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COMMISSION NOTICE

Guidance on the Implementation of the Social Climate Fund

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I. Introduction

The objective of the Social Climate Fund (SCF) established by Regulation (EU) 2023/955 of the European Parliament and of the Council¹ (SCF Regulation) is to contribute to a socially fair transition towards climate neutrality.

The SCF is specifically intended to tackle the social impacts of the inclusion of greenhouse gas emissions from buildings and road transport under Directive 2003/87/EC (ETS Directive)². The new emissions trading system (ETS2) created by Chapter IV(a) of the ETS Directive covers buildings, road transport, and small industry sectors that were not covered by the existing EU emissions trading system. The SCF provides financial support to Member States to help vulnerable households, vulnerable transport users and vulnerable micro-enterprises particularly affected by increase in fossil energy prices and transport costs as a result of the implementation of ETS2.

The purpose of this guidance notice is to help Member States implement their Social Climate Plans (SCPs) in line with the SCF Regulation. It complements the guidance notice on the Social Climate Plans³ and the Commission notice providing technical guidance on applying the ‘do no significant harm’ principle⁴ and its annexes⁵.

This guidance notice does not pre-empt future legal provisions in the context of the multiannual financial framework (MFF) post 2027. The present guidance will be revised – where necessary – to align with any future legal provisions, applicable under the MFF post 2027, including possible changes to the implementation method, and to ensure that the measures and investments continue to be implemented effectively.

In line with Article 4(1) and Recital 17 of the SCF Regulation, each Member State should submit its SCP to the Commission by 30 June 2025.

Under the SCF EUR 65 billion will be allocated for the period from 1 January 2026 to 31 December 2032. With a mandatory contribution by Member States amounting to at least 25% of the estimated total costs of their SCPs, the SCF will amount to at least EUR 86.7 billion. The SCF is set to begin on 1 January 2026, at least one year before the ETS2 becomes fully operational and two years before the start of the new MFF in 2028. This early start will contribute to a smooth introduction of ETS2.

The transposition deadline for Directive (EU) 2023/959 establishing the ETS2 was 30 June 2024⁶. Under Article 16(3)(a)(i) of the SCF Regulation, the Commission will assess the relevance of the SCP, taking into account whether it adequately responds to the social impacts and challenges faced by vulnerable households, micro-enterprises and transport users from the ETS2. Therefore, the non-transposition of ETS2 results in the SCP not being able to satisfy the requirement of relevance and SCF’s general objective.

If a Member State formally submits its SCP but has not transposed Directive (EU) 2023/959 establishing the ETS2, the Commission will not be able to assess the submitted SCP. In this

¹ Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060, OJ L 130, 16.5.2023, p. 1.

² Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (Text with EEA relevance), OJ L 275, 25.10.2003, p. 32.

³ C(2025) 881 final.

⁴ C(2025) 880 final.

⁵ C(2025) 880 final ANNEXES 1 to 2.

⁶ Article 3, second subparagraph of Directive (EU) 2023/959.

case, especially where the Member State has not laid down the legal obligations for the regulated entities on its territory to surrender the ETS2 allowances equivalent to their verified emissions, the SCP will be considered irrelevant because no social impact, as required under Article 16(3)(a)(i) of the SCF Regulation, can be demonstrated. In this case, the Commission will issue an implementing decision containing a negative assessment of the SCP in line with Article 17(4) of the SCF Regulation.

II. Setting up and designating authorities

In line with Articles 11(3) and 21(1) and Annex III to the SCF Regulation, each Member State must put in place an **effective and efficient internal control system**. This includes designating the authorities and bodies responsible for the different aspects of the implementation of the SCP and the audit of systems and operations related to SCPs.

To build on existing experience and reduce administrative burden, **Member States may** – subject to their legal and regulatory frameworks and to Commission confirmation – **designate a single authority** to carry out the functions listed in sections a) and b) below; of coordinating the preparation and monitoring of the SCP, implementing the SCP, signing the management declaration and preparing the payment requests to the Commission. For example, Member States may entrust the managing authorities of the cohesion policy programmes or the Recovery and Resilience Facility (RRF) with the implementation of the SCP. In addition, Member States must designate a body or bodies which will carry out the audits of systems and operations in such a way to ensure their functional independence.

a. Authorities involved in the execution of the SCP

The following functions of the authorities involved in the execution of the SCP are specifically defined in the SCF Regulation and its Annex III. The following functions have to be performed:

1. Authorities entrusted with the implementation of the SCP

- **Managing the measures and/or investments** outlined in the SCPs to achieve their objectives and assign the related responsibilities and functions.
- Ensuring robust systems are in place to safeguard the **financial interests of the EU**, with a particular emphasis on preventing, detecting, reporting and correcting fraud, corruption and conflicts of interest, and ensuring compliance with applicable rules, in particular State aid and public procurement rules. This includes promptly detecting and addressing any irregularities.
- Establishing effective and proportionate **anti-fraud measures** and procedures, tailored to the risks identified in an anti-fraud strategy.
- Conducting **management verifications** to check, through desk reviews and on-the-spot checks, that SCF milestones and targets are being met and that there are no serious irregularities, namely fraud, corruption and conflict of interest, or double funding.
- Confirming and providing evidence to the Commission that **targets and milestones are actually being met** and engaging in a dialogue with the Commission on implementation progress.
- Ensuring that the final recipients of the financial allocations receive the amounts due, subject to funding availability.

- Collecting and securely storing **data** and all other essential information, **in line with Article 21(2)(d)** of the SCF Regulation, including **audit and control results and their follow-up**, to ensure a robust audit trail.
- Collecting and securely storing **data on the measures and investments**, as well as their milestones and targets, **in line with Article 21(2)(d)(iv)** of the SCF Regulation.
- Collecting **data on the progress of SCP implementation** and on common indicators in line with Article 24(1) of the SCF Regulation to ensure effective monitoring.
- Implementing the **information, communication and visibility actions** in line with Article 23 of the SCF Regulation, including publishing data on final recipients on a single website, if this task is not entrusted to a national coordinating authority.

The authorities responsible for SCP implementation can be national, regional or local authorities, depending on the national legal and regulatory frameworks in place and on the type of measures and investment included in the SCP. It is up to the Member States to decide on how to assign responsibilities between the authorities, taking into account the need to ensure effective SCP implementation so that vulnerable households, micro-enterprises and transport users benefit from the measures and investments.

If regional authorities are tasked with SCP implementation, they will have the same types of responsibilities as the national authorities.

2. *Authority /Authorities responsible for signing the management declaration accompanying the payment requests*

The authority(ies) responsible for signing the management declaration accompanying the payment requests will carry out the functions listed below.

- **Ensuring** that effective and proportionate measures to safeguard the financial interests of the EU are implemented, taking into account identified risks.
- **Consolidating** and overseeing the work of the implementing authorities to ensure the SCP's consistency and quality.
- **Providing assurance** to the Commission that SCP implementation complies with applicable standards, rules and regulations.
- **Confirming** that **payment requests include only completed milestones and targets**, ensuring data accuracy, reliability and authenticity. This includes maintaining electronic records of all verification elements in compliance with rules and procedures.
- **Verifying** that irregularities identified in final audit and control reports related to payment requests have been appropriately addressed and corrected at the level of the final recipients concerned.

The Commission issued a statement on 18 April 2023⁷ on the agreement reached by the co-legislators under Annex III to the SCF Regulation. This statement stresses that appointing more than one authority to sign management declarations accompanying the payment requests can lead to inefficiencies and a dilution of responsibilities and create confusion about the roles of the authorities.

⁷ Brussels, 18 April 2023, (OR. en, pl) 7984/23 ADD 1, interinstitutional file: 2021/0206(COD).

3. *Body/bodies responsible for auditing systems and operations*

The body(ies) that audit(s) the systems and operations will be responsible for the tasks indicated below.

- **Conducting system audits** on the functioning of the management and control system, and **audits of operations** to give reasonable assurance to the Commission that the **milestones and targets** included in **payment requests** have been achieved.
- **Verifying the effective functioning of management and control systems and the designation process of the authorities** in line with the key requirements set out in the SCF Regulation and Annex III thereto.
- **Ensuring** that their work addresses all relevant elements **to guarantee that the EU's financial interests are protected**, by obtaining assurance that systems are in place to prevent, detect, report and correct fraud, corruption and conflicts of interest, and ensure compliance with single market requirements (public procurement and State aid rules).
- **Conducting** all audit activities in line with **internationally accepted audit standards**.
- **Providing a summary of audits** performed and measures implemented, for each payment request, to safeguard the EU's interests, focusing on:
 - absence of conflicts of interest;
 - implementation of anti-fraud measures;
 - prevention of corruption and double funding.

The **audit authority** must be a public authority, although specific audit tasks may be delegated or outsourced to public or private bodies under its supervision and responsibility.

b. Complementary bodies

As indicated in the Guidance on the SCPs, and considering the multisectoral nature of the SCF, Member States are encouraged to set up a national coordination body for the SCP.

4. *Body responsible for coordinating the preparation and monitoring of the SCP*

Article 6(3) of the SCF Regulation lays down that SCPs must be consistent with the information included in and the commitments made by the Member States in other EU programmes and legislation. To this end, Member States are encouraged to set up a dedicated body that ensures overall coordination across the different areas.

The national coordination body can carry out the functions listed below:

- ensuring that the SCP is **aligned** with other national policy initiatives;
- ensuring **consistency** and **complementarity** between the SCP and the European pillar of social rights action plan, cohesion policy programmes, the recovery and resilience plan (RRP), the national building renovation plan, the integrated national energy and climate plan (NECP) and the just transition plan;

- **coordinating** with the authorities responsible for the effective planning and execution of actions and the authority/es responsible for signing the management declaration to follow up payment requests effectively;
- **mediating** between the authorities responsible for implementation to resolve implementation issues;
- **acting as a single point of contact** for Commission departments, the European Court of Auditors and other relevant EU bodies or institutions;
- **overseeing** periodic monitoring, reporting (in line with Article 24 of the SCF Regulation), and evaluations, as necessary;
- **ensuring** the implementation of communication activities to raise awareness of EU support and disseminating information on actions achieved under the SCP;
- **supervising** the publication of data on final recipients (and on contractors and subcontractors where the final recipient is a contracting authority) to maintain transparency.

Regardless of the authority or authorities that conduct these management functions, an effective separation between them and the body carrying audit functions must be ensured to allow for conducting adequate and independent audits of systems and operations.

c. Designation by the Member States

The authority(ies) mentioned under point (a) of this section must be designated in line with Annex III of the SCF Regulation and the national framework. The designation of the coordination body under point (b) needs to be made in line with the national framework; the designation procedure under Annex III to the SCF Regulation does not apply.

In line with Article 11(3) of the SCF Regulation, if a Member State decides to assign the role of authority entrusted with the implementation of the SCP to a managing authority of the cohesion policy programmes under Regulation (EU) 2021/1060 of the European Parliament and of the Council⁸ (Common Provisions Regulation – CPR), the Commission will consider the existing management and control systems already in place to be compliant with the requirements of the SCF Regulation.

This provision applies for national, regional or other-level authorities.

Building on the synergies provided by this provision and the nature of the tasks carried out by other types of authorities under the cohesion policy programmes and the RRF, the Commission could apply a simplified procedure in several other situations, as detailed below.

Authorities under the CPR

- i. A managing authority under the CPR is assigned the role of the authority responsible for signing the management declaration accompanying the payment request under the SCF Regulation.

⁸ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, OJ L 231, 30.6.2021, p. 159.

- ii. An intermediate body under the CPR is assigned the role of the authority implementing the SCP under the SCF Regulation, provided that the intermediate body has been delegated to fulfil all the managing authority's relevant tasks for cohesion policy programmes.
- iii. An audit authority under the CPR is assigned the role of the body that carries out the audits under the SCF Regulation.

Authorities under the RRF:

Due to the similarities with the management and control structures and procedures set up at national and regional level to manage the RRF, RRF structures could also be used (if they are different from the authorities implementing cohesion policy programmes) to directly implement actions under the SCPs. In such cases, the existing management and control systems put in place by Member States will be deemed to comply with the requirements of the SCF Regulation.

Each Member State must formally communicate to the Commission the list of authorities responsible for SCF tasks, either when they submit their SCP or later, before their designation, ensuring that the following elements have been checked and confirmed:

- a) the authorities have the legal mandate at national level;
- b) the authorities have the necessary resources and capacity for the additional tasks to be carried out under the SCF;
- c) the Member States should ensure that implementing the SCP will not jeopardise the implementation of the other EU funds under the responsibility of the newly designated SCF authorities; and
- d) the Member States should ensure that the applicable Annex III to the SCF Regulation requirements are respected.

If the designated authorities are not managing authorities of the cohesion policy programmes mentioned in Article 11(3) of the SCF Regulation, or the RRF, the Commission will acknowledge the suitability of the authority to fulfil the role assigned by the Member State on a case-by-case basis, as described in point II.d of this Guidance.

In any event, any authorities involved in implementing EU cohesion policy funds and/or the RRF with significant shortcomings confirmed either by the Commission, the European Court of Auditors or any other national audit body must be excluded from the simplified designation process mentioned above.

d. Audit work to be carried out nationally if the authorities are not covered by Article 11(3) of the SCF Regulation or the RRF

Any entity responsible for implementing the SCP and/or signing the management declaration under the SCF that **has not been previously involved in** cohesion policy programmes or the RRF (as described above) should be subject to an audit by the audit authority. This audit should assess whether the authorities meet the internal control system criteria set out in Annex III to the SCF Regulation, before the designation process is completed. An audit must also be carried

out on any entity with confirmed significant shortcomings⁹ concerning the implementation of cohesion funds or the RRF and which the Member State still decides to designate.

It should be noted that the assessment of compliance with the key requirements laid down in Annex III to the SCF Regulation refers to whether the design of the management and control system is appropriate. This means that for the Commission to accept an authority's designation, it requires an opinion on the set-up of the systems. At this stage, however, it does not require an opinion on the practical effectiveness of the management and control system. The scope and objectives of this audit are further detailed in the Section X of this guidance.

If a sufficient guarantee cannot be obtained before the SCP is adopted, the SCP should include a milestone to be met before any payment is made, requiring an unqualified audit opinion of these entities by the audit authority. If the Member State does not propose such a milestone in the SCP, the Commission will request such milestone when it assesses the SCP, as laid down in Article 17(3)(c) of the SCF Regulation.

e. The Commission's acceptance of the designation of authorities

The Commission will in principle accept the designation process covered under point (a) of this section without additional control work, when the designated audit authority is already providing assurance under the cohesion policy programmes or under the RRF.

If the Member State decides to **designate as the audit authority a new entity** that does not have previous experience auditing either cohesion funds or the RRF, the Commission will review the set-up of the designated audit authority and possibly other bodies responsible for the delivery of the SCP. The Commission will **verify compliance with the SCF Regulation and international audit standards as soon as possible and possibly as part of the assessment of the SCP or just after its formal adoption.**

Article 17(3)(c) of the SCF Regulation requires Member States to address any weaknesses in the internal control systems before the first payment. If a sufficient guarantee cannot be obtained before its adoption, the SCP should include an **additional measure** (milestone) requiring the Commission's positive assessment of these audit authorities that have no prior experience auditing either cohesion funds and/or the RRF. If the Member State does not propose such a milestone in the SCP, the Commission will request one when it assesses the SCP (Article 17(3)(c) of the SCF Regulation). This milestone must be achieved before the first payment.

III. Preparing the implementation of the SCP

a. Setting up a national coordination committee

Article 21(1) of the SCF Regulation sets out the need to ensure an effective and efficient internal control system. Annex III of the SCF Regulation sets out the designation of the authorities and procedures ensuring these authorities will get assurance.

To facilitate engagement with stakeholders, Member States are encouraged to provide a **platform for national coordination of SCP implementation**, so that the stakeholder dialogue is organised in a way that offers clarity on timing, on the way stakeholders can participate in

⁹ See Categories 3 and 4 under the section on assessment of management and control systems below.

the dialogue, and on national level coordination. Setting up such a platform will facilitate the work of the body responsible for coordinating the preparation and monitoring of the national SCP.

A national coordination committee could be set up, comprising the structures put in place by the Member State to **manage, coordinate, and implement its SCP** and to discuss it with **relevant stakeholders**. In addition to supporting the effective implementation of the SCP, this coordination committee would ensure that the SCP was implemented in line with other national strategies and EU funding programmes and EU policies.

A national coordination committee could carry out, among other tasks, the following activities:

- monitoring the progress made in implementing the SCP and meeting the milestones and targets;
- addressing specific issues and challenges affecting the performance of measures and investments;
- assessing the SCP's contribution towards tackling the challenges identified in the Member State's NECP or other instruments and programmes having an impact on the SCP;
- monitoring the progress made in carrying out evaluations;
- monitoring the progress made in reporting on result, output and context indicators, in carrying out evaluations and syntheses of evaluations, and in following up on findings;
- ensuring that communication and visibility actions are taken and that progress is made in building up the administrative capacity of public institutions;
- monitoring the involvement of partners and beneficiaries, ensuring the effective involvement of key stakeholders, and fostering the partnership principle.

Such a committee could also promote an exchange of views on the methodology used for the review of milestones and targets, and on the biennial reporting on SCP implementation or any change to the SCP. Lastly, it could put forward proposals to the SCP implementing authorities, in particular on possible ways to cut red tape for the final recipients and improve the effectiveness of the measures and investments.

The national coordination committee should be tailored to the specific needs, institutional frameworks and governance structures of each Member State. Whether such a committee would be effective in supporting SCP implementation and achieving the desired outcomes would depend on factors such as the **level of stakeholder engagement, the efficiency of administrative processes and its adaptability**.

The Member States are strongly encouraged to include in their national coordination committee representatives from relevant ministries and agencies, local and regional authorities, social partners and other relevant stakeholders, and from the Commission.

It is advisable that each national coordination committee adopt specific rules of procedure, including provisions on the prevention of any conflict of interest and the application of the principle of transparency. These rules of procedures will govern the decision-making process of each national committee in line with the relevant national framework. The committee should meet at least once a year, with ad hoc meetings organised when there are relevant issues that affect the progress of the SCP towards achieving its objectives.

b. Involvement of regional/local authorities, social partners and civil society stakeholders

To ensure effective SCP implementation and consistent monitoring, Member States are strongly encouraged to involve different stakeholders, in particular regional and local stakeholders, throughout the implementation process.

Involving local and regional authorities and relevant stakeholders during SCP implementation will (i) ensure ownership of, and commitment to, SCP implementation; (ii) help ensure that the measures and investments target vulnerable households and micro-enterprises that should ultimately benefit from the SCP; and (iii) reflect the fact that many SCF investments will be implemented at local and regional level (energy renovations, public transport etc.).

In addition to regional and local stakeholders, **civil society organisations, social partners, sectoral representatives**, and other entities that can ensure a sufficiently wide range of views and deliver comprehensive monitoring of the delivery process should be involved throughout SCP implementation.

IV. Monitoring of implementation

The framework for monitoring SCP implementation is set out in Article 24 of the SCF Regulation. It states that Member States must report to the Commission on the implementation of their SCPs **on a biennial basis** (every two years), together with the progress report on their integrated NECPs. Member States must include in their biennial progress-reporting the relevant common indicators set out in Annex IV to the SCF Regulation.

The Commission is also required to monitor implementation of the SCF and measure the progress towards achieving its objectives. Overall, the monitoring of implementation should be targeted, and proportionate reporting requirements should be imposed on final recipients of SCF funding. The Commission will use the common indicators for reporting purposes and for monitoring and evaluating the SCF.

Effective monitoring of the implementation of the SCPs and clear and transparent reporting are key for ensuring transparency and accountability towards stakeholders and the public and for communicating on the progress and results achieved. Such reporting at the aggregate level of the SCF requires consistent and comparable data, based on robust monitoring and data collection arrangements. Monitoring can also help anticipate implementation bottlenecks and support the development of mitigating actions, or on the other hand, help identify good practices. With effective monitoring it is also possible to measure the overall progress of the SCF towards achieving its goals and to provide an evidence base for later evaluations of the SCF (see Section VII). The two key components of the SCF monitoring framework are presented in Table 1 below.

Table 1: Key components of the SCF monitoring framework

	Milestones and targets	Common indicators
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Payment request	Member States provide updates (up to twice a year) on the milestones and targets achieved, including those defined by common indicators, which the Commission will use to feed into the monitoring system.	
Biennial reporting	Member States report biennially on the progress of SCP implementation, i.e. all their milestones and targets.	In their biennial report on the progress of SCP implementation, Member States also report on all common context indicators and on progress achieved towards relevant common output and result indicators.

a. Common indicators

In line with Article 24(1) of the SCF Regulation, Member States should include in their biennial progress reports the relevant common indicators from Annex IV to the SCF Regulation. The list provided in that Annex contains a total of 39 context, output and result indicators covering the main components of SCF intervention (buildings sector, road transport sector, micro-enterprises, and direct income support). The measures and investments in the SCPs can contribute to achieving several common indicators simultaneously.

The common output and result indicators deemed relevant for the most common types of measures and investments potentially to be included in the SCPs and to be used for the SCP reporting obligations are set out in Annex 1 to this guidance. Member States are expected to report on the relevant common indicators where they have proposed measures and investments in the SCP that fall within the categories under Article 8(1) of the SCF Regulation. Annex IV to the SCF Regulation also makes clear that, when a SCP does not contain any measure or investment that contributes to some of the indicators, Member States may indicate those common indicators as non-applicable.

All context indicators in each component are considered applicable by default, because they provide information on the current situation in the various sectors (i.e. a baseline value) and Member States must present this information in their SCP in line with the SCF Regulation¹⁰.

The common indicators will be used by the Commission to monitor and evaluate the SCF and the progress made towards achieving its general and specific objectives (see also Section VII of this guidance).

¹⁰ Article 6(1)(e) of the SCF Regulation requires Member States to provide information in their SCP regarding the estimated number of vulnerable households, micro-enterprises and transport users. Article 6(1)(d) of the SCF Regulation – information on the estimate of the likely effects of the increase in prices resulting from the EU ETS 2 on households, in particular on incidence of energy poverty and transport poverty, and on micro-enterprises. Article 8(2) of the SCF Regulation – information on the share of temporary direct income support in the estimated total costs of the plan.

b. Common indicators used as milestones and targets

The progress on implementation of measures and investments included in the SCPs should be monitored by milestones and targets. The milestones and targets should be designed to ensure that the achievement of the objectives of each component in the SCP is monitored. The milestones and targets should be clear, concise, realistic, relevant, measurable, specific to the supported activity and robust¹¹, with a relevant indicator. Targets should have a clear baseline and sound underlying methodology.

In line with the Guidance on the SCPs, Member States are strongly encouraged to use the list of common indicators provided in Annex IV to the SCF Regulation when drafting their targets. Using the common indicators to set the targets ensures consistency and comparability of the monitoring data across Member States and at the level of the Fund. Therefore, if a target contributes to one of the indicators listed under Annex IV to the SCF Regulation, this common indicator should be used as a primary option to prepare the SCP (and it must be clearly identified in the table containing milestones and targets when the SCP is submitted).

To implement the SCPs effectively, it is expected that most of the mid-point and final targets of investments will be expressed in output indicators. If a target cannot be formulated using any of the indicators in Annex IV, Member States can use additional indicators, prioritising those that have been used under other EU funds, programmes and instruments, such as cohesion policy programmes or the RRF. The best practices explained in the Guidance on the SCPs should be followed, including for any changes to the SCPs.

Achieving milestones and targets is a prerequisite for submitting SCF payment requests. In line with the performance-based nature of the SCF, the submission of payment requests marks a key point in SCP implementation, where Member States provide updates on the achievement of their milestones and targets, and on common indicators, where these have been used to set the targets (see below for more information).

This regular process provides an update on the progress made in implementing and monitoring the SCF. This update must be complemented by a progress report prepared by the Member States every two years on the progress of SCP implementation.

c. Biennial reporting on implementation progress

The biennial reporting on implementation progress constitutes the key component of the SCF monitoring framework. Under Article 24 of the SCF Regulation, this reporting must be carried out together with the progress-reporting on the NECPs, in line with Article 17 of Regulation (EU) 2018/1999 of the European Parliament and of the Council¹² (Governance Regulation). This provision requires Member States to report on the progress of implementation of their NECPs by 15 March 2023, and every two years thereafter. Given the link created by the SCF Regulation between the progress-reporting on the SCPs and the NECPs, the first biennial progress report on the SCPs is expected by 15 March 2027. The reporting period covers the period from the start of the eligible measures and investments (i.e.

¹¹ More guidance on the design of milestones and targets is available in the Guidance on Social Climate Plans C(2025) 881 final.

¹² Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council, OJ L 328, 21.12.2018, p. 1.

from June 2024 onwards). The biennial reporting on the progress of implementation of the SCPs will be carried out using the IT tool SFC2021.

To provide a comprehensive picture of the state of play on implementation, Member States are expected to provide updates on the progress of implementation of all activities in the SCP, including those that have been delayed, not yet achieved or not yet assessed.

Member States should publish their biennial progress reports, in line with the requirements applicable to the NECP progress report, to enhance transparency.

The Commission will provide more detailed indications and a template for the biennial SCP progress reports, to facilitate the process, to ensure a harmonised approach to reporting, and to streamline the reporting with the integrated NECP reporting. The Commission will issue a methodological note on the common indicators listed in Annex IV to the SCF Regulation, to ensure a common understanding of the indicator definitions and to ensure that the data to be collected is robust and reliable. This methodology will rely – as far as possible – on the definitions set out in the SCF Regulation and in other relevant EU legislation¹³ and on definitions applied at national level.

Member States should report on how they apply the definitions of energy poverty and transport poverty at national level in line with the explanation provided in their SCPs¹⁴. When indicators are similar to the ones used for other EU policies (e.g. as transposed by the Energy Efficiency Directive) or funding programmes, Member States should use a similar methodology to collect and report related data.

Gender equality and equal opportunities for all are important considerations for SCF monitoring. As emphasised in recital 24 of the SCF Regulation, gender equality and equal opportunities for all should be mainstreamed and promoted throughout the preparation and implementation of the SCPs, to ensure that no one is left behind. As far as possible, Member States are therefore encouraged to disaggregate the data reported in their biennial reports and in their SCPs by gender, age and disability status (in particular for data reported under the common indicators on vulnerable households, transport users and micro-enterprises)¹⁵. Member States are also encouraged, to the extent possible and relevant, to explain how they take into account the geographic specificities, such as islands, outermost regions and territories, rural or remote areas, less accessible peripheries, mountainous areas or areas lagging behind in their SCP.

In their SCPs, Member States should explain how they intend to ensure that their SCPs will be monitored and implemented effectively, focusing on the monitoring and implementation arrangements and timetable (see Annex V, point 4.1, to the SCF Regulation). This should also include the arrangements for collecting the relevant data. As part of the assessment of the overall SCP, the Commission will assess whether the proposed arrangements will ensure that the SCP can be implemented and monitored effectively¹⁶. The body coordinating the

¹³ For example, ‘energy poverty’ as per Article 2(52) of the Energy Efficiency Directive (EU/2023/1791); ‘household’ as per Article 2(15) of Regulation (EU) 2019/1700 establishing a common framework for European statistics relating to persons and households; and ‘micro-enterprise’, meaning an enterprise that employs fewer than 10 persons and whose annual turnover or annual balance sheet does not exceed EUR 2 million, calculated in accordance with Articles 3 to 6 of Annex I to Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market.

¹⁴ See Article 6(f).

¹⁵ See the common indicators from Annex IV listed under numbers 1, 2, 3, 11, 13, 18, 19, 20, 29, 30, 32, 33, 34, 36 and 37.

¹⁶ In line with Article 16(3)(b) of the SCF Regulation.

preparation and monitoring of the SCP (see Section II of this guidance) will oversee the SCP implementation, monitoring and reporting, among other functions. In the absence of a national coordinating body these tasks should be assigned to an implementing body(ies).

The Commission will hold a regular dialogue with Member State representatives possibly via a dedicated technical working group, to discuss any issues and good practices related to SCF monitoring and evaluation activities.

V. Commitments of the financial allocation

The SCF will be exceptionally and temporarily financed by the revenue generated from the auctioning of 50 million allowances under Article 10a(8b) of the ETS Directive, 150 million allowances under Article 30d(3) of the ETS Directive and a volume of additional allowances under Article 30d(4) of the ETS Directive, which should constitute external assigned revenue.

Considering that the external assigned revenue is to be made available following the auctioning of allowances under Articles 10a(8b), 30d(3) and 30d(4) of the ETS Directive, Article 10(2) of the SCF Regulation provides a derogation from Article 22(2) of Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council¹⁷ (the Financial Regulation). Under this derogation, commitment appropriations can be made automatically available at the beginning of each financial year, starting from 1 January 2026. It will therefore be possible to commit each year the annual allocation amounts for each Member State in line with the SCF Regulation.

a. Commission Implementing Decision combined with the Multiannual Financing Decision

The Commission decides on the SCP of a Member State by means of an implementing decision, in line with Article 17(1) of the SCF Regulation. In the event of a positive assessment, the Commission Implementing Decision will include the elements required under Article 110 of the Financial Regulation and will constitute the financing decision within the meaning of that Article, so that ‘a budgetary commitment shall be preceded by a financing decision adopted by the Union institution or by the authority to which powers have been delegated by the Union institution’.

For the purpose of implementing the SCF, the financing decision for each Member State will be multiannual and will cover the period 2026-2032, also indicating:

- the Member State defined as the beneficiary;
- the measures and investments to be implemented;
- the estimated total costs of the SCP and the list of milestones and targets;
- the total duration of the action;
- the total maximum financial allocation and corresponding annual allocations for the Member State under the Fund to be paid in instalments;
- payout values for individual milestones and targets;
- the national contribution;

¹⁷ Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast), OJ L, 2024/2509, 26.9.2024.

- arrangements and timetable for monitoring and implementation;
- the relevant indicators on achieving the envisaged milestones and targets and their respective payout value when achieved;
- the arrangements for the Commission to provide access to the underlying relevant data;
- the budget line.

The financing decision will include an annex with the Member State's annual allocations (based on Annex I to the Guidance on the SCP and taking into account Article 17(3) of the SCF Regulation). These allocations will be formally notified to each Member State for use as a reference for the financial implementation process and as a basis for the financial transactions.

This Decision will be adopted without prejudice to the relevant provisions under the MFF covering the period starting in 2028.

b. Legal commitment

In line with Article 19 of the SCF Regulation, after the Commission has adopted a positive decision as referred to in Article 17 of the SCF Regulation, it will conclude a bilateral agreement with the Member State concerned. This agreement will include (i) details on the implementation of the specific SCP, particularly the specific monitoring obligations, (ii) the rules and procedures related to control, (iii) financial corrections, and (iv) any other elements relevant for the effective implementation of the EU support.

The concluded bilateral agreement will constitute an individual legal commitment within the meaning of the Financial Regulation for the period 2026-2032, without prejudice to Articles 30d(4), 30i and 30k of the ETS Directive.

c. Individual budgetary commitments

For the purpose of budgetary commitments, the overall maximum amount of appropriations to be disbursed for a specific SCP, as laid down in the Commission Implementing Decisions in line with Article 17 of the SCF Regulation, should be broken down into annual instalments (Article 19(2) of the SCF Regulation).

Individual budgetary commitments per Member State will be made in annual instalments. They will be based on the Annex of the respective Commission Implementing Decision issuing a positive assessment of the SCP, which acts as a multiannual financing decision for the relevant Member State.

As set out in Article 17(3)(a) of the SCF Regulation, if a Member State's estimated total cost of the SCP minus the national contribution is equal to or exceeds the maximum allocation provided for in Annex I to the Commission Guidance on the SCPs, the individual budgetary commitments set annually will be equivalent to the amounts indicated per year in that Annex.

If a Member State's SCP is approved with a maximum financial allocation lower than that indicated in Annex I to the Commission Guidance on the SCPs, as laid down in Article 17(3)(b) of the SCF Regulation, the individual budgetary commitments set annually will be proportionally reduced taking into account the total SCF contribution in the Commission Decision under Article 17(1) of the SCF Regulation.

If a Member State does not use its full allocation in a given year, the unused amount of the annual commitment will be carried over to the next years until the end of the funding period.

In all cases, as required by Article 15 of the SCF Regulation, a minimum 25% of the total estimated cost of each SCP needs to come from a contribution by the relevant Member State.

d. Decommitments and remaining appropriations

The possible decommitments of the unused financial allocation will be made in line with Article 20(10) of the SCF Regulation at the end of the eligible period and after all payments are made by 31 December 2033.

If no tangible progress has been made towards achieving any relevant milestones and targets, within 15 months from the conclusion of the individual legal commitment, the Commission will communicate its assessment to the Member State and give it two months to provide observations, before taking a decision on the termination of the individual legal commitment and decommitting the amount (Article 20(7) of the SCF Regulation).

By way of derogation from Article 12(4)(c) of the Financial Regulation, and without prejudice to Article 30d(4), sixth subparagraph, of the ETS Directive, the Commission should allocate to Member States the amounts corresponding to any appropriations that are unused by 31 December 2033, in line with the rules for the distribution of allowances set out under Article 30d(5) of the ETS Directive, in order to achieve the objectives referred to in Article 3 of the SCF Regulation.

VI. Payment requests

a. Submission of the payment requests

Upon achievement of the relevant milestones and targets, Member States must submit a duly reasoned payment request, up to two times a year (by 31 July and 31 December). This payment request must list all the milestones and targets that the Member States consider to be satisfactorily achieved, as set out in the Commission Implementing Decision referred to in Article 17 of the SCF Regulation. The payment request should be accompanied by the relevant justification and evidence associated with each achieved milestone and target, in line with the bilateral agreement referred to in Article 19 of the SCF Regulation. The submission of each subsequent set of achieved milestones and targets will presuppose and confirm that measures related to previously satisfactorily achieved milestones and targets have not been reversed by the Member State concerned.

Payment requests should be submitted via the dedicated module in Commission system SFC2021. All supporting documents providing evidence of the successful achievement of the related targets and milestones must also be submitted via SFC2021 as an integral part of the payment request. Before submitting the request, technical work should be carried out to verify that the milestones and targets have been met.

An electronic acknowledgement of receipt will be provided to the Member State by the system in due time. Member State authorities will be able to correct or withdraw payment requests via this system if needed, and before the Commission adopts the Implementing Decisions indicated in Articles 20(3) and 20(4) of the SCF Regulation.

If a Member State does not consider that a specific milestone or target due for a specific date has been achieved, or if it has identified implementation issues related to it (e.g. pending audit or control work, a lack of sufficient evidence or for any other reason), it can refrain from including it in a payment request and still claim a disbursement for the remaining milestones

and targets due for the same date and deemed fully achieved. Before submitting a payment request, Member States are advised to consult the Commission informally to make sure that the file has been properly prepared.

In order to fulfil the provisions of Article 20(1) of the SCF Regulation, a Member State should not submit partially achieved individual targets (e.g. 8 out of 10 committed elements anticipated for a specific date). **Only fully achieved milestones and targets should be included in payment requests.** Targets or milestones that have not been achieved or only partially achieved by the specific date should be continued and included in the next payment requests upon their satisfactory achievement.

b. Management declaration

In line with Article 21(2) of and Annex III to the SCF Regulation, Member States must accompany each payment request with a signed management declaration.

This management declaration certifies that the financial allocations were used for their intended purpose, that the information submitted with the payment request is complete, accurate and reliable, and that the internal control systems put in place give the necessary assurances that the financial allocations were managed in accordance with all applicable rules, in particular rules on avoidance of conflicts of interest, fraud prevention, corruption and double funding from the Fund and other EU programmes in line with the principle of sound financial management.

The management declaration should contain the following:

- (i) a declaration that the information in the payment request is properly presented, complete and accurate;
- (ii) a declaration that the funds were used for their intended purpose, as set out in the agreement concluded under Article 19 of the SCF Regulation;
- (iii) a declaration that the control systems put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions, i.e. demonstrating the achievement of the milestones and targets concerned;
- (iv) a declaration that, in line with the principle of sound financial management, the control systems in place function properly and give the necessary assurances that the support is granted in compliance with the EU State aid and procurement rules, where applicable. In particular, the control systems in place should ensure that fraud, corruption and conflicts of interest are prevented, detected and corrected, and that double funding from the Fund and other EU programmes is avoided;
- (v) a declaration that previously achieved milestones and targets have not been reversed since their achievement was confirmed by the Commission;
- (vi) confirmation that irregularities identified in relation to the implementation of the SCP have been appropriately corrected and relevant amounts recovered from recipients.

A template for this management declaration is presented in Annex 2.

c. Summary of audits

Member States should also provide, with each payment request, a summary of the audits carried out by the control authorities in line with internationally accepted audit standards.

The period covered or the scope of the audits covered by the summary of the audits can be different from the period or scope covered by the achieved targets and milestones. Nevertheless, to ensure sound financial management, it is encouraged to carry out preventive audit work (e.g. audits to review the system under which the SCF is implemented to flag up any possible risks in the early phase of the SCF implementation) before submitting payment requests to the Commission. If such early preventive audit work is not done, there will be an obligation to carry out such work in due time and submit the results in the subsequent requests for payment.

The summary must include, among other things, the scope of the audits (i.e. the measures and investments covered, and period of time covered), an analysis of the weaknesses identified, and any corrective action taken. The final audit reports or any additional relevant information may also be included as annexes to the summary, for the Commission's information.

VII. Commission assessment and processing of payment requests

Under the performance-based SCF, disbursements are not linked to the actual or estimated costs of measures and investments included in the SCPs. Instead, the amount of each disbursement is linked to the milestones and targets assessed by the Commission as having been satisfactorily fulfilled.

a. Ex ante definition of payout values

The **payout value** for each milestone and target will be set *ex ante* in the Commission Implementing Decision (Article 17 of the SCF Regulation). The term 'payout value' refers to the **monetary disbursement value**, linked to the satisfactory fulfilment of an individual milestone or target included in the SCP, which the Commission will pay to the Member State upon a positive assessment by the Commission that the respective milestone or target was satisfactorily fulfilled.

When determining the payout value of each milestone and target, the Commission, during the SCP assessment process, will consider the importance of the measure or investment to which they are linked and its contribution to the criteria in Article 16(3) of the SCF Regulation.

The payout value of a **milestone or target linked to a costed activity** will be determined on the basis of the *ex ante* cost estimate of the relevant activity. In principle, any zero costed measure will be linked, directly or indirectly, to one or more costed activities with estimated costs in the SCP. When it is directly linked to one or more activities, the payout value for the milestones or targets under these measures will be set as a share of the amount planned for the linked investment. When a measure is indirectly linked to several activities, the payout value for the respective milestones or targets will be defined as a percentage of the overall amounts planned for these activities. In exceptional cases, the payout value of the zero costed measure can be defined as a percentage of the entire plan.

b. Positive assessment and payment

As laid down in Article 20(3) of the SCF Regulation, once the Commission determines that all reported milestones and targets included in a payment request have been achieved, it will adopt an individual decision authorising the disbursement of the specific instalment as part of the financial allocation in line with the Financial Regulation.

The Commission individual disbursement decision must be adopted no earlier than two months and no later than three months after the relevant deadline for submission of the payment request in line with Article 20(1) of the SCF Regulation.

In line with Article 20(5) of the SCF Regulation, the deadline for payment of the instalment starts running from the date of the communication of the Commission's decision authorising the disbursement of the instalment to the Member State. The payment of the eligible amount is subject to the availability of Commission funding and sufficient available amounts in the individual budgetary commitments for the respective Member State. If a payment cannot be implemented due to a lack of funding or insufficient available budgetary commitments, it will be resumed once such funding becomes available or the new commitments have been made, and before any new payment requests are processed.

Payments will be made for each Member State up to the limit of their annual individual budgetary commitments, which are set in advance.

c. Satisfactory achievement of a milestone or target

A milestone or target should be deemed satisfactorily fulfilled if its intended result has been achieved, taking into account the objectives of the milestone or target included in the approved SCP, its description, its underlying purpose and the context of the related measure or investment.

The description of the measure or investment to which the milestone or target belongs, as well as any other relevant sections of the SCP, provide the context and underlying purpose used to interpret the milestone or target. The assessment of the milestone or target should follow a purposive logic and focus on whether the intended result of the milestone or target is achieved, rather than on the fulfilment in a cumulative way of all individual requirements set out in each milestone or target.

d. Negative assessment of milestone and targets, suspension of payments

As laid down in Article 20(4) of the SCF Regulation, where, as a result of its assessment, the Commission establishes that any milestone or target submitted by a Member State in its payment request has not been satisfactorily achieved, it will indicate its intention to suspend the payment of the part of the financial allocation proportional to the amount allocated to the unachieved part of the target or milestone. For the milestones and targets considered as not having been achieved, the Commission will provide to the Member State concerned a motivated opinion and give it the possibility to present its observations within one month of the communication of the Commission's assessment.

After this period, the Commission will adopt the relevant decisions authorising the disbursement of an instalment equivalent to the respective payout values of the targets and milestones considered achieved and suspending the disbursement for the remaining non-achieved targets and milestones.

The Member State has up to nine months from the date it is notified of the suspension decision to achieve the suspended milestones and targets. If at the end of these nine months the relevant milestone and targets have still not been achieved, the Commission will communicate to the Member State its findings about their non-achievement. The Member State may present its observations within two months of this communication.

Where after hearing the Member State, the Commission concludes that the suspended milestone or target has still not been achieved, the Commission will reduce the amount of the financial allocation proportionally in line with Article 20(6) of the SCF Regulation. In principle, the amount to be reduced corresponds to the amount previously suspended, unless the Member State demonstrates that, in the nine-month period, some of the non-achieved milestones or targets have been satisfactorily achieved or further progress has been made towards fulfilling its intended result, in which case the reduction may be adjusted accordingly.

The suspension should only be lifted where the relevant milestones and targets have been satisfactorily achieved. In those cases, the provisions presented in the previous section will apply, and the Commission will adopt an individual decision authorising the disbursement of the suspended amounts.

e. Deviation from initially estimated costs

Deviations between the estimated costs presented with the initial or subsequent version of the SCP and the paid amounts to final recipients in a specific investment must be additionally assessed. If, following this assessment, it appears that the initial costing of an investment was overestimated as result of the scrutiny carried out, an amendment of the SCP to correct the planned targets and milestones or reallocate the remaining funding will be needed. In those cases, among other sources, the data collected on actual payments done by a Member State to disburse the financial allocations from the fund to final recipients (Article 21(2)(d) of the SCF Regulation), can serve as a proxy to verify the accuracy of *ex ante* cost estimates, thereby ensuring that SCF funds are spend efficiently.

f. Pro-rata payments in the event of limited resources

In line with Article 20(9) of the SCF Regulation, if in a given round of payment requests, the revenue assigned to the Fund is not sufficient to cover the submitted payment requests, the Commission will pay the Member States **on a pro-rata basis determined as a share of the payment availabilities to the total approved payments, up to the amount of the Member States' individual annual commitments**. In the following round of payment requests, the Commission should give priority to those Member States with delayed payments from the previous round of payment requests, and only later to the newly submitted payment requests.

If the amount of the pro-rata payment allocated to a Member State exceeds the amount of the budgetary commitments of that Member State, the settlement of the amount will be done in two stages: i) an amount up to the amount of the open budgetary commitment will be paid in line with the rules for payments set out in Article 20(5) of the SCF Regulation; and ii) the remaining part of the approved payment will be paid when new commitments are made at the beginning of the next year.

g. Severe underperformance and termination of the agreement

As indicated in Article 20(7) of the SCF Regulation, where, within 15 months from the date of the conclusion of relevant agreements referred to in Article 19 of the SCF Regulation, no tangible progress has been made in respect of any relevant milestones and targets by the Member State, the Commission should terminate the established agreements and should decommit the amount of the financial allocation without prejudice to Article 14(3) of the Financial Regulation.

To prevent such a situation, the Commission will carry out regular monitoring from the very early stages of implementation, even before the first milestones and targets must be reported. This monitoring will be done in close cooperation with the Member States' authorities and can take the form of written observations, opinions shared at operational meetings and formal dialogue on the implementation with the designated SCF authorities, or any other suitable set-up.

In line with Article 20(7) of the SCF Regulation, the Commission will take a decision on the termination of agreements concluded under Article 19 of the SCF Regulation after having given the Member State the possibility to present its observations within a period of two months from the communication of the Commission's assessment that no tangible progress has been made.

To prevent such a situation, the Commission will carry out regular monitoring from the very early stages of implementation, even before the first milestones and targets must be reported. This monitoring will be done in close cooperation with the Member States' authorities and can take the form of written observations, opinions shared at operational meetings and formal dialogue on the implementation with the designated SCF authorities, or any other suitable set-up.

VIII. Protection of the EU's financial interests

In implementing the SCPs, the Member States, as beneficiaries of funds, are to take all appropriate measures to protect the EU's financial interests.

More specifically, it is important to ensure that the use of the financial allocations complies with applicable EU and national law, in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interest, in accordance with Article 21 of the SCF Regulation. This requirement applies to measures and investments supported by the Fund, including those carried out by public or private entities other than vulnerable households, vulnerable micro-enterprises or vulnerable transport users.

a. Management and control systems

The Member States are to establish an effective and efficient internal control system, in accordance with their institutional, legal and financial frameworks. The internal control system is to include a separation of functions and reporting, supervising and monitoring arrangements.

The management and control systems must be capable of providing authorities with assurance that the milestones and targets set in the SCP have been achieved, that the funds were managed in accordance with all applicable law, in particular State aid and public procurement rules, and that conflicts of interest, fraud, corruption and double funding were prevented, detected and corrected during implementation and before the request for payments is submitted to the Commission along with the evidence that the targets and milestones have been achieved.

The implementing authorities are to establish appropriate management checks to confirm that milestones and targets included in the SCPs have been achieved and that there are no serious irregularities, namely fraud, corruption, conflict of interest or and double funding. The checks could include desk reviews, on-the-spot checks and thematic controls, for example.

In addition, the Member States are to implement effective and proportionate anti-fraud and anti-corruption measures, and any other measures needed to effectively avoid conflict of

interest. They must also take legal action to recover funds that have been misappropriated. In addition, provision must be made for a specific set of appropriate anti-fraud mitigating measures, based on an adequate fraud risk assessment. The management systems must ensure that effective procedures are in place and that all cases of fraud, corruption and conflict of interest are properly reported and corrected through recoveries.

The Member States are to lay down and maintain appropriate procedures for drawing up the management declaration and summary of the audits carried out at national level and for keeping all the required underlying information for the audit trail.

b. Fraud prevention

For the purposes of fraud prevention and overall scrutiny, Member States, when submitting the management declaration and the summary of audits to the Commission, are requested to report on weaknesses identified and corrective actions taken. These weaknesses include:

- (a) irregularities that have been the subject of a first written assessment by a competent authority, either administrative or judicial, which has concluded on the basis of specific facts that an irregularity has been committed, regardless of the possibility that this conclusion may subsequently have to be revised or withdrawn as a result of developments in the course of the administrative or judicial procedure;
- (b) irregularities that give rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of fraud or other criminal offences, as referred to in points (a) and (b) of Article 3(2) and Article 4(1), (2) and (3) of Directive (EU) 2017/1371 and point (a) of Article 1(1) of the Convention drawn up on the basis of Article K.3 of the Treaty on European Union, on the protection of the European Communities' financial interests (1) for the Member States not bound by that Directive;
- (c) irregularities preceding a bankruptcy;
- (d) specific irregularities or groups of irregularities for which the Commission submits a written request for information to the Member State following the initial reporting from a Member State.

Responsibility for reporting irregularities will lie with the Member State in which the irregular expenditure is incurred by the final recipient and paid in the course of the operation.

It is recommended that a Member State immediately reports to the Commission irregularities discovered or supposed to have occurred, indicating any other Member States concerned, if they have repercussions outside its territory.

To report irregularities, the national authorities should base their submission on the standard template approved as Annex XII to the CPR, with the pertinent adaptations for the subject matter of the SCP. To this end, the Commission strongly recommends using the Irregularity Management System, which would also allow exporting the irregularities into a file attached to the management declaration and summary of audits.

The reported information is to be used in accordance with what indicated in Section 1.5 of Annex XII in the CPR.

c. Conflict of interest

A conflict of interest arises when someone involved in implementing the EU budget is unable to perform their duties impartially and objectively due to personal interests. As defined in **Article 61 of the Financial Regulation**, a conflict exists when these duties are compromised for reasons such as family ties, emotional involvement, political or national affinity, economic interests, or any other direct or indirect personal gain. Those implementing the SCF need to take appropriate measures to prevent a conflict of interest and to address situations which may be objectively perceived as a conflict of interest.

Typical examples of conflicts of interest include:

- personal benefit (financial or otherwise);
- relationships (e.g. family members, friends, former employers);
- dual roles (e.g. someone acting as both a public official and a project beneficiary).

The rules on conflicts of interest apply to **all individuals and entities** involved in managing and overseeing the SCF. Hence this is applicable to individuals working for the authorities mentioned under the designation paragraph of this Guidance note.

To safeguard integrity and public trust, SCF implementing bodies should implement the following preventive actions.

a. Risk assessment

- Identify positions and processes where conflicts of interest are likely to arise.
- Focus on the riskiest areas reflected in the risk assessment.

b. Codes of conduct and declarations

- Require all staff and external experts to declare the absence of conflicts.
- Enforce a clear code of ethics and professional behaviour.

c. Segregation of duties

- Ensure that no individual holds multiple roles that could influence decisions unduly.
- Separate key functions such as evaluation and control.

d. Transparency in decision-making

- Maintain full documentation on declarations of absence of conflict of interest.

e. Training and awareness

- Provide regular training to staff and stakeholders on identifying and managing conflicts of interest.

Detection and management

If a conflict of interest is suspected or identified:

- the individual involved must immediately report the situation;
- the relevant authority must take prompt action to eliminate the risk, such as reassigning responsibilities or removing the person from the process;

- all incidents must be properly recorded.

Where fraud is suspected, the matter should be **referred to the European Anti-Fraud Office (OLAF)** (see section on fraud).

Consequences of non-compliance

Failure to address or prevent conflicts of interest can have serious financial consequences and lead to a recovery of funds by the Commission in line with Article 21(2)(b) of the SCF Regulation.

d. Double funding prevention and complementarity with other funding instruments

The prevention of double funding is critical to ensuring the efficient and effective use of EU resources. Double funding refers to situations in which the **same costs are covered by multiple sources of EU funding**, leading to inefficiencies and financial mismanagement.

Under the SCF, measures and investments can receive complementary support from other EU funds. However, under Article 13 of the SCF Regulation, support from the SCF must be **additional** to and not cover the same costs as support from other EU programmes.

Similar to the RRF, under the SCF, double funding can occur at two levels.

- **At Member State level.** Member States are required to identify in their SCPs ‘existing or planned financing of measures and investments from other EU, international, public or, where relevant, private sources which contribute to the measures and investments set out in the Plan.’ After the approval of the SCP, any additional support from other EU funds to cover costs already included in the SCP cost estimate would result in the Member State receiving support from two different EU funding sources to cover the same costs.
- **At final-recipient level.** A final recipient should not receive support to cover the same costs both from the SCF – through the Member State – and from other EU funds.

The following sets out the **Member States’ obligations and responsibilities** for preventing, detecting and correcting instances of double funding.

Design phase

- Member States are required to include comprehensive information in their SCPs regarding any existing or planned EU financing. This ensures transparency and helps identify potential overlaps at an early stage.
- Each SCP must be sufficiently detailed to demonstrate that no costs are covered by more than one EU funding source. Due to the performance-based nature of the SCF, when combining SCF support with support from other EU funds, a clear *ex ante* cost delineation is the default approach to avoid double funding. For measures that are only partially funded from the SCF, Member States should clearly delineate between project parts that are funded from the SCF and those that are funded from other EU funds. They should indicate this delineation when they submit their *ex ante* cost estimates and provide differentiated identification of the milestones and targets to be reported under the different EU instruments. An *ex ante* cost delineation can be established, for instance, by identifying distinct implementation phases of a co-funded measure, or by

separating out different categories of cost and attributing them to respective EU funding instruments.

- The SCPs should clearly outline structures, procedures and control mechanisms established at national and regional levels to prevent double funding. These mechanisms should be integrated into broader control systems.

Implementation phase

- Member States bear the primary responsibility for monitoring the use of SCF funds during implementation. This includes ensuring that all investments and measures are funded according to the SCP and taking corrective actions if double funding is detected.
- It is essential that Member States conduct regular management checks and audits, including at final-recipient level, to identify and correct any instances of double funding. Findings and corrective measures should be reported in the management declarations and summaries of audits.
- Detection Mechanisms. Member States should implement robust data collection and cross-checking methodologies in their control systems. In particular, the use of an integrated IT system is encouraged to ensure that any overlap with other EU funds is swiftly identified. At final-recipient level, the checks should include corroboration of self-declarations on absence of double funding with appropriate additional information, for example cross-checking with available databases or the final recipients' accounting system.
- Corrective actions. On identifying double funding, Member States must initiate recovery procedures to reclaim funds from final recipients. The funding source for which the funding decision was taken last should adjust, following the rules for the EU programme in question.

Commission's role

The Commission maintains a supervisory role, assessing the *ex ante* delineation and adequacy of the control arrangements set out in the SCPs and monitoring Member States' checks and audits during implementation. It can request additional information and intervene if Member States do not undertake necessary corrective measures.

The Commission may conduct its own audits and enforce fund recovery where double funding is identified, to protect the EU budget.

e. Compliance with EU rules on State aid

As set out in Recital 40 of the SCF Regulation, support measures and investments, falling within the scope of Article 107(1) TFEU, must comply with EU rules on **State aid**.

Where national authorities have discretion on how to use the EU funds those constitute State aid if all the other criteria set out in Article 107(1) TFEU are met. Based on the cumulative nature of the criteria of Article 107(1) TFEU, if one of the criteria is not met, the presence of State aid can be excluded¹⁸

¹⁸ Further guidance on what measures may constitute State aid, with examples, is available in the Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union (2016/C 262/01), reflecting the case experience until 2016. In addition, the Recovery and Resilience

For example, support for activities that are not economic in nature (i.e. are not used for supplying goods or services on the market) is not considered State aid. This may be the case, for instance, for support to households for renovating their residence, provided they do not rent it out and or use it for other economic activities. However, where support is provided to owners who are renting their property to vulnerable households, State aid rules need to be considered. In such cases, Member States can opt to provide such support in accordance with the general *de minimis* Regulation, which provides, among others, that the total amount of *de minimis* aid granted per Member State to a single undertaking must not exceed EUR 300 000 in any three-year period¹⁹.

When State aid is verified, support for measures and investments must be notified and approved by the Commission before Member States can grant the aid, unless those measures and investments comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU, or fall under the *de minimis* Regulation.

On this basis, in the SCPs for each measure and investment, Member States are invited:

- to specify whether the support for the measure or investment will constitute State aid under Article 107(1) TFEU¹⁰; or
- to specify whether the measure or investment will be financed based on an existing State aid scheme falling under a block exemption regulation, in particular the GBER or general *de minimis* scheme, or approved by a Commission State aid decision (providing the reference number to such scheme) or;
- to specify whether the measure or investment will result in a new State aid measure, and provide an explanation of whether it will comply with the conditions of a block exemption regulation or the GBER (indicating which Article), or the general *de minimis* Regulation; or
- to specify whether the measure or investment requires a State aid notification and, if so, provide an indication of when the Member State plans to pre-notify or notify to the Commission the planned measure or investment and the details of the applicable State aid instrument ensuring its compatibility with the internal market rules.

To be noted that if the provisions of Regulation (EC) No 1370/2007 are complied with, a compensation for public service obligations in land transport is exempt from the requirement of prior notification to the Commission under Article 108(3) TFEU²⁰.

Facility guiding templates on State aid provide examples on differentiating cases of aid and no aid and provides information on the potentially applicable State aid procedures and instruments, in particular:

- [Guiding template: Investment/operating aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy and energy efficiency](#)
- [Guiding template: Energy efficiency in buildings](#)
- [Guiding template: Premiums for the acquisition of zero- and low-emission road vehicles.](#)

¹⁹ Commission Regulation (EU) No 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to *de minimis* aid (OJ L 2023/2831, 15.12.2023, ELI: <http://data.europa.eu/eli/reg/2023/2831/oj>).

²⁰ Further guidance is available in the Commission notice on interpretative guidelines concerning Regulation (EC) No 1370/2007 on public passenger transport services by rail and by road, OJ C 222, 26.6.2023, p. 1–27.

If the Member State is unsure whether the measure or investment involves State aid or is compatible with EU State aid rules, it should consult the Commission about the matter.

Member States are required to notify State aid measures to the Commission before granting them, under Article 108(3) TFEU.

Where a Member State provides State aid under the block exemption Regulation or under the *de minimis* Regulation, it is responsible for ensuring that it complies with all the relevant provisions²¹.

f. Compliance with rules on public procurement

In the interests of sound financial management and in line with the performance-based nature of the Fund, specific rules should be laid down for budget commitments, payments, suspension and the recovery of funds, as well as for the termination of agreements relating to financial support. Member States should take appropriate measures to ensure that the use of funds in relation to measures supported by the Fund comply with applicable EU and national law relating to its application, including in laws on public procurement and public service obligations in road transport²². Member States are also required to set up internal control systems to provide assurance on this compliance.

When setting up the control system, the national authorities should assess the inherent risks of the different measures and evaluate whether public procurement provisions would apply through a direct link between the activities feeding into the milestones and targets and public procurement procedures, and the extent of controls that should be carried out based on an appropriate risk assessment.

The arrangements put forward to ensure compliance with public procurement rules should be proportionate to the identified risks, and the existence of a robust control system should be corroborated via system audits by the appointed audit bodies. Assurance can also be obtained from audit work relating to other funds, provided the control system for public procurement is identical with the system used for the SCF.

Given the nature of the SCF, namely that payments are linked to fulfilment of milestones and targets, there is no requirement to verify all public procurement procedures linked to the measures implemented. Nevertheless, where there is a direct link between the activities contributing to the milestones and targets and public procurement procedures, the national authorities should establish clear procedures for specifying, through a risk assessment, the

²¹ Further guidance on what measures may constitute State aid, with examples, is available in the Commission Notice on the notion of State aid as referred to in Article 107(1) of the Treaty on the Functioning of the European Union (2016/C 262/01), reflecting the case experience until 2016. In addition, the Recovery and Resilience Facility guiding templates on State aid provide examples on differentiating cases of aid and no aid and provides information on the potentially applicable State aid procedures and instruments, in particular:

- [Guiding template: Investment/operating aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy and energy efficiency](#)
- [Guiding template: Energy efficiency in buildings](#)
- [Guiding template: Premiums for the acquisition of zero- and low-emission road vehicles.](#)

²² Regulation (EC) No 1370/2007 establishes the principle of mandatory tendering for public service contracts in road transport. The Regulation lays down the conditions under which competent authorities, when imposing or contracting public service obligations, compensate public service operators for costs incurred and/or grant exclusive rights in return for the discharge of public service obligations.

extent of work that should be carried out on the public procurement procedure including on contract implementation phase.

Public procurement irregularities detected or reported to the national authorities are determined when there is a direct link between the activities and irregular public procurement procedures. A clear direct link occurs, for example, when an irregularity is detected in a public procurement contract for the building renovation if in the plan the related investment is on energy renovation.

If public procurement irregularities are detected by the national bodies (or by the Commission), proportionate corrections would need to be made to protect the EU's financial interests and ensure compliance with EU and national law.

If it is not possible to precisely quantify the financial impacts due to the nature of the irregularity in the public procurement procedure, a flat-rate correction needs to be applied on a relevant basis. Moreover, financial corrections can only be applied if the irregularity has or could have a financial impact on the EU budget. The Commission takes the view that the guidelines for other EU funds²³ are suitable for determining a proportionate correction.

When defining the basis for a financial correction, the national authorities are to establish the nature and gravity of the irregularity on the measure concerned and the related milestones and targets. Breaches which are considered of highest gravity (e.g. which would lead to a 100% correction based on the cited guidelines) should in principle lead to a full correction of underlying expenditure linked to relevant milestones/targets. National authorities should be able to demonstrate that the corrections were implemented on the right basis and were proportionate to the breach detected.

IX. Digital system, collection, and storage of data on final recipients of the financial allocation

As part of their management and control systems, the Member States are to maintain an effective system for keeping all information and documents necessary for audit trail purposes.

Member States must keep records in accordance with Article 133 of the Financial Regulation, the point of reference being the payment transaction relevant to the respective measure or investment, made by the Commission.

a. Single digital system for registration of relevant information regarding the implementation of measures and investments

In line with regulatory requirements, Member States are encouraged to establish a single digital system for registering and monitoring measures and investments. This digital system is a key component of the national management and control environment under the SCF, in the interests of transparent, efficient, and accountable implementation of the SCPs.

The system must be developed following a validated international digital development methodology and must come with a detailed description of the electronic system including a flowchart (central or common network system or decentralised system with links between the

²³ Commission Decision of 14.5.2019 laying down the guidelines for determining financial corrections to be made to expenditure financed by the Union for non-compliance with the applicable rules on public procurement.

systems). Member States are also encouraged to clearly describe the procedures for ensuring the electronic systems' security, integrity and confidentiality in their SCPs.

The systems can vary in their design and functionality but typically should include the following features.

- i. **Measure and investment registration:** a module for registering and cataloguing all investments and measures approved for implementation and included in the SCP, with detailed information on each project, including objectives, timelines, budgets, expected outcomes, final recipient of the support, etc.
- ii. **Monitoring and reporting:** tools for tracking the progress of projects, including the status of implementation, financial contributions paid, and achievement of milestones and targets. This allows for real-time tracking and enables swift identification of any delays or issues.
- iii. **Data on indicators:** computerised recording and storing of data on individual participants, to be reported as part of the common indicators on households alongside other output and result indicators.
- iv. **Accounting records or separate accounting codes** corresponding to the financial-support contribution paid to final recipients, quoted in payment requests to the Commission.
- v. **Data analytics and visualisation:** capabilities for analysing and visualising data on project performance, which can help in identifying trends, patterns and areas for improvement. This can inform decision-making and policy adjustments.
- vi. **Transparency and accountability:** features that ensure transparency, such as public dashboards and open-data portals, where the public and other stakeholders can access information on how SCF is being used. This enhances accountability and trust in the management of the fund.
- vii. **Interoperability with other national and EU systems:** The ability to ensure interoperability with other national systems (e.g. public procurement, financial management) and EU platforms (e.g. Kohesio, EU Financial Transparency System, Arachne etc.), to ensure coherence and facilitate the exchange of information.

Member States are encouraged to use and adapt existing digital systems, such as the applicable systems for the RRF or the cohesion policies programmes, so they have an overview of all actions funded from those instruments, can achieve greater complementarity and strictly monitor the avoidance of double funding for the same projects. If a new system needs to be developed, it is very important to integrate it with existing tools, so that there is detailed information on projects financed under the RRF for example and that these can be aligned with the investments to be developed under the SCP.

b. Use of an electronic data exchange system between Member States and the Commission

To ensure efficient and secure data exchange, the Commission has installed a dedicated module in the SFC2021 system for managing all transactions related to the SCPs. This system will be already in use for submission of the SCPs and then for all formal communications between the

Commission and the Member States on implementation of the SCPs (amendments, payments, reporting, etc.)

In broad terms, the SFC2021 SCP model will include:

- a. interactive forms or forms pre-filled by the system on the basis of the data already recorded in the system;
- b. automatic calculations, reducing the work of inputting of figures by users;
- c. automatic embedded controls to verify that transmitted data is internally consistent and complies applicable rules;
- d. system-generated alerts warning SFC2021 users that certain actions can or cannot be performed;
- e. online status-tracking of information being processed in the system;
- f. availability of historical data in respect of all information entered for a programme;
- g. availability of a compulsory electronic signature within the meaning of Regulation (EU) No 910/2014, which will be recognised as evidence in legal proceedings.

To ensure proper administration of the system, a suitable information technology security policy needs to be put in place for SFC2021 at national level. The policy, which should also cover the staff using the system, should be in line with relevant EU rules, in particular Commission Decision (EU, Euratom) 2017/46²⁴ and its implementing rules. To this end, each Member State will need to designate and maintain a list of persons responsible for defining, maintaining and ensuring correct application of the security policy to SFC2021 at national level²⁵. These people may also be performing the same tasks for other funds managed under the system.

It will be a key responsibility of the Member States to keep the list of authorities identified to carry out certain tasks under the SCF Regulation up to date, and to verify information submitted by a person other than the person who submitted it. In addition, there will be an obligation to provide arrangements for the separation of the above tasks through the Member State's management and control information systems automatically connected with SFC2021. Finally, Member States should make arrangements for the protection of privacy and personal data for individuals, and of commercial confidentiality for legal entities in accordance with Directive 2002/58/EC, Regulation (EU) 2016/679 and Directive (EU) 2018/1972.

More specifically, the national authorities must produce updated documentation setting out how the other national, regional or local computer systems will be connected to SFC2021 through a technical interface, for example for data exchange. The documentation must also cover security measures for those systems in line with SFC2021 security requirements. Specifically, it must cover:

- (i) physical security
- (ii) data media and access control
- (iii) storage control
- (iv) access and password control
- (v) monitoring
- (vi) interconnection with SFC2021

²⁴ Commission Decision (EU, Euratom) 2017/46 of 10 January 2017 on the security of communication and information systems in the European Commission.

²⁵ A detailed list of tasks to be performed by the national contact person is set out in the Annex XV to the CPR Regulation.

- (vii) communication infrastructure
- (viii) human resources management before, during and after employment
- (ix) incident management.

In view of the similarity of the needs for the SCF and the cohesion policy funds, a comprehensive list of obligations as regards the use of the common SFC2021 system can be found in the Annex XV to the CPR. The Commission services will provide technical specifications on the data to be collected by Member States.

c. Collection, recording and storage of data on final recipients

Under Article 21(2)(d) of SCF Regulation, national authorities are required to collect, record and store in an electronic system and ensure access to standardised categories of data for final recipients as well as some other key elements in the implementation of the SCP. To ensure the stored data is accessible, data transfers should be carried out through an interactive user-interface (i.e. a web-application) or via a technical interface using pre-defined protocols (i.e. web-services) that allows for automatic synchronisation and transmission of data between Member States' information systems and the Commission's SFC2021.

The following data needs to be collected as a minimum requirement:

- name of the final recipients of the financial allocations (to be understood as the individual or entity entering into contractual relationship with the authority granting the SCF support and directly receiving financial allocation)²⁶, their VAT registration numbers or tax identification numbers and amount of the financial allocations from the Fund;
- name of the contractor(s) and subcontractor(s) and their VAT registration number(s) or tax identification number(s) and value of the contract(s) where the final recipient of the financial allocations is a contracting authority in accordance with EU or national law on public procurement;
- first name(s), last name(s), date(s) of birth and VAT registration number(s) or tax identification number(s), of beneficial owner(s) of the recipient of the financial allocations or contractor, as defined in Article 3(6) of Directive (EU) 2015/849 of the European Parliament and of the Council²⁷;
- a list of any measures and investments implemented under the Fund with the total amount of public funding of those measures and investments and indicating the amount of funds paid under other funds financed from the EU budget.

X. Assurance, audit and control

To obtain assurance for the milestone and targets and related payments, the Commission will perform the following audit activities.

²⁶ For example, households receiving vouchers for public transport would be considered as final recipient. At the same time, a public entity receiving support for purchase of vehicles would be considered as the final recipient.

²⁷ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

<p>Audits on the achievement of the milestones and targets (as per the RRF model)</p>	<p>Annually, based on risk assessment, after payment applications (together with the management declarations) and annual summary of audits are submitted.</p> <p>The audit will assess the level of completion, the accomplishment of the milestone and/or target, and the fulfilment of a measure.</p> <p>The basis for the assessment of the SCP should be audited for each SCP.</p> <p>As for the RRF, the annual audit plan should set a target of at least an annual visit at Member State level.</p>
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Additionally, to protect the EU’s financial interest, the Commission will carry out the following audit activities.

<p>System audits: compliance and thematic audits (including on areas such as double funding, State audit, public procurement, conflict of interest, corruption, fraud).</p> <p>These are audits on the systems put in place at Member State level (bodies implementing the SCP, observation of the established key requirements, horizontal requirement to implement simplification measures in relation to beneficiaries).</p>	<p>Annually, based on risk assessment.</p> <p>This kind of audit is required under Article 21 of the SCF Regulation on protection of the EU’s financial interests and other articles which refer to it indirectly (e.g. Article 17).</p> <p>RRF experience has shown that these audits need to take place early in time otherwise there is a risk of an assurance gap opening, which is very difficult to close afterwards.</p> <p>Specifically for the remote cases where the audit authorities were not previously involved in the implementation of the RRF or cohesion policy, there will be a system audit to assess their preparedness to process the SCP.</p>
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a. Assessment of management and control systems

Member States are required by the key requirements set out in Annex III to the SCF Regulation to conduct adequate and independent audits of systems and operations.

The system audits should include control-testing carried out for operations and transactions at the appropriate level. The methodology used for determining the **sample size for tests of controls used in system and operation audits** is expected to be in line with internationally accepted audit standards.

These tests, combined with other qualitative elements and audit procedures, form the basis of the assessment of the management and control system concerned.

The audit authority will need to draw its conclusions first for each assessment criterion, then for each key requirement, then for each authority. This step-by-step approach will enable them

to draw an overall conclusion on the **functioning of the management and control system**. **The overall conclusions** will use the following generally applicable categories.

- **Category 1 - Works well. No or only minor improvement needed.** There are no deficiencies or only minor deficiencies. These deficiencies have no, or minor impact on the effective functioning of the assessed key requirements / authorities / system.
- **Category 2 - Works. Some improvement needed.** There are one or more (non-serious) deficiencies. These deficiencies have a moderate impact on the effective functioning of the assessed key requirements / authorities / system. Recommendations have been formulated for implementation by the audited body.
- **Category 3 - Works partially. Substantial improvement needed.** There are one or more serious deficiencies that expose the funds to the risk of irregularities. The impact on the effective functioning of the assessed key requirements / authorities / system is significant. Recommendations have been formulated to substantially improve the system for implementation by the audited body.
- **Category 4 - Does not work.** There are numerous serious and/or wide-ranging deficiencies which expose the funds to the risk of irregularities. The impact on the effective functioning of the assessed key requirements / authorities / system is significant; the assessed key requirements / authorities / system function poorly or do not function at all. Recommendations have been formulated to radically improve or reform the system by the audited body.

Auditors should use their professional judgement in reaching the appropriate conclusion for each authority, taking account of any other audit evidence available, including, where appropriate, relevant results of audits carried out under cohesion policy programmes or the RRF.

The audit authority must collect and record suitable audit evidence, including all working papers, resulting checklists, preliminary reports as well as documentation from any contradictory procedures with the authorities.

The results on the functioning of the management and control system should be used to determine the extent of testing of **audits of operations** to give reasonable assurance to the Commission that the **milestones and targets** included in **payment requests** have been achieved.

After completing the audits of systems and operations, the audit authority should keep an updated scoreboard of the level of assurance by authority.

The audit authority should regularly draft an audit report summarising the audits carried out in accordance with internationally accepted audit standards and send it to the authority responsible for signing the management declaration. The report should cover the scope of the audits in terms of amount of spending and period of time covered, an analysis of the weaknesses identified, and any corrective action taken.

The audit report should further include an audit conclusion, stating whether, through its work, the audit authority has obtained a reasonable assurance that the milestones and targets included in the payment request have been achieved. This audit report should accompany the payment

request to the Commission in line with Article 21(2)(c) of the SFC Regulation (see section on preparing the payment request for more information).

XI. Reduction in financial support and recoveries

Under the bilateral agreement concluded with the Member State and Article 21(4) of the Regulation, the Commission may to proportionately reduce the support under the Fund and recover any amount due to the EU budget, in cases of fraud, corruption or conflict of interest affecting the EU's financial interests which have not been corrected and/or recovered by the Member State, or in the case of a serious breach of an obligation resulting from the bilateral agreements referred to in Article 19(1).

When deciding on the amount of the recovery or reduction, the Commission will use, as reference, the payout values for the milestones and targets in the specific measure or investment affected or, for more than one affected measure and/or investment, a pro-rata of the payout values for the relevant milestones and targets. This is to respect the principle of proportionality and take account of the seriousness of the fraud, corruption or conflict of interest affecting the EU's financial interests, or of a breach of an obligation.

However, in cases involving fraud, the full financial correction of the amounts should apply both at the national and EU budget level, regardless of any proportional considerations.

For reductions in the support, the following elements that will be considered:

- gravity of serious deficiencies in the context of the management and control system as a whole;
- frequency and extent of serious deficiencies;
- degree of financial prejudice to the EU budget.

A case may involve one or more of the following: fraud, substantial errors, irregularities, non-respect of legal obligations during award procedure, non-respect of legal obligations during grant implementation, improper implementation of the action, wrong data reporting, etc.

Where extrapolated financial corrections are to be applied, the results of the examination of the representative sample are extrapolated to the rest of the population of targets and milestones from which the sample was drawn for the purposes of determining the financial correction.

Where flat-rate financial corrections are to be applied, in order to ensure transparency and predictability in their application, their level is determined as follows:

- a. where serious deficiencies are so fundamental, frequent, or widespread that they represent a complete failure of the system which puts at risk the legality and regularity of the entire allocation concerned, **a flat rate of 100% is applied;**
- b. where serious deficiencies are substantially frequent and widespread that they represent a very serious failure of the system which puts at risk the legality and regularity of a very high proportion of the allocation concerned, **a flat rate of 50% is applied;**
- c. where serious deficiencies are so frequent and widespread that they represent a serious failure of the system which puts at risk the legality and regularity of a very high proportion of the allocation concerned, **a flat rate of 25% is applied;**

- d. where serious deficiencies are due to the system not fully functioning or functioning so poorly or so infrequently that it puts at risk the legality and regularity of a high proportion of the allocation concerned, **a flat rate of 10% is applied**;
- e. where serious deficiencies are due to the system not functioning consistently so that it puts at risk the legality and regularity of a significant proportion of the allocation concerned, **a flat rate of 5% is applied**.

Where, due to a failure by the responsible authorities to take corrective measures following the application of a reduction in one audit campaign, the same serious deficiencies are identified in subsequent audit works, the rate of correction may, due to the persistence of the serious deficiencies be increased to a level not exceeding that of the next higher category.

The Commission is to give the Member State the opportunity to present its observations before the reduction is made. Any observations will be analysed in detail before a final decision on the grant reductions.

Where the level of the flat rate is disproportionate following consideration of the elements listed above and the observations provided by the Member State, the rate of correction may be reduced.

XII. Evaluation of the Social Climate Fund and assessment of appropriateness of the Social Climate Plans

a. Evaluation of the Social Climate Fund

The Commission is required to carry out two evaluations of the Social Climate Fund (SCF). Article 27 of the SCF Regulation stipulates that, the Commission will conduct a first evaluation of the implementation and functioning of the SCF two years after the start of the implementation of the SCPs²⁸ and an *ex post* evaluation by the end of 2033. Biennial (two-yearly) progress reports produced by each Member State (see Section IV.c of this guidance) will be important sources of information for the evaluations to be carried out by the Commission.

The first evaluation to be conducted by the Commission will take into consideration all relevant available information. The early regulatory deadline for the mid-term evaluation (i.e. two years after the start of the implementation of the SCPs) makes it highly probable that the implementation of the measures will only be in initial or intermediate stages. In that context, the first progress reports from the Member States due by 15 March 2027 will be a key source of information for measuring progress and assessing the results of the initial measures and investments, in particular their contribution to the objectives of the Fund.

The Commission will consider consulting relevant stakeholders well in advance to collect complementary data regarding implementation of the Fund. Any other robust analysis carried out at national level on the implementation of the Fund and on first results achieved will also be taken into consideration. The latter should be available by mid-2027 at the latest, to feed the

²⁸ See Article 27 of the SCF Regulation.

Commission's mid-term evaluation, and if appropriate, to provide evidence for any proposals for amendments of the SCF Regulation.

The Commission will conduct an *ex post* evaluation by the end of 2033 which will provide a global assessment of the SCF, including information on its impact²⁹.

Additionally, to evaluate the longer term impact of the measures and investments included in the SCPs, the Member States are encouraged to conduct their own evaluations of the impact of their national measures and investments funded by the SCF, taking into account the common indicators listed in Annex IV to the SCF Regulation, at least once during the lifetime of the Fund, and preferably before the end of 2032, allowing the Commission to take these results into account in its *ex post* evaluation of the Fund.

While Member States' authorities will be responsible for carrying out and coordinating such evaluations, any issues and exchange of good practices will be discussed in the regular forum established by the Commission to discuss the monitoring and evaluation activities in the context of the SCF. In addition, the Commission will explore ways to provide methodological and technical support and put in place resources (for example, on counterfactual impact evaluations).

b. Assessment of appropriateness of the Social Climate Plans

As required by Article 18(5) of the SCF Regulation, by 15 March 2029, the Member States must provide to the Commission a report that should assess the appropriateness of each SCP in view of the actual direct effects of the inclusion of greenhouse gas emissions from buildings and road transport within the scope of the ETS Directive in the respective Member State. This reporting should be prepared together and as part of the biennial report due by 15 March 2029 under Article 24(1) of the SCF Regulation.

c. Sustainability of investments

The Member States should put in place necessary safeguards to ensure the long-term sustainability of investments, for example, in relation to the construction of infrastructure for new social or affordable energy efficient housing or repurposing of buildings for social or affordable energy efficient housing.

XIII. Information, communication and visibility

a. Visibility and information for final recipients

Member States should inform the final recipients of the Fund of the origin of the support, even where they benefit from that support through intermediaries. This information for recipients should include the EU emblem and an appropriate statement that reads '*funded by the European Union – Social Climate Fund*' on documents and communication material relating to the implementation of the measure and investment intended for the recipients in accordance with

²⁹ Cf. Article 27, (3) of EU Regulation 2023/955: '*By 31 December 2033, the Commission shall provide the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions with an independent ex post evaluation report. The ex post evaluation report shall consist of a global assessment of the Fund and shall include information on its impact*'.

the technical specifications for the use of the EU emblem as defined in Annex 3 to this guidance.

The coordination authority or the designated responsible implementation authority should at the earliest possibility and no later than six months after the decision approving the SCP³⁰, activate a national website on the SCP. It must be regularly updated with information on measures and investments, covered by the SCP, its objectives, activities, available funding opportunities and achievements. This website must include the SCPs (initially approved version and subsequent amended versions), the Commission implementing decision approving the plan, the Commission implementing decisions on amendments to the plan, the Commission disbursement decisions, the agreements between the Commission and the Member State constituting individual legal commitments, and any notification of minor amendments to the plan.

The coordination authority should keep this dedicated website updated with any new relevant documentation. It should also use it to publish the Member State's biennial reports required under Article 24(1) of the SCF Regulation, and any analysis or evaluations carried out at national level on the functioning of the Fund and on results achieved.

To keep in direct contact with the potential final recipients and target groups, the Member States should develop an automatic notification and subscription system and a related social media presence. This social media presence and engagement should enable potential final recipients to apply and receive timely updates.

The implementation authorities are to provide EU institutions, bodies, offices and agencies with communication and visibility materials, including those aimed at final recipients, on request. The EU must be granted a royalty-free, non-exclusive and irrevocable licence to use such materials and any pre-existing rights attached to them on request. This should not require significant additional costs or a significant administrative burden for the final recipients or for the implementation authorities.

The final recipients of support are required to ensure that the EU funding is visible, in particular when promoting actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.

This obligation does not apply when the support is provided to natural persons or when there is a risk of commercially sensitive information being made public (Article 23(2) of the SCF Regulation).

Recipients and bodies implementing measures and investments will acknowledge support from the Fund, by:

- a) providing on the beneficiary's official website and social media accounts, a short description of the measures and investments, proportionate to the level of support, including its aims and results, and highlighting the financial support from the EU;
- b) providing a statement highlighting the support from the EU in a visible manner on documents and communication materials relating to implementation of the measures and investments, intended for the public or for participants.

³⁰ The deadline of six months is in line with the responsibilities of the managing authorities under the EU's cohesion funds as stipulated in Article 49(1) of the Common Provision Regulation.

b. Publication of data on final recipients and measures and investments implemented under the Social Climate Fund

In accordance with Article 23(1) of the SCF Regulation, the coordination authority or the designated authority entrusted with implementation is to publish the required reference data on a single Member State website (referred to in Section XIII.A of this guidance on visibility and information for final recipients) in open machine-readable formats, as set out in Article 5(1) of Directive (EU) 2019/1024 of the European Parliament and of the Council³¹. This will allow data to be sorted, searched, extracted, compared and reused. The Commission will provide methodological instructions on the format and structure to make the data compatible and reusable across communication platforms, including Commission websites and easily accessible for the public in an aggregated way.

The coordination authority or the designated authority entrusted with implementation of the plan is to publish the list of measures and investments in the SCP on the website and is to keep the list updated through regular revision. The list must include all measures and investments implemented under the Fund, setting out the total amount of funding received from the SCF, the total amount of public funding for those measures and investments (which includes the national contribution to the SCP) and the amount of funds paid under other funds financed from the EU budget.

The information on final recipients of the financial allocations (as referred to in Article 21(2) of the SCF Regulation) must be included, taking into account the limitations set in Article 23 (1) of the SCF Regulation, in the list published by the Member State as soon as possible after the contribution to the final recipient is disbursed. If for some final recipients the financial allocation from the Fund is not disbursed, due to implementation concerns, irregularities, audit or financial issues, those final recipients must be removed from the list and not included in the calculation of the targets to be reported or used for visibility and communication purposes.

The list should contain the following data:

- a) name of the final recipients of the financial allocations, their VAT registration numbers or tax identification numbers and amount of the financial allocations from the Fund received for each investment or measure;
- b) name of the contractor(s) and subcontractor(s) and their VAT registration number(s) or tax identification number(s) and value of the contract(s) where the final recipient of the financial allocations is a contracting authority in accordance with EU or national law on public procurement;
- c) location indicator or geolocation of the city, region and country where the operation is implemented.

The information referred to in the list above should not be published when it concerns the following specific exceptions:

- temporary direct income support to vulnerable households;
- the situations listed in Article 38(3) of the Financial Regulation, in particular: (i) financial support provided through financial instruments for an amount lower than

³¹ Directive (EU) 2019/1024 of the European Parliament and of the Council of 20 June 2019 on open data and the re-use of public sector information (OJ L 172, 26.6.2019, p. 56).

EUR 500 000; (ii) where disclosure risks threatening the rights and freedoms of the persons or entities concerned as protected by the Charter of Fundamental Rights of the European Union or harming the commercial interests of the recipients; (iii) when it concerns the remuneration of external experts selected on the basis of their professional capacity, respecting the principles of non-discrimination, equal treatment and absence of conflicts of interest; (iv) very low value contracts below the amount referred to in point 14.4 of Annex I to the Financial Regulation.

c. Communication strategy on the Social Climate Plan

After the approval of the national SCP, the implementation authorities or the national coordination body should draw up a national communication strategy, an outline of which is to be included in the SCP. The outline of the communication strategy should include the following information: objectives, key messages, target audiences, communication activities/channels, planned budget, selected key projects, coordination arrangements with the Commission, and monitoring and evaluation. Its implementation should start as soon as possible after the Commission implementing decision approving the SCP to ensure public awareness of the impact of the EU funding on people's daily lives. The implementation authority is encouraged to comply with the same minimum communication requirements that are applicable under the EU's 2021-2027 budget-2027³².

Since the SCF is a new instrument that is closely related to the introduction of ETS2, the communication strategy should raise awareness and ensure recognition of the SCF's contribution to a socially fair transition towards climate neutrality by addressing the social impacts of the ETS2, at project and Member State level. The national communication strategy should specify how to implement joint communication actions with the Commission and its Representation in the respective country and region as well as communication actions to and with local and regional authorities, representatives of economic and social partners, relevant civil society organisations, youth organisations and other relevant stakeholders.

As the SCPs will be a multiannual instrument, the national communication strategy should include a communication plan with a set of annual activities following the adoption of the SCP, which can serve as an indication of future communication activities in following years.

Member States can also promote broader '**stakeholder engagement platforms**' to foster inclusivity and transparency. These platforms would support the gathering of diverse perspectives and ensure that the needs of different concerned groups are duly considered. They go beyond formal consultation with nationally represented stakeholders.

Finally, the strategy can emphasise the selection of specific interventions and good practices which are relevant for the implementation authority, which it intends to promote and communicate more actively, and on which coordinated communication with the Commission would be planned.

To ensure adequate dissemination and accountability for the communication work carried out, the implementing authorities are encouraged to inform the coordination mechanism (see Section III.a. on implementation) at least once a year on the implementation and the results of

³² https://commission.europa.eu/funding-tenders/managing-your-project/communicating-and-raising-eu-visibility_en

the communication strategy, as well as on the main planned communication activities to be carried out in the following year.

To enable the exchange of best practices and to coordinate joint activities on the SCF, the implementing authorities are required to provide the Commission with contact details for the national communication coordinator who will serve as the contact points for the Commission and other Member States. The authorities should provide these as soon as possible after approval of the SCP.

d. Horizontal communication activities at European level

The Commission will implement information and communication actions related to the Fund and the results obtained. These actions may include, where appropriate and with the agreement of the national authorities, joint communication activities with the national, regional and local authorities and the representation offices of the European Parliament and of the Commission in the Member States concerned (Article 23(3) of the SCF Regulation).

To ensure a coordinated approach between the Commission's and Member States' communication efforts, the Commission will set up:

- the website for the Social Climate Fund. This will contain, for example, general information on the Fund, the reference for and details of the SCP adopted by each Member State (including the plan itself once approved by the Commission), a list of Member State authorities responsible for implementing the SCPs and a sub-section dedicated to good practices on measures and investments. The Commission will regularly review this dedicated webpage with all relevant public information;
- a network of national communication coordinators to share best practices and organise joint communication activities. The Commission will organise meetings with the network and will establish a digital environment to exchange information.

Annex 1 – List of relevant common indicators per eligible measure and investment (as specified in Article 8 of the SCF)

Annex IV to the SCF Regulation sets out common indicators and provides that, where a Member State’s SCP does not contain a measure or investment contributing to some of the indicators, Member States may indicate these as non-applicable. In this regard, the table below identifies which common indicators listed under Annex IV are considered as relevant for each type of measure or investment for the purpose of the biennial progress-reporting under Article 24(1) of the SCF Regulation. If a Member State’s SCP contains a measure or investment falling within the identified types of measures/investments, it should collect information on the common indicator(s) marked below and include the relevant data measuring progress towards the common indicator(s) in its biennial progress reports.

Building component	Output indicator 3	Output indicator 4	Output indicator 5	Output indicator 6	Output indicator 7	Output indicator 8	Output indicator 9	Output indicator 10
	Number of vulnerable households	Number of buildings - deep renovation	Floor area (deep renovation)	Number of buildings (other energy renovation)	Floor area - other energy renovation	Number of replaced fossil fuel heating installation	Additional capacity for renewable energy (MW)	Additional capacity for renewable energy (units)
(a) Building renovations	x	x*	x*	x**	x**	(x)	(x)	(x)
(b) Access to affordable energy-efficient housing, including social housing	x					(x)	(x)	(x)
(c) Decarbonisation through electrification of heating and cooling in buildings	x					(x)	(x)	(x)
(d) provide targeted, accessible and affordable information, education, awareness and advice	x							
(e) Energy efficiency solutions and appropriate funding instruments in line with the social goals of the Fund	x	(x)	(x)	(x)	(x)	(x)	(x)	(x)

Legend: For common indicators marked with (x), Member States and the Commission will need to agree on a case-by-case basis which, if any, measures do not contribute to the respective indicator and do not need to be reported in the biennial progress-reporting.

**Only for buildings having undergone deep renovation. As a clarification, although in the Energy Performance of Buildings Directive (Article 2(20)) a ‘deep renovation’ is defined as a renovation leading to a zero-emission building level, renovations to achieve zero-emission buildings may not always be feasible. A 60% reduction in primary energy use can therefore also be considered a deep renovation for the purpose of drafting and implementing the SCPs. ** Only for buildings having undergone other energy renovation.*

Building component

	Result indicator 11	Result indicator 12	Result indicator 13	Result indicator 14	Result indicator 15	Result indicator 16	Result indicator 17
	Reduction in vulnerable households (%)	Reduction in GHG emissions in building sector	Reduction in number of households in energy poverty (%)	Savings in annual primary energy consumption (MWh/year)	Savings in annual primary energy consumption (kWh/m2)	Savings in annual final energy consumption (kWh/m2)	Savings in annual final energy consumption (MWh/year)
(a) Building renovations	x	x	x	x	x	x	x
(b) Access to affordable energy-efficient housing, including social housing	x	(x)***	x	(x)***	(x)***	(x)***	(x)***
(c) Decarbonisation through electrification of heating and cooling in buildings	x	x	x	x	x	x	x
(d) provide targeted, accessible and affordable information, education, awareness and advice							
(e) Energy efficiency solutions and appropriate funding instruments in line with the social goals of the Fund	x	(x)	x	(x)	(x)	(x)	(x)

Legend: For common indicators marked with (x), Member States and the Commission will have to agree on a case-by-case basis which, if any, measures do not contribute to the respective indicator and do not need to be reported in the biennial progress-reporting.

**** These indicators are only relevant for the repurposing of buildings (not for construction of new buildings).*

Road transport component

	Output indicator 20	Output indicator 21	Output indicator 22	Output indicator 23	Output indicator 24	Output indicator 25	Output indicator 26	Output indicator 27	Output indicator 28
	Number of vulnerable transport users	Number of zero-emission vehicles purchased	Number of low-emission vehicles purchased	Number of bicycles purchased	Number of refuelling and recharging points	Reduced-price or free public transport tickets (number of users)	Additional shared mobility and mobility on demand solutions (number of users)	Additional shared mobility and mobility on demand solutions (units)	Dedicated cycling infrastructure supported (km)
(d) Provide targeted, accessible and affordable information, education, awareness and advice	x								
(f) Zero- and low-emission vehicles and bicycles, infrastructure for recharging and refuelling	x	(x)	(x)	(x)	(x)				(x)
(g) Affordable and accessible public transport (...), sustainable mobility on demand, shared mobility services and active mobility options.	x					(x)	(x)	(x)	

Legend: For common indicators marked with (x), Member States and the Commission will have to agree on a case-by-case basis which, if any, measures do not contribute to the respective indicator and do not need to be reported in the biennial progress-reporting.

	Result indicator 29	Result indicator 30	Result indicator 31
	Reduction in vulnerable transport users (%)	Reduction in number of households in transport poverty (%)	Reduction in GHG emissions in road transport
(d) Provide targeted, accessible and affordable information, education, awareness and advice			
(f) Zero- and low-emission vehicles and bicycles, infrastructure for recharging and refuelling	x	x	x
(g) Affordable and accessible public transport (...), sustainable mobility on demand, shared mobility services and active mobility options.	x	x	x

In addition, for micro-enterprises

	Output indicator 33	Result indicator 34
	Number of vulnerable micro-enterprises	Reduction in number of micro-enterprises (%)
(a) Building renovations	(x)	(x)
(b) Access to affordable energy-efficient housing, including social housing		
(c) Decarbonisation through electrification of heating and cooling in buildings	(x)	(x)
(d) provide targeted, accessible and affordable information, education, awareness and advice	(x)	(x)
(e) Energy efficiency solutions and appropriate funding instruments in line with the social goals of the Fund	(x)	(x)
(f) Zero- and low-emission vehicles and bicycles, infrastructure for recharging and refuelling	(x)	(x)
(g) Affordable and accessible public transport (...), sustainable mobility on demand, shared mobility services and active mobility options.	(x)	(x)

Legend: For common indicators marked with (x), Member States and the Commission will have to agree on a case-by-case basis which, if any, measures do not contribute to the respective indicator and do not need to be reported in the biennial progress-reporting.

Temporary direct income support (DIS)

	Output indicator 36	Output indicator 37	Result indicator 38	Result indicator 39
	Number of vulnerable households receiving DIS	Number of vulnerable transport users receiving DIS	Average DIS per vulnerable household (in euro)	Average DIS per transport user (in euro)
Article 2 - Measures providing direct income support	x	x	x	x

There may be cases where collection of exact data on the common indicators is not feasible. In such cases, Member States may propose to report estimations, based on a clear justification of the non-feasibility of exact data collection and a sound estimation methodology that should be agreed on with the Commission in advance.

ANNEX 2

Template for the management declaration to accompany a payment request under Article 20.1

I/We, the undersigned (name(s), first name(s), title(s), or function(s)), Head of the authority designated to sign the Management Declarations for the Social Climate Plan for XXX (CCI number)

based on the implementation of the social climate plan for XXX during the period from XX-XX-XXX to YY-YY-YYY, based on my/our own judgement and on all information available to me/us at the date of the presentation of the payment request to the Commission, including the results from management verifications carried out and from audits in relation to the expenditure included in the payment applications submitted to the Commission for the period from VV-VV-VVVV to ZZ-ZZ-ZZZZ,

and taking into account my/our obligations under Regulation (EU) 2023/995

hereby declare that:

- (a) the information in the payment request is properly presented, complete and accurate in accordance with Article 20 of Regulation (EU) 2023/995;
- (b) the expenditure incurred for the achievement of the fully achieved targets and milestones complies with applicable law and was used for its intended purpose;
- (c) that measures related to previously satisfactorily achieved milestones and targets have not been reversed by the Member State concerned.

I/We confirm that irregularities identified in the final audit and control reports in relation to previous payment requests are duly treated. I/We also confirm that targets or milestones which are subject to an ongoing assessment of their legality and regularity have been excluded from the payment request pending conclusion of the assessment, for possible inclusion in a subsequent payment application.

Furthermore, I/we confirm the reliability of data relating to indicators, milestones, and the progress in the implementation of the plan.

I/we also confirm that effective and proportionate anti-fraud measures are in place and that these take account of the risks identified in that respect.

Finally, I/we confirm that I/we am/are not aware of any undisclosed reputational matter relating to the implementation of the programme.

ANNEX 3

Communication and visibility – Article 23

The use and technical characteristics of the EU emblem ('the emblem')

- 1.1. The emblem must be prominently featured on all communication materials relating to the implementation of an operation, for the public or for participants, such as printed or digital products and websites, including mobile versions.
- 1.2. The statement '**Funded by the European Union – Social Climate Fund**' must be written in full and placed next to the emblem.
- 1.3. The typeface to be used in conjunction with the emblem may be any of the following fonts: Arial, Auto, Calibri, Garamond, Trebuchet, Tahoma, Verdana or Ubuntu. Italic, underlined variations or font effects must not be used.
- 1.4. The positioning of the text in relation to the emblem must not interfere with the emblem in any way.
- 1.5. The font size used must be proportionate to the size of the emblem.
- 1.6. The colour of the font must be reflex blue, black or white depending on the background.
- 1.7. The emblem must not be modified or merged with any other graphic elements or texts. If other logos are displayed in addition to the emblem, the emblem must have at least the same size, measured in height or width, as the biggest of the other logos. Apart from the emblem, no other visual identity or logo must be used to highlight the support from the EU.
- 1.8. Where several operations are taking place at the same location, supported by the same or different funding instruments, or where further funding is provided for the same operation at a later date, at least one plaque or billboard must be displayed.
- 1.9. Graphic standards for the emblem and the definition of standard colours are as follows.

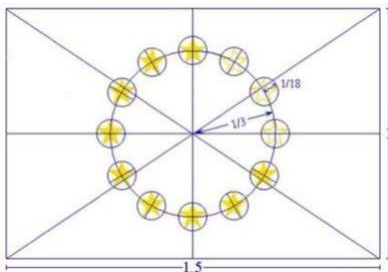
(A) SYMBOLIC DESCRIPTION

Against a background of blue sky, 12 golden stars form a circle representing the union of the peoples of Europe. The number of stars is fixed, 12 being the symbol of perfection and unity.

(B) HERALDIC DESCRIPTION

On an azure field a circle of 12 golden mullets, their points not touching.

(C) GEOMETRIC DESCRIPTION



The emblem has the form of a blue rectangular flag of which the fly is one and a half times the length of the hoist. Twelve gold stars situated at equal intervals form an invisible circle whose centre is the point of intersection of the diagonals of the rectangle. The radius of the circle is equal to one third of the height of the hoist. Each of the stars has five points which are situated on the circumference of an invisible circle whose radius is equal to one eighteenth of the height of the hoist. All the stars are upright, i.e. with one point vertical and two points in a straight line at right angles to the mast. The circle is arranged so that the stars appear in the position of the hours on the face of a clock. Their number is invariable.

(D) REGULATION COLOURS

The emblem is in the following colours: PANTONE REFLEX BLUE for the surface of the rectangle; PANTONE YELLOW for the stars

(E) FOUR-COLOUR PROCESS

If the four-colour process is used, recreate the two standard colours by using the four colours of the four-colour process.

PANTONE YELLOW is obtained by using 100% ‘Process Yellow’.

PANTONE REFLEX BLUE is obtained by mixing 100% ‘Process Cyan’ and 80% ‘Process Magenta’.

INTERNET

PANTONE REFLEX BLUE corresponds in the web-palette colour to RGB:0/51/153 (hexadecimal: 003399) and PANTONE YELLOW corresponds in the web-palette to colour RGB: 255/204/0 (hexadecimal: FFCC00).

MONOCHROME REPRODUCTION PROCESS

Using black, outline the rectangle in black and print the stars in black on white.



Using blue (Reflex Blue), use 100% with the stars reproduced in negative white.



REPRODUCTION ON A COLOURED BACKGROUND

If there is no alternative to a coloured background, put a white border around the rectangle, the width of the border being 1/25th of the height of the rectangle.



The principles for the use of the EU emblem by third parties are set out in the administrative agreement with the Council of Europe regarding the use of the European emblem by third parties (OJ C 271, 8.9.2012, p. 5.).

2. The licence on intellectual property rights referred to in Article 49(6) grants the EU at least the following rights:

2.1. internal use, i.e. the right to reproduce, copy and make available the communication and visibility materials to EU institutions and agencies, Member States' authorities, and their employees;

2.2. reproduction of the communication and visibility materials by any means and in any form, in whole or in part;

2.3. communication to the public of the communication and visibility materials by any and all means of communication;

2.4. distribution to the public of the communication and visibility materials (or copies thereof) in any and all forms;

2.5. storage and archiving of the communication and visibility materials;

2.6. sub-licensing of the rights on the communication and visibility materials to third parties.

ABBREVIATIONS AND SHORT TITLES

Common Provisions Regulation (CPR) – Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, OJ L 231, 30.6.2021, p. 159.

DNSH – Principle of do no significant harm (‘DNSH’) to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852.

Energy Efficiency Directive – Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast), OJ L 231, 20.9.2023, p. 1.

Energy Performance of Buildings Directive – Directive (EU) 2024/1275 of the European Parliament and of the Council on the energy performance of buildings (recast), OJ L, 2024/1275, 8.5.2024.

ETS Directive – Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC, OJ L 275, 25.10.2003, p. 32.

ETS2 – The new emissions trading system for buildings, road transport and additional sectors established in Chapter IV.a of Directive 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system, OJ L 130, 16.5.2023, p. 134.

Financial Regulation – Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast), OJ L, 2024/2509, 26.9.2024

Fund, SCF – Social Climate Fund.

GBER – Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (General Block Exemption Regulation, GBER), OJ L 187, 26.6.2014, p. 1.

Governance Regulation – Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU,

2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council, OJ L 328, 21.12.2018, p. 1.

MFF – multiannual financial framework.

Plan(s), SCP(s) – social climate plan(s).

RRF Regulation – Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57, 18.2.2021, p. 17.

SCF Regulation – Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060, OJ L 130, 16.5.2023, p. 1.

Taxonomy Regulation – 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. 1.