

BETTER FINANCE responds to

Call for evidence on the application of the 'Do No Significant Harm' (DNSH) principle in the 2028–2034 EU budget

17 March 2026

Executive Summary

BETTER FINANCE supports a clear, simple and harmonised application of the “Do No Significant Harm” (DNSH) principle across the 2028–2034 EU budget. For retail investors and savers, the core expectation is straightforward: EU public money should not support activities that cause serious environmental harm, and the rules should be easy to understand, consistent across funds, and credible in practice. Today, DNSH is applied unevenly across EU instruments, creating confusion, legal uncertainty and unnecessary complexity. The Commission’s plan to issue a single guidance is therefore welcome.

A key point is that **DNSH under the EU Taxonomy is not the same as DNSH under EU funding instruments**. Under the Taxonomy, DNSH is part of a classification system used to identify environmentally sustainable economic activities and guide private capital; it is linked to whether an activity makes a substantial contribution while not harming other environmental objectives. In EU funding instruments, DNSH serves a different purpose: it is an eligibility and screening tool used to ensure that EU funds do not finance harmful activities. The legal basis, objectives, scope and design features are therefore different, even if broad consistency should be sought.

The key message for the next EU budget is that the new DNSH guidance should **draw on the Taxonomy where useful, but should not mechanically copy it**.

About BETTER FINANCE

BETTER FINANCE - the European Federation of Investors and Financial Services Users - is the voice of European citizens as savers, investors, and financial users at the EU level. Working independently from the industry, BETTER FINANCE serves as an independent hub of financial expertise for the direct benefit of individual shareholders, investors, savers, life insurance policyholders, pension fund participants, and mortgage borrowers across Europe. Their work aims to promote research, information, and training on investments, savings, and personal finances to lawmakers and the public. BETTER FINANCE counts 40 independent, national, and international member organisations, sharing similar objectives from the EU Member States as well as Iceland, Norway, Turkey, Lebanon, and Cameroon.

Contact

Mariyan Nikolov | Research & Policy Officer

policy@betterfinance.eu

nikolov@betterfinance.eu

DNSH guidance for the 2028-2034 MFF

As the JRC found¹, DNSH is currently implemented through different methods, legal designs and assessment approaches across EU instruments. Public funding instruments use DNSH in different ways: to exclude harmful projects, to improve the environmental performance of supported activities, and in some cases to steer funding towards the highest-performing options. This fragmentation makes the framework harder to apply consistently and increases administrative burden for authorities and beneficiaries.

Single DNSH guidance for the next MFF could therefore bring real benefits. The Commission itself envisages a single and simple set of clear, ex ante criteria to reduce complexity, avoid duplicative reporting, improve synergies across funds and make implementation more consistent where feasible and appropriate. The JRC likewise points to the value of a common methodological basis and, where useful, common exclusion approaches and technical guidance for priority sectors. For the next MFF, this would help make DNSH more predictable, more coherent across instruments and more operational in practice.

At the same time, the new framework should not mechanically copy the Taxonomy. Public funding instruments do not legally require full compliance with

¹ Beltran Miralles, M., Gourdon, T., Seigneur, I., Arranz Padilla, M. and Pickard Garcia, N., The implementation of the 'Do No Significant Harm' principle in selected EU instruments, Publications Office of the European Union, Luxembourg, 2023, doi:10.2760/18850, JRC135691.

the Taxonomy's technical screening criteria and often need more operational, proportionate and sector-specific approaches. The JRC is clear that none of the funding instruments analysed legally requires use of the Taxonomy technical screening criteria, even where the Taxonomy serves as an important reference point.

It is important that the future guidance provides more detailed, sector-specific direction, building where appropriate on existing standards such as the EU Taxonomy and the Social Climate Fund guidance, while keeping exceptions to the absolute minimum. BETTER FINANCE considers this balance essential: the future guidance should keep the Taxonomy as a reference point, while delivering simpler ex ante rules, clearer sector guidance and very limited exceptions.

While this guidance will primarily be used by public authorities, implementing bodies and other specialised stakeholders, **a clearer and more harmonised DNSH guidance would also improve transparency, consistency and credibility for retail investors and citizens.** That matters because inconsistent public use of DNSH can undermine confidence in the wider EU sustainable finance framework. A more coherent approach would therefore not only make the rules more workable in practice, but also strengthen trust that EU spending genuinely supports long-term sustainability.