

Joint position paper AECM-EAPB

On the application of the 'Do No Significant Harm' principle under the 2028-2034 Multiannual Financial Framework to financial instruments and budgetary guarantees

AECM – Guarantors Europe (AECM) and the European Association of Public Banks (EAPB), welcome the European Commission's efforts to simplify the application of the 'Do No Significant Harm' (DNSH) principle under the 2028-2034 Multiannual Financial Framework (MFF). We support the establishment of a specific, proportionate and workable approach to DNSH for financial instruments and budgetary guarantees, taking into account their particular characteristics and delivery structures.

Financial instruments and budgetary guarantees are implemented through a wide range of structures and intermediaries, including National Promotional Banks and Institutions (NPBIs), International Financial Institutions (IFIs), guarantee institutions and other financial intermediaries. These institutions already apply established environmental, social and governance (ESG) frameworks, risk-management systems, exclusion policies and screening procedures. The application of DNSH should therefore build on these existing systems and frameworks, while reflecting the specific characteristics of intermediated and portfolio-based financing.

Against this background, AECM and EAPB recommend that the future DNSH framework for financial instruments and budgetary guarantees be based on the following principles:

1. Reliance on existing frameworks and the implementing body/partner

Where appropriate, compliance with the DNSH principle should be assessable at the level of the implementing body/partner.

Where NPBIs, IFIs, guarantee institutions or other financial intermediaries have robust, binding and auditable environmental and sustainability frameworks and exclusion policies, these should be recognised as sufficient evidence of compliance. This should include, where relevant:

- Pillar Assessments;
- Frameworks recognised under the Recovery and Resilience Facility (RRF) and Cohesion Policy;
- Frameworks subject to external verification or supervisory requirements;
- Internationally recognised standards, such as the IFC Performance Standards; and
- Frameworks and governance systems applied by institutions subject to EBA and ECB requirements relating to climate and ESG risks.

For institutions not covered by such frameworks, the European Commission should establish a clear, proportionate and practicable minimum standard.

2. Instruments where underlying operations are not yet known

For financial instruments where the underlying operation cannot be identified at the time of commitment or implementation, including general-purpose and working-capital financing, DNSH compliance should be demonstrated through appropriate evidence that the support is being used for its intended and eligible purposes.

In such cases, a self-declaration by the final recipient, verified upfront by the implementing partner in accordance with its standard procedures, should be considered sufficient. Additional post-checks should be limited to cases required by applicable legislation or by the implementing partner's established procedures.

This approach is also relevant to financing provided to start-ups and other final recipients for which limited information may be available at the time of financing.

3. Portfolio-based financial instruments and guarantees

For portfolio-based financial instruments and budgetary guarantees, DNSH compliance should, where appropriate controls and safeguards are in place, be assessed at portfolio level rather than through an operation-by-operation assessment, with the assessment carried out by the implementing partners.

This approach reflects the nature of portfolio-based instruments, where the underlying composition may not be fully known ex-ante and where individual operations are selected and assessed by implementing partners or financial intermediaries in accordance with predefined eligibility, exclusion and risk-management criteria.

Implementing bodies/partners should therefore be able to rely on their existing portfolio-level eligibility, exclusion, screening and monitoring procedures to demonstrate DNSH compliance. An operation-by-operation DNSH assessment should not be required where the relevant risks are adequately addressed through the implementing partner's established frameworks, controls and monitoring procedures.

4. Proportionate treatment of small-scale operations

The application of DNSH should also reflect the scale, nature and risk profile of individual operations.

For small-scale support, particularly operations of up to EUR 500 000, a proportionate approach should apply, including simplified requirements or, where appropriate, an exemption from additional DNSH assessment.

This would be particularly important for SME financing, where imposing complex environmental assessments on low-value operations could generate disproportionate administrative costs for both financial intermediaries and final recipients, without providing commensurate additional environmental safeguards.

AECM and EAPB consider that a specific DNSH approach for financial instruments and budgetary guarantees, based on the principles outlined above, would ensure a high level of environmental protection while making the DNSH principle operational, proportionate and workable in practice.

Such an approach would build on existing environmental and risk-management frameworks, avoid unnecessary duplication, reduce administrative burdens and facilitate the effective and efficient delivery of EU financial support to businesses and other final recipients under the 2028-2034 MFF.

5. Involvement of implementing bodies/partners in the elaboration of the guidance

The forthcoming DNSH guidance should be developed and revised with the active and structured involvement of the entities responsible for applying it, including financial intermediaries and implementing partners such as national promotional banks and institutions, guarantee institutions and the EIB Group.

These institutions apply the sustainability proofing guidance under InvestEU, the DNSH guidance under the RRF and the explanatory note on DNSH under Cohesion Policy on a daily basis, and are therefore well placed to assess the feasibility, proportionality and administrative implications of technical methodologies before they are finalised. Early engagement allows those methodologies to be tested against operational realities, including due diligence processes, risk-assessment procedures and reporting systems already in use, and contributes to a harmonised interpretation of DNSH requirements across Member States, reducing the risk of divergent national practices and inconsistent audit outcomes.

About AECM: AECM – Guarantors Europe represents 51 members operating in 33 countries in Europe, and 7 international partners (including the European Investment Fund). They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing loans for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance in a budget-efficient way.

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About EAPB: The European Association of Public Banks (EAPB) gathers member organisations (financial institutions, funding agencies, promotional and public banks, associations of public banks and banks with similar interests) from 17 European Member States and countries, representing directly and indirectly the interests of over 90 financial institutions towards the EU and other European stakeholders. With a combined balance sheet total of about EUR 3.4 trillion and a market share of around 15%, EAPB members constitute an essential part of the European financial sector.

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