

Sustainability Proofing under InvestEU: Considerations and Simplification Proposals

Brussels, 10 September 2025

Introduction: Reviewing the InvestEU Sustainability Proofing Guidance

This document sets out comments and simplification proposals to the Sustainability Proofing (SP) requirements established under the InvestEU Regulation¹ (Articles 8.5 and 8.6) and the associated “Sustainability Proofing Guidance” (SPG) issued by the European Commission in April 2021². A review of the SPG was foreseen in connection with the mid-term evaluation of the InvestEU programme, as referenced in Section 1.5 of the Guidance:

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 and of the updated Non-financial Reporting Directive (NFRD), the requirements described in this Guidance might be modified in time (for both direct and indirect financing).

The mid-term evaluation was submitted in September 2024. The final report mentions (section 5.6.4):

On the positive side, sustainability proofing under InvestEU is encouraging the mainstreaming and standardisation of sustainability assessment practices among Implementing Partners and is contributing significantly to building their capacities and alignment with the EU taxonomy. On the other hand, there is insufficient clarity and Guidance, and sustainability proofing requirements can be onerous for IPs and financial intermediaries.

In line with the findings of the mid-term evaluation and based on the experience accumulated by Implementing Partners (IPs), this document puts forward a number of considerations and suggestions aimed at simplifying the implementation of the current guidance. The main objective is to identify opportunities to streamline the application of sustainability proofing, particularly where requirements may be disproportionate to the nature or scale of certain projects. Moreover, there are areas where greater clarity, flexibility, and alignment with existing internal procedures would help reduce complexity and facilitate more effective implementation. In some instances, SPG requirements have led to duplication of review processes and delays in project approval.

At the same time, we would like to acknowledge the positive contribution that the SPG has made since its introduction. The Guidance has fostered greater consistency in climate, environmental and social

¹ Regulation 2021/523 of 24 March 2021

² Commission Notice – Technical Guidance on sustainability proofing for the InvestEU Fund (2021/C 280/01)

due diligence practices across IPs and has acted many times as a driver for the development of internal ESG capacities within ELTIs. By providing a common reference point, the Guidance has also supported convergence with wider EU sustainability policies.

This document is structured as follows: Section 1 provides general comments on the overall approach and implementation of the Guidance. Section 2 offers targeted feedback on specific provisions of the SPG, aligned with its structure and numbering. Each comment identifies potential areas for clarification, simplification, or harmonization, and where relevant, suggests possible amendments or alternative formulations. The proposals reflect the practical experience of ELTI members and are intended to support a constructive dialogue with the Commission in the spirit of partnership and continuous improvement.

1. General Comments on the Sustainability Proofing Guidance

Since its adoption, the SPG has served as a valuable reference framework for integrating environmental, climate and social considerations into investment decisions under the InvestEU programme. Its introduction has contributed to greater consistency across implementing partners and supported broader mainstreaming of ESG considerations into project screening and appraisal processes.

Nonetheless, the practical application of the Guidance over the past years has revealed certain challenges. Several IPs have noted instances where the requirements are interpreted in ways that result in unnecessary complexity or administrative burden. This is especially the case for projects with limited environmental and social materiality, where the same level of proofing is applied irrespective of risk level or transaction type. As a result, the proportionality principle – recognized in the SPG – can sometimes be difficult to implement.

IPs share the objective of “raising the bar” as stated in the Sustainability Proofing Guidance states (section 1.2), but think the Guidance should allow more flexibility, which could be introduced by:

- Relying some assessments on different processes (i.e. existing processes from IPs),
- Reducing the number of criteria to be evaluated for small scale projects or those with limited environmental impact,
- Applying a proportional approach depending on the size and complexity of the project

Further, some IPs have observed ambiguity in specific provisions of the Guidance, particularly where terminology of thresholds is open to differing interpretations. This can result in diverging practices across institutions, potentially undermining the harmonization objective and creating uncertainty for project promoters, intermediaries, and internal teams. Moreover, the interface between the SPG and other relevant EU frameworks – such as the EU Taxonomy and the Environmental Impact Assessment Directive – would benefit from clearer articulation.

In light of these observations, there is consensus among IPs on the need for targeted updates to the Guidance that preserve its core objectives while enhancing clarity, proportionality and operational workability.

2. Specific Comments on the Sustainability Proofing Guidance

The following section presents a set of targeted comments on selected provisions of the SPG. These observations are based on practical experience of IPs during the first years of implementation. Each comment identifies an issue encountered in the application of the Guidance, proposes a concrete change or clarification, and explains the rationale behind the suggested adjustment.

SPG Section 1.1: Scope

Guidance	Comment
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.	When an IP finances a large-scale operation composed of multiple smaller sub-projects – often across different locations and sectors- it is neither efficient nor proportionate to require SP for every individual component. The IP should be permitted to conduct a detailed assessment of the potential climate, social and environmental impacts only on the most material or risk-relevant sub-projects, or alternatively at corporate level, where appropriate. <u>Amendment suggested:</u> In case of an operation consisting of several sub-projects, the SP should be required only for the most relevant investments, identified based on risk or materiality. In such cases, the assessment may be supplemented by a review of the company ESG policies, in line with the approach set out in Section 2.7 on General Purpose Financing³.

SPG Section 1.2: Legal compliance

Guidance	Comment
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.	This is a broadly defined obligation. When projects are located within the EU, compliance with applicable European legislation is validated by national and local authorities. The scope and method of legal compliance should be left to IPs to carry out legal verifications (e.g. permits) in line with their standard rules and procedures.

³ “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...”

(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.	<u>Amendment suggested:</u> The scope and method of legal compliance should be left to IPs to carry out legal verifications (e.g. permits) in line with their standard rules and procedures.
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SPG Section 1.3: Thresholds

Guidance	Comment
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: 1. For direct operations: a. For (investment) projects, based on total project investment cost, the threshold is: EUR 10 million. 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. 2. 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.	Based on the two years of practical implementation, the current threshold of EUR 10 million is viewed as disproportionately low for a wide range of low-risk or small-scale operations. IPs suggest revisiting the threshold level to improve proportionality and administrative efficiency. A revised threshold of EUR 50 million would strike a more appropriate balance between ensuring meaningful sustainability scrutiny and avoiding unnecessary procedural burden, particularly for smaller promoters or projects with limited environmental materiality. In addition, IPs would welcome a dialogue on the possibility of introducing sector-specific thresholds, recognizing that environmental and social materiality varies significantly across sectors. Calibrating thresholds accordingly could enhance efficiency while preserving the efficacy of the SPG. <u>Amendment suggested:</u> 1. For direct operations:

	a. For (investment) projects, based on total project investment cost, the threshold should be increased to a total project cost of EUR 50 million. Unless subject to EIA, where the sustainability proofing would remain applicable. b. For general corporate finance or direct equity investments, based on total financing provided by the IPs to the final recipient, the threshold is EUR 50 million. 2. For intermediated operations: For infrastructure funds, the EUR 50 million threshold is also considered appropriate.
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SPG Section 2.2.4.1: Screening for climate resilience – adaptation to climate change

Guidance	Comment
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).	To support a more harmonised and efficient application of the vulnerability analysis, it would be helpful to provide a non-binding list of recommended public databases and tools that can be used to source relevant climate hazard and exposure data. Such guidance would promote consistency across IPs, facilitate the identification of climate related risks, and help ensure comparability of results while respecting institutional flexibility.

SPG Section 2.2.5.1: Screening for climate change mitigation

Guidance	Comment / suggestion
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 CO₂e/year (positive or negative) - Relative emissions greater than 20,000 tonnes CO₂e/year (positive or negative)	To improve proportionality and align with thresholds used by other international financial institutions e.g.: EIB, EBRD, IFC, it is recommended to raise the threshold from 20,000 tonnes to 100,000 tonnes CO₂e/year. A review of project pipelines across several IPs indicates that the current threshold of 20,000 tonnes is frequently triggered by mid-sized infrastructure or projects with positive climate

(and throughout the rest of the Guidance)	impacts. This results in extensive work with limited added value. A revised threshold would ensure that carbon footprint assessments are focused on operations where emissions are most material, enhancing the cost effectiveness and impact of sustainability proofing. <u>Amendment suggested:</u> - Deleting “or negative” to harmonize approaches. - Replace 20,000 tonnes with 100,000 tonnes, in line with IFI benchmarks and internal practices of several implementing partners.
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SPG Section 2.2.5.2: Carbon footprinting and monetisation of GHG emissions

Guidance	Comment
Table 2: Shadow cost of carbon for GHG emissions and reductions in €/tCO ₂ e, 2016-prices	Regular updates on the Shadow cost would be welcome to better reflect the market situation.

SPG Section 2.4: Social Dimension

In some Members States with strong and well-enforced social legislation, screenings often indicated low levels of social risk. In these instances, IPs found it more relevant to focus on positive social impact – for example through the positive agenda checklist.

It may be worth considering whether, in such contexts, the social dimension could be approached more flexibly to reduce extensive assessments, for example by allowing simplified screening where appropriate, while placing greater emphasis on social impact.

SPG Section 2.6: Economic appraisal of operations

Guidance	Comment
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	Economic appraisal represents a distinct analytical exercise from sustainability proofing, with a different scope and objective. While CBA and CEA can be valuable in certain contexts – including large-scale infrastructure investment –

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.	they are often less applicable to smaller or non-infrastructure operations. In such cases, the use of economic appraisal may introduce additional complexity, costs, and delays, without delivering commensurate benefits. The methodologies involved can be resource-intensive and may not yield meaningful insights for all types of projects. <u>Amendment suggested:</u> The decision to conduct an economic appraisal should be left to the professional judgement of the IP.
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SPG Section 4.2.4: Reporting to the Commission

Guidance	Comment
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. 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	The SP summary is submitted to the InvestEU Investment Committee, which takes it into account when deciding to approve (or not) an operation. The SP is an ex-ante assessment. The sustainability proofing summaries remain available at any point in time on request by the Commission. The reporting requirements set out in this section of the SPG do not align with other policy documents under the InvestEU programme. For example, point 4 is already a KPMI for infrastructure projects (annex III of InvestEU Regulation) and should suffice. The annual operational report considers the KPMIs in accordance with the InvestEU regulation. IPs do not perceive the benefits of reporting under the sustainability proofing process. <u>Amendment suggested:</u> To delete the annual reporting obligation related to the Sustainability Proofing summary.

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. CO₂ –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.

Final Remarks and Next Steps

The implementation of the Sustainability Proofing Guidance under InvestEU represents a significant step forward in embedding environmental, climate and social considerations into investment decisions consistently across IPs. The experience gained during the first years of implementation has demonstrated the value of a common framework while also highlighting areas where further clarification and simplification would enhance its effectiveness.

This document has outlined a series of constructive proposals aimed at streamlining the application of the Guidance, promoting proportionality, and fostering better alignment with existing regulatory

frameworks and institutional practices. These proposals are rooted in the operational experience of ELTI members and reflect a shared commitment to the core objectives of sustainability proofing.

As the next step, we would welcome the opportunity to engage in a dialogue with the Commission to explore these suggestions in more detail. This could include technical exchanges, bilateral consultations, or a dedicated working session. Our intention is to contribute actively to the forthcoming review process, with a view to ensuring that the updated Guidance remains robust, clear, and implementable across the diversity of Implementing Partners operating under the InvestEU Programme. We hope this contribution will serve as a constructive input to the evolution of the Sustainability Proofing framework and look forward to continued collaboration.



The European Association of Long-Term Investors (ELTI)

ELTI members represent a European-wide network of National Promotional Banks and Institutions who offer financial solutions tailored to the specific needs of their respective country and economy. Multilateral financial institutions complement the activities at national level with specific cross-border solutions or investments with a European impact. Following the specific public mission of each member the business model of each institution differs from country to country including different products and approaches. This is the same for multilateral ELTI members. Most of the members offer various debt-products but not all members have a mandate for investment in equity; 12 of them are InvestEU implementing partners.

The 33 members of the European Long-Term Investors Association (ELTI) a.i.s.b.l. are major long-term investors and represent a combined balance sheet of EUR 2,9 trillion. The Association promotes and attracts quality long-term investment in the real economy.

The Full Members of ELTI are generally national official financial institutions dedicated to the promotion of public policies at national and EU level⁴. The European Investment Bank (EIB) as the status of a permanent observer. ELTI also includes Associate Members notably multilateral financial institutions, regional financial institutions and non-banking institutions⁵.

The European Bank for Reconstruction and Development (EBRD)

The EBRD is a multilateral bank that promotes the development of the private sector and entrepreneurial initiative in nearly 40 economies across three continents. The Bank is owned by 79 countries, as well as the European Union and the European Investment Bank. EBRD investments are aimed at making the economies in its regions competitive, well governed, green, inclusive, resilient and integrated.

⁴ Oesterreichische Kontrollbank (OeKB) Austria, Federal Holding and Investment Company (SFPIM) Belgium, Bulgarian Development Bank (BDB) Bulgaria, Croatian Bank for Reconstruction and Development (HBOR) Croatia, National Development Bank-CZ (NDB CZ) Czech Republic, Export and Investment Fund of Denmark (EIFO) Denmark, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, Hellenic Development Bank (HDB) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, Invest in Lithuania (ILTE) Lithuania, Société Nationale de Credit et d'Investissement (SNCI) Luxembourg, Malta Development Bank (MDB), Malta, Invest-NL Netherlands, Bank Gospodarstwa Krajowego (BGK) Poland, Banco Português de Fomento (BPF) Portugal, Banca de Investiții și Dezvoltare (IDF), Romania Slovak Investment Holding (SIH) Slovakia, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Credito Oficial (ICO) Spain

⁵ Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), Participatiemaatschappij Vlaanderen NV (PMV) Belgium, Wallonie Entreprendre (WE), Belgium, NRW.Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, Investment and Development Fund (IDF) Montenegro, Türkiye Sinai Kalkınma Bankası (TSKB) Turkey