster)?						

Environmental dimension – Positive Agenda – Checklist 2 (Chapter 2)

Positive Agenda – Air Quality			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
1. Will the project result in improvements in energy efficiency? These could result from: — reduced energy intensity of manufacturing activities; — reduced energy intensity of transport requirements; — reduced transport/energy demand; — etc.			
2. Will the project result in the use of renewable energy sources?			
3. Will the project involve the capture of energy in waste materials?			
4. Will the project increase the potential for re-use or recycling of end products, thereby reducing the energy consumption associated with the production of virgin materials?			
5. Have production technologies been selected so as to minimise the potential for air emissions at source?			
6. Have production technologies been selected in line with the Ecodesign Directive and the Energy Labelling Regulations?			

Positive Agenda – Air Quality			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
7. Have production technologies and chemical inputs been selected so as to minimise the use of hazardous substances that would be emitted to air in waste gases, or through process emissions?			
8. Have other actions been taken as part of project design to limit emissions to air?			
9. Are there other aspects that demonstrate environmental good practice in project operation as well as delivery? E.g. increasing the awareness of residents and other businesses, taking advantage of an opportunity within a growing environmental sector, etc.			

Positive Agenda – Water Environment			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
1. Will the project result in improvements in water efficiency? These could result from: — changes in production technologies to more efficient technologies; — installation of other water saving measures; — increased re-use or recycling of water resources?			
2. Will the project result in reduced abstractions from the water environment in areas suffering from over-abstraction (seasonal or annually)? e.g. construction of a winter storage reservoir.			

Positive Agenda – Water Environment			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
3. Will the project result in reductions in discharges to the water environment, either via sewer or direct?			
4. Will the project increase the potential for re-use or recycling of end products, thereby reducing the demand for high water intensity virgin materials?			
5. Have production technologies and chemical inputs been selected so as to minimise the potential for releases of hazardous substances to the water environment?			
6. Have other actions been taken as part of project design to limit impacts on the water environment?			
7. Are there other aspects that demonstrate environmental good practice in project operation as well as delivery? E.g. increasing awareness of residents and other businesses, taking advantage of an opportunity within a growing environmental sector?			

Positive Agenda – Land/Soil			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
1. Will the project contribute to stop erosion? This could result from: — reforestation			

Positive Agenda – Land/Soil			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
2. Will the project improve the quality and quantity of soil organic matter?			
3. Will the project reduce or stop salinisation?			
4. Will the project reduce hydrogeological risk?			
5. Will the project contribute to the remediation of contaminated sites?			
6. Will the project restore industrial/urban sites to natural sites?			
7. Will the project enrich soil biodiversity?			
8. Will the project contribute to the high landscape or scenic value on or around its location?			
9. Will the project create or protect routes or facilities on or around the location which are used by the public for recreation?			
10. Will the project protect areas or features of historic or cultural importance on or around its location?			
11. Will the project improve the quality or increase the quantity of scarce resources e.g. groundwater, surface waters, forestry, agriculture, fisheries?			
12. Will the project improve the quality of air or contribute to compliance with national emission ceilings for air pollutants?			

Positive Agenda – Biodiversity			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
1. Will the project result in physical changes in the locality that: — assist with the control or removal of alien species? — assist with the conservation of native species or genetic diversity? — assist with the conservation of biodiversity rich and/or protected areas and/or wild native species, in particular protected and/or threatened species? — assist with the creation of protected areas? — assist with the restoration of natural ecosystems			
2. Will the project result in new processes/systems whereby the use of substances or materials that are hazardous or toxic to the environment (flora, fauna) is decreased or avoided?			
3. Will the project result in reductions in the production of solid wastes? Or improved quality of wastes that are applied to the land (e.g. sewage sludge)?			
4. Will the project decrease the risk of protected sites or areas rich in biodiversity or natural ecosystem becoming contaminated by pollutants?			
5. Have other actions been taken as part of project design to limit impacts on biodiversity?			

Positive Agenda – Biodiversity			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
6. Does the project integrate nature-based solutions in its design? (e.g. green roofs, green walls, etc.)			
7. Are there other aspects that demonstrate environmental good practice in project operation as well as delivery? E.g. increasing awareness of residents and other businesses, taking advantage of an opportunity within a growing environmental sector?			

Positive Agenda – related to the reduction of Noise, Vibration and Odour			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
Questions for identifying positive impacts on the reduction of noise or vibration			
1. Will the project result in reductions in noise and/or vibration related impacts? These could result from: — specific measures to reduce noise and vibration; — indirect reductions in night-time or day-time noise due to changes in activities; — improvements in infrastructure, leading to reductions in vibration related effects.			
2. Will the project result in the movement of noise generating activities out of a residential area or location surrounded by vulnerable populations, e.g. a hospital?			

Positive Agenda – related to the reduction of Noise, Vibration and Odour			
Question	**Yes / No / Brief description**	**Is this likely to result in a significant positive impact?** **Yes / No – Why**	**Voluntary commitment for incorporating additional measures to improve the operation's environmental performance**
3. Will the project include specific measures to reduce noise or vibration?			
4. Have production technologies been selected so as to minimise the potential for impacts at source?			
5. Have other actions been taken as part of project location and or design to limit impacts?			
Questions for identifying positive impacts on the reduction of odour			
Will the project result in reductions in odorous emissions through the installation of a new plant? If so, would this affect the nature, the frequency or the duration of the odour, etc.?			
Will the project result in the movement of odour generating activities out of a location surrounded by large, sensitive and/or vulnerable populations?			
Will the project include specific measures to reduce odorous emissions?			
Have production technologies been selected so as to minimise the potential for impacts at source?			
Have other actions been taken as part of project location and or design to limit impacts, e.g. the use of local ventilation systems together with exhaust gas treatment methods?			

Proofing checklists – Social dimension (Chapter 2)

Social dimension – screening checklist

When screening the social dimensions of a project, the implementing partners are recommended to use the following checklist as guidance. The checklist aims to identify possible adverse impacts based on the seven social aspects detailed in the guidance.

Based on the guidance provided in Chapter 2.4.3 on social screening of operations and the screening questions proposed below, the implementing partners should indicate the relevance of certain social impacts and risks in the 'Yes' and 'No' columns below. If the answer is affirmative to some of the questions, the implementing partners are advised to consult the social risk categorisation table included in Chapter 2.4.4 on social risk categorisation to determine the risk level and classify it as low, medium or high. If one or more of the social aspects is deemed to be of medium or high risk, the implementing partner should proceed to the proofing stage.

Social aspects / impacts	Yes	No	Information not available	Risk level (high / medium / low) Brief description
Labour and working conditions				
— Are there any apparent possible issues related to compliance with applicable EU and national legislation as per the legal compliance framework, such as in relation to employees relations and staff remuneration?				
— Does the project carry risks of child labour, forced labour, discrimination and/or restrictions to freedom of association or other risks of violations of fundamental labour right, due to country context, sector, promoter, contractor or supply chain ([1])?				
— In case of identified labour risks, does the project promoter have management capacity appropriate to the workforce and the size of the project and consistent with national legislation?				
Occupational and Public Health, Safety and Security				
— Is the project likely to have a significant impact (direct/indirect) on occupational health, safety, and security?				
— Is the project likely have a significant impact (direct/indirect) on community and public health, safety, and security?				
— In case of identified impacts, does the project promoter have appropriate occupational health, safety and security capacity proportionate to the project's likely impacts?				

Social aspects / impacts	Yes	No	Information not available	Risk level (high / medium / low) Brief description
Protection and inclusion of vulnerable persons and/or groups				
— Is the project likely to have adverse impacts on vulnerable persons and/or groups, including on persons with disabilities? (such as exacerbating inequalities through, for example, impacting affordability, availability and quality of services and dwelling, including energy, education and health)				
— Does the project include features that could address barriers for access to services by people with disabilities? If yes, does the promoter have the capacity to implement them?				
— Does the project ensure accessibility for persons with disabilities to the subject matter?				
— Is the project likely to have impacts on an Indigenous Peoples' group (e.g. any impacts on their land, dwellings, livelihoods or cultural heritage)?				
— In case of identified impacts, does the project promoter have appropriate capacity to adequately address them?				
Gender equality				
— Does the project take into account the gender perspective in its design, implementation, management and evaluation, including sex-disaggregated data?				
— Is the project likely to have significant impacts that are expected to affect women and girls disproportionately?				
— Does the project carry specific gender risks or gender-based discriminatory social norms?				
— Is the project likely to have significant risks relating to gender discrimination and/or Gender-Based Violence and Harassment (GBVH) (including i.e. past complaints relating to these aspects, negative media/NGOs coverage on the project and/or the project promoter)?				
— In case of identified risks, does the project promoter have the capacity to mitigate those risks?				
— Does the promoter have the capacity to ensure equal access to the benefits generated by the project for both men and women (except for projects targeting women specifically)?				

Social aspects / impacts	Yes	No	Information not available	Risk level (high / medium / low) Brief description
Protection of Cultural Heritage — Is the project likely to adversely impact non-replicable cultural property (e.g. archaeological, historical or religious sites), sites with unique natural values or intangible cultural heritage (e.g. social practices, rituals and festive events)? If yes, is the opinion of the competent authority responsible for cultural heritage available? — If risks have been identified, does the project have the capacity to manage any identified impacts on cultural heritage?				
Land acquisition, expropriation, and land use change — Will the project require land acquisition, expropriation, and land use change? — Is the project likely to require displacement from informal title-holders or land occupiers, or otherwise restrict or remove their access to land use?				
Stakeholder engagement — Is the project likely to carry significant reputational risks opposition by local communities, or legacy issues (e.g. ongoing or expected court case, investigation, complaint(s), protest and/or CSO scrutiny)? — Does the project promoter have the capacity to implement adequate stakeholder engagement, as relevant and/or support the competent authorities in carrying out the public participation process?				
Other relevant aspects — Is the promoter's overall environmental and social capacity/performance adequate to manage Environmental & Social issues satisfactorily? — Does the promoter have an appropriate and effective management system in place? — Has (similar) project or project promoter history met in the past any complaints or adverse media or NGO coverage on one/multiple social aspects? In case, explain the reason why and how they were addressed (mitigation/compensation/other).				

([1]) Including for projects involving operations outside of the EU, also due to international supply chains.

Social dimension – Positive Agenda checklist (Chapter 2)

The implementing partners and, where appropriate, financial intermediaries, are encouraged to systematically identify and use the positive agenda checklist below for any project that directly or indirectly involves:

— investments in an economic activity that contributes to a social objective, in particular an investment that contributes to supporting vulnerable persons or groups, tackling inequality or that fosters gender equality and women empowerment, social cohesion, social integration and labour relations; or

— investments in human capital or economically or socially disadvantaged groups or communities.

The positive social impact purpose requires that:

1. The achievement of measurable, positive social impact, alongside other investment purposes is explicitly referred to in the investment proposal or other relevant documents, including; e.g. corporate commitment to adhere to sustainable finance principles and the implementation of the Sustainable Development Goals (SDGs) and

2. The investment work-plan or any other appropriate document established for that purpose:

   a. defines *ex ante* the social impact objectives that the project or transaction will contribute to; and

   b. puts in place adequate reporting to present the achieved results *ex post*.

The operation will score additional points in the InvestEU scoreboard if it positively addresses one or more of the aspects listed in the table below. The categorisation presented in the table is for guidance only and it will have to be checked against the final version of the InvestEU scoreboard.

	Fair	Good	Very good	Excellent
Gender equality and women's economic empowerment	No direct, specific or significant positive impacts on gender equality that would result from the project. ***Example***: support to existing large corporation whose HR policies are compliant with legislation and whose products are gender neutral – batteries.	Some positive impacts on women's standard of living such as increased access to social or economic benefits generated by the project. No specific features to address gender equality or reach women better. ***Example***: new general hospital	Specific design features to reach women beneficiaries/target gender equality, inclusive employment policies, enhanced safety and security beyond compliance, gender analysis/action plans. ***Example***: public transport scheduling based on an analysis of the transport patterns of women and men; provision of jobs for women as a key feature of the project's construction and/or operation phases.	Gender Equality is the main intended impact of the operation with the overall objective of the project being to enhance gender equality and/or narrow a recognised gender gap. The project/service: — is designed for women's or girls' unique needs — addresses a problem that disproportionately impacts women and/or girls, and/or that — significantly reduces women's time poverty and drudgery Based on contextual gender analysis and includes indicators for gender equality outcomes. ***Example***: Support for reproductive health clinics; transport to areas that predominantly employ women; girls' education; female entrepreneurship.
Social inclusion	No direct, specific or significant positive impacts on social inclusion that would result from the project. No relevance and no specific measures in place to enhance equality, inclusion, affordability or accessibility beyond compliance with national legislation.	The benefits of the project relate to impact in terms of access and availability of services or infrastructures not previously available to the project beneficiaries.	The project includes features to enhance the social and/or labour market inclusion of specific groups or the accessibility by specific areas or to enhance the living standards of vulnerable persons or populations, including people with disabilities. This may include securing access to safe, affordable, inclusive, efficient and sustainable mobility and transport systems and infrastructure; or promoting quality and accessible education and lifelong learning opportunities in an inclusive and equitable way.	Primary purpose/intention of the project is to tackle specific and recognised inequalities, be they geographical and/or social. This may include targeted measures to disproportionately reach specific groups such vulnerable persons or collectives at risk of social exclusion as primary beneficiaries of the project or to target specific geographies under duress.

	Fair	Good	Very good	Excellent
		Example: hospital offering affordable treatment not previously available; greater availability of social services/affordable educational facilities/public transport/social housing; providing affordable access to information and communications technology.	The features might include physical design features and/or measures to overcome discrimination and bias in service delivery and/or measures to make it more affordable to lower socio economic groups and/or more accessible to people living in more deprived areas. The project ensures access for persons with disabilities on an equal basis with others. ***Example***: supporting adequate, safe, and affordable social housing with eligibilities targeting specific vulnerable groups; infrastructure adjusted to address access barriers for people with disabilities; targeted creation of jobs for young people.	***Example***: support for municipalities hosting a large number of refugees; regeneration of deprived suburbs; investment in social enterprises; support to integrated housing led strategies to combat social exclusion.
Resilience building	No direct, specific or significant positive impacts on leaving no one behind/resilience building. No relevance and no specific measures in place in relation to climate action and economic resilience.	The benefits of the project relate to impact in terms of access to services or infrastructure not previously available to the project beneficiaries, no specific design measures to ensure that no one is left behind, no focus on specific geographies or groups most in need in the concerned area.	The project includes features to increase the inclusion of specific groups or the accessibility by specific areas or to improve the living standards, adaptive capacity, promoting accessibility to full and productive employment and decent work, including of vulnerable populations (must be beyond compliance).	The project's primary purpose/intention of the project is: — post-disaster reconstruction — climate adaptation for those most vulnerable to the effects of climate change — economic resilience in regions recognised as under duress and vulnerable to external shocks — urban development in regions facing large influx of rural migration — medical infrastructure to support response during pandemics

	Fair	Good	Very good	Excellent
		Example: access to renewable energy but no pricing to reflect needs and income.	The features might include physical design features and/or specific analysis/regional mappings to guide project design and investment choices towards future proofing. ***Example:*** energy efficiency in social housing reducing energy bills for economically/socially marginalised residents; energy efficiency in elderly care homes, hospitals, educational buildings.	This may include targeted measures to reach specific groups as primary beneficiaries of the project or to target specific geographies under duress. ***Example***: investments in biodiversity & close-to-nature forestry businesses run by women; climate resilient housing and urban infrastructure in disadvantaged neighbourhoods and improvement of basic services; climate resilient public infrastructure in the most deprived municipalities affected by natural disasters to build their resilience to future shocks, such as influx of refugees.

ANNEX 4

Other resources and guidance documents that can be considered for InvestEU sustainability proofing

Climate

European Commission, (forthcoming – 2021), Commission notice on technical guidance on the climate proofing of infrastructure in the period 2021-2027

Non-paper Guidelines for Project Managers – Making vulnerable investments climate resilient: https://climate-adapt.eea.europa.eu/metadata/guidances/non-paper-guidelines-for-project-managers-making-vulnerable-investments-climate-resilient/guidelines-for-project-managers.pdf

European Financing Institutions Working Group on Adaptation to Climate Change (EUFIWACC): https://www.eib.org/attachments/press/integrating-climate-change-adaptation-in-project-development.pdf

International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting

EIB carbon footprint methodology: https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf

EIB Group Climate Bank Roadmap: https://www.eib.org/en/publications/the-eib-group-climate-bank-roadmap

Environment

European Commission, (forthcoming – 2021), Technical Support Document for Environmental Proofing of Investments funded under the InvestEU Programme

DG Environment website on guidance for Environmental Impact Assessment – https://ec.europa.eu/environment/eia/eia-support.htm

DG Environment website on guidance for Natura 2000 sites – https://ec.europa.eu/environment/nature/natura2000/management/guidance_en.htm

DG Environment website on guidance on the Water Framework Directive – https://ec.europa.eu/environment/water/water-framework/facts_figures/guidance_docs_en.htm

Water Framework Directive JASPERS Checklist tool – http://www.jaspersnetwork.org/plugins/servlet/documentRepository/displayDocumentDetails?documentId=441

Best Available Techniques Reference Documents (BREFs) and the related BAT conclusions set out under Directive 2010/75/EU ('Industrial Emissions Directive') – https://eippcb.jrc.ec.europa.eu/reference

Environment and Climate

EU Ecolabel criteria: https://ec.europa.eu/environment/ecolabel/products-groups-and-criteria.html

EU green public procurement criteria – https://ec.europa.eu/environment/gpp/eu_gpp_criteria_en.htm

Sectoral Reference Documents adopted according to Article 46(1) of Regulation (EC) No 1221/2009 on the voluntary participation by organisations in a community eco-management and audit scheme (EMAS) – https://ec.europa.eu/environment/emas/emas_publications/sectoral_reference_documents_en.htm

Social

European Commission, (2021), InvestEU Programme: Guidance on social sustainability proofing of investment and financing operations:

https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8380&furtherPubs=yes

Economic appraisal

Resources

Boardmand, A. E., Greenberg, D. H, Vining, A. R., and Weimer, D. L. (2018), Cost-Benefit Analysis, Concept and Practice, 5th Edition, Cambridge University Press.

CEDEX. (2010), Economic evaluation of transport projects – Guidelines. https://www.evaluaciondeproyectos.es/EnWeb/Results/Manual/PDF/EnManual.pdf

De Rus, G. (2010), Introduction to cost-benefit analysis: looking for reasonable shortcuts. Edward Elgar Publishing.

DG-MOVE. (2019), Handbook on the external costs of transport. https://ec.europa.eu/transport/themes/sustainable/internalisation-transport-external-costs_en

European Bank for Reconstruction and Development (2019), Methodology for the economic assessment of EBRD projects with high greenhouse gas emissions. Technical note. https://www.ebrd.com/news/publications/institutional-documents/methodology-for-the-economic-assessment-of-ebrd-projects-with-high-greenhouse-gasemissions.html

European Commission, (2014), Guide to Cost-Benefit Analysis of Investment Projects. https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cba_guide.pdf

European Commission, (forthcoming – 2021), Economic Appraisal Vademecum

European Investment Bank (2013), The Economic Appraisal of Investment Projects at the EIB. https://www.eib.org/attachments/thematic/economic_appraisal_of_investment_projects_en.pdf

Florio, M. (2014), Applied welfare economics: Cost-benefit analysis of projects and policies. Routledge.

Laird, J. J., & Venables, A. J. (2017), Transport investment and economic performance: A framework for project appraisal. Transport Policy, 56, 1-11.

Markandya, A. (2016), Cost benefit analysis and the environment: How to best cover impacts on biodiversity and ecosystem services, OECD Environment Working Papers, No 101, OECD Publishing, Paris. https://www.oecd-ilibrary.org/docserver/5jm2f6w8b25l-en.pdf?expires=1604056519&id=id&accname=guest&checksum=41F76E5FE73B4454CBB4C8ACED91173A

Nordic Investment Bank (2012), Sustainability Policy and Guidelines. https://www.nib.int/filebank/a/1332328414/506da9436eb1c0d4ec17b8b5a929d820/56-Sustainability_Policy_Guidelines-2012.pdf

OECD (2018), Cost-Benefit Analysis and the Environment: Further Developments and Policy Use, OECD Publishing, Paris. https://www.oecd-ilibrary.org/docserver/9789264085169-en.pdf?expires=1604056484&id=id&accname=ocid194786&checksum=3E0F811740359FD0A586F82414D62EBD

Capacity building resources

DG REGIO – JASPERS CBA forum on transport sectors (2015)

DG REGIO – JASPERS CBA forum on Research, Development and Innovation infrastructure (2016)

DG REGIO – JASPERS CBA forum on Environment sectors (2017)

DG REGIO – JASPERS CBA forum on Energy sector (2018)

DG REGIO – JASPERS CBA forum on the Broadband sector (2019)

Additional resources

1. **Environmental, Health, and Safety Guidelines of the World Bank Group**

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines/ehsguidelines

General EHS Guidelines – https://www.ifc.org/wps/wcm/connect/29f5137d-6e17-4660-b1f9-02bf561935e5/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES&CVID=jOWim3p

The General EHS Guidelines contain information on:

— Environmental;

— Occupational health and safety;

— Community health and safety;

— Construction and decommissioning;

— References and Additional Sources.

Industry Sector Guidelines:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines/ehsguidelines

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_gpn_ehshydropwer

2. **EIB resources**

https://www.eib.org/en/publications/environmental-and-social-standards

https://www.eib.org/en/publications/guidance-note-on-indegenous-and-local-community

https://www.eib.org/en/publications/environmental-climate-and-social-guidelines-on-hydropower-development

https://www.eib.org/en/publications/the-eib-in-the-circular-economy-guide

https://www.eib.org/attachments/thematic/climate_solutions_en.pdf

https://www.eib.org/en/publications/guidance-note-on-biodiversity-and-ecosystems

https://www.eib.org/en/publications/the-eib-group-climate-bank-roadmap.htm

3. **EBRD resources**

https://www.ebrd.com/key-sustainability-downloads.html

https://www.ebrd.com/who-we-are/our-values/environmental-and-social-policy/implementation.html

4. **Intermediated financing**

https://www.ebrd.com/who-we-are/our-values/environmental-emanual-information.html

https://firstforsustainability.org/

5. **Other useful resources**

— Commission guidance on integrating ecosystems and their services into decision-making;

— OECD developed a paper on biodiversity harmful subsidies and a recent OECD report to G7 provides more general information about biodiversity financing though it includes estimates of biodiversity harmful subsidies at global level and key recommendations;

— The 2005 OECD report on environmental harmful subsidies;

— This French report on public subsidies harmful to biodiversity;

— Equator principles: https://equator-principles.com/best-practice-resources/;

— UNEP's guide to banking and sustainability: https://www.unepfi.org/wordpress/wp-content/uploads/2017/06/CONSOLIDATED-BANKING-GUIDE-MAY-17-WEB.pdf;

— UNEP FI – The Principles for Responsible Banking: https://www.unepfi.org/banking/bankingprinciples/;

— https://www.unpri.org/pri/about-the-pri.

ANNEX 5

Glossary

The following definitions are to be used only in the InvestEU context and are provided for clarity and ease of reference. They do not replace any official definitions. Some are taken from the 'Guidance on the climate proofing of infrastructure 2021-2027' and they are derived from the IPCC Glossary [1] *or as otherwise indicated:*

Adaptation: In human systems, the process of adjustment to actual or expected climate and its effects, in order to moderate harm or exploit beneficial opportunities. In natural systems, the process of adjustment to actual climate and its effects; human intervention may facilitate adjustment to expected climate and its effects.

Adaptation options: The array of strategies and measures that are available and appropriate for addressing adaptation. They include a wide range of actions that can be categorised as structural, institutional, ecological or behavioural.

Adaptive capacity: The ability of systems, institutions, humans and other organisms to adjust to potential damage, to take advantage of opportunities, or to respond to consequences.

Climate change: Climate change refers to a change in the state of the climate that can be identified (e.g. by using statistical tests) by changes in the mean and/or the variability of its properties and that persists for an extended period, typically decades or longer. Climate change may be due to natural internal processes or external forcing such as modulations of the solar cycles, volcanic eruptions and persistent anthropogenic changes in the composition of the atmosphere or in land use. Note that the Framework Convention on Climate Change (UNFCCC), in its Article 1, defines climate change as: 'a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods'. The UNFCCC thus makes a distinction between climate change attributable to human activities altering the atmospheric composition and climate variability attributable to natural causes.

Climate extreme (extreme weather or climate event): The occurrence of a value of a weather or climate variable above (or below) a threshold value near the upper (or lower) ends of the range of observed values of the variable. For simplicity, both extreme weather events and extreme climate events are referred to collectively as 'climate extremes'.

Climate neutrality: Concept of a state in which human activities result in no net effect on the climate system. Achieving such a state would require balancing of residual emissions with emission (carbon dioxide) removal as well as accounting for regional or local biogeophysical effects of human activities that, for example, affect surface albedo or local climate.

Climate projection: A climate projection is the simulated response of the climate system to a scenario of future emission or concentration of GHG and aerosols, generally derived using climate models. Climate projections are distinguished from climate predictions by their dependence on the emission/concentration/radiative forcing scenario used, which is in turn based on assumptions concerning, for example, future socioeconomic and technological developments that may or may not be realised.

Environmental Impact Assessment (EIA): the process of carrying out an EIA as required by Directive 2011/92/EU, as amended by Directive 2014/52/EU on assessment of the effects of certain public and private Projects on the environment. The main steps of the EIA process are: preparation of the EIA Report, carrying out consultations with authorities and the public concerned, decision-making and information on the decision taken.

Environmental and Social Management System [2]**:** a set of policies, processes and practices adequate to identify, assess and manage and monitor environmental, climate and social risks and impacts associated with an organisation's business activities or the underlying projects or activities financed in case of a financial intermediary.

[1] IPCC Glossary accompanying the special report on global warming of 1,5 °C: https://www.ipcc.ch/report/sr15/glossary/

[2] https://firstforsustainability.org/risk-management/managing-environmental-and-social-risk-2_2/managing-environmental-and-social-risk-2_2_2/what-is-an-esms/

Exposure ([3])**:** The presence of people; livelihoods; environmental services and resources; infrastructure; or economic, social, or cultural assets in places that could be adversely affected.

Final recipient: Any legal or natural end-person benefiting from InvestEU financial support channelled by an implementing partner, including through Financial Intermediaries, complying with the terms and conditions set out in the relevant InvestEU financial product.

Financing and investment operations: Operations to provide finance directly or indirectly to final recipients through financial products and in the form of any type of financing as listed in Article 15 of the InvestEU Regulation, carried out by an implementing partner in its own name, provided in accordance with the IP's internal rules, policies and procedures and accounted for in the implementing partner's own financial statements or, where applicable, disclosed in the notes to the financial statements. Corresponds to the InvestEU financing.

InvestEU screening: it is the process required by the InvestEU Regulation to identify eventual impacts a project might have on any of the three dimensions. InvestEU screening involves an overall assessment of *ex-ante* information linked to sustainability aspects. It is performed by the implementing partner or the financial intermediary (as applicable) based on information provided by the final recipient.

InvestEU screening should not be confused with the screening carried out by the relevant competent authorities s embedded into the EIA Directive.

InvestEU proofing: Method to assess, report and address the sustainability performance of the proposed project. It involves evaluating, both quantitatively and qualitatively, the likely impacts of the projects on its surroundings (e.g. positive and/or negative climate, environmental and/or social impacts), but also the impacts of a changing climate, environmental and social circumstances on the project (e.g. impacts on the project due to exposure to climate change risks or the availability of resources).

Project: an investment in physical assets and/or in activities with a clearly defined scope and objectives, such as infrastructure, acquisition of equipment, machinery or other capital expenditures, technology development, specific research and innovation activity, energy efficiency refurbishments.

Project promoter: the borrower in the financing contract, the legal person initiating the project.

Residual impact: Adverse impact that remains even after mitigation measures were put in place.

Risk: The potential for adverse consequences where something of value is at stake and where the occurrence and degree of an outcome is uncertain. In the context of the assessment of climate impacts, the term risk is often used to refer to the potential for adverse consequences of a climate-related hazard, or of adaptation or mitigation responses to such a hazard, on lives, livelihoods, health and wellbeing, ecosystems and species, economic, social and cultural assets, services (including ecosystem services), and infrastructure. Risk results from the interaction of vulnerability (of the affected system), its exposure over time (to the hazard), as well as the (climate-related) hazard and the likelihood of its occurrence.

Risk assessment: The qualitative and/or quantitative scientific estimation of risks.

Risk management: Plans, actions, strategies or policies to reduce the likelihood and/or consequences of risks or to respond to consequences.

Sensitivity ([4])**:** The degree to which a system is affected, either adversely or beneficially, by *climate variability* or change. The effect may be direct (e.g. a change in crop yield in response to a change in the mean, range or variability of temperature) or indirect (e.g. damages caused by an increase in the frequency of coastal flooding due to *sea-level rise*).

Strategic Environmental Assessment (SEA): the process of carrying out an environmental assessment as required by Directive 2001/42/EC on the assessment of the effects of certain plans and programmes on the environment. The main steps of the SEA process are preparation of the SEA Report, publicity and consultation, and decision-making.

([3]) IPCC SREX Glossary: https://archive.ipcc.ch/pdf/special-reports/srex/SREX-Annex_Glossary.pdf
([4]) IPCC AR4 Glossary WG2: https://archive.ipcc.ch/pdf/glossary/ar4-wg2.pdf

Urban resilience: The measurable ability of any urban system, with its inhabitants, to maintain continuity through all shocks and stresses, while positively adapting and transforming towards sustainability.

Vulnerability [IPCC AR4 ([5])]**:** The degree to which a system is susceptible to, and unable to cope with, adverse effects of *climate change*, including *climate variability* and extremes. Vulnerability is a function of the character, magnitude, and rate of climate change and variation to which a system is exposed, its *sensitivity*, and its adaptive capacity.

Vulnerability [IPCC AR5 ([6])]**:** The propensity or predisposition to be adversely affected. Vulnerability encompasses a variety of concepts and elements including sensitivity or susceptibility to harm and lack of capacity to cope and adapt.

Vulnerable groups: In some cases certain individuals or groups are vulnerable, marginalised, systematically discriminated against or excluded on the basis of their socioeconomic characteristics. Such characteristics include, but are not limited to, sex, sexual orientation, gender, gender identity, ethnicity, caste, indigenous or social origin, age, disability, religion or belief, political or any other opinion, activism, affiliation to a union or any other form of workers' organisation, nationality, language, marital or family status, education and/or literacy, medical condition, migrant/refugee, minority or economic status (in terms of income and access to services).

([5]) IPCC AR4 Climate Change 2007: Impacts, Adaptation, and Vulnerability, Appendix I: Glossary, https://www.ipcc.ch/site/assets/uploads/2018/02/ar4-wg2-app-1.pdf

([6]) IPCC AR5 SYR, Synthesis Report, Annex II: Glossary, https://www.ipcc.ch/site/assets/uploads/2019/01/SYRAR5-Glossary_en.pdf

ANNEX 6

Additional guidance for intermediated financing (Chapter 3)

Environmental legal compliance – Simplified checklist 0 for financial intermediaries (FIs)

A.1. Application of Directive 2011/92/EU of the European Parliament and of the Council (the 'EIA Directive') as amended	**Yes / No**
A.1.1. Is the operation listed in EIA Directive annexes:	
— *Annex I to the EIA Directive (go to question A.1.2)*	
— *Annex II to the EIA Directive (go to question A.1.3)*	
A.1.2. When covered by Annex I to the EIA Directive, confirm the following:	
1) An EIA Report was prepared pursuant to Article 5(1) and Annex IV of the EIA Directive	
2) The Decision of the competent authority concluding the EIA process [1] *was made available to the public (if already available).*	
A.1.3. When covered by Annex II of the EIA Directive:	
1) If an EIA has been carried out, please confirm the points listed under point A.1.2	
2) If an EIA has not been carried out, please confirm that the determination required in Article 4(5)(b) [2] *of the EIA Directive (often referred to as 'a screening decision') was made available to the public (if available).*	
A.2. Application of the Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora (1) (Habitats Directive); assessment of effects on Natura 2000 sites	
A.2.1. Was the operation subject to an appropriate assessment as required by Article 6(3) of the Habitats Directive? [3]	

A.2.2. If the reply to question A.2.1 is 'Yes', please confirm that the following documentation exists:	
1) the appropriate assessment carried out according to Article 6(3) of the Habitats Directive;	
2) the standard notification form 'Information to the European Commission according to Article 6(4) of the Habitats Directive', as notified to the Commission (DG Environment), if applicable and/or;	
3) an opinion of the Commission under Article 6(4) of the Habitats Directive for projects having significant impacts on priority habitats and/or species and justified by imperative reasons of overriding public interest other than human health and public safety or beneficial consequences of primary importance for the environment.	

A.2.3. If the reply to question A.2.1 is 'No', please confirm that the following documentation exists:	
1) justification why an appropriate assessment was not deemed necessary (as part of EIA decisions or as a stand-alone document);	

(1) This can take the form of a Reasoned Conclusion Article 1.2.g.iv of the EIA Directive) or the Development Consent (Article 1.2.c of the EIA Directive).
(2) Article 4(4), for screenings undertaken under the EIA Directive before its revision in 2014.
(3) When an operation is subject to an Appropriate Assessment, the Appropriate Assessment report is usually a distinct part of the EIA report and the decision of the competent authority is part of the decision concluding the EIA process. For operations where the amended EIA Directive was not applicable, there could be cases where the Appropriate Assessment report and decision of the competent authority are a separate set of documents.

Information on ESMS in financial intermediaries

It is highly recommended for financial intermediaries to develop an Environmental and Social Management System (ESMS) that is informed by internationally recognised standards and practices and is proportionate to the level of sustainability risks the institution is exposed to through its portfolio.

When assessing the capacity of the financial intermediary to deal with climate, environmental and social impacts and risks, the implementing partner could verify ([1]):

— If the financial intermediary has environmental and social policies and procedures in place;

— If sufficient staff and financial resources have been allocated to implementing the above-mentioned policies and procedures, and whether the staff have sufficient skills and competencies in the sustainability areas;

— Roles and responsibilities are clearly defined and known inside the organisation. Other departments, such as legal ad credit risk, are aware of the E&S requirements. In the best case scenario, the environmental and social risk assessment is integrated in the overall credit and risk management process (proportionate to the sustainability risk the institution is exposed to);

— Proper systems and technologies are in place to capture E&S aspects and related due diligence;

— Management is involved and periodically checks the results;

— Monitoring procedures are in place and KPIs defined;

— Track record of the financial intermediary with regards to ESG aspects.

Where relevant, the points above can be complemented by the implementing partner's own standards in this regards.

Further information and guidance can be found in the publicly available information indicated below:

https://firstforsustainability.org/risk-management/

https://www.ebrd.com/downloads/about/sustainability/14-env-social.pdf

https://www.eib.org/en/publications/environmental-and-social-standards.htm

Additional resources

The **EBRD Environmental and Social Risk Management Manual (E-Manual)** provides financial intermediaries with comprehensive material and guidance for carrying out environmental and social risk management activities for lending and investment transactions in compliance with the relevant EBRD Performance Requirements – https://www.ebrd.com/who-we-are/our-values/environmental-emanual-information.html

— Guidance for FIs on how to meet the requirements of PR 2 (Labour and working conditions)

([1]) Some information is also presented in Chapter 3.

— Guidance for FIs on how to meet the requirements of PR 4 (Health, Safety and Security)

— Principles of Employee Grievance Mechanisms for FIs

— Guidance – Introduction to E&S Risks

— Environmental and Social Management Systems (ESMS) in FIs

— Guidance – Site Visit and Checklist for FIs

— Guidance – Regulatory Compliance Checking

— Guidance – Using environmental and social experts