CENTRAL BANK
OF THE REPUBLIC OF AZERBAIJAN

THE GREEN TAXONOMY

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(adopted by the Central Bank of the Republic of Azerbaijan)

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1. Introduction

Climate change widely affects the nature and people throughout the world. Scientific evidences show that climate change is one of the greatest threats to humanity and the planet. The Republic of Azerbaijan is highly sensitive to the effects of climate change, and the temperature in the country increases faster than the global average.

Although Azerbaijan has a minimal share (0.15%) in global emissions of harmful gases into the atmosphere, the country aims to make significant contributions to initiatives focused on mitigating the climate change impacts and transitioning to a low-carbon economy at both regional and global levels. As the host of the 29th session of the United Nations Framework Convention on Climate Change Conference of the Parties (COP29), the 19th session of the Kyoto Protocol Meeting of the Parties, and the 6th session of the Paris Agreement Meeting of the Parties, Azerbaijan is committed to advancing a sustainable economic agenda.

To achieve strategic goals for sustainable development and a green transition, the Central Bank of the Republic of Azerbaijan initiated an Expert Group on Sustainable Finance, with the involvement of representatives from public authorities (institutions). This group, with support of the World Bank experts, developed the Green Taxonomy (hereinafter – the Taxonomy) which was adopted by Central Bank. The Taxonomy incorporates international best practices as well as the specifics of the Azerbaijani economy.

The Taxonomy is a classification system that identifies activities contributing to climate, green, social, or sustainability objectives. It establishes a list of activities aimed at achieving environmental goals and contributing to the green economy development.

2. Global developments

Green taxonomies are widely recognized as essential tools for “greening” financial systems, and redirecting capital toward sustainable activities. According to the International Capital Markets Association, by utilizing predefined thresholds and criteria, green taxonomies identify activities, assets, or projects that contribute to climate, environmental, social, or sustainable goals. A taxonomy provides financial market participants, including corporate entities, and the public with clarity and transparency regarding what is classified as "green criterias". This clarity is crucial for fostering a coherent approach to sustainable finance and promoting investments that contribute positively to environmental and sustainability goals.

A well-defined and structured Taxonomy supports more efficient decision making, as well as response to investment opportunities that contribute to achieving national environmental and climate objectives. It can also help improve comparability, reliability, accountability, and lower transaction costs related to decarbonization and green finance activities.

By clearly defining green investments in the Taxonomy, financial market participants can better align their strategies and incentives to ensure capital flows toward genuinely green projects. This also gives investors greater confidence in green investments, reducing the risk of misleading environmental claims. Additionally, companies can also apply clearer guidance towards adopting more environmentally responsible practices.

3. Current situation analysis

Climate change, including rising temperatures and more extreme weather events, poses some of the most significant sustainability challenges for Azerbaijan. Projections suggest that temperatures in the country could rise faster than the global average, with increases potentially reaching 4.7°C by the 2090s, and nearly 6°C during the summers under the highest emissions scenario. These changes threaten to reduce agricultural productivity, accelerate desertification, and increase soil salinity, further straining the country's already pressured water supply. A warmer climate poses heightened risks to public health, especially in urban areas such as Baku, where heat-related health issues are expected to rise.

Significant green transition efforts are needed for Azerbaijan's socio-economic prospects, amid the Government's strategic sustainable growth targets. As the world moves toward net-zero emissions, demand for hydrocarbon products may negatively impact trade balance and economic stability. Additionally, this trend increases the risk of hydrocarbon-based assets becoming obsolete. To neutralize and turn these challenges into opportunities, the Government has made necessary adjustments to its strategic development plans. The President of the Republic of Azerbaijan issued Decree No. 2469 on February 2, 2021, approving the document "Azerbaijan 2030: National Priorities for Socio-Economic Development. The "2022–2026 Socio-Economic Development Strategy," prepared based on these priorities and approved by Presidential Decree No. 46 on April 29, 2024, is under implementation. One of the five national priorities set out in this strategy is to achieve the goal of a clean environment and become a "green growth country."

Recognizing the urgency of addressing climate change, the Republic of Azerbaijan is committed to international frameworks such as the Paris Agreement adopted at the UN Climate Change Conference (COP21). In its Nationally Determined Contributions (hereinafter – NDC 1.0) submitted in 2017 the country outlined its plans for climate change mitigation across several sectors, including energy, oil and gas, agriculture, and waste management. Azerbaijan is also working to align its climate change legislation with international standards in the areas of biodiversity conservation, pollution control, and sustainable resource management.

Transition to the green and low-carbon emission economy requires significant efforts and financing. The country's updated NDC 2.0 target aims to reduce its greenhouse gas emissions by 40 percent compared to 1990 levels by 2050, taking into account the maximum possible absorption capacity of forests and ecosystems. The NDC 3.0 that is being updated now will set much higher targets. Current policies and reforms framework needs to be

enhanced to achieve these goals. The GHG emissions from transport more than tripled between 2000 and 2019, and emissions from electricity and heat have remained relatively declined as the second largest source of emissions.

To achieve sustainable development targets, urgent policy actions are required. This necessitates reforms involving economic as well as macro-financial and governance sectors, enabling the mobilization and scaling up of resources, including sustainable finance. The size of resources and capital required for more sustainable investments is substantial. For instance, the estimated incremental discounted costs of decarbonization and resilience until 2060 total roughly US$44.1 billion (about US$24.7 billion for decarbonization and US$19.4 billion for resilience), or about 3.2 percent of its cumulative discounted GDP (World Bank, 2023). This strategic reorientation is essential for promoting green, inclusive, and sustainable growth in Azerbaijan.

The Taxonomy will provide a solid foundation for a significant phase in the greening and decarbonization of the Azerbaijani economy. It will facilitate investments in renewable energy, sustainable agriculture, and other key sectors that contribute to a stronger, more resilient, and diversified economic future for Azerbaijan. In turn, this will enhance the country's competitive position on an international scale by contributing to global climate and sustainability goals.

4. Objectives and core principles of the Taxonomy

4.1. The Taxonomy is aimed at achieving the following objectives:

4.1.1. **Climate change mitigation** – reducing greenhouse gas emissions directly or supporting others of doing so.

4.1.2. **Climate Change Adaptation**: Implementing actions that enhance the resilience of individuals or communities to withstand climate change impacts, while helping others improve their adaptive capacity.

4.1.3. **Sustainable Management and Protection of Water and Marine Resources**: Ensuring responsible management and conservation of water resources, minimizing environmental harm.

4.1.4. **Transition to a Circular Economy**: Reducing waste and improving resource efficiency through practices such as recycling, promoting circular economic models, or developing bio-based materials.

4.1.5. **Pollution Prevention and Pollution Control**: Addressing environmental and health risks by managing waste, reducing air pollution, and cleaning up contaminated land.

4.1.6. **Protection and Restoration of Biodiversity and Ecosystems**: Restoring natural habitats, conserving biodiversity, and promoting sustainable forestry practices.

4.2. The following principles are guided by to ensure Taxonomy's relevance, effectiveness, and alignment with national and international sustainability goals:

4.2.1. **Align with National Priorities and International Commitments –** The Taxonomy was designed to reflect Azerbaijan's national climate, environmental, and sustainable development objectives, incorporating existing national laws, policies, and

regulations. This ensures that the Taxonomy framework is tailored to Azerbaijan’s unique challenges and opportunities.

The Taxonomy also considers Azerbaijan's international commitments and obligations, including the Paris Agreement and Nationally Determined Contributions (NDCs), as well as global frameworks such as the United Nations Sustainable Development Goals (SDGs). The SDGs covered by each sector in the taxonomy are shown in the table below. This alignment reinforces Azerbaijan’s role in addressing global climate and sustainability challenges.

Economic activities should be aligned with climate adaptation practices to ensure full compliance with the Taxonomy (Annex A).

Table: Compliance of the Taxonomy sectors with the UN SDGs

Renewable energy	7. Affordable and clean energy	8. Decent work and economic growth	9. Industry, innovation and infrastructure	13. Climate action					
Energy efficiency	7. Affordable and clean energy	8. Decent work and economic growth	9. Industry, innovation and infrastructure	11.Sustainable cities and communities	12.Responsible consumption and production	13.Climate action			
Sustainable water management	2. Zero hunger	3. Good health and well-being	6. Clean water and sanitation	11.Sustainable cities and communities	12.Responsible consumption and production	13. Climate action			
Pollution prevention and pollution control	3. Good health and well-being	6. Clean water and sanitation	11. Sustainable cities and communities	12.Responsible consumption and production	13. Climate action	14.Life below water			
Green transport	7.Affordable and clean energy	9. Industry, innovation and infrastructure	11. Sustainable cities and communities	13. Climate action					

Sustainable agriculture, farming and aquaculture	1.No poverty	2. Zero hunger	6.Clean water and sanitation	8. Decent work and economic growth	10.Reduced inequalities	12.Responsible consumption and production	13. Climate action	14.Life below water	15.Life on land
Biodiversity and conservation	2. Zero hunger	6.Clean water and sanitation	11. Sustainable cities and communities	12. Responsible consumption and production	13.Climate action	14.Life below water	15.Life on land		
Circular economy and waste management	11. Sustainable cities and communities	12. Responsible consumption and production	13. Climate action						
Green buildings and sustainable construction	7.Affordable and clean energy	9.Industry, innovation and infrastructure	11.Sustainable cities and communities	12.Responsible consumption and production	13. Climate action				
Green services	8. Decent work and economic growth	9. Industry, innovation and infrastructure	10. Reduced inequalities	12. Responsible consumption and production	15. Life on land				

4.2.2. **Ensure Material Positive Contributions to Sustainability Goals and Prevent Harm** – The Taxonomy defines clear environmental objectives, and identified activities are expected to make material positive contributions to the objectives through the Substantial Contribution Criteria. The Taxonomy also seeks to ensure no harm is done to other objectives through the Do No Significant Harm (DNSH) principles and address social objectives through minimum safeguards.

4.2.2.1. **Substantial Contribution Criteria** – Economic activity included in the Taxonomy is deemed to make a significant contribution to climate change mitigation if it aids in stabilizing GHG levels in the atmosphere, thereby preventing harmful human-induced impacts on the climate. This can be achieved by reducing emissions, enhancing greenhouse gas removal, or implementing process and product innovations, all in line with the long-term temperature goals of the Paris Agreement.

4.2.2.2. **Do No Significant Harm** – The Taxonomy covers a broad range of environmental goals, from climate change mitigation and adaptation to biodiversity conservation and water resource management. It is, thus, important to ensure that activities contributing to one environmental objective do not undermine others. In the Taxonomy, the "Do No Significant Harm" (DNSH) is considered a foundational pillar. A DNSH framework is derived thorough analysis of potential environmental impacts and is integral to the overall sustainability of the activities identified in the Taxonomy.

4.2.2.3. **Minimum social safeguards** – In addition to environmental objectives, the Taxonomy includes Minimum Social Safeguards (MSS) to ensure that activities deemed green or sustainable also adhere to essential human rights and labor standards. This helps ensure that the country's green transition is socially responsible and inclusive. Related key MSS considerations include:

4.2.2.3.1. **Respect for Human Rights:** Ensuring that activities do not contribute to human rights abuses or violations of the rights of local communities.

4.2.2.3.2. **Labor Rights Protection**: Compliance with national and international labor laws, including the prohibition of forced labor, child labor, and discrimination, while ensuring safe working conditions.

4.2.2.3.3. **Fair Treatment of Workers**: Guaranteeing fair wages, social security, freedom of association, and the right to collective bargaining.

The sectoral applications of the DNSH and MSS principles are outlined in Section 10, which details the specific principles and social standards relevant to each economic sector.

4.2.3. **Ensure Interoperability with Other Taxonomies Globally** – The Taxonomy strives to ensure that it is comparable and interoperable with other taxonomies in order to ensure the flow of international capital across borders. To ensure comparability and interoperability, the Taxonomy is based on similar guiding principles and has similar design and structural elements with other international taxonomies.

4.2.4. **Subject to Regular Reviews** - Recognizing that technologies that condition green activities evolve over time, the Taxonomy is designed to be adaptable and will undergo updates. As part of the ongoing efforts to align with international climate goals and to expedite sustainable economic transition, it is considered to incorporate "transition" activities

in future Taxonomy updates. It plays a key role in decarbonizing the most polluting and hard-to-abate industries. Green activities will be critical to the country's long-term decarbonization pathway, even if they do not yet fully meet green activity criteria.

The Sustainable Finance Expert Group (SFEG) will ensure that the Taxonomy remains an effective tool in Azerbaijan, through continuous improvements and adaptations. The evolution of the Taxonomy will continue to involve consultation with a large spectrum of stakeholders to ensure that the Taxonomy is practical and aligned with interest and needs of various sectors and groups.

5. Sectors identified on the Taxonomy and Technical screening criteria

5.1. The sectors and activities identified in this Taxonomy are based on whether they have a significant potential of contribution to the country's environmental objectives as well as alignment with the broader environmental and social sustainability goals.

5.2. The following sectors are covered in the Taxonomy:

5.2.1. Renewable energy

5.2.2. Energy efficiency

5.2.3. Sustainable water management;

5.2.4. Pollution prevention and pollution control

5.2.5. Green transport

5.2.6. Sustainable agriculture, farming and aquaculture

5.2.7. Biodiversity conservation

5.2.8. Circular economy and waste management

5.2.9. Green buildings and sustainable construction

5.2.10. Green services.

5.3. For each sector, metrics or specifications that outline how these activities contribute to achieving national targets, standards, or recognized thresholds are to be enhanced (expanded). In cases where national standards, policies, or regulations are not yet in place, the Taxonomy refers to relevant global practices and country examples.

6. Main users of the Taxonomy

6.1. The main target users for the Taxonomy include the persons identified as entities supervised by the Central Bank in accordance with the laws regulating financial markets. Also, public authorities, governmental and non-governmental organizations, auditing, assurance and certification service providers and other legal entities may use it.

6.2. The potential application areas of the Taxonomy for main users are as follows:

Main users	**Possible applications**

Banks and non-bank credit institutions, credit unions	• Develop green finance products (e.g., green loans). • Align lending portfolios with national and international green standards. • Assess the sustainability of projects before financing. • Support the adoption of sustainable economic activities through financing. • Monitor and disclose the environmental and sustainability impact of loan portfolios and investment portfolios for relevantly licensed banks.
Stock market participants (investment companies, investment funds, fund managers, etc.)	• Structure investment portfolios and funds focused on green assets. • Use the Taxonomy to align securities offerings (e.g., green bonds) with environmental and sustainability standards. • Monitor and disclose the environmental and sustainability impact of investment portfolios. • Guide fund allocations toward green investments.
Professional participantsof the insurance market	• Develop insurance products covering environmental and climate change related risks. • Use the Taxonomy to ensure investments meeting environmental and sustainability goals. • Incorporate sustainability factors into risk management processes.
Credit bureaus and clearing institutions	• Integrate sustainability assessments into credit ratings and offer green or sustainability-focused credit history reports. • Support the clearing and settlement of securities linked to green and sustainable finance products (e.g., green bonds).
Other entities supervised by the Central Bank	• Ensure financial products and services align with the Taxonomy's environmental and sustainability criteria. • Develop sustainability frameworks consistent with national and international standards. • Promote transparency and accountability in green and sustainable finance practices.

Public institutions, government institutions and non-governmental organizations	• Raise awarenessof relevant parties for Taxonomy-aligned practices and technologies. • Develop policies to enable green finance, economic decarbonization and sustainability, to mitigate and manage related risks. • Use the Taxonomy to guide tax policies and other policy incentives.
Auditing, assurance and certification institutions	• Verify alignment with the Taxonomy criteria and standards. • Ensure accuracy and transparency of green or sustainability reports and disclosures. • Provide third-party verification for sustainable financial instruments and green projects.
Other legal entities	• Raise funds for green projects or investments through green financial products (e.g., green bonds, loans). • Align their business activities with the Taxonomy to meet environmental and sustainability standards. • Use the Taxonomy to showcase the environmental impact and sustainability of their projects.

7. Use cases of the Taxonomy

7.1. The Taxonomy serves as a guiding framework for both financial and non-financial market participants and the broader stakeholders to assess and disclose alignment of activity, project, asset or portfolio with the goals of the Republic of Azerbaijan and global environmental and sustainability goals.

7.2. The Taxonomy can be used at least on the following directions:

7.2.1. companies can disclose to what extent their business activities align with the criteria and principles set out in the Taxonomy;

7.2.2. companies can reference to Taxonomy to devise corporate green and sustainable transition strategies;

7.2.3. companies may opt to align with the Taxonomy’s criteria and principles to attract investors seeking green investment opportunities;

7.2.4. asset owners may choose to disclose to what extent the activities that they fund align with the Taxonomy criteria and principles;

7.2.5. investors can screen and identify sustainable investments that aim to generate positive environmental outcomes;

7.2.6. the use of public funds can be aligned with green transition and sustainability objective;

7.2.7. Government support programs can also use the Taxonomy to identify and prioritize projects and activities that uphold environmental and sustainability goals;

7.3. The use of and alignment to the Taxonomy is voluntary.

7.4. Regulatory public authorities may use activities aligned with the Taxonomy as a compliance criterion when implementing state policies in relevant sectors.

7.5. State-owned or private entities may voluntarily align their activities with the Taxonomy's criteria to achieve their corporate objectives (e.g., exporting products to foreign countries, attracting financial resources from international sources, and etc.).

8. How green activities are defined

8.1. To be recognized as green under the Taxonomy, an economic activity needs to meet key conditions by undergoing the following steps:

8.1.1. **Step 1: Substantial Contribution to Environmental Objectives** – The economic activity of interest needs to first demonstrate significant contribution to one or more environmental goals. This can be achieved in several ways:

8.1.1.1. **Reducing Environmental Harm**: by replacing environmentally damaging activities with more sustainable alternatives (e.g., renewable energy replacing fossil fuel power, electric vehicles replacing traditional transport).

8.1.1.2. **Improving Environmental Impact**: By enhancing the efficiency of existing processes (e.g., wastewater treatment reducing pollution).

8.1.1.3. **Creating Positive Environmental Effects**: By directly improving ecosystems through reforestation or habitat restoration that enhances biodiversity.

8.1.2. **Step 2: Ensuring Do No Significant Harm (DNSH) -** While contributing to one environmental objective, the activity causing harm to other environmental objectives must be avoided. Implementing this principle ensures a balance between environmental goals, preventing unintended negative consequences. For instance, an energy efficiency initiative should not increase air or water pollution; a renewable energy project must avoid harming local ecosystems, such as habitat destruction.

8.1.3. **Step 3: Adhering to Minimum Social Safeguards (MSS) -** Taxonomy-aligned green activities need adhere to human rights and labor standards. Minimum Social Safeguards (MSS) help ensure that while economic activities contribute to environmental goals, they also uphold ethical and inclusive social practices. For instance, afforestation projects should engage local communities and protect their rights without causing displacement and/or green technology supply chains must ensure safe working conditions and prevent labor exploitation.

8.2. Users of the Taxonomy need initially assess whether an activity makes a substantial contribution to at least one of the six environmental objectives.

8.3. 10 (ten) sectors covered in the Taxonomy can provide guidance on whether the activity of interest supports environmental goals of the Republic of Azerbaijan.

9. Sectorial assessment criterias

9.1. Criteria per activity have been defined on the Technical Screening Criteria (TSC), DNSH principles and Minimum Social Safeguards (MSS). These criterias are a critical tool to assess whether an activity is aligned with the Taxonomy.

9.2. Specific economic activity is classified as “green” primarily by adhering to the TSC. These criterias help ensure that the activity contributes to Azerbaijan’s environmental objectives. Additionally, to be considered “green”, the activity also needs to implement the Do No Significant Harm (DNSH) principles and Minimum Social Safeguards (MSS).

9.3. The economic activity’s compliance with the Taxonomy is assessed across the following 6 (six) steps:

9.3.1. **Identify the relevant sector –** identification of the sector and the sub-sector based on the nature of the project.

9.3.2. **Identify the classification of economic activities (NACE[1]) code –** verify the alignment of the project with NACE codes for the sector.

9.3.3. **Examine examples** – refer to specific examples of similar projects or relevant practices to better understand the requirements of the criteria.

9.3.4. **Check alignment with technical standards** – check whether the project meets certain technical standards and criteria (if the alignment is confirmed, the project moves to the next stage; otherwise, it is determined that the project does not meet the Taxonomy criteria).

9.3.5. **Assess the alignment with the DNSH and MSS principles** – after confirming that the activity meets the technical standards, also the alignment to DNSH and MSS principles is verified (if the alignment is confirmed, the project moves to the next stage; otherwise, it is determined that the project does not meet the Taxonomy criteria).

9.3.6. **Document alignment** – proper documentation is systemically developed to confirm that the project meets technical standards, as well as DNSH and MSS principles.

9.4. Sectorial assessment criteria are defined on the following tables:

[1] Statistical classification of economic activities in the European Community

9.4.1. Renewable energy

Table 1. Technical screening criteria, DNSH principles and MSS on renewable energy

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH principles and MSS
RENEWABLE ENERGY	**Solar**	**Production of electricity from solar energy**	D.35.3.0; D.35.1.1. ./ 35110; 35300	Construction & operation of electricity generation facilities that produce electricity from Solar Photovoltaic (SPV) and Concentrated Solar Power (CSP). Construction & operation of a facility used for cogeneration of heat/cooling and power from solar energy. Construction & operation of a facility generating heat/cooling from solar insolation.	**The activity must meet the following criterias:** All energy generation activities from solar PV and solar CSP. Solar power plants with a capacity of exceeding 10 MW require an Environmental Impact Assessment (EIA).	Facilities shall have no more than 15% of electricity generated from non-renewable sources	**DNSH:** Choose installation locations carefully to prevent land degradation, maintain soil quality, and ensure responsible waste management during construction, operation, and decommissioning. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.
	Hydropower	**Production of electricity from water energy**	D.35.1.1.; F.42.2.2./ 35110; 42220	Construction & operation of electricity generation facilities that produce electricity from hydropower and satisfies the technical screening criteria.	**The activity must meet the following criterias:** • All energy generation activities from hydropower. • Hydroelectric power plants exceeding 10 MW require an Environmental Impact Assessment (EIA).	All pumped storage systems for hydropower plants are eligible if they meet either of the following conditions: • Power density exceeds 5 W/m², or • The emission intensity measured over the lifecycle of the power plant is less than 100 gCO_2e/kWh.	**DNSH:** • Consider seasonal changes in flow rates of rivers and, water intake and discharge rates of HPP's which can potentially exacerbate environmental challenges. • Consider fish passes and migration facilities during construction of HPPs and demonstrate evidence in the environmental and social impact assessment report. • In case reservoirs are planned as part of HPP construction, sediment accumulation in long term should be taken into account and sediment

							flushing mechanisms or other solutions should be considered. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.
	Wind	**Electricity generation from wind power plant**	D.35.1.1. 35110	Construction & operation of electricity generation facilities that produce electricity from wind.	**The activity must meet the following criterias:** • Construction or operation of electricity generation facilities that produce electricity from wind power. • Wind power plants exceeding 1 MW require an Environmental Impact Assessment (EIA).		**DNSH:** • This activity must ensure a net reduction in greenhouse gas emissions over its lifecycle compared to traditional energy sources. Ensure that the construction and operation of the wind power plant do not lead to significant adverse effects on water bodies (e.g., sediment disruption, pollution). • Ensure the decommissioning process includes the recycling or proper disposal of wind turbines, blades, and other materials to minimize environmental impact. During construction and operation, apply best practices and mitigation measures (e.g., sound barriers, dust reduction techniques) to minimize noise, dust, and particle emissions • Implement measures to avoid, minimize, or mitigate impacts on biodiversity, including species and habitats, during all project phases • Perform an ornithology report. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan.

							• Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.
	Bioenergy	**Production of biofuel, biomass, biogas and other bioenergy products**	D.35.2.1./ 35210	Sustainably managed firewood, forestry waste, wood industry waste; agricultural crop residues; biodiesel; waste from the agro-processing industry; livestock and poultry waste.	**The activity must meet the following criterias:** • All energy generation activities from biomass. • Biogas power plants exceeding 10 MW require an Environmental Impact Assessment (EIA).	• Emission intensity measured during the lifecycle of the power plant is less than 100gCO_2e/kWh, and • Bioenergy produced from waste (e.g., agriculture, municipal sources) is eligible. • Feedstock used for production of bioenergy must meet one of the following standards: - Roundtable on Sustainable Biomaterials (RSB) or - Biomass Biofuels voluntary scheme (2BSvs) - GBEP Sustainability Indicators (GSI).	**DNSH:** • Use sustainable feedstocks and advanced technologies to reduce lifecycle greenhouse gas emissions. • Employ water-efficient practices and prevent contamination. • Utilize waste feedstocks and recycle by-products to minimize waste. • Avoid feedstocks from high biodiversity areas and conduct environmental assessments. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.
		Electricity generation from bioenergy	D.35.1.1./ 35110	Construction and operation of electricity generation facilities that produce electricity from bioenergy.			
		Heat/cool production from bioenergy	D.35.3.0./ 35300	Construction & operation of facility used for heat/cooling from bioenergy.			
		Cogeneration of heat/cool and power from bioenergy	D.35.3.0; D.35.1.1./ 35110; 35300	Construction & operation of facility used for cogeneration of heat/cooling and power from bioenergy.			
	Geothermal	**Electricity generation from geothermal**	D.35.1.1./ 35110	Construction and operation of electricity generation facilities that produce electricity from geothermal	**The activity must meet the following criteria:** All energy generation activities from geothermal energy.	Emission intensity measured during the lifecycle of the power plant is less than 100gCO_2e/kWh.	

		Heating/ abstraction production from geothermal energy	D.35.3.0./ 3 5300	Construction and operation of facility used for heat/cooling from geothermal energy. For example, geothermal heat pumps	Geothermal power plants exceeding 10 MW require an Environmental Impact Assessment (EIA)		**DNSH:** • Assess and mitigate impacts on local flora and fauna. • Implement sustainable water management practices. • Implement soil conservation measures and site remediation plans. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and Following good practices to prevent significant harm on other environmental or social aspects.
		Cogeneration of heating/ cooling and energy from geothermal energy	D.35.3.0.; D.35.1.1. / 35110; 35300	Construction and operation of a facility used for cogeneration of heat/cool and power from geothermal energy			
	Transmission and distribution	**Renewal/reinforcement of supporting lines and supporting infrastructure for existing energy systems**	D.35.12; F.42.2.2. / 35120; 42220	* Replacement of old conductors with high-capacity, low-loss conductors. * Upgrade of substations to handle increased renewable energy inputs. * Enhancement of network protection and control systems.	**The activity must meet one of the following criterias:** • Upgrade activities must demonstrate a significant improvement in energy efficiency (e.g., reducing energy losses by at least 10%). • Increasing transmission capacity to accommodate higher amounts of renewable energy. • Enhancing system resilience against extreme weather events and other climate impacts.	• More than 67% of newly enabled generation capacity in the system must be below the generation threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, and this must continue over a rolling five-year period; • The average system grid emissions factor, calculated as the total annual emissions from power generation connected to the system, divided by the total annual net electricity production in that system, is below the threshold value of 100 gCO_2e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.	**DNSH:** • Consider biodiversity conservation. • Minimize water usage and prevent water contamination. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.

		Renewal/compl ementation of sharing systems for established energy systems	D.35.1.3; F.42.2.2. / 35130; 42220	- Implementing technologies for better load management and demand response. - Upgrading metering infrastructure to improve energy monitoring and management. - Sensors and measurement tools (including meteorological sensors for forecasting renewable energy production). - Communication and control (including advanced software and control rooms, automation of substations or feeders, and voltage control capabilities to adapt to more decentralized renewable infeed).	**The activity must meet one of the following criterias:** • Construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation; • Installation of equipment to increase the controllability and observability of the electricity system and to enable the development and integration of renewable energy sources.		**DNSH:** • Ensure construction and operation phases of the power plants do not significantly deteriorate local air quality. • Implement measures to prevent soil erosion and land degradation. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.
		Smart network practices	D.35.1; J.62.0/ 351; 620	* Deployment of smart meters and Advanced Metering Infrastructure (AMI), ICT platforms. * Implementation of Automated Demand Response (ADR) systems. * Installation of Distributed Energy Resource Management Systems (DERMS).	**The activity must meet one of the following criterias:** • Incorporate advanced technologies such as AI, IoT, and big data analytics to optimize grid performance. • * Enhance the grid's ability to manage variable renewable energy sources. • Ensure robust cybersecurity measures are in place to protect the grid infrastructure. • Enable ICT systems and smart management systems.		**DNSH:** • Ensure proper disposal and recycling of old electrical equipment and smart grid components. • Minimize and manage exposure to non-ionizing radiation from smart grid devices. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.

	Storage	**Storing electrical energy** **1. Using hydro-accumulation to store electrical energy** **2. Using lithium batteries to store electrical energy**	The economic activities in this category have no dedicated NACE code as referred to in the statistical classification of economic activities established by Regulation (EC)	Construction and operation of facilities that use hydro accumulation or electrochemical storage systems to store electricity	**The activity must meet all of the following criterias:** • Demonstrate high efficiency in storing and releasing electricity to ensure minimal energy loss during the process. • Have low lifecycle greenhouse gas emissions, including emissions associated with manufacturing, installation, operation, and decommissioning. • Contribute to grid stability, reliability, and flexibility by supporting the integration of renewable energy sources and helping to manage fluctuations in electricity supply and demand. • Promote resource efficiency, reuse, recycling, and the use of sustainable materials to minimize environmental impact and ensure long-term sustainability. • Construction and operation of electricity storage including pumped hydropower storage or electrochemical storage.		**DNSH:** Ensure that any required mitigation measures for protecting biodiversity and ecosystems have been implemented. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.

	Green hydrogen	**Production of green hydrogen**	No dedicated NACE code in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.	* Electrolysis of water using renewable electricity sources. * Biomass gasification and reforming processes to produce hydrogen with minimal carbon emissions. * Thermochemical water splitting methods like high-temperature electrolysis or solar-thermal processes. * Biogas or bioethanol reforming to produce hydrogen as a byproduct of renewable fuel production.	**The activity must meet all of the following criterias:** • Renewable energy should be used in the production process. • High efficiency in the electrolysis process should be essential. • Emissions should be minimized to reduce the carbon footprint. • Resource efficiency and usage of sustainable materials should be promoted.	• To ensure hydrogen production is defined as a green activity, specific carbon intensity thresholds must be met, outlined as follows: the carbon intensity thresholds for hydrogen production gradually decrease over time. For the year 2022, the threshold is 3 $kgCO_2e/kgH_2$, which lowers to 1.5 $kgCO_2e/kgH_2$ in 2030, 0.6 $kgCO_2e/kgH_2$ in 2040, and ultimately reaches 0 $kgCO_2e/kgH_2$ by 2050. These values serve as a guideline to progressively reduce the carbon footprint associated with hydrogen production and align it with future sustainability goals. (Note: These thresholds can be determined through lifecycle assessments, considering project boundaries from cradle-to-site.) • Greenhouse Gas Reporting Program (GHGRP): Companies producing green hydrogen are required to report their emissions and demonstrate compliance with emissions reduction targets.	**DNSH:** Minimize water usage and ensure proper management and conservation of water resources. Consider the use of high-efficiency measures. Consider proper practices to minimize pollution and to ensure that any waste generated is properly treated and disposed of. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.

		Transport of green hydrogen	D35.2.2; F42.2.1; H49.5.0. / 35220; 42210; 4950	- Use of pipelines to transport green hydrogen from production sites to end users. - Shipping green hydrogen via tankers or ships for long-distance transportation. - Utilization of trucks or railroads for local or regional distribution of green hydrogen.	**The activity must meet all of the following criterias:** • Greenhouse gas emissions should be minimized in transport. • The transport activity should adhere to safety regulations for secure handling. • Energy-efficient transport methods should be prioritized. • Adequate infrastructure and logistics should be ensured.		**DNSH:** • Implement measures such as minimizing water consumption, reducing air pollution, and avoiding negative impacts on biodiversity. • Provide transparent information on the origin, production methods, and carbon footprint of green hydrogen being transported, to ensure accountability and enable informed decision-making by stakeholders. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.
		Storage of green hydrogen	No dedicated NACE code in accordance with the statistical classification of economic activities established by Regulation (EC) No 1893/2006.	Construction and operation of facilities that store hydrogen. Construction of hydrogen storage facilities. Conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage.	**The activity must meet one of the following criterias:** • Construction of hydrogen storage facilities. • Conversion of existing underground gas storage facilities into storage facilities dedicated to hydrogen-storage.	In the case of storage above five tons, the activity complies with Directive 2012/18/EU. (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32012L0018).	**DNSH:** • Storage activity does not contribute to increased GHG emissions. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.

		Use of Green Hydrogen in: **a) Production of electricity and heat energy** **b) Trans-portation.** **c) Cogeneration of heat and electrical power**	D.35.3.0.; D.35.1.1.; F42.2.2./ 35300; 35110; 42220	Construction and operation of heat or electricity generation facilities or, combined heat & electricity generation facilities that produce heat/cool and/or electricity using green hydrogen	**The activity must meet all of the following criterias:** - Renewable energy source is used to produce the green hydrogen. - The technology used to utilize green hydrogen for various applications which have high efficiency.	RFNBOs need to deliver greenhouse gas emissions savings of 70 % compared to fossil fuels, which is equivalent to 3.38 kg CO_2 per kg of hydrogen in lifecycle emissions. (https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018L2001)	**DNSH:** • Conduct climate risk and vulnerability assessments, and develop adaptation measures to mitigate identified risks. • Ensure that the end-products and by-products from hydrogen production and its associated technologies can be reused or safely recycled • Limit the generation of waste and ensure any generated waste is managed according to the waste hierarchy. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects.

9.4.2. Energy efficiency

Table 2. Technical screening criteria, DNSH principles and MSS on energy efficiency

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
ENERGY EFFICIENCY	**Energy Efficiency in Industrial Facilities**	**Upgrade of industrial machinery and technology**	C.33; G.46.64; G.46.69; N.77.39/33; 46640; 46690; 77390	Adopt high-efficiency motors and drives, implement advanced process control systems, and use high-efficiency heating and cooling systems (ISO 50001 Energy Management). Industries should continuously upgrade machinery and processes to incorporate the latest energy-efficient innovations. Setting energy efficiency (EE) standards, establishment of an EE market through capacity building and awareness, and finance EE measures through various funds and financial institutions. Conducting regular energy audits and using energy management systems, as well as using energy efficiency services.	**The activity must meet the following criterion:** Investments in equipment, machinery, or technology show a measurable enhancement in energy performance, resulting in energy savings of at least 20% per unit as compared to the previous year of operation	Investments in equipment, machinery, or technology show a measurable enhancement in energy performance, resulting in energy savings of at least 20% per unit as compared to the previous year of operation	**DNSH:** • Ensure that the upgrade or installation of machinery does not lead to increased emissions, water contamination, or soil degradation, especially during equipment operation or disposal. • Ensure the project implements water-saving technologies and limits resource use, such as fossil fuels, in favor of cleaner, renewable options when possible. Additional measures for petrochemical industry • Integrate life cycle assessments (LCAs) into project planning to evaluate the environmental impacts from extraction to end-of-life, facilitating proactive mitigation strategies. • Implement advanced emission control systems to minimize volatile organic compounds (VOCs) and greenhouse gas emissions during production and processing stages • Utilize bioremediation techniques for soil and water recovery in case of spills or accidents, ensuring swift restoration of damaged areas **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Equal opportunity employment in energy efficiency projects. • Monitoring of occupational safety and health risks.

		Purchase of EE industrial machinery and technology	C.33.20; G.46.64; G.46.69; N.77.39/33200; 46640; 46690; 77390	Incentives to support high-cost energy efficiency measures and products. Tax credits or rebates can offset a portion of the cost of purchasing and installing energy-efficient equipment. Energy Savings Performance Contracts (ESPCs) allow organizations to implement energy savings improvements without upfront costs. Conducting thorough energy audits and implementing energy management systems for large industrial consumers to identify and mitigate energy waste.	**The activity must meet the following criterion:** • The highest class of energy efficiency of a product	EU energy label A, B, or products with equivalent performance under other classification schemes. [https://energy-efficient-products.ec.europa.eu/index_en] (	• Following good practices to prevent significant harm on other environmental or social aspects.
		Cogeneration Systems	D.35.30; D.35.11; F.42.22	Cogeneration of electrical or mechanical energy along with thermal energy within a single process; Expanding the use of cogeneration systems in large industrial facilities enhances energy efficiency by producing electricity and useful heat from the same energy source. This reduces the need for separate heating systems and lowers overall energy consumption. These systems should be part of a broader strategy to integrate renewable energy sources and advanced technologies into industrial operations	**The activity must meet all of the following criterias:** • Application of cogeneration and high-effective cogeneration devices. • CHP systems should be capable of operating with various types of energy, including renewable energy sources.	The intensity of greenhouse gas emissions resulting from the production of electricity and heat through a cogeneration system using renewable fossil fuels should not exceed 100 grams of CO_2 equivalent per 1 kWh	

		Modernization of Infrastructure, Electricity generation from fossil gaseous fuels	D.35.30; D.35.11; F.42.21; F.42.22; E.39.00	Upgrading electricity generation infrastructure powered by natural gas with modern technologies prevents energy losses and reduces operational costs. Modernizing existing power plants and adopting new, high-efficiency power generation plants are crucial steps. Upgrades should include the latest technologies that offer higher efficiency and lower emissions, contributing to overall energy savings. Data collection through smart meters and regular statistical reporting to the Statistics Committee are important for monitoring and improving energy efficiency. Implementing a comprehensive energy management system can help ensure sustainable energy savings by systematically managing and reducing energy consumption.	**The activity must meet all of the following criterias:** Construction and operation of high-efficiency power plants that generate electricity using natural gas.	• The life-cycle GHG emissions from the generation of electricity using fossil gaseous fuels are lower than 100 gCO2e/kWh. **For the facilities for which the construction permit is granted by 31 December 2030** • Direct GHG emissions of the activity are lower than 270g CO2e/kWh of the output energy, or annual direct GHG emissions of the activity do not exceed an average of 550kgCO2e/kW of the facility's capacity over 20 years. • The activity replaces an existing high emitting electricity generation activity that uses solid or liquid fossil fuels; • The newly installed production capacity should not exceed the capacity of the replaced facility by more than 15%.	

		Petrochemical Industry (Upstream)	B.6.1; B.6.2; B.9.1; C.19.2 /06100 ; 06200; 091; 19200	Upgrading to modern, energy-efficient technologies such as new compressors or turbines reduces energy consumption and operating costs. Implementing variable speed drives on motors optimizes energy consumption by adjusting speed based on real time requirements. Regular energy audits help pinpoint areas of energy waste, while adopting ISO 50001 covers identifying and attaining specific energy consumption targets. Introducing advanced technologies to detect and repair methane leaks, and capturing associated gas for use as feedstock, for power generation, or for flaring, minimizes emissions and allows for more efficient resource use. The application of heat exchangers to recover and reuse heat from process streams, along with advanced recovery methods—such as enhanced condensation—significantly reduces energy and material waste in field operations. Ensuring environmental safety in oil and gas production requires implementing land restoration and environmental protection measures. At the same time, efforts to enhance oil recovery efficiency by using energy-efficient equipment and methods, as well as reducing gas flaring and associated gas emissions, are also essential.	**The activity must meet one of the following criterias:** • Investments in equipment, machinery, or technology lead to measurable improvements in energy efficiency, resulting in significant savings in energy, greenhouse gas emissions, or resources per unit compared to the previous year's performance. • Investment in equipment, machinery, or technology show a measurable methane leak reduction, flared associated gas amount or utilizing associated gas (as feedstock or energy processes); or • Energy and material (both product and process input material) recovery efficiency in field operations	• A minimum of 20% reduction in energy consumption compared to the previous year. • Reduction in the Energy Use Intensity (EUI) by 20%, measured in energy consumed per unit of production. • 20% Emission intensity (ton of CO_2 per ton of product) reduction in GHG emissions for the petrochemical products. • Establishment of minimum coefficient of performance (COP) value for refrigeration process	

		Petrochemical Industry (Downstream)	B.6.1; B.6.2; B.9.1; C.19.2/06100; 06200; 091; 19200	In the downstream sector, companies modernize systems by incorporating energy-efficient compressors and turbines, while variable speed drives on motors enhance operational efficiency. Efforts to minimize gas flaring and associated emissions are bolstered by refined operational practices. Advanced refining technologies, such as hydrocracking and catalytic reforming, are deployed to optimize product yield and reduce waste. The integration of digitalization and automation transforms refining processes, elevating efficiency, and improved logistics enhance supply chain effectiveness while prioritizing environmental sustainability.	**The activity must meet one of the following criterias:** • A minimum of 20% reduction in energy consumption compared to the previous year; or; • Investment in equipment, machinery, or technology show a measurable reduction in methane flaring of associated gas and explores using associated gas as feedstock or for energy processes; or; • Reuse of energy and material (both product and process input material) (recuperation) during processing operations	• A minimum of 20% reduction in energy consumption compared to the previous year. • Reduction in the Energy Use Intensity (EUI) by 20%. • 20% Emission intensity (ton of CO_2 per ton of product) reduction in GHG emissions for the petrochemical products. • Establishment of minimum COP value for refrigeration process	
	Energy Efficiency in Buildings	**Energy efficient lighting**	G.46.47; G.47.59; F.43.21/4321; 46470; 47590	Energy-efficiency improvement in commercial, public, residential and industrial buildings through the installation of energy efficient lighting systems. Energy-efficiency improvement in commercial, public, residential, and industrial buildings through the installation of energy-efficient lighting systems. This includes implementing high-efficiency lighting solutions, such as LED or other advanced lighting technologies. Utilizing daylighting and automated lighting controls can reduce the need for artificial lighting. These systems should meet or exceed the energy performance standards set by national building codes, known as the “Minimum Energy Efficiency Standards for Buildings.” Buildings undergoing major renovations must also comply with these standards to reduce	**The activity must meet all of the following criterias:** • The highest class of energy efficiency of a product or • Significant contribution to mitigating climate change through energy efficiency, or reducing carbon emissions	• High efficiency lighting appliances rated in the highest energy efficiency class that is in the energy efficiency label (or higher classes). • Presence of daylight controls for lighting systems.	**DNSH:** Ensure energy-efficient technologies such as lighting and HVAC systems use recyclable or non-toxic materials to minimize environmental harm during installation and disposal. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Equal opportunity employment in energy efficiency projects. • Monitoring of occupational safety and health risks. • Following good practices to prevent significant harm on other environmental or social aspects.

				energy consumption. Integration of energy management systems to monitor and optimize lighting energy use in real-time.			

		Energy efficient heating/cooling systems	G.46.74; F.43.22 46740	Energy-efficiency improvement in commercial, public, residential, and industrial buildings through the installation of energy-efficient heating, ventilation, and cooling systems (HVAC). High-efficiency HVAC systems must meet or exceed national energy performance standards. Smart HVAC control systems should be incorporated to optimize energy use. The building envelope should utilize high-performance insulation materials and energy-efficient windows and doors with low U-values that meet or exceed national building code requirements. Water heating systems should include energy-efficient options such as photovoltaic solar heating systems, heat pumps, or highly efficient boilers	**The activity must meet one of the following criterias:** • The highest class of energy efficiency of a product • Energy Efficiency Ratio (EER) and/or Coefficient of Performance (COP) improvement. • Achieving at least 20% energy efficiency in a retrofitted building.	Installation of Building Management Systems (BMS); • High efficiency windows (U-value better than 0.7 W/m^{2}K) • High efficiency doors (U-value better than 1.2 W/m^{2}K) • Insulation products with low thermal conductivity (lambda lower or equal to 0.045 W/mK), external cladding with U-value at or lower than 0.5 W/m^{2}K and roofing systems with U-value at or lower than 0.3 W/m^{2}K). • High-efficiency space heating and domestic hot water systems rated in the highest energy efficiency class according to the building's energy performance certificate. • High-efficiency cooling and ventilation systems rated in the highest energy efficiency class according to the building's energy performance certificate. • Heat pumps compliant with the criteria for heat pumps defined in the energy section of the taxonomy. • Façade and roofing elements with a solar shading or solar control function, including those that support plant growth. • Energy-efficient building automation and control systems for commercial buildings. • Zoned thermostats and devices for the smart monitoring of the main electricity loads in residential buildings, as well as sensor equipment, such as motion control.	

						For the heat metering and thermostatic controls, specifically for individual homes connected to district heating systems and individual flats connected to central heating systems only: • The manufacture of low carbon technologies and their key components that result in substantial GHG emission reductions in other sectors of the economy if a demonstration of significantly higher net GHG emission reductions compared to the best performing alternative technology/ product/ solution is made, • Construction and operation of pipelines and associated infrastructure for distributing heating and cooling if the system uses at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat sources.	
		Energy efficient appliances (end user)	G.46.43; G.47.54/46430; 4754	Purchase and application of more energy-efficient end-user products, including appliances such as refrigerators, washing machines, and heaters. These products must comply with technical regulations regarding energy labeling and eco-design requirements. Incorporating advanced building automation systems that control appliances to enhance energy efficiency is recommended. Use of smart sensors and IoT (Internet of Things) devices to optimize the operation of these appliances and reduce energy consumption is also encouraged. Preference should be given to appliances	**The activity must meet the following criterion:** • The highest class of energy efficiency of a product	Household appliances (e.g. washing machines, dishwashers) rated in the top available class according to Azerbaijani Energy Efficiency Labelling	

				certified by recognized environmental standards or labels, ensuring their energy efficiency and sustainability.			
	Energy Efficiency in Agriculture	**Upgrade of agriculture machinery and technology**	G.46.61; N.77.31; C.33.12/33120; 46610; 77310	Increasing energy efficiency in agriculture is achieved through various approaches, including investments in equipment, machinery, or technology that demonstrate measurable improvements in energy performance. This includes the installation of more efficient equipment, changes in processes and management, reduction of heat losses, or the use of residual heat and pressure. By continuously transitioning to more energy-efficient machines and adopting modern technologies, it is possible to achieve higher productivity with lower energy consumption and reduced environmental impact in agriculture. Furthermore, Implementing regular energy audits helps pinpoint areas of energy waste, while adopting ISO 50001 involves setting and achieving specific energy use targets leads to more systematic energy management and results in sustainable energy saving	**The activity must meet the following criterion:** Investments in equipment, machinery, or technology enhance energy efficiency, resulting in more efficient use of energy resources compared to the previous year's performance.	Investments in equipment, machinery, or technology demonstrate measurable improvement in the energy performance of operations, resulted in energy resource savings of at least 20% as compared to the previous year of operation	**DNSH:** • Improve machinery and adopt technology while ensuring that they do not have a negative impact on soil or increase water consumption • Implement soil protection measures and water-saving technologies • Avoid technologies that disrupt habitats or contribute to deforestation. **MSS:** • Compliance with the Labor Code of the Republic of Azerbaijan. • Equal opportunity employment in energy efficiency projects. • Monitoring of occupational safety and health risks. • Following good practices to prevent significant harm on other environmental or social aspects.

		Purchase of EE agriculture machinery and technology	G.46.61; N.77.31/46610; 77310	Modernization of agricultural machinery and equipment considerably increases energy efficiency. Utilizing modern tractors and harvesters equipped with fuel-efficient engines, optimized transmission systems, and precision farming technologies minimizes fuel consumption and emissions. Energy-efficient pumps and motors for irrigation, ventilation, and other agricultural processes decrease energy consumption. Precision agriculture technologies, such as GPS-guided machinery, variable rate application, and yield monitoring, optimize input use and reduce energy wastage. These improvements reduce operational costs and contribute to environmental sustainability of agricultural operations. Energy Efficiency Service Contracts allow organizations to implement upgrades that increase energy savings without upfront costs, while incentive measures such as tax credits or rebates help cover part of the costs for purchasing and installing energy-efficient equipment.	**The activity must meet the following criterion:** • The highest class of energy efficiency of a product.	EU energy label A, B, or products with equivalent performance under other classification schemes. [https://energy-efficient-products.ec.europa.eu/index_en]	

9.4.3. Sustainable water management

Table 3. Technical screening criteria, DNSH principles and MSS on sustainable water management

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
SUSTAINABLE WATER MANAGEMENT	**Water Collection, Treatment and Distribution**	**Water storage**	E36.0.0/ 36000	Adoption of efficient collection, storage, and distribution systems. Rainwater harvesting and greywater reuse	**The activity must meet one of the following criterias:** • Implement practices that comply with national water management laws and align with Integrated Water Resources Management (IWRM) principles, ensuring holistic and sustainable resource management; or • Conduct regular assessment and management of the water footprint using ISO 14046, identifying areas for improvement in water usage efficiency; • Use advanced, energy-efficient pumps and conveyance systems to reduce energy consumption; or • Use advanced, energy-efficient systems and integration of renewable energy sources (e.g., solar, wind) for water storage and distribution, ensuring alignment with low carbon technologies.	• Follow the Principles of Global Water Partnership (GWP) Integrated Water Resources Management (IWRM) • Apply FAO's guidelines on water management (https://www.fao.org/land-water/water/water-management/en/) • Conduct regular assessment and management of the water footprint using ISO 14046, identifying areas for improvement in water usage efficiency .	**DNSH:** • Ensure minimal disruption to local ecosystems and biodiversity during construction or expansion of water storage facilities; or • Implement measures to prevent contamination of stored water, ensuring it does not harm downstream ecosystems; or • Utilize energy-efficient systems to reduce the carbon footprint of water storage and distribution processes. **MSS:** • Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment. • Child and forced labor prohibitions. • Following good practices to prevent significant harm on other environmental or social aspects.
		Water distribution	E36.0.0/ 36000	**Water Collection and Distribution:** Compliance with ISO 50001: Implementation of an energy management system in line with ISO 50001 to optimize the	**The activity must meet one of the following criterias:** • Ensure the establishment, implementation, maintenance, and improvement of an energy management system by applying ISO 50001 standards, as well as ensuring the efficient use of energy in water management.	• Ensure the leakage level calculated using the Infrastructure Leakage Index (ILI) is lower than 1.5. • Follow FAO's guidelines on water management. (https://www.fao.org/land-	**DNSH:** • Minimize water loss and ensure system longevity by reducing leakage levels, complying with ILI thresholds; or

				energy efficiency of water collection and distribution processes, including pumping and leak detection systems **Water Efficiency and Conservation:** ISO 50001 Framework : Adopting ISO 50001 standards to identify and implement energy-saving opportunities in water treatment and distribution processes, promoting resource efficiency and sustainability The ILI measures the performance of water distribution systems in terms of leakage. An ILI below 1.5 indicates highly efficient systems with minimal water loss due to leaks, ensuring both water conservation and system longevity	• Ensure the leakage level calculated using the Infrastructure Leakage Index (ILI) is lower than 1.5	water/water/water-management/en/) • Implement ISO 50001 standards to establish, implement, maintain, and improve an energy management system, ensuring efficient use of energy in water management processes.	• Reduce energy consumption in water distribution systems by implementing energy management standards; or • Ensure proper management of water distribution to avoid over-extraction from natural sources, protecting aquatic ecosystems. **MSS:** • Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment. • Child and forced labor prohibitions. • Following good practices to prevent significant harm on other environmental or social aspects.

		Water treatment facilities	E36.0.0/ 36000	Usage of membrane filtration, ultraviolet disinfection, sustainable wastewater treatment	**The activity must meet one of the following criterias:** • Compliance with national drinking water quality standards; or • Ensure all water treatment processes adhere to Azerbaijan's national standards for drinking water quality, ensuring safe and clean water for public use; or • Application of AZS 929:2023 Water Quality Standard. • Regular audits and assessments should be conducted to ensure that the energy management system is functioning effectively, with continuous improvements made to enhance energy efficiency; or • Using advanced technologies in water treatment facilities to ensure the highest quality of drinking water; or • Implement net energy consumption standards for water treatment, ensuring consumption is below 0.5 kWh per m³ of treated water; or • Ensure net energy consumption for treatment plants with a capacity of below 10,000 population equivalent (p.e.) is less than 35 kWh per population equivalent per annum; or • Ensure net energy consumption for treatment plants with a capacity of above 100,000 p.e., is less than 20 kWh per population equivalent per annum.	• Implement net energy consumption standards for water treatment, ensuring consumption is below 0.5 kWh per m³ of treated water • Ensure net energy consumption for treatment plants with a capacity of below 10,000 population equivalent (p.e.) is less than 35 kWh per population equivalent per annum. • Ensure net energy consumption for treatment plants with a capacity of above 100,000 p.e., is less than 20 kWh per population equivalent per annum • Adopt MBR technology to enhance water reuse and reduce treatment time and costs, ensuring the facility meets both local and international effluent quality standards • WHO Guidelines for drinking-water quality (https://www.who.int/publications/i/item/9789240045064) • EEA Urban Waste Water Treatment Directive (https://www.eea.europa.eu/en/datahub/datahubitem-view/6244937d-1c2c-47f5-bdf1-33ca01ff1715)	**DNSH** Prevent chemical pollution by adhering to strict standards for effluent discharge, ensuring no harm to surrounding water bodies **MSS:** • Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment. • Child and forced labor prohibitions. • Following good practices to prevent significant harm on other environmental or social aspects.

	Suyun monitoringqi	**Smart networks and early warning systems**	E36.0.0; J62.0/36000; 620	**SMART Monitoring Systems**: Installation of advanced sensors and data loggers to continuously monitor water quality, flow rates, and other critical parameters. Use of cloud-based platforms to aggregate and analyze data in real-time, providing actionable insights for water management **Early warning systems**: Deployment of meteorological and hydrological monitoring equipment to detect and forecast potential water-related disasters. Integration of warning systems with community alert mechanisms to ensure timely response to imminent threats	**The activity must meet one of the following criterias:** • Deploy SMART monitoring systems for real-time water data collection and analysis; or • Implement early warning systems for water-related disasters.	• Adhere to WMO's guidelines on hydrological and meteorological monitoring systems	**DNSH:** Implement data collection and monitoring systems that do not interfere with natural hydrological cycles or local biodiversity **MSS:** • Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment. • Child and forced labor prohibitions. • Following good practices to prevent significant harm on other environmental or social aspects.
		Water quality and/or quantity monitoring processes	E36.0.0/36000	Utilize state-of-the-art sensors and data logging systems to continuously measure various water quality parameters such as pH, turbidity, dissolved oxygen, and contaminant levels. Implement flow meters and other devices to monitor water quantity and usage patterns across different sectors. Conduct regular inspections and	**The activity must meet one of the following criterias:** • Implement monitoring processes that meet both national and international standards for water quality (e.g., ISO 24512, EPA water quality standards); or • Deployment of smart monitoring systems for continuous water quality and quantity assessment, integrated with early warning systems for potential water-related risks; or • Develop and maintain comprehensive monitoring systems to ensure sustainability and compliance with water quality and quantity standards; or	• Compliance with the EU Water Framework Directive. • Compliance with EPA Water Quality Standards.	**DNSH:** Ensure no significant disruption to local ecosystems when installing water quality and quantity monitoring devices. **MSS:** • Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment . • Child and forced labor prohibitions.

				maintenance of monitoring equipment to ensure accurate and reliable data collection. Apply ISO standards for environmental and water quality management to ensure best practices are followed. Integrate real-time data analysis tools to facilitate proactive decision-making and timely interventions.	• Conduct periodic audits and assessments to ensure the effectiveness and efficiency of water management and monitoring systems.		• Following good practices to prevent significant harm on other environmental or social aspects.
	Water management	**Irrigation**	A1.6.1; E36.0.0/ 0161; 36000	Utilizing drip irrigation, subsurface irrigation systems, sprinkler systems, and other advanced irrigation technologies that demonstrate significant improvements in water use efficiency	• **The activity must meet one of the following criterias:** • Use irrigation systems with high water use efficiency, improving water use compared to traditional systems; or • Application of ISO 46001:2019 Water Efficiency Management Systems and ISO 14046:2014 Water Footprint — Principles, Requirements and Guidelines.	Use energy-efficient irrigation systems that rank in the top 25% of energy efficiency rates for equipment available in the country • Application of ISO 46001:2019 Water Efficiency Management Systems and ISO 14046:2014 Water Footprint — Principles, Requirements and Guidelines.	**DNSH:** Avoid over-extraction of water resources, ensuring irrigation practices do not negatively affect groundwater or surface water availability. **MSS:** • Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment. • Child and forced labor prohibitions. • Following good practices to prevent significant harm on other environmental or social aspects.

		Drought and flood management	E36.0.0; F42.9.1; F42.2.1/ 36000; 42210; 42910	Create comprehensive plans that include risk mapping, emergency response strategies, and long-term mitigation measures. Deploying technologies such as satellite-based remote sensing, weather radars, and climate modeling to provide real-time data and predictive analytics. Integrate these systems with local community alert networks to ensure wide dissemination of warnings. Usage of automated weather stations, river gauges, and other monitoring equipment to collect continuous data. Analyze this data to detect trends, anomalies, and trigger alerts for potential flood or drought events.	**The activity must meet one of the following criterias:** • Comply with regulations and standards aimed at protecting public health, the environment, and maintaining ecological and hydro meteorological safety; or • Develop and implement robust drought and flood risk assessment and management plans. These plans should be regularly reviewed and updated based on new data and emerging risks; or • Adopt accurate, timely and effective weather, climate and human-centered early warning systems to adapt to the effects of climate change and respond to climate-related threat; or • Maintain continuous monitoring and data collection to track changes in weather patterns and water levels, ensuring timely updates and adjustments to management plans.	• Follow guidelines from organizations like the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP) for best practices in monitoring and managing hydro meteorological hazards. • Align with the adaptation finance needs and investment priorities outlined in the UN Environment Programme (UNEP) Adaptation Gap Report . (https://www.unep.org/resources/adaptation-gap-report-2023).	**DNSH:** Ensure that flood defenses and drought management systems do not negatively impact surrounding ecosystems and local biodiversity. **MSS:** • Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment. • Child and forced labor prohibitions; • Following good practices to prevent significant harm on other environmental or social aspects.

		Construction, operation and renovation of urban drainage facilities	E36.0.0; F42.9.1; F42.2.1	Implementation of nature-based solutions, retrofitting existing systems to improve performance and environmental impact	**The activity must meet one of the following criterias:** • Ensure energy-efficient infrastructure with advanced pumps and low-carbon technologies; • Integrate nature-based solutions for water retention and flood mitigation, such as wetlands and green spaces; • Develop flood defense infrastructure and systems to manage both floods and droughts, improving resilience.	• Adopt Sustainable Urban Drainage Systems (SuDS) by CIRIA. • UN Habitat's Guidelines for Sustainable Urban Development. •. Application of ISO 24536:2019 Service activities relating to drinking water supply, wastewater and storm water systems — Storm water management — Guidelines for storm water management in urban areas.	**DNSH:** Ensure construction does not result in significant harm to local water bodies or lead to habitat destruction. **MSS:** • Safeguarding community rights to water access and distribution. •Compliance with non-discrimination policies in project employment; • Child and forced labor prohibitions; • Following good practices to prevent significant harm on other environmental or social aspects.

10.4.4. Pollution prevention and pollution control

Table 4. Technical screening criteria, DNSH principles and MSS on Pollution prevention and control

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
Pollution prevention and control	**Air Quality**	**Prevention of air pollution in industrial areas, recycling facilities**	C19.2; C20.2; C22.2; E38.2; E38.3/19200; 20200; 222; 382; 383	• Switching to the Best Available Techniques (BATs) that will significantly reduce pollution. • Installation of advanced filtration systems to capture particulate matter. • Implementation of closed-loop systems to prevent fugitive emissions.	**The activity must meet one of the following criterias:** • Ensuring the reduction of harmful emissions, including particulate matter, nitrogen oxides (NOx), and volatile organic compounds (VOCs); • Maintaining the PM10 levels below 15 µg/m³ in annual average concentrations and the PM2.5 levels below 5 µg/m³.	• Not exceeding emission limits established by EU Industrial Emissions Directive (2010/75/EU); • Reducing the health impacts of air pollution by more than 55% through measures such as using Best Available Techniques (BAT) and other air pollution control measures (EU Action Plan "Towards Zero Pollution for Air, Water, and Soil") (https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021DC0400&from=DA); • Ensure that activities comply with WHO's air quality guidelines, maintaining PM10 levels below 15 µg/m³ and PM2.5 levels below 5 µg/m³ for annual average concentrations, to reduce the harmful health impacts associated with particulate matter (https://iris.who.int/bitstream/handle/10665/345329/9789240034228-eng.pdf?sequence=1); • Ensure compliance with obligations under the UNECE CLRTAP and its protocols, particularly the Gothenburg Protocol, to reduce industrial emissions of sulfur dioxide, nitrogen oxides, volatile organic compounds, and particulate matter (UNECE Convention on Long-Range Transboundary Air Pollution).	**DNSH:** Ensure that emission reduction technologies do not lead to other environmental harms such as increased water or soil pollution. **MSS:** • Transparent reporting on community health and safety impacts. •Implementation of community grievance mechanisms for pollution-related concerns. • Compliance with the Labor Code of the Republic of Azerbaijan. • Following good practices to prevent significant harm on other environmental or social aspects.
		Reduction of pollution from the agricultural sector	A1.6.1; A1.6.2/0161; 01620	Application of advanced agricultural practices in livestock feeding, animal housing, manure storage and spreading, as well as the use of organic fertilizers to reduce	**The activity must meet one of the following criterias:** • Implementation of precision farming techniques and adoption of integrated pest management (IPM), which must lead to substantial reductions in agricultural pollution; • Introduction / shifting to the good	•Ensure compliance with FAO's International Code of Conduct on Pesticide Management. This code emphasizes the reduction of risks throughout the entire life cycle of pesticides. Activities should promote safe pesticide use, avoidance of highly hazardous pesticides, and the adoption of Integrated Pest Management (IPM) strategies to minimize environmental and health risks (https://openknowledge.fao.org/server/api/core/bit	**DNSH:** Avoid contamination of water bodies from agricultural runoff. **MSS:** • Transparent reporting on community health and safety impacts.

				ammonia emissions from the agricultural sector.	agricultural practice for reducing ammonia emissions.	streams/66ed039d-7317-41e0-986d-c51e311dab00/content); • Adopt the abatement techniques established in UNECE Guidance document on preventing and abating ammonia emissions from agricultural sources (https://unece.org/fileadmin/DAM/env/documents/2012/EB/ECE_EB.AIR_120_ENG.pdf); • Contribute to the 50% reduction in nutrient losses and the use of chemical pesticides by 2030, and by preventing water and soil pollution from agricultural runoff. (EU Action Plan "Towards Zero Pollution for Air, Water and Soil") (https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021DC0400&from=DA).	• Implementation of community grievance mechanisms for pollution-related concerns. • Compliance with the Labor Code of the Republic of Azerbaijan. • Following good practices to prevent significant harm on other environmental or social aspects.
		Reduction of pollution from the energy sector	D35.1.1; D35.2; D35.3/35110; 352; 35300	Prioritize the development and use of cleaner energy sources such as wind, solar, hydro, and geothermal to minimize air pollutants like NOx, SOx, and particulate matter.	**The activity must meet one of the following criterias:** • 1 Prioritize investments in energy infrastructure that aligns with the 1.5°C pathway; • Ensure the activity aligns with energy efficiency standards, such as reducing net energy consumption by at least 20% compared to baseline levels in energy generation or distribution facilities, or • Reduce emissions by at least 20% in terms of NOx, SOx, and particulate matter (PM10), or • Ensure that the carbon intensity of energy produced is below 100 gCO_2/kWh, in line with global best practices, or • Achieve a minimum of 20% energy efficiency improvement in energy production or consumption, as measured by kilowatt-hours (kWh) per unit of output, or • Comply with the Stockholm Convention on Persistent Organic Pollutants (POPs) to prevent the release of harmful chemicals during energy production, or • Contribute to a 50% reduction in	• Reduce emissions by at least 20% in terms of NOx, SOx, and particulate matter (PM10); • Ensure that the carbon intensity of energy produced is below 100 gCO_2/kWh, in line with global best practices; • Achieve a minimum of 20% energy efficiency improvement in energy production or consumption, as measured by kilowatt-hours (kWh) per unit of output; • Comply with the Stockholm Convention on Persistent Organic Pollutants (POPs); • Contribute to a 50% reduction in harmful air emissions such as NOx, SOx, and PM10 by 2030, as well as the elimination of hazardous pollutants like POPs in energy production	**DNSH:** Ensure that renewable energy projects do not adversely affect local ecosystems. **MSS:** • Transparent reporting on community health and safety impacts. • Implementation of community grievance mechanisms for pollution-related concerns. • Compliance with the Labor Code of the Republic of Azerbaijan. • Following good practices to prevent significant harm on other environmental or social aspects.

					harmful air emissions such as NOx, SOx, and PM10 by 2030, and the elimination of hazardous pollutants like POPs in energy production.		
		Urban Comprehensive solution of dust pollution in urban areas	F41.1; F42.1.1; F43.1.1; F43.2.1/ 41100; 42110; 43111; 4321	• Utilize energy-efficient materials and systems in new buildings and retrofitting projects. • Develop green roofs, green walls, and urban green spaces to mitigate air pollution and provide natural barriers against dust. • Regularly water construction sites and use dust binders to minimize airborne Erect physical barriers such as fences or nets around construction sites to contain dust. • Implement dust monitoring systems to ensure compliance with air quality standards.	**The activity must meet one of the following criterias:** • Compliance with national laws and energy efficiency standards for buildings, leading to a significant reduction in energy consumption and greenhouse gas emissions; • Implementation of urban green infrastructure that enhances air quality through carbon capture and reduction in particulate matter; • Use of dust suppression techniques on construction sites that result in a substantial reduction of airborne particulate matter (e.g., maintaining PM10 levels below specified environmental thresholds); • Achieve a 50% reduction in particulate matter (PM10 and PM2.5) concentrations in urban areas, measured as an annual average compared to the baseline year; • Conduct continuous air quality monitoring to ensure compliance with a maximum of 50 µg/m³ for PM10 and 25 µg/m³ for PM2.5 in accordance with national air quality regulations.	• Achieve a 50% reduction in particulate matter (PM10 and PM2.5) concentrations in urban areas, measured as an annual average compared to the baseline year. • Conduct continuous air quality monitoring to ensure compliance with a maximum of 50 µg/m³ for PM10 and 25 µg/m³ for PM2.5 in accordance with national air quality regulations.	**DNSH:** • Ensure that the implementation of energy-efficient technologies does not result in the release of harmful substances or increase the environmental footprint of the building materials used; or • Ensure that the creation and maintenance of green infrastructure do not involve the use of harmful pesticides or practices that could damage local ecosystems; or • Ensure that dust suppression techniques do not result in water wastage or contamination of local water bodies; or • Avoid any practices that could lead to significant negative impacts on the environment, such as the over-extraction of raw materials for energy-efficient products. Avoid the use of chemical dust suppressants that could harm the environment or pose health risks to the local population. **MSS:** • Transparent reporting on community health and safety impacts. • Implementation of community grievance mechanisms for pollution-related concerns. • Compliance with the Labor Code of the Republic of Azerbaijan. • Following good practices to prevent significant harm on other environmental or social aspects.
		Soil restoration,	E39.0.0 /3900		**The activity must meet one of the following criterias:**	• Restore or remediate at least 70% of the degraded land area, measured by the reduction in	**DNSH:**

	Soil Quality	**remediation and clean up**		• Implementation of soil washing and thermal desorption for contaminated soils. • Bioremediation and phytoremediation techniques to ensure effective and sustainable soil restoration. • Compliance with ISO 18504: Soil quality - Sustainable remediation. • Planting hyper accumulator plants to extract heavy metals from soil.	• Invest in activities aimed at the restoration or remediation of degraded land areas; Achieve a reduction in soil pollutant levels (e.g., heavy metals, hydrocarbons) to levels below the national regulatory standards for safe land use; • Implement bioremediation, phytoremediation, or soil stabilization techniques to enhance soil fertility and reduce erosion, demonstrating improvement in soil structure and water retention capabilities.	soil contamination or improvement in soil health indices (e.g., organic carbon content, nutrient levels). • Achieve a reduction in soil pollutant levels (e.g., heavy metals, hydrocarbons) to levels below the national regulatory standards for safe land use. • Implement bioremediation, phytoremediation, or soil stabilization techniques to enhance soil fertility and reduce erosion, demonstrating at least a 30% improvement in soil structure and water retention capabilities.	Avoid disruption of local ecosystems during remediation activities. **MSS:** • Transparent reporting on community health and safety impacts. • Implementation of community grievance mechanisms for pollution-related concerns. • Compliance with the Labor Code of the Republic of Azerbaijan. • Following good practices to prevent significant harm on other environmental or social aspects.
		Soil Protection	E39.0.0 /3900	• Use of contour farming and terracing to prevent soil erosion. • Planting cover crops to maintain soil structure and fertility. • Application of ISO 14055-1: Environmental management - Guidelines for establishing good practices for combating land degradation and desertification	**The activity must meet one of the following criterias:** • Implementation of erosion control measures to prevent soil degradation; • Implement soil protection measures that result in a reduction of erosion compared to a baseline year, as measured by sediment loss in tons per hectare; • Increase soil organic carbon content through actions like reforestation, afforestation, and agroforestry systems; • Introduce practices that minimize soil contamination, ensuring pollutant levels (e.g., heavy metals, hydrocarbons) remain below the national environmental safety limits for agricultural or natural land use; • Maintain or improve soil structure by reducing compaction and improving water infiltration rates.	• Implement soil protection measures that result in a reduction of erosion by at least 50% compared to a baseline year, as measured by sediment loss in tons per hectare. (EU Soil Strategy and European Green Deal) • Ensure that the soil organic carbon content is increased by at least 10% over 5 years, with specific actions like reforestation, afforestation, and agroforestry systems. (EU Soil Strategy and European Green Deal) • Introduce practices that minimize soil contamination, ensuring pollutant levels (e.g., heavy metals, hydrocarbons) remain below the national environmental safety limits for agricultural or natural land use. (EU Soil Strategy and EU Environmental Regulations, Food and Agriculture Organization (FAO) Guidelines on Soil Contamination) • Maintain or improve soil structure by reducing compaction and improving water infiltration rates by at least 20%. (EU Soil Strategy and European Green Deal).	**DNSH:** Ensure that soil protection measures do not lead to reduced agricultural productivity. **MSS:** • Transparent reporting on community health and safety impacts. • Implementation of community grievance mechanisms for pollution-related concerns. • Compliance with the Labor Code of the Republic of Azerbaijan. • Following good practices to prevent significant harm on other environmental or social aspects.

9.4.5. Green transport

Table 5. Technical screening criteria, DNSH principles and MSS on Green transport

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH considerations
Green transport	**Public Transport**	**Passenger rail transport**	H.49.10/ 9100	Purchase, financing, rental, leasing and operation of passenger zero direct emissions rail transport such as electrified rail, metro, tram, trolleybus, cable cars. Upgrading rail infrastructure to reduce energy consumption and integrating regenerative braking systems. Development and extension of rail transport (urban and interurban), integrated Urban Public Transport approach combining development of mass rail transit and feeder transport modes, and intermodal facilities.	**The activity must meet one of the following criterias:** • Achievement of significant amount of energy efficiency improvement compared to status quo; • Electrification of rail lines; • Implementation of regenerative braking systems; • The trains and passenger coaches produce no direct CO_2 emissions during operation; • The trains and passenger coaches operate with zero direct CO_2 emissions on tracks equipped with the necessary infrastructure but switch to a conventional engine in areas where such infrastructure is unavailable (bimodal operation).	Achievement of significant amount of energy efficiency improvement compared to status quo.	**DNSH:** • Ensure that rail infrastructure upgrades do not negatively impact local ecosystems and communities; • Mitigate noise pollution during construction and operation. **MSS:** Providing safe working conditions for transport employees. • Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. •Following good practices to prevent significant harm on other environmental or social aspects.
		Electric and hydrogen urban, interurban and rural passenger road transport	H.49.31; H.49.39/ 49310; 4939	Purchase, financing, leasing, rental and operation of zero direct emissions land transport such as small size vehicles and buses used for the passenger carriage.. Deployment of electric buses, hydrogen fuel cell buses, and infrastructure such as charging and refueling stations.	**The activity must meet one of the following criterias:** • Vehicles must be fully electric or powered by hydrogen fuel cells; • Incorporation of smart charging infrastructure to optimize energy use.	**Euro 5 or 6** Standard defined by EU regulations or equivalent standard under different classification	**DNSH:** • Avoid adverse impacts on air quality and ensure the sustainable sourcing of raw materials for batteries; • Implement safe disposal and recycling practices for batteries. **MSS:** •Providing safe working conditions for transport employees. • Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. •Following good practices to prevent

							significant harm on other environmental or social aspects.
		Hybrid and other types of urban, interurban and rural passenger road transport	H.49.31; H.49.39/ 49310; 4939	Purchase, financing, leasing, rental and operation of low emission land transport such as small size vehicles used for the passenger carriage that meet specified technical criteria. Use of hybrid buses and other vehicles with significant reductions in fuel consumption and emissions.	**The activity must meet one of the following criterias:** Hybrid passenger vehicles should have a production date not exceeding three years and an engine volume of no more than 2500 cubic centimeters • Reduction in direct CO_2 emissions at significant amount compared to conventional vehicles; • Integration of energy-efficient technologies such as start-stop systems; • Emission standards should comply with the highest implemented Euro Standard regulations or equivalent standard.	• Direct emissions are below **50 gCO2/km**. • Euro 5 or 6 Standard defined by EU regulations or equivalent standard under different classification. • Adherence to definitions of EU Clean Vehicles Directive (https://transport.ec.europa.eu/transport-themes/clean-transport/clean-and-energy-efficient-vehicles/clean-vehicles-directive_en)	**DNSH:** • Ensure the use of hybrid technologies does not lead to increased reliance on fossil fuels; • Promote efficient use of resources. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
	Private Transport	**Human powered wheeled vehicles and wheeled devices.**	G.46.49; G.47.64; N.77.21/ 4649; 47640; 77210	Purchase, financing, renting, leasing and operation of: a. Cycles, including hand-cycles, unicycles, bicycles, tricycles, recumbents and other vehicles fitting the legal definition of cycles and their trailers; b. Platform ridables: Kick-scooters, foot bikes, swing scooters, skateboards, longboards, etc; c. Roller blades, roller skates and roller skis and other similar devices where primary purpose is to provide rolling motion of the user, as opposed to wheeled shoes that have the primary purpose of walking.	**The activity must meet the following criterion:** The propulsion of personal mobility devices comes from the physical activity of the user, from a zero-emissions motor, or a mix of zero-emissions motor and physical activity.		**DNSH:** • Ensure the use of environmentally friendly materials in manufacturing and promote safe cycling infrastructure. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Platform ridable vehicles that use electric propulsion	G.46.49; G.47.64; N.77.21/ 4649; 47640; 77210	Purchase, financing, renting, leasing and operation of electric platform scooters, balance boards, hover-boards, segways, electric skateboards, uni-wheels, and other similar devices, that cannot be	**The activity must meet one of the following criterias:** • Small electrically powered vehicles, of a platform ridable variety that are not		**DNSH:** • Mitigate the environmental impact of battery production and disposal; • Ensure safe operation and infrastructure.

				classified as cycles, mopeds or motorcycles.	classified as cycles, mopeds or motorcycles that have zero direct CO_2 emissions; • Use of lithium-ion batteries or equivalent with high energy density.		**MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Electric and hydrogen cars, light commercial vehicles and electric motorcycles/mopeds/ bicycles	G.45.11; G.45.40; G.46.49; G.47.64; N.77.11/ 4511; 45400; 4649; 46640; 77110	Purchase, financing, renting, leasing and operation of motorized transport compliant with the following: a) Electric powered mopeds, motorcycles, tricycles, quadricycles, quadrimobiles and electrically assisted cycles; b) Light Duty Vehicles powered only by electrical energy stored in energy accumulators and propelled by electric motors or via hydrogen powered engines/motors; c) Adoption of fully electric or hydrogen-powered cars, vans, motorcycles, and bicycles.	**The activity must meet one of the following criterias:** • The vehicles have zero direct CO_2 emissions. • Compliance with Euro 4, or over high emissions standards. • Incorporation of energy-efficient technologies. • For hydrogen vehicles, the hydrogen used must come from low-carbon sources, such as green hydrogen produced via electrolysis powered by renewable energy	Euro 5 or 6 Standard defined by EU regulations or equivalent standard under different classification	**DNSH:** • Promote the recycling and responsible sourcing of battery materials; • Ensure proper waste management. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Hybrid passenger cars and light commercial vehicles	G.45.11; N.77.11/ 4511; 77110	Purchase, financing, renting, leasing and operation of: Light Duty Vehicles powered by hybrid internal combustion/electric powertrains (Hybrid Electric Vehicles); Use of hybrid cars and light commercial vehicles with reduced emissions and improved fuel efficiency.	**The activity must meet one of the following criterias:** • Vehicles must be equipped with advanced BMS (battery management system) to optimize battery performance and longevity, ensuring safe and efficient operation; • Manufacturers must conduct an LCA (Life Cycle Assessment) to evaluate the environmental impact of the vehicle	• Direct emissions are below **50 gCO_2/km**. • Euro 5 or 6 Standard defined by EU regulations or equivalent standard under different classification. • For passenger cars and light commercial vehicle adaption projects, motor vehicles emissions are lower that 95gCO_2/km for cylinder capacity not exceeding 3000 cm^2.	**DNSH:** • Ensure that hybrid vehicles contribute to overall emissions reduction and do not hinder the transition to fully electric options. **MSS:** • Providing safe working conditions for

					production process, aiming for a significant reduction in the overall carbon footprint compared to traditional manufacturing practices; • Vehicles should be equipped with energy efficient systems to improve overall energy efficiency. • Hybrid passenger vehicles should have a production date not exceeding three years and an engine volume of no more than 2500 cubic centimeters		transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
	Freight and Cargo Trans-portation	**Freight rail transport**	H.49.20/ 4920	Purchase, financing, leasing, rental and operation of freight rail transport. The trains and wagons dedicated to the transport of fossil fuels or any blended fossil fuels are not eligible. Electrification of freight rail lines, use of energy-efficient locomotives, and implementation of smart logistics solutions.	**The activity must meet one of the following criterias:** • Trains and wagons have zero direct CO_2 emissions; • Electrification of freight rail lines or use of hydrogen-powered locomotives; • Implementation of energy-efficient technologies; • Adoption of digital technologies and automated systems for optimizing operations, such as smart scheduling, automated train operations, and cargo management to minimize empty runs and increase load factors.	• Zero direct emissions (tailpipe) trains. • Urban, suburban and interurban passenger land transport fleets. • Zero direct emissions land transport fleets (e.g. light rail transit, metro, tram, trolleybus, and rail)	**DNSH:** • Minimize disruptions to local communities and ecosystems during rail infrastructure development; • Manage noise and vibration impacts. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Freight road transport	G.45.19; N.77.12; H.49.41/ 45190; 4941; 77120	Deployment of electric or hydrogen-powered trucks and integration of logistics optimization technologies. Purchase, financing, leasing, rental and operation of vehicles used for the carriage of goods.	**The activity must meet one of the following criterias:** • Use of trucks and delivery vehicles powered by electricity or hydrogen; • Euro 4 or an equivalent standard under various classifications.	Tailpipe emission intensity limits for different vehicle categories are described under European Taxonomy: Passenger cars, light commercial vehicles, Category M1 and N1: • Until 31 December 2025: vehicles with tailpipe emission intensity of max 50 g CO_2/km (WLTP). This also includes zero tailpipe emission vehicles (e.g. electric, hydrogen). • From 1 January 2026 onwards: only vehicles with emission intensity of 0g CO_2/km (WLTP):	**DNSH:** • Ensure the sustainability of battery production and disposal; • Mitigate potential increases in road congestion and pollution. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public

						• Zero direct emission heavy-duty vehicles that emits less than 1g CO_2/kWh (or 1g CO_2/km for certain N2 vehicles); • Low-emission heavy-duty vehicles with specific direct CO_2 emissions of less than 50% of the reference CO_2 emissions of all vehicles in the same sub-group. For category L vehicles: • Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric).	and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
	Water Transport	**Passenger water transport**	H.50.10; H.50.30; N.77.21/ 5010; 50300; 77210	Purchase, financing, leasing, rental and operation of passenger vessels on inland, sea or coastal waters. Use of electric or hydrogen-powered ferries and boats for passenger transportation.	**The activity must meet one of the following criterias:** • Zero direct CO_2 emissions; • Hybrid and dual fuel vessels derive at least 25% of their energy from zero direct (tailpipe) CO_2 emission fuels or plug-in power for their normal operation at sea and in ports according to (https://bahr.no/newsletter/shipping-eu-taxonomy-classification-system-for-sustainable-economic-activities-approval-by-the-european-commission-on-21-april-2021) • Incorporation of advanced hull designs and lightweight materials to reduce fuel consumption; • Waste management systems onboard to reduce waste disposal in water bodies, including proper treatment of wastewater and sewage.	• Hybrid and dual fuel vessels derive at least 25% of their energy from zero direct (tailpipe) CO_2 emission fuels or plug-in power for their normal operation at sea and in ports. • International Maritime Organization (IMO) regulations and emission standards. • Guidelines for the Development of a Ship Energy Efficiency Management Plan (SEEMP) (https://wwwcdn.imo.org/localresources/en/OurWork/Environment/Documents/Air%20pollution/MEPC.346%2878%29.pdf)	**DNSH:** • Prevent water pollution and protect marine ecosystems; • Ensure proper disposal of batteries and fuel cells. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Freight water transport, vessels for port operations and auxiliary activities	H.50.20; H.50.40; N.77.34/ 5020; 5040; 77340	Purchase, financing, chartering (with or without crew) and operation of vessels designed and equipped for transport of freight on sea or coastal waters; vessels required for port operations and auxiliary activities, such as tugboats,	**The activity must meet one of the following criterias:** • zero direct CO_2 emissions; • adoption of energy-efficient propulsion technologies; • Use of shore power systems to reduce emissions during port operations; • Hybrid and dual fuel vessels derive at least 25% of their energy from zero direct (tailpipe) CO_2 emission fuels or plug-in power for their normal operation at sea	• Investment in new vessels, only vessels with efficiency corresponding to direct emissions below 95g CO_2e /pkm (including biogenic CO_2). • Other Inland waterways vessels are eligible if direct emissions are below 50 gCO_2e emissions per passenger kilometer (gCO_2e/pkm) (or 92.6 g per passenger nautical mile (gCO_2e/pnm).	**DNSH:** Avoid negative impacts on marine life and water quality. Implement sustainable practices in port operations. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of

				mooring vessels, pilot vessels, salvage vessels and icebreakers.	and in ports according to (https://bahr.no/newsletter/shipping-eu-taxonomy-classification-system-for-sustainable-economic-activities-approval-by-the-european-commission-on-21-april-2021).	• Hybrid and dual fuel vessels derive at least 25% of their energy from zero direct (tailpipe) CO_2 emission fuels or plug-in power for their normal operation at sea and in ports.	the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
	Industrial and Agri-cultural Vehicles	**Industrial and agricultural vehicles**	G.46.61; G.46.63; G.46.69/ 46610; 46630; 46690	Purchase, financing, leasing, rental and operation of agricultural vehicles and Mobile machinery (also known as NRMM: non road mobile machinery) that includes a wide range of machinery designed to perform specific operations in off-road environments, such as: agricultural machinery (e.g. sprayers, combined harvesters, forestry equipment); construction machinery (e.g. lifting and handling equipment; earthmoving machinery, mobile cranes, industrial trucks); gardening machinery (e.g. lawnmowers); municipal machinery (e.g. for street cleaning or snow removal).	**The activity must meet one of the following criterias:** • vehicles must be powered by electric or hydrogen fuel cells; • achieve a significant amount of improvement in energy efficiency compared to conventional models; • incorporation of energy recovery systems; • vehicles have zero local (direct) GHG emissions (electric); • hybrid and other types of vehicles if direct emissions are below 50 gCO2/km according to https://climate.ec.europa.eu/eu-action/transport/road-transport-reducing-co2-emissions-vehicles/co2-emission-performance-standards-cars-and-vans_en#:~:text=2025%20to%202034&text=From%202035%20onwards%2C%20the%20EU,of%20its%20registered%20new%20vehicles; • Emission standards should comply with the highest implemented Euro Standard regulations or equivalent standard; • Engines in vessels must comply with latest applicable standards.	Hybrid and other types of vehicles if direct emissions are below 50 gCO_2/km. • Vehicles comply with the latest Euro 5/6 Standard defined by EU regulations No582/2011 or equivalent standard under different classification. • SEC maximum torque - 220 g/kWh and lower. • Engines in vessels must comply with latest applicable standards (currently stage V) of Non-Road Mobile Machinery Regulation, EU Regulation No 2016/1628 or equivalent standard under different classification. • Achieve a significant amount of improvement in energy efficiency compared to conventional models.	**DNSH:** • Ensure safe handling and disposal of batteries and fuel cells; • Promote efficient resource use and minimize emissions. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
	Infrastruct ure	**Infrastructure for low carbon transport**	F.42.11; F.42.12; F.42.13; H.52.21; D.35.13; /	The construction, modernization, maintenance and operation of transport infrastructure is eligible in the following cases: 1. Infrastructure that is required for zero direct emissions transport (e.g. electric charging points, batteries or	**The activity must meet one of the following criterias:** • Development of charging stations for electric vehicles and hydrogen refueling stations; • Development of electrified railways;	New and existing trackside infrastructure and associated subsystems where there is a plan for electrification as regards line tracks, and, to the extent necessary for electric train operations, as regards sidings, or	**DNSH:** Ensure minimal environmental impact during construction and operation. Promote sustainable materials and practices.

			35130; 42110; 42120; 4213; 52210	hydrogen fueling stations); 2. Construction of railways and underground railways (electrified rai; 3. Infrastructure that is predominantly used for low-carbon transport if the vehicles that uses the infrastructure meets the technical criteria as defined in the relevant activity. Infrastructure that is dedicated to the transport of fossil fuels or blended fossil fuels is not eligible.	• Integration of smart grid technologies to optimize energy use.	where the infrastructure will be fit for use by zero tailpipe CO_2 emission trains within 10 years from the beginning of the activity: infrastructure, energy, on-board control-command and signaling, and trackside control- command and signaling subsystems	**MSS:** •. Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Infrastructure for water transport	F.42.91; H.52.22/ 42910; 52220	The construction, modernization, maintenance and operation of transport infrastructure is eligible in the following cases: 1. Infrastructure that is required for zero direct and low emissions water transport (e.g. batteries or hydrogen fueling facilities); 2. Cold Ironing/Alternative Maritime Power (AMP) system installation. Infrastructure that is dedicated to the transport of fossil fuels or blended fossil fuels is not eligible.	**The activity must meet one of the following criterias:** • Electrification of port operations and shore power systems; • Development of green logistics hubs and intermodal transport solutions.		**DNSH:** Minimize disruptions to coastal and marine environments. Ensure sustainable construction practices. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Public walking and cycling infrastructure and cycling schemes	F.42.99/ 42990	Construction, modernization, maintenance and operation of infrastructure for personal mobility, including infrastructure that is dedicated to pedestrians and bicycles, with or without electric assist.	**The activity must meet one of the following criterias:** • Construction of dedicated pedestrian and cycling paths; • Implementation of bike-sharing schemes with electric bicycles.		**DNSH** Ensure that infrastructure development does not negatively impact green spaces and biodiversity. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent

							significant harm on other environmental or social aspects.
		Bicycle parking and storage facilities and equipment	H.52.21/ 52210	Construction, installation and maintenance of private and public bicycle parking and storage facilities and equipment.	**The activity must meet one of the following criterias:** • Secure and weather-protected bicycle parking facilities; • Use of sustainable and durable materials in construction.		**DNSH** Promote the use of environmentally friendly materials and sustainable construction practices. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
	Smart Transport Systems	**Smart transport services and logistics**	H.52; G.62.0/ 52; 620	Specific hardware and software facilities and systems that improve the capability and efficiency of transportation and logistics. for example, ICT (public transport information, car-sharing schemes, etc.); Warehouse Management System (WMS), Transportation Management Systems (TMS), Enterprise Resource Planning (ERP), Port Community System (PCS). Implementation of intelligent transport systems (ITS), real-time data analytics, and mobile applications for multimodal transport.	**The activity must meet one of the following criterias:** • Implementation of intelligent transport systems (ITS) to optimize traffic flow and reduce congestion. • Use of real-time data analytics for efficient logistics and supply chain management. • Development of mobile applications for multimodal transport integration		**DNSH:** Ensure data privacy and security. Promote the use of energy-efficient technologies and infrastructure. **MSS:** • Providing safe working conditions for transport employees. •Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. •Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.

	Energy Efficiency in Trans-portation	**Energy Efficiency in Road Transportation**	H.49.3, H.49.4	Implementing stringent fuel economy standards for all vehicle types with higher fuel efficiency. Regular emissions testing for all vehicles ensures compliance with emissions standards. Enhancing existing incentive programs for purchasing low-emission vehicles, including tax credits, rebates, and reduced registration and purchase fees, can further promote cleaner vehicles. Providing subsidies to retrofit older vehicles with cleaner technologies, such as particulate filters and hybrid conversion kits, should also be considered.	**The activity must meet one of the following criteria:** Construction, modernization, maintenance and operation of motorways, streets, roads, other vehicular and pedestrian ways, surface work on streets, roads, highways, bridges or tunnels and construction of airfield runways, including the provision of architectural services, engineering services, drafting services, building inspection services and surveying and mapping services and the like as well as the performance of physical, chemical and other analytical testing of all types of materials and products, and excludes the installation of street lighting and electrical signals	Tailpipe emission intensity limits for different vehicle categories are described under European Taxonomy: Passenger cars, light commercial vehicles, Category M1 and N1: • Until 31 December 2025: vehicles with tailpipe emission intensity of max 50 g CO_2/km (WLTP). This also includes zero tailpipe emission vehicles (e.g. electric, hydrogen). • From 1 January 2026 onwards: only vehicles with emission intensity of 0g CO_2/km (WLTP). Heavy Duty Vehicles: N2 and N3 vehicles: • Zero direct emission heavy-duty vehicles that emits less than 1g CO2/kWh (or 1g CO_2/km for certain N2 vehicles); • Low-emission heavy-duty vehicles with specific direct CO_2 emissions of less than 50% of the reference CO_2 emissions of all vehicles in the same sub-group For category L vehicles: • Zero tailpipe emission vehicles (incl. hydrogen, fuel cell, electric) .	**DNSH:** Ensure that improvements in road, rail, air, and maritime transportation do not lead to a net increase in air pollutants. **MSS:** • Providing safe working conditions for transport employees. • Compliance with the Labor Code of the Republic of Azerbaijan for public and private transport projects. • Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
		Energy Efficiency in Rail Transportation	H.49.1, H.49.2/ 49100; 4920	Implementing energy performance of rail system through the modernization of rolling stocks. Deployment of energy-efficient railcars, and the electrification of rail lines where feasible. Systems to improve scheduling and train operations	**The activity must meet one of the following criteria:** Purchase, financing, leasing, rental and operation of freight transport on mainline rail networks as well as short line freight railroads.	Rail Fleets: • Zero direct emissions (tailpipe) trains. Urban, suburban and interurban passenger land transport fleets • Zero direct emissions land transport fleets (e.g. light rail transit, metro, tram, trolleybus, and rail)	

		Energy Efficiency in Air Transportation	N.77.35 /77350	Implementing stringent fuel economy standards for all civilian aircraft types with higher fuel efficiency. Supporting the development of infrastructure for biofuel distribution can diversify the energy sources for air transportation, and aircraft operations should incorporate a minimum percentage of Sustainable Aviation Fuel (SAF) in their fuel mix. Airports must implement energy efficiency measures in lighting, HVAC, and building systems, and promote the use of renewable energy sources for transportation infrastructure, such as solar-powered EV charging stations at airports or other infrastructures.	**The activity must meet the following criterion:** • Aircraft must meet specific fuel efficiency thresholds per passenger-kilometer, based on current best practices	New aircraft or retrofitted fleets must achieve a CO_2 emissions level lower than 90 gCO_2/pkm. • An energy efficiency gain of at least 20% compared to a baseline year is required (for aircraft). • Alignment with 1.5ºC pathway developed by ICAO • Achieving an annual 2% increase in fuel efficiency and carbon-neutral growth target set by ICAO since 2020. (https://www.icao.int/environmental-protection/Documents/EnvironmentalReports/2022/ENVReport2022_Special%20Supplement%20on%20LTAG.pdf) •Increase the share of sustainable aviation fuels (SAFs) to at least 10% of total fuel consumption by 2030, with a target of 50% by 2050 (https://ec.europa.eu/commission/presscorner/detail/en/IP_21_3686).	
		Energy Efficiency in Maritime Transportation	H.50.20 ; H.50.40 ; N.77.34 /5020; 5040; 77340	Implementing stringent fuel economy standards for all civilian maritime crafts with higher fuel efficiency encourages manufacturers to produce more energy efficient maritime transportation vehicles. Maritime crafts must meet or exceed specific fuel efficiency thresholds, such as liters per passenger-kilometer, or based on current best practices and comply with the latest IMO emissions standards. Supporting the development of infrastructure for alternative fuel distribution can diversify the energy sources for maritime transportation. Maritime operations should incorporate a minimum percentage of biofuels in	**The activity must meet the following criterion:** • Maritime crafts must meet specific fuel efficiency thresholds.	Use of low GHG fuel (e.g. hydrogen, ammonia, electric, high % of biofuel), delivering required emissions intensity thresholds gCO_2e/tonne/km by Climate Bonds Initiative (https://www.climatebonds.net/standard/shipping)	

				their fuel mix or use alternative fuels such as ammonia and methanol. Port infrastructures must implement energy efficiency measures in lighting, HVAC, and building systems, and promote the use of renewable energy sources for maritime transportation infrastructure, such as solar-powered EV charging stations at ports.			

9.4.6. Sustainable agriculture, farming and aquaculture

Table 6. Technical screening criteria, DNSH principles and MSS on Sustainable agriculture, farming and aquaculture

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
Sustainable agriculture, farming and aquaculture	**Sustainable Agriculture and Farming**	**Crop production**	A1.1.1 - A1.2.9 0111 - 01290	• Adopting energy-efficient technologies, optimizing resource use, and using fuel-efficient and low-emission machinery that simultaneously performs multiple operations (land preparation, fertilization, and seed sowing to reduce GHG emissions from farm operations. • Quantifiable targets for soil organic carbon (SOC) increase over time. • Adoption of anaerobic digestion systems for manure to produce biogas and reduce methane emissions. • Implementation of renewable energy systems (e.g., solar panels) for powering farm operations.	**The activity must meet one of the following criterias for GHG Emission Reduction:** • Implement practices to reduce greenhouse gas emissions (CO_2e) per production unit compared to last year, with baseline established through surveys, farm data, LCA, or benchmarks; or • Invest in technology or equipment to improve energy performance, resulting in significant savings in energy, greenhouse gases, or resources, ensuring third-party verification and reporting for compliance with the required standards; • Conduct mandatory energy audits via energy managers or ISO50001 standards; or • Transition to low-carbon crop techniques like agroforestry, conservation tillage, crop rotation, and organic farming; • Enhance soil health, biodiversity, and carbon sequestration through certified sustainable farming practices (e.g., regenerative agriculture, organic farming, or precision agriculture); • Use organic and bio fertilizers in operations; • Adoption and maintenance of monitoring and tracking technology for precision in agricultural operations, supporting sustainability and adaptability; • Implement agroforestry or similar practices to enhance biodiversity and carbon sequestration.	• Energy-efficient traction, irrigation, and storage (falls in top 25% of energy efficiency rates for equipment available in country) or use of only renewable energy; • Implement any practice that increases soil organic carbon or above-ground or below-ground carbon by 20% over 10 years; • FAO's Climate-Smart Agriculture (CSA) principles; • Guidelines and standards by The Centre for Sustainable Agricultural Mechanization (CSAM); • Codes of the Asian and Pacific Network for Testing of Agricultural Machinery (ANTAM); • Socio-Economic Strategy Action Plan for 2022-2026, mandating energy efficiency diagnostics in various economic sectors, including industry.	**DNSH:** • Avoid conversion of natural ecosystems (forests, grasslands) for cropland; • Ensure sustainable water use to prevent soil degradation and desertification. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. •Following good practices to prevent significant harm on other environmental or social aspects.

				• **Erosion Control:** Implementing contour farming, terracing, and the use of cover crops to significantly reduce soil erosion on sloped lands and other high-risk areas. • **Efficient Irrigation:** Utilizing drip irrigation, sprinkler systems, and other advanced irrigation technologies that demonstrate significant improvements in water use efficiency. • **Precision Agriculture:** Adoption of soil health monitoring systems to optimize fertilizer and pesticide application, reducing input wastage and minimizing runoff.	**The activity must meet one of the following criterias for Sustainable Land and Water Management:** • Implementation of erosion control measures on slopes and other vulnerable areas to prevent soil degradation and promote long-term sustainability; • Using irrigation systems that increase water use efficiency, reducing water consumption by at least 25% compared to conventional irrigation methods; • Use irrigation systems with high water use efficiency, significantly improving water use compared to traditional irrigation methods; • Application of ISO 14046:2014 Water Footprint — Principles, Requirements, and Guidelines to assess and improve water resource management; • Use precision agriculture technologies to optimize input application, reduce runoff, and enhance overall resource use efficiency compared to baseline practices. • Implement a nutrient management plan that identifies the right rate of nitrogen (N) fertilizer use for the production unit; • Ensure management of soil for net carbon sequestration through a project length of at least five years, including: 1. Reduced tillage; 2. Avoided erosion; 3. No open burning; 4. Evidence that soil carbon sequestration is likely to be achieved. • Incorporate soil conservation practices such as planting cover crops and mulching to protect soil resources and enhance soil health.	• Conduct mandatory Sustainable Soil Management assessments by applying FAO's Protocol for the Assessment of Sustainable Soil Management. (https://www.fao.org/fileadmin/user_upload//GSP/SSM/SSM_Protocol_EN_006.pdf) • Implement a nutrient management plan that: - Identifies the right source, rate, timing, and placement of fertilizer (e.g., deep urea or other subsurface placement); or - Uses fertilizer produced with energy-efficient methods (e.g., steam methane reforming (SMR), green ammonia, or processes using less than 36 gigajoules per ton of ammonia); or - Applies controlled release fertilizers or biological nitrogen fixation as the source of nitrogen inputs; or - Adopts practices that reduce or offset nitrous oxide (N_2O) emissions by 20% or - Perform agronomic practices that produce yields in the top 25% for the agroecosystem; or - Increase above-ground biomass through cover crops, agroforestry, and residue retention; or	**DNSH:** Avoid over-extraction of groundwater, leading to depletion or salinization; or • Ensure proper management of fertilizers and pesticides to prevent water pollution; or • Ensure the protection of wetlands and peatlands, with no conversion of continuously forested areas or land covering more than 0.5 hectares with trees higher than 5 meters and a canopy cover of at least 10%. **MSS:** • Ensuring workers' rights and health in agricultural sectors. •Prohibiting child and forced labor. •Promoting equal access to employment and fair wages. •Following good practices to prevent significant harm on other environmental or social aspects.

						- Apply organic matter amendments to the soil (e.g., compost); or - Implement any practice that increases soil organic carbon or above-ground or below-ground carbon by 20% over 10 years or -Sowing of cover/catch crops using a locally appropriate species mixture with at least 1 legume and reducing bare soil to the point of having a living plant coverage index of at least 75% at farm level per year.	
		Growing of bio perennial crops	A1.2 / 012	• IPM strategies include biological controls, cultural practices, and judicious use of low-risk pesticides. • Farm-level climate risk assessment and adaptation plan should identify specific risks and outline adaptive measures (e.g., crop diversification, water storage).	**The activity must meet one of the following criterias for Climate Resilience and Adaptation:** • Implement of integrated pest management (IPM) strategies that minimize pesticide use and promote sustainable pest control methods (EPA IPM Principles: https://www.epa.gov/safepestcontrol/integrated-pest-management-ipm-principles); • Develop and implement a farm-level climate risk assessment and adaptation plan to enhance resilience against climate-related risks; • Align with Azerbaijan's National Adaptation Plan (NAP) process.	• FAO's Emergency Activities: Prevention and Mitigation; (https://www.fao.org/4/X6869E/x6869e01.htm); • The Global Commission on Adaptation's recommendations.	**DNSH:** Avoid practices that exacerbate climate risks (e.g., monoculture cropping); • Ensuring sustainable water use, soil health, and biodiversity conservation; • The production of genetically modified crops not intended for scientific research, testing, or demonstration purposes is legally prohibited in the country. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. •Following good practices to prevent significant harm on other environmental or social aspects.
		Growing of bio non-perennial crops	A1.1 / 011	Production of certified organic annual crops (e.g., grains, vegetables, herbs).	**The activity must meet one of the following criterias:** • Obtain a bio certificate from accredited entities (e.g., EuroCert, Global G.A.P.); • Use renewable energy powered or resource-efficient agricultural equipment; • Apply low-carbon crop management, including regenerative agriculture and agroforestry; • Use organic and bio fertilizers; • Implement physical and biocontrol methods	• Global organic standards (e.g., IFOAM); • EU Organic Regulation.	**DNSH:** • Avoid conversion of natural ecosystems for cropland; • Ensure sustainable water use, soil health, and biodiversity conservation; • The production of genetically modified crops not intended for scientific research, testing, or demonstration purposes is legally prohibited in the country.

					for managing pests and weeds; • Adopt precision technologies to enhance agricultural predictability and resilience; • Utilize superior seeds from conventional breeding or genetic engineering; • Develop water infrastructure for Protected Agriculture, following international standards.		**MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. •Following good practices to prevent significant harm on other environmental or social aspects.
		Climate Smart-Agriculture	A1.6 / 016	Production of certified organic annual crops (e.g., grains, vegetables, herbs).	**The activity must meet one of the following criterias:** • Obtain bio certificate issued by accredited international or national entities (e.g., EuroCert, Global G.A.P.); • Implement low-carbon crop management practices such as regenerative agriculture, organic farming, or precision agriculture to reduce environmental impact; • Use organic and bio fertilizers to minimize chemical inputs; • Apply water-efficient irrigation systems that reduce water use compared to traditional methods; • Adopt integrated pest management (IPM) strategies to reduce reliance on chemical pesticides.	• Global organic standards (e.g., IFOAM); • EU Organic Regulation.	**DNSH:** • Avoid conversion of natural ecosystems for cropland; • Ensure sustainable water use, soil health, and biodiversity conservation; • The production of genetically modified crops not intended for scientific research, testing, or demonstration purposes is legally prohibited in the country. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. •Following good practices to prevent significant harm on other environmental or social aspects.
	Sustainable Animal Husbandry	**Sustainable livestock products**	A1.4 / 014	Specific targets and practices to be defined based on local conditions and national climate goals.	**The activity must meet one of the following criterias:** • Achieve at least 10% reduction of GHG emissions compared to baseline (e.g., through reduced tillage, improved manure management, or the development and application of alternative energy sources in agriculture); • Enhance water use efficiency by at least 25% compared to current practices (e.g., through the implementation of drip irrigation and rainwater harvesting); • Ensure an increase in crop yield stability	• Apply principles outlined in FAO's E-Agriculture Strategy Guide (https://www.fao.org/in-action/e-agriculture-strategy-guide/en/). • Follow FAO's Climate-Smart Agriculture (CSA) principles.	**DNSH:** Avoid practices that cause unnecessary pain or suffering to animals. **MSS:** • Ensuring workers' rights and health in agricultural sectors. •Prohibiting child and forced labor. •Promoting equal access to employment and fair wages. •Following good practices to prevent

					during extreme weather events (e.g., through the use of drought-tolerant crops and the establishment of early warning systems, with a goal to significantly reduce climate-related yield losses over five years); • Promote the widespread use of innovative smart farming technologies and improvement of irrigation and land reclamation infrastructure; • Apply precise farming solutions for high crop productivity in combination with land, water, and energy-saving technologies; or • Support the development of post-harvest/food processing infrastructure in the regions.		significant harm on other environmental or social aspects.
			A1.4	• Provide adequate space, clean water, nutritious feed, and veterinary care. • Ensure appropriate handling and transport to minimize stress.	**The activity must meet one of the following criterias for Animal Welfare:** • Adhere to internationally recognized animal welfare standards (e.g., OIE) for housing, feeding, health, and transport	• Follow the Good Practices for the Feed Industry, FAO Animal Production and Health Manual (https://www.fao.org/4/i1379e/i1379e00.htm)	**DNSH:** Avoid deforestation or land conversion for feed production. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. •Following good practices to prevent significant harm on other environmental or social aspects.
			A1.4	• Prioritize locally sourced feed to reduce environmental footprint of transport. Optimize feed formulations for nutrient efficiency and reduced waste. • Explore alternative protein sources (e.g., insects, algae) to reduce reliance on soy..	**The activity must meet one of the following criterias for Sustainable Feed Production:** • Reduce the environmental footprint of transport (e.g., using local feed sources, reducing transport emissions); • Apply sustainable feeding standards that lower the environmental impact compared to conventional practices.	• Follow the Good Practices for the Feed Industry, FAO Animal Production and Health Manual. (https://www.fao.org/4/i1379e/i1379e00.htm)	**DNSH:** • Avoid deforestation or land conversion for feed production; • Ensuring a sustainable supply of fish meal and fish oil for aquaculture. **MSS** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. •Following good practices to prevent significant harm on other environmental or social aspects.

			A1.4	• Anaerobic digestion for biogas production and nutrient recovery. • Composting for organic fertilizer production. • Manure separation technologies to reduce nutrient loads in runoff.	**The activity must meet one of the following criterias for Manure Management:** •. Implement at least one of the following practices where manure is stored in liquid form (anaerobic conditions); - Processing manure in bio digesters to produce energy, - Using slurry covers, - Shifting to aerobic storage or processing methods, - Adopting any practice that reduces or offsets CH_4 and N_2O emissions.	• Implement at least one of the following practices where manure is stored in liquid form (anaerobic conditions): • Processing manure in bio digesters to produce energy, • Using slurry covers, • Shifting to aerobic storage or processing methods, • Adopting any practice that reduces or offsets CH_4 and N_2O emissions by 20%; • Application of ISO 21245-1:2019 Crop Protection Equipment — Manure Spreading Systems — Part 1: Environmental Protection; • Application of ISO 21245-2:2019 Crop Protection Equipment — Manure Spreading Systems — Part 2: Safety.	**DNSH:** • Ensure proper storage and handling of manure to minimize pollution risks; • Avoid nutrient runoff which occurs when excess fertilizers or manure are applied to agricultural fields. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. • Following good practices to prevent significant harm on other environmental or social aspects.
	Sustainable textile processing and producing	**Sustainable textile production**	C13.1.0 C13.2.0/ 0310	Production of certified organic cotton, wool, silk, or other natural fibers and textiles, with traceability throughout the supply chain	**The activity must meet one of the following criterias:** • Invest in equipment, machinery, or technology that leads to measurable improvements which must be reported in energy performance, resulting in significant energy, GHG, or resource savings; • Obtain bio certificate or equivalent, ensuring the sustainable production of natural fibers and textiles • Adhere to the Global Organic Textile Standard (GOTS) for organic fiber processing and textile production; • Apply of ISO 14001:2015 Environmental Management Systems to ensure environmental compliance and sustainability in production processes.	• Obtain Fair Trade Certification; • Adhere to the OEKO-TEX Standard 100.	**DNSH:** • Minimize water and chemical use in processing. • Ensure fair labor practices and safe working conditions. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. • Following good practices to prevent significant harm on other environmental or social aspects.

	Sustainable fishery & aquaculture	**Sustainable Fishing**	A3.1/ 1310	• Adherence to science-based catch limits and quotas that prevent overfishing and maintain fish stocks at healthy levels. • Use of selective fishing gear to minimize bycatch and protect non-target species.	**The activity must meet one of the following criteria for Sustainable Harvest:** • Comply total allowable catches (TACs) set by relevant authorities.	• Apply FAO's Code of Conduct for Responsible Fisheries.	**DNHS:** Avoid exceeding fishing quotas or engaging in illegal, unreported, and unregulated (IUU) fishing. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. • Following good practices to prevent significant harm on other environmental or social aspects.
				• Use of turtle excluder devices (TEDs) in trawl fisheries. • Establishment of marine protected areas (MPAs) to conserve critical habitats. • Avoidance of destructive fishing practices (e.g., bottom trawling in sensitive areas).	**The activity must meet one of the following criterias for Ecosystem-Based Management:** • Implement practices that minimize the impact of fishing on marine habitats and ecosystems; • Adhere to the Convention on Biological Diversity (CBD) and the Ecosystem Approach to Fisheries (EAF).	• Apply the Ecosystem Approach to Fisheries (EAF) to ensure sustainable management of marine resources	**DNSH:** Minimize habitat damage and bycatch of vulnerable species. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. • Following good practices to prevent significant harm on other environmental or social aspects.
		Sustainable Aquaculture	A3.2 / 032	Production of certified organic fish or other aquatic products from aquaculture systems that minimize environmental impacts and promote animal welfare.	**The activity must meet the following criterion:** • Obtain Bio certificate or equivalent; • Apply national standards regarding sustainable aquaculture management.	• Adhere to Aquaculture Stewardship Council (ASC) standards; • Follow FAO's Technical Guidelines for Responsible Fisheries (Aquaculture).	**DNSH:** Avoid overstocking, use of harmful chemicals, and escape of farmed species into the wild. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. • Following good practices to prevent significant harm on other environmental or social aspects.

			A3.2	• Use of recirculating aquaculture systems (RAS) to reduce water use and effluent discharge. • Integrated multi-trophic aquaculture (IMTA) to utilize waste and improve nutrient cycling. • Strict biosecurity measures to prevent disease outbreaks and escape of farmed fish.	**The activity must meet the following criterion for Environmental Impact Mitigation:** • Minimize environmental impacts of aquaculture operations on water quality, benthic habitats, and wild fish populations.	• Adhere to FAO's Technical Guidelines for Responsible Fisheries (Aquaculture)	**DNSH:** • Avoid discharge of untreated wastewater into the environment. • Minimize use of antibiotics and other chemicals. **MSS:** • Ensuring workers' rights and health in agricultural sectors. • Child and forced labor prohibitions. • Promoting equal access to employment and fair wages. • Following good practices to prevent significant harm on other environmental or social aspects.
			A3.2/ 032	• Minimize the use of fishmeal and fish oil derived from wild-caught fish. • Explore alternative feed ingredients (e.g., insect meal, algae)	**The activity must meet the following criterion for Sustainable Feed Production:** • Use responsibly sourced feed ingredients that do not contribute to overfishing or habitat destruction	• Adhere to the Aquaculture Stewardship Council (ASC) standards.	**DNSH:** Avoid sourcing feed from unsustainable fisheries.

9.4.7. Biodiversity and conservation

Table 7. Technical screening criteria, DNSH principles and MSS on biodiversity and conservation

Main category	Category	Sub-category	NACE / ISIC Code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
Biodiversity conservation	**Species Conservation**	**Protection of animal species**	A1.4.9; M72.1.9 / 0240 / 0140; 72190	Conservation and management projects to conserve rare and endangered animals through research, captive breeding, habitat restoration and protection. Projects to establish and manage wildlife reserves, national parks, and other protected areas, and also activities to promote responsible wildlife tourism and community involvement in conservation efforts	**The activity must meet one of the following criterias:** • Contribute to the conservation endangered animal populations through initiatives such as research, captive breeding programs, habitat restoration, and protection; • Support the establishment and management of reserves, national parks, and other protected areas for rare and endangered animal populations; • Promote responsible tourism and community involvement in conservation efforts for rare and endangered animal populations.	• Prioritize species listed on the IUCN Red List of Threatened Species, using it as a reference to guide conservation efforts and assess the risk of extinction	**DNSH:** • Ensure that activities do not negatively impact other species or their habitats; • Avoid activities that could lead to the displacement or disruption of wildlife populations; or • Prioritize non-lethal methods for managing human-wildlife conflict. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

		Protection of plant species	A2.1; M72.1.9 / 0240/ 02100; 72190	Projects on conservation and management of endangered plants, in-situ and ex-situ conservation, research, botanical gardens, seed banks, reforestation and afforestation with native species, habitat restoration and protection, combating invasive species and illegal trade of endangered plants, public awareness and education on plant conservation. Land acquisition for purpose of protecting and conserving, forested areas for a range of ecosystem services. The purchase of equipment and cost of resources needed for the on-going maintenance and management of conservation forestry project. Setting-up and maintaining protection measures (e.g. rangers and monitoring equipment). GIS analysis, satellite data collection and data analysis.	**The activity must meet one of the following criterias:** • Contribute to in-situ and ex-situ conservation efforts; • Support research and the establishment of botanical gardens and seed banks; • Implement reforestation and afforestation projects using native species; • Engage in habitat restoration and protection; • Combat invasive species and the illegal trade of endangered plants; • Promote public awareness and education on plant conservation.	• Contribute to achieving the targets set by the Global Strategy for Plant Conservation (GSPC), which aim to halt the loss of plant diversity globally. • Obtain FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certification to ensure sustainable forest management practices.	**DNSH:** • Avoid introducing invasive plant species or using harmful pesticides and herbicides that could damage ecosystems; • Be cautious about the potential impacts of reforestation efforts on existing plant communities. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

	Ecosystem Conservation	**Establishment and management of Protected Areas**	A2.1;O8 4.1.2 / 9103/ 02100; 84120	Creation, management, and monitoring of national parks, nature reserves, wildlife sanctuaries, protected landscapes, and seascapes, as well as measures for conservation of biodiversity outside protected areas through sustainable land management, community-based conservation, and ecological restoration projects.	**The activity must meet one of the following criterias:** • Demonstrate a clear contribution to the conservation of biodiversity through the creation, management, and monitoring of national parks, nature reserves, wildlife sanctuaries, protected landscapes, and seascapes; • Contribute to ecosystem conservation outside protected areas through sustainable land management, community-based conservation, and ecological restoration projects; • Implement practices associated with a management system that ensures the levels of carbon stocks and sinks in the forest area are preserved or enhanced over the long term.	• Obtain FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certification to ensure sustainable forest management practices. • The maintenance of habitat carbon stocks and general health may be proved.	**DNSH:** • Consider the potential impacts of tourism and infrastructure development on protected areas; or • Ensure that management practices respect the rights and livelihoods of local communities. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.
		Restoration and protection of rivers, lakes, and wetlands and other water bodies	E39.0; A2.1.0; F42.9.1/ - / 02100; 3900; 42910	Projects for restoration and rehabilitation of degraded water bodies, conservation of wetlands and watersheds, water quality improvement, sustainable water management practices, promotion of eco-tourism, public awareness and education on water resources conservation and protection.	**The activity must meet one of the following criterias:** • Contribute to the restoration and rehabilitation of degraded water bodies; • Support the conservation of wetlands and watersheds; • Improve water quality through pollution reduction and prevention measures • Adopt sustainable water management practices; • Promote eco-tourism and public awareness; • Enhance education on water resources conservation and protection.	Align with the European Union Water Framework Directive (WFD), aiming to achieve good qualitative and quantitative status of water bodies.	**DNSH** • Avoid activities that could lead to water pollution or the disruption of natural water flows; • Ensure that restoration projects use ecologically sound methods and prioritize the use of native plant species. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities

							affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.
		Habitat restoration and remediation activities	A2.1.0; E39.0.0/ - / 02100; 3900	Activities related to the remediation of contaminated land, mine sites, and other degraded habitats, as well as restoration of natural habitats such as forests, grasslands, and wetlands. These projects might include soil remediation, reforestation, revegetation, and reintroduction of native species.	**The activity must meet one of the following criterias:** • Demonstrate a clear contribution to the restoration of natural habitats such as forests, grasslands, and wetlands, as well as the remediation of contaminated land, mine sites, and other degraded habitats; • Include practices such as soil remediation, reforestation, revegetation, and the reintroduction of native species; • Prioritize the use of sustainable practices and materials to ensure long-term ecological benefits.	• Contribute to the global initiative of the UN Decade on Ecosystem Restoration (2021-2030), focusing on preventing, halting, and reversing ecosystem degradation; or • Adhere to the global standards and guidelines set by IUCN's Global Ecosystem Restoration Initiative for ecosystem restoration projects.	**DNSH:** • Use remediation techniques that do not introduce new pollutants or further degrade ecosystems. • Be cautious about the potential impacts of reintroducing species on existing ecological communities. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

		Comprehensive management of sea areas and coastal zones	A3.2.1; E39.0.0/ - / 03210; 3900	Projects for integrated coastal zone management, marine protected areas, sustainable fisheries management, pollution control, and coastal habitat restoration. These projects are crucial for maintaining the health of marine ecosystems, preserving biodiversity, and ensuring the sustainable use of marine resources.	**The activity must meet one of the following criterias:** • Implement integrated coastal zone management plans, including actions such as land-use planning, regulating coastal development, and restoring degraded coastal ecosystems (e.g., mangroves, coral reefs); • Establish and manage marine protected areas (MPAs) to protect biodiversity and preserve critical habitats for marine life, ensuring that at least 10% of the coastal area is designated as a protected zone; • Adopt sustainable fisheries management practices, such as setting catch limits, using selective fishing gear to reduce bycatch, and promoting seasonal closures to allow fish stocks to recover; • Install pollution control measures, including the construction of wastewater treatment facilities, implementing runoff management, and monitoring water quality to prevent pollution from entering marine environments; • Engage in coastal habitat restoration, such as restoring seagrass beds, salt marshes, or coastal wetlands, or conducting coastal dune stabilization activities, with a target to restore at least 20% of degraded habitats over the next five years; • Monitor and track the health of marine ecosystems, using technologies like satellite imaging, drones, or water quality sensors to ensure continuous oversight of coastal and marine health.	• Implement Marine Spatial Planning (MSP) processes to ensure the efficient and sustainable use of marine and coastal areas; • Support the establishment and management of marine protected areas, as outlined in Aichi Target 11 of the Convention on Biological Diversity (CBD), promoting the sustainable management of marine ecosystems; • Align with the UNEP Regional Seas Programme, ensuring that activities promote the sustainable management of marine and coastal environments.	**DNSH:** Minimize the impacts of fishing and other extractive activities on marine ecosystems; • Avoid coastal development that could damage sensitive habitats like dunes or mangroves; • Consider the potential impacts of climate change on coastal areas.. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

	Forests	**Sustainable management of protected forests**	A2.1.0/ - / 02100	The aim of managing a protected forest is to preserve biodiversity and safeguard rare, endangered species as well as fragile ecosystems within the forest	**The activity must meet one of the following criterias:** • Comply with national legislation and policies on sustainable forest management, with a specific focus on the protection of biodiversity and ecosystem services; • Include conservation activities designated for biodiversity protection, the preservation of endangered species, and the maintenance of ecosystem services; • Include activities such as monitoring and research, habitat restoration, and the implementation of management plans that minimize human impact and promote natural regeneration.	• Obtain certification from schemes such as the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).	**DNSH:** • Strictly limit or avoid activities that could disturb sensitive habitats or endangered species in protected forests • Prioritize non-invasive research and monitoring methods. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

		Sustainable management of protected forests	A2.1.0/ - / 02100	The goal of managing a protection forest is to maintain and strengthen its protective role, specifically the regulatory ecosystem services it provides.	**The activity must meet one of the following criterias:** • Adhere to national legislation and policies on sustainable forest management, with an emphasis on the protection of forests for specific purposes such as watershed protection, soil conservation, and prevention of erosion; • Demonstrate the implementation of management practices that promote soil stability, prevent landslides, and enhance the forest's ability to provide ecosystem services; • Include activities such as afforestation, and the use of sustainable harvesting techniques where appropriate; • Incorporate practices within a management system that ensures the levels of carbon stocks and sinks in the forest area are preserved or enhanced over the long term.	• Obtain certification from schemes such as the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).	**DNSH:** Ensure that any management activities in protection forests do not compromise their primary function of protecting watersheds, preventing soil erosion, or providing other ecosystem services. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

		Sustainable management of resort and recreational forests	A2.1.0/ - / 02100	These activities could involve the development and maintenance of recreational facilities, trails, and educational programs within forests, while ensuring that these activities do not negatively impact the forest's ecological integrity.	**The activity must meet one of the following criterias:** • Develop and maintain recreational infrastructure (e.g., trails, picnic areas, campsites) in a way that minimizes environmental disturbance, ensuring the protection of sensitive ecosystems and species; • Implement eco-friendly tourism practices, such as limiting visitor numbers, using sustainable materials in construction, and promoting environmental education programs for visitors; • Rehabilitate and restore degraded areas within the forest by planting native species and removing invasive species to maintain ecological balance; • Engage local communities in the management and operation of the forest, ensuring that recreational activities provide economic benefits to surrounding areas while protecting natural resources; • Monitor and manage waste and water usage within the resort or recreational areas to minimize pollution and conserve resources.	• Comply with the Global Sustainable Tourism Council (GSTC) criteria for sustainable tourism, ensuring that tourism practices do not harm forest ecosystems.	**DNSH:** • Carefully manage tourism infrastructure to minimize impacts on the forest environment; • Educate visitors about responsible recreation practices. Monitor the ecological impacts of tourism activities. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

		Protection and tending	A2.1.0; A2.4.0/ - / 02100; 02400	Activities include forest fire prevention and suppression, pest and disease control, thinning, pruning, and other silvicultural treatments aimed at improving forest health and productivity. These activities are crucial for maintaining the resilience of forests and their ability to provide ecosystem services.	**The activity must meet one of the following criterias:** • Implement forest fire prevention and suppression measures, including the creation of firebreaks, controlled burns, and community training programs to reduce fire risks; • Carry out pest and disease control activities through monitoring, biological control methods, and selective use of pesticides to protect forest health; • Perform thinning and pruning to improve tree growth, increase forest resilience, and enhance productivity; • Apply silvicultural treatments such as enrichment planting and selective harvesting to maintain the forest's health and productivity, ensuring long-term ecological balance; • Conduct regular forest health assessments to identify and address issues impacting forest ecosystem services, including carbon sequestration, biodiversity conservation, and water regulation.	• Utilize equipment that is powered by renewable energy or ranks among the most energy-efficient in the country, as certified by local energy efficiency standards. • Adopt and maintain monitoring technology that enables the tracking of wood and non-wood forest extracts and monitors the forest's conservation status.	**DNSH:** Use pest and disease control methods that minimize harm to non-target species and the environment; • Prioritize natural forest regeneration where possible, rather than relying on artificial planting; • Avoid over-extraction of resources during thinning or pruning activities, ensuring that carbon stocks, soil integrity, and biodiversity are not compromised. **MSS:** • Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.
		Reforestation and afforestation	A2.1.0; A2.4.0 - / 02100; 02400	These activities involve planting trees in areas that have been deforested or degraded, with the aim of restoring forest cover and ecological functions. Projects might include the selection of appropriate tree species, site preparation, planting, and subsequent care to ensure the successful establishment of new forests. The use of native species and	**The activity must meet the following criterias:** • Aim to restore forest cover and ecological functions in areas that have been deforested or degraded; • Involve the selection of appropriate tree species based on ecological considerations, site preparation, planting, and subsequent care to ensure the successful establishment of new	• Utilize equipment that is powered by renewable energy or ranks among the most energy-efficient in the country, as certified by local energy efficiency standards. • Establish nurseries required for the adoption of Integrated Farm Management (IFM) practices, ensuring the use of organic and bio fertilizers/biocontrol, and that seeds and seedlings are sourced from sustainably managed areas. • Adopt and maintain monitoring technology that enables the tracking of	**DNSH:** Select tree species that are well-suited to the local climate and soil conditions • Avoid planting monocultures that could be vulnerable to pests and diseases; • Consider the potential impacts of reforestation on water resources and biodiversity. **MSS:**

				sustainable practices should be prioritized to maximize ecological benefits	forests.	forest extracts and monitors the forest's conservation status. • Obtain certification from schemes such as the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).	• Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects.

9.4.8. Circular economy and waste management

Table 8. Technical screening criteria, DNSH principles and MSS on circular economy and waste management

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
CIRCULAR ECONOMY AND WASTE MANAGEMENT	**Preparation, Collection, Handling & Storage**	**Separate collection of waste of reusable or recyclable material**	E.38.1.1/ 38110	Separate collection of reusable or recyclable material waste is a critical component of sustainable waste management. It covers processes and systems designed to efficiently segregate, store, process, and transport waste materials so they can be reused or recycled, reducing the burden on landfills and conserving natural resources. Separate collection examples are Curbside Recycling Programs, Drop-Off Recycling Centers and Public Recycling Bins. Temporary storage examples are facilities such as Material Recovery Facilities (MRFs), Warehouse Storage and machinery such as Balers and Compactors. Pre-Treatment process examples are Cleaning and Washing, Shredding Paper and Dewatering Organics. Transport examples are Collection Trucks, Rail Transport and Barge Transport. A number of improvement and development of modern technologies and infrastructure examples can be given, such as: smart bins, automated sorting systems, advanced recycling facilities and digital platforms.	**The activity must meet all of the following criterias:** • Compliance with National Laws and Legislations regarding Waste Segregation and Identification, Collection Infrastructure and Logistics, Contamination Control, Environmental and Safety Standards and Resource Efficiency and Optimization. • Collection and transportation of non-hazardous waste that is segregated at source or at an intermediate sorting facility that is intended for preparation for reuse, recycling operations or energy recovery and includes waste collection containers, transfer stations, transportation vehicles and other related infrastructure	• At least 50% of the collected non-hazardous waste, by weight, is separated at the source and processed into secondary raw materials for reuse or recycling. Material-Specific Recycling Targets: • Plastics: At least 55% of plastic packaging waste must be recycled (EU Green Deal). • Paper and Cardboard: Recycling rates should reach at least 75% by 2025 (EU Green Deal). • Glass: Targets are set at 70-80% recycling rates for glass waste. (EU Circular Economy Action Plan) • Metals: Recycling of ferrous and non-ferrous metals should be at least 70% (EU Circular Economy Action Plan).	**DNSH:** • Separate Collection of Waste of Reusable or Recyclable Material: Implement measures to minimize pollution from collection and handling processes, including reducing emissions and preventing leaks. Ensure proper separation of recyclable materials to reduce contamination and improve recycling efficiency. **MSS:** • Ensuring safe working conditions for waste management employees. •Compliance with the Labor Code of the Republic of Azerbaijan and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.

		Separate collection of waste that is going to landfill	E.38.1.1; E.38.2.1/ 38110 ; 38210	Sorting waste at the source to ensure that only non-recyclable and non-reusable materials are directed to landfills. This process maximizes recycling efforts and helps reduce the volume of waste sent to landfills. Separate collection examples are household waste bins, commercial waste segregation and community waste collection points. Temporary storage examples are transfer stations, secured storage yards and compactors equipment. Pre-treatment examples for the waste are compaction, incineration residue management and solidification/ stabilization. Transport example is waste haulage trucks A number of improvement and development of modern technologies and infrastructure examples can be given, such as: landfill gas capture systems, waste tracking systems, advanced waste compaction technology and leachate management systems	**The activity must meet all of the following criterias:** • Compliance with National Laws and Legislations regarding Waste Segregation and Identification, Collection Infrastructure and Logistics, Contamination Control, Environmental and Safety Standards and Resource Efficiency and Optimization. • Activities should include measures to prevent, control, or reduce pollution (air, water, soil) and harmful emissions. Projects must adhere to local and international environmental standards and regulations regarding emissions and pollutants.	• Reducing landfilling of recyclable materials to below 10% by 2030. (EU Circular Economy Package) • At least 80% of non-recyclable waste must be diverted from landfills by 2030. (European Union's Circular Economy Package) • Organic waste going to landfills must be reduced to less than 5% of total organic waste by 2025. (European Union's Circular Economy Package) • A minimum of 95% of the waste destined for landfill must be correctly separated at the source to ensure that only truly non-recyclable materials are sent to landfills. (European Union's Circular Economy Package)	**DNSH:** • Separate collection of waste that is going to landfill: Minimize waste sent to landfills by prioritizing waste reduction, reuse, and recycling, while ensuring collection processes minimize odor and other nuisances. Ensure transportation logistics are efficient to reduce emissions from landfill-bound waste. **MSS:** • Ensuring safe working conditions for waste management employees. • Compliance with the Labor Code of the Republic of Azerbaijan and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.
		Waste collection infrastructure	E.38.1.1/ 38110	When discussing waste collection infrastructure, the main focus is on systems and facilities that support the efficient collection, processing, and transportation of waste materials. This infrastructure plays a crucial role in proper waste management, reducing environmental impacts and promoting sustainable practices. Collection systems examples are curbside collection, door-to-door collection services, communal collection points. Storage facilities examples are transfer stations, material recovery facilities (MRFs), secure storage tards. Transportation Infrastructure examples are garbage trucks, rail systems, barge transport. Processing Technologies examples	The activity must meet all of the following criterias: • Compliance with National Laws and Legislations regarding Waste Segregation and Identification, Collection Infrastructure and Logistics, Contamination Control, Environmental and Safety Standards and Resource Efficiency and Optimization. • The project should have the potential to scale and be replicated in other regions or sectors. Scalability should include considerations for resource availability, technological adaptability, and market demand. • Activities should include	• Infrastructure must ensure at least 90% of municipal waste is collected through formal systems by 2030. • The waste collection infrastructure should support the separation of at least 50% of recyclable waste at the point of collection. • The infrastructure should facilitate the diversion of 70% of collected waste from landfills through reuse, recycling, or energy recovery. • The infrastructure must support the diversion of at least 70% of waste from landfills by 2035. (European Union's Circular Economy Package).	**DNSH:** • Waste Collection Infrastructure: Ensure waste collection systems minimize environmental impacts, including air and water pollution, and comply with environmental regulations. Waste infrastructure should be resilient and able to adapt to changes in waste volume and composition. **MSS:** • Ensuring safe working conditions for waste management employees.

				are mechanical biological treatment (MBT), anaerobic digestion, and incineration with energy recovery. Modern Technologies and Infrastructure Development examples are smart waste bins are Automated Sorting Systems, Digital Waste Management Platforms, and Renewable Energy Integration.	measures to prevent, control, or reduce pollution (air, water, soil) and harmful emissions. Projects must adhere to local and international environmental standards and regulations regarding emissions and pollutants.		• Compliance with the Labor Code of the Republic of Azerbaijan and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.
	Recycle & Reuse	**Facilities for recycling of materials**	E.38.3.2/ 38320	Recycling facilities are essential components of a sustainable waste management system. They play a crucial role in processing waste into valuable resources, reducing the need for raw materials, and minimizing environmental impact. Material recovery and sorting examples are Automated Sorting Lines, Manual Sorting Stations, Advanced Robotics. Pre-processing and preparation examples are shredding and granulating, washing systems, dewatering and drying. Recycling processes examples are plastic recycling, metal recycling, paper and cardboard recycling, glass recycling. Quality control and assurance examples are material testing, contamination checks, and certification and standards compliance. Modern technologies and infrastructure development examples are software-powered (potentially) sorting systems, energy-efficient equipment, closed-loop recycling systems, and renewable energy integration. Eligible waste types: • Municipal solid waste, including separately collected recyclable materials and bio-waste (green waste and food waste); • Non-hazardous waste;	**The activity must meet all of the following criterias:** • Projects must demonstrate a measurable reduction in greenhouse gas (GHG) emissions compared to baseline scenarios (virgin material production). • Material recovery efficiency should be in line with Best Available Technologies (BAT). • The project must incorporate strategies to minimize waste and optimize resource recovery and recycling. • Activities should include measures to prevent, control, or reduce pollution (air, water, soil) and harmful emissions. Projects must adhere to local and international environmental standards and regulations regarding emissions and pollutants. • Initiatives should be compatible with existing infrastructure or include plans for necessary upgrades. Projects must assess the technical requirements and potential challenges of integrating new technologies.	• At least 50% of the processed waste, by weight, must be converted into secondary raw materials suitable for use in production processes. • The facility must demonstrate the capability to handle at least 50% of recyclable materials coming from industrial, commercial, and municipal sources.	**DNSH:** • Recycling and Reuse: Ensure that recycling processes minimize emissions and pollution while maximizing resource recovery. Implement strict quality control measures to reduce contamination and improve the quality of recycled materials. **MSS:** • Ensuring safe working conditions for waste management employees. • Compliance with the Labor Code of the Republic of Azerbaijan and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.

			• Construction & demolition (C&D) waste; • Waste electrical and electronic equipment (WEEE) / Ewaste; • End-of-life vehicles (ELV); • Glass waste; • Paper; • Metals, plastics; • Waste tires; • Used oil; • Waste batteries and accumulators.			
	Facilities for re-use of materials monitoring processes	E.38.3.2/ 38320	Collection and inspection examples are collection drives (events), donation centers, and inspection stations. Cleaning and repair examples are electronics refurbishment, furniture restoration, and clothing cleaning and mending. Repurposing and upcycling examples are creative upcycling workshops, artisanal crafting, and DIY projects. Quality control and assurance examples are product testing, inspection protocols, and certification programs. Monitoring processes examples are data collection systems, performance metrics, and continuous improvement programs. Modern technologies and infrastructure development examples are advanced repair technologies, digital platforms for reuse, and automated sorting systems.	**The activity must meet all of the following criterias:** • Projects must demonstrate a measurable reduction in greenhouse gas (GHG) emissions compared to baseline scenarios (virgin material production). Emissions reductions can be enhanced through renewable energy deployment or energy efficiency improvements. • The project must incorporate strategies to minimize waste and optimize resource recovery and recycling. • Activities should include measures to prevent, control, or reduce pollution (air, water, soil) and harmful emissions. Projects must adhere to local and international environmental standards and regulations regarding emissions and pollutants. • Initiatives should be compatible with existing infrastructure or include plans for necessary upgrades. Projects must assess the technical requirements and potential challenges of integrating new technologies.	• Facilities must implement a system for continuous monitoring of the quantity of materials reused, ensuring at least 50% of materials processed by the facility are suitable for reuse. • Leak detection and repair (LDAR) programs must be in place to prevent any contamination of reusable materials, and leakage rates must be kept below 5% of total processed materials.	

	Wastewater Management	**Wastewater treatment facilities**	E.37.0.0/37000	Construction, extension, renewal and operation of waste water collection system and different type of treatment plants. It may include: wastewater treatment equipment; waste water treatment plants; mine and quarry water treatment; sludge treatment/incineration plants, sewage /drainage networks separating storm water from other waste water.	**The activity must meet all of the following criterias:** • Compliance with national regulations on wastewater collection infrastructure, treatment processes, contamination control, environmental safety, and resource optimization. • Projects should employ Best Available Technologies (BAT) for wastewater treatment, including physical processes, biological processes, chemical process and further treatment options. • Replacements/ upgrade projects should achieve net GHG emission reduction through centralization of wastewater treatment thus substituting previous sanitation systems with higher GHG emissions.	• Facilities must achieve a minimum of 20% energy savings in wastewater treatment operations compared to a baseline year (utilizing energy-efficient technologies such as cogeneration or renewable energy sources) • Facilities should incorporate resource recovery processes, such as biogas generation from sludge, to ensure that at least 50% of the sludge is repurposed or converted into energy. • Treated water must meet or exceed National water quality standards for effluents, which include limits for biochemical oxygen demand (BOD) and chemical oxygen demand (a reference to national standard is required where metrics are given). • Continuous monitoring for emissions to air and water must be in place, including methane leakage control in plants that process sewage sludge through anaerobic digestion.	**DNSH:** • Implement measures to control odors, leachate, and emissions from composting facilities to minimize environmental pollution. • Implement procedures to prevent contamination of compost with non-biodegradable materials or hazardous substances. • Ensure composting sites are located and managed to protect local biodiversity and prevent habitat disruption. **MSS:** • Ensuring safe working conditions for waste management employees. • Compliance with the Labor Code of the Republic of Azerbaijan and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.
		Wastewater reuse and recycling	E.37.0/37000	Reuse and recycling systems for domestic and industrial wastewater. Collection and treatment system examples are sewer networks, preliminary treatment, and biological treatment. Advanced treatment processes examples are reverse osmosis, ultrafiltration, advanced oxidation processes (AOPs). Examples of reuse applications are agricultural irrigation, industrial reuse, landscape irrigation, and potable reuse. Examples of recycling processes are nutrient recovery, biogas production, and water recycling systems. Monitoring processes examples are real-time monitoring systems, water quality testing, and performance metrics.	**The activity must meet all of the following criterias:** • Compliance with national regulations on wastewater collection infrastructure, treatment processes, contamination control, environmental safety, and resource optimization. • Projects should employ Best Available Technologies (BAT) for wastewater recycling, including physical processes, biological processes, chemical process and further treatment options	• At least 50% of treated wastewater must be reused or recycled in industrial processes, agriculture, or non-potable urban uses, reducing freshwater withdrawal by this percentage. • The reuse system must integrate energy-efficient technologies, achieving at least a 20% improvement in energy efficiency from baseline operations.	

				Modern technologies and infrastructure development examples are smart water networks, decentralized treatment systems, and hybrid treatment technologies			
	Waste to Energy	**Composting of bio-waste**	E.38.2.1/ 38210	The system accepts only organic, biodegradable waste like food scraps and yard waste, ensuring it is free from non-compostable materials. Collection and treatment systems ensure proper separation. If polluted waste is expected, proper management practices must be established. The compost is tested to meet standards for reuse, such as agricultural irrigation, and is regularly assessed for contaminants. A monitoring plan ensures compliance with regulations, and certifications are obtained to meet environmental standards.	**The activity must meet all of the following criterias:** • Compliance with national regulations on bio-waste collection, composting processes, contamination control, environmental and safety standards, and resource efficiency. • Waste should be segregated at the source, or at least not polluted to be in line with national standards. • The compost produced should be used as fertilizer, soil improver or at least capable of being rehabilitated to be used as other purposes.	• Composting must result in net GHG emissions reduction by diverting organic waste from landfills, avoiding methane emissions. • The compost produced must be used to replace synthetic fertilizers or peat, which further reduces GHG emissions associated with fertilizer production. • Bio-waste must be source segregated and collected separately to ensure high-quality composting output.	
		Landfill gas capture and utilization	E.39.0/ 3900	The landfill, or newly established landfill cell (lot) where a gas capture system is newly installed, expanded, or upgraded, circular system must be permanently closed and no longer accept biodegradable waste once a biodegradable waste is established. The captured landfill gas should be utilized effectively, such as for generating electricity or heat as biogas, upgraded to bio-methane for injection into the natural gas grid, or used as vehicle fuel or feedstock in the chemical industry. Methane emissions from the landfill, along with any leaks from the landfill gas collection and utilization facilities, must be regularly monitored and controlled through established procedures	**The activity must meet all of the following criterias:** • Compliance with national regulations on landfill management, contamination control, and environmental protection and safety standards. • If the electricity generation, heat generation or supply to national grid after upgrade from landfill gas is found to be not feasible, landfill gas should be flared instead.	• The facility must demonstrate a minimum 20% reduction in methane emissions. • The gas captured should be used for electricity generation, heat production, or be upgraded to bio-methane for injection into the gas grid or used as vehicle fuel. • The captured gas must replace the use of fossil fuels in energy generation. • Methane emissions from the landfill and any leakage from the landfill gas collection systems must be controlled by a monitoring plan, ensuring leakages remain well below a 1% threshold.	**DNSH:** • Implement technologies to capture and utilize landfill gas effectively, reducing greenhouse gas emissions and air pollution. Regularly inspect and maintain gas capture systems to prevent leaks and ensure efficient operation. Ensure landfill gas capture and utilization processes comply with relevant environmental regulations and standards. **MSS:** • Ensuring safe working conditions for waste management employees. • Compliance with the Labor Code of the Republic of Azerbaijan and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.

		Waste Incineration	E.39.0	Emission control covers compliance with pollutant limits and adherence to regulatory standards. Use of air pollution control systems allows decreasing pollutant emissions. Energy efficiency is an important parameter to maximize energy recovery and efficiency. Setting performance metrics is also essential to monitor power generation, also to monitor received waste. Waste feedstock management examples include operating an efficient waste segregation system and tracking input materials properties, such as net calorific value. Operational standards include compliance with incinerator design and process parameters aligned with use of advanced technologies.	**The activity must meet all of the following criterias:** • Compliance with national regulations on waste feedstock management, combustion processes, air emissions control, energy recovery, environmental safety standards, and ash disposal. • Metal recovery from bottom ash should be in line with Best Available Technologies (BAT). • Overall plant efficiency should be in line with Best Available Technologies (BAT).	• The waste incineration facility must achieve a net reduction in greenhouse gas (GHG) emissions, specifically ensuring the incineration process reduces reliance on fossil fuels through energy recovery from waste. • Incineration should only be considered for non-recyclable waste, and facilities must recover a minimum of 25% of the energy contained in the waste during incineration for electricity or heat generation. • Facilities must comply with national air quality standards (a reference to national standard is required where metrics are given)	**DNSH:** • Install advanced air pollution control technologies to minimize emissions of pollutants such as dioxins, furans, and particulate matter. Implement safe management and disposal practices for incineration residues, such as ash, to prevent environmental contamination. Ensure compliance with environmental and health standards include ash (bottom ash and fly ash) and residue management. **MSS:** • Ensuring safe working conditions for waste management employees. • Compliance with the Labor Code of the Republic of Azerbaijan and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.

9.4.9. Green buildings and sustainable construction

Table 9. Technical screening criteria, DNSH principles and MSS on Green buildings and sustainable construction

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
Green buildings and sustainable construction	**New Buildings**	**New Residential Buildings**	F41/ 41	Design, construction, and operation of residential buildings that meet LEED or BREEAM certification standards, implementation of energy performance certificates for residential, commercial and industrial buildings. Compliance with EPC requirements Many provisions that need to be considered and addressed during the preparation of construction projects and construction contracts are available in the Civil Code of the Republic of Azerbaijan. http://jafbase.fr/docAsie/Azerbajian/Civil_code_eng.pdf	The activity must demonstrate compliance with all relevant national laws and regulations. **The activity must meet one of the following criterias:** • LEED (Leadership in Energy and Environmental Design) certificate / usgbc.org/leed https://www.usgbc.org/leed • BREEAM certificate / https://breeam.com/ • EarthCheck certification / https://earthcheck.org/about/ • EDGE certificate / https://edgebuildings.com/certify/certification/ • Building incorporate renewable energy sources (solar, wind, geothermal) to meet a specified percentage of energy demand. • Building materials comply with specific environmental product declarations (EPDs) or certifications. • Waste management plan must be in place to minimize construction and demolition waste. • Building implement water-saving technologies (e.g., low-flow fixtures, rainwater harvesting). Green roofs or vertical gardens should be considered to enhance biodiversity. • The building provide high indoor environmental quality, ensuring adequate ventilation, natural light, and use of low-emission materials.	• U-values at least 10% lower than minimum EE requirements (maximum allowable thermal transmittance coefficient, U_{max}), based on average weighted by external area of building element. • From 2030, Net Primary Energy Demand: Residential buildings: Zones 1+2: 40 kWh/m²/yr Zone 3: 65 kWh/m²/yr Non-residential buildings: Zones 1+2: 50 kWh/m²/yr Zone 3: 70 kWh/m²/yr • A minimum level of LEED-Silver, BREEAM- Good, EDGE – Level , WELL – Silver or corresponding levels of other internationally recognized certificate. • At least 50% (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material) generated on the construction site must be prepared for re-use or sent for recycling or other material recovery, including backfilling operations that use waste to substitute other materials. • The Primary Energy Demand (PED), is at least 10 % lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures. • The building provide high indoor environmental quality, ensuring adequate ventilation, natural light,	**DNSH:** • Ensure that construction practices do not lead to significant habitat destruction or pollution; prioritize the use of non-toxic and recyclable materials. • Implement water-saving technologies and practices to minimize water consumption. • Ensure that construction practices and building materials do not harm residents' health. • Avoid projects that negatively impact local communities or disrupt existing ecosystems. **MSS:** • Compliance with health and safety regulations in construction sites. • Implementation of fair wage and labor rights protections. • Provision of community grievance mechanisms. • Following good practices to prevent significant harm on other environmental or social aspects.
		New Commercial Buildings	F41/ 41				
		New Industrial Buildings	F41; F42/ 41; 42				

						and use of low-emission materials. (details can be added according to CBAR) • Energy demand performance resulting from the construction of a building in kWh/m2/annum, is maximized (>40% lower than the Energy Used Intensity (EUI) stipulated in the latest version of SANS 10400-XA for the relevant occupancy class of the building), incorporating maximized energy demand management measures. • GBCSA Green Star Level 5 or better New Build with substantive evidence that 40% threshold has been met within the Energy category. • For commercial building larger than 2000 m^2, public building larger than 1000 m^2 and other building types (considered in aggregate for developments) larger than 5000 m^2, upon completion, the building resulting from the construction undergoes testing for air-tightness, thermal integrity and thermal management practices, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients.	

	Retrofitting Existing Buildings	**Retrofitting Existing Residential Buildings**	F41/ 41	Upgrading insulation and windows in existing residential, commercial and industrial buildings to improve energy efficiency; installing solar panels or other renewable energy systems. Installing energy-efficient HVAC systems and smart thermostats. Implementing renewable energy solutions such as rooftop solar panels or ground-source heat pumps. Upgrading irrigation systems to use drip irrigation or other water-efficient technologies. Selecting products with environmental certifications such as FSC-certified wood. Implementing green roofs and walls to manage heat and storm water runoff	The activity must demonstrate compliance with all relevant national laws and regulations. **The activity must meet one of the following criterias:** • LEED (Leadership in Energy and Environmental Design) certificate / usgbc.org/leed https://www.usgbc.org/leed • BREEAM certificate / https://breeam.com/ • EarthCheck certification / https://earthcheck.org/about/ • EDGE certificate / https://edgebuildings.com/certify/certification/ • The retrofitted building must achieve a significant amount of reduction in energy consumption compared to the baseline consumption prior to retrofitting. • The retrofitted building must incorporate water-efficient fixtures and systems to achieve a significant amount of reduction in water use compared to the baseline consumption. • Retrofitting materials comply with specific environmental product declarations (EPDs) or certifications	• The retrofitted building must achieve a significant amount of reduction in energy consumption compared to the baseline consumption prior to retrofitting. • The retrofitted building must incorporate water-efficient fixtures and systems to achieve a significant amount of reduction in water use compared to the baseline consumption. • For major renovation, ≥ 20% reduction of Primary Energy Demand (PED). • For single measures / equipment: For 2022-2024: minimum requirements set for individual components and systems; From 2025: 10% improvement over minimum requirements set for individual components and systems. • Whereafter the purchase of off-site renewable energy is undertaken to make up 100% renewables supplied to the building. • Commercial buildings larger than 2000 m^2, public building larger than 1000 m^2 and other building types (considered in aggregate for developments) larger than 5000 m^2, upon completion of the renovation, the building undergoes testing for airtightness, thermal integrity and thermal management practices, and results and performance implications are disclosed to investors and clients. • Energy performance is certified for IFC EDGE Advanced (Level 2) or GBCSA Net Zero (Carbon Level 1, modelled) or Green Star Level 5 or better certification, with substantive evidence that 40% threshold from building baseline requirement has been met, as well as improved peak	**DNSH:** • Ensure retrofitting does not compromise building safety or structural integrity; avoid use of materials that could release harmful substances. • Ensure retrofitting activities do not increase greenhouse gas emissions. • Ensure that water-saving measures do not negatively impact local water resources. • Promote the reuse and recycling of materials to minimize waste generation. • Ensure retrofitting activities do not negatively impact local biodiversity and ecosystems. **MSS:** • Compliance with health and safety regulations in construction sites. •Implementation of fair wage and labor rights protections. •Provision of community grievance mechanisms. • Following good practices to prevent significant harm on other environmental or social aspects.
		Retrofitting Existing Commercial Buildings	F41/ 41				
			F41; F42/ 41; 42				

		Retrofitting Existing Industrial Buildings				energy demand management measures. • For buildings larger than 5000 m^2, upon completion of the renovation, the building undergoes testing for airtightness, thermal integrity and thermal management practices, and results and performance implications are disclosed to investors and clients.	
	Infrastructure Development	**Green Infrastructure**	F42; 42	Using recycled or sustainably sourced materials in infrastructure projects; implementing green building techniques. Installation of permeable paving in public squares, green roofs on commercial buildings, and bio-retention areas in urban parks. Establishing urban greenways, replanting native species along riverbanks, and creating artificial wetlands. Installing LED streetlights, using energy-efficient materials for public transport stations. Designing flood defenses, elevating infrastructure in flood-prone areas, and using climate-resilient materials.	**The activity must meet one of the following criterias:** • LEED (Leadership in Energy and Environmental Design) certificate / usgbc.org/leed BREEAM certificate / breeam.com EarthCheck certification /earthcheck.org/about EDGE certificate / edgebuildings.com/certify/certification/ • Incorporation of sustainable urban drainage systems to manage storm water effectively and reduce flood risks. • Projects must include measures to restore or enhance local ecosystems and create new habitats to support biodiversity. • Incorporation of energy-efficient technologies and design practices to minimize energy consumption. • Use of construction materials must adhere to sustainability criteria, including recycled content and low environmental impact	• Incorporation of energy-efficient technologies and design practices to minimize energy consumption. • Use of construction materials must adhere to sustainability criteria, including recycled content and low environmental impact.	**DNSH:** • Avoid excessive resource use and waste generation; ensure proper waste disposal to prevent environmental contamination. • Avoid harming existing ecosystems or species. Implement measures to prevent habitat destruction and prioritize projects that enhance or restore local biodiversity. **MSS:** • Compliance with health and safety regulations in construction sites. • Implementation of fair wage and labor rights protections. • Provision of community grievance mechanisms. • Following good practices to prevent significant harm on other environmental or social aspects.

		Water Management Systems	F43.3 / 433	Installing systems to collect and reuse rainwater; implementing greywater recycling systems; using efficient irrigation methods to reduce water consumption. A new urban development project could integrate Integrated Water Resources Management (IWRM) by creating a comprehensive water management plan that includes storm water management, water conservation, and wastewater treatment. In residential developments, incorporating rain gardens and bio swales can help manage storm water runoff, reduce flooding, and improve water quality by filtering pollutants.	**The activity must meet one of the following criterias:** • Water management systems must achieve a significant amount of reduction in water consumption compared to standard practices. • Projects must incorporate an Integrated Water Resources Management approach to optimize the use and management of water resources across different sectors. • Implementation of storm water management systems that reduce runoff and enhance water quality. • Water management systems must be designed to be resilient to climate change impacts, including extreme weather events and shifting precipitation patterns	• Water management systems must achieve a significant amount of reduction in water consumption compared to standard practices. • Water management systems must be designed to be resilient to climate change impacts, including extreme weather events and shifting precipitation patterns	**DNSH**: • Ensure that water management systems do not negatively impact water quality or ecosystem health. Avoid practices that could lead to contamination of water resources. • Implement measures to prevent disruption to local ecosystems and aquatic habitats. Avoid over-extraction of water resources that could harm local flora and fauna. **MSS:** • Compliance with health and safety regulations in construction sites. • Implementation of fair wage and labor rights protections. • Provision of community grievance mechanisms. • Following good practices to prevent significant harm on other environmental or social aspects.
		Sustainable Landscaping	F43.9 / 439	Planting native species that require less water and maintenance; using soil conservation techniques to prevent erosion; employing eco-friendly methods for pesticide control. Incorporating local species such as pomegranate trees or drought-tolerant lavender can reduce water usage and maintenance needs while supporting local wildlife. Adding compost to soil in a newly landscaped park can improve soil structure and fertility, while planting ground cover helps prevent erosion.	**The activity must meet one of the following criterias:** • Significant amount of landscaping plants must be native to the region or drought-resistant species. • Landscaping projects implement water-efficient irrigation systems, such as drip irrigation or smart irrigation controllers. • Landscaping projects include measures to maintain soil health and prevent erosion. • Landscaping projects incorporate features that enhance biodiversity, such as pollinator gardens and wildlife habitats. • Use of sustainable materials for landscaping features (e.g., recycled materials for pathways) and practices (e.g., reducing lawn areas)	• Significant amount of landscaping plants must be native to the region or drought-resistant species. • Landscaping projects implement water-efficient irrigation systems, such as drip irrigation or smart irrigation controllers. • Use of sustainable materials for landscaping features (e.g., recycled materials for pathways) and practices (e.g., reducing lawn areas)	**DNSH:** • Avoid the introduction of invasive species; ensure landscaping practices do not degrade soil quality or harm local ecosystems; minimize use of chemical pesticides and fertilizers. • Ensure that irrigation practices do not lead to excessive water use or deplete local water resources. • Avoid using non-native plant species that could become invasive and disrupt local ecosystems. **MSS:** • Compliance with health and safety regulations in construction sites. • Implementation of fair wage and labor rights protections.

							• Provision of community grievance mechanisms. • Following good practices to prevent significant harm on other environmental or social aspects.

9.4.10. Green services

Table 2. Technical screening criteria, DNSH principles and MSS on green services (tourism)

Main category	Category	Sub-category	NACE code	Detailed explanation/examples	Main criteria/technical standard	Recommended additional criteria/standards	DNSH Principles and MSS
Tourism	**Consulting and Services**	**Environmental and Social Services**	M.71.20; M.74.90;M.70.22 / 70220; 7120; 74900	Advisory services related to environmental and social activities/issues, such as: environmental and social impact assessment; environmental impact monitoring and assessment; Expertise and calculation of GHG Emissions; environmental monitoring; waste management advice; land and water conservation assessment; and so on.	**The activity must meet one of the following criterias:** • The service provider must demonstrate professional expertise and relevant qualifications in environmental and social services. • Stakeholder engagement and transparent processes must be maintained, with regular updates and public disclosures. • Sustainable practices and adaptive management strategies should be employed to minimize environmental impact and promote social well-being.	• IFC Performance Standards on Environmental and Social Sustainability (https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-performance-standards-en.pdf) ~~xx~~ • Sustainability Accounting Standards Board (SASB) Standards (https://sasb.ifrs.org/)	**DNSH:** Prevent significant harm by timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. Ensure accurate reporting of greenhouse gases and promote effective mitigation strategies to prevent misinformation and environmental damage. Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • Ensuring equal access to opportunities and fair wages. • Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects. • Adherence to non-discriminatory practices in employment and consulting engagements.

		Certification and Labeling	M.71.20/ 7120	Certification and labeling of bio/organic/eco-friendly/green/low carbon/energy saving products as per national and/or international standards	**The activity must meet one of the following criterias:** • Products must have clear labeling that provides transparency about their eco-friendly attributes, including detailed information on the certification standards. • Products must demonstrate significant environmental performance improvements, such as reduced carbon emissions, energy consumption, and use of harmful chemicals	EU Ecolabel Standard. (https://environment.ec.europa.eu/topics/circular-economy/eu-ecolabel_en)	**DNSH:** • Promote fair trade and ethical labor practices in the production of certified products. • Ensure that products are free from harmful chemicals and that production processes adhere to high health and safety standards. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • Adherence to non-discriminatory practices in employment and consulting engagements. • Ensuring equal access to opportunities and fair wages. • Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.
		Services to Improve Energy Efficiency	M.71.20; M.74.90;M.70.22 / 70220; 7120; 74900	Energy saving services to energy consumers, including buildings and transportation systems. For example: a) technical consultations related to the improvement of energy indicators (energy consultations, energy simulations, project management, production of energy performance contracts, special trainings);	**The activity must meet one of the following criterias:** • Services must include measuring and analyzing the volume of energy consumed, assessing efficiency, and implementing energy efficiency measures. • Recommendations must prioritize the use of best available technologies (BAT) to maximize energy efficiency.	International Energy Agency (IEA) Guidelines.	**DNSH:** • Ensure that proposed energy-saving measures do not result in increased emissions of pollutants or other harmful environmental impacts. • Ensure that energy efficiency services are accessible to all segments of the population, including vulnerable and marginalized groups, and that they

				b) energy audits; c) energy management services; d) energy services provided by energy service companies (ESCO).	• Services must be conducted by certified professionals with recognized qualifications in energy management and auditing.		do not lead to displacement or social inequality. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • Adherence to non-discriminatory practices in employment and consulting engagements. •Ensuring equal access to opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.
		Other Green Services including R&D	M.74.90;M.72/72;74900	Green/sustainable/EE/Resource efficient products, technologies, services and consulting covering professional, scientific and technical activities related to manufacturing and production, as well as sustainable solutions.	**The activity must meet one of the following criterias:** • Projects should deliver measurable environmental benefits, such as reductions in greenhouse gas emissions, energy consumption, water use, or waste generation. • Products, technologies, and services must comply with relevant international standards and certifications for sustainability and environmental performance (e.g., ISO 14001, ISO 50001). • Green certifications, such as LEED for buildings, Cradle to Cradle for products, or Green Seal for services, to validate their sustainability credentials.	• The Science Based Targets initiative (SBTi) (https://sciencebasedtargets.org/) • OECD Sustainable Manufacturing Toolkit (https://www.oecd.org/en/topics/science-technology-and-innovation.html)	**DNSH:** • Promote the efficient use of natural resources and strive to minimize waste and emissions throughout the project lifecycle. • Ensure that projects do not result in significant pollution of air, water, or soil, and include measures to minimize and manage waste effectively. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading

							information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • Adherence to non-discriminatory practices in employment and consulting engagements. •Ensuring equal access to opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.
	Sustainable Tourism	**Products and Services that promote the Development of Eco-Tourism**	N.79/ 79	Hotels and lodges built with sustainable materials, utilizing renewable energy sources such as solar or wind power, and implementing water-saving technologies. Tour companies that offer eco-friendly transportation options (e.g., electric vehicles, bicycles), promote low-impact activities (e.g., hiking, bird watching), and support conservation projects. Initiatives that involve local communities in tourism activities, ensuring that the economic benefits are distributed fairly and that cultural heritage is preserved. Establishing and maintaining protected areas that conserve biodiversity and offer eco-tourism activities like guided wildlife tours and educational programs.	**The activity must meet one of the following criterias:** • All tourism projects must undergo an EIA to assess potential environmental impacts and ensure sustainable development practices. • Projects should demonstrate the use of sustainable resource management practices, including water and energy efficiency, waste management, and biodiversity conservation. • Projects must involve and benefit local communities, ensuring fair labor practices and promoting local culture and heritage. • Projects should minimize their carbon footprint through the use of renewable energy, sustainable transportation options, and carbon offset programs	• Accommodations and tourism services are encouraged to attain Green Key Certification, a premier standard for excellence in environmental responsibility and sustainable operations within the tourism industry. (https://www.greenkey.global/) • Global Code of Ethics for Tourism. (https://www.unwto.org/global-code-of-ethics-for-tourism) • Guidelines for Applying Protected Area Management Categories. (https://portals.iucn.org/library/sites/library/files/documents/PAG-021.pdf)	**DNSH:** • Activities must be designed to conserve and enhance biodiversity. • Projects must implement measures to prevent pollution of air, water, and soil, including proper waste management and minimizing the use of harmful chemicals. • Projects must respect the rights and traditions of local communities, avoid displacement, and ensure that tourism development does not lead to social inequalities or conflicts. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and

							human health, taking prompt action on adverse findings. **MSS:** • Adherence to non-discriminatory practices in employment and consulting engagements. •Ensuring equal access to opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and service. • Following good practices to prevent significant harm on other environmental or social aspects.
		Sustainable Tourism	I.55; I.56/ 55; 56	Provision of short-term accommodation services (e.g. cleaning, food and beverage services, parking, laundry services, swimming pools and gyms, recreational facilities, as well as conference and convention facilities, etc.).	**The activity must meet one of the following criterias:** • Sustainable tourism accommodation certificate/label issued by international or national accredited organizations; GSTC (https://www.gstcouncil.org/) • Technical screening criteria defined for the Category of Sustainable Buildings; GSTC .	• Accommodations and tourism services are encouraged to attain Green Key Certification, a premier standard for excellence in environmental responsibility and sustainable operations within the tourism industry.(https://www.greenkey.global/) • EU Ecolabel Tourist Accommodation. (https://environment.ec.europa.eu/topics/circular-economy/eu-ecolabel/eu-ecolabel-tourist-accommodation_en) • ISO 21401 (https://www.iso.org/obp/ui/#iso:std:iso:21401:ed-1: v1:en) • World Travel and Tourism Council - Hotel Sustainability Basics (https://wttc.org/Portals/0/Documents/Hotel%20Sustainability%20Basics-Toolkit.pdf?ver=2022-08-16-131107-417)	**DNSH:** • Ensure that tourism activities do not negatively impact protected areas, endangered species, or sensitive ecosystems. Accommodations should implement measures to protect and enhance local biodiversity. • Ensure fair labor practices, respect for local communities, and promotion of local culture and heritage. Involve local communities in tourism activities and ensure they benefit economically. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • practices in employment and

							consulting engagements. •Ensuring equal access to opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.
			J.5914/ 59140	Activities related to the screening of motion pictures (exhibition of motion pictures and video films in cinemas and other places intended for watching films), adaptation of organized infrastructure to the concept of sustainable buildings (efficiency of energy and water consumption, recycling of waste, limitation of emissions of gases creating a heat effect) and sustainable tourism products supporting transition initiatives	**Activities related to the screening of motion pictures must meets one of the following criterias:** • LEED (Leadership in Energy and Environmental Design) certificate (https://www.usgbc.org/leed) • BREEAM certificate (https://breeam.com/) • EarthCheck certification (https://earthcheck.org/about/)	Energy Performance of Buildings Directive. (https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)	**DNSH:** • Ensure that cinema facilities implement energy-efficient technologies and practices, such as LED lighting, energy-efficient HVAC systems, and renewable energy sources. • Implement comprehensive recycling and waste reduction programs to minimize landfill waste. • Engage local communities in the planning and operation of sustainable tourism activities to ensure that they benefit economically and culturally. Promote fair labor practices and respect local traditions and heritage. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings.

							MSS: • Adherence to non-discriminatory practices in employment and consulting engagements. •Ensuring equal access to opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.
			N.82 30/82 300	Supporting initiatives to adapt the organization of infrastructure and services to sustainable building and sustainable product concepts in the organization of congresses and professional halls (salon, trade fairs, congress, conference, exhibition and meeting venues or building management)	**Activities related to the organization of conferences and professional exhibitions must meet one of the following criterias:** • LEED (Leadership in Energy and Environmental Design) certificate (https://www.usgbc.org/leed) • BREEAM certificate (https://breeam.com/) • EarthCheck certification (https://earthcheck.org/about/)	Energy Performance of Buildings Directive (https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)	**DNSH:** • Ensure that venues use energy-efficient technologies such as LED lighting, energy-efficient HVAC systems, and renewable energy sources like solar panels. • Set up comprehensive recycling and composting programs to minimize landfill waste and promote the use of biodegradable and reusable materials. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • Adherence to non-discriminatory practices in employment and consulting engagements. •Ensuring equal access to

							opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.
			R.9004/90040	Supporting initiatives to adapt the organization of infrastructure and services to sustainable building and sustainable product concepts in the operation of theaters and concert halls (activity of concert and theater halls and other cultural institutions).	**Activities related to theaters and concert halls must meets one of the following criteria:** • LEED (Leadership in Energy and Environmental Design) certificate (https://www.usgbc.org/leed) • BREEAM certificate (https://breeam.com/) • EarthCheck certification (https://earthcheck.org/about/)	Energy Performance of Buildings Directive. (https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)	**DNSH:** • Ensure that theaters and concert halls use energy-efficient lighting (e.g., LED), HVAC systems, and renewable energy sources (e.g., solar panels). • Ensure that infrastructure and operations do not negatively impact local biodiversity and incorporate measures to enhance and protect local ecosystems. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • Adherence to non-discriminatory practices in employment and consulting engagements. •Ensuring equal access to opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.

			R.9321/93210	Activities of recreation and amusement parks classified as activities of recreation and amusement parks and organized in multi-functional, large-scale infrastructures are covered. Supporting initiatives to adapt relevant infrastructure to sustainable building concepts (energy and water consumption efficiency, waste recycling, limiting the emission of heat-generating gases), and services to sustainable product concepts	**Activities related to recreation and amusement parks must meet one of the following criteria:** • LEED (Leadership in Energy and Environmental Design) certificate (https://www.usgbc.org/leed) • BREEAM certificate (https://breeam.com/) • EarthCheck certification (https://earthcheck.org/about/)	Energy Performance of Buildings Directive. (https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en)	**DNSH:** • Ensure all infrastructure utilizes energy-efficient technologies, such as LED lighting, energy-efficient HVAC systems, and renewable energy sources like solar or wind power. • Develop comprehensive waste management programs that include recycling, composting, and the reduction of single-use plastics. • Perform timely reporting and corrective actions, ensuring negative environmental impacts are promptly addressed. • Ensure accurate GHG reporting and promote effective reduction strategies to avoid misleading information and environmental harm. • Regularly monitor key indicators to prevent harm to ecosystems and human health, taking prompt action on adverse findings. **MSS:** • Adherence to non-discriminatory practices in employment and consulting engagements. •Ensuring equal access to opportunities and fair wages. •Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.

APPENDIX A: Climate change adaptation measures

Sector	Activity	Principle 1: Increase own resilience	Principle 2: Enable others to adapt	DNSH
Renewable energy	Energy generation from renewable sources (Solar, Wind, Hydro, Bioenergy, Geothermal, and Hydrogen sources)	Reduces energy generation dependency on fossil fuels, and reliance on centralized power plants and grid, provides uninterrupted energy access during extreme weather events or grid failure	Provides stable and renewable energy to off-grid communities, reducing their vulnerability to energy shortages and future fossil fuel price fluctuations or supply problems	Avoids landscape disruption and ecosystem damage during installations
Energy efficiency	The practice of using less energy to perform the same task or produce the same output, thereby reducing energy consumption and waste outputs	Improves building resilience to temperature extremes (e.g., heatwaves, cold spells), reducing reliance on energy-intensive heating/cooling appliances, improves energy efficiency of industry and contribute to operational cost reduction	Reduces strain on the energy grid during extreme weather, freeing up resources for other sectors to invest in climate adaptation	Avoids excessive use of natural resources and minimizes waste during retrofits

Circular economy and waste management	Introducing community-based recycling centers in urban areas	Reduces the amount of waste sent to landfills, creating a more sustainable waste management system that is resilient to resource shortages	Provides accessible infrastructure for businesses and households to manage waste sustainably, promoting broader adoption of circular economy practices	Ensures waste does not create new environmental hazards (e.g., improper disposal)
Sustainable water management	Installing efficient drip irrigation systems in agricultural regions.	Increases water use efficiency, helping farmers adapt to drought conditions by ensuring crops get the necessary water with minimal waste.	Enables surrounding farms and communities to adopt sustainable water management practices, reducing the overall stress on local water resources	Ensures equitable water access without harming surrounding ecosystems
Pollution prevention and control	Implementing air quality monitoring systems near industrial zones	Improves local monitoring capacity, allowing for rapid responses to pollution spikes during extreme weather events (e.g., heatwaves)	Provides data to other sectors (e.g., healthcare, agriculture) to help them mitigate and respond to pollution-related health and environmental impacts	Avoids significant emissions or environmental harm from the installation of monitoring systems
Green transport	Developing electric bus routes in urban centers	Reduces reliance on fossil fuels and strengthens public transportation resilience to rising fuel prices and supply chain disruptions	Encourages businesses and individuals to adopt electric vehicles by demonstrating the cost savings and environmental benefits of sustainable transportation	Avoids disruption of urban ecosystems and prevents emissions from conventional transport

Sustainable agriculture	Promoting no-till farming techniques	Enhances soil resilience to erosion and improves water retention, reducing vulnerability to extreme weather events such as droughts and rains	Provides a model for other farmers to adopt sustainable agricultural practices that reduce emissions and improve climate resilience	Ensures biodiversity preservation and limits the impact on soil health
Biodiversity conservation	Designating protected areas for reforestation of native species	Restores natural ecosystems, improving resilience to floods, droughts, and other climate-related impacts	Protects biodiversity, which supports resilience in agriculture and tourism, and provides ecosystem services such as clean water and air	Avoids monoculture and prioritizes restoration of natural habitats
Green buildings and sustainable construction	Using locally sourced materials in public building projects	Increases resilience by reducing the need for long supply chains, which can be disrupted by extreme weather events or global supply issues	Demonstrates sustainable building practices that other developers can adopt, leading to widespread climate-resilient construction techniques.	Avoids excessive use of natural resources and harmful building practices
Green services	Developing eco-tourism programs focused on national parks	Promotes local community resilience by creating jobs in sustainable tourism, reducing reliance on vulnerable sectors like oil and gas.	Encourages businesses and tourists to adopt sustainable practices, preserving natural resources and reducing the environmental impact of tourism	Prevents harm to natural ecosystems and promotes long-term preservation

APPENDIX B: Minimum social safeguard measures

For each sector recommended in this taxonomy, it is essential to ensure compliance with the minimum social safeguards outlined in the following table. By adhering to these safeguards, sectors can lead the way in promoting fair labor conditions, respecting for human rights, and fostering positive community engagement. The safeguards provide a framework for responsible and equitable development, integrating environmental goals with social objectives, as per international standards, national regulations, and best practices applicable to each sector.

Sector	Criteria
Renewable energy	• Compliance with National Laws • Protection of worker health and safety during construction and operation. • Community engagement and grievance mechanisms for local populations. • Following good practices to prevent significant harm on other environmental or social aspects
Energy efficiency	• Adherence to national labor laws. • Equal opportunity employment in energy efficiency projects. • Monitoring of occupational safety and health risks. • Following good practices to prevent significant harm on other environmental or social aspects.
Circular Economy and Waste Management	• Ensuring safe working conditions for waste management employees. • Adherence to labor laws and prohibitions on forced or child labor. • Engagement with communities on waste management impacts. • Following good practices to prevent significant harm on other environmental or social aspects.

Sustainable water management	• Safeguarding community rights to water access and distribution. • Compliance with non-discrimination policies in project employment. • Child and forced labor prohibitions. • Following good practices to prevent significant harm on other environmental or social aspects
Pollution prevention and control	• Transparent reporting on community health and safety impacts. • Implementation of community grievance mechanisms for pollution-related concerns. • Adherence to local labor laws. • Following good practices to prevent significant harm on other environmental or social aspects.
Green transport	• Providing safe working conditions for transport employees. • Adherence to national labor laws for public and private transport projects. • Ensuring non-discriminatory hiring and employment practices. • Following good practices to prevent significant harm on other environmental or social aspects.
Sustainable agriculture, farming and aquaculture	• Ensuring workers' rights and health in agricultural sectors. • Prohibiting child and forced labor. • Promoting equal access to employment and fair wages. • Following good practices to prevent significant harm on other environmental or social aspects.
Biodiversity Conservation	• Engagement with local communities in conservation activities. • Ensuring non-discriminatory hiring practices. • Providing grievance mechanisms for communities affected by conservation measures. • Following good practices to prevent significant harm on other environmental or social aspects

Green Buildings and Construction	• Compliance with health and safety regulations in construction sites. • Implementation of fair wage and labor rights protections. • Provision of community grievance mechanisms. • Following good practices to prevent significant harm on other environmental or social aspects.
Green Services	• Adherence to non-discriminatory practices in employment and consulting engagements. • Ensuring equal access to opportunities and fair wages. • Transparent reporting on social and environmental impacts in financial products and services. • Following good practices to prevent significant harm on other environmental or social aspects.

10. Acronyms and abbreviations

BREEAM	Building Research Establishment Environmental Assessment Method
CBAR	Central Bank of the Republic of Azerbaijan
CO_2	Carbon Dioxide
COP	Conference Of the Parties of the UNFCCC
CSA	Climate-Smart Agriculture
DNSH	Do No Significant Harm
EIA	Environmental Impact Assessment
EU	The European Union
FAO	Food And Agriculture Organization
GHG	Greenhouse Gas
GW	Gigawatt
GWP	Global Water Partnership
HPP	Hydroelectric Power Plant
HVAC	Heating, Ventilation, And Air Conditioning
ICMA	International Capital Market Association
ICT	Information And Communications Technology
IDEER	International Energy Charter
IPM	Integrated Pest Management
ISO	International Organization for Standardization
IT	Information technologies
IUCN	International Union for Conservation of Nature
IWRM	Integrated Water Resources Management
LEED	Leadership In Energy and Environmental Design
MENR	Ministry Of Ecology and Natural Resources
MSS	Minimum Social Safeguards
Mt	Million Tons
MW	Megawatt
NACE	Statistical Classification of Economic Activities in The European Community
NAMA	Nationally Appropriate Mitigation Actions
NAP	National Adaptation Plan
ND-GAIN	Notre Dame Global Adaptation Initiative
NDC	Nationally Determined Contributions
NO_x	Nitrogen Oxide

OECD	Organization For Economic Co-Operation and Development
OJSC	Open Joint Stock Company
PM	Particulate Matter
PPP	Public Private Partnerships
PV	Photovoltaic
R&D	Research and Development
RES	Renewable Energy Sources
SDGs	Sustainable Development Goals
SFEG	Sustainable Finance Expert Group
SOCAR	State Oil Company of The Azerbaijan Republic
SO_x	Sulphur Oxide
SuDS	Sustainable Drainage Systems
TAC	Total Allowable Catch
TAP	Trans-Adriatic Pipeline
TRACECA	Transport Corridor Europe-Caucasus-Asia
TSC	Technical Screening Criteria
UN	United Nations
UNDP	United Nations Development Program
UNECE	United Nations Economic Commission for Europe
UNFCCC	United Nations Framework Convention on Climate Change
US	United States
USAID	United States Agency for International Development
US$	United States Dollar
VAT	Value-Added Tax
VOC	Volatile Organic Compound
WHO	World Health Organization