



EU Platform on Sustainable
Finance

**Streamlining
Sustainable Finance
for SMEs**

March 2025

EU PLATFORM ON SUSTAINABLE FINANCE

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DISCLAIMER

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The inclusion of market practices in this report cannot be construed as their endorsement or validation, in particular for the purpose of assessing Taxonomy alignment of exposures or use of proceeds by the PSF, the ESAs, nor the European Commission. The market practices described in the Annex to this report shall not be deemed to be automatically compliant with the legal obligations under the Commission Delegated Regulation (EU) 2021/2178 or other relevant EU legislation or Commission guidance documents.

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Executive Summary

Small and Medium-sized Enterprises (SMEs) are pivotal to Europe’s sustainability transition, estimated to contribute over 50% of the EU’s GDP and more than 63% of enterprise CO₂- and broader GHG emissions. The transition to a net zero, resilient, and environmentally sustainable economy hinges on SMEs’ ability to access the necessary financing to decarbonise, build their climate-resilience, green their operations, and develop sustainable products and services. Despite their critical role, SMEs face significant challenges in accessing external financing for their sustainability efforts.

Most SMEs finance sustainability projects themselves rather than through external financing. When external financing is sought, bank loans are the most common type. The low level of external financing sought and/or classified as sustainable, can be explained by a variety of issues in relation to accessing green and sustainability-related financing, ranging from high minimum loan sizes, complex regulatory requirements, insufficient awareness among SMEs, a lack of harmonised definitions for green or sustainable loans at the EU level, and a lack of sustainability-related data reported by SMEs, including Taxonomy-related data. Given that the Taxonomy requirements and criteria are perceived to be difficult for SMEs to comply with, most do not voluntarily use the Taxonomy as a framework to demonstrate the environmental sustainability of their activities. Yet, the Taxonomy is becoming increasingly the norm in the EU for classifying and accessing green finance, with Taxonomy-related information requests trickling down to SMEs from value chain partners or financiers.

To address these challenges, the Platform proposes a tailored streamlined approach – “the SME sustainable finance standard” – to be used by banks and other financiers to classify the loans or other type of financing they provide to SMEs as sustainable (green or transition) finance and simplify any related voluntary reporting. This standard does not take into account the Omnibus proposals¹ regarding the potential use of the SME sustainable finance standard by companies that are not SMEs. Regardless of the outcome of the legislative process, some SMEs may wish to voluntarily report² against the Taxonomy to access green finance – as a few already do – particularly if the Taxonomy criteria and reporting requirements are simplified following the draft Delegated Regulation amending the Taxonomy Delegated Acts and their subsequent review. Even then, the Taxonomy may not be suitable for all SMEs.

¹ https://commission.europa.eu/news/commission-proposes-cut-red-tape-and-simplify-business-environment-2025-02-26_en.

² The term reporting does not necessitate public disclosure but rather providing information on a bilateral basis to a financial institution or supply chain partner.

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Therefore, the SME sustainable finance standard is proposed as a tool tailored to SMEs' needs and capabilities, helping them access sustainable finance (particularly transition finance)³. The Platform also believes that the SME sustainable finance standard could serve as a useful tool for listed SMEs, should they no longer be required to report against the Taxonomy.

The objective of the SME sustainable finance standard is to provide SMEs with a framework to help them demonstrate their climate-related sustainability efforts and thereby more easily access external financing for these efforts. The standard focuses as a first stage on climate change mitigation and adaptation objectives and distinguishes between:

1. **Activities:** consisting of activities listed in the Taxonomy Climate Delegated Act, as well as other activities not included, but which may be considered in the future. For those activities not included, they can only be considered if they are included on a list of well-recognised labels and certifications pre-defined by the European Commission, which can serve as a proxy for their climate-related sustainability credentials in line with the proposed criteria (see Section 2.1).
2. **Enterprises:** consisting of (a) SMEs which have recently incorporated in their business model climate-related practices that pursue the transition to a sustainable economy; or (b) an SME holding a climate-related certificate from a pre-defined list (Section 2.2).
3. **Investments:** consisting of projects and measures that target activities under point 1 as well as other activities not included under point 1, and projects and measures for which simple and robust criteria have been developed (see Section 2.3).

For activities under 1) consisting of activities listed in the Taxonomy Climate Delegated Act, it is recommended to make them more accessible and easier to use for SMEs. Such simplification is recommended to entail: grouping similar activities to reduce the number of activities to assess and potential reporting lines; removing ambiguity in wording used; clarifying references to EU legislation such as highlighting in the proposed online tool the national transposed legislation when applicable to SMEs and the key points from these referenced legislations; clarifying references to other sections of the Taxonomy; clarifying the use of NACE codes and that these should not be considered as the only useful classification for SMEs' economic activities; and simplifying the life-cycle assessment requirement.

³ The Platform notes that there may be ways to further identify green finance as part of the wider transition finance concept.

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To ensure that the sustainable finance provided to the SME adheres to minimum environmental and social safeguards, the following elements are proposed:

- 1) As a first and self-evident element, the SME complies with applicable laws of which it is in scope.
- 2) As a second element, the SME cannot finance activities in the excluded sectors defined in the EU Benchmark Regulation for Paris-Aligned Benchmarks and in case of general-purpose finance, the SME itself cannot fall under these excluded sectors or provide dedicated services or products for an excluded activity. In case the SME sustainable finance standard in the future is extended beyond climate objectives, these exclusions need to be extended.
- 3) As a third element, the SME should report on the sustainability indicators of the simplified voluntary reporting standard which is proposed in the Omnibus package to be developed by the European Commission based on the VSME standard. The Platform recommends to keep the VSME's modular approach in this voluntary reporting standard, whereby for microenterprises it would suffice to report at a to-be-defined performance level on the indicators in the Basic Module and larger SMEs would be expected to report on indicators similar to those from the VSME standard Comprehensive Module related to having in place due diligence with regards to human rights policies and processes (C 6) and severe negative human rights incidents (C 7).

This entity-level approach, in combination with a focus on the main activity of the SME, or on what measures or investments are being financed under the SME sustainable finance standard, supports SMEs in their progressive climate-related sustainability efforts given that it fits their current capabilities. Overtime, the SME sustainable finance standard would need to be expanded to the remaining Taxonomy objectives and reviewed in order to reflect relevant progress and changes in the market.

The SME sustainable finance standard is suggested to be used for both debt and equity finance. The Platform distinguishes between known use of proceeds finance, which supports a specific project or initiative, and general-purpose finance, where the exact use of the financing is typically unspecified, but the company's activities or business model are known to the financier. It is proposed to develop an online support tool to help SMEs assess their own and their investments' eligibility under the SME sustainable finance standard. In case of general-purpose finance, none of the activities of the SME is allowed to be an activity included in the fossil fuel- or other exclusions from the Paris-Aligned Benchmarks as specified in the EU Benchmark Regulation.

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The proposed standard aims to support SMEs in accessing external financing for their sustainability efforts and at the same time, to help the financial sector in assessing and voluntarily reporting on such financing with reduced complexity and administrative burden. While SMEs should be transparent about their exact turnover or expenditures related to activities when voluntarily reporting, certain materiality considerations should be allowed for financial institutions when financing SMEs or their projects falling under the standard. This is particularly important for loan products and would allow for limited auxiliary costs or side activities to be included under one loan agreement with the same conditions, without requiring the financier to assess separately minority activities or the SME to request separate loans. This is proposed to be based on the main activity (the activity which forms between 90% and 100% of the SME's turnover in case of general-purpose finance, or expenditures in case of known use of proceeds finance). In terms of their own voluntary reporting, SMEs can report key performance indicators (KPIs) based on the SME sustainable finance standard. In the future, financial market participants and companies in the SMEs' value chain could use the SME sustainable finance standard reporting as inputs to their sustainability-related communication.

The proposed standard aims to make it easier for SMEs to access external financing for their climate-related sustainability efforts by reducing the complexity of verification and reporting requirements through providing for a framework allowing SMEs to demonstrate the climate-related efforts of their activities, investments or enterprise. By providing clear guidance, support tools, and simplified criteria, the standard aims to enhance SMEs' access to climate-related sustainable finance and thereby support them in their transition towards low-carbon practices, ultimately contributing to the EU's net zero goals. These measures will help bridge the gap between SMEs and sustainable finance, ensuring that SMEs can play their essential role in Europe's climate-related sustainability transition, and the financial sector can more easily identify and support such investments and companies. The Platform recommends extending the standard to the four remaining Taxonomy environmental objectives at the earliest convenience.

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1. Introduction

Small and Medium-sized Enterprises (SMEs) play a vital role in Europe's sustainability transition, contributing collectively to more than 50% of the EU's GDP and 63%⁴ of all CO₂ and other greenhouse gas (GHG) emissions by enterprises. The transition to a net zero, resilient and environmentally sustainable economy will not be achieved without the transition of SMEs. It is therefore essential that SMEs have access to the necessary financing to decarbonise, green their operations, and develop sustainable products and services.

Both the European Commission and the Platform recognise the challenges SMEs face in accessing sustainable finance. The Eurobarometer survey (2024)⁵ shows that more than 90% of SMEs are implementing resource-efficiency measures and a survey conducted by Eurochambres and SMEUnited among SMEs in 2023⁶ for the [Platform Compendium report](#) also found that a majority (58%) of surveyed SMEs have already invested in projects aimed at making sustainability-related improvements. However, the survey shows that most (65%) of these SMEs financed the projects themselves rather than through external financing, as is the case also for the financing of other, non-sustainable, projects by SMEs in the EU. Of external financing, bank loans were the most common type of financing sought. The low level of external financing sought by SMEs for their sustainable projects could be explained by a variety of issues in relation to accessing green and sustainability-linked financing, ranging from high minimum loan sizes, complex banking regulation, insufficient awareness among SMEs, no harmonised regulatory green or sustainable loan definition at EU-level, and a lack of sustainability-related data reported by SMEs, including Taxonomy-related data.

The EU Taxonomy Regulation is a core component of the EU sustainable finance regulatory framework, defining the conditions under which the economic activities included therein are considered environmentally sustainable, and requiring disclosures from financial and non-financial corporations on their alignment with the specific technical screening criteria. Given that unlisted SMEs already fall outside the scope of the Taxonomy Regulation and also listed SMEs will go forward based on the recent Omnibus proposals, coupled with the fact that the Taxonomy is perceived to be generally difficult for SMEs to comply with, most SMEs do not voluntarily use the Taxonomy as a framework to demonstrate the environmental sustainability of their activities. Yet, the Taxonomy is becoming increasingly the norm and an effective tool to access sustainable finance, and SMEs can be affected by

⁴ [Eurobarometer: EU SMEs working towards sustainability - European Commission \(europa.eu\)](#).

⁵ [Eurobarometer: SMEs, resource efficiency and green markets – European Commission \(europa.eu\)](#).

⁶ [SME experiences with finance and sustainable investment survey \(eurochambres.eu\)](#).

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Taxonomy-related information and performance requests trickling down from value chain partners or as clients⁷.

Therefore, to address the challenges SMEs face in greening their activities and in accessing sustainable finance, the Platform proposes to develop a streamlined approach to the use of the Taxonomy and to sustainability performance and reporting that is fit for SMEs – “the SME sustainable finance standard”. The standard takes into account the principle of proportionality, while aiming to support SMEs’ efforts to transition to net zero and reach environmental sustainability. As a first step, the work focuses on the climate change mitigation and climate change adaptation objectives. Work on the remaining environmental objectives should be considered at the earliest convenience. When the Taxonomy Disclosures, Climate and Environment Delegated Acts have been reviewed, the part of the SME sustainable finance standard that is strictly limited to Taxonomy eligible activities should be checked to ensure compatibility.

The SME sustainable finance standard provides for a framework on the basis of which SMEs could work towards and demonstrate the climate-related sustainability of their activities. The standard has implications for SMEs’ voluntary Taxonomy- and sustainability-related reporting. Chapter 2 discusses the standard, while Chapter 3 goes into the implications for reporting.

2. The SME sustainable finance standard (transition finance)

The SME sustainable finance standard proposes a simple and easy-to-use framework, that is recommended to be accompanied by a support tool, to give SMEs the opportunity to engage in credible sustainability efforts. It aims to recognise SMEs’ climate-related sustainability efforts outside of the Taxonomy Regulation, while consisting of simplified key metrics of the Taxonomy substantial contribution technical screening criteria, where those exist for the activities in question. This means that the SME sustainable finance standard is

⁷ According to the survey conducted among 4,404 SMEs in the DG GROW study, 43% of medium-sized SMEs, 31% of small SMEs and 8.5% of micro enterprises were requested in 2022 to disclose sustainability information by different types of counterparts (banks, client companies, insurance companies, public administration bodies, NGOs and other financial institutions). Similarly, according to the survey conducted among 1,866 SMEs by Eurochambres in 2023, 35% of medium-sized SMEs, 20% of small SMEs and 9% of micro enterprises indicated that they were subject to indirect sustainability reporting demands. Eurochambres and SMEunited survey available here: <https://www.eurochambres.eu/publication/access-to-sustainable-finance-for-smes-a-european-survey/>. Currently, this trickle-down effect gains momentum. However, going forward, this is likely to be reduced if the value chain cap from the Omnibus proposal will limit the amount of information large companies can ask from companies which are outside the scope of CSRD (including SMEs).

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distinct from and less strict than the requirements under the Taxonomy Regulation Climate Delegated Act and therefore entities subject to this standard cannot qualify themselves, their investments or their entities as Taxonomy-aligned. Although the SME sustainable finance standard is distinct from the Taxonomy, the Taxonomy's Do No Significant Harm (DNSH) and Minimum Safeguards principles were used as inspiration to propose a way to ensure that SMEs at entity-level adhere to minimum environmental and social safeguards. The SME sustainable finance standard could be used as the basis for the definition of sustainable finance both for debt and equity finance. For example, for the definition of green and transition loans which the European Banking Authority has recommended for consideration by the European Commission⁸.

The proposals reflected in the SME sustainable finance standard take into account different studies, recommendations, surveys, and existing SME financing practices, in particular: the recommendations made in two recently published studies by the European Commission's DG FISMA⁹ and DG GROW¹⁰, the Statement by the Chair of the Platform on facilitating access to sustainable finance for SMEs¹¹, a survey conducted by Eurochambres and SMEUnited among SMEs in 2023¹², the Commission's Recommendation on facilitating finance for the transition to a sustainable economy¹³ (in particular Article 13 and 14) from 2023, the SME Relief Package published by the Commission in 2023¹⁴, and existing sustainable finance criteria and products targeting SMEs, such as the European Investment Fund (EIF) Sustainability Guarantee¹⁵ and European Investment Bank (EIB) Green Checker¹⁶, which were set up with the backing of the Commission's InvestEU programme.

⁸ <https://www.eba.europa.eu/publications-and-media/press-releases/eba-proposes-voluntary-eu-green-loan-label-help-spur-markets>.

⁹ European Commission, Directorate-General for Financial Stability, Financial Services and Capital Markets Union, Evaluation of potential simplification mechanisms for SMEs to demonstrate EU taxonomy-alignment – Final report, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2874/762220>.

¹⁰ European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Giannotti, E., Bolognini, A., Pal, T., SME disclosure on taxonomy alignment – Cost/benefit analysis – Final report. Volume 1, Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2873/48775>.

¹¹ [Statement by the Chair of the Platform on Sustainable Finance: Facilitating access to sustainable finance for SMEs \(europa.eu\)](#).

¹² [SME experiences with finance and sustainable investment survey \(eurochambres.eu\)](#).

¹³ [Commission Recommendation \(EU\) 2023/1425 of 27 June 2023 on facilitating finance for the transition to a sustainable economy \(europa.eu\)](#).

¹⁴ https://single-market-economy.ec.europa.eu/publications/sme-relief-package_en.

¹⁵ [InvestEU Sustainability Guarantee \(eif.org\)](#).

¹⁶ <https://greenchecker.eib.org/>.

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The SME sustainable finance standard focuses as a first stage on climate change mitigation and climate change adaptation objectives but goes beyond activities currently included in the Taxonomy and distinguishes between:

1. **Activities:** consisting of activities listed in the Taxonomy Climate Delegated Act, as well as other activities not included, but which may be considered in the future. For those activities not included, they can only be considered if they are included on a list of well-recognised labels and certifications pre-defined by the European Commission, which can serve as a proxy for their climate-related sustainability credentials in line with the proposed criteria (see Section 2.1).
2. **Enterprises:** consisting of (a) SMEs which have recently incorporated in their business model climate-related practices that pursue the transition to a sustainable economy; or (b) an SME holding a climate-related certificate from a pre-defined list (Section 2.2).
3. **Investments:** consisting of projects and measures that target activities under point 1 as well as other investments and measures not included under point 1 but for which simple and robust criteria have been developed (Section 2.3).

The SME sustainable finance standard aims to support SMEs in accessing external financing for their existing or future climate-related sustainability efforts, and at the same time, to help the financial sector in assessing and voluntarily reporting such financing as sustainable by reducing complexity and administrative burden.

For the SME using the standard, it could start off with assessing whether its activity is included in the list of activities (as defined under point 1 above) and complies with the criteria for that activity. If so, its activity qualifies under the SME sustainable finance standard. If not, it could go on to assess whether at entity-level it can evidence that it qualifies under the enterprise criteria (as defined under point 2 above). If so, it qualifies under the SME sustainable finance standard. If not, it could go on to assess whether its investment is included in the list of investments (as defined under point 3 above) and complies with the criteria for that investment. If so, it qualifies under the streamlined SME sustainable finance standard. This logic is described in Chapter 3, Figure 1 below.

In terms of providing finance, the SME sustainable finance standard applies, regardless of whether debt or equity finance is being provided. The Platform distinguishes between known use-of proceeds finance where the financing is supporting a concrete project or measure, and general-purpose finance, where the exact proceeds are not known but the company and its activities or business model are known to the financier.

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In case of general-purpose finance, the total amount of the financing provided to the SME would qualify under the SME sustainable finance standard if:

- a. the SME's main activity is included in the list of activities (as defined under point 1 above), or
- b. the SME can evidence that it qualifies under the enterprise criteria (as defined under point 2 above).

In these cases, none of the activities of the SME is allowed to be an activity included in the fossil fuel- or other exclusions from the Paris-Aligned Benchmarks as specified in the EU Benchmark Regulation¹⁷.

For known use of proceeds finance the financed investment would qualify under the SME sustainable finance standard if:

- a. that investment in a project/measure is an activity that is included in the list of activities (1), or
- b. it is an investment (3) targeting one or more activities (1), regardless of the SME's own economic activity.

This logic is further detailed in Chapter 3, Figure 2 below. For the definition of main activity, please also see Chapter 3.

2.1 Activities

2.1.1 Activities included in the Taxonomy Climate Delegated Act

The first set of criteria for SMEs is based on the Taxonomy-eligible activities included in the Taxonomy Climate Delegated Act.

The below provides seven recommendations on how to simplify the existing substantial contribution technical screening criteria and description of the eligible activities to better fit the capabilities and economic realities of SMEs. The Platform in its next configuration will work on a more detailed proposal at activity-level for the European Commission based on

¹⁷ Excluded are companies which: derive revenue from any activity related to controversial weapons, namely those referred to in the [SFDR Regulatory Technical Standards](#) (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); cultivation and production of tobacco; companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; derive 1% or more of their turnover directly from exploration, mining, extraction, distribution or refining of hard coal and lignite; 10% or more of their turnover directly from the exploration, extraction, distribution or refining of oil fuels; 50% of their turnover directly from the exploration, extraction, manufacturing or distribution of gaseous fuels; and 50% of their turnover from electricity generation with a GHG intensity of more than 100g CO₂e/kWh.

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existing reports and products and could work on developing a proposal for the remaining four environmental objectives.

Recommendation 1: Group similar activities to reduce the number of activities to assess/potential reporting lines. Some of the activities included in the Taxonomy are spelled out separately, while in fact they are similar in nature and have the same or overlapping underlying technical screening criteria. It is therefore recommended to group such activities in order to reduce the number of activities to be assessed as well as potential reporting lines. Examples of this would be to group the different activities related to solar energy (4.1, 4.2, 4.17, and 4.21), construction and ownership of buildings (7.1 and 7.7) and manufacture of technologies/appliances related to buildings (7.3, 7.4, 7.5, and 7.6).

Recommendation 2: Remove to the extent possible ambiguity in wording used. Some of the criteria in the Taxonomy use wording and concepts that are perceived to be unclear or open to interpretation, such as “key components”, “may” or “substantial”. In order to make it as clear as possible to SMEs what the criteria require, it is recommended to remove ambiguity in the wording used, and where possible, refer to concrete measurable criteria. For example, the use of “key components” in activity 3.5 on manufacture of energy efficiency equipment for buildings, for which in the list of streamlined activities to be developed it could be specified in more detail what features these key components should have in order to be captured as “key” and how adherence to the criteria could be assumed or evidenced when the SME is not responsible for manufacturing the final product. It is recommended to look here also at the list of PRODCOM¹⁸ codes for climate-related products and if these could be considered for identifying aligned activities. Another example is the use of “substantial” GHG reductions or life-cycle GHG emission savings in activities 3.4, 3.6, 3.20, and 9.1, for which the comparison is made in reference to other economic activities. The word “substantial” could be translated into a concrete percentage (e.g. 20% reduction in GHG emissions).

Recommendation 3: Clarify references to EU legislation. Some of the Taxonomy criteria refer to definitions as included in other EU legislation, rather than spelling out what these definitions are in the criteria text directly. In other instances, the EU directives are included without a specification that what is applicable are the national measures implementing said directives. Given that it would be difficult for SMEs to go through these EU legislations to look up the definitions, it is recommended on a case-by-case basis and where applicable to explore how the key points from legislations and from the individual Member States’ national or local legislation in which they have been transposed could be dynamically included in the online tool proposed in section 2.6, which could then also include information on whether

¹⁸ More information available here: [Overview - Eurostat \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1).

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specific criteria are already (automatically) fulfilled under EU or national legislation. Examples of Taxonomy activities to which this recommendation applies are vehicles (3.3, 3.18, 6.5, and 6.6), underground storage of CO₂ (5.12), and most manufacture-related activities, such as manufacture of high, medium and low voltage electrical equipment (3.20).

Recommendation 4: Clarify references to other sections of the Taxonomy. Besides references to EU legislation, some Taxonomy criteria refer to other sections of the Taxonomy for the definition of certain concepts. In order to enhance comprehensibility and simplify the use of the criteria, it is recommended to explore how the key points from the activities to which the reference is made could be dynamically included in the online tool proposed in section 2.6. Examples of Taxonomy activities to which this recommendation applies are installation and operation of electric heat pumps (4.16), electricity, co-, or heat/cool generation from renewable non-fossil gaseous and liquid fuels (4.7, 4.19, and 4.23) and from bioenergy (4.8, 4.20, and 4.24), storage of hydrogen (4.12) and storage of electricity (4.10).

Recommendation 5: Modify references to “highest two populated classes” of labels. Some Taxonomy criteria include references to “highest two populated classes” applicable to certain labels, which are defined in other EU legislations and/or supporting EU documentation. Rather than requiring the SME to go through these materials to define what the highest two populated classes are at a given moment in time for the specific activity they are engaging or investing in, it is recommended to simplify by providing, for example in the tool proposed in section 2.6, the exact energy labels corresponding to the highest two populated classes. In addition, and in order to avoid that the highest energy class products would be considered ineligible, it is proposed to amend the wording to “rated in the highest two populated classes, or the highest class”. In terms of practical usability of the criteria, it would be important to have fixed criteria which could be reviewed and updated if needed from time to time. This recommendation applies to the Taxonomy activities on the manufacture of energy efficiency equipment for buildings (3.5), and on installation, maintenance and repair of energy efficiency equipment (7.3).

Recommendation 6: Clarify the use of NACE codes and that these should not be considered as the only useful classification for SMEs’ economic activities. While for some types of SMEs the use of NACE codes could be useful and accurate in classifying their activities under the SME sustainable finance standard (such as identifying certain types of manufacturing companies based on the company's main activity), they might not be in all cases. This is because not all types of economic activities can be properly classified with a NACE code, as is for example the case with new activities from innovative green-techs or building renovation. It was found in the DG GROW study that of the approximately 30.7 million SMEs in the EU in 2021, only 47% (or 14.3 million SMEs) were directly eligible under

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the EU Taxonomy based on the NACE codes referenced in the Climate and Environmental Delegated Acts. It would thus be recommended to clarify that regardless of the registered NACE code(s) of the SME, its activities could qualify under the SME sustainable finance standard based on the past year's relevant turnover or based on capex investments. Also, other classification systems for economic activities, such as the previously mentioned PRODCOM codes, could be considered for identifying eligible activities.

Recommendation 7: Simplify the Life-Cycle Assessment (LCA) requirement. Several climate mitigation technical screening criteria (3.6, 3.10, 3.13, 3.14, 3.17, 4.5, 4.6, 4.7, 4.18, 4.19, 4.22, 4.23, 8.2, and 9.1) require undertaking an LCA. Both the DG FISMA and DG GROW studies have identified a number of issues for SMEs in undertaking this assessment, ranging from limited data availability, high costs associated with involving data providers and external services, unclear requirements and a lack of established methodologies. To ensure that SMEs can manage these issues, it is recommended to develop simpler LCA guidelines for SMEs with step-by-step guidance, ideally supported by an online free-to-use tool to be able to perform such assessment for their activity or product¹⁹. It is recommended to also develop a simpler approach to the third-party verification requirement, which is part of some of the criteria requiring an LCA.

2.1.2 Activities not included in the Taxonomy Climate Delegated Act

SMEs may also undertake economic activities or develop and produce products which are not included in the Taxonomy Climate Delegated Act while they are still aimed at making climate change mitigation-related improvements. To capture these types of SMEs based on their activities, the Platform proposes to also include alternative ways to identify them in the SME sustainable finance standard in addition to only turnover. These alternative ways are considered in particularly helpful for supporting innovation and research for activities not included in the Taxonomy, and for the financial sector to easily identify these activities as aligned with the SME sustainable finance standard.

¹⁹ To be noted that activity 9.2 research, development and innovation in direct air capture of CO₂ already allows for a simplified life-cycle GHG emissions evaluation when the researched, developed or innovated technology, product or other solution is at technology readiness level 1 to 7. In such a case, life-cycle GHG emissions are evaluated by the entity demonstrating one of the following, and where applicable: (i) a patent not older than 10 years associated with the technology, product or other solution, where information on its GHG emission reduction potential has been provided; (ii) a permit obtained from a competent authority for operating the demonstration site associated with the innovative technology, product or other solution for the duration of the demonstration project, where information on its GHG emission reduction potential has been provided. For those research activities up to TRL 7 the GHG emissions reduction potential might also be demonstrated by performing a self-assessment by following international recognized generic LCA guidance, such as given in the ILCD Handbook General guide for LCA <https://eplca.jrc.ec.europa.eu/uploads/ILCD-Handbook-General-guide-for-LCA-DETAILED-GUIDANCE-12March2010-ISBN-fin-v1.0-EN.pdf> or self-assessment climate change tools accepted by national or regional authorities.

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The below provides an overview of an initial list of such activities. These are proposed in addition to activities which have been proposed under the stakeholder request mechanism.

Activity	Description and criteria
Prize and/or public support previously received for its main activity	SME has been awarded within the last 3 years a clean-tech or “green” prize <u>from a pre-defined list of climate-related awards approved by the Commission</u> (example available here) which corresponds to the turnover the SME derives from its main activity (or its business plan in case it is a pre-revenue company) and <u>the purpose of the financing sought is to maintain or further develop that activity of the SME.</u>
Clean energy/climate-related intellectual property right	SME has registered within the last 3 years at least one renewable energy, cleantech or climate-related technology intellectual property right such as a patent, utility model, design right, topography of semiconductors, products software copyright etc. which responds to the turnover the SME derives from its main activity (or its business plan in case it is a pre-revenue company) which is not included in the Taxonomy, <u>and the purpose of the financing sought is to finance any activity that leads to the internal or external exploitation of such technology right</u> (e.g. resulting in protecting products or processes of the company, out-licensing or cross-licensing activities, starting spin-offs or joint ventures or building strategic alliances with other organisations). The technology is not related to fossil fuel activities excluded under the Paris-Aligned Benchmarks as specified in the EU Benchmark Regulation.
Climate-related labelling schemes	SME has a registered climate-related eco-label from an EU, national or international labelling scheme <u>based on a pre-defined list</u> ²⁰ which corresponds to its main activity turnover derived from providing products or services corresponding to such eco-label. As an example, in case an SME produces a product, however only 10% of its turnover is derived from the sale of this product with a given climate-related label, the SME cannot be classified under the SME sustainable finance standard in case of a general-purpose finance as it does not reach the “main activity” materiality threshold.

The above criteria may be evidenced by different types of documents that state the award of the clean-tech or “green” prize from the awarding entity, certification issued by an external

²⁰ In defining this pre-defined list, the provisions from the Green Claims Directive, of which a proposal is currently under consideration by the European Parliament and Council, should be considered, as it defines requirements for how non-EU labels should be assessed and verified.

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professional certifier, and a self-declaration from the SME stating that the purpose of the finance is to maintain or further develop the activity.

2.2 Enterprises

As an additional element, enterprise-based criteria are proposed, which would allow an SME to classify under the SME sustainable finance standard if it has recently incorporated in its business model climate-related practices (as further defined below) that pursue the transition to a sustainable economy, or if it is an enterprise holding a climate-related certificate from a pre-defined list. Below example criteria are inspired from the criteria included in the EIF Sustainability Guarantee product, implemented by EIF since 2022, classifying such enterprises as sustainable.

These criteria are proposed to apply to SMEs whose main activity based on turnover is not derived from activities included under the Taxonomy and that are unlikely to be included. This is because an enterprise performing such activities can classify itself already based on the turnover made from the products or services offered and any financing provided to such enterprise would be classified as falling in scope of the SME sustainable finance standard. The enterprise business model criteria aim to target those SMEs whose main activity can be considered to neither significantly harm nor significantly contribute to climate mitigation, such as traditional small manufacturing SMEs or service providers. In addition, limiting these criteria is considered relevant in relation to activities categorised by the EU Taxonomy as transitional activities, which includes energy intensive manufacturing practices such as cement, certain chemicals or iron and steel.

These criteria are not to be used for enterprises that are active in fossil fuel related activities or other exclusions from the Paris-Aligned Benchmarks as specified in the EU Benchmark Regulation²¹.

Enterprise	Description and criteria
Business model & impact	<p>SME has incorporated in its business model climate-related practices that pursue the transition to a sustainable economy, including but not limited to investments, processes and technologies with measured climate/environmental impact, within the following timeframe and thresholds:</p> <ul style="list-style-type: none">• Over a period of the last 5 calendar years, the SME has been reducing the carbon or environmental footprint of the company through: i) reduction in Scope 1 and Scope 2 GHG

²¹ COMMISSION DELEGATED REGULATION (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818.

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	<p>emissions per unit of output or per total turnover²² of at least 35%; OR ii) decrease in energy use (kWh) per unit of output or per total turnover of at least 20%; OR iii) for services which do not produce units, decrease in energy use (kWh) per total turnover of at least 20%, where turnover must be adjusted for inflation²³.</p> <ul style="list-style-type: none"> Over a period of the last 5 calendar years, the SME has been substituting primary raw materials with minimum 20% secondary/recycled materials or substances, production residues or by-products. <p><i>Examples: for sectors where the output can be measured in units (e.g. manufacturing), it may be simpler to identify the GHG reduction by unit, whereas for sectors which do not produce units (e.g. services), it may be simpler to calculate based on turnover.</i></p> <p>Links to draft VSME Basic Module indicator B3 and Comprehensive Module indicator C3</p>
Certified enterprise	SME holds a climate-related certification from a pre-defined list approved by the Commission

The above criteria may be evidenced by different types of documentation depending on the criteria, such as calculations performed based on invoices and financial statements certified by the SME’s accountant or tax advisor (without the need for further external verification); calculations by an external accredited technical expert; or certification issued by an external professional certifier.

2.3 Investments

Next to proposing the above list of activities and enterprise business model-based criteria, the Platform proposes to also include in the SME sustainable finance standard SMEs’ investments in projects or measures which are outside of their main activity, but which do aim at making climate-related sustainability improvements. While some of these types of investments, such as renovation measures and installing renewable energy technology, are already included in the Taxonomy today, additional important energy and resource efficiency related investments undertaken by SMEs are not. The table below provides some examples of such investments focusing on climate mitigation, which may include a combination of measures, including activities covered in the EU Taxonomy.

²² Where turnover is adjusted for inflation.

²³ For certain sectors, this would also be possible with a one-off investment.

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Project/measure	Description and criteria
<p>Energy efficiency or GHG emissions reduction projects or measures in existing industrial or commercial facilities</p>	<p>Investments in technologies, equipment, appliances, systems or processes in existing facilities that aim to reduce energy consumption or GHG emissions, incl. investments in replacing existing technology, equipment, machines intending to achieve a decrease in energy use (kWh) or GHG emission reduction of at least 20%, and where any replacement of equipment is not a like-for-like replacement.</p> <p>In case the investment is expected to lead to an increase in output (e.g. an upgrade of the production line), the estimated decrease in energy use (kWh) of at least 20% or GHG emission reduction of minimum 35% over a period of 5 years on average should be calculated per unit of output.</p> <p><i>Examples: improvements to existing industrial processes, implementing new processes or advanced manufacturing technology solutions, installation of more efficient equipment, implementation of energy-efficiency plans, decreased use of virgin materials or decreased use in waste generation leading to a reduction in consumption of non-energy primary resources through changes in processes or process inputs</i></p> <p>Links to draft VSME Basic Module indicator B3 and Comprehensive Module indicator C3</p>
<p>Electrification of appliances or equipment previously combusting a fossil fuel</p>	<p>Electrification of appliances or equipment in existing facilities previously combusting a fossil fuel. This shall be eligible without the need for a demonstration or a reduction of energy consumption, resource consumption, or CO₂ emissions.</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> -zero tailpipe emission forklifts powered by hydrogen or lithium batteries replacing forklifts with combustion engines -any zero tailpipe emission Class VII (rough terrain forklift trucks) forklifts -zero tailpipe emission construction equipment <p>Links to draft VSME Basic Module indicator B3 and Comprehensive Module indicator C3</p>

The above criteria may be evidenced by different types of technical documentation, including but not limited to technical calculations or certification performed by an external professional certifier; internal energy-efficiency plans certified by an internal expert related to the expected savings calculations for the reduction projects; external accredited technical expert; certified under an energy management system or energy (or GHG emission

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or fuel) ex-ante reduction estimations provided by manufacturers, suppliers, installers or similar professionals.

To support SMEs in performing GHG calculations, the draft EFRAG VSME standard guidelines provides useful links to guidance documents and calculation examples, such as: (a) Calculation tools and guidance by GHG Protocol²⁴; (b) SME Climate hub²⁵; (c) Business Carbon Calculator by Normative²⁶; (d) Carbon Trust SME Carbon Footprint Calculator²⁷; and (e) UK Business Climate hub²⁸.

2.4 Climate change adaptation

The activities included in the Taxonomy under the climate change adaptation objective either support own resilience of the activity – so called “adapted” activities, or support the resilience of other, so-called adaptation “enabling” activities. Some may have characteristics of both – those are included as “adapted-enabling” activities. Both the “adapted” and “adapted-enabling” activities require the entity (which may be an SME) to carry out a Climate Risk and Vulnerability Assessment. Such assessment is likewise required for activities supporting other objectives – to comply with the Do No Significant Harm criteria for adaptation.

Process guidance on climate risk assessment and adaptation planning is available both on EU and national websites and platforms, for example the (Urban) Adaptation Support Tool²⁹ on European Union’s Climate-ADPAT portal. National authorities often provide similar process guidance in national languages.

2.4.1 Risk and vulnerability assessment

For an SME to be resilient to climate change (adapted activities), or for any of their activities to enable climate change adaptation in other activities (enabling activities), a physical risk assessment is the first action to be taken by the SME, followed by the implementation of the material measures identified in the assessment or making sure that the enabling activity addresses existing projected climate risks. For the SME sustainable finance standard, a

²⁴ <https://ghgprotocol.org/calculation-tools-and-guidance>.

²⁵ <https://smeclimatehub.org/start-measuring/>.

²⁶ [Normative | Carbon Accounting Engine](#).

²⁷ [SME Carbon Footprint Calculator | The Carbon Trust for businesses](#).

²⁸ <https://businessclimatehub.uk/carbon-footprint-calculators/>.

²⁹ <https://climate-adapt.eea.europa.eu/en/metadata/tools/urban-adaptation-support-tool>. Note that the tool is worded to be applied for urban locations, however the same process steps and guidance applies for an entity of any size and location. Platform is also recommending that a tool specifically worded for the use by companies to be added to Climate-ADAPT portal.

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concise clarification of a low-burden approach which can be followed by SMEs³⁰ for their Climate Risk and Vulnerability Assessment is suggested, based on which it could undertake solutions and measures that would qualify under the SME sustainable finance standard.

Such assessment can be undertaken by the SME³¹ by checking which climate-related hazards its entity could be subject to in two steps:

Step 1 – High-level screening of applicable hazards:

checking the list of climate-related hazards that is part of the generic criteria for DNSH to climate change adaptation³² and excluding the non-applicable ones based on common-sense reasoning. E.g. If the SME and its key value chain activities are not located near coastlines, then sea-level rise, coastal erosion and saline intrusion hazards may be excluded as not applicable on a common-sense basis.

Step 2 – Relevant risk assessment:

The remaining hazards should then be examined for their risk potential. The risks can be assessed based on already available public sources and resources:

- a) checking any specific climate risks as laid out in national/regional/municipal climate change risk assessments and risk maps (where available) and the related adaptation strategies and/or plans;
- b) following guidance and resources provided in Step 2 of the EU's Urban Adaptation support tool³³; and/or
- c) checking publicly available datasets, provided by reputable entities such as European Union's Copernicus Climate Change Service³⁴, the national bureaus of meteorology, and national or international scientific institutions.

2.4.2 Adapted activities

Following this, the SME could check whether it could address any of the climate-related hazards or vulnerabilities identified through undertaking any of the measures (targeted at adapting the own entity).

³⁰ This approach may be followed by any user of the Taxonomy, as permitted by the current generic adaptation criteria.

³¹ Same process applies to any user of the taxonomy/implementing or reprofing entity.

³² See page 2 of <https://ec.europa.eu/sustainable-finance-taxonomy/assets/documents/CCM%20Appendix%20A.pdf>.

³³ <https://climate-adapt.eea.europa.eu/en/metadata/tools/urban-adaptation-support-tool>.

³⁴ <https://climate.copernicus.eu/>.

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Potential solutions and measures (non-exhaustive and exemplary), addressing the climate vulnerability and risks faced by the SME (targeted at adapting the SME's own entity and key supply chains).

- Measures necessary to meet adaptation-related requirements of a certification framework, such as standards based on ISO 14090-14093, ISO 14091-2021, or a sustainable buildings certification framework
- Measures to protect the SME's premises, staff and natural capital assets against the impacts of extreme weather events including temperature-related, wind-related and water-related, among others

2.4.3 Enabling and adapted-enabling activities

Similarly, an SME that is a solutions or technology developer or provider targeting at enabling the adaptation of others should conduct an assessment based for example on the above-named information sources, but with the purpose to establish that the services or products address an identified climate change risk. Adapted-enabling activities assess both their own risks and analyse the climate risks their activity outputs help solve enabling the resilience of others. The below provides a non-exhaustive and exemplary list of such climate adaptation measures and solutions.

Potential solutions and measures (non-exhaustive and exemplary) provided by the SME (enabling the adaptation of those to which the solution is provided in areas with identified occurrence of climate change risks)

- ICT/digital solutions dedicated to enabling climate change adaptation, e.g. early warning, forecasting or monitoring systems for floods, extreme rainfall events, landslides, storm surges, coastal erosion, hurricanes/typhoons/cyclones, wildfires, landslides, heat waves and other climate hazards, and IT technology deployed in support of climate services; digital or other applications related to all of the below
- Research, innovation and production that aims to increase resilience of food systems to climate change adaptation, e.g. drought tolerant crops, new or improved plant varieties development, aeroponic crop production
- Climate adaptation intelligence, analytics; research for collection and provision of raw climate data; climate risk mapping
- Construction, expansion or modernisation of silos and warehouses for food storage, cold storage and cold transport facilities in heat stressed regions, technologies that reduce food losses and wastage
- Measures to reduce the effect of physical climate change in cities, including those related to urban heat islands, urban flooding and storm damage to densely populated areas
- Measures to enhance the resilience and management of water availability, stress or drought; smart water meters, pressure control technologies; processes that

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reduce water consumption (e.g. use of ultraviolet (UV) technology as a substitute for pasteurisation) in water stressed regions

- Measures enhancing climate-resilience of coastal infrastructure such as flood protection, storm water management, coastal erosion, saline intrusion and others
- Measures that enable adaptation to climate hazards related to soil erosion, land and habitat degradation, desertification, deforestation and soil sealing, e.g. soil and nature conservation and restoration measures, agroforestry, conservation forestry and other nature-based solutions
- Measures and solutions that address physical and mental health impacts of climate change, including stemming from exposure to high temperatures or disaster events, increased spread of diseases
- Other measures and solutions to specific climate change impacts identified in climate risk assessments

2.5 Ensuring the SME adheres to minimum environmental and social safeguards

To ensure that the SME adheres to minimum environmental and social safeguards, the following elements are proposed to be applied:

- 1) As a first and self-evident element, the SME complies with applicable laws of which it is in scope;
- 2) As a second element, the SME cannot finance activities in the excluded sectors defined in the EU Benchmark Regulation for Paris-Aligned Benchmarks³⁵;
- 3) As a third element, the SME should report on the sustainability indicators of the simplified reporting standard which is proposed in the Omnibus package to be developed by the European Commission based on the VSME standard. The Platform recommends to keep the VSME's modular approach in this voluntary reporting standard, whereby for microenterprises it would suffice to report at a to-be-defined performance level on the indicators in the Basic Module, and larger SMEs would be expected to report on indicators similar to those from the VSME standard

³⁵ These being companies that: derive revenue from any activity related to controversial weapons, namely those referred to in the SFDR Regulatory Technical Standards (anti-personnel mines, cluster munitions, chemical weapons and biological weapons); cultivation and production of tobacco; companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; derive 1% or more of their turnover directly from exploration, mining, extraction, distribution or refining of hard coal and lignite; 10% or more of their turnover directly from the exploration, extraction, distribution or refining of oil fuels; 50% of their turnover directly from the exploration, extraction, manufacturing or distribution of gaseous fuels; and 50% of their turnover from electricity generation with a GHG intensity of more than 100g CO₂e/kW.

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Comprehensive Module: having in place due diligence with regards to human rights policies and processes (C 6) and severe negative human rights incidents (C 7).

This means that when financial market participants or credit institutions finance SMEs which are eligible under the SME sustainable finance standard, they should apply a minimum screening (as is the practice for any usual financing/loan approval process) that ensures that the SMEs are not in violation of any national or regional legislation that applies to them, is not active in one of the excluded sectors included in the EU Benchmark Regulation for Paris-Aligned Benchmarks in case of general-purpose finance under the SME sustainable finance standard, and assess whether the SME has reported positively on the voluntary reporting standard indicators. These combined approaches are recommended to be considered sufficient to evidence that the SME adheres to minimum environmental and social safeguards. This entity-level approach, in combination with a focus on what is being financed, supports SMEs in their progressive climate-related sustainability efforts, fitting their and the market's current capabilities. Overtime, the SME sustainable finance standard would need to be reviewed in order to reflect relevant progress and changes in the market.

2.6 SME Sustainability Checker

To assist SMEs in applying for financing to undertake their activities or investments captured in the SME sustainable finance standard, it is recommended that an online tool³⁶ is developed along the lines of the EIF Sustainability Guarantee tool³⁷ and EIB Green Checker tool³⁸ to help these SMEs assess whether the activity or investment they would like to get financed would qualify under the SME sustainable finance standard. The design features of these existing tools, which were co-financed by the European Commission under the InvestEU programme, could be used as the basis for this exercise. At the same time, the future tool could take into account national initiatives that have already been developed to aid SMEs with their sustainability reporting and performance. The development of such tool is not a precondition for the development and standalone use of the SME sustainable finance standard proposed above, but it would be important to motivate as many SMEs as possible to use this tool.

The below takes you through the flow that could be used for the tool and uses screenshots from the existing EIF Sustainability Guarantee tool to demonstrate what it could look like in practice. Please note that the visuals for this tool do not fully follow the “activities –

³⁶ Availability in different languages would likely facilitate a better understanding and uptake.

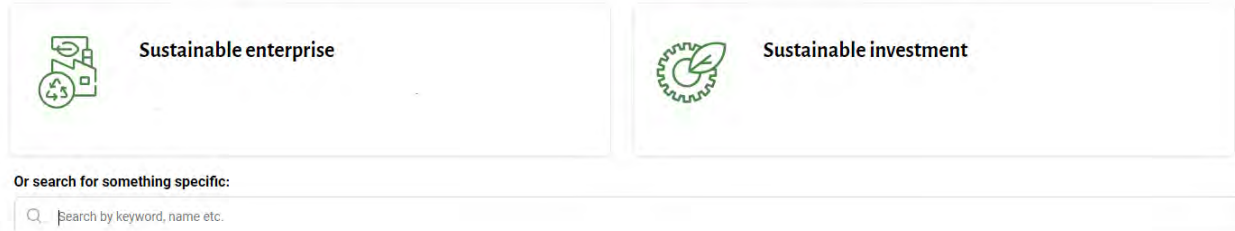
³⁷ <https://sustainabilityguarantee.eif.org/>.

³⁸ <https://greenchecker.eib.org/>.

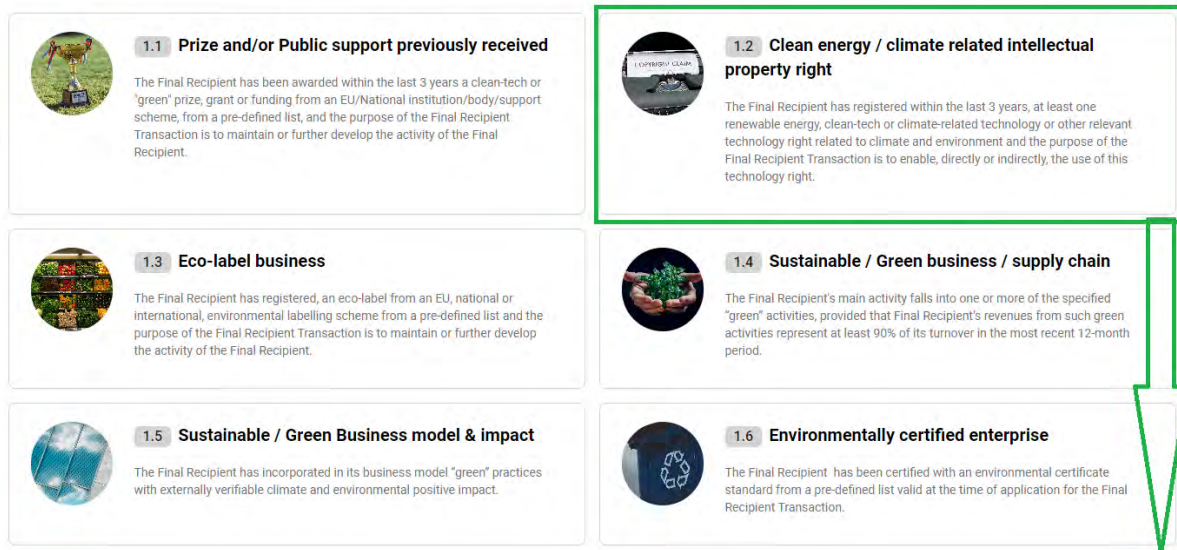
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enterprise – investments” approach and wording proposed in this report. Any future tool would need to be tailored to reflect this approach and the appropriate wording.

Step 1, the tool should provide the option to **check whether an SME qualifies under the activity criteria, enterprise criteria, or investment criteria** of the SME sustainable finance standard as discussed above.



Step 2-1, clicking on the enterprise option (in the EIF’s existing tool named ‘sustainable enterprise’), would provide an overview of the business model-based enterprise criteria, including for each of them a description and how adherence to the criteria could be demonstrated. The below highlights the example of the “Clean energy / climate-related intellectual property right” criteria:



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1.2 Clean energy / climate related intellectual property right

Target Final Recipients have registered a renewable energy, clean-tech or climate-related technology or other relevant technology intellectual property right, such as a patent, utility model, design right, topography of semiconductor products software copyright, etc. The purpose of the Final Recipient Transaction is to finance any activity that leads to the internal or external exploitation of such technology right (e.g. resulting in protecting products or processes of the company, out-licensing or cross-licensing activities, starting spin-offs or joint ventures or building strategic alliances with other organisations).

The sole registration of the technology right does not make the Final Recipient Transaction automatically eligible.

Eligibility must be confirmed by one of the following:



a) Document

that states the clean-tech / climate-related intellectual property right, including by means of self-declaration



b) Public / official website check

Final Recipient's registered patent/right is checked by the Financial Intermediary on official websites, online patent registers and/or gazettes (such as <https://www.epo.org/searching-for-patents/technical/espacenet.html>)

Additionally the following must be provided by the Final Recipient:



Self-declaration

from the Final Recipient stating that the Final Recipient Transaction is to enable, directly or indirectly, the use of this technology right

When should the assessment be made?











Prior to loan signature.

Step 2-2, clicking on the activity/investment (in the EIF's existing tool named 'sustainable investment'), would provide an overview of the various activities as proposed above, including for each of them the description and how adherence to the criteria could be demonstrated. The below highlights the example of the "Renewable energy" activity:

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2.1 Renewable energy (RE)

Energy use is the main contributor to the EU's greenhouse gas emissions. Increasing the share of renewable energy across the different sectors of the economy is therefore a key building block to reach the EU's energy and climate objectives.

 <p>Electric energy storage Electrical energy storage systems such as batteries make it possible to store energy for later use. Imbalances between energy demand ...</p>	 <p>Photovoltaic systems Photovoltaic (PV) systems absorb sunlight and convert it into electricity.</p>
 <p>Solar thermal heating (space and water) systems Solar thermal heat generation describes a technique where solar radiation is used to produce hot water. Solar thermal energy can ...</p>	 <p>Thermal energy storage Thermal energy storage makes it possible to store surplus thermal energy and use it at a later time. Applications include ...</p>
 <p>Wind turbines A wind turbine is a device that converts the kinetic energy of the wind into electrical energy. On-site renewable electricity ...</p>	 <p>RE equipment and/or ancillary components Additional equipment is required to integrate renewable energy into the power grid and transmit this electricity to generators or consumers.</p>
 <p>RE installation, transmission and distribution Crucial to the carbon-neutral energy transition is increased investment in technologies that improve the integration of renewable energies into the ...</p>	 <p>Manufacturing of RE products: key components and machinery Under the Sustainability Portfolio Guarantee Product SMEs and small Mid-Caps can invest in the manufacture of renewable energy machinery, including, ...</p>
 <p>Ocean energy Ocean energy refers to the energy found in ocean waves, tides, salinity, and temperature differences across ocean layers. This kinetic energy stored in the ocean can be captured to generate electricity.</p>	 <p>Solar thermal cooling Solar thermal cooling refers to cooling systems that use solar power for energy generation. Methods include desiccants, absorption chillers, mechanical ...</p>

Wind turbines

General eligibility under the EIF InvestEU Sustainability Guarantee:

Wind turbines are always eligible under the EIF InvestEU Sustainability Guarantee. For systems up to 500kW this tool can provide a reasonable impact assessment and can be used for reporting to EIF.

What is the power rating of the wind turbine? kW

Is the average wind speed at the wind turbine site known? Yes No

Which of the following describe the topographical conditions on site?
 Sheltered terrain

What is the investment cost? (optional) €

Comment (optional)

Done →

ADVANCED MODE

Impact summary

Eligibility status: Incomplete

Which supporting documents are required?

All of the following:

- Control of use of funds together with legal covenants**
Documentation evidencing the cost(s) of the relevant expenditure, such as invoices, purchase contracts, price quotation/technical offer, project implementation documents etc. or a combination thereof.

And additionally:

One of the following:

- PDF Report Technical Documentation**
The PDF report generated by this tool confirming the eligibility of this measure specification under the EIF InvestEU Sustainability Guarantee
- Description of investment**
An explanation of the investment measure including the additional renewable and other safe and sustainable zero and low-emission energy generation capacity installed (MW).

Step 3, when the selection of the activity has been made, the tool could help to understand whether the planned activity is considered to meet the underlying criteria. It could also demonstrate the benefits related to the investments in terms of energy savings and reduction of annual costs. For example, in the case of wind turbines, the existing tool asks

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what power rating the wind turbine has. On the right, it shows whether the activity/measure/product is, or is not eligible, based on the details that are filled out.

In terms of linking the tool to actual financing, SMEs could use the outcome of the tool, that would say with which activity/measure/entity-level criterion and how it qualifies under the SME sustainable finance standard, to access sustainable finance offering.

3. Reporting and communication

The proposals under the SME sustainable finance standard have implications for SMEs' voluntary sustainability reporting, as well as for the voluntary reporting by financial institutions on the alignment of their loans or other type of financing with the SME sustainable finance standard. These implications are outlined below.

3.1 Voluntary reporting by SMEs³⁹

Through the SME sustainable finance standard, SMEs would be able to demonstrate that the activity, measure or project they are requiring external financing for is sustainable, or that they are sustainable at entity-level. This approach should enable SMEs – which are outside the scope of the Taxonomy reporting requirements – to report or disclose to the providers of finance at the time of seeking finance KPIs based on alignment with the classification system proposed under the SME sustainable finance standard. SMEs should be transparent about their exact turnover and/or expenditures related to activities falling under the SME sustainable finance standard.

The Platform recommends that the to-be-developed voluntary reporting standards for entities outside the scope of CSRD, includes a set of indicators capturing the SME sustainable finance standard. These indicators could be derived from the disclosures corporates need to provide under the Taxonomy Disclosures Delegated Act regarding Taxonomy-alignment: a) the turnover and b) the capital expenditures (CapEx) aligned with the SME sustainable finance standard. Any relevant operational expenditures (OpEx) can be counted within the CapEx volumes or disclosed separately. The voluntary reporting standards should include a link to the SME sustainable finance standard framework for further details and resources. This initiative aims to ensure that SMEs can disclose those metrics as part of their voluntary reporting, or at the request of their financier or value chain partner.

³⁹ The term reporting does not necessitate public disclosure but rather providing information on a bilateral basis to a financial institution or supply chain partner.

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In cases where it is found that the turnover and/or expenditure qualifies under both the climate mitigation and climate adaptation objective, the SME would need to choose which of them it would want to conduct its reporting on.

The SME should determine its turnover or expenditures based on the latest available financial reporting data using the accounting method applied by the enterprise for its financial accounts. If such data are not available, in particular in case of start-ups, turnover or expenditures should be determined considering forward-looking estimations based on assumptions and a business plan reviewed by a professional accountant or financial advisor.

Figure 1 below displays the steps the SME can take to report the alignment of its activities, investments or entity with the SME sustainable finance standard.

3.2 Voluntary reporting by financial institutions

It is proposed that, while SMEs should be transparent about their exact turnover and/or expenditures related to activities falling under the SME sustainable finance standard when voluntarily reporting, certain materiality considerations should be allowed for financial institutions financing SMEs or their activities or investments which qualify under the SME sustainable finance standard. This is in particular important for loan products and would allow for limited auxiliary costs or side activities to be included under one loan agreement with the same conditions, without requiring the financier to assess separately minority activities or the SME to request separate loans. This is proposed to be based on the concept of “main activity”.

The main activity is proposed to be defined as the activity which forms between 90% and 100% of the SME’s turnover qualifying under the SME sustainable finance standard in case of general-purpose finance, or of the SME’s expenditures qualifying under the SME sustainable finance standard in case of known use of proceeds finance.

This means that the financial institution providing a loan or other type of financing to finance the SME sustainable finance standard-aligned main activity of the SME could, in case the financed activity forms between 90% and 100% of the SME’s turnover or expenditures, report the loan/financing as 100% aligned with the SME sustainable finance standard. This is expected to further encourage financial institutions to provide financing to SMEs for their climate-related sustainability efforts.

As a safeguard, although rare amongst SMEs, the main activity approach is recommended not to be applied to the finance of SMEs which derive turnover from, or have the purpose to finance, activities excluded under the Paris-Aligned Benchmarks in the EU Benchmark

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Regulation⁴⁰. These being SMEs and projects which are involved in any activities related to controversial weapons⁴¹ or the cultivation and production of tobacco; companies that benchmark administrators find in violation of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; derive 1% or more of their turnover from exploration, mining, extraction, distribution or refining of hard coal and lignite; 10% or more of their turnover from the exploration, extraction, distribution or refining of oil fuels; 50% of their turnover from the exploration, extraction, manufacturing or distribution of gaseous fuels; and 50% of their turnover from electricity generation with a GHG intensity of more than 100g CO₂e/kWh.

The main activity approach is suggested to apply to both debt and equity finance. The Platform distinguishes between known use-of proceeds finance, which supports a specific project or initiative, and general-purpose finance, where the exact use of funds is typically unspecified, but the SME's activities or business model are familiar to the financier.

With regards to the use of the SME sustainable finance standard for SMEs in providing financing and the financier voluntarily reporting on that financing, it should be noted that in the case of general-purpose finance, the total amount of the financing provided to the SME would qualify under the SME sustainable finance standard if the SME's main activity is included in the standard's list of streamlined activities, or if the SME can evidence that it qualifies under the SME sustainable finance standard at entity-level.

For known use of proceeds finance, the financed project or measure, including potential limited auxiliary costs⁴², would qualify in full under the SME sustainable finance standard if that project/measure meets the criteria of an activity that is included in the standard's list of streamlined activities, or if it is an investment targeting and meeting the criteria of one or more of the activities on the standard's list of streamlined activities, regardless of the SME's own main economic activity. Figure 2 below displays the way the SME sustainable finance standard could be used by a bank when financing an SME.

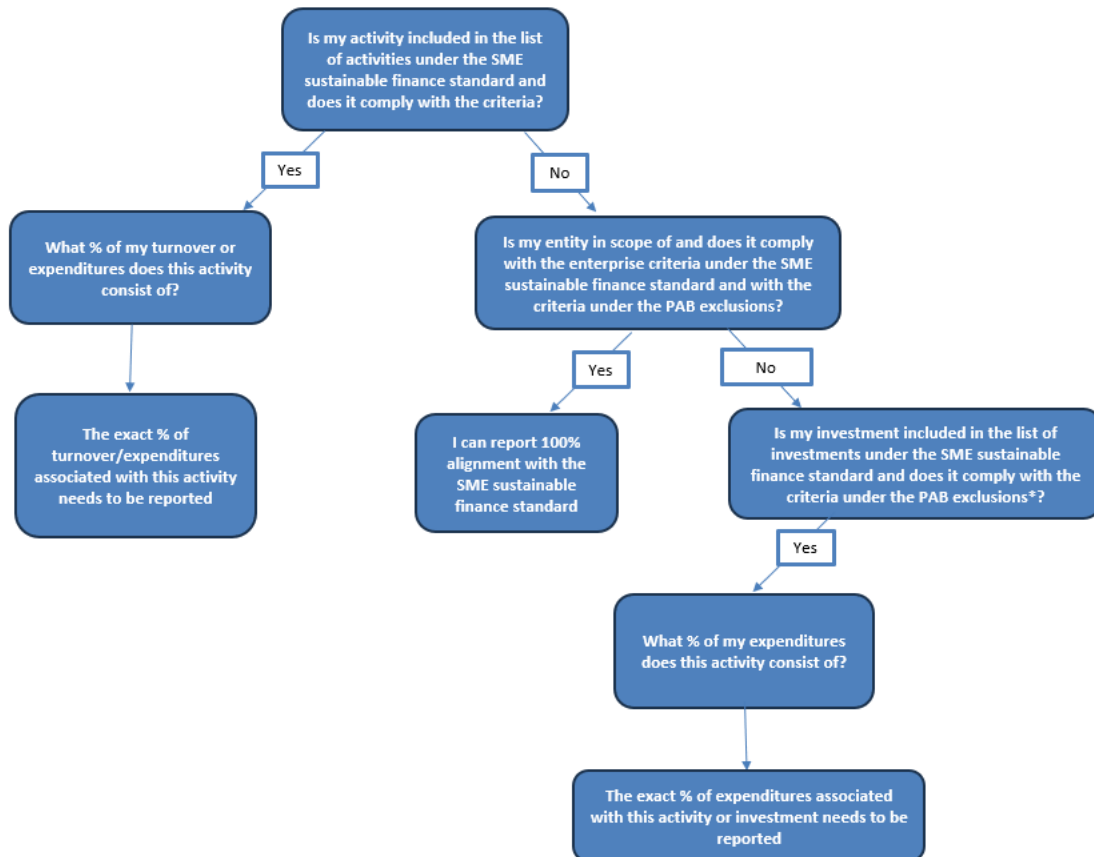
⁴⁰ COMMISSION DELEGATED REGULATION (EU) 2020/1818 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R1818.

⁴¹ It is recommended that the Commission provides a detailed definition of what “involved in”, “related to” means, and provides a reference to the definition of controversial weapons.

⁴² For example, in case of a renovation project, costs which are not strictly required for the improvement of the energy performance of a relevant property, but which are undertaken because such associated investments together with energy efficiency investments make more economic sense in terms of costs or efficiency resources than undertaking them separately.

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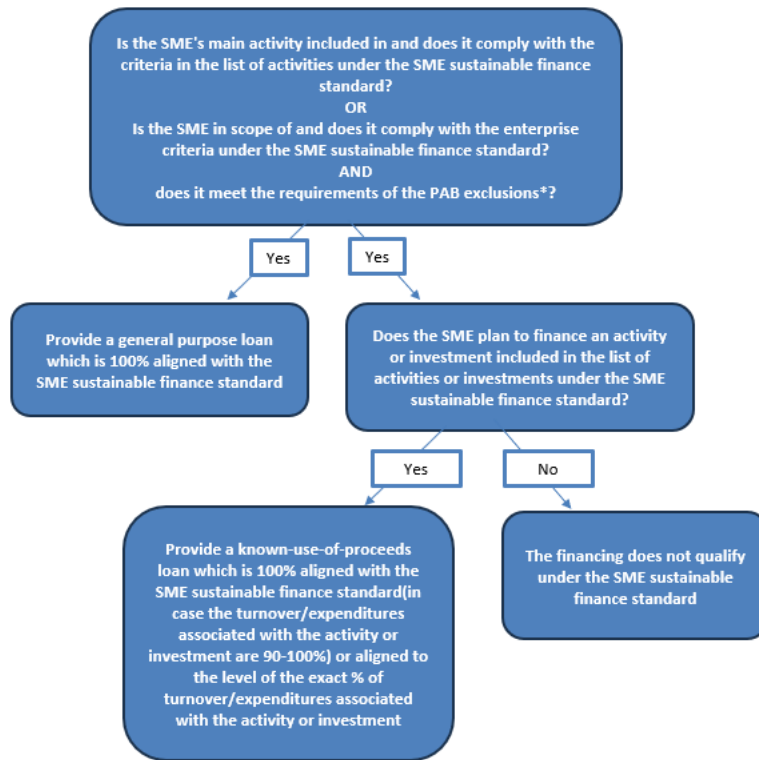
Figure 1 – The use of the SME sustainable finance standard by SMEs and voluntary reporting



(*) Excluded are companies which: derive revenue from any activity related to controversial weapons, namely those referred to in the [SFDR Regulatory Technical Standards](#) (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) or to cultivation and production of tobacco; companies that benchmark administrators find in violation of the UNGC principles or the OECD Guidelines for Multinational Enterprises; derive 1% or more of their turnover directly from exploration, mining, extraction, distribution or refining of hard coal and lignite; 10% or more of their turnover directly from the exploration, extraction, distribution or refining of oil fuels; 50% of their turnover directly from the exploration, extraction, manufacturing or distribution of gaseous fuels; and 50% of their turnover from electricity generation with a GHG intensity of more than 100g CO₂e/kWh.

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Figure 2 – The use of the SME sustainable finance standard by financial institutions and voluntary reporting



(*) Excluded are companies which: derive revenue from any activity related to controversial weapons, namely those referred to in the [SFDR Regulatory Technical Standards](#) (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) or to cultivation and production of tobacco; companies that benchmark administrators find in violation of the UNGC principles or the OECD Guidelines for Multinational Enterprises; derive 1% or more of their turnover directly from exploration, mining, extraction, distribution or refining of hard coal and lignite; 10% or more of their turnover directly from the exploration, extraction, distribution or refining of oil fuels; 50% of their turnover directly from the exploration, extraction, manufacturing or distribution of gaseous fuels; and 50% of their turnover from electricity generation with a GHG intensity of more than 100g CO₂e/kWh.

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