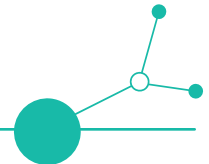


Guidelines on setting significant KPIs to evaluate the FI beneficiaries' performance

Deliverable ref. code: D.3.2.2







Disclaimer

The information, documentation, and figures available in this deliverable are written by the FI4INN project's consortium under EC grant agreement CE0100233 and do not necessarily reflect the views of the European Commission.

The European Commission is not liable for any use that may be made of the information contained herein.

PROJECT CO-FUNDED BY THE EUROPEAN COMMISSION		
NATURE OF THE DELIVERABLE		R
Dissemination Level		
PU	Public, fully open, e.g. web	X
CL	Classified, information as referred to in Commission Decision 2001/844/EC	
CO	Confidential to FI4INN project and CE Programme Services	

*** R:** Document, report (excluding the periodic and final reports)

DEM: Demonstrator, pilot, prototype, plan designs

DEC: Websites, patents filing, press & media actions, videos, etc.

OTHER: Software, technical diagram, etc.



1. TABLE OF CONTENTS

1.	TABLE OF CONTENTS	3
2.	Preface	4
2.1.	Relevance to the FI4INN Project	4
2.2.	Main findings of D.3.1.2. survey	4
2.3.	Objectives of Activity 3.2	6
2.3.1.	Develop Guidelines and Evaluation Frameworks.....	6
2.3.2.	Strengthen Accountability and Public Value Measurement	6
2.3.3.	Enable Regional Action Plans	7
2.3.4.	Support Peer Learning and Transferability	7
2.3.5.	Produce Deliverables.....	7
2.4.	Contribution to Future Activities and Deliverables	7
3.	Introduction	8
3.1.	ESG frameworks	8
3.1.1.	ESG in the EU regulatory context.....	8
3.1.2.	Approaches to ESG.....	9
3.1.3.	Challenges.....	9
3.1.4.	Future Developments	9
3.2.	ESG application within ESG.....	10
3.3.	Rationale for Integrating ECG and SDPIs in FI Evaluation	11
4.	Authentic methodologies	11
4.1.	The Common Good Matrix.....	11
4.2.	Sustainable Development Performance Indicators	11
4.3.	Compatibility with EU Sustainability Reporting Regulations.....	0
4.3.1.	Corporate Sustainability Reporting Directive (CSRD) and ESRS	0
4.3.2.	EU Taxonomy for Sustainable Activities	0
4.3.3.	Sustainable Finance Disclosure Regulation (SFDR)	0
5.	Recommendations for FI Managers.....	0
6.	Conclusion	0



2. Preface

The FI4INN project, developed under the Interreg Central Europe program with the objective of strengthening innovative capacities (SO1.1), seeks to empower regional ecosystems by creating and sharing tools that enhance access to finance for SMEs and start-ups. By supporting innovation through collaborative and multi-level engagement, the FI4INN project aims to foster tailored financial instruments that address specific regional needs while promoting sustainability and growth across Central Europe.

Building on the findings from **Deliverable D.3.1.1 - Report about survey exercise on monitoring financial instruments in CE regions**, which provided a comprehensive survey and baseline data on monitoring financial instruments across Central Europe and deliverable **D.3.1.2 - SWOT analysis of Fis Monitoring & Evaluation**, two additional deliverables are produced within **Work Package 3 (WP3): D.3.2.1. - Guidelines on setting significant KPIs to evaluate the process and D.3.2.2. - Guidelines on setting significant KPIs to evaluate the FI beneficiaries' performance**. The first one is focusing on the indicators beyond financial performance that can measure the success of the financial instruments (FI) while the second one is focused on the measurement of the compliance and the success of the FI's beneficiaries from the perspective of sustainability.

2.1. Relevance to the FI4INN Project

This deliverable directly contributes to FI4INN's mission by providing clear guidance and framework for piloting actions on financial instruments to upgrade their capabilities and ensure to establish authentic and reliable measurement methodology for beneficiaries to assess their long-term environmental and social sustainability and impact. By aligning the findings with the FI4INN objectives, D.3.1.2 supports the project's overarching goal of fostering a more innovation-conducive environment and effective financial systems across Central Europe.

2.2. Main findings of D.3.1.2. survey

Deliverable D.3.1.2 of the FI4INN project represents an important continuation of the analytical work that began with Deliverable D.3.1.1, which examined how financial instruments are monitored and evaluated across Central Europe. While the earlier report presented survey results and a methodological overview, this document transforms those findings into a structured strategic analysis, exploring how financial institutions, investors, and SMEs approach monitoring, reporting, and particularly the integration of ESG criteria—environmental, social, and governance factors. Its central purpose is to identify what currently works well, where systemic weaknesses lie, and how opportunities emerging from technological innovation and European regulatory developments can be used to improve the transparency and impact of financial instruments that support innovation and sustainability.

The report draws primarily on thirty interviews conducted with representatives of financial institutions, grant authorities, investors, and small and medium-sized enterprises across the FI4INN partner network. This qualitative foundation is complemented by desk research and analysis of European ESG frameworks such as the Corporate Sustainability Reporting Directive (CSRD), the Sustainable Finance Disclosure



Regulation (SFDR), and the EU Taxonomy. Together, these sources provide a comprehensive picture of how monitoring systems operate in practice and where gaps persist. The methodological approach aimed for diversity—geographically, institutionally, and thematically—so as to capture a representative view of Central European conditions.

The findings reveal that the region's monitoring practices already rest on several solid strengths. Many institutions have built flexible frameworks that can adapt to evolving market and policy conditions, and they rely increasingly on clear, measurable performance indicators. Transparency in evaluation criteria, detailed reporting structures, and competent, experienced staff are common advantages that ensure credibility and accountability. For investors in particular, the use of well-defined KPIs and comprehensive reporting enables more strategic decision-making and stronger returns. However, not all actors fully recognize the link between these practices and their overall financial success, indicating room for further awareness building and standardization.

Yet alongside these strengths, the analysis exposes significant weaknesses that limit the potential of monitoring and evaluation systems. Chief among them is the widespread lack of advanced analytical tools capable of processing large and complex data sets. Many respondents also emphasized difficulties in quantifying intangible impacts such as environmental or social benefits—an issue that directly undermines ESG integration. Limited access to real-time data, fragmented data sources, and inconsistent collection methods further weaken the reliability of monitoring results. Moreover, many institutions lack sufficient training and capacity building, resulting in delays, inefficiencies, and poor comparability across regions. SMEs in particular face slow reporting processes and inadequate stakeholder engagement, leading to weaker decision-making and lower trust among partners.

At the same time, the SWOT analysis points to clear and promising opportunities. There is strong recognition among all stakeholder groups that new technologies such as artificial intelligence, blockchain, and the Internet of Things can radically improve transparency, automation, and data accuracy. The push toward greater standardization of monitoring practices across the EU, coupled with growing regulatory emphasis on ESG reporting, offers a unique chance to harmonize frameworks and make them more meaningful. Collaboration across regions and between public and private actors can facilitate shared learning, pooled data infrastructures, and joint capacity building, reducing costs while expanding reach. Respondents frequently underlined the benefits of cross-border networks that enable access to advanced tools, best practices, and common standards.

However, realizing these opportunities requires careful attention to a set of external threats that could derail progress. The most pressing risk identified by all groups concerns the rapidly evolving regulatory landscape. Compliance with new ESG and sustainability reporting requirements under the CSRD and SFDR is complex and resource-intensive, particularly for smaller institutions. Technological obsolescence and unreliable data present further risks, as do funding shortages, data privacy breaches, and market volatility. Political and economic instability in parts of the region can also create uncertainty, discouraging long-term investments in improved monitoring systems. To mitigate these risks, respondents emphasized the need to continuously upgrade technological tools, strengthen compliance mechanisms, verify data quality, and secure adequate financial and human resources. Robust cybersecurity measures and proactive contingency planning were also seen as critical for maintaining credibility and operational continuity.

The report transforms these findings into practical recommendations tailored to different stakeholder groups. For start-ups and SMEs, the priority is to automate data collection and reporting, integrate ESG indicators into their performance frameworks, and join collaborative ecosystems that provide access to training and cost-effective monitoring technologies. By doing so, smaller enterprises can not only streamline operations but also improve their appeal to sustainability-oriented investors. For investors



themselves, the focus should be on adopting advanced digital tools—such as AI and blockchain—for real-time insights, developing uniform ESG benchmarks across portfolios, and supporting capacity-building initiatives for their investee companies. Financial institutions and grant authorities, meanwhile, are encouraged to standardize data systems, align monitoring frameworks with international ESG standards, invest in staff training, and strengthen cybersecurity and data governance. In all cases, building partnerships across borders and sectors emerges as a central strategy for achieving efficiency, resilience, and shared innovation.

Within the broader FI4INN project, these insights serve a strategic function. They will guide upcoming activities aimed at identifying impact investing trends, designing regional action plans for portfolio evaluation, and piloting co-designed financing schemes that reflect the realities of local ecosystems. A dedicated session at the project's next Exchange of Experience event will provide partners with an opportunity to jointly refine these recommendations and agree on concrete implementation steps. Through this collaborative process, the project aims to translate analytical findings into tangible improvements in financial instrument design, monitoring, and evaluation.

In its conclusion, Deliverable D.3.1.2 offers a forward-looking perspective on how financial monitoring in Central Europe can evolve. The path forward, it argues, lies in embracing technological innovation, improving data quality and integration, fostering cooperation and knowledge exchange, and embedding ESG and SDG principles into everyday monitoring practices. Continuous investment in human capacity and institutional learning will be essential to maintain adaptability as regulations and market expectations evolve. Ultimately, by addressing its current weaknesses and seizing the technological and regulatory opportunities available, the region can develop a more transparent, accountable, and sustainability-driven financial ecosystem. The deliverable positions FI4INN not merely as an analytical project but as a catalyst for a cultural and structural shift toward smarter, fairer, and more impactful financial monitoring practices across Central Europe.

2.3. Objectives of Activity 3.2

Activity 3.2 sits under Work Package 3 (WP3 - Impact Assessment of Financial Instruments). The project narrative and partner roles describe its objectives quite clearly:

2.3.1. Develop Guidelines and Evaluation Frameworks

Activity 3.2 aims to create practical guidelines for evaluating financial instruments (FIs), focusing not only on financial efficiency but also on their social, environmental, and innovation impacts. This includes defining key performance indicators (KPIs) and methodologies that can be applied consistently across regions.

2.3.2. Strengthen Accountability and Public Value Measurement

The activity emphasizes improving accountability of innovation investments, ensuring that public and blended financial instruments demonstrate their added value in terms of public goods—such as job creation, inclusion, climate performance, and regional development.



2.3.3. Enable Regional Action Plans

By co-developing impact evaluation methodologies, partners in Activity 3.2 will feed directly into regional action plans that help authorities and financial intermediaries upgrade their FI portfolios. This ensures that impact measurement becomes embedded in regional policy and investment practices.

2.3.4. Support Peer Learning and Transferability

A.3.2 is designed to capture trends in impact investing, share good practices (e.g., Austria's aws Seedfinancing, Slovenia's RIS3-linked instruments, Italy's climate-oriented blended finance ▯), and transfer insights across CE regions. This makes methodologies transferable beyond the pilot regions, strengthening the European innovation ecosystem.

2.3.5. Produce Deliverables

Within A.3.2, two central deliverables are planned:

- D3.2.1: Guidelines on setting significant KPIs for FI evaluation (already produced, focuses on KPI categories and case studies).
- D3.2.2: Proposition for adopting structured methodologies (Common Good Matrix, SDPI) for FI beneficiaries, ensuring compatibility with EU sustainability regulations (the one you asked me to draft).

Consequently. Activity 3.2's objective is to design and promote an evaluation framework for financial instruments that balances efficiency with public value, equips regions with action plans for better FI portfolios, and ensures alignment with EU impact and sustainability agendas.

2.4. Contribution to Future Activities and Deliverables

Deliverable D.3.2.2 plays a crucial role in guiding subsequent project activities and deliverables within Work Package 3 and beyond. Specifically:

- **Activity 3.2 - Impact investing trends discovery:** The findings of this SWOT analysis will inform the development of recommendations for enhancing financial instruments monitoring frameworks and ESG reporting practices across Central Europe. By identifying key areas for improvement, these deliverables lay the groundwork for designing practical, impactful solutions.
- **Activity 3.3 - Developing regional action plans to improve financial instruments' portfolio evaluation strategies:** The insights from D.3.1.2 will feed directly into the development of regional action plans tailored to address specific strengths and weaknesses while capitalizing on opportunities for improvement, according to regional needs.
- **Activity 2.3:** As with D.3.1.1, the conclusions from this deliverable will contribute to piloting efforts under Activity 2.3, *Piloting co-design and multi-level engagement on regional financing schemes*. These include co-design and multi-level engagement approaches that can benefit from a clearer understanding of the strengths and weaknesses of existing financial schemes.

The following diagram highlights this specific Deliverable correlating within project implementation.



Sustainable Finance Disclosure Regulation (SFDR): The SFDR, which became mandatory on January 1, 2023, focuses on improving transparency in the sustainable investment market^[5]. It requires financial market participants to disclose sustainability-related information about their products and practices.

Under the Sustainable Finance Disclosure Regulation (SFDR) investment firms are among the entities required to disclose sustainability-related information about their products and practices, ensuring greater transparency in the sustainable investment market. This aligns with FI4INN's focus on advancing financial instruments and investment practices.

EU taxonomy: This classification system provides a common language for sustainable economic activities, supporting the implementation of both the CSRD and SFDR^[6].

3.1.2. Approaches to ESG

Reporting and disclosure: The EU has adopted the European Sustainability Reporting Standards (ESRS), which outline specific reporting requirements for companies under the CSRD^[9]. These standards aim to provide investors and stakeholders with reliable and comparable sustainability information.

Due diligence: The EU has approved an outline proposal for the Directive on Mandatory Human Rights, Environmental and Good Governance Due Diligence, which would create a duty of care for companies operating within the EU^[9].

Carbon Border Adjustment Mechanism (CBAM): This mechanism aims to prevent carbon leakage by requiring importers to purchase certificates corresponding to the carbon price within the EU Emissions Trading System^[8].

3.1.3. Challenges

Data reliability and availability: More than two-thirds of respondents in a CFA Institute survey cited the lack of reliable ESG data as a major challenge for asset managers implementing the SFDR^[7].

Complexity and interpretation: The lack of clear definitions in regulations like SFDR has led to diverse interpretations and implementations^[7].

Greenwashing: The practice of making misleading environmental claims remains a significant challenge, prompting stricter reporting standards^[9].

Implementation costs: Companies face significant costs associated with data collection, staff training, and compliance with new regulations^[7].

3.1.4. Future Developments

- **Expansion of reporting requirements:** The CSRD will gradually expand to cover additional companies and sectors, aiming for comprehensive coverage by 2025 and beyond^[8]. The CSRD's gradual expansion will cover a wide range of companies and sectors by 2025 and beyond, including those relevant to FI4INN's focus, such as financial institutions, investment firms, start-ups, SMEs, and entities involved in sustainable innovation and development. Key sectors include technology, renewable energy, manufacturing, and environmental services, all of which play a pivotal role in advancing sustainability and financial innovation.
- **Harmonization of standards:** There's a push towards more standardized and comparable ESG disclosures across jurisdictions^[7].



- **Integration with financial reporting:** ESG factors are likely to become more integrated with traditional financial reporting.
- **Emphasis on double materiality:** The concept of considering both financial and social materiality in ESG reporting is gaining traction^[10].
- **Focus on climate change mitigation:** The EU's "Fit for 55" package and other initiatives indicate a continued emphasis on climate-related disclosures and actions^[8].

In conclusion, the EU's approach to ESG is characterized by comprehensive regulations aimed at improving transparency, accountability, and sustainability in the business sector. While challenges remain, particularly in data quality and implementation, the regulatory landscape is evolving to address these issues and further integrate ESG considerations into business practices and investment decisions. One of the most discussed challenges is **lack of measurement standards**. It's impossible to do reliable and authentic reporting without agreement on the measurement. The concept of triple materiality requires companies to report on how their activities impact their financial performance, the environment's ability to regenerate, and the social foundations of society, emphasizing the interconnectedness of these factors. Finally, there is strong advocacy globally to explicitly link measurement and monitoring framework to the widest sustainability oriented political agreement that exists in the world - United Nations Sustainable Development Goals (SDGs)^[12]. The relationship between ESG and SDGs is likely to strengthen further and lead to:

- Increasing stakeholder demand for sustainable and responsible business practices
- Growing recognition of the interconnectedness between corporate actions and global sustainability goals
- Potential for more standardized reporting frameworks that incorporate both ESG and SDG metrics.

3.2. ESG application within ESG

The FI4INN project seeks to design and promote innovative financial instruments (FIs) that are not only efficient but also impactful in delivering societal, environmental, and economic value. Building on the evaluation framework set out in D3.2.1, this deliverable proposes integrating two established methodologies for measuring impact:

- **The Economy for Common Good's Common Good Matrix (ECG)** is a holistic tool developed by the Economy for the Common Good movement, which assesses organizational contributions to human dignity, solidarity, ecological sustainability, social justice, and democratic participation.
- **The Sustainable Development Performance Indicators (SDPIs)**, a UNRISD developed system aligned with the UN 2030 Agenda that provides quantitative indicators across environmental, social, and governance dimensions, with a focus on sustainability transitions.

These methodologies can support FI beneficiaries in systematically evaluating and reporting their contributions to sustainable development, while providing FI managers with reliable, comparable data for decision-making.



3.3. Rationale for Integrating ECG and SDPIs in FI Evaluation

1. **Beyond Traditional KPIs** - While D3.2.1 outlined general and mission-oriented KPIs (e.g., job creation, CO₂ reduction, inclusion), ECG and SDPIs add a **structured and value-based assessment framework** that ensures coherence with sustainability policies' overall compliancy, including EU sustainability priorities.
2. **Beneficiary Empowerment** - Both methodologies are designed to be authentic, with quantifiable indicators, applied directly by enterprises through the whole value chain, allowing beneficiaries of FIs to self-assess and engage stakeholders in a participatory evaluation process.
3. **Policy Alignment** - Adoption of ECG and SDPIs enhances the legitimacy of public and blended FIs by aligning beneficiary outcomes with EU Green Deal, SDGs, and national Smart Specialisation Strategies.
4. **Comparability and Transparency** - Using standardized tools supports comparability across regions and sectors, making impact reporting more robust and transparent.

4. Authentic methodologies

4.1. The Common Good Matrix

The ECG is a multidimensional evaluation tool structured around **five constitutional values** (human dignity, solidarity & social justice, environmental sustainability, transparency & co-determination) and **four stakeholder groups** (suppliers, owners/financiers, employees, and customers/society).

- **Application for FI beneficiaries:** SMEs and start-ups can use the ECG to prepare “Common Good Balance Sheets,” which detail how their operations contribute to public value.
- **Relevance for FIs:** Enables financial intermediaries to prioritize support for companies that deliver measurable contributions to common good values, thus strengthening accountability for public funding.

4.2. Sustainable Development Performance Indicators

The SDPIs framework translates the UN Sustainable Development Goals into **actionable indicators** at the organizational level. It provides a dashboard approach covering:

- **Environmental metrics:** emissions avoided, resource efficiency, biodiversity impact.
- **Social metrics:** diversity in governance, inclusion of vulnerable groups, community benefit.
- **Governance metrics:** transparency, anti-corruption practices, participatory decision-making.
- **Application for FI beneficiaries:** Offers a set of **quantitative indicators** that can be integrated into project monitoring and annual reports.
- **Relevance for FIs:** Ensures alignment with EU Taxonomy, CSRD/ESRS, and sustainable finance disclosure requirements, making evaluation data directly usable for regulatory compliance.

Depending on the sustainability policy of the fund manager, a thresholds could be set for some or all of the components in the SDPI methodology, defining compliancy of the beneficiary with fund's targets.

Common Good Matrix 5.1

VALUE	HUMAN DIGNITY	SOLIDARITY AND SOCIAL JUSTICE	ENVIRONMENTAL SUSTAINABILITY	TRANSPARENCY AND CO-DETERMINATION
STAKEHOLDER				
A: SUPPLIERS	A1 Human dignity throughout the supply chain A1.1 Working conditions and social impact in the supply chain A1.2 Negative aspect: violation of human dignity in the supply chain	A2 Solidarity and social justice throughout the supply chain A2.1 Fair and just business practices towards direct suppliers A2.2 Fair and just business practices throughout the supply chain A2.3 Negative aspect: abuse of marketpower against suppliers	A3 Environmental sustainability throughout the supply chain A3.1 Environmental impact throughout the supply chain A3.2 Negative aspect: disproportionate environmental impact within the supply chain	A4 Transparency and co-determination throughout the supply chain A4.1 Transparency towards direct suppliers and their right to codetermination A4.2 Positive influence on transparency and co-determination throughout the supply chain
B: OWNERS, EQUITY AND FINANCIAL PARTNERS	B1 Ethical position in relation to financial resources B1.1 Financial independence through equity financing B1.2 Financial independence through own funding for self-governing organizations B1.3 Common Good-orientated borrowing B1.4 Ethical position of external financial partners	B2 Social position in relation to financial resources B2.1 Solidarity and Common Good-orientated use of funds B2.2 Negative aspect: unfair distribution of funds	B3 Use of funds in relation to social and environmental impacts B3.1 Social and environmental quality of investments B3.2 Common Good-orientated financial investments B3.3 Negative aspect: reliance on social or environmentally questionable resources	B4 Ownership and co-determination B4.1 Transparency and co-decisionmaking B4.2 Common Good-orientated ownership structure B4.3 Negative aspect: hostile takeover
C: EMPLOYEES AND CO-WORKERS	C1 Human dignity at the workplace and working environment C1.1 Employee-focused organizational culture C1.2 Health promotion and occupational health and safety C1.3 Diversity and equal opportunities	C2 Design of fair and just working agreements C2.1 Remuneration Structure C2.2 Organisation of Working Time C2.3 Working Models C2.4 Negative Aspects	C3 Environmentally friendly behaviour of staff C3.1 Food during work hours C3.2 Travel to work C3.3 Environmentally aware organizational culture C3.4 Negative aspect: guidance on environmentally damaging practices	C4 Co-determination and transparency within the organization C4.1 Transparency within the organization C4.2 Legitimation of the management C4.3 Employee co-determination C4.4 Negative aspect: obstruction of works councils
D: CUSTOMERS AND BUSINESS PARTNERS	D1 Ethical customer relations D1.1 Respecting human dignity in communication with customers D1.2 Barrier-free access D1.3 Negative aspect: unethical advertising	D2 Cooperation and solidarity with other organizations D2.1 Cooperation with other organizations D2.2 Solidarity with other organizations D2.3 Negative aspect: abuse of market power to the detriment of other organizations	D3 Environmental impacts of products and services during use and end-of-life D3.1 Circularity and Eco-efficiency of products and services: the environmental cost-benefit ratio D3.2 Sufficiency: moderate use of products and services D3.3 Negative aspect: neglect of disproportionate environmental impacts of products and services	D4 Customer participation and product transparency D4.1 Customer participation, joint product development and market research D4.2 Product and service transparency D4.3 Negative aspect: non-disclosure of hazardous substances
E: GLOBAL COMMUNITY, NATURE AND LIVING BEINGS	E1 The purpose of products and services and their effect on society E1.1 Basic needs and contribution to a good life E1.2 Social impact of the organization's products and services E1.3 Negative aspect: unethical and inhumane products and services	E2 Contribution to the community E2.1 Voluntary contributions that strengthen society E2.2 Negative aspect: inappropriate nonpayment of tax E2.3 Negative aspect: no anti-corruption policy	E3 Reduction of environmental impact E3.1 Absolute impact and management strategy E3.2 Relative impact E3.3 Negative aspect: infringement of environmental regulations and disproportionate environmental pollution	E4 Transparency and co-determination E4.1 Transparency and Democracy Education E4.2 Co-determination E4.3 Negative aspect: lack of transparency and deliberate misinformation



4.3. Compatibility with EU Sustainability Reporting Regulations

4.3.1. Corporate Sustainability Reporting Directive (CSRD) and ESRS

- Both ECG and SDPIs are compatible with **European Sustainability Reporting Standards (ESRS)**, which require companies to disclose material impacts, risks, and opportunities.
- **ECG** covers qualitative aspects of governance, ethics, and stakeholder engagement that map directly to ESRS social and governance pillars.
- **SDPIs** provide quantifiable data on environmental and social impacts, supporting compliance with ESRS E1-E5 (climate, pollution, water, biodiversity, circular economy).

4.3.2. EU Taxonomy for Sustainable Activities

- SDPIs include **taxonomy-aligned metrics** (e.g., emissions, resource efficiency), enabling beneficiaries to demonstrate “substantial contribution” to environmental objectives.
- ECG complements this with **social safeguards** and ethical dimensions, ensuring that taxonomy alignment does not neglect broader societal impacts.

4.3.3. Sustainable Finance Disclosure Regulation (SFDR)

- FIs subject to SFDR can use beneficiary-reported ECG and SDPI data as evidence for **Principal Adverse Impact (PAI)** indicators.
- This strengthens transparency for investors and regulators, and facilitates comparability across portfolios.

5. Recommendations for FI Managers

1. **Adopt ECG and SDPIs as complementary tools** in calls for proposals, contracts, and monitoring frameworks.
2. **Provide capacity-building** for beneficiaries (especially SMEs and start-ups) to implement these methodologies effectively.
3. **Standardize reporting templates** across FI portfolios to reduce reporting burden and maximize comparability.
4. **Leverage digital platforms** to collect and visualize ECG and SDPI data, ensuring transparency and accessibility.

6. Conclusion

Integrating the Common Good Matrix and Sustainable Development Performance Indicators into FI beneficiary evaluation frameworks represents a **practical and forward-looking step** for FI4INN. These methodologies combine **value-based, participatory assessment (ECG)** with **quantitative, internationally aligned indicators (SDPIs)**, ensuring compatibility with EU sustainability regulations and enhancing the legitimacy, comparability, and impact of financial instruments across Central Europe.



ESG and SDGs are complementary frameworks that, when used together, provide a comprehensive approach to sustainable development. Their integration offers businesses and investors a powerful tool for driving positive change while potentially enhancing long-term value creation.