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⁽¹⁾ Text with EEA relevance.

EN

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II

(Non-legislative acts)

REGULATIONS

COMMISSION IMPLEMENTING REGULATION (EU) 2023/1418

of 30 June 2023

conferring protection under Article 99 of Regulation (EU) No 1308/2013 of the European Parliament and of the Council on the name ‘Pic Saint-Loup’ (PDO)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 ⁽¹⁾, and in particular Article 99 thereof,

Whereas:

- (1) In accordance with Article 97(2) and (3) of Regulation (EU) No 1308/2013, the Commission has examined the application to register the name ‘Pic Saint-Loup’ forwarded by France and has published it in the *Official Journal of the European Union* ⁽²⁾.
- (2) No statement of objection has been received by the Commission under Article 98 of Regulation (EU) No 1308/2013.
- (3) In accordance with Article 99 of Regulation (EU) No 1308/2013, the name ‘Pic Saint-Loup’ should be protected and entered in the register referred to in Article 104 of that Regulation.
- (4) The measures provided for in this Regulation are in accordance with the opinion of the Committee for the Common Organisation of the Agricultural Markets,

HAS ADOPTED THIS REGULATION:

Article 1

The name ‘Pic Saint-Loup’ (PDO) is hereby protected.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

⁽¹⁾ OJ L 347, 20.12.2013, p. 671.

⁽²⁾ OJ C 53, 13.2.2023, p. 22.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 30 June 2023.

*For the Commission,
On behalf of the President,
Janusz WOJCIECHOWSKI
Member of the Commission*

COMMISSION IMPLEMENTING REGULATION (EU) 2023/1419
of 4 July 2023
concerning the classification of certain goods in the Combined Nomenclature

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code ⁽¹⁾, and in particular Article 57(4) and Article 58(2) thereof,

Whereas:

- (1) In order to ensure uniform application of the Combined Nomenclature annexed to Council Regulation (EEC) No 2658/87 ⁽²⁾, it is necessary to adopt measures concerning the classification of the goods referred to in the Annex to this Regulation.
- (2) Regulation (EEC) No 2658/87 has laid down the general rules for the interpretation of the Combined Nomenclature. Those rules apply also to any other nomenclature which is wholly or partly based on it or which adds any additional subdivision to it and which is established by specific provisions of the Union, with a view to the application of tariff and other measures relating to trade in goods.
- (3) Pursuant to those general rules, the goods described in column (1) of the table set out in the Annex should be classified under the CN code indicated in column (2), by virtue of the reasons set out in column (3) of that table.
- (4) It is appropriate to provide that binding tariff information issued in respect of the goods concerned by this Regulation which does not conform to this Regulation may, for a certain period, continue to be invoked by the holder in accordance with Article 34(9) of Regulation (EU) No 952/2013. That period should be set at three months.
- (5) The measures provided for in this Regulation are in accordance with the opinion of the Customs Code Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The goods described in column (1) of the table set out in the Annex shall be classified within the Combined Nomenclature under the CN code indicated in column (2) of that table.

Article 2

Binding tariff information which does not conform to this Regulation may continue to be invoked in accordance with Article 34(9) of Regulation (EU) No 952/2013 for a period of three months from the date of entry into force of this Regulation.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

⁽¹⁾ OJ L 269, 10.10.2013, p. 1.

⁽²⁾ Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff (OJ L 256, 7.9.1987, p. 1).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 4 July 2023.

*For the Commission,
On behalf of the President,
Gerassimos THOMAS
Director-General
Directorate-General for Taxation and Customs Union*

ANNEX

Description of the goods	Classification (CN code)	Reasons
(1)	(2)	(3)
A mini-cup set (4 cups) made of fine bone china, with a delicate glaze, decorated with numbers in an artistic typography. The cups do not have handles. They are of a height of approximately 6 cm and of a diameter of approximately 5,5 cm. The cups may be used as tableware or as a decoration (for example, for flowers or candles).	6911 10 00	Classification is determined by general rules 1 and 6 for the interpretation of the Combined Nomenclature and by the wording of CN codes 6911 and 6911 10 00. Due to its objective characteristics, the mini-cup set is tableware. By its appearance and intended use, it fulfils the scope of heading 6911, which covers tableware, kitchenware, other household articles and toilet articles, of porcelain or china. Classification under heading 6913 as ornamental articles is excluded as this heading covers tableware and other domestic articles only if the usefulness of the articles is clearly subordinate to their ornamental character. The mini-cup set is designed essentially to serve useful purposes, and its decoration is secondary and does not impair the usefulness. Therefore, it serves a useful purpose no less efficiently than its plainer counterparts (see the Harmonised System Explanatory Notes to heading 6913, item (B)). Consequently, the mini-cup set is to be classified under CN code 6911 10 00 as tableware and kitchenware, of porcelain or china.

COMMISSION IMPLEMENTING REGULATION (EU) 2023/1420
of 4 July 2023
concerning the classification of certain goods in the Combined Nomenclature

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code ⁽¹⁾, and in particular Article 57(4) and Article 58(2) thereof,

Whereas:

- (1) In order to ensure uniform application of the Combined Nomenclature annexed to Council Regulation (EEC) No 2658/87 ⁽²⁾, it is necessary to adopt measures concerning the classification of the goods referred to in the Annex to this Regulation.
- (2) Regulation (EEC) No 2658/87 has laid down the general rules for the interpretation of the Combined Nomenclature. Those rules apply also to any other nomenclature which is wholly or partly based on it or which adds any additional subdivision to it and which is established by specific provisions of the Union, with a view to the application of tariff and other measures relating to trade in goods.
- (3) Pursuant to those general rules, the goods described in column (1) of the table set out in the Annex should be classified under the CN code indicated in column (2), by virtue of the reasons set out in column (3) of that table.
- (4) It is appropriate to provide that binding tariff information issued in respect of the goods concerned by this Regulation which does not conform to this Regulation may, for a certain period, continue to be invoked by the holder in accordance with Article 34(9) of Regulation (EU) No 952/2013. That period should be set at three months.
- (5) The measures provided for in this Regulation are in accordance with the opinion of the Customs Code Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The goods described in column (1) of the table set out in the Annex shall be classified within the Combined Nomenclature under the CN code indicated in column (2) of that table.

Article 2

Binding tariff information which does not conform to this Regulation may continue to be invoked in accordance with Article 34(9) of Regulation (EU) No 952/2013 for a period of three months from the date of entry into force of this Regulation.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

⁽¹⁾ OJ L 269, 10.10.2013, p. 1.

⁽²⁾ Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff (OJ L 256, 7.9.1987, p. 1).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 4 July 2023.

*For the Commission,
On behalf of the President,
Gerassimos THOMAS
Director-General
Directorate-General for Taxation and Customs Union*

ANNEX

Description of the goods	Classification (CN code)	Reasons
(1)	(2)	(3)
A plate made of fine bone china, with a delicate glaze, decorated with a letter in an artistic typography. The plate is of a diameter of approximately 20 cm. The plate may be used as tableware or as a wall decoration (using plate hangers, not present at the time of importation).	6911 10 00	Classification is determined by general rules 1 and 6 for the interpretation of the Combined Nomenclature and by the wording of CN codes 6911 and 6911 10 00. Due to its objective characteristics, the plate is tableware. By its appearance and intended use, it fulfils the scope of heading 6911, which covers tableware, kitchenware, other household articles and toilet articles, of porcelain or china. Classification under heading 6913 as an ornamental article is excluded as this heading covers tableware and other domestic articles only if the usefulness of the articles is clearly subordinate to their ornamental character. The plate is designed essentially to serve useful purposes, and its decoration is secondary and does not impair the usefulness. Therefore, it serves a useful purpose no less efficiently than its plainer counterparts (see the Harmonised System Explanatory Notes to heading 6913, item (B)). Consequently, the plate is to be classified under CN code 6911 10 00 as tableware and kitchenware, of porcelain or china.

COMMISSION IMPLEMENTING REGULATION (EU) 2023/1421**of 6 July 2023****approving sulfur dioxide released from sodium metabisulfite as an active substance for use in biocidal products of product-type 9 in accordance with Regulation (EU) No 528/2012 of the European Parliament and of the Council****(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products ⁽¹⁾, and in particular Article 9(1), point (a), thereof,

Whereas:

- (1) On 2 December 2013, the European Chemicals Agency ('the Agency') received an application, in accordance with Article 7(1) of Regulation (EU) No 528/2012, for the approval of sulfur dioxide released from sodium metabisulfite as an active substance for use in biocidal products of product-type 9, fibre, leather, rubber and polymerised materials preservatives, as described in Annex V to Regulation (EU) No 528/2012. That application was evaluated by the competent authority of Germany ('the evaluating competent authority').
- (2) On 22 January 2018, the evaluating competent authority submitted the assessment report on the application together with the conclusions of its evaluation to the Agency. The Agency discussed the assessment report and the conclusions in technical meetings.
- (3) In accordance with Article 75(1), second subparagraph, point (a), of Regulation (EU) No 528/2012, the Biocidal Products Committee prepares the opinion of the Agency regarding the applications for approval of active substances. In accordance with Article 8(4) of Regulation (EU) No 528/2012, the Biocidal Products Committee adopted the opinion of the Agency on 26 September 2022 ⁽²⁾, having regard to the conclusions of the evaluating competent authority.
- (4) In the opinion, the Agency concludes that biocidal products of product-type 9 using sulfur dioxide released from sodium metabisulfite may be expected to satisfy the criteria laid down in Article 19(1), point (b), of Regulation (EU) No 528/2012, provided that certain conditions concerning their use are complied with.
- (5) Taking into account the opinion of the Agency, it is appropriate to approve sulfur dioxide released from sodium metabisulfite as an active substance for use in biocidal products of product-type 9 subject to compliance with certain conditions.
- (6) The measures provided for in this Regulation are in accordance with the opinion of the Standing Committee on Biocidal Products,

HAS ADOPTED THIS REGULATION:

Article 1

Sulfur dioxide released from sodium metabisulfite is approved as an active substance for use in biocidal products of product-type 9 subject to the conditions set out in the Annex.

⁽¹⁾ OJ L 167, 27.6.2012, p. 1.

⁽²⁾ Biocidal Products Committee Opinion on the application for approval of the active substance sulfur dioxide released from sodium metabisulfite; Product-type 9; ECHA/BPC/355/2022, adopted on 26 September 2022.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 6 July 2023.

For the Commission
The President
Ursula VON DER LEYEN

ANNEX

Common Name	IUPAC Name Identification Numbers	Minimum degree of purity of the active substance ⁽¹⁾	Date of approval	Expiry date of approval	Product type	Specific conditions
Sulfur dioxide released from sodium metabisulfite	IUPAC name: disodium disulphite EC No: 231-673-0 CAS No: 7681-57-4	Minimum purity of sodium metabisulfite: 95 % w/w	1 August 2023	31 July 2033	9	The authorisation of biocidal products is subject to the following conditions: (1) The product assessment shall pay particular attention to the exposures, the risks and the efficacy linked to any uses covered by an application for authorisation, but not addressed in the Union-level risk assessment of the active substance; (2) The product assessment shall pay particular attention to: (a) professional users; (b) toddlers.

⁽¹⁾ The purity indicated in this column was the minimum degree of purity of the active substance evaluated. The active substance in the product placed on the market can be of equal or different purity if it has been proven to be technically equivalent to the evaluated active substance.

DECISIONS

COMMISSION IMPLEMENTING DECISION (EU) 2023/1422

of 3 July 2023

concerning certain interim emergency measures relating to African swine fever in Croatia

(notified under document C(2023) 4589)

(Only the Croatian text is authentic)

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2016/429 of the European Parliament and of the Council of 9 March 2016 on transmissible animal diseases and amending and repealing certain acts in the area of animal health ('Animal Health Law') ⁽¹⁾, and in particular Article 259(2) thereof,

Whereas:

- (1) African swine fever is an infectious viral disease affecting kept and wild porcine animals and can have a severe impact on the concerned animal population and the profitability of farming causing disturbance to movements of consignments of those animals and products thereof within the Union and exports to third countries.
- (2) In the event of outbreaks of African swine fever in kept porcine animals, there is a serious risk of the spread of that disease to other establishments of kept porcine animals.
- (3) Delegated Regulation (EU) 2020/687 ⁽²⁾ supplements the rules for the control of the listed diseases referred to in Article 9(1)(a), (b) and (c) of Regulation (EU) 2016/429, and defined as category A, B and C diseases in Commission Implementing Regulation (EU) 2018/1882 ⁽³⁾. In particular, Articles 21 and 22 of Delegated Regulation (EU) 2020/687 provide for the establishment of a restricted zone in the event of an outbreak of a category A disease, including African swine fever, and for certain measures to be applied therein. In addition, Article 21(1) of that Delegated Regulation provides that the restricted zone is to comprise a protection zone, a surveillance zone, and if necessary further restricted zones around or adjacent to the protection and surveillance zones.
- (4) Commission Implementing Regulation (EU) 2023/594 ⁽⁴⁾ lays down special disease control measures regarding African swine fever. In particular, Article 3, point (a), of that Implementing Regulation provides for the establishment of a restricted zone in the case of an outbreak of African swine fever in kept porcine animals, in accordance with Article 21(1) of Delegated Regulation (EU) 2020/687.

⁽¹⁾ OJ L 84, 31.3.2016, p. 1.

⁽²⁾ Commission Delegated Regulation (EU) 2020/687 of 17 December 2019 supplementing Regulation (EU) 2016/429 of the European Parliament and the Council, as regards rules for the prevention and control of certain listed diseases (OJ L 174, 3.6.2020, p. 64).

⁽³⁾ Commission Implementing Regulation (EU) 2018/1882 of 3 December 2018 on the application of certain disease prevention and control rules to categories of listed diseases and establishing a list of species and groups of species posing a considerable risk for the spread of those listed diseases (OJ L 308, 4.12.2018, p. 21).

⁽⁴⁾ Commission Implementing Regulation (EU) 2023/594 of 16 March 2023 laying down special disease control measures for African swine fever and repealing Implementing Regulation (EU) 2021/605 (OJ L 79, 17.3.2023, p. 65).

- (5) Croatia has informed the Commission of the current African swine fever situation on its territory, following the confirmation of one outbreak of that disease in kept porcine animals in the Vukovarsko-Srijemska county on 26 June 2023 and, in accordance with Delegated Regulation (EU) 2020/687 and Implementing Regulation (EU) 2023/594, it has established a restricted zone, which comprises protection and surveillance zones, where the general disease control measures laid down in Delegated Regulation (EU) 2020/687 are applied, in order to prevent the further spread of that disease.
- (6) In order to prevent any unnecessary disturbance to trade within the Union and to avoid unjustified barriers to trade by third countries, it is necessary to identify at Union level the restricted zone, which comprises protection and surveillance zones for African swine fever in Croatia in collaboration with that Member State.
- (7) Given the urgency of the epidemiological situation in the Union as regards the spread of African swine fever, it is important that the measures laid down in this Implementing Decision apply as soon as possible.
- (8) Accordingly, pending the opinion of the Standing Committee on Plants, Animals, Food and Feed, the infected zone in Croatia should be established immediately and listed in the Annex to this Decision and the duration of that zoning fixed.
- (9) This Decision is to be reviewed at the next meeting of the Standing Committee on Plants, Animals, Food and Feed,

HAS ADOPTED THIS DECISION:

Article 1

Croatia shall ensure that:

- (a) a restricted zone which comprises a protection zone and a surveillance zone is established immediately by Croatia in accordance with Article 21(1) of Delegated Regulation (EU) 2020/687 and under conditions set out in that Article;
- (b) the protection and surveillance zones referred to in paragraph (a) comprise at least the areas listed in the Annex to this Implementing Decision.

Article 2

This Decision shall apply until 26 September 2023.

Article 3

This Decision is addressed to the Republic of Croatia.

Done at Brussels, 3 July 2023.

For the Commission
Stella KYRIAKIDES
Member of the Commission

ANNEX

Areas established as the restricted zone in Croatia as referred to in Article 1	Date until applicable
Protection zone includes areas of: — Municipality of Drenovci, — Municipality of Gunja, — Municipality of Privlaka.	26.9.2023
Surveillance zone includes areas of: — Municipality of Andrijaševci — Municipality of Bošnjaci — Municipality of Cerna — Municipality of Gradište — Municipality of Nijemci — The city of Otok — Municipality of Stari Jankovci — Municipality of Vrbanja — The city of Vinkovci — Municipality of Babina Greda — Municipality of Bogdanovci — Municipality of Borovo — Municipality of Ivankovo — Municipality of Jarmina — Municipality of Lovas — Municipality of Markušica — Municipality of Negoslavci — Municipality of Nuštar — Municipality of Stari Mikanovci — Municipality of Šitar — Municipality of Tompojevci — Municipality of Tordinci — Municipality of Tovarnik — Municipality of Trpnja — Municipality of Vođinci — The city of Ilok — The city of Vukovar — The city of Županja	26.9.2023

COMMISSION IMPLEMENTING DECISION (EU) 2023/1423**of 5 July 2023****repealing Implementing Decision (EU) 2022/1486 postponing the expiry date of the approval of acrolein for use in biocidal products of product-type 12****(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products ⁽¹⁾, and in particular Article 14(5) thereof,

After consulting the Standing Committee on Biocidal Products,

Whereas:

- (1) Acrolein was included in Annex I to Directive 98/8/EC of the European Parliament and of the Council ⁽²⁾ as an active substance for use in biocidal products of product-type 12. Pursuant to Article 86 of Regulation (EU) No 528/2012, it was therefore considered approved until 31 August 2020 under that Regulation subject to the requirements set out in Annex I to Directive 98/8/EC.
- (2) On 28 February 2019, an application was submitted in accordance with Article 13(1) of Regulation (EU) No 528/2012 for the renewal of the approval of acrolein for use in biocidal products of product-type 12 ('the application') as the approval of acrolein for use in biocidal products of product-type 12 was supposed to expire on 31 August 2020.
- (3) Commission Implementing Decision (EU) 2020/1037 ⁽³⁾ postponed the expiry date of the approval of acrolein for use in biocidal products of product-type 12 to 28 February 2023 in order to allow sufficient time for the examination of the application. That expiry was again postponed by Commission Implementing Decision (EU) 2022/1486 ⁽⁴⁾ to 28 February 2025.
- (4) However, on 6 October 2022, the evaluating competent authority of Czechia informed the Agency and the Commission that the applicant had withdrawn its application for the renewal of approval of acrolein for use in biocidal products of product-type 12. Consequently, as it has not been established that acrolein still meets the conditions laid down in Article 4(1) of Regulation (EU) No 528/2012, Commission Implementing Decision (EU) 2023/1424 ⁽⁵⁾ did not renew the approval of acrolein for use in biocidal products of product-type 12. Therefore, it is appropriate to repeal Implementing Decision (EU) 2022/1486 postponing the expiry date of the approval of acrolein,

⁽¹⁾ OJ L 167, 27.6.2012, p. 1.

⁽²⁾ Directive 98/8/EC of the European Parliament and of the Council of 16 February 1998 concerning the placing of biocidal products on the market (OJ L 123, 24.4.1998, p. 1).

⁽³⁾ Commission Implementing Decision (EU) 2020/1037 of 15 July 2020 postponing the expiry date of approval of acrolein for use in biocidal products of product-type 12 (OJ L 227, 16.7.2020, p. 72).

⁽⁴⁾ Commission Implementing Decision (EU) 2022/1486 of 7 September 2022 postponing the expiry date of the approval of acrolein for use in biocidal products of product-type 12 in accordance with Regulation (EU) No 528/2012 of the European Parliament and of the Council (OJ L 233, 8.9.2022, p. 83).

⁽⁵⁾ Commission Implementing Decision (EU) 2023/1424 of 5 July 2023 not renewing the approval of acrolein for use in biocidal products of product-type 12 in accordance with Regulation (EU) No 528/2012 of the European Parliament and of the Council (OJ L 174, ..., p. 17).

HAS ADOPTED THIS DECISION:

Article 1

Implementing Decision (EU) 2022/1486 is repealed.

Article 2

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels, 5 July 2023.

For the Commission
The President
Ursula VON DER LEYEN

COMMISSION IMPLEMENTING DECISION (EU) 2023/1424**of 5 July 2023****not renewing the approval of acrolein for use in biocidal products of product-type 12 in accordance with Regulation (EU) No 528/2012 of the European Parliament and of the Council****(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products ⁽¹⁾, and in particular Article 14(4), first subparagraph, point (b), thereof,

Whereas:

- (1) Acrolein was included in Annex I to Directive 98/8/EC of the European Parliament and of the Council ⁽²⁾ as an active substance for use in biocidal products of product-type 12. Pursuant to Article 86 of Regulation (EU) No 528/2012, it was therefore considered approved until 31 August 2020 under that Regulation subject to the requirements set out in Annex I to Directive 98/8/EC.
- (2) On 28 February 2019, an application was submitted in accordance with Article 13(1) of Regulation (EU) No 528/2012 for the renewal of the approval of acrolein for use in biocidal products of product-type 12 ('the application') as the approval of acrolein for use in biocidal products of product-type 12 was supposed to expire on 31 August 2020.
- (3) Commission Implementing Decision (EU) 2020/1037 ⁽³⁾ postponed the expiry date of the approval of acrolein for use in biocidal products of product-type 12 to 28 February 2023 in order to allow sufficient time for the examination of the application. That expiry was again postponed by Commission Implementing Decision (EU) 2022/1486 ⁽⁴⁾ to 28 February 2025.
- (4) However, on 6 October 2022, the evaluating competent authority informed the Agency and the Commission that the applicant had withdrawn its application for the renewal of approval of acrolein for use in biocidal products of product-type 12. Consequently, as it has not been established that acrolein still meets the conditions laid down in Article 4(1) of Regulation (EU) No 528/2012, it is appropriate to not renew the approval of acrolein for use in biocidal products of product-type 12.
- (5) The measures provided for in this Decision are in accordance with the opinion of the Standing Committee on Biocidal Products,

HAS ADOPTED THIS DECISION:

Article 1

The approval of acrolein as an active substance for use in biocidal products of product-type 12 is not renewed.

⁽¹⁾ OJ L 167, 27.6.2012, p. 1.

⁽²⁾ Directive 98/8/EC of the European Parliament and of the Council of 16 February 1998 concerning the placing of biocidal products on the market (OJ L 123, 24.4.1998, p. 1).

⁽³⁾ Commission Implementing Decision (EU) 2020/1037 of 15 July 2020 postponing the expiry date of approval of acrolein for use in biocidal products of product-type 12 (OJ L 227, 16.7.2020, p. 72).

⁽⁴⁾ Commission Implementing Decision (EU) 2022/1486 of 7 September 2022 postponing the expiry date of the approval of acrolein for use in biocidal products of product-type 12 in accordance with Regulation (EU) No 528/2012 of the European Parliament and of the Council (OJ L 233, 8.9.2022, p. 83).

Article 2

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels, 5 July 2023.

For the Commission
The President
Ursula VON DER LEYEN

RECOMMENDATIONS

COMMISSION RECOMMENDATION (EU) 2023/1425

of 27 June 2023

on facilitating finance for the transition to a sustainable economy

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 292 thereof,

Whereas:

- (1) The transition to a sustainable economy by 2050 is challenging but also offers opportunities for the Union economy. Investing in the green transition will help make Europe the first climate-neutral continent with a sustainable economy.
- (2) Urgent action is needed in this decade to reduce greenhouse gas emissions by 55 % and reach our environmental objectives, particularly those related to the nature and water crises, by 2030. The Union will need to invest about EUR 700 billion more each year from 2021 to 2030 than it did from 2011 to 2020 to decarbonise its economy, achieve its environmental objectives ⁽¹⁾ and those of the proposed Net Zero Industry Act ⁽²⁾.
- (3) Finance for the transition to a climate-neutral and sustainable economy is needed today for those undertakings that want to become sustainable but cannot shift in one step to a fully environment-friendly, climate-neutral performance model. Transition finance will be necessary over the coming years to ensure a timely and orderly transition of the real economy towards sustainability while ensuring the competitiveness of the EU economy. Not all technologies are yet available for a sustainable economy and economic actors can reach these objectives at different pace.
- (4) Sustainable finance is about financing both what is already environment-friendly and what is transitioning to such performance levels over time. The level of sustainable investments is set to increase over time, as the transition progresses.
- (5) Although the Union's legal framework does not define the concept of transition finance, transition finance should be understood as the financing of climate- and environmental performance improvements to transition towards a sustainable economy, at a pace that is compatible with the climate and environmental objectives of the EU.

⁽¹⁾ The Union will need to invest EUR 477 billion more per year in 2021–2030 than it did in 2011–2020 to meet its emissions-reduction targets in the energy and transport sectors. It will need to invest an additional EUR 110 billion per year to achieve its environmental objectives. For details, see the Commission Staff Working Document on 'Investment needs assessment and funding availabilities to strengthen the EU's Net-Zero technology manufacturing capacity' (SWD (2023) 68 final), and the Communication from the Commission on 'the EU economy after COVID-19: implications for economic governance', COM (2021) 662 final.

⁽²⁾ Proposal for a Regulation of the European Parliament and the Council on establishing a framework of measures for strengthening Europe's net-zero technology products' manufacturing ecosystem (Net-Zero Industry Act), COM (2023) 161 final.

- (6) The EU sustainable finance framework, including Regulation (EU) 2020/852 of the European Parliament and of the Council ⁽³⁾, methodologies set out in Regulation (EU) 2019/2089 of the European Parliament and of the Council ⁽⁴⁾, Directive (EU) 2022/2464 of the European Parliament and of the Council ⁽⁵⁾ and the proposal for the European Green Bond Regulation ⁽⁶⁾ contain safeguards and principles that can further inform what constitutes transition finance.
- (7) Financing the transition to a climate-neutral and sustainable economy is at the core of the Commission's Communication of 2021 on a Strategy for Financing the Transition to a Sustainable Economy ⁽⁷⁾, which outlines the need for an inclusive approach to sustainable finance regardless of sectors, geographies, actors and the different starting points in the transition.
- (8) This Recommendation clarifies the concept of transition finance, acknowledging the significant role that market participants can play by voluntarily using tools from the Union sustainable finance framework, as needed, for transition finance.
- (9) Undertakings, financial intermediaries and investors, Member States and supervisory authorities could raise, provide or approach transition finance through the voluntary use of sustainable finance tools as set out in this Recommendation.
- (10) This Recommendation aims to support transition finance in a trusted environment for investors through encouraging the voluntary use of sustainable finance tools and disclosures in ways that can ensure the credibility of transition investment opportunities.
- (11) This Recommendation builds on the Union sustainable finance framework and on elements from leading international initiatives for transition finance such as the OECD Guidance on Transition Finance ⁽⁸⁾, the G20 Framework for Transition Finance ⁽⁹⁾, the Report on Transition Finance of the International Platform on Sustainable Finance ⁽¹⁰⁾ and the Report of the United Nations High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities ⁽¹¹⁾. Therefore, international investors following this Recommendation should be able to match the main aspects of their transition targets and financing needs with international market practice.

⁽³⁾ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13). Hereafter the term 'Taxonomy' refers to Regulation (EU) 2020/852 together with Delegated Acts adopted under that Regulation.

⁽⁴⁾ Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks (OJ L 317, 9.12.2019, p. 17).

⁽⁵⁾ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).

⁽⁶⁾ Proposal for a Regulation of the European Parliament and of the Council on European green bonds, COM/2021/391 final. Political agreement reached by co-legislators on 28 February 2023.

⁽⁷⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee, the Committee of Regions on Strategy for Financing the Transition to a Sustainable Economy, COM (2021) 390 final.

⁽⁸⁾ OECD (2022), OECD Guidance on Transition Finance: Ensuring Credibility of Corporate Climate Transition Plans, Green Finance and Investment, OECD Publishing, Paris.

⁽⁹⁾ G20 (2022), 2022 G20 Sustainable Finance Report.

⁽¹⁰⁾ International Platform on Sustainable Finance (2022), Report on Transition Finance. Available at: https://finance.ec.europa.eu/system/files/2022-11/221109-international-platform-sustainable-report-transition-finance_en.pdf.

⁽¹¹⁾ United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (2022), Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions.

- (12) The transition to reach the objectives of the European Green Deal ⁽¹²⁾ includes the transition to climate neutrality by 2050, with the aim of limiting climate change to 1,5 °C global warming in line with the Paris Agreement adopted under the United Nations Framework Convention on Climate Change ⁽¹³⁾, the transition to a climate-resilient economy, and the transition towards an environmentally sustainable economy, namely a circular, zero pollution, nature-positive economy and sustainable use of water and marine resources.
- (13) Market participants can apply this Recommendation to both the climate and environmental transition.
- (14) Undertakings (including both non-financial and financial undertakings) might have different starting points in the transition to sustainability, depending on various factors, such as the sectors and geographies in which they are active. Undertakings also have different possibilities and capabilities to transition, depending on their size, financial and physical resources available or the availability of infrastructure and technologies. As a result, undertakings will have different financing needs.
- (15) The use of transition finance is voluntary. Not all undertakings, and not all economic sectors, have significant climate- or environmental transition finance needs. But where impacts can be reduced and are being reduced, that improvement should be recognised and financing for it should be facilitated.
- (16) Small and medium-sized enterprises (SMEs) might need to finance their transition, and where this is the case, they could benefit from obtaining transition finance by providing key sustainability information. However, due to their size and more limited resources, this can be difficult and costly. SMEs might need the support of their financing partners, suppliers and customers in their value chain when considering their transition finance needs and accessing transition finance in practice. Large corporate and financial intermediaries are encouraged to apply the principle of proportionality when engaging with SMEs and to exercise restraint when requesting information from SME value chain partners, suppliers and customers.
- (17) Transition finance can also help finance the transition of undertakings that operate in sectors that are the most affected by the transition to a sustainable economy. For example, new investments and related capital expenditure of such undertakings can be compatible with the transition to meet Union climate and environmental objectives.
- (18) Needs for transition finance can be determined by planning ahead and setting transition targets. This can be done, for instance, by setting out the company's short-, medium- and long-term targets and actions in line with the transition to a climate-neutral and sustainable economy, and investment and action plans that indicate the resources that have been allocated and the resources that are still needed, to ensure that the targets are reached and actions are planned and implemented in a transparent, credible and consistent way. This can be done at both company level and activity level, depending on where the need for transition finance arises.
- (19) Transition planning, which is the process by which undertakings translate their environmental and climate ambitions into actions, can help undertakings minimise the strategic and financial risks associated with the transition, identify business opportunities, and provide clarity on their business strategy which can attract new investors and business partners.
- (20) But undertakings can also use sustainable finance tools of the Union, such as the Taxonomy, not only to disclose Taxonomy-aligned activities and capital expenditures, but also as a forward-looking tool for their transition process, using the criteria of the Taxonomy as reference points for setting targets. The Taxonomy is increasingly being used for transition finance purposes, with many undertakings reporting Taxonomy aligned capital expenditure that is materially higher than aligned revenue, especially in high-impact sectors.

⁽¹²⁾ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: The European Green Deal, COM (2019) 640 final.

⁽¹³⁾ Approved by the Union on 5 October 2016; Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

- (21) Investments to reach Taxonomy alignment in 5 (exceptionally 10) years are recognised as capital expenditure that is fully aligned with the Taxonomy if it is accompanied by a capital expenditure plan, which is a type of activity-level transition plan ⁽¹⁴⁾. Additionally, investments in transitional activities, as defined by Regulation (EU) 2020/852, are investments in the best available technologies, and are therefore also recognised as Taxonomy-aligned, provided they do not result in long-term carbon intensive lock-ins or prevent the development of greener technologies. These are economic activities where no alternative technology currently exists and where the performance is on a transition path to climate neutrality in the future. To ensure continuous improvement throughout the transition, Regulation (EU) 2020/852 provides for a review of the technical screening criteria for transitional activities every three years, to take account of new technologies and scientific evidence as they become available.
- (22) The Taxonomy can also be a useful guide, complementing climate or environmental targets or transition plans, for economic activities that cannot reach substantial contribution to one of the environmental objectives set out in Regulation (EU) 2020/852 but where significant improvements in environmental performance are still possible. Its criteria and principles can be used to set interim or minimum targets, for which transition finance could be raised, if the investments are compatible with the EU climate and environmental objectives ⁽¹⁵⁾. This should be ensured through a transition plan for the specific activity (an activity-based transition plan).
- (23) Data shows that the Taxonomy is working as intended, with companies in the STOXX Europe 600 index that reported non-zero Taxonomy alignment so far ⁽¹⁶⁾, on average reporting Taxonomy alignment of around 23 % for capital expenditure, 24 % for operational expenditure and 17 % for revenues ⁽¹⁷⁾.
- (24) The EU climate transition benchmarks and EU Paris-aligned benchmarks are appropriate tools to design portfolios with decarbonisation objectives. Investment funds that track those benchmarks have grown considerably and are currently valued at EUR 116 billion. The use of market-based ESG benchmarks with environmental sustainability features is increasing too.
- (25) Transition plans are a useful tool to translate climate or environmental targets at the levels of both undertakings and economic activities into actions and an investment plan when communicating with financial intermediaries and investors. Financial intermediaries and investors might also take into account information from transition plans and the integrity, transparency and accountability of the targets included in the plans when assessing the transition and physical sustainability risks associated with an investment.
- (26) Transition plans are currently not mandatory, but they are emerging as one of the key forward-looking tools that undertakings can use to set out and articulate their targets and the financing needed to reach those targets, and include information on milestones, activities, processes and resources. Transition plans can be set out by relying on Directive (EU) 2022/2464 and reporting standards under this Directive, where transition plans are part of the overall business strategy of an undertaking aiming to align itself with the goal of the Paris Agreement to limit the global temperature increase to 1,5 °C.

⁽¹⁴⁾ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9), Annex I.

⁽¹⁵⁾ Expenditures for activity-based transition plans cannot be considered Taxonomy aligned if they do not fully meet the respective Taxonomy criteria, but they can nevertheless be a meaningful step towards improved levels of sustainability performance and attract transition finance.

⁽¹⁶⁾ As of 17 May 2023, 63 % of the STOXX Europe 600 undertakings have already disclosed their Taxonomy eligibility and alignment for financial year 2022. *Source: Bloomberg.*

⁽¹⁷⁾ Nearly two in three companies that disclosed Taxonomy-eligible capital expenditure reported a non-zero alignment figure and one in two companies that disclosed eligible revenue reported a non-zero degree of aligned revenue. *Source: Bloomberg.*

- (27) Undertakings that fall within the scope of the reporting obligations of Directive (EU) 2022/2464 will have to communicate any time-bound targets on sustainability matters they might have, as well as any plans they might have to ensure that their business model and strategy are compatible with the transition to a sustainable economy and to limiting global warming to 1,5 °C.
- (28) The Commission put forward a proposal for a Directive on Corporate Sustainability Due Diligence ⁽¹⁸⁾ in February 2022 in order to ensure that companies active in the internal market deliver on the sustainability transition of our economies. It proposes that companies falling under its scope of application adopt a plan to ensure that the business models and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5 °C in line with the Paris Agreement.
- (29) A transition plan, which is an aspect of the overall strategy of the undertaking, can also cover the transition to environmental objectives. The credibility of a transition plan might be strengthened through its adoption by the management of the company, through including a structured set of short-, medium- and long-term targets and actions, including allocated and needed resources to ensure that the targets and actions are implemented in a credible and consistent way, including consideration and avoidance of long-term lock-in to GHG-intensive or environmentally significantly harmful activities or assets, considering the lifetime of those assets.
- (30) Financial intermediaries have a key role to play in supporting the real economy's transition to sustainability. Providing transition finance to the real economy therefore enables the financial sector to fulfil its financing function during the transition, reduces transition risk over time, and enables the sector to make its own orderly transition. Transition finance and related investments can reduce financial transition risk in the future even if they are not automatically subject to less financial risk than other investments.
- (31) Bank lending and investments are both important for the financing of the real economy, and both are expected to provide a significant amount of transition finance to undertakings. Banks and other institutional investors are in a particularly good position to provide transition finance to their clients, since they can draw on their close client relationships. In this context, banks may consider this Recommendation in conjunction with the provisions on transition and physical risks in Directive 2013/36/EU of the European Parliament and of the Council ⁽¹⁹⁾ and Regulation (EU) No 575/2013 of the European Parliament and of the Council ⁽²⁰⁾, which are currently being revised.
- (32) The forthcoming advice of the European Banking Authority on green loans ⁽²¹⁾, as well as the work of the Platform on Sustainable Finance ⁽²²⁾, will consider different aspects of transition finance and will provide relevant input for future considerations on this topic.
- (33) Sustainability disclosures help streamline the exchange of information between financial intermediaries and undertakings in transition. For instance, forward-looking information on climate or environmental targets or transition plans, where they exist, might provide useful information for investors and financial intermediaries that are themselves committed to transitioning. The information will help financial intermediaries and investors decide on what to include or not include in investment products as well as assess the implications of different investment time-horizons and the risks of stranded assets.

⁽¹⁸⁾ Proposal for a Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937, COM (2022) 71.

⁽¹⁹⁾ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

⁽²⁰⁾ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

⁽²¹⁾ Forthcoming advice following up on the Call for advice to the European Banking Authority on green loans and mortgages, available at: https://www.eba.europa.eu/sites/default/documents/files/document_library/About%20Us/Missions%20and%20tasks/Call%20for%20Advice/2022/CfA%20on%20green%20loans%20and%20mortgages/1043881/EBA%20Call%20for%20Advice%20Green%20Loans%20and%20Mortgages_Clean.pdf.

⁽²²⁾ The Platform on Sustainable Finance established by Article 20 of Regulation (EU) 2020/852. More information on this Platform is available at: https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance-old/platform-sustainable-finance_en.

- (34) Financial intermediaries and investors can also contribute to the transition by offering specific transition-related financing solutions that are linked to climate or environmental targets set by undertakings.
- (35) Member States are invited to continue raising awareness on approaches to seeking or providing transition finance. They are also invited to continue to provide training and technical assistance that can help increase the uptake of transition finance and provide specific transition-related financing solutions for undertakings willing to engage in the transition.
- (36) The European Supervisory Authorities (ESAs) and National Competent Authorities in the Union should continue raising awareness of relevant approaches to transition finance. This will help instil confidence in market participants on how to use Union sustainable finance tools effectively and encourage the uptake of transition finance and reducing the risk of greenwashing.
- (37) This Recommendation does not provide recommendations on all aspects of financing the transition to a climate-neutral and sustainable economy. It aims to clarify the basic concepts of transition finance and the use of tools that can encourage an increase in the uptake of private transition finance.
- (38) This Recommendation is not exhaustive as market participants can find other ways to promote or raise transition finance that aligns with the transition to a sustainable economy. It should be considered together with any future market or legislative developments. The Platform on Sustainable Finance will help identify relevant market practices related to transition finance, and market participants can provide feedback to further refine the elements of the sustainable finance framework and its use for transition finance through the Platform or through outreach events organised by the Commission, such as workshops and stakeholder dialogues. The Commission will also scale-up its engagement with international partners, e.g. through the International Platform on Sustainable Finance and the upcoming Sustainable Finance Advisory Hub in the context of the Global Gateway, to promote the uptake and international inter-operability of transition finance globally.

HAS ADOPTED THIS RECOMMENDATION:

1. PURPOSE AND SCOPE

- 1.1. This Recommendation follows up on the Commission Communication on a 'Strategy for Financing the Transition to a Sustainable Economy' ⁽²³⁾.
- 1.2. This Recommendation aims to support market participants that wish to obtain or provide transition finance by offering practical suggestions on how to approach transition finance.
- 1.3. This Recommendation is addressed to undertakings that want to contribute to the transition to climate neutrality and environmental sustainability, while enhancing their competitiveness and are seeking finance for investments for this purpose. It aims to explain the use of sustainable finance tools for this purpose. Transition financing and green financing ⁽²⁴⁾ can be distinguished from general financing, which does not have sustainability objectives.
- 1.4. This Recommendation is generally not intended to apply to micro enterprises ⁽²⁵⁾, given their size and administrative capacity.

⁽²³⁾ Communication from the Commission on a 'Strategy for Financing the Transition to a Sustainable Economy', COM/2021/390 final.

⁽²⁴⁾ The distinction and overlaps between transition financing and green financing, as well as how this evolves over time is illustrated in Section 1 of the Annex.

⁽²⁵⁾ Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 1) defines microenterprise as an enterprise which employs fewer than 10 persons and the annual turnover and/or annual balance sheet total of which does not exceed EUR 2 million.

- 1.5. This Recommendation is also addressed to
- (a) financial intermediaries and investors that are willing to provide transition finance to undertakings;
 - (b) Member States and financial supervisory authorities, to raise awareness of the topic and provide technical assistance, to encourage the uptake and provision of transition finance to the real economy.
- 1.6. This Recommendation is without prejudice to Union legislation that sets out legal obligations.
- 1.7. Non-Union actors are welcome to also use this Recommendation but may have specific needs that are not reflected in this Recommendation.

2. DEFINITIONS

For the purposes of this Recommendation, the following definitions apply:

- 2.1. **Transition** means a transition from current climate and environmental performance levels towards a climate-neutral, climate-resilient and environmentally sustainable economy in a timeframe that allows reaching:
- (a) the objective of limiting the global temperature increase to 1,5 °C in line with the Paris Agreement and, for undertakings and activities within the Union, the objective of achieving climate neutrality by 2050 and a 55 % reduction in greenhouse gas emissions by 2030 as established in Regulation (EU) 2021/1119 of the European Parliament and of the Council ⁽²⁶⁾;
 - (b) the objective of climate change adaptation ⁽²⁷⁾; and
 - (c) other environmental objectives of the Union, as specified in Regulation (EU) 2020/852 as pollution prevention and control, protection and restoration of biodiversity and ecosystems, sustainable use and protection of marine and fresh-water resources, and the transition to a circular economy.
- 2.2. **Transition finance** means financing of investments compatible with and contributing to the transition, that avoids lock-ins, including:
- (a) investments in portfolios tracking EU climate transition benchmarks and EU Paris-aligned benchmarks ('EU climate benchmarks');
 - (b) investments in Taxonomy-aligned economic activities, including:
 - transitional economic activities as defined by Article 10(2) of Regulation (EU) 2020/852 for the climate mitigation objective,
 - Taxonomy-eligible economic activities becoming Taxonomy-aligned in accordance with Article 1(2) of Commission Delegated Regulation (EU) 2021/2178 over a period of maximum 5 (exceptionally 10) years ⁽²⁸⁾;
 - (c) investments in undertakings or economic activities with a credible transition plan at the level of the undertaking or at activity level;
 - (d) investments in undertakings or economic activities with credible science-based targets, where proportionate, that are supported by information ensuring integrity, transparency and accountability.

⁽²⁶⁾ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

⁽²⁷⁾ As defined in Regulation (EU) 2020/852.

⁽²⁸⁾ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9).

- 2.3. **Transition plan** means an aspect of the undertaking's overall strategy that lays out the entity's targets and actions for its transition towards a climate-neutral or sustainable economy, including actions, such as reducing its GHG emissions in line with the objective of limiting climate change to 1,5 °C.

3. RECOMMENDATION TO UNDERTAKINGS SEEKING TRANSITION FINANCE

Sustainable finance tools to determine and articulate transition finance needs

- 3.1. Undertakings can consider their transition finance needs based on their sustainability impacts, risks and opportunities. These can be identified through a materiality assessment.
- 3.2. To determine their transition finance needs, undertakings could start by setting transition targets and defining individual transition pathways based on science-based scenarios and pathways ⁽²⁹⁾.
- 3.3. Sustainable finance tools, in particular the Taxonomy or the EU climate benchmarks as well as credible transition plans can be used to support the definition of transition targets and articulate specific transition finance needs at the level of the undertaking and at the level of economic activities ⁽³⁰⁾.
- 3.4. By clearly integrating transition targets and related transition finance needs in a credible transition plan, financial intermediaries and investors can more easily understand, compare and benchmark transition finance opportunities.
- 3.5. Transition finance needs can be specified as planned capital expenditure and, when appropriate, operating expenditure relating to achieving climate and environmental targets as well as current or targeted revenue related to the transition.
- 3.6. Where relevant, undertakings could discuss with financial intermediaries and investors their specific transition finance needs and the most suitable financing solutions.

4. USE OF CREDIBLE TRANSITION PATHWAYS TO SET SCIENCE-BASED TARGETS

- 4.1. Undertakings can use publicly available cross-sectoral or sector-specific decarbonisation scenarios and pathways, and where they exist environmental improvement scenarios, as references to set science-based targets and determine their transition finance needs.
- 4.2. When using scenarios or pathways, it is recommended to use those that are science-based, and in the case of decarbonisation pathways, those that are in line with the Paris Agreement, such as the 1,5 °C scenarios of the International Energy Agency or the International Panel on Climate Change with no or limited overshoot ⁽³¹⁾.
- 4.3. It is recommended to adjust the pathways for the individual undertaking in line with Union climate and environmental objectives and based on the locations where it operates and the starting point of the undertaking. To support this, it is also recommended to consult the European Commission's qualitative EU Transition Pathways per industrial ecosystem ⁽³²⁾ when evaluating the climate transition challenges and the available best-in-class technologies, and the broader green, digital and resilience challenges in a given sector.

⁽²⁹⁾ Section 2 of the Annex illustrates how the different characteristics of an undertaking's transition targets can be reflected in transition financing needs with different time horizons. Figure 2 in the Annex displays various options to articulate transition finance needs.

⁽³⁰⁾ Section 3 of the Annex gives an overview of tools that might be used to determine transition finance needs and options to raise transition finance.

⁽³¹⁾ A possible source for such scenarios might be the scenarios published by the Network for Greening the Financial System.

⁽³²⁾ The European Commission's qualitative EU Transition Pathways are available at: https://single-market-economy.ec.europa.eu/industry/transition-pathways_en.

- 4.4. Science-based transition targets could be used to raise transition finance without a transition plan, where this is proportionate to the complexity, size and impacts of the undertaking, and where they are supported by information that ensures the integrity and transparency of those targets and accountability for implementing actions to reach those.

5. **USE OF EU CLIMATE BENCHMARKS**

- 5.1. Undertakings can use, where appropriate, methodologies used for EU climate benchmarks to complement science-based scenarios or pathways. They can support the definition of individual pathways at either undertaking or project level or to set transition targets and to help determine their transition finance needs.
- 5.2. The same methodologies can also be used to avoid that new investments become potentially stranded assets, and could make it possible to include issuances of the undertaking, or the capital raised for a relevant transition project, in an investment or lending portfolio that tracks an EU climate benchmark ⁽³³⁾.

6. **USE OF THE EU TAXONOMY**

- 6.1. Undertakings can determine their transition finance needs by voluntarily using the Taxonomy, alongside other science-based reference points, when setting transition targets for specific economic activities in economic sectors covered by the delegated acts adopted under Regulation (EU) 2020/852 ⁽³⁴⁾.
- 6.2. Undertakings are encouraged to use the Taxonomy to plan investments for meeting Taxonomy criteria for a given economic activity in 5 (exceptionally 10) years, as such investments are already recognised as fully Taxonomy-aligned.
- 6.3. Undertakings can use the Taxonomy to set milestones and intermediate targets for transitioning economic activities, to further improve environmental performance or to ultimately align with the Taxonomy over a longer timeframe that is still short enough to be compatible with the transition. For example, where necessary, undertakings can use the Taxonomy criteria to plan stepwise alignment with the Taxonomy: as a first time-bound target, to transition beyond performance levels defined by the do-no-significant-harm criteria, and as a second time-bound target to align with substantial contribution criteria, explained in an activity-based transition plan ⁽³⁵⁾.
- 6.4. To operationalise the use of the Taxonomy to raise transition finance, undertakings could specify their transition finance needs in terms of the capital expenditure of the undertaking. When appropriate, they could also specify these needs in terms of their current and targeted operating expenditure or revenue, which is either:
- (a) Taxonomy-aligned;
 - (b) will be Taxonomy-aligned in the future; or
 - (c) displays continuous performance improvements as part of a credible transition plan that is in line with the transition.

7. **USE OF A CREDIBLE TRANSITION PLAN**

- 7.1. Without prejudice to legal requirements, undertakings, especially those with activities that involve material impacts or complex transition pathways, can develop transition plans at either undertaking or activity level, or both, to articulate transition targets, milestones, actions and resource needs in a structured and consistent way.

⁽³³⁾ Section 4 of the Annex explains in more detail the EU climate benchmark methodologies and how these can be used for articulating transition finance needs.

⁽³⁴⁾ Such as the Climate Delegated Act and any future delegated acts specifying technical screening criteria.

⁽³⁵⁾ Section 5 of the Annex further illustrates how the Taxonomy can be used for this purpose.

- 7.2. Reporting standards under Directive (EU) 2022/2464 provide a template for developing credible transition and action plans, which undertakings could use with the aim to ensure the integrity, transparency, and accountability of such plans.
- 7.3. The Taxonomy and the EU climate benchmarks can be used together with science-based scenarios or pathways to determine the targets or financing needs included in such plans at the levels of both undertakings and economic activities.
- 7.4. Plans towards environmental sustainability can also use the EU strategic environmental Action Plans for Circular Economy ⁽³⁶⁾, Biodiversity ⁽³⁷⁾ and Zero Pollution ⁽³⁸⁾.

8. FINANCING INSTRUMENTS TO RAISE TRANSITION FINANCE

- 8.1. Undertakings are encouraged to use one, or a combination of several, transition-related financing instruments to raise transition finance, such as specific loan types or capital market issuances with specific features ⁽³⁹⁾.

Green or other sustainability loans

- 8.2. If an undertaking has transition finance needs, it can seek specific types of loans such as sustainability-linked loans, green loans or other specific purpose loans.
- 8.3. Financial intermediaries are beginning to offer such loans and might offer competitive interest rates when the envisaged environmental performance underlying the loans helps to reduce transition risks or allows for lower refinancing rates for the financial intermediary.
- 8.4. Investments to achieve a specific transition goal, such as upgrading assets or making new investments that will enable production with low climate and environmental impact, could be financed through a special purpose loan with proceeds exclusively used for this purpose (also called 'use-of-proceeds financing'). Articulating the purpose through transition targets related to the criteria of the Taxonomy could encourage the take-up of loans dedicated to the transition.
- 8.5. Investments in performance improvements at the level of undertakings could be financed through a sustainability-linked loan with science-based, time-bound climate or environmental performance targets serving as safeguards, and where interest rates are linked to achieving the planned sustainability performance targets, avoiding lock-in effects.

Green or other sustainability bonds

- 8.6. Undertakings can also issue capital market instruments or specific bond types, such as a green bond or other sustainability bonds, to finance their transition. Bonds can be used to raise capital at both undertaking and economic-activity level.
- 8.7. To raise transition finance for a specific purpose, issuers could consider issuing bonds that demonstrate the use of proceeds for transition purposes. While international green bond standards exist and could be used to raise transition finance, undertakings could also consider using the European Green Bond Standard for issuing green bonds to finance economic activities that will become Taxonomy-aligned in 5 (exceptionally 10) years.

⁽³⁶⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on A new Circular Economy Action Plan: For a cleaner and more competitive Europe. COM/2020/98 final.

⁽³⁷⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, EU Biodiversity Strategy for 2030: Bringing nature back into our lives. COM/2020/380 final.

⁽³⁸⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Pathway to a Healthy Planet for All EU Action Plan: 'Towards Zero Pollution for Air, Water and Soil'. COM/2021/400 final.

⁽³⁹⁾ Section 6 of the Annex provides examples of the financing instruments described below.

- 8.8. Sustainability-linked bonds can be used to raise capital for the undertaking's sustainability performance improvements both at undertaking and activity level. They should be linked to sound sustainability performance targets – for instance Taxonomy key performance indicators – and a timeframe that is aligned with the transition, as the coupons are usually issued subject to achieving and incentivising the envisaged performance.
- 8.9. The sustainable finance tools mentioned in points 3 to 7 can be used as performance targets and to further strengthen the credibility of sustainability-linked bonds.

Equity financing and specialised lending

- 8.10. Undertakings can also issue equity instruments or consider specialised lending solutions that are linked to sustainability performance targets at the level of the undertaking, project level or economic activity level. Similar approaches to those described above for setting such performance targets can be employed.

9. RECOMMENDATION TO FINANCIAL INTERMEDIARIES AND INVESTORS WILLING TO PROVIDE TRANSITION FINANCE

Tools for setting transition finance targets and for identifying projects or undertakings

- 9.1. Financial intermediaries can contribute to the financing of the transition by reflecting transition financing objectives in their lending or investment strategy.
- 9.2. When setting transition targets and designing transition finance approaches for portfolios and investment or lending strategies, financial intermediaries can:
- (a) consider the recommendations to undertakings on determining transition finance needs and target setting ⁽⁴⁰⁾;
 - (b) make sure that the transition finance approach helps the transition and decarbonisation of the real economy, takes into account the different starting points of undertakings, applies the principle of proportionality (in particular to SMEs), and includes relevant climate and environmental safeguards, in line with the definition of transition finance in this Recommendation;
 - (c) translate the transition finance approach into specific targets related to climate or environmental objectives, for all asset classes, and covering all types of finance and all economic sectors that are relevant for the transition;
 - (d) consider advice and engagement as important parts of the transition finance strategy.
- 9.3. Investors and asset owners can develop similar approaches for their own assets.
- 9.4. To operationalise investment strategies with transition finance approaches and identify undertakings and projects that meet the transition targets, financial intermediaries and investors can ⁽⁴¹⁾:
- (a) use information provided by undertakings to determine transition targets and transition finance needs, including transition plans and corporate reporting;
 - (b) use the decarbonisation methodologies required under the EU climate benchmarks such as clear decarbonisation targets by undertakings and restricting new investments in potentially stranded assets;
 - (c) use the Taxonomy framework and criteria to identify investments that are eligible and could become Taxonomy-aligned, where necessary through interim steps according to a timetable that is compatible with the transition. For example, where necessary, consider as a first step to finance transition steps beyond performance levels defined by the do-no-significant-harm criteria and a second step to align with substantial contribution criteria, clarified in an activity-based transition plan;
 - (d) use disclosures and prospectuses that accompany the issuance of green-, transition- and sustainability-linked bonds or equity;

⁽⁴⁰⁾ Considering also Section 2 of the Annex.

⁽⁴¹⁾ Section 7 of the Annex provides further suggestions on such tools.

10. ENGAGEMENT WITH UNDERTAKINGS IN NEED OF TRANSITION FINANCE

- 10.1. Financial intermediaries are encouraged to engage with clients and investee undertakings in transition, especially where there is a significant need for transition finance.
- 10.2. The engagement policy could include outlining relevant lending or investment strategies that could be suited to the relevant transition finance needs, and the eligibility conditions for financing under these strategies.
- 10.3. When engaging with clients and investee undertakings, the following aspects could be discussed:
- (a) material sustainability impacts, risks and opportunities, and how climate and environmental impacts and risks are addressed;
 - (b) how the contribution to a climate or environmental objective is determined and what the time horizons for the lending or investments are;
 - (c) the underlying transition pathways, to ensure that the lending or investment strategy is compatible with the transition;
 - (d) whether or how the principle of 'do no significant harm' as defined in Article 17 of Regulation (EU) 2020/852 is applied and how adverse impacts are dealt with;
 - (e) how sustainability performance and the transition targets and plans of undertakings will be taken into account, including in assessing the risk of stranded assets, and transition risks and physical risks more broadly.

11. TRANSITION-SPECIFIC FINANCING SOLUTIONS

- 11.1. Aside from general lending and financing solutions, financial intermediaries can offer transition-specific financing solutions to undertakings or projects with significant transition finance needs.
- 11.2. This includes, for example, offering loans or financing products that can help finance transition investments on the ground, such as those based on:
- (a) investments in alignment with Regulation (EU) 2020/852 that help increase the share of Taxonomy-aligned activities carried out by an undertaking in a meaningful way;
 - (b) the EU climate benchmarks where they complement science-based scenarios or pathways;
 - (c) credible entity or activity-level transition plans implementing science-based targets;
 - (d) credible science-based targets, where proportionate, that are supported by information ensuring integrity, transparency and accountability;
 - (e) the reduction of environmental footprints based on and aligned with EU strategic environmental Action Plans for Circular Economy ⁽⁴²⁾, Biodiversity ⁽⁴³⁾ and Zero Pollution ⁽⁴⁴⁾;
 - (f) a combination of the above, e.g. where transition plans integrate transition finance needs determined through the Taxonomy or the EU climate benchmarks.
- 11.3. Financial intermediaries can consider setting incentives to encourage a strong performance against the undertaking's transition targets, for instance rewarding progress towards transition targets or Taxonomy criteria through attractive interest rates, for example based on reduced transition risk or improved funding costs.

⁽⁴²⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on A new Circular Economy Action Plan: For a cleaner and more competitive Europe. COM/2020/98 final.

⁽⁴³⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, EU Biodiversity Strategy for 2030: Bringing nature back into our lives. COM/2020/380 final.

⁽⁴⁴⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Pathway to a Healthy Planet for All EU Action Plan: 'Towards Zero Pollution for Air, Water and Soil'. COM/2021/400 final.

12. TRANSITION AND PHYSICAL RISKS

- 12.1. Financial intermediaries and investors are encouraged to assess how their transition targets and transition finance objectives align with and contribute to their risk management strategies, to address financial risks arising from misalignment with the transition.
- 12.2. In particular, financial intermediaries and investors are encouraged to:
- (a) take into account in risk management and engagement frameworks forward-looking information from counterparties, such as transition targets and plans, including information on their credibility and annual reporting on progress;
 - (b) consider financing transition projects that have the potential to reduce negative impacts on sustainability factors and future transition risks and physical risks, e.g. by following the guidance of the climate adaptation Taxonomy.

13. RECOMMENDATION RELATED TO SMALL AND MEDIUM-SIZED ENTERPRISES

Small and medium-sized enterprises seeking transition finance

- 13.1. If SMEs are interested in raising transition finance, they will need proportionate arrangements, given their size, administrative capacity and resources, and are therefore encouraged to engage with financial intermediaries and investors to explore what financing options and support services are available.
- 13.2. SMEs that are interested in contributing to the transition could consider raising transition finance for their transition-related investments, which could be immediate investments or investments in the future, for example for the following:
- (a) new green technologies;
 - (b) upgrading existing economic activities or assets;
 - (c) investing in enabling technologies;
 - (d) green sourcing policies (e.g. renewable energy);
 - (e) activities greening their support functions, such as those that increase the energy efficiency of their buildings, or leasing or acquiring electric vehicles, decarbonising their transport use, greening their food supply, etc.
- 13.3. Listed SMEs fall within the scope of Directive (EU) 2022/2464 and will disclose sustainability information under simplified reporting standards in the future. SMEs that do not fall within the scope of that Directive, but are interested in communicating their key sustainability information, might consider using these simplified reporting standards, or other voluntary reporting standards that are tailored to SMEs for this purpose ⁽⁴⁵⁾.
- 13.4. Large undertakings are strongly encouraged to support in a proportionate manner the SMEs in their value chain that are interested in transition financing, in assessing transition finance needs and, where relevant, obtaining key sustainability information, whether or not they fall within the scope of mandatory sustainability reporting.
- 13.5. Where relevant, larger undertakings could also cooperate with financing institutions to offer favourable financing conditions and/or purchasing conditions to their value chain partners in need of transition finance, in particular SMEs in sectors that are relevant for the transition ⁽⁴⁶⁾.

⁽⁴⁵⁾ Under Directive (EU) 2022/2464, reporting for listed SMEs (except micro businesses) will begin in 2027, based on the 2026 financial year. Listed SMEs will be able to report according to separate, proportionate standards developed by the EFRAG.

⁽⁴⁶⁾ For instance, companies can support SMEs, whether or not they fall within the scope of mandatory sustainability reporting, to voluntarily use Union sustainable finance tools or other science-based tools to communicate their transition projects, transition targets or transition plans to address transition risks to banks in a transparent and substantive way.

14. FINANCING SOLUTIONS FOR SMALL AND MEDIUM-SIZED ENTERPRISES

- 14.1. SMEs have a limited capacity to provide detailed information, therefore financial intermediaries and investors are encouraged to apply the principle of proportionality in dealings with SME clients. They should not ask for more information than necessary and exercise restraint when requesting information from SME value chain partners.
- 14.2. Financial intermediaries are encouraged to offer education and awareness programmes, advisory services or web-based tools to help SMEs that are interested in transition finance to increase their awareness of transition risks and opportunities.
- 14.3. As part of this, support could be given to interested SMEs to assess their transition finance needs in a simple way.
- 14.4. Green-specific and transition-specific financing solutions that are proportionate and suitable for use by SMEs and which incentivise their uptake, could be offered to SMEs, taking into account that unlisted SMEs are not subject to reporting obligations under Directive (EU) 2022/2464 and Regulation (EU) 2020/852.

15. RECOMMENDATION TO MEMBER STATES

Member States are invited to consider the following recommendations to encourage transition financing:

- 15.1. Member States are encouraged to raise awareness among market participants of the need to finance investments in the green transition and of the existing standards, principles and safeguards that can ensure the credibility and environmental integrity of such investments. They could explain the benefits of using EU sustainable finance tools for this purpose.
- 15.2. Member States could encourage market participants to use reference scenarios that are science-based, reflect the decarbonisation pathways in line with the Paris Agreement, such as the 1,5 °C scenarios of the International Energy Agency (IEA) or the International Panel on Climate Change (IPCC) with no or limited overshoot, or EU, national or sectoral pathways referencing these IEA or IPCC scenarios.
- 15.3. Member States could encourage cooperation, within the framework of EU and national competition rules, between market participants to share lessons learned and best practices in providing or seeking transition finance and addressing common challenges. Member States could capitalise on the role industry associations and other reputational bodies can play in this regard.
- 15.4. Member States could encourage capacity-building in transition finance tools and policies, including the training of civil servants, regulators and financial sector professionals to support the design of transition-related financing solutions and policies that reflect geographical dependencies.
- 15.5. Member States could encourage and promote innovative sustainable finance products and services tailored to SMEs, taking into account the principle of proportionality.
- 15.6. Member States could support SMEs in voluntarily reporting key sustainability and transition finance information to stakeholders and financial intermediaries and investors, which could increase the variety of financing options offered to SMEs.
- 15.7. Member States could encourage multilateral development banks and national promotional banks to support these efforts by offering technical assistance.
- 15.8. Member States could encourage initiatives between local banks and SMEs to develop and implement sustainable finance strategies and credible transition targets or, where relevant, transition plans for SMEs.

16. RECOMMENDATION TO THE EUROPEAN SUPERVISORY AUTHORITIES AND NATIONAL COMPETENT AUTHORITIES

The European supervisory authorities and the national competent authorities are encouraged to:

- 16.1. Consider this Recommendation when monitoring and supervising transition-related greenwashing risks.
- 16.2. Take into account relevant forward-looking information included in transition targets, credible transition plans or Taxonomy disclosures when assessing supervised entities' financial risks associated with the transition.
- 16.3. Raise awareness among supervised entities about how the regulatory framework allows forward-looking information from counterparties or investee undertakings to be used to assess, manage and monitor transition risks and physical risks.
- 16.4. Build capacity with National Competent Authorities on transition finance and encourage a trusted environment for transition finance across the EU.

Done at Brussels, 27 June 2023.

For the Commission
Mairead MCGUINNESS
Member of the Commission

ANNEX

This Annex accompanies the Commission Recommendation on facilitating finance for the transition to a sustainable economy ⁽¹⁾. It complements the recommendations with more detailed considerations and illustrations to support the voluntary use of tools from the EU sustainable finance framework for transition finance. It displays various options and suggestions for undertakings and financial institutions to set transition targets, articulate and identify transition finance needs and projects as well as to raise or provide transition finance.

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⁽¹⁾ Commission Recommendation on facilitating the finance for the transition to a sustainable economy (C(2023) 3844).

1. Relationship between green and transition finance

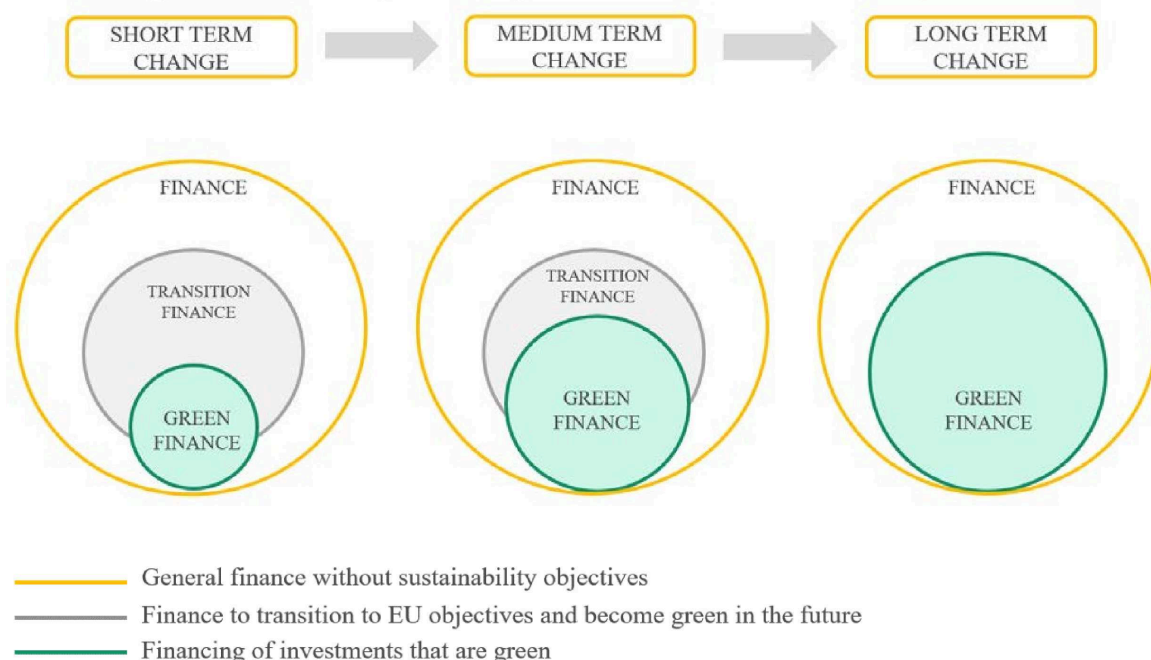
Sustainable finance is about financing both what is already environment-friendly and what is transitioning to such performance levels over time.

Figure 1 below shows how transition finance relates to general finance and green finance, and how these different forms of financing might evolve in the short-, medium- and long term.

General finance, which does not have any sustainability objectives can be distinguished from green finance and transition finance. Such general finance can currently include both highly impactful and low-impact activities. Over time, as the economy transitions, high-impact activities will have to transition to become low-impact.

Transition finance aims to finance that transition. It can include both use-of-proceeds financing and general (corporate) purpose financing. In the short-term transition finance will often not result in improvements that meet green performance targets. In the long-term however transition finance needs to be aligned with climate and environmental objectives of the EU and will therefore be considered either green or low-impact.

Figure 1: Relationship between green and transition finance today and over time



2. Considerations on how different types of impacts, risks and opportunities of an undertaking could be reflected in individual transition targets

This section relates to points 3 and 4 of the Commission Recommendation.

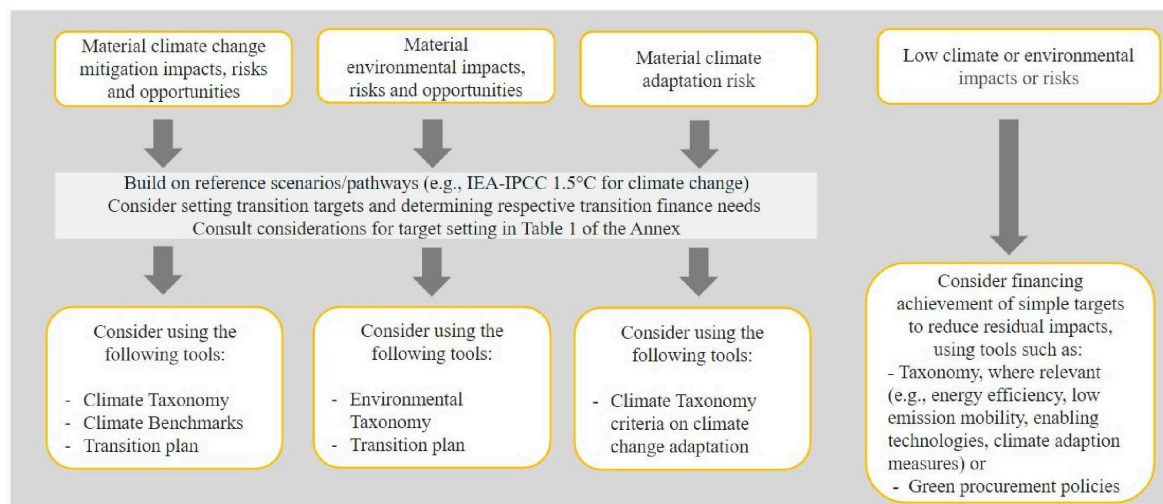
Undertakings can consider their transition finance needs based on their sustainability impacts, risks and opportunities. These can be identified through a materiality assessment following the double materiality approach.

As part of this assessment, undertakings could use climate- and environment related scenario analysis to inform the identification and assessment of physical and transition risks and opportunities over the short, medium- and long-term time horizons. Based on the outcome of such a materiality assessment ⁽²⁾, undertakings could set transition targets and determine transition finance needs and commitments, where relevant.

⁽²⁾ A sustainability matter is material from an impact perspective when it pertains to the undertaking's material actual or potential, positive or negative impacts on people or the environment over the short-, medium- and long-term time horizons. A material sustainability matter from an impact perspective includes impacts caused or contributed to by the undertaking and impacts which are directly linked to the undertaking's operations, products, and services through its business relationships. A material sustainability could also matter from a financial perspective, for instance if the sustainability risk materialises through stranded assets.

Figure 2 provides an overview of the tools that can be used for considering how to define transition finance needs in case of material impacts, and how to define finance needs to address low or residual impacts.

Figure 2: How different types of impacts, risks and opportunities of an undertaking could be reflected in individual transition targets and subsequently transition finance needs



When planning their transition and defining transition finance needs, undertakings are encouraged to consider setting **transition targets** based on relevant **transition pathways** that are compatible with the transition, taking into account the type of impacts and other factors such as severity, scale, scope and irremediability of those impacts. Undertakings can draw on standards and guidance available under Directive (EU) 2022/2464 and its implementation for this purpose (Corporate Sustainability Reporting Directive).

Undertakings are encouraged to make the following considerations on how different impacts, risks and opportunities could be reflected in transition targets and related transition finance needs.

Table 1

General considerations for climate and environmental target setting in case of material impacts

- (1) Consider credible reference frameworks to inform the methodology used for this process, including:
 - Science-based scenario analysis and global, EU or national sectoral 1,5 °C pathways with no or limited overshoot referencing IPCC, IEA or other, credible and science-based private initiatives. Consider scenarios that reflect the undertaking's specific context in terms of geographical location and economic activities.
 - The Union sustainable finance regulatory framework, including the Taxonomy Regulation and methodology for EU climate benchmarks (see Sections 3 to 5 of this Annex).
 - The Union Strategic environmental Action Plans for Circular Economy ⁽³⁾, Biodiversity ⁽⁴⁾ and Zero Pollution ⁽⁵⁾.

⁽³⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on A new Circular Economy Action Plan: For a cleaner and more competitive Europe. COM/2020/98 final.

⁽⁴⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU biodiversity strategy for 2030 bringing nature back into our lives. COM/2020/380 final.

⁽⁵⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Pathway to a Healthy Planet for All EU Action Plan: 'Towards Zero Pollution for Air, Water and Soil'. COM/2021/400 final.

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- Consult the Commission's qualitative EU Transition Pathways ⁽⁶⁾ for climate-related aspects when evaluating the transition challenges and available best-in-class technologies in a relevant sector.
 - (2) Consider setting transition targets that are time-bound, science-based and actionable to ensure their credibility.
 - (3) Consider a breakdown of these targets at activity and product level and identify key levers at activity level, including financial resources, to ensure the operationalisation of these targets.
 - (4) Where relevant, in reference to point (3), consider specifying the expected decarbonisation levers and their overall quantitative contributions to achieve the GHG emission reduction targets as well as the key actions planned, including changes in the undertaking's product and service portfolio and its adoption of new technologies
 - (5) Consider metrics against which to measure and monitor the implementation of the transition targets, such as the effectiveness of actions, progress made over time and stakeholder involvement.
 - (6) Consider specifying how the business planning and financial planning processes and risk management framework take into account the transition targets.
 - (7) Consider the overall environmental integrity of the transition targets, not trading off one target for another and consider using the principle of 'do no significant harm', in accordance with the Taxonomy Regulation for this purpose. Also consider respecting minimum safeguards regarding human and labour rights.
 - (8) Consider taking measures to ensure the transparency of the targets and the basis upon which they have been set to encourage investors and financial intermediaries to consider these when providing transition finance. For instance consider articulating the targets as part of a credible transition plan to raise credibility around their achievement that reflects the external dependencies ⁽⁷⁾ across the sites where the undertaking operates.
 - (9) Consider ensuring a robust governance process is in place to support the implementation and the oversight of the transition targets, including:
 - (a) Approval of the transition targets by the undertaking's administrative, management and supervisory bodies.
 - (b) Establishing good internal controls including clear allocation of roles and responsibilities for the oversight and implementation of the actions related supporting the implementation of these transition targets.
 - (c) Regular reporting to the management bodies on the transition targets' implementation.
 - (10) Consider where relevant using third-party verification and assurance to provide additional credibility of the transition targets and related target setting process and follow-up.
-

Table 2

Considerations for simple improvement targets in case of non-material impacts

-
- (1) In the case of undertakings where the main economic activity has low impacts, it might be possible to reduce residual impacts that may exist for example in support functions of that undertaking (e.g. energy efficiency of office buildings, emissions of transport or mobility, buying renewable energy, greening the food supply, etc.).
 - (2) Where relevant, consider:
 - (a) simple improvement targets to invest into the energy efficiency of buildings, significantly reducing emissions from use of electricity or heating, and similar investments, especially through enabling activities covered by Delegated Acts adopted under Regulation (EU) 2020/852 (the Taxonomy Regulation);
 - (b) a procurement policy with a focus on sustainability considerations.
-

⁽⁶⁾ The Commission's EU Transition Pathways are available at: https://single-market-economy.ec.europa.eu/industry/transition-pathways_en.

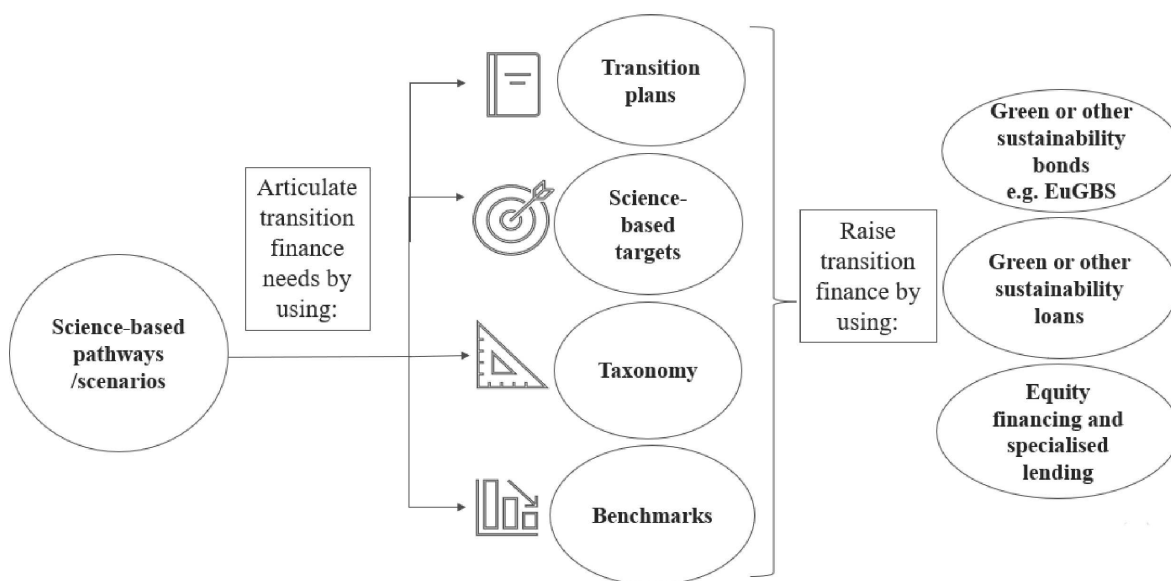
⁽⁷⁾ The undertaking's dependency on external factors across geographies to achieve its entity level transition plan, e.g. possible future policy, technology readiness, social acceptability, resource availability and physical climate impacts across the sites where it operates.

3. Overview of sustainable finance tools to articulate and determine transition finance needs

Sustainable finance tools, in particular the Taxonomy, or the EU climate benchmarks as well as credible transition plans can be used to support the definition of transition targets and articulate specific transition finance needs at the level of the undertaking and at the level of economic activities. Transition finance can then be raised through green- or sustainability linked bonds, loans, equity financing or specialised lending.

Figure 3 below provides an overview of the tools that can be used to articulate and raise transition finance.

Figure 3: Options for articulating transition finance needs and raising transition finance



4. EU Climate benchmark methodologies

This section relates to point 5 of the Commission Recommendation.

Where sector-specific science-based pathways or roadmaps do not exist, undertakings could consider the methodologies of the EU climate benchmarks and use those in a way that ensures alignment with the 1,5 °C scenario of the IEA or the IPCC.

Where sector-specific science-based scenarios and pathways exist, undertakings could consider whether using those allows them to meet also the minimum standards of EU climate benchmarks.

The capital market issuances of undertakings meeting the minimum standards of the climate benchmark methodologies and demonstrating it (for instance through a credible transition plan considering standards and guidance available under Directive (EU) 2022/2464 and its implementation), are more likely to be included in portfolios that follow the EU climate benchmarks.

Climate benchmark minimum standards

The EU climate benchmarks are based on a set of criteria aiming to ensure a transition path for portfolios that is compatible with the transition to a sustainable economy ⁽⁸⁾. The minimum standards of climate benchmarks' decarbonisation target and trajectory requires an annual minimum 7 % reduction of GHG intensity or absolute GHG emissions target ⁽⁹⁾.

⁽⁸⁾ 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, Articles 6–12.

⁽⁹⁾ The minimum requirements are set out in Articles 7 to 9 of Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020.

For each year in which the targets are not achieved, missed targets should be compensated for, by upwardly adjusting the targets in the decarbonisation trajectory for the following year.

Where possible, consider demonstrating lower average emissions in comparison to peers and avoiding specific exclusion factors listed in Articles 9 to 12 of Commission Delegated Regulation (EU) 2020/1818 of 17 July 2020.

Overweighting undertakings that set and publish GHG emission reduction targets

The capital market issuances of undertakings can be given a bigger weight in a benchmark that follows the EU climate benchmarks, if the issuing undertaking can demonstrate that it has set and published GHG emission reduction targets, where the following conditions are fulfilled:

- (a) the issuer of the constituent securities publishes consistently and accurately their Scope 1, 2 and 3 GHG emissions;
- (b) the issuer of the constituent securities has reduced their GHG intensity or, where applicable, their absolute GHG emissions, including Scope 1, 2 and 3 GHG emissions, by an average of at least 7 % per annum for at least three consecutive years.

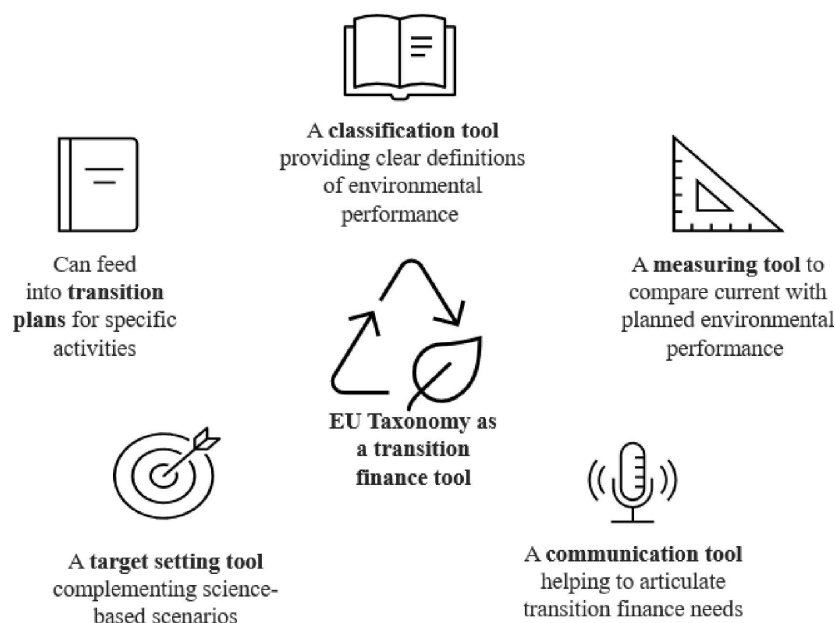
5. EU Taxonomy

This section relates to point 6 of the Commission Recommendation.

5.1. What the EU Taxonomy can be used for

Undertakings can use the Taxonomy as a transition finance tool, for planning the transition of their economic activities and earmarking needed transition investments. As such, it can be used for the classification of sustainable investments, the measurement of current and planned climate or environmental performance, target setting and communication, including articulating Taxonomy-linked targets in transition plans.

Figure 4: What the Taxonomy can be used for

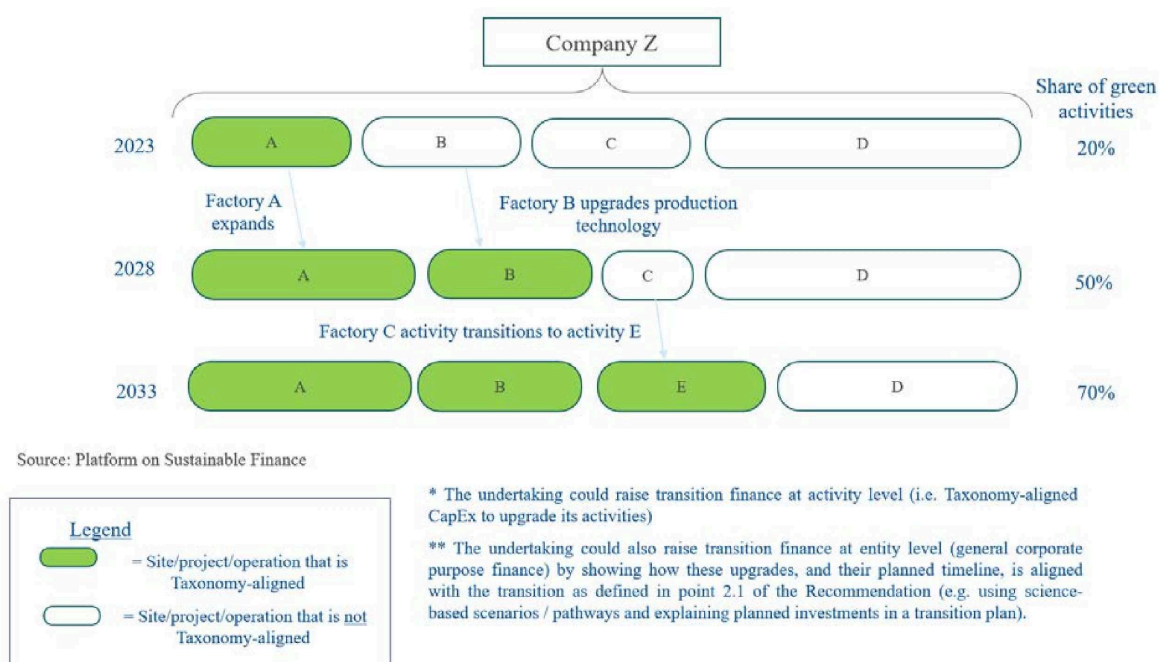


5.2. The Taxonomy as a transition tool

By defining environmentally sustainable economic activities, not undertakings, the Taxonomy enables undertakings to transition by gradually increasing their share of environmentally sustainable activities.

Figure 5 illustrates how an undertaking can gradually transition its activities, here activities performed in factories, and invest into their upgrades to increase the share of green activities in the future. Activity-based transition plans can be the key part of an entity level transition strategy.

Figure 5: Taxonomy as a transition tool

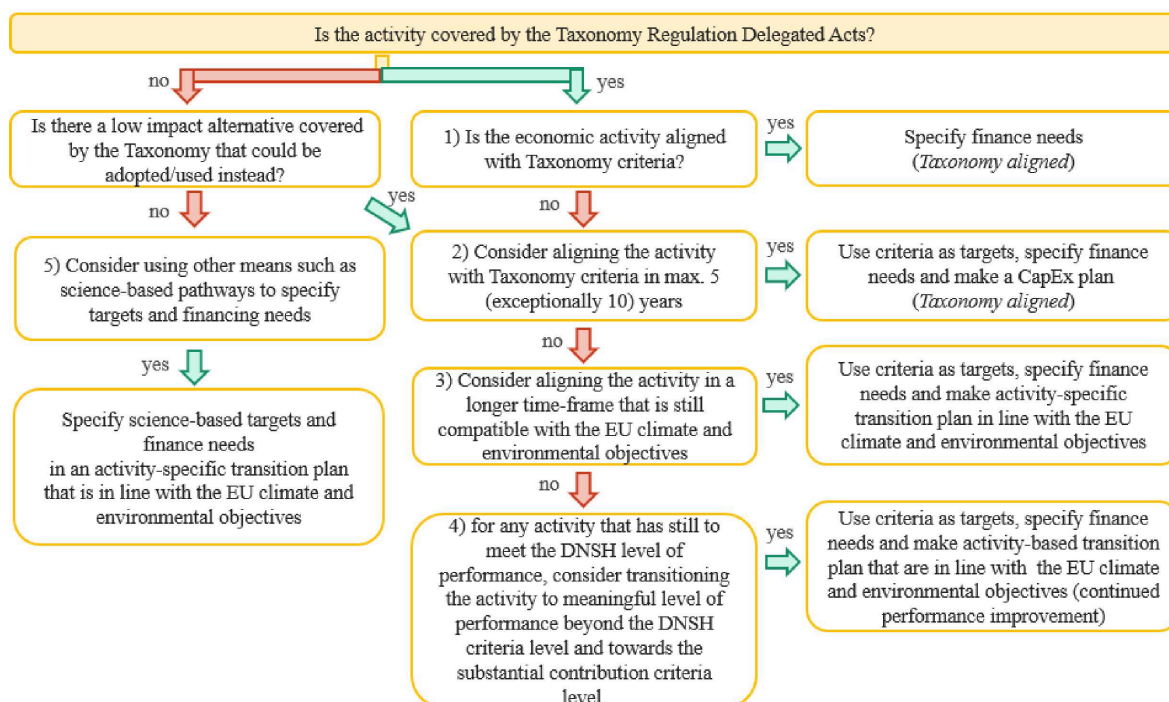


5.3. Options for using the Taxonomy to specify transition finance needs

Undertakings can use the Taxonomy to define their transition finance needs at activity level.

The Taxonomy does not prescribe the timeline by which an undertaking should align its activities with any of its criteria. Instead, it leaves flexibility to market actors to use the timetables of their own science-based transition paths. Undertakings can reference taxonomy criteria in their climate and environmental target setting and where those targets are aligned with the transition and their achievement is credible, they can raise transition finance for their implementation.

Figure 6 illustrates how the Taxonomy can be used for this purpose, providing options that can be considered in the given sequence, considering the feasibility of the more ambitious options first.

Figure 6: Using the EU Taxonomy to specify transition finance needs

(1) Financing already Taxonomy-aligned economic activities

Where an economic activity is already aligned with the Taxonomy, undertakings could consider any current and future financing needs for maintaining Taxonomy alignment also in the future.

(2) Investments aligned with the Taxonomy

Where an economic activity is eligible but not yet aligned with the Taxonomy, undertakings could consider aligning it with the technical screening criteria of the Taxonomy within 5 (exceptionally 10) years⁽¹⁰⁾. Specify the transition investment needed to reach these targets in a CapEx plan. Such capital expenditure is considered Taxonomy aligned investment.

(3) Investment aligning with the Taxonomy over longer timeframe

Where Taxonomy alignment in 5 (exceptionally 10) years is not feasible, it is possible to consider aligning an asset or economic activity with the associated Taxonomy performance criteria over a longer time horizon that is still compatible with the transition. Transition investments that will only reach Taxonomy-alignment over a longer time frame than the 5 (exceptionally 10) years recognised under Delegated Regulation (EU) 2021/2178, those could be accompanied by an activity-specific transition plan that is compatible with the transition, justifying the longer time-horizon for reaching the targets⁽¹¹⁾ and showing how Taxonomy-alignment will be reached in subsequent step.

For environmental aspects, the targets could be aligned with international and Union environmental policy objectives and targets, including those related to the sustainable protection and restoration of water and marine resources, circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

⁽¹⁰⁾ According to the Taxonomy Disclosures Delegated Act, the period to reach Taxonomy-alignment can exceed five years only where a longer period is objectively justified by specific features of the economic activity and the upgrade concerned, with a maximum of 10 years.

⁽¹¹⁾ The related capital expenditure is not considered taxonomy aligned, but it can be a meaningful step on the transition path towards higher levels of sustainability performance.

(4) Investments for transitioning beyond climate mitigation do-no-significant-harm levels in a first step

Undertakings with activities currently not meeting the DNSH criteria of the Taxonomy, where investments to reach the substantial contribution criteria in 5 (exceptionally 10) years is not currently feasible, could consider improving the environmental performance of those activities beyond performance levels defined by the 'do no significant harm' criteria within a timeframe that is short enough to be compatible with the transition ⁽¹²⁾. For such transition investments that improve performance beyond do-no-significant-harm criteria of the Taxonomy as a first step in the transition, undertakings could consider accompanying those by an activity-specific transition plan that is compatible with the transition, justifying why this interim step is needed and how Taxonomy-alignment will be reached in subsequent step.

The plan could demonstrate (i) how the activity will transition with a meaningful performance improvement to beyond the DNSH criteria level and towards the substantial contribution criteria level; and (ii) how continuous climate or environmental performance improvement will ensure avoiding causing significant harm in the future, as the economy gets closer to climate neutrality, and tolerance levels for harm that is considered significant will also shift over time.

(5) Investments specified by other means in activity-based transition plan

For highly impactful economic activities not yet covered by Taxonomy Delegated Acts and where there is no low-impact alternative covered by the Taxonomy Regulation, undertakings could consider using other means such as science-based pathways to specify targets and financing needs.

(6) Investments for transitioning activities with low environmental impacts

For low-impact economic activities, which are therefore not covered by the Taxonomy, undertakings can consider using relevant Taxonomy criteria to address residual impacts e.g. through investments into energy efficiency of buildings, low emission mobility, enabling technologies, etc.

6. **Financing instruments to raise transition finance**

This section relates to point 8 of the Commission Recommendation.

Undertakings can consider using one, or a combination of several, transition-related financing instruments to raise transition finance, such as specific loan types or capital market issuances with specific features. Table 3 below provides illustrations for this purpose.

Table 3

Examples of loan or capital market financing instruments for raising transition finance

Green loans and other sustainability loans	(1) Finance projects or investments through a loan with a dedicated transition purpose (use-of-proceeds) such as loans to upgrade assets or make new investments that will enable low carbon production or significantly improved environmental performance. For instance: — loans to finance transition projects that have a credible activity-based transition plan or are part of a credible entity level transition plan ⁽¹³⁾; — loans to finance economic activities eligible under the Taxonomy and reaching Taxonomy alignment over a 5 (exceptionally 10) year time horizon;
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⁽¹²⁾ The related capital expenditure is not considered taxonomy aligned, but it can be a meaningful step on the transition path towards higher levels of sustainability performance.

⁽¹³⁾ As per Directive (EU) 2022/2464 and its implementation (Corporate Sustainability Reporting Directive).

	— credible science-based targets, where proportionate, that are supported by information ensuring integrity, transparency and accountability; — loans to finance other transition investments into activities referred to under point 2.2 of this Recommendation. — define robust environmental performance indicators to finance corporate investments that are included in a transition plan. (2) Seek general (corporate) purpose loan linked with improvements in overall sustainability performance in line with the transition as defined under point 2.1. For instance: — loans with key performance targets to finance transition investments that are in line with science-based transition pathways; — loans with key performance targets to finance transition investments that are based on the overall share of Taxonomy alignment to be achieved; — loans to finance transition investments that are based on a credible transition plan with key performance targets.
Green bonds and other sustainability bonds	(1) Consider issuing bonds for a specific transition purpose by demonstrating the use-of-proceeds. For instance, issue a bond in accordance with the European green bond Regulation to finance transition investments into economic activities eligible under the Taxonomy and reaching Taxonomy alignment within 5 (exceptionally 10) years. (2) Consider issuing a bond linked to a transition performance target of the undertaking (e.g. a sustainability-linked bond) by using the Taxonomy, credible entity-level ⁽¹⁴⁾ and activity-level transition plans, or credible science-based targets where proportionate, and: — define key performance targets to finance material corporate investments that are included in a transition plan; — undertakings are invited to attach their sustainability requirements under a sustainability-linked bond to a Taxonomy- or an EU climate benchmark-related target; — this can include the financing of transition investments defined through targets based on the Taxonomy. (3) Consider using the voluntary disclosure template under the European Green Bond Regulation to provide standardised information to investors and financial intermediaries for bond issuances not following the European green bond standard;
Equity financing	Where equity issuances are an adequate financing instrument, consider using similar transition criteria to those mentioned above to specify key sustainability performance targets.
Specialised financing	Consider specialised financing such as leasing, structured finance solutions, project financing and blended finance instruments by using similar transition criteria to those mentioned above to specify key sustainability performance targets.

7. Use of European Union sustainable finance tools by financial intermediaries and investors

This section relates to point 9 of the Commission Recommendation.

Financial intermediaries and investors willing to provide transition finance to support the real-economy's transition could use sustainable finance tools to set portfolio targets and identify projects or undertaking to finance the transition. Table 4 below provides further illustrations in this regard.

⁽¹⁴⁾ As per Directive (EU) 2022/2464 and its implementation (Corporate Sustainability Reporting Directive).

Table 4

how to use sustainable finance tools to set portfolio targets and identify projects or undertakings to finance the transition

Consider using EU climate benchmark decarbonisation methodologies to set portfolio transition targets and identify relevant companies:	Using EU climate benchmarks decarbonisation methodologies to set decarbonisation targets: Consider using the EU climate benchmarks to pursue decarbonisation strategies and invest into a portfolio of undertakings with different climate targets and transition finance needs. Create financial products replicating the above benchmarks' methodologies ⁽¹⁵⁾; Benchmark administrators are encouraged to consider overweighting companies based on the decarbonisation targets set by companies; Consider using the methodologies of the benchmarks to systematically assess financing instruments and portfolios, and design portfolio pathways towards climate neutrality with minimum standards for year-on-year decarbonisation. Using EU climate benchmarks methodologies to identify undertakings for lending or investment: Consider using the EU climate benchmarks or other science-based ESG benchmarks to identify companies that transition in a way that is compatible with the transition to a sustainable economy; Consider using benchmarks that allow administrators to overweight undertakings with a science-based transition pathway and plan; Financial intermediaries and investors may use exclusion criteria from the methodologies of the EU climate benchmarks, where appropriate, to exclude environmentally or socially harmful economic activities or production methods, and those that otherwise cause significant harm to any climate or environmental objectives.
Consider using the Taxonomy to set portfolio level targets and identify relevant undertakings:	Using Taxonomy criteria to set climate and environmental portfolio targets: Consider using the Taxonomy criteria and disclosures to set targets and track progress over time at portfolio level and, in the case of asset owners, for overall asset allocation. Consider using the Taxonomy disclosures to track the proportion of investments eligible under the Taxonomy, the proportion of investments aligned with the Taxonomy, and progress towards aligning with Taxonomy criteria. Subject to data availability, consider using the green asset ratio and green investment ratio based on the Taxonomy to set sector-specific targets at portfolio level towards which the portfolio average can converge during the transition. For instance, banks may use the green asset ratio and absolute carbon emissions in relevant portfolios or average energy efficiency of a mortgage portfolio to develop emissions reduction targets or an energy efficiency target and milestones in between.

⁽¹⁵⁾ The benchmarks require a baseline decarbonisation requirement of 30 % for the EU Climate Transition Benchmarks and 50 % for the EU Paris-Aligned Benchmarks, 7 % year-on-year decarbonisation requirement, the inclusion of scope 3 emissions, equity allocation constraints to ensure the representation of industries corresponds to that of the parent benchmark (avoid industry bias).

	Consider using the proportion of planned revenues, capital expenditure or operating expenditure related to transition of undertakings that will be aligned with the Taxonomy within 5 (exceptionally 10) years (but do not meet the conditions of Delegated Regulation (EU) 2021/2178 to be recognised immediately as Taxonomy aligned CapEx) as a future or planned green asset ratio, where they are supported by a credible transition plan. Similar metrics could also be designed for non-taxonomy eligible activities that are covered by a credible transition plan. Using the Taxonomy disclosures to identify undertakings for lending or investment: Consider using the Taxonomy disclosures by undertakings on taxonomy-eligible and taxonomy-aligned revenue, capex and where relevant OpEx, to complement other corporate data to identify transition projects In case of Taxonomy eligible projects, consider using mandatory – and where available voluntary – Taxonomy-related disclosures, in corporate disclosures or entity-level or activity-specific transition plans, to identify projects with transition finance objectives that set targets linked to: — taxonomy alignment, aiming to meet the Taxonomy criteria in steps or over a defined time horizon; — taxonomy criteria elements, such as do-no-significant-harm, ensuring significant performance improvements; — check whether activity-specific transition plans are in place, to ensure such projects' targets are aligned with the transition to a sustainable economy; — in case of economic activities not covered in delegated acts adopted under the Taxonomy Regulation, use the principles of set out in Article 10(2) of the Taxonomy Regulation as a guide of minimum conditions for an activity to be considered for transition finance.
Consider using corporate disclosures under the Corporate Sustainability Reporting Directive to select undertakings with specific transition objectives and needs:	Consider using common metrics in transition plans, both at entity and activity level, to systematically identify transition finance needs in certain sectors, based on the financial metrics and investment plans that corporates report, for example: — GHG emission reduction targets, for scope 1, scope 2 emissions, and to the extent possible also material scope 3 emissions; — Taxonomy alignment and plans to align for economic activities in high-impact sectors; — CapEx to finance the transition steps with references to the key sustainability metrics used (e.g. taxonomy-based capital expenditure); — Credibility of the transition targets based on the actions and levers undertakings plan to use to achieve the targets, and their dependency on external factors ⁽¹⁶⁾, expected costs of transition; — Transition risks and how potential transition targets can reduce such risks overtime; — Exposure to climate-related financial opportunities (e.g. as % overall portfolio/underwriting activity) — Current and planned financed emissions across sectors, geographical areas and timeframes; — Portfolio alignment metrics (e.g. weighted average carbon intensity, implied temperature rise, financed emissions relative to a commonly used science-based benchmark).

⁽¹⁶⁾ E.g. possible future policy, technology readiness, social acceptability, resource availability and physical climate impacts across the sites where it operates.

	Consider using disclosures on transition plans to identify specific undertakings or projects with clear decarbonisation targets that currently operate with high emissions but have credible transition plans to reduce those over time, which will enable the portfolio to decarbonise at the same pace as the investee undertakings do. Consider using the standards and guidance under Directive (EU) 2022/2464 and its implementation (CSRD), where available, to consider an undertaking's climate and environmental performance, its starting point and individual transition path, to complement disclosures on transition targets, transition plans and financial reporting data.
Consider using disclosures and prospectuses accompanying the issuance of green, transition and sustainability-linked bonds or equity:	Consider using information provided by issuers of green bonds, sustainability-linked bonds or other bonds with transition finance features to select investments with environmental integrity and the level of ambition an investor is looking for. Consider using the high degree of transparency provided by the European Green Bond Regulation to select projects for transition finance where the environmental integrity is ensured by the Taxonomy. The enhanced transparency on the use of proceeds increases the credibility and reliability of such investments, in particular if they are connected to sustainability thresholds or targets set by the undertaking and disclosed in its corporate disclosures. Consider using the high degree of transparency provided by issuers using the voluntary disclosure templates for issuers using other standards than that provided by the European green bond Regulation to select projects for transition finance that are aligned with the transition to a sustainable economy. Consider using information on transition objectives or transition finance needs included in prospectuses for issuances by undertakings in transition to assess sustainability risks and features of an issuance together with other financial risks and benefits of the project ⁽¹⁷⁾.

⁽¹⁷⁾ The Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make public capital markets in the Union more attractive for companies and to facilitate access to capital for small and medium-sized enterprises (COM/2022/762 final), contributes to the transparency by requiring the inclusion of sustainability information in prospectuses for issuances with sustainability claims.

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