D6 Annex 4 – Updated DNSH Programme Guidelines

Guide to programme level DNSH assessments

Final version

REFORM/SC2022/063

DO NO SIGNIFICANT HARM (DNSH) GUIDELINES FOR IMPLEMENTING
THE GREEN TRANSITION IN FINLAND
18.3.2024

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List of Abbreviations

Abbreviations	Descriptions
CP	Climate Proofing
CT	Climate Tagging
DNSH	Do No Significant Harm
EC	European Commission
EIA	Environmental Impact Assessment
ERDF	European Regional Development Fund
EU	European Union
GHG	Green House Gases
JTF	Just Transition Fund
RDI	Research, Development, and Innovation
RRF	Recovery and Resilience Facility
SEA	Strategic Environmental Assessment
SP	Sustainability Proofing
SYKE	Finnish Environment Institute
TSC	Technical Screening Criteria
TSI	Technical Support Instrument

Glossary

Term used in guidelines	Meaning	Finnish equivalent when needed
Detailed project level DNSH assessment	A project level DNSH assessment with a more substantive assessment for all or particular environmental objectives under the Taxonomy Regulation.	Yksityiskohtainen DNSH-arviointi/selvitys
DNSH assessment	DNSH assessment provides evidence of the compliance with DNSH principle / criteria. DNSH assessment can be done by the applicant (self-assessment) or by the authority based on project information.	DNSH-selvitys ja DNSH-itsearviointi.
DNSH criteria	Criteria for "do no significant harm" as part of the EU Taxonomy technical screening criteria (TSC), specifying the minimum environmental requirements for the economic activity/activities considered for alignment with the DNSH principle. The DNSH TSC are specified in the Delegated Acts of the EU Taxonomy.	
DNSH evaluation	DNSH evaluation is the step when funding authority evaluates the adequacy of the DNSH assessment.	DNSH-arviointi
DNSH principle	Principle to cover the idea of not causing significant harm to any of the six environmental objectives under the EU Taxonomy.	
EU Taxonomy six (6) environmental objectives	The six environmental objectives for which the DNSH principle applies, under the Taxonomy Regulation, i.e., Climate change mitigation, Climate change adaptation, Sustainable use and protection of water and marine resources, Transition to a circular economy, Pollution prevention and control, Protection and restoration of biodiversity & ecosystems	
Evidence list	List of evidence where the project proves that the activities pass DNSH criteria. The need and content for programme is decided during programme design phase.	

Term used in guidelines	Meaning	Finnish equivalent when needed
Funding authority	An authority that provides funding to either private companies, households, municipalities, or NGO's. Note: Finnish Climate Fund (CF) is not Funding authority but a state-owned special assignment company. In the report and guidelines CF is listed and treated as a funding authority despite the difference in status.	Virasto, rahoitusviranomainen, tukiviranomainen
Technical Screening Criteria (TSC)	All criteria established in the Climate and Complementary Delegated Acts under the Taxonomy Regulation, jointly forming the "EU Taxonomy".	
Programme level DNSH assessment	Assessment of the whole programme even when there is no need to go into project level. Programme level DNSH assessment is done by using the same assessment questions as with the Priority Law.	
Simplified project level DNSH assessment	Simplified assessment for the projects uses the same assessment questions as the instructions for the Priority Law.	Yleispiirteinen DNSH-arviointi/selvitys

Disclaimer

Disclaimer on the use of the national Finnish DNSH guidelines

It should be noted that the guidance and instructions presented and provided in this document on **DNSH Programme Guidelines** are <u>explicitly</u> meant for the application of the DNSH principle within the context of **national public funding programmes only**.

To date, the DNSH principle applies to the following **EU funding programmes** under the European 2021-2017 Multiannual Financial Framework (EU MFF): EU Recovery and Resilience Fund (RRF), Cohesion Policy Funds (i.e. ERDF, Cohesion Fund, Just Transition Fund and ESF+) and InvestEU.

One should note that the national Finnish DNSH guidelines may NOT be used for the application of the DNSH principle under EU funding programmes and instruments. At all times, the EU fund-specific guidance need to be applied and adhered to, as specified in the specific Regulations underpinning the EU budgetary instruments.

By no means do the national Finnish DNSH guidelines replace or prevail any specific instructions or dedicated technical guidance provided on the DNSH application for EU funding programmes and instruments (such as RRF and InvestEU) under any circumstances.

1 Background

1.1 Do No Significant Harm (DNSH) principle

While EU Member States seek to accelerate their green transition and become climate neutral by 2050, no funding measure, funding programme, or investment project should cause significant harm to any of the environmental objectives as specified in the EU Taxonomy. The EU Taxonomy Regulation 2020/852 introduces a classification system and a navigating tool for activities that are considered sustainable. It further elaborates on the DNSH principle, describing that sustainable economic activities **should not cause significant harm to any of the six environmental objectives** as described in Article 17 of the Taxonomy Regulation.

The six environmental objectives introduced by the Taxonomy Regulation are:

- Climate change mitigation

- Climate change adaptation

- Sustainable use and protection of water and marine resources

- Transition to a circular economy

- Pollution prevention and control

- Protection and restoration of biodiversity and ecosystems

At the time of developing these DNSH guidelines in early 2023, DNSH assessments are required by EU legislation in varying forms and the level of detail from measures, programmes, and projects that are funded through the EU Recovery and Resilience Facility (RRF), the European Regional Development Fund (ERDF) or the Just Transition Fund (JTF). The DNSH guidelines presented in this document provide a generic approach that can be applied across national public funding programmes, beyond EU funding. **One should note that EU funding instrument specific instructions (such as RRF, InvestEU and Cohesion Policy Funds) need to be followed at all times and are not prevailed by the instructions in this guidance document** as in those cases the instructions provided by the Commission services will prevail under all circumstances. Guidelines presented in this document are developed as a part of DNSH guidelines in Finland project (see Information Box 1).

Information Box 1: TSI project: DNSH guidelines in Finland, 2022 – 2024

This project, funded by the Technical Support Instrument (TSI) of the European Commission, provides guidance to Finnish public authorities on the implementation of the "Do No Significant Harm" (DNSH) principle in public funding decisions and to funding applicants on how to follow the principle. The project will contribute to the implementation of the European Green Deal by providing the Commission, the EU Member States as well as the wider community of DNSH practitioners lessons learned from a variety of pilot cases and clear guidelines.

The main Finnish beneficiaries are the Ministry of the Environment, together with the Ministry of Agriculture and Forestry, the Ministry of Economic Affairs and Employment, and the Ministry of Finance. In addition, the beneficiaries may include state agencies and regional authorities.

The DNSH project is delivered in three interlinked project phases between July 2022 and March 2024. The project is implemented with the support of AARC Consulting Ltd (Ireland), in partnership with Gaia Consulting (Finland) and Trinomics (The Netherlands). [1]

1.2 Purpose of the Programme Guidelines

Why do we need a DNSH assessment for a funding programme?

At the time of writing, there are no legislative requests to do DNSH assessments for national funding programmes besides the specific requests of EU funding instruments. The DNSH principle is, however, one way to take into account potential environmental impacts of public funding and to promote green transition. The decisions on how the DNSH principle is followed in a programme are taken by the respective ministries, funding agency, or defined by national governmental policy documents.

The programme level DNSH assessments are most often carried out before potential project level DNSH assessments. One purpose of the programme level DNSH assessment is to identify if some or all funded projects need to go through project level DNSH assessment or if there are other ways to mitigate the potential negative environmental risks caused by the programme in its full life cycle. When needs are carefully assessed during the planning of a programme, the burden and the need for project level DNSH assessments will be reduced. Consequently, project level DNSH assessments can be conducted for only a smaller share of all funding calls. Most national funding programmes would as such only require a programme level assessment, which ensures that the focus of the DNSH project level assessment effort is (only) on those programmes that involve large-scale investment projects with clear risks of direct or primary indirect environmental harmful impacts.

"Programme" in these guidelines refers to any type of programme involving public funding to other actors (public and private) ranging from large funding programmes as a whole to specific calls under the responsibility of a (national) funding agency (such as a specific, targeted call).

"Project" in these guidelines refers to any type of project under a programme that involves public funding to other actors (public and private) ranging from very large investment projects to projects of smaller size.

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[1] All finalised and accepted deliverables can be viewed at the Ministry of the Environment's web pages: https://ym.fi/hankesivu?tunnus=YM036:00/2022

What are the programme and project level DNSH guidelines?

The DNSH programme level guidelines provide guidance for different national funding authorities for

1) carrying out DNSH assessment(-s) for their funding programme and

2) designing the implementation of the DNSH principle over the programme execution and for designing instructions for completing project level DNSH assessments (if project level DNSH assessments are needed for a programme).

When designing a funding programme, it is decided if each or some of the **funded projects** need to go through the project level DNSH assessment and how this should be done. The detailed instructions for project level DNSH assessments are provided in a separate **project level guidelines** document.

The programme level and project level DNSH guidelines are two self-standing documents since their users are different. Programme level guidelines' main users are programme managers, who develop programme content and instructions, whereas project level guidelines are used by applicants and funding authorities processing funding applications.

The project level DNSH guidelines provide assessment questions and templates that assist to do either a simplified or detailed DNSH assessment. The programme guidelines contain instructions how to determine if a simplified, detailed or no DNSH assessment are needed for the projects of a specific funding programme or if a mix of different approaches should be carried out for individual projects within one programme.

Information Box 2 contains definitions and scope for environmental impacts that need to be taken into account both at programme and project level DNSH assessments.

Information Box 2: Clarification and scope of environmental impacts that are relevant to DNSH [2]

In these guidelines, the environmental impacts of an economic activity (a project or a programme) cover both **direct impacts**, e.g., GHG emissions caused by building of a new road, and **primary indirect impacts**, e.g., increased GHG emissions caused by increased traffic on that new road once it has been built. These impacts need to be considered for the **whole life cycle** of the project or programme that results from the actions. One should note that it is not required to provide attributional or consequential life cycle analysis for a project or programme in order for it to be DNSH compliant. However, evidence from existing life cycle analyses could be used to substantiate the DNSH assessment.

Definitions

1. **Direct impact:** Impacts caused by the action.

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2. **Primary indirect impact:** Impacts caused by the action, but that are later in time or farther re-moved in distance but are still reasonably foreseeable. Some examples of primary indirect im-pacts that should be considered are the following[3] (note that these are not necessarily significant impacts):

a. Increased traffic on a new road that leads to increased pollution and GHG emissions.

b. The construction of new waste incinerators to increase the existing incineration capacity in the country could lead to an increase in the incineration of waste.

3. **Life cycle assessment:** Assessment that covers both direct and primary indirect impacts caused by the activity from planning to dissemination.

Examples of typical **minor direct** or **minor indirect impacts** that do not have to be taken into con-sideration in DNSH assessment are the following:

- Projects that are done as "desk research" and involve only office work, meetings, and travels of the people involved. Typically, these projects would result in studies, develop, and recommend further activities, and strengthen networking.

- RDI projects to develop technologies, products or solutions which are yet at the early develop-ment phase and do not involve, e.g., demonstrations and piloting activities with physical location (typically TRL levels 1-2).

- Projects that focus on knowledge sharing through education, information campaigns, and semi-nars. The environmental impacts of people travelling or the use of existing infrastructures like meeting venues would not be significant.

- Projects developing operational processes in, e.g., social and health care sector and in munici-palities often have only minor indirect environmental impacts if they are not linked to physical infrastructure building. Many digitalization projects would be of this type of development projects. The development of new digital tools and the indirect impacts when these are taken into use, would not lead to significant environment impact. One should note, however, that building of new physical infrastructures (e.g., datacenters, hospitals) most often would need to complete DNSH assessments.

Who should use the programme level DNSH guidelines?

The users of the programme level DNSH guidelines are the persons designing and imple-menting public funding programmes, for which the DNSH principle should be applied. **The main intended users are therefore (mainly) the programme designers and managers at the Finnish ministries, who may on their behalf further delegate the preparation responsibilities to funding agencies under their (direct) management responsibility.** The programme level DNSH guidelines are meant as a practical tool and guidance for pro-gramme designers for applying the DNSH principle in relevant funding programmes and

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[3] Examples are taken from Commission Notice C/2023/111 Technical guidance on the application of 'do no sig-nificant harm' under the Recovery and Resilience Facility Regulation

elaborate on it as part of the programme design, the programme plan and the programme documentations.

What is the scope of the programme level guidelines?

The programme level DNSH guidelines are general, fund- and sector-agnostic by their nature, and applicable to **any national public funding programme**. The guidelines are intended to be used by any programme that provides direct financing to companies, municipalities, non-governmental organizations, or even households or individuals[4]. The guidelines focus on the programme design and planning stages where instructions are developed for practical project funding processes.

Figure 1 presents the overview of the content of the programme guidelines. Chapter 2 of the guidelines provides instructions to make a DNSH assessment for a funding programme. Chapters 3 to 5 are additional information to clarify some general questions related to applying DNHS principle in funding programmes. The rationale and help for defining, whether a DNSH assessment is needed for a programme, is described in Chapter 3. Chapter 4 contains instructions how the programme manager defines, which projects would need to complete DNSH assessments and Chapter 5 describes practical issues to be taken into account in drafting the instructions for programme implementation. The DNSH assessment of a programme and the following instructions and plans to follow DNSH principle throughout the programme implementation should be documented. Annex 2 provides a template for programme managers to summarise the DNSH related decisions covered in Chapters 3 to 5.
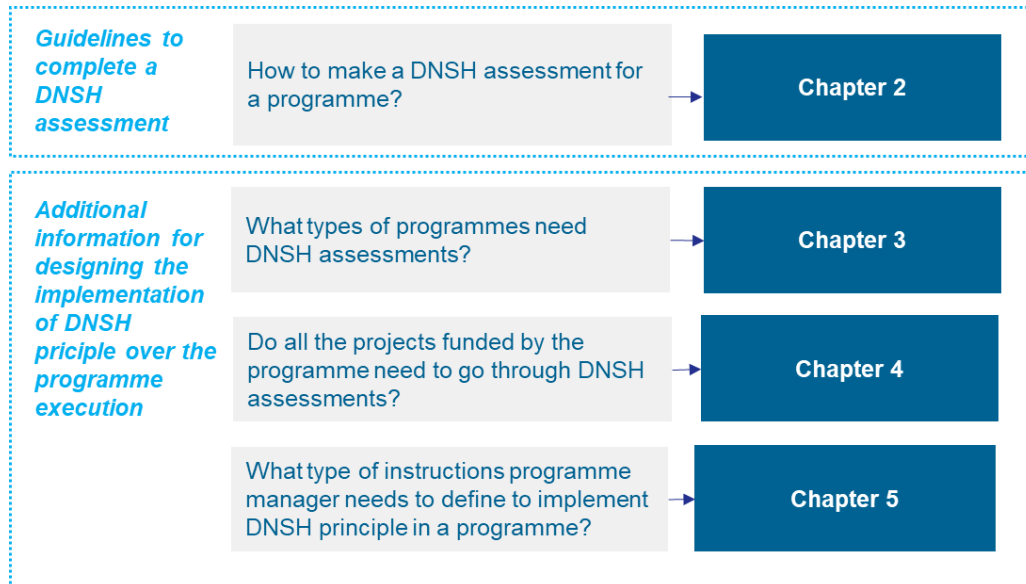
Guidelines to complete a DNSH assessment	How to make a DNSH assessment for a programme? →	**Chapter 2**
Additional information for designing the implementation of DNSH priciple over the programme execution	What types of programmes need DNSH assessments? →	**Chapter 3**
	Do all the projects funded by the programme need to go through DNSH assessments? →	**Chapter 4**
	What type of instructions programme manager needs to define to implement DNSH principle in a programme? →	**Chapter 5**

Figure 1. Structure of the programme guidelines

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[4] e.g. discretionary government grants.

2 Instructions to make a programme level DNSH assessment

This chapter provides the guidelines to make a DNSH assessment for a funding programme at the programme level. Assessment is done in two steps during the planning phase before the programme implementation.

> **Step 1:** Go through the six environmental objectives and the respective assessment questions (Table 1). Provide for each of the questions a justification for your assessment. It is important to cover all of the sub-questions and not skip any of them.

Annex 1 provides example responses to the questions for a hypothetical funding programme.

Note! The programme level assessment should consider the direct and primary indirect impacts of the anticipated project portfolio funded in the programme as a whole, including the necessary life-cycle considerations of the measures and projects. Even if the direct and primary indirect impacts of individual funded projects, or components of projects, would be small or insignificant, the foreseen direct and primary indirect environmental impacts at the aggregate programme level may be significant.

Table 1: Template for the programme level DNSH assessment[5]

DNSH programme assessment questions		
Environmental objective	**Main question and decision on the environmental objective**	**Sub questions on the environmental objective and possible mitigating actions based on the answers**
1 **Climate change mitigation**	Is the programme likely to have significant adverse effects on climate change mitigation? Yes / No Conclusions	• Will the programme increase greenhouse gas emissions? • Does the programme degrade carbon sinks and/or carbon stocks? • Does the programme contribute to the use of fossil fuels? • Any other adverse effect?
		Results and mitigating actions:
2 **Climate change adaptation**	Is the programme likely to include actions that could have significant adverse effects on adaptation to climate change? Yes / No Conclusions	• Does the programme increase the risk of flooding, drought or exposure to extreme weather events? • Any other adverse effect? • Does the project neglect to prepare for extreme weather events (in all material respects)?
		Results and mitigating actions:
3 **Sustainable use and protection of water and marine resources**	Is the programme likely to have significant adverse effects on the sustainable use and protection of water and marine resources? Yes / No Conclusions	• Could the programme cause changes to water quality, aquatic life, bottom conditions, currents, flow, water level or discharges that could lead to deterioration of surface or groundwater status (e.g. increase nutrient, metal or solids loads, degrade fish habitat or spread invasive species)? • Will the programme increase the heat load? • Any other adverse effect?
		Results and mitigating actions:
4 **Transition to a circular economy**	Is the programme likely to include actions that could have significant adverse effects on the transition to a circular economy? Yes / No Conclusions	• Will the programme increase the use of natural resources? • Does the programme make it difficult to reuse products or materials or shorten the life of products? • Will the programme make it more difficult to recycle materials? • Does the programme increase the disposal or incineration of waste (e.g. does the project increase the harmfulness of the waste generated) • Any other adverse effect?

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[5] The questions are based on the questionnaire developed for the Priority Law and documented in the instructions for the implementation of the law. The basis for those questions were the SYKE guidelines.

			Results and mitigating actions:
5	**Pollution prevention and control**	Is the programme likely to include actions that could lead to a significant increase in emissions or a significant deterioration of the environment (land, water, air quality) through land use change? Yes / No Conclusions	• Will the programme increase the chemicalization of the environment? • Will the programme result in significant emissions of harmful or hazardous substances? • Could environmental risks increase? • Any other adverse effect?
			Results and mitigating actions:
6	**Protection and restoration of biodiversity and ecosystems**	Is the programme likely to include actions that could significantly degrade biodiversity or significantly impede the protection and/or restoration of ecosystems? Yes / No Conclusions	• Will the programme degrade, fragment or reduce the quality of protected or threatened habitats? • Does the programme reduce the size of the occurrence of a protected or threatened habitat type or the area in which the habitat type occurs? • Will the programme degrade, fragment or diminish the habitat quality of a protected or threatened species? • Will the programme reduce the population size or range of a protected or threatened species? • Will the programme hamper ecosystem protection and restoration? • Any other impact that reduces or harms biodiversity?
			Results and mitigating actions:

Programme level DNSH assessment can utilize different information in three different scenarios. The timing of when the DNSH programme assessment is done affects the information available. The earlier in the process the assessment is done, the less information there is. If the programme assessment is done before there is information about the individual funded projects, then the assessment can affect more the content of the programme (e.g., the creation of funding criteria and exclusions lists). If the programme assessment is done later, i.e., when there is information from the individual projects, e.g., project applications, then the information basis for the programme assessment will be more comprehensive, but the possibilities to impact the programme will be more limited since the programme is already ongoing.

Option 1 (the most common case): No project-level information is available.

• The authority carries out programme level assessment without information on funded projects based on general programme objectives and criteria.

• Results of the assessment can be used to design programme since the funding call is not yet open.

Option 2 (if there is no sufficient information about the funded projects prior to the opening of the call): Using project applications.

- The programme evaluation is carried out based on received project applications. If necessary, applicants can be requested to fill DNSH assessment after the programme level DNSH assessment.

- Results of the assessment cannot be used to design programme since the funding call has been opened.

Option 3 (not recommended): Using project DNSH assessments.

- Applicants are requested to fill simplified DNSH assessment, based on which the programme DNSH assessment is carried out.

- Results of the assessment cannot be used to design programme since the funding call has been opened.

> **Step 2.** If significantly harmful environmental impacts are anticipated for any of the environmental objective(-s), define mitigation measures using Table 2 as a reference.

Typical measures to address the harmful environmental impacts are the use of exclusion lists, i.e., exclude some projects to be funded through the eligibility criteria and the requests for the projects to go through project level DNSH assessments.

Table 2: Examples of mitigation actions

Examples of potential mitigation actions of a programme
• Requesting to do project level DNSH assessments. There is also an option to request project level DNSH to be done only for some of the environmental objectives which are deemed relevant.
• Including of funding criteria to the call, that prevent potential impacts on those EU six environmental objectives where potential harm is identified.
• Adding of contractual clauses related to the DNSH principle (i.e., mandatory review of DNSH issues annually, or mandatory environmental permit in order to receive funding etc.).
• Making funding conditional to implementation of project level mitigation actions that prevent potential impact on those EU six environmental objectives where potential harm is identified and request to verify the implementation.
• Providing information to the applicants on the potential environmental impacts and how to avoid them.
• Carrying out training activities as part of the programme with the aim of mitigating or preventing the potential identified impact.
• Carrying out auditing activities for the specific programme or selected projects, over the programme period.

The following chapters contain some useful information for programme managers to complete the DNSH assessment and the instructions to implement the DNSH principle in the programme.

Typical questions arising when completing a programme level DNSH assessment and locations in this document to find further information

- **Why do we need to make DNSH assessments for a funding programme?** See Chapter 3.

- **When do we need to request also project level DNSH assessments?** See Chapter 3.

- **How is it defined, which project level DNSH assessments are needed for a programme?** See Chapter 4.

- **How is "significant impact" defined?** There is a definition of the Do No Significant Harm (DNSH) principle provided in Article 17 of the EU Taxonomy Regulation. The definition in the EU Taxonomy Regulation, however, does not provide quantifiable nor sector or economic activity related thresholds of what is considered "significant harm". Within the context of the application of the DNSH principle under the EU funds (i.e. RRF, Cohesion Policy Funds, InvestEU), specific instructions and technical guidance has been provided by the European Commission, such as the "*Technical Guidance on the application of 'do no significant harm' under the Recovery and Resilience Facility Regulation (C/2023/111)".* As each national funding programme needs to investigate its activities and case-by-case make decisions on what is deemed significant and insignificant, the technical guidance provided by the EC for the EU funds can be useful inspiration as reference materials to set a definition for significance for the relevant national funding programme. Guidance on programme level decisions are provided in Chapters 3 and 4.

- **What if there is no information of the type of projects to be funded or potential environmental impacts of a programme?** A screening tool has been developed which can be used during the execution phase of the programme to identify those projects that need to go through DNSH assessments and those that do not need to do it. See Chapter 4.

- **What type of instructions should be designed by a programme manager to conduct project level DNSH assessments if they are needed?** See Chapter 5.

- **How is the DNSH principle related to other environmental impact measurement methodologies and requests?** Potentially the programmes are requested to complete also other strategic environmental impact assessments. These can be used also in making programme level DNSH assessments and while drafting the instructions for applicants, the links to relevant other environmental impact assessment methodologies may be useful. The relevant methodologies are for example different climate impact assessments (Climate Proofing, CP) and environmental impact assessments (EIA). Annex 3 includes examples, based on experiences from the EU funds, how these can be used over different phases of the national funding budget and programming.

3 Programme design: Need for DNSH

This chapter provides guidance for situations in which it is not clear whether DNSH assessments are needed and at what level those should be requested – would the programme level suffice or are they needed also at the project level? The information in this chapter is not needed if these decisions are already made, e.g., as a part of a larger funding programme.

Figure 2 shows the overview of different types of cases for DNSH assessment of a funding programme. There are a lot of national Finnish public funding programmes that do not have any potentially significant direct or primary indirect environmental impacts, and consequently, a DNSH assessment should not be requested unless separately dictated. Generally, there are different motivations and rationale for using the DNSH principle in the future. Some of these are elaborated in Information Box 3. If it is decided that a programme is aligned with the DNSH principle, in addition to programme level DNSH assessment the types of pro-grammes are further divided into:

1) those that need only a programme level DNSH assessment, and;

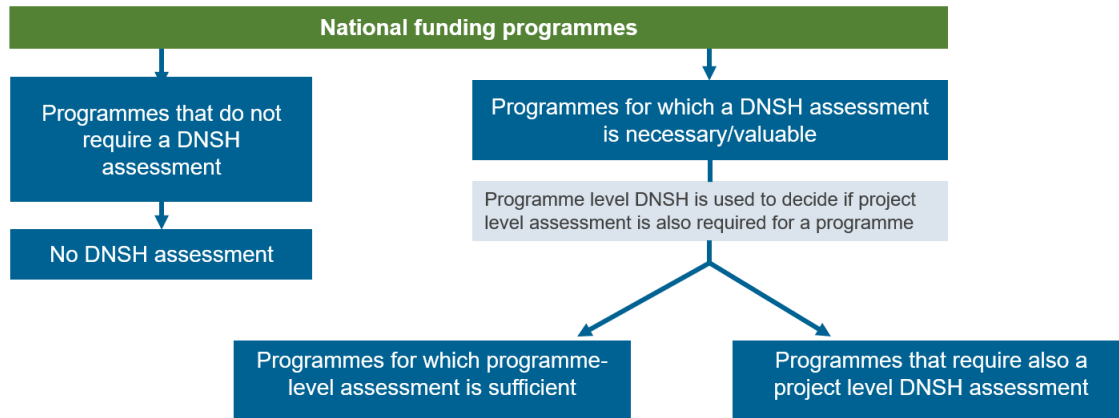2) those that in addition need a project level DNSH assessment.

Figure 2: Overview of DNSH assessment for different kinds of programmes.

Information Box 3. Rationale for DNSH principle

The DNSH principle can be used for multiple purposes depending on the rationale. The comprehension of which perspective drives the application of the DNSH principle, facilitates the considerations how the DNSH principle should be included in the programme design and planning. The following list provides examples of relevant views:

Mandatory requirement(-s) view: In the future there may be mandatory requirements to follow DNSH principle. Despite of the evolving details with EU funding programmes, the application of the DNSH principle will most likely remain to be an integrated part of EU funding programmes and funds in the future. For these EU funding windows, mandatory DNSH requirements need to be always followed and adhered to.

Compliance view: The application of the DNSH principle is intended to make sure that no environmental harm is done, and this essential purpose can be taken to a high priority level, when designing public funding programmes. This perspective would be applicable when it is anticipated that the (specific) programme funding has a high potential risk of environmental impact(-s) and would also require that the DNSH assessments are monitored, audited, and verified at the implementation phase of the relevant projects.

Mainstreaming view: DNSH principle considerations, or similar green financing criteria, are communicated to all applicants applying for and receiving public funding. As such, DNSH is a tool to stimulate consideration of all six EU environmental objectives under Taxonomy Regulation through (national) public funding and consequently supports advancing the green transition. If DNSH is used mainly for mainstreaming, the burden to applicants and authorities should be kept minimal and instead, the focus should be on information sharing with the goal of generally covering DNSH principle.

Efficiency and sensibility view: Finland, among other EU countries, is considering and developing different criteria and mechanisms for public funding to stimulate green transition. As a useful framework for such purposes already exist and it is acknowledged at the EU level, it can be sensible to use the DNSH principle for different purposes.

When is the programme level DNSH assessment sufficient?

Programme level DNSH assessment is most often sufficient when the funded projects are not direct physical investment projects and/ or when other types of projects don't have direct or primary indirect significant impacts regarding the six environmental objectives. Typical examples of these types of programmes are the ones where all projects to be funded are focusing on following types of projects (examples of these types of projects are elaborated in Information box 2):

    a. Education and training

    b. Networking and information generation as well as distribution

    c. General development projects that include mainly desk research and meetings

    d. Communication projects and campaigns

e. RDI activities provided that they do not involve any physical infrastructure investments, only desk research

f. Funded projects are very small in size but there might be a significant impact when pooled.

When are the project level DNSH assessments needed as well?

Typically project level assessments should be requested from all or some projects when there are any projects that involve physical investments and if programme's DNSH assessment indicates any potential significant direct or primary indirect impacts on any of the six environmental objectives.

How to decide which level of DNSH assessment is needed?

Step 1: Provide answers to two scoping questions: 1) What type of projects are funded? and 2) Are there potential environmental impacts (six DNSH environmental objectives) that the funded projects could have? See Table 3.

Step 2: Use guidance provided in Table 3 to decide what level of DNSH assessment is needed for projects based on the answers to these scoping questions. You can document the decisions to the template provided in Annex 2.

Note! These scoping questions are most often addressed at the same time when the programme level DNSH assessment is completed, and the mitigation actions are designed. Programme level DNSH assessment questions are in Table 1 in Chapter 2.

Table 3: Determining DNSH assessment level

Determining DNSH assessment level	
Questions	**Guidance based on answer**
1. What type of projects are funded? ➢ Consider whether the projects include investments (e.g., manufacturing facilities, machines etc.), piloting & experimentation, research, networking etc.	➢ Project level is most often needed when funding is directed to some physical investment projects. ➢ Project level is also needed for any other types of projects that have significant direct or primary indirect impact (question two).
2. Are there potential environmental impacts on any of the environmental objectives that the funded projects could have in its full life cycle? ➢ Yes/No for each six objectives ➢ Consider direct impacts, primary indirect impacts, no impacts of interest for DNSH (desk study, meetings, development) in the project's life cycle.	➢ Based on the assessment of the six environmental objectives, if any of them can have potential significant impacts (answer Yes), project level assessment is most often appropriate (Some examples of **indirect primary impacts** that are significant are described in Information box 2 in Chapter 1) ➢ If all funded projects have only **minor direct or primary indirect impacts or no impacts**, programme level assessment is sufficient. (Examples of indirect **minor** impacts are described in Information box 2)

4 Programme design: Different types of project level DNSH assessments

This chapter provides guidance to choose which type of project level DNSH assessments would be requested in a programme. You can skip this chapter if programme level assessment suffices.

What type of project level DNSH assessment can be requested?

For each funded project, there are two alternatives for the DNSH assessment.

- The **simplified DNSH assessment** is a lighter way of assessing the potential harmful impacts of a project on each of the six environmental objectives.

- The **detailed DNSH assessment** assesses the possible harmful impacts of a project on the environmental objectives, based on the specified criteria in the Delegated Acts of the EU Taxonomy, and shows what mitigation measures need to be taken to avoid these harmful impacts. The demand to show mitigation measures distinguishes the detailed assessment from the simplified one.

The projects funded by a programme may use one or both of these alternatives, or there may be a programme where some of the projects do not require a DNSH assessment at all. The details how to complete these two types of assessments from the applicant and authorities' point of view are provided in separate project level guidelines.

How to decide which type of project level DNSH assessments are requested?

Step 1: Go through the questions in Table 4 to verify which type of project level DNSH assessments would be requested. Questions address the 1) variation of projects, 2) sector coverage and 3) type of beneficiaries. The aim is to reduce the burden of applicants and the work load of authorities by focusing the requests to make DNSH assessments on those projects that have highest risks.

Step 2: Document the decisions with short justifications. You can use template provided in Annex 2 for documentation.

Step 3: Proceed with drafting the programme specific instructions for applicants and authorities who make the funding decisions. More details for these instructions are provided in Chapter 5.

One of the key issues is to determine and describe the sectors covered by the programme and to **verify whether the sectors and/or potential economic activities/projects are eligible under the EU Taxonomy**. The EU Taxonomy establishes a list of sustainable economic activities in key sectors for the transition, such as manufacturing, education, and for-

estry. Under each sector covered by the EU Taxonomy, the Delegated Acts under the Taxonomy Regulation defines the technical screening criteria that the economic activities need to comply in order to be considered as sustainable. The sector coverage of the programme is important because the definition and thresholds for the "significant" harm are developed as part of the EU Taxonomy and updated in the future.

Use the EU Taxonomy Compass to identify sectors, economic activities and DNSH technical screening criteria as relevant under the EU Taxonomy[6]. The Taxonomy Compass provides a matrix where each economic activity is listed with the specific criteria per environmental objective.

Table 4: Determining which type of project level DNSH assessment should be done (if it is needed)

Which type of project level assessment should be done (if it is needed)?	
Questions	**Guidance based on answer**
a) Are all the funded projects similar or is there a lot of variation? (in potential impacts, size, beneficiaries, content etc.)	➢ If projects are **different** in their potential environmental impacts, request a different level of DNSH assessments based on impacts: simplified/detailed for either *all environmental objectives* or target detailed assessment to *largest environmental risks*. Decide clear programme specific criteria to choose different types of project level DNSH assessments. ➢ If projects are **similar**, use the same project level request for all projects – simplified or detailed.
b) Which (economic) sectors & activities does the programme target to? ➢ Are programme sectors covered under the EU Taxonomy? ➢ Are there existing DNSH-criteria?	➢ If sectors **are covered** in the EU Taxonomy sectors and they have existing DNSH screening criteria, link instructions to use those. ➢ If sectors **are not covered** in EU Taxonomy or don't have DNSH criteria, use national legislation, information from SYKE guidelines or other sectoral thresholds to identify significance.

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[6] EU Taxonomy Compass: https://ec.europa.eu/sustainable-finance-taxonomy/taxonomy-compass

c) Who are the beneficiaries? (consider e.g., type of companies, SMEs, municipalities, NGOs, individual households) ➢ Is there a lot of variation between the beneficiaries?	➢ Consider the type of beneficiaries when planning the overall call to prepare adequate support for them to be able to make the DNSH assessment. See further details and options for implementation of DNSH principle in Chapter 5.

> ➢ During programme planning, consider what kinds of projects are included in the programme and base your project guidelines and thresholds on that.
>
> ➢ These questions help to determine what kind of project level assessment is needed and how to evaluate the DNSH assessments.

What if there is a lot of uncertainty of the types of projects to be funded?

For heterogeneous, large programmes where there is a lot of uncertainty about upcoming projects and where only some of the projects have potential impacts, the **project screening questionnaire** facilitates the identification of those projects that may need to undergo either a simplified or a detailed DNSH assessment at the project level. The project screening questionnaire consists of the six environmental objectives and simple yes/no questions. The screening tool would be used during the implementation of the programme and would be **used by the applicants or by the authorities who are processing the funding applications**. A template of project screening questionnaire can be found in the project level guidelines. Programme manager can decide / advice if the project screening questionnaire should be used to help to identify which type of project level assessment would be done for each project. Instructions and detailed description of the questionnaire for the applicants and authorities processing applications are provided in the project level guidelines.

5 Programme design: Governance of DNSH process

This chapter supports programme managers to plan and document how the DNSH principle is operationalized over the implementation phase. The implementation of the DNSH principle should be integrated in the regular programming activities for new funding programmes. This will help ensuring that the programme in itself is "DNSH-proof" before the actual launch of the call for applications, which then aims to reduce the need for and the level of DNSH assessments later on from the applicants and authorities.

Consider the following issues described in this chapter when developing instructions for applicants and for authorities to execute the DNSH principle throughout a programme. Annex 2 contains a template that can be used for documenting the key decisions.

- Regulatory and contractual issues

- Division of responsibilities

- Implementation options (only if the project level assessments are requested)

- Requested documentation (only if the project level assessments are requested)

- Monitoring and reporting

5.1 Regulatory and contractual basis

Implementing the DNSH principle can be a mandatory requirement with already existing strict regulatory rules. Even in these cases there may be a lot of freedom for programme managers to plan the details for implementation and to develop detailed instructions. Applying the DNSH principle can also go beyond the regulatory requirements and be used to ensure the environmental integrity of the funding. At the time of writing these DNSH guidelines, there are no specific national regulation that would require DNSH assessments[7].

Even without supporting regulation, funding organizations can also create contractual conditions related to the DNSH principle, e.g., reporting obligations to the recipients of funding. Such conditions are binding for the contractual parties and create subsequently a requirement for fulfilling of the DNSH principle.

Use the list in Table 5 to check the potential regulatory and contractual issues that are relevant for a programme. You can document these to the template provided in Annex 2.

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[7] However, DNSH principle has been applied in the priority law for advancing the environmental permitting process for projects related to the green transition (HE 128/2022).

Table 5: Considerations for the programme design: Regulatory and contractual basis

Regulatory and contractual basis	24|40
What are the legal requirements for the assessment? *Is it mandated by law or by the EC? Which law or directive?*	
Does the programme require programme or project level DNSH assessment based on the regulation?	
Are there existing instructions or assessment templates provided for the DNSH assessments? *If yes, one should use those guidelines*	
What are the objectives and purpose of applying DNSH principle? *How are these objectives operationalized in the programme? E.g., voluntary instructions for the applicants, contractual conditions, exclusion of certain activities from the programme, including DNSH assessment at project level.*	
What are relevant contractual measures that can be used for applying the DNSH principle? *E.g., should the funding contract have DNSH specific conditions*	

5.2 Defining responsibilities

Use the questions in Table 6 to list who are involved in the DNSH implementation, who make the key decisions, and who carry out the DNSH assessments and evaluations. You can document these to the template provided in Annex 2.

Table 6: Considerations for programme designer: Defining responsibilities

Defining responsibilities
Is the programme part of a bigger programme or funding instrument that would set requirements on DNSH assessment?   *If yes, check if the programme has already guidance on both programme design and possible project level assessment and use that guidance. If there is no existing guidelines, make sure that the guidance is in line with the whole programme.*
Who are generally involved in the decision making for the programme?
Who are involved in making the programme level DNSH assessment?   *Are they the same people as above?*
Who makes the decisions on whether the assessment should be done only on programme or also at the project level?
Who makes the decision on the design of the funding criteria or creation of exclusion lists that are the key mitigation actions for a programme?
Who makes decision on how the implementation of the DNSH principle is done?
Who decides how monitoring will be done, and for what purposes?

5.3 Implementation options for project level assessment

If project level DNSH assessments are requested (see Chapter 4), the programme manager needs to formulate the detailed instructions and the process for implementing the assessments.

Use the list of different options in Table 7 to make decisions for the implementation process. You can document these to the template provided in Annex 2.

Variations in the implementation process are linked to the stages where the DNSH assessments are done, by whom, and what type of information and instructions are provided to the applicants and to the evaluators. Project level DNSH assessments can be requested, e.g., to be done during pre-appraisal stage, appraisal stage or as part of finalizing the funding decision. Typically, the applicants are requested to provide DNSH assessment documentation, while the funding authority carries out the DNSH evaluation. It could however be that the funding authorities carry out the assessment and make decision about the DNSH compliance on their own. This option applies to the cases where the simplified assessment at the project level is sufficient.

When the applicants are requested to provide information, the funding authority needs to determine whether and what type of instructions should be provided, whether there is a possibility to revise and amend applications and if and what type of a help desk service will be needed to support the DNSH assessment process.

The evaluators may also need instructions, in particular for programmes where there are multiple persons carrying out the DNSH evaluations. As part of this it should be determined, how the evaluations are carried out, what kind of evaluation teams are needed and whether the teams (or individuals) need some type of training. Moreover, relevant information that informs the evaluation also exist in separate project level DNSH guidelines.

Table 7: Considerations for implementation

Considerations for implementation	
At which phase of the funding process the DNSH assessment will be done?	e.g., pre-appraisal stage, appraisal stage on in conjunction with the funding decision.
Are applicants requested to provide verifying information?	e.g., additional description, project documentation, certificates.
What type of instructions are provided for applicants?	e.g., a help-desk service for the applicants.
Can the applications be revised and amended during the application process?	e.g., editing enabled by the application portal.
What type of information or support will be provided for the evaluators?	e.g., instructions, guidance and check lists or trainings. How many evaluators should be involved?

How much additional work is DNSH assessment estimated to cause? How much additional resources are needed for implementing the DNSH assessment in the programme?	

5.4 Requested documentation

There are several types of checks for DNSH compliance and documentation needs in order to collect the relevant information for the actual DNSH assessment. **The programme designer needs to plan, what kind of documentation it requires from applicants at which stages when project level assessments are requested.** As a rule, the "bigger" the potential negative impact, the "heavier" the documentation and the need for verification.

Use list provided in Table 8 to consider what the type of checks and documentation are relevant for funding authorities and applicants as a part of the application process. You can document the decisions to the template provided in Annex 2.

The list can be used by funding authorities to consider what type of checks and documentation is needed as part of the DNSH assessment of the specific programme and help to define the instructions for applicants. Consider, whether some of the provided documentation is relevant for the monitoring and reporting that is covered in Section 5.5. One should note that not all programmes need all the listed checks or type of documentation. The listed checks and documents are most relevant for programmes for which the projects need to go through a detailed DNSH assessment and use, e.g., documentation related to the environmental permits.

Table 8: Types of documentation in the DNSH assessment process

Types of documentation and relevant considerations in the DNSH assessment process	
Definition of necessary documentation	The funding authority will specify in the call for proposals what documentation is required from applicants. The funding authority must also specify how the timeliness, accuracy and legality of the documentation, including verification, will be ensured.
Review of certified documents	If the applicant submits a previous DNSH assessment that has been approved by another authority, it is sufficient for the funding authority to assess the suitability of that DNSH assessment for the funding programme in question. If the applicant submits documents provided/reviewed by other authorities, it is sufficient to check their legal validity.

Assessment of applicant self-assessment, including supplementing documents.	The funding authority will provide the applicant with a self-assessment form (either a simplified or a detailed assessment) in which the applicant describes the qualitative and/or quantitative impact of their project for each environmental objective. The funding authority must assess, either itself or with the assistance of technical expertise, the adequacy and legal validity of the self-assessment.
Third party verification	The funding authority may also require some or all of the documents to be verified by a third party. The funding authority may also verify the legality of the information provided by the applicant if it so wishes.

5.5 Planning of monitoring and reporting

Monitoring of the programme should focus on potential concerns related to significant harmful environmental effects, both at the level of the programme and at the level of the potential projects funded by the programme.

Use questions in Table 9 to consider what information and documentation is relevant and necessary for possible monitoring of ongoing compliance with the DNSH principle. You can document the relevant decisions to the template provided in Annex 2.

Monitoring practices may vary between programmes and funding authorities, depending on how the DNSH principle is implemented, and should follow the authority's existing monitoring and reporting format. For example, when designing a programme, specific reporting requirements or funding criteria could be considered that require (continuous) progress reporting on agreed mitigation actions, either through contractual conditions or approval procedures. Consideration should be given to how monitoring requirements are incorporated into the project plan, mid-term and/or final reporting, possibly as part of existing monitoring and reporting processes and mechanisms already in place at the funding agency.

Unless otherwise agreed, the monitoring and reporting phase of the projects should be linked to the funding period or to the audit period (i.e., the number of years for which applicants must be able to provide documentation to be audited, e.g., 5 years after the funding period). With programmes, where DNSH compliance of projects is subject to the approval or existence of the environmental permit, the provision of the relevant documentation should also be included in the monitoring processes and to follow-up actions that the applicant needs to do after funding decision. Instructions for this need to be given at the programme instructions.

Monitoring and reporting	
Does the funding programme require monitoring and how should this be carried out? • If yes, include DNSH as part of the monitoring requirements of the programme. • If no, why? Is the funding completely one-off funding with only immediate impacts (direct and primary indirect impacts) that do not require monitoring at all?	
Does the programme have funding criteria that require mitigation actions? • If yes, request a report on how the mitigating actions have been carried out	
Does the funding programme include projects where the DNSH compliance is partly conditional with the existence of environmental permit? • If yes, follow up on the environmental permit before making final funding decisions. • Request immediate information on failed EIA as well as information if EIA is failed after initial application during funding period.	

Annex 1. Template for programme DNSH assessment and example answers.

Table A.1: Template for programme level DNSH assessment

Environmental objective	Main question and decision on the environmental objective	Sub questions on the environmental objective and possible mitigating actions based on the answers
1 **Climate change mitigation**	Is the programme likely to have significant adverse impacts on climate change mitigation? *Yes/No* *Conclusion:*	• Will the programme increase greenhouse gas emissions? • Does the programme degrade carbon sinks and/or carbon stocks? • Does the programme contribute to the use of fossil fuels? • Any other adverse effect?
		Result and mitigation actions:
2 **Climate change adaptation**	Is the programme likely to have significant adverse effects on adaptation to climate change? *Yes/No* *Conclusion:*	• Does the programme increase the risk of flooding, drought or exposure to extreme weather events? • Does the project neglect to prepare for extreme weather events (in all material respects)? • Any other adverse effect?
		Result and mitigation actions:
3 **Sustainable use and protection of water and marine resources**	Is the programme likely to have significant adverse effects on the sustainable use and protection of water and marine resources? *Yes/No* *Conclusion:*	• Could the programme cause changes to water quality, aquatic life, bottom conditions, currents, flow, water level or discharges that could lead to deterioration of surface or groundwater status (e.g. increase nutrient, metal or solids loads, degrade fish habitat or spread invasive species)? • Will the programme increase the heat load? • Any other adverse effect?
		Result and mitigation actions:
4 **Transition to a circular economy**	Is the programme likely to have significant adverse effects on the transition to a circular economy? *Yes/No* *Conclusion:*	• Will the programme increase the use of natural resources? • Will the programme make it more difficult to recycle materials? • Does the programme make it difficult to reuse products or materials or shorten the life of products? • Does the programme increase the disposal or incineration of waste (e.g. does the project increase the harmfulness of the waste generated)? • Any other adverse effect?
		Result and mitigation actions:

5	**Pollution prevention and control**	Is the programme likely to lead to a significant increase in emissions or a significant deterioration of the environment (land, water, air quality) through land use change? *Yes/No* *Conclusion:*	• Will the programme increase the chemicalization of the environment? • Will the programme result in significant emissions of harmful or hazardous substances? • Could environmental risks increase? • Any other adverse effect? Result and mitigation actions:
6	**Protection and restoration of biodiversity and ecosystems**	Is the programme likely to significantly degrade biodiversity or significantly impede the protection and/or restoration of ecosystems?	• Will the programme degrade, fragment or reduce the quality of protected or threatened habitats? • Does the programme reduce the size of the occurrence of a protected or threatened habitat type or the area in which the habitat type occurs? • Will the programme degrade, fragment or diminish the habitat quality of a protected or threatened species? • Will the programme reduce the population size or range of a protected or threatened species? • Will the programme hamper ecosystem protection and restoration? • Any other impact that reduces or harms biodiversity? Result and mitigation actions:

Table A.2: Example answers to DNSH assessment for a hypothetical programme

DNSH programme assessment – Example answers

The example answers are based on a fictional, low carbon transport programme that grants funding for low carbon transport infrastructure investments, each funding decision between 2-10 MEUR.

Environmental objective		Sub questions on the environmental objective	Example answers
1	**Climate change mitigation**	• Will the programme increase greenhouse gas emissions? • Does the programme degrade carbon sinks and/or carbon stocks? • Does the programme contribute to the use of fossil fuels? • Any other adverse effect?	The programme focuses on mitigating climate change by supporting low-carbon transport solutions and infrastructure. The programme does not directly support carbon intensive transport investments. The programme criteria require projects to be DNSH compliant. Applicants must justify how they are DNSH compliant. The programmes does not directly contribute to the increase of fossil fuel use while the programme can have minor indirect negative impact on emissions while the activities substitute the use of fossile fuels. The programme does not, from relevant parts, affect carbon sinks / stocks due to location specification in the application requirements.

			Conclusion: • Programme in DNSH compliant with regards to environmental objective 1. Climate mitigation • Mitigation actions the programme can do to reduce risks of environmental harm without project level DNSH: Funding criteria must be strictly given to projects that do not increase the usage of fossil fuels.
2	**Climate change adaptation**	• Does the programme increase the risk of flooding, drought or exposure to extreme weather events? • Any other adverse effect? • Does the project neglect to prepare for extreme weather events (in all material respects)?	The programme does not cause adverse effects (e.g., increased risk of flooding or droughts) for climate change adaptation. In the case of large infrastructure investments risk assessment is required. In the case of smaller activities, such as digital infrastructure, risk assessment is not required.
			Conclusion: • Programme in DNSH compliant with regards to environmental objective 2. Climate change adaptation • In the case of large infrastructure investments risk assessment is required.
3	**Sustainable use and protection of water and marine resources**	• Could the programme cause changes to water quality, aquatic life, bottom conditions, currents, flow, water level or discharges that could lead to deterioration of surface or groundwater status (e.g. increase nutrient, metal or solids loads, degrade fish habitat or spread invasive species)? • Will the programme increase the heat load? • Any other adverse effect?	Potential adverse impacts for water and marine resources are considered a rejection criterion in the application phase. Project applications must demonstrate that no adverse impacts are caused. There are no presumable, direct effects for water and marine resources. Geographic considerations for vulnerable water and marine ecosystems are taken into account in programme application requirements. In relevant cases, the programme can make DNSH assessment conditional for environmental permit. In such cases, applicants must demonstrate existing permit in due time and report on it.
			Conclusion: • Programme in DNSH compliant with regards to environmental objective 3. Sustainable use and protection of water and marine resources. • Mitigation actions the programme can do to reduce risks of environmental harm: DNSH assessment at a project level regarding to this environmental objective and/or a water permit. • Project application must include description of the geographic area and its water and marine ecosystems and how they are protected.
4	**Transition to a circular economy**	• Will the programme increase the use of natural resources?	Potential adverse impacts for transition to circular economy are considered a rejection criterion in the application phase. Project applications must demonstrate that no adverse impacts are caused. Where waste is generated, the waste holder shall primarily prepare the waste for reuse or, secondarily, recycle.

		• Does the programme make it difficult to reuse products or materials or shorten the life of products? • Will the programme make it more difficult to recycle materials? • Does the programme increase the disposal or incineration of waste (e.g. does the project increase the harmfulness of the waste generated)? • Any other adverse effect?	The programme aims to minimize the use of scarce resource, by encouraging circular economy solutions.
			Conclusion: • Programme in DNSH compliant with regards to environmental objective 4 Transition to a circular economy • Mitigation actions the programme can do to reduce risks of environmental harm: DNSH assessment at a project level regarding this environmental objective. • Funding call should emphasize and prioritize circular economy solutions.
5	**Pollution prevention and control**	• Will the programme increase the chemicalization of the environment? • Will the programme result in significant emissions of harmful or hazardous substances? • Could environmental risks increase? • Any other adverse effect?	Adverse impacts of significant pollution and/ or deterioration of environment are an exclusion criterion in the application round. Project applications must demonstrate that the projects will not have adverse impacts. In relevant cases, the programme can make DNSH assessment conditional for environmental permit. In such cases, applicants must demonstrate existing permit in due time and report on it.
			Conclusion: • Programme in DNSH compliant with regards to environmental objective 5 Pollution prevention and control • Mitigation actions the programme can do to reduce risks of environmental harm: Include significant pollution and/or deterioration of environment as an exclusion criterion at the funding call • Request an environmental permit as a criteria for funding
6	**Protection and restoration of biodiversity and ecosystems**	• Will the programme degrade, fragment or reduce the quality of protected or threatened habitats? • Does the programme reduce the size of the occurrence of a protected or threatened habitat type or the area in which the habitat type occurs? • Will the programme degrade, fragment or diminish the habitat quality of a protected or threatened species? • Will the programme reduce the population size or range of a protected or threatened species? • Will the programme hamper ecosystem protection and restoration? • Any other impact that reduces or harms biodiversity?	Adverse impacts are an exclusion criterion in the application round. Project applications must demonstrate that the projects will not have adverse impacts. In relevant cases, the programme can make DNSH assessment conditional for environmental permit. In such cases, applicants must demonstrate existing permit in due time and report on it. Geographic considerations for vulnerable ecosystems are taken into account in programme application requirements.
			Conclusion: • Programme is DNSH compliant with regards to environmental objective 6 Protection and restoration of biodiversity and ecosystems • Mitigation actions the programme can do to reduce risks of environmental harm: Include significant harm and/or deterioration of environment as an exclusion criterion at the funding call • Request and environmental permit as a criteria for funding

Annex 2: Template for documenting the implementation of DNSH principle in a programme

Table A3: Template for programme design

Programme Design Template	
Does the programme require DNSH assessment at any level?	
Yes / No	If No: You do not need to proceed
	If Yes: Complete the Programme DNSH assessment in Annex 1 and the rest of this template
Determining DNSH assessment level	
Describe relevant considerations and decisions related to determining DNSH assessment level and provide rationale for the made decision.	
What type of projects are funded?	Description
Are there potential direct or primary indirect environmental impacts (six DNSH environmental objectives) in its full life cycle that the funded projects could have?	Description
Are project level assessments and evaluations needed based on the two previous questions and possible programme level DNSH assessment?	If No: Programme level DNSH assessment is sufficient and you don't need to complete the form If Yes: Complete the following parts of this template.
How project level assessment should be done (if it is needed)?	
Describe relevant considerations and decisions related to how project level assessment should be done (if it is needed).	

Are the projects similar in terms of their anticipated environmental impacts, direct and primary indirect? If yes, they can be treated similar (simplified or detailed) if not, they should be treated individually (case by case)	Decisions options:
	
	   o All projects are requested simplified assessment
	
	   o All projects are requested detailed assessment
	
	   o Projects are treated in different manners (describe detailed decisions how this will be implemented, e.g, use of the screening questionnaire)

For instance is the detailed DNSH assessment done for all or just some projects?	Description and decision(s):	
Which (economic) sectors & activities does the programme target?		
Who are the beneficiaries?		

Regulatory and contractual issues

Are there specific regulatory and contractual issues to be taken into account? Describe relevant considerations and decisions.

Is the DNSH assessment based on regulation (EU or National Law)	Yes / No	Description and decision(s):
Are there pre-existing guidelines for making the DNSH assessment withing the programme?	Yes / No	Description
What kind of contractual arrangements or other measures are there to implement DNSH (for example mitigating actions or special clauses in the funding agreement)		Description

Division of Responsibilities

Describe relevant considerations and decisions related to decision making structure for programme DNSH assessment.

Is the programme part of an overarching programme or funding instrument that would set requirements on DNSH assessment? If yes, see if the programme has pre-existing guidelines and use them. If not, make sure that the guidelines created will be unified across the programme.	Yes / No Description
Who are involved in the decision making for the programme?	

Who are involved in making the programme level DNSH assessment?	
Who makes the decisions on whether the assessment should be done only on programme or also on project level?	
Who makes decision about funding criteria and exclusion lists?	
Who decides how monitoring will be done, and for what purposes?	

Implementation options for project level assessments

Describe relevant considerations and decisions related to programme implementation.

At which phase of the funding process the DNSH assessment will be done?	
Are applicants requested to provide verifying information or is self-assessment sufficient	
What type of instructions are provided for applicants?	
Can the applications be revised and amended during the application process?	
Will there be a help-desk service for the applicants, and if yes, how will it be organized?	
What type of support and tools will be provided for the evaluators?	
How much additional work is DNSH assessment estimated to cause? How much additional resources are needed for implementing the DNSH assessment in the programme?	

Requested documentation

Describe relevant documentation requested from applicants (also use of templates developed for project level DNSH assessments)	

Monitoring and reporting

Describe relevant considerations and decisions related to monitoring and reporting.

Does the funding programme require monitoring and how should this be carried out?	
Does the programme have funding criteria that require mitigation actions?	
Does the funding programme include projects where the DNSH compliance is partly conditional with the existence of environmental permit? If yes, follow up with permitting authority to complete the DNSH assessment for a project.	

Annex 3. Environmental impact assessment methodologies for the application of the DNSH principle

Implications of environmental methodologies for the application of the DNSH principle

Climate tagging (CT) and sustainability proofing (SP), and environmental assessments (EIAs and SEAs) are interlinked with the DNSH principle. Implementing these methodologies may partly (or entirely for certain environmental objectives) ensure the application of the DNSH principle. It is thus important to take them into account when designing programmes: this ensures that authorities and beneficiaries do not duplicate the application of the DNSH principle across several processes and methodologies.

Here some concrete examples are provided how these methodologies are treated and used with EU funding instruments to provide inspiration also for national funding programmes.

- **For RRF programmes**

Climate tagging directly informs whether a DNSH assessment is needed. If the measure is tracked as supporting a climate change or environmental objective with a coefficient of 100%, it is automatically considered compliant with DNSH for the relevant objective[8].

In addition, and although they cannot substitute a DNSH assessment, SP, CP EIA and SEA can be used to support DNSH assessments by showing that risks have been identified and mitigated[9], or at the implementation stage by pointing to DNSH relevant mitigation measures[10]. Implications for programme designers:

- *Appraisal*: Clarify the measure's climate tag to determine the type of DNSH assessment needed.
- *Assessment*: Integrate the conclusions of SP, CP, EIA and SEA, if applicable.
- *Implementation*: Verify that the SP, CP, EIA and SEA mitigation measures identified in the DNSH assessment are applied.

- **For InvestEU projects under the InvestEU Guarantee**

Climate tagging is informed by SP results. DNSH assessments are conducted through SP and CP, and the DNSH principle is implemented through the implementation of mitigation measures identified during SP and CP. The applicability of an EIA obligates to conduct a SP, and thus a DNSH assessment. Importantly, while EIA and CP feed into each other (and thus into the DNSH assessment), they do not substitute a DNSH assessment. Implications for programmes developers:

- *Appraisal*: Clarify the monetary value of the investment and the applicability of an EIA, to know if a CP is needed.
- *Assessment*: Where applicable, integrate the conclusions of the EIA, SP and of the CP.

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[8] Section 3, https://commission.europa.eu/system/files/2023-10/c_2023_6454_f1_other_autonomous_act_en.PDF

[9] The use of SEA and EIA conclusions is particularly relevant to the biodiversity and protection of marine and water resources objectives. See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021XC0218(01)&from=EN

[10] Section 2.3, https://commission.europa.eu/system/files/2023-10/c_2023_6454_f1_other_autonomous_act_en.PDF

- *Implementation*: Verify that the SP, CP, EIA and SEA mitigation measures identified in the DNSH assessment are applied.

- **For InvestEU projects under the <u>Member State compartment</u>**

For projects implemented under the Member State compartment of InvestEU (i.e., whereby RRF funding is channeled to the Member State compartment of InvestEU), SP must be applied in conjunction with guidelines of the implementing partner. If the implementing partner is the EIB and EBRD, the EIB Group's 'Climate Bank Roadmap 2021-2025' and the EBRD's '2019 Environmental and Social Policy' and 'Methodology to determine the Paris Agreement alignment of EBRD' must be used. For other implementing partners, the EU Taxonomy and/or the RRF exclusion list set out in the CID Annex must be used[11].
- *Appraisal*: Clarify which criteria and guidelines must be used, depending on the implementing partner. Conduct a SP.
- *Assessment*: Integrate the conclusions of the SP and apply the guidelines identified during the appraisal.
- *Implementation*: Verify that the mitigation measures identified in the SP and in the guidelines are implemented.

- **For Regional Development Funds[12]**

The relevance of SEA is the first step to address the DNSH principle in the regional development funds. Programmes for which the SEA concludes that the types of actions are likely to produce significant negative effects on the environmental objectives must not be included in the programme. In addition, investments in infrastructure must undergo CP if their lifespan exceeds 5 years. Implications for programme developers:
- *Appraisal*: Clarify whether the programme must undergo an SEA, based on the SEA Directive. Clarify if the types of measure under the programme will be assessed under the RRP.
- *Assessment*: Select operations that align with the definition of type of measure:
  - For types of measures that only went through an SEA: select operations that align with the conclusions and restrictions of the SEA.
  - For types of measures that were assessed under the RRP: select operations that align with the RRP DNSH assessment (this may include criteria related to the conclusions of SEA, EIA, SP)
  - For types of measures that were assessed under another methodology and/or with additional DNSH-related criteria: select operations that align with the definition of type of measure. This may include criteria related to the conclusions of the SEA.
  - In addition, and for operations related to infrastructure and which have a lifespan that exceeds 5 years, only select those that have undergone a CP.
- *Implementation*: Identify monitoring measures that ensure the alignment of the operations with the definition of type of measure. This primarily entails monitoring measures that have been identified in the SEA and/or CP.

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[11] Section 2.4 https://commission.europa.eu/system/files/2023-10/c_2023_6454_f1_other_autonomous_act_en.PDF
[12] Based on the updated Commission Notice on the application of the DNSH principle under Cohesion Policy, shared by the Commission services.