British International Investment

Guidance

In collaboration with

Akin

FMO
Entrepreneurial Development Bank

Joint Impact MODEL

European Union's Sustainable Finance Disclosure Regulation – Guidance for fund managers in emerging markets

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Report leads:
British International Investment
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British International Investment (BII)

As a Development Finance Institute (DFI), BII receives capital from the government of the United Kingdom (UK) and does not currently market funds in the European Union (EU).[1] As a result, BII is not directly subject to the Sustainable Finance Disclosure Regulation (SFDR). However, a significant proportion of fund managers that receive capital from BII need to comply with the SFDR. Given BII's environmental, social and governance (ESG) requirements as a limited partner (LP), it expects fund managers to align with much of the substance of the SFDR (if not in the specific formats prescribed by the SFDR). More broadly, BII is closely monitoring the emerging regulatory environment for ESG disclosure in the European Union (EU), the UK and other markets.

FMO

FMO is the trade name of Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V., the Dutch entrepreneurial development bank. Founded in 1970, it is a public-private partnership, with 51 per cent of its shares held by the Dutch State and 49 per cent held by commercial banks, trade unions and other members of the private sector. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a 50+ year proven track record in empowering entrepreneurs to make local economies more inclusive, productive, resilient and sustainable. FMO focuses on three sectors with high development impact: Agribusiness, Food & Water, Energy, and Financial Institutions. With a total committed portfolio of €12 billion spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally.
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Joint Impact Model (JIM)

The JIM Foundation, established in May 2022, is a non-profit organisation that manages the Joint Impact Model (JIM). The JIM is a web-based tool that enables the reporting and assessment of key impact indicators such as jobs, contribution to gross domestic product (GDP), and greenhouse (GHG) emissions related to investments of financial institutions. The JIM Foundation aims to provide the means to quantify impact aligned with industry standards, such as the SFDR, contributing to impact harmonisation for the financial sector in developing countries. The JIM is characterised by its harmonised and transparent methodology and assumptions, public availability, collaborative nature, up-to-date macroeconomic statistics, security features and user-operated style.
Visit www.jointimpactmodel.org for more information.

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Executive summary

This guidance is designed to help fund managers understand the implications of the SFDR.[2] The regulation has material implications for the private equity (PE) and venture capital (VC) industries, including for some fund managers in emerging markets.

The SFDR applies to any fund manager marketing funds in the EU.[3] For example, the SFDR would apply to an Africa-focused fund in Lagos that is marketing to LPs, including DFIs, in the EU under national private placement rules (NPPR). Given the wide-ranging and extraterritorial application of the SFDR, it is likely to drive long-term ESG standards in the global PE and VC industries.[4]

The SFDR is designed to give investors transparency about the ESG characteristics of funds, or the manager's investment process, and prevent so-called green or impact 'washing', where managers of funds claim ESG processes, characteristics or impacts that are not implemented, monitored or cannot be substantiated with data. While not a labelling regime, the SFDR sets out three disclosure standards to differentiate between the ESG characteristics of funds:

- **Article 6 funds** – A fund that does not market itself as having any ESG characteristics but may integrate the consideration of sustainability risk in its investment process.
- **Article 8 funds** – A fund that aims to support, promote or improve sustainable environmental or social characteristics, as well as investing in companies that follow good governance practices.
- **Article 9 funds** – A fund that has sustainable outcomes as an investment objective and makes sustainable investments, as well as investing in companies that follow good governance practices.

The main provisions of SFDR have been applicable since 10 March 2021, requiring managers to comply in respect of relevant funds available to investors on or after this date. Certain funds with ESG strategies closed for new investment before this date may still be subject to disclosure obligations under SFDR. For further details, please see below, *'From what date does the SFDR apply?'*.

Minimum disclosures

All applicable fund managers – including those with Article 6 funds – are required to make certain baseline disclosures on their websites. These include:

1. *Sustainability risk management* – A sustainability risk policy and an explanation of how sustainability risks are integrated into investment decisions.[5]
2. *Remuneration* – An explanation of how the fund manager's remuneration policy aligns with the consideration of sustainability risks.
3. *Principle Adverse Impacts* – An explanation of how the fund manager considers the principal adverse impacts of investment decisions on sustainability factors.[6] Fund managers with more than 500 employees must consider the principal adverse impacts of investment decisions. Fund managers with subsidiaries with more than 500 employees, on a group basis, must also consider the principal adverse impacts of investment decisions.[7] Fund managers below the applicable thresholds can choose not to consider principal adverse impacts but must disclose the decision to opt out.

For Article 8 and 9 funds, additional disclosures are required about their ESG focus and investment process, in prescribed formats. These product-specific disclosures must be made in several formats, including in pre-contractual documents (such as the fund's offering documents), on a periodic basis (for example, in the fund's annual reports) and on the fund manager's website.

Fund managers are expected to deliver objective, transparent and quantifiable ESG performance information. Fund managers are required to clearly disclose to their clients whether and how they approach, measure and track progress on sustainability and ESG, both at the firm and with respect to each fund. Fund managers whose investment processes integrate ESG in credible and thoughtful ways may benefit commercially from potentially greater fundraising traction and enhanced brand recognition, alongside the other advantages of effective ESG integration.

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Introduction

The SFDR is part of the broader European Green Deal, the EU's plan to transform its economic model to address climate change. The plan includes achieving the EU's commitments under the Paris Agreement. To enable delivery of the European Green Deal, the European Commission introduced an Action Plan on Financing Sustainable Growth in 2018. The SFDR is one of the pillars of the Action Plan.

The EU has various sustainability measures that are interrelated and at different stages of development, which creates complexity. Among others, these measures include:

1. **Environmental Taxonomy Regulation** (Taxonomy) – A standard for defining what constitutes environmental sustainability across a range of sectors. The Taxonomy interacts with the SFDR as it establishes a classification system to identify whether or not an economic activity can be considered 'environmentally sustainable' and would be of relevance to Article 8 and 9 funds that have an environmental focus. Therefore, this guidance note also explains disclosure obligations arising under the Taxonomy, where relevant.
2. **Social Taxonomy** – A comparable standard for socially sustainable activities across a range of sectors. Proposals for extending the environmentally-focused Taxonomy to include a social component (Social Taxonomy) are currently at an early stage of development, in contrast to the Taxonomy. However, a Social Taxonomy would likely impact the SFDR in the longer term.
3. **Corporate Sustainability Reporting Directive** (CSRD) – An update to the Non-Financial Reporting Directive, which will require all large and listed companies to meet sustainability reporting requirements. The CSRD came into effect on 5 January 2023, and the European Sustainability Reporting Standards (ESRS) supplementing the CSRD were adopted by the EU on 31 July 2023. Together, the CSRD and ESRS create detailed sustainability reporting requirements that apply to a number of large and listed companies and increase the scope of their sustainability reporting. Application of the regime is phased, and for some companies, the reporting periods will begin as early as 1 January 2024. Such reporting is expected to provide sustainability-related data that can inform disclosure requirements applicable to firms under the SFDR.
4. **Corporate Sustainability Due Diligence Directive** (CSDDD) – When introduced, this will create mandatory sustainability due diligence requirements applicable to large EU companies and some non-EU companies generating a high turnover in the EU. The proposals are under discussion by the EU institutions, with the aim of adopting the CSDDD during 2024.
5. **Low-Carbon Benchmark Regulation** (Regulation) – The Regulation is designed to provide investors with a tool for comparative analysis of low-carbon benchmark methodologies by obliging benchmark administrators to make disclosures regarding the methodology used to measure and reconcile ESG factors and low-carbon factors in the composition of a low-carbon benchmark.
6. **ESMA Guidelines on ESG Fund Names** – The European Securities and Markets Authority (ESMA) guidelines aim to ensure that ESG and sustainability-related terms are used appropriately in fund names. The guidelines suggest minimum thresholds for ESG-related or impact-related nomenclature, as well as specific provisions for transition-related fund names.
7. **EU Commission review of the SFDR** – The EU Commission launched a consultation on 14 September 2023 seeking views on the implementation of the SFDR. The consultation raises questions regarding the interaction of the SFDR with other parts of the EU sustainable finance framework, and whether there should be changes to the disclosure requirements, as well as seeking views on the use of Articles 8 and 9 of the SFDR as *'de facto product labels'*. The consultation indicates that the Commission is considering moving in a similar direction to the UK Financial Conduct Authority (FCA) in proposing a product labelling regime for all financial products as set out in the UK's Sustainability Disclosure Requirements (SDR) – see below.[8]

In addition, amendments to the Markets in Financial Instruments Directive (MiFID), the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive, and the Alternative Investment Fund Managers Directive (AIFMD) include specific obligations on fund managers to include sustainability risks and considerations in their risk management and conflicts and investment due diligence processes, as well as reflecting investors' sustainability preferences in investment decisions.

UK ESG disclosure rules

While the EU's regulations are the most advanced in the world, other regulators are developing broadly comparable regimes. For example, the FCA published its final rules on SDR and investment labels for fund managers, introducing ESG-linked fund labels as well as an environmental taxonomy.[9] The UK will separately consult on the application of SDR to overseas fund managers. Nonetheless, UK-based fund managers that market funds in the EU could be obliged to comply with both the SFDR and the UK's SDR. This guidance does not discuss the UK's SDR regime further.

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Application

3.1 Which entities does the SFDR apply to?

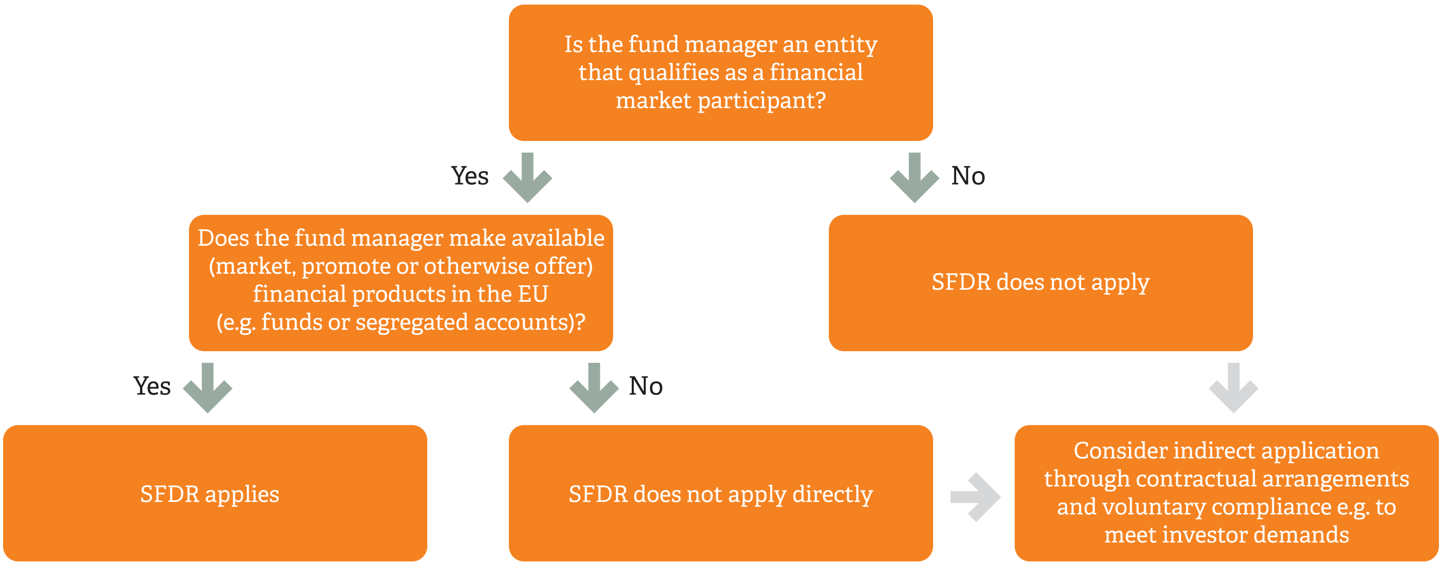
The SFDR applies to a wide range of fund managers, including those established, located, domiciled or with a registered office outside the EU. The disclosure requirements under the SFDR apply to fund managers, including alternative investment fund managers (AIFMs) and MiFID investment firms in respect of the 'financial products' they offer or distribute in the EU.[10] Fund managers are required to comply with the SFDR disclosure requirements for pooled funds, segregated accounts, fund-of-one vehicles, and other investment products under their management.

Sub-threshold AIFMs are also required to comply with the SFDR. Sub-threshold AIFMs are EU AIFMs whose aggregate assets under management, attributable to the Alternative Investment Funds (AIFs) they manage, is either below €100 million or – provided they only manage unleveraged AIFs that do not grant investors redemption rights for the first five years from investment – below €500 million.

3.2. From what date does the SFDR apply?

The SFDR came into force on 10 March 2021. Funds established before the implementation of the SFDR which were still made available to investors on or after 10 March 2021 are also required to comply with the SFDR. The disclosure requirements do not apply to funds that were no longer made available to investors before 10 March 2021. However, regulatory guidance indicates that where a fund was not available to investors as of 10 March 2021, but the fund continues to be subject to a requirement to prepare periodic reports to investors (for example, an annual report under Article 22 of the AIFMD), the manager is required to ensure that the periodic report complies with the relevant provisions of the SFDR; in respect of funds in scope of Article 8 or Article 9 of SFDR, this would include requirements to prepare the granular periodic disclosure template under the Regulatory Technical Standards (RTS) pursuant to Article 11 of the SFDR and the attendant website disclosures required under Article 10(1) and (2) of the SFDR.[11] In practice, this would likely capture funds that were disclosed as having an ESG focus or characteristics prior to the introduction of the SFDR, and such funds may now fall into the scope of Article 8 or potentially Article 9 of the SFDR.

While the primary legislation for the SFDR came into force on 10 March 2021, the secondary legislation, known as the Regulatory Technical Standards (RTS), came into force on 1 January 2023. Additional requirements (chiefly in respect of Article 8 and Article 9 funds that have an environmental focus) under the Taxonomy Regulation took effect from 1 January 2022, with certain provisions taking effect from 1 January 2023.



3.3. Does the SFDR apply to fund managers outside the EU?

Non-EU AIFMs that offer funds in the EU are captured by the SFDR.[12] Guidance published in July 2021 clarifies that the SFDR applies to non-EU AIFMs (including sub-threshold AIFMs) that offer their funds in the EU via an NPPR, "including the financial product related provisions".[13] Accordingly, fund managers that have registered their funds under an NPPR must provide the disclosures required under the SFDR. The guidance leaves open whether the manager-level disclosures must cover all products and strategies or only those that are being marketed in the EU. However, where EU-based LPs commit to funds managed by non-EU AIFMs via a valid reverse solicitation (for example, where an LP contacts the manager and asks to invest in the fund, rather than being marketed to), this does not create a requirement under the current rules for the non-EU AIFM to comply with the SFDR.

3.4. What happens if fund managers breach the SFDR?

Non-compliance with the SFDR may result in regulatory sanctions and investor complaints. This includes financial penalties and fines (the level of sanctions will vary across EU member states as enforcement for a breach of the SFDR falls under the remit of local rules), public censure and suspension, or revocation of the manager's operating or marketing authorisation or registration. Moreover, a lack of disclosure or deficient disclosure could give rise to investor claims (such as for misrepresentation). On 31 May 2022, ESMA (the EU-level regulator) published a briefing addressed to regulators in EU member states suggesting approaches to oversight, including identifying 'greenwashing' and verifying a manager's compliance with their disclosure requirements.[14] This indicates that national regulators are likely to take a more proactive approach to monitoring managers' compliance with the SFDR. Non-compliance with the SFDR may also have a commercial impact on the LPs' perception of the fund manager and therefore hinder fundraising.

3.5. Could the requirements affect fund managers not formally captured by the SFDR?

EU-based LPs could pass down reporting requirements to non-EU fund managers that are not directly subject to the SFDR. Investors – such as fund-of-funds – that need to produce the SFDR disclosures will need to source data relating to their underlying investments and are likely to require additional ESG data from their non-EU fund managers.

In addition, non-EU fund managers not directly subject to the SFDR may nonetheless choose to comply voluntarily because of the perceived commercial benefits, such as the potential for increased fundraising traction. Comparable disclosure regimes in other markets – such as the UK and the United States (US) – may also make it less burdensome to align with the SFDR.

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Manager-level disclosures

4.1 Sustainability risk policy

Fund managers are required to publish information on their websites about the integration of sustainability risks into their investment process.[15] This requires specific consideration of how sustainability risks are identified, managed and monitored in the due diligence process and as part of the ongoing risk management framework. The policy should consider relevant ESG risks, including climate change risks (physical and transitional). Where appropriate, the policy should explain the sustainability risk management measures for different categories of investment, products or strategies. For example, the sustainability risks relating to underlying investee companies in the construction sector may be materially different from those in the digital technologies sector. In addition, fund managers must disclose the results of the assessment of the likely impact of sustainability risks on the returns of the financial products (e.g., funds) they make available. If fund managers do not consider sustainability risks, they must include a clear and concise explanation of the rationale. At present, there is no mandatory template prescribing how managers should approach this disclosure. Therefore, advice should be sought regarding appropriate disclosure.

4.2 Remuneration policy

Fund managers must consider whether and how their remuneration policies are consistent with the integration of sustainability risks. They must publish information on their websites about whether and how such consistency is achieved.[16] Integration does not necessarily require performance-related remuneration, such as bonuses or carry allocation, to be linked to portfolio-level ESG or impact metrics. Non-EU fund managers that are not directly subject to the SFDR should still consider whether they are contractually required, or expected by their investors, to ensure their remuneration policies comply with these requirements. At present, there is no mandatory template prescribing how managers should approach this disclosure, and advice should be sought regarding appropriate disclosure.

4.3 Principal adverse impacts (PAI)

The SFDR requires fund managers to disclose whether and how they consider principal adverse impacts of investment decisions on sustainability factors. Where the manager does consider the principal adverse impacts, it must publish and maintain a prescribed statement summarising its due diligence policies and procedures on how they take the principal adverse impacts into account when making investment decisions.

The principal adverse impacts are essentially a set of mandatory indicators and metrics which aim to show how the fund manager has considered the impact of investment decisions that results in a negative effect on certain sustainability factors. Regulatory guidance indicates that "consider" in this context means a description of the principal adverse impacts and the procedures put in place to mitigate them. The RTS sets forth the relevant indicators and metrics. These include the indicators set out in Table 1 of Annex I, at least one additional indicator related to principal adverse impacts on a climate or other environmental-related sustainability factor, as set out in Table 2 of Annex I, and at least one additional indicator related to principal adverse impacts on a social employee, human rights, or anti-corruption or anti-bribery sustainability factors, as set out in Table 3 of Annex I.

Where a fund manager does not consider the principal adverse impacts, it must publish and maintain on its website a statement explaining why it does not consider them, and indicate whether it will in the future.

The principal adverse impacts disclosure requirements are set out in more detail in Annex 6.

4.4 Marketing materials

A=All promotional materials will need to align with the SFDR. Fund managers must review their marketing materials and communications on an ongoing basis to ensure they do not contradict, and are consistent with, any information disclosed under the SFDR, including (among other things) teasers, pitch-books, and private placement memoranda.

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Product-level disclosures – Summary

SThe SFDR establishes three disclosure standards: Article 6 (all funds), Article 8 (promotes environmental and/or social characteristics) and Article 9 (has sustainable investment as its objective).

All funds, including those without an ESG component, are required to comply with Article 6 disclosures. Additional disclosures are required where the fund either promotes certain environmental and/or social characteristics, or has sustainable investment as its objective. Fund managers will need to determine the appropriate category for each of their funds.

The SFDR is not a fund labelling regime. However, the market often treats it as such. There is also significant uncertainty about the minimum criteria that an Article 8 fund needs to meet to avoid allegations of 'greenwashing'.

	Article 6 funds	Article 8 funds	Article 9 funds
Overview	No specific ESG focus – may consider the potential impact of ESG risks on investments.	Promotes (among other characteristics) environmental and/or social characteristics.	Has sustainable investment as a core objective, alongside positive financial returns.
Fund marketing	Must not promote environmental or social characteristics, or purport to have any sustainable investment objective(s).	The environmental and/or social characteristics must be binding, measurable and reportable.	The sustainable objective(s) must be binding, measurable and reportable.
Portfolio construction	No limitations on the type of investee companies.	a) Currently no mandatory minimum proportion of 'sustainable investments' within the meaning of the SFDR. b) Investee companies must follow 'good governance' practices.	a) No set percentage but substantially whole portfolio must be 'sustainable investments' within the meaning of the SFDR and comply with the principle of 'do no significant harm'. May hold some other limited investments for hedging or liquidity purposes which must also satisfy minimum safeguards (for further details, see below under *Article 9 Funds – Overview*). b) Investee companies must follow "good governance" practices.
Pre-contractual disclosures	a) Sustainability risk policy. b) Remuneration policy. c) Principal adverse impacts – 'Comply or explain'. d) Must use prescribed disclaimer: *"The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities."*[17]	a) Sustainability risk policy. b) Remuneration policy. c) Principal adverse impacts – 'Comply or explain'. d) Information on which environmental and/or social characteristics the fund seeks to promote and how they will promote them. e) Where the fund promotes environmental characteristics: (i) information on the relevant environmental objective(s) under the Taxonomy; and (ii) the proportion of Taxonomy-aligned environmentally sustainable investments in the portfolio, and an explanation of the basis for the Taxonomy alignment, including the proportion of enabling and transitional activities, as a percentage of all investments.[18] f) Where the fund promotes environmental characteristics, must use prescribed disclaimer: *"The 'do no significant harm' principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities."*	a) Sustainability risk policy. b) Remuneration policy. c) Principal adverse impacts – 'Comply or explain'. d) Information specifying the sustainable investment objective(s) of the fund, including if and what reference benchmark is used to achieve these objectives. e) Where the fund makes sustainable investments with an environmental objective: (i) information on the relevant environmental objective(s) under the Taxonomy; and (ii) the proportion of Taxonomy-aligned environmentally sustainable investments in the portfolio, and an explanation of their Taxonomy alignment, including the proportion of enabling and transitional activities, as a percentage of all investments.[19]

<table>
<tr><th></th><th>Article 6 funds</th><th>Article 8 funds</th><th>Article 9 funds</th></tr>
<tr><td>Periodic disclosures</td><td>Must use prescribed disclaimer: “The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities”.</td><td>a) Information about the fund’s performance against the environmental and/or social characteristics promoted.
b) The indicators used to measure success in promoting the environmental and/or social characteristics, including (if relevant and applicable) key performance indicators (KPIs) for reporting principal adverse impacts.
c) Where the fund promoted environmental characteristics: (i) information on the relevant environmental objective(s) under the Taxonomy; and (ii) the proportion of Taxonomy-aligned environmentally sustainable investments in the portfolio, and an explanation of their Taxonomy alignment, including the proportion of enabling and transitional activities, as a percentage of all investments.
d) Where the fund promotes environmental characteristics, must use prescribed disclaimer: “The ‘do no significant harm’ principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.”</td><td>a) Information specifying the sustainable investment objective(s) of the fund.
b) The indicators used to measure the sustainable objective, including KPIs for reporting principal adverse impacts.
c) Where the fund has made sustainable investments with an environmental objective: (i) information on the relevant environmental objective(s) under the Taxonomy; and (ii) the proportion of Taxonomy-aligned environmentally sustainable investments in the portfolio, and an explanation of their Taxonomy alignment, including the proportion of enabling and transitional activities, as a percentage of all investments.</td></tr>
<tr><td>Product-level website disclosures</td><td>Not applicable.</td><td colspan="2">For each Article 8 and Article 9 fund, publish and maintain on the manager’s website:[20]
d) A description of the environmental and/or social characteristics (Article 8) or the sustainable investment objective (Article 9).
e) Information on: (i) the methodologies used to assess, measure and monitor the environmental and/or social characteristics (Article 8); or (ii) the impact of the sustainable investments selected for the fund (Article 9), including data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental and/or social characteristics or the overall sustainable impact of the fund.
f) The pre-contractual disclosures required for Article 8 and Article 9 funds (see above).
g) The periodic disclosures required for Article 8 and Article 9 funds (see above).</td></tr>
</table>

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Article 6 funds

6.1 Overview

Article 6 funds are not promoted as having environmental and/or social characteristics and do not have sustainable investment as their objective. For each Article 6 product, fund managers must disclose their approach to the integration of sustainability risks in investment decisions and the assessment of the likely impacts of sustainability risks on returns.

6.2 Pre-contractual disclosures

The SFDR requires AIFMs to make pre-contractual disclosures in their offering documents.[21] MiFID investment firms must include the disclosures in the set of documentation provided to portfolio management clients before signing a segregated account agreement or similar. The pre-contractual disclosures relating to an Article 6 fund must describe:

1. Sustainability risk management – How sustainability risks are integrated into investment decision-making.
2. Assessment on returns – An assessment of the likely impacts of sustainability risks on the returns of the fund.

If a fund manager decides sustainability risks are not relevant, they must explain why.[22] In most instances, managers will need to consider sustainability risks in some form. However, there may be a small minority of cases where managers consider it appropriate to explain why such risks are not relevant.

Fund managers that have elected (or are required by virtue of their size – see endnote here for details of the size threshold[23]) to consider principal adverse impacts must clarify their approach for each product in pre-contractual disclosures. Specifically, the manager must include in its pre-contractual disclosures:[24]

(a) A clear and reasoned explanation of whether, and if so how, the fund considers the principal adverse impacts of investment decisions on sustainability factors.

(b) A statement that information about the principal adverse impacts is, or will be, available via the fund's periodic report (e.g., an annual report).

If the fund manager does not consider principal adverse impacts, this must be disclosed in the fund's pre-contractual disclosures, along with the reasons for not doing so.

The following prescribed statement must also be included, confirming that the fund does not make Taxonomy-aligned investments:[25]

"The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities."

6.3 Periodic disclosures

The periodic disclosures of an Article 6 fund – such as an annual report – must include the following prescribed statement:[26]

"The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities."

If relevant, an Article 6 fund's annual report may include information set out in the fund manager's own disclosures regarding principal adverse impacts.[27]

Defining sustainable

"Sustainable investment" under SFDR

In summary, the test of whether an investment is 'sustainable' under SFDR requires that:

- The investee company's activities must contribute to an environmental or social objective. For example, through measurable impacts on resource efficiency (such as renewable energy, raw materials, water, land and waste), greenhouse gas (GHG) emissions, biodiversity, the circular economy, inequality, social integration, labour relations, human capital and economically or socially disadvantaged communities.
- The investee company's activities must 'do no significant harm' to other environmental or social objectives, as per the SFDR (see below).
- The investee company must follow good governance practices across at least the following considerations: sound board and management structure, employee relations, remuneration arrangements of staff, and tax compliance.

There is no prescribed criteria, thresholds or targets for an investment to constitute a 'sustainable investment' under the SFDR. SFDR does not set minimum requirements that seek to qualify the key concepts above.[28] However, managers are required to have relevant and data-based applied consistently across all relevant funds, for assessing sustainability of investments. The criteria must be objectively justified and reasonable and disclosed to investors together with any underlying assumptions.[29]

Such criteria must be adequate to allow the manager to complete the mandatory questions contained in the product-related disclosure templates under the RTS relevant for funds that make 'sustainable investments', including:

- how the 'sustainable investments' contribute to a sustainable investment objective;
- how the 'sustainable investments' comply with the SFDR 'do no significant harm' principle;
- whether the 'sustainable investments' are aligned with the OECD Guidelines for Multinational Enterprises and the Guiding Principles on Business and Human Rights (OECD Guidelines) set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work (ILO Declaration) and the International Bill of Human Rights (IBHR); and
- details of the manager's policy to assess the good governance practices of investee companies.

"Environmentally sustainable investment" under the Taxonomy

The test for 'environmental sustainability' under the Taxonomy is more stringent and standardised than for 'sustainable investments' under the SFDR.

In summary, the Taxonomy requires that the economic activities of an investee company must:

- Substantially contribute to one or more of the environmental objectives set out under the Taxonomy.[30]
- 'Do no significant harm' to any of the other environmental objectives as per the Taxonomy.
- Be carried out in compliance with the 'minimum safeguards' identified in the Taxonomy, meaning the investee must implement appropriate procedures to ensure its activities align with the following frameworks designed to guide businesses in complying with internationally-recognised laws and standards on human rights and responsible business conduct:
  - The OECD Guidelines; and
  - The United Nations Guiding Principles on Business and Human Rights (UN Principles), including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the IBHR.
  - This means that even if the activity satisfies the remaining elements under the Taxonomy, it will not qualify as 'environmentally sustainable' if the relevant investee has not implemented appropriate measures to ensure alignment with the standards under the OECD Guidelines and the UN Principles.[31]
  - The Taxonomy does not prescribe a specific methodology for assessing whether procedures align with the OECD Guidelines or the UN Principles, other than requiring managers to 'adhere to the principle of do no significant harm' in the SFDR when implementing such procedures.[32]
  - The EU Platform on Sustainable Finance (PSF), has provided non-binding guidance on how the minimum safeguards requirement under the Taxonomy should be interpreted and implemented.[33]
  - The PSF clarifies that the principles of the Human Rights Due Diligence Framework (Human Rights DD Framework) deriving from the UNGP are "core" at demonstrating alignment with minimum safeguards under the Taxonomy. The PSF interprets the reference to the principle of 'do no significant harm' in the SFDR as requiring consideration of the five social indicators from the principal adverse impacts annex contained in Table 1 of Annex I of the RTS as a minimum,[34] to allow the investee to identify, prevent, mitigate or remedy such impacts from its business.[35]

- The PSF's recommendations are that investees:
    - adopt and implement a commitment to the Human Rights DD Framework in policies and procedures;
    - identify and assess the principal adverse impacts, including through stakeholder engagement;
    - take actions to cease, prevent, mitigate, and remediate the principal adverse impacts;
    - track the implementation of these actions and their results;
    - communicate publicly on its approach to the Human Rights DD Framework and actions taken to avoid and address principal adverse impacts; and
    - provide or cooperate in remediation, including establishing or participating in grievance mechanisms where individuals and groups can raise concerns about principal adverse impacts.[36]
- The PSF provides indicative criteria which may suggest an investee is unlikely to be compliant with minimum safeguards if either of the below apply:
    - the investee has not established adequate Human Rights DD Framework processes; and
    - there are clear indications that the investee does not adequately implement the Human Rights DD Framework resulting in human rights abuses.[37]

– Comply with the technical screening criteria established under the Taxonomy for assessing 'substantial contribution' and 'do no significant harm'. This final component is, in effect, a detailed assessment containing specific targets, thresholds or requirements based on developed sector-specific and science-based criteria.

Article 9 and Article 8 funds are not required to exclusively make investments that are considered 'environmentally sustainable' under the Taxonomy.

What does "doing no significant harm" mean?

'Do No Significant Harm' under the SFDR

– One criterion for an investment to be categorised as a 'sustainable investment' under the SFDR is that it must 'do no significant harm' to any of the other environmental or social objectives.

– In demonstrating that the 'do no significant harm' test is met, fund managers must show how the principal adverse impact indicators have been 'taken into account'.[38] This means the indicators in Table 1 of Annex I of the RTS, and any relevant indicators in Tables 2 and 3 of Annex I of the RTS, must be incorporated in the assessment of whether the 'do no significant harm' test is met.

– The term 'taken into account' does not mandate undertaking principal adverse impact reporting under Article 4 and Article 7 of the SFDR.[39] Further, the explanation of how managers may 'take into account' the principal adverse impacts is not the same as the explanation of how the manager or a specific fund it manages should 'consider' the principal adverse impacts under Article 4 and Article 7 of the SFDR (that is, identify the principal adverse impacts and the procedures put in place to mitigate those impacts).[40]

– This distinction suggests managers have some discretion in how they apply the principal adverse impacts indicators to demonstrate an investment meets the SFDR's 'do no significant harm' criteria. For example, the explanation may confirm the manager is satisfied no relevant principal adverse impact indicators are negative (with reference to the threshold set by the manager).

– Further, the Taxonomy refers to specific standards investments should meet as 'minimum safeguards' and guidance clarifies that given the close link of the SFDR's 'do no significant harm' disclosures to the Taxonomy, managers should also include additional information on the alignment of sustainable investments with the minimum safeguards set out in the Taxonomy (for further details, see above under '*Environmentally sustainable investment under the Taxonomy*').[41]

'Do No Significant Harm' under the Taxonomy Regulation

– For an investment to be categorised as 'environmentally sustainable' under the Taxonomy (that is, contributing substantially to an environmental objective), it must – among other things – 'do no significant harm' to any of the other environmental objectives as per the Taxonomy. For example, an investment in a large-scale monoculture forestry plantation might support the objective of climate change mitigation under the Taxonomy (subject to meeting the relevant criteria) but cause harm to the protection of biodiversity (another objective).

– Currently, the Taxonomy only includes a definition of 'doing no significant harm' with respect to environmental objectives. Unlike the SFDR, the definition under the Taxonomy Regulation is principally quantitative and standardised, requiring an assessment against the technical screening criteria.
    - For instance, the Taxonomy Complementary Climate Delegated Act sets out the criteria for various economic activities/sectors (e.g., electricity generation).
    - A Delegated Act in respect of the objectives of (i) sustainable use and protection of water and marine resources; (ii) transition to a circular economy; (iii) pollution prevention and control protection; and (iv) restoration of biodiversity and ecosystems, is expected to apply from 1 January 2024.[42]

– However, at present there is no clear definition or methodology for social objectives.

Article 8 and 9 funds – Website disclosures

Managers of Article 8 and Article 9 funds are required to publish and maintain sustainability-related disclosures about each Article 8 and Article 9 fund on their website. There are detailed requirements about the information that should be included on the manager's website in the RTS. However, there is no prescribed template. Therefore, advice should be sought regarding appropriate disclosures.

Disclosure requirements

Fund managers must provide information about each Article 8 or 9 fund under a section of their website titled 'Sustainability-related disclosures'. This information must be disclosed in the same part of the website as the other information related to the product, including marketing communications.[43]

The disclosures must include:[44]

- A prominent description of the applicable environmental or social characteristics promoted by, or the sustainable investment objective of, the Article 8 or 9 fund, respectively.
- Information on the methodologies used to assess, measure and monitor the environmental or social characteristics of, or the impact of the sustainable investments selected for, the fund. This should include the data sources, screening criteria for the underlying assets, and the relevant sustainability indicators used to measure the fund's success.
- The pre-contractual disclosures for the fund.
- The periodic disclosures for the fund.

The disclosures must conform to the additional detailed requirements set out in RTS.[45]

07

Article 8 funds

7.1 Overview

Article 8 funds are 'promoted' as having environmental and/or social characteristics, while the investee companies follow good governance practices.[46] At present, the SFDR's definition of Article 8 is broad and does not define specific strategies, portfolio composition, minimum sustainable investment thresholds or targets, methodologies, tools, minimum investment criteria or other 'hard' requirements, except that investee companies must follow good governance practices.

However, the SFDR does not clearly define what is meant by 'good governance practices' or prescribe the use of any specific reference metrics.[47] However, good governance should encompass at least sound management structures (such as board diversity and independence), employee relations (such as compliance with legal and regulatory labour standards, employee benefits and engagement policies), remuneration of staff (such as aligning incentives to take risk with incentives to manage risk, and compliance with minimum wage requirements), and tax compliance. Accordingly, fund managers may use and refer to recognised governance standards to demonstrate alignment.[48]

Separately, regulatory guidance has clarified that if any statements are made indicating that a minimum proportion of investments will be used to attain the environmental and/or social characteristics promoted by the fund, the statements will be treated as a binding commitment which should be met at all times. Accordingly, fund managers should carefully consider whether to define targets, or declare the current proportion of investments deemed to promote environmental or social characteristics, as these statements could inadvertently create a binding portfolio construction requirement.[49]

A fund which 'promotes' its alignment with ESG standards – including international conventions and voluntary codes – is unlikely to fall in scope of Article 8 of SFDR as a result of this fact alone.[50] However, as the term 'promoting' is a broad concept under the SFDR, fund managers should be cognisant that statements in fund materials about aligning with specific ESG standards may result in the fund being deemed to 'promote' environmental or social characteristics. It is unclear whether a mere factual reference to compliance with minimum standards and legal requirements could cause a fund to be deemed to promote environmental or social characteristics.

The transparency requirements under Article 8 seek to address 'greenwashing'. Accordingly, Article 8 fund disclosures should be clear and meaningful, allowing LPs to understand the aims of the fund, how the product will integrate the relevant environmental or social considerations, and its performance over time against its stated ambitions. In principle, an Article 8 fund is not required to invest a minimum threshold in Taxonomy-aligned investments to attain its designated environmental or social characteristics. However, the fund will be required to evidence the basis of its claims.

Minimum sustainable investment requirements may be introduced in the future. The European Commission has indicated that it will consider introducing minimum sustainability standards for financial products that promote environmental or social characteristics. The proposed 'EU Ecolabel' for funds (principally envisaged for retail funds with equity strategies) would require a certain proportion of a fund's investments to be in Taxonomy-aligned activities.

More stringent – possibly quantitative – minimum standards for Article 8 funds are expected in the future. For example, ESMA's proposed guidelines[51] seek to introduce binding sustainability-related thresholds. While the final guidelines are expected to be published in Q2 2024,[52] ESMA's public statement on the guidelines indicates the requirements will include that where a fund has any ESG-related words in its name (i) a minimum proportion of 80 per cent of its investments must be used to meet the environmental or social characteristics, or sustainable investment objectives; (ii) it should apply the Paris-aligned benchmark exclusions; and (iii) it should invest meaningfully in "sustainable investments" as defined in the SFDR.[53]

7.2 Pre-contractual disclosures

In addition to making the pre-contractual disclosures highlighted for Article 6 funds above, Article 8 funds must also state that they promote environmental and/or social characteristics, but do not have sustainable investment as an objective. The pre-contractual disclosures must also state whether the fund intends to make any sustainable investments (as per the definition in the SFDR).[54] The pre-contractual disclosures must include information about how the environmental or social characteristics promoted will be attained, and contain the sustainability indicators that will be used to measure the attainment of each characteristic. Regulatory guidance clarifies that fund managers may, where relevant, use the principal adverse impacts indicators (set out in Annex I of the RTS) as KPIs to demonstrate improvements at portfolio companies.[55,56] However, this approach would not oblige the fund manager to undertake entity-level or product-level principal adverse impacts reporting more broadly. The RTS sets out further granular requirements regarding the disclosure.

Where the Article 8 fund promotes environmental characteristics, the fund manager must include:

- Information on the relevant environmental objective(s) under the Taxonomy (meaning climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems).
- A description of how and to what extent the underlying investments are in economic activities that qualify as 'environmentally sustainable' as per the Taxonomy. This description must specify the proportion of investments in 'environmentally sustainable' economic activities, including details about the proportion of enabling and transitional activities, as a percentage of all investments.
- The following prescribed statement:[57]

  "The 'do no significant harm' principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.".

In addition to narrative pre-contractual disclosures, the RTS contains a pre-contractual disclosure template that must be used in respect of Article 8 funds. The pre-contractual disclosure template also incorporates the disclosures deriving from the Taxonomy (see Annex 2).

A prominent statement must be included in the fund's offering document stating that information related to environmental or social characteristics is available, and the pre-contractual disclosure template should be appended as an annex to the offering document.[58]

7.3 Periodic disclosures

The periodic disclosures of an Article 8 fund – such as an annual report – must include a description of the extent to which the promoted environmental and/or social characteristics were met.[59] The RTS sets out further granular requirements regarding disclosure.

For Article 8 funds that promote an environmental characteristic,[60] the annual report must include:[61]

- Information about the relevant environmental objective(s) under the Taxonomy (meaning climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems).
- A description of how and to what extent the investments underlying the fund are in economic activities that qualify as 'environmentally sustainable' under the Taxonomy.[62] This description must specify the proportion of investments in environmentally sustainable economic activities, including details about the proportion of enabling and transitional activities, as a percentage of all investments.

Where the Article 8 fund promotes environmental characteristics, the fund manager must also include the following prescribed statement in the annual report:[63]

"The 'do no significant harm' principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities".

The RTS contains a prescribed periodic reporting template that Article 8 funds are required to use (see Annex 4). Where the template is used, a prominent statement must be included in the fund's annual report stating that information related to environmental or social characteristics is available, and should be appended as an annex to the annual report.

Regulatory guidance indicates that where a fund was closed for new investment as of 10 March 2021 (the date of application of the SFDR), but the fund continues to be subject to a requirement to prepare periodic reports to investors (for example, an annual report under Article 22 of the AIFMD), the manager is required to ensure that the periodic report complies with the relevant provisions of the SFDR. In respect of funds in scope of Article 8 or Article 9, this would require the manager to prepare the granular periodic disclosure template under the SFDR RTS pursuant to Article 11 of SFDR, and publish the product-level website disclosures pursuant to Article 10 of SFDR.[64] In practice, this is likely to capture funds that were marketed as having an ESG focus or characteristics prior to the introduction of the SFDR; such funds may now fall in scope of Article 8 or, potentially, Article 9 of SFDR. Therefore, managers should assess the funds previously registered for marketing in the EU to determine whether they should be categorised as Article 8 or Article 9 by reference to the SFDR and the latest guidance.

08

Article 9 funds

8.1 Overview

An Article 9 fund has sustainable investment as its objective.[65] While Article 8 funds have associated environmental or social characteristics and benefits, Article 9 funds must have sustainable investment as their objective or purpose. 'Sustainable investment' for Article 9 funds means investment in an economic activity that contributes to an environmental objective,[66] or investment in an economic activity that contributes to a social objective,[67] provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.

An Article 9 fund must only make investments that meet 'sustainable investment' criteria under the SFDR. There are limited exceptions for investments entered into for hedging and liquidity purposes. However, even these investments must satisfy certain 'minimum environmental or social safeguards'. Such investments may include, for example, interest rate or currency derivatives designed to hedge the fund's interest rate or currency exposures.

The SFDR does not currently impose set limits or quantitative thresholds for Article 9 funds holding such investments, but they should form only a minor proportion of the Article 9 fund's portfolio and reflect genuine risk or liquidity management needs.

While currently there is no specific guidance on the proportion of 'sustainable investments' an Article 9 fund must have in its portfolio, the ESMA guidelines for ESG-related funds' names propose that an Article 9 fund using ESG nomenclature in its name should invest at least 80 per cent of its portfolio in investments that further the sustainable investment objective of the fund.[68]

It is unclear whether the requirement that such non-sustainable investments must satisfy 'minimum environmental or social safeguards' means they must satisfy the 'do no significant harm' criteria under SFDR. It is likely that, while an investment entered for hedging or liquidity purposes does not need to be a 'sustainable investment', the manager must be able to confirm that the inclusion of such investments does not compromise the sustainable investment objective(s) of the Article 9 fund. SFDR does not prescribe what the minimum safeguards should be in the context of such investments. The guidance issued with respect to the 'minimum safeguards' under the Taxonomy may serve as an informative approach; the Taxonomy requires investments to be consistent with specified standards (including OECD Guidelines and UN Principles) (see above under *"Defining sustainable"*), and an investment which operates in a manner consistent with these standards is indicative of compliance.

8.2 Pre-contractual disclosures

In addition to the pre-contractual disclosures set out in respect of Article 6 funds above, the pre-contractual disclosures of an Article 9 fund must also explain how the sustainable investment objective will be attained.[69] Where an Article 9 fund has an index designated as a reference benchmark, information on how the designated benchmark is aligned with that objective, and why – and how – it differs from a broad market index, must be included. Where no index has been designated as a reference benchmark, an explanation of how that objective will be attained should be included. Where an Article 9 fund has an objective of a 'reduction in carbon emissions', it must specify that its objectives include low carbon emission exposure with a view to achieving the long-term global warming objectives of the Paris Agreement.[70]

The disclosures must also describe how, and to what extent, the portfolio is composed of investments that can be considered as 'environmentally sustainable' under the Taxonomy, and describe the sustainability assessment applied to portfolio companies. The disclosure must specify the proportion of investments in environmentally sustainable economic activities, including details about the proportion of enabling and transitional activities,[71] each expressed as a percentage of the total portfolio.

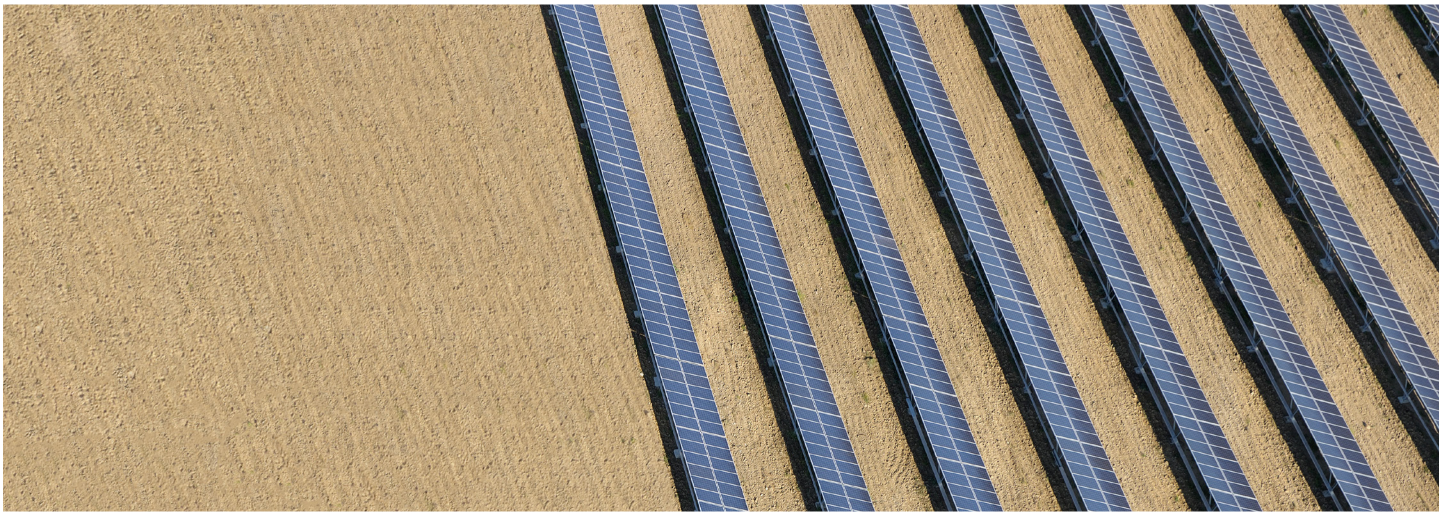
The RTS contains a pre-contractual disclosure template that must be used for Article 9 funds. The template also incorporates the relevant disclosures that derive from the Taxonomy (see Annex 3). Where the pre-contractual template is used, a prominent statement must be included in the main body of the fund's offering document stating that information about the sustainable investment is available, and should be appended as an annex to the offering document.[72]

8.3 Periodic disclosures

The periodic disclosures of an Article 9 fund – such as an annual report – must include information about its sustainable objective(s).[73] The annual report must include a description of the overall sustainability-related impact of the fund using the relevant indicators,[74] including those used to assess the principal adverse impacts.[75] Where an index has been designated as a reference benchmark, the periodic disclosures should compare the sustainability impacts of the portfolio with the impacts of the designated index.

For Article 9 funds that made sustainable investments with an environmental objective, the periodic disclosure should include information about the relevant environmental objective(s) under the Taxonomy, and specify the proportion of investments in environmentally sustainable economic activities, including details about the proportion of enabling and transitional activities, each expressed as a percentage of the total portfolio.[76]

The RTS contains a periodic disclosure template that must be used for Article 9 Funds. The template also incorporates the disclosures deriving from the Taxonomy (see Annex 5).[77] Where the template is used, a prominent statement must be included in the fund's annual report stating that information related to sustainable investments is available, and should be appended as an annex to the annual report.



09

The SFDR and the Taxonomy – Data considerations

While the SFDR and the Taxonomy are described as disclosure regulations, meaningful compliance requires disclosures are backed by verifiable metrics and data. Indeed, guidance on Taxonomy-alignment clarifies that estimated data should not be used as a standard approach but fund managers may rely on information from 'third-party providers' or 'directly from investee companies' where such 'information is not readily available from public disclosures'. Such data must meet certain standards, including as to content and granularity. Such data must not be used to evidence the 'substantial contribution' portion of the sustainability assessment, which should be based on actual data and not estimated or proxy data.[78,79] Therefore, for fund managers investing in emerging markets, direct engagement with investee companies or the use of third-party data providers may be necessary because of the lack of publicly available information about investee companies.

Third-party data providers are increasingly providing data solutions to help fund managers meet the reporting requirements of the SFDR. For example, JIM, operated by the non-profit JIM Foundation, was set up by DFIs and multilateral development banks (MDBs) to provide financial institutions with data and tools, including to enable alignment with regulatory requirements such as the SFDR. JIM helps investors model data, including the GHG emissions of their portfolios, and other information relevant to principal adverse impacts reporting. Industry initiatives are also gathering pace. For instance, the Data Convergence Project – developed by several large-cap PE firms – has sought to standardise the ESG data points reported by portfolio companies to participating PE funds.

10

The Regulatory Technical Standards and the SFDR– Potential changes

New rules proposed by the European Supervisory Authorities (dated 4 December 2023)[80] propose amendments to the disclosures under the SFDR, including amendments to the format of the 'front-end' of the product disclosure templates, requires disclosure of the following items:[81]

- The minimum commitment of sustainable investments.
- The minimum commitment of Taxonomy-aligned investments.
- Whether the product considers the principal adverse impacts.
- Whether the product has a GHG emissions reduction target.

Furthermore, the proposed new rules introduce additional social principal adverse impact indicators (mandatory and voluntary indicators) sourced from reporting standards under the European Sustainability Reporting Standards and update calculation methodologies. The proposed new rules provide additional colour regarding the 'do no significant harm' disclosures,[82] including requiring that when explaining how the principal adverse impacts are 'taken into account', managers should also include a description of thresholds or criteria used to determine that the sustainable investments do not significantly harm any environmental or social objectives, and the basis for such a determination.[83] The product disclosures must be produced in a prescribed machine-readable format.

The proposed new rules are under review by the EU Commission. If adopted, the proposed new rules would amend the RTS. It is expected these amendments will take effect in advance of the more substantive changes proposed by the Commission to the SFDR regime (see below).

As noted above, the Commission recently launched two consultations on the future of the SFDR. One of the key aspects of the consultations is a potential new labelling regime. The SFDR is a disclosure regime, but the Commission acknowledges that Articles 8 and 9 are being used as de facto product labels by the market. The Commission is floating the idea for a product categorisation system, and suggests two broad approaches on how this might look:

- Approach 1: Remove Articles 8 and 9, and instead categorise products based on criteria that do not necessarily relate to the existing SFDR concepts, but instead are driven by the product's investment strategy, such as a 'promise of positive contribution to certain sustainability objectives' or a 'transition focus'.
- Approach 2: The regime would take the current Article 8 and 9 frameworks as a starting point, and add additional minimum criteria to clearly define products within scope.

For both approaches, the consultation invites responses for what minimum disclosure criteria should be introduced, and the options given vary from requiring Taxonomy alignment, engagement strategies, exclusions, pre-defined measurable, positive environmental, social or governance-related outcomes or other criteria which respondents can specify.

The consultation also invites feedback on how the Commission should specify what promotion of 'environmental/social characteristics' means for Article 8 products and asks what should be the minimum criteria for such characteristics.

Annex 1 – Template principal adverse sustainability impacts statement

For the purposes of this Annex, the following definitions shall apply:

(1) ‘scope 1, 2 and 3 GHG emissions’ means the scope of greenhouse gas emissions referred to in points (1)(e)(i) to (iii) of Annex III to Regulation (EU) 2016/1011 of the European Parliament and of the Council[1];

(2) ‘greenhouse gas (GHG) emissions’ means greenhouse gas emissions as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council[2];

(3) ‘weighted average’ means a ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company;

(4) ‘enterprise value’ means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(5) ‘companies active in the fossil fuel sector’ means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council[3];

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[1] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

[2] Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

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

(6) ‘renewable energy sources’ means renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas;

(7) ‘non-renewable energy sources’ means energy sources other than those referred to in point (6);

(8) ‘energy consumption intensity’ means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company;

(9) ‘high impact climate sectors’ means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council[4];

(10) ‘protected area’ means designated areas in the European Environment Agency’s Common Database on Designated Areas (CDDA);

(11) ‘area of high biodiversity value outside protected areas’ means land with high biodiversity value as referred to in Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council[5];

(12) ‘emissions to water’ means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council[6] and direct emissions of nitrates, phosphates and pesticides ;

(13) ‘areas of high water stress’ means regions where the percentage of total water withdrawn is high (40-80 per cent) or extremely high (greater than 80 per cent) in the World Resources Institute’s (WRI) Water Risk Atlas tool “Aqueduct”;

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[4] Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains Text with EEA relevance (OJ L 393, 30.12.2006, p. 1–39).

[5] Directive 98/70/EC of the European Parliament and of the Council of 13 October 1998 relating to the quality of petrol and diesel fuels and amending Council Directive 93/12/EEC (OJ L 350, 28.12.1998, p. 58).

[6] Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy (OJ L 327, 22.12.2000, p. 1).

(14) ‘hazardous waste and radioactive waste’ means hazardous waste and radioactive waste;

(15) ‘hazardous waste’ means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council[7];

(16) ‘radioactive waste’ means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom[8];

(17) ‘non-recycled waste’ means any waste not recycled within the meaning of ‘recycling’ in Article 3(17) of Directive 2008/98/EC;

(18) ‘activities negatively affecting biodiversity-sensitive areas’ means activities that are characterised by all of the following:

(a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated;

(b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented:

(i) Directive 2009/147/EC of the European Parliament and of the Council[9];

(ii) Council Directive 92/43/EEC[10];

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[7] Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives (OJ L 312, 22.11.2008, p. 3).
[8] Council Directive 2011/70/Euratom of 19 July 2011 establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste (OJ L 199, 2.8.2011, p. 48).
[9] Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (OJ L 20, 26.1.2010, p. 7).
[10] Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

(iii) an Environmental Impact Assessment (EIA) as defined in Article 1(2), point (g), of Directive 2011/92/EU of the European Parliament and of the Council[11];

(iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii);

(19) 'biodiversity-sensitive areas' means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139[12];

(20) 'threatened species' means endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Delegated Regulation (EU) 2021/2139;

(21) 'deforestation' means the temporary or permanent human-induced conversion of forested land to non-forested land;

(22) 'UN Global Compact principles' means the ten Principles of the United Nations Global Compact;

(23) 'unadjusted gender pay gap' means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees;

(24) 'board' means the administrative, management or supervisory body of a company;

[11] Directive 2011/92/EU of the European Parliament and of the Council of 13 December 2011 on the assessment of the effects of certain public and private projects on the environment (OJ L 026, 28.1.2012, p. 1).
[12] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (OJ L 442, 9.12.2021, p. 1).

(25) ‘human rights policy’ means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights;

(26) ‘whistleblower’ means ‘reporting person’ as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council[13];

(27) ‘inorganic pollutants’ means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council[14], for the Large Volume Inorganic Chemicals- Solids and Others industry;

(28) ‘air pollutants’ means direct emissions of sulphur dioxides (SO2), nitrogen oxides (NOx), non-methane volatile organic compounds (NMVOC), and fine particulate matter (PM2,5) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council[15], ammonia (NH3) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;

(29) ‘ozone depletion substances’ mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.

For the purposes of this Annex, the following formulas shall apply:

(1) ‘GHG emissions’ shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope(x)\ GHG\ emissions_i\right)$$

[13] Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ L305, 26.11.2019, p. 17).
[14] Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions (integrated pollution prevention and control) (OJ L 334, 17.12.2010, p. 17).
[15] Directive (EU) 2016/2284 of the European Parliament and of the Council of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants, amending Directive 2003/35/EC and repealing Directive 2001/81/EC (Text with EEA relevance), *OJ L 344, 17.12.2016, p. 1–31*

(2) ‘carbon footprint’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{investee\ company's\ enterprise\ value_i} \times investee\ company's\ Scope\ 1, 2\ and\ 3\ GHG\ emissions_i\right)}{current\ value\ of\ all\ investments\ (€M)}$$

(3) ‘GHG intensity of investee companies’ shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)} \times \frac{investee\ company's\ Scope\ 1, 2\ and\ 3\ GHG\ emissions_i}{investee\ company's\ €M\ revenue_i}\right)$$

(4) ‘GHG intensity of sovereigns’ shall be calculated in accordance with the following formula:

$$\sum_{n}^{i}\left(\frac{current\ value\ of\ investment_i}{current\ value\ of\ all\ investments\ (€M)} \times \frac{The\ country's\ Scope\ 1, 2\ and\ 3\ GHG\ emissions_i}{Gross\ Domestic\ Product_i(€M)}\right)$$

(5) ‘inefficient real estate assets’ shall be calculated in accordance with the following formula:

$$\frac{\begin{array}{c}((Value\ of\ real\ estate\ assets\ built\ before\ 31/12/2020\ with\ \text{EPC of C or below}) + \\ \text{(Value of real estate assets built after 31/12/2020 with PED below NZEB in Directive 2010/31/EU))}\end{array}}{Value\ of\ real\ estate\ assets\ required\ to\ abide\ by\ EPC\ and\ NZEB\ rules}$$

For the purposes of the formulas, the following definitions shall apply:

(1) ‘current value of investment’ means the value in EUR of the investment by the financial market participant in the investee company;

(2) ‘enterprise value’ means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;

(3) ‘current value of all investments’ means the value in EUR of all investments by the financial market participant;

(4) ‘nearly zero-energy building (NZEB)’, ‘primary energy demand (PED)’ and ‘energy performance certificate (EPC)’ shall have the meanings given to them in paragraphs 2, 5 and 12 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council[16].

Table 1: Statement on principal adverse impacts of investment decisions on sustainability factors

Financial Market Participant: [*Name and, where available, LEI*]

Summary

[*Name and, where available, LEI*] considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of [*name of the financial market participant*] [*where applicable, insert “and its subsidiaries, namely [list the subsidiaries included]”*].

This statement on principal adverse impacts on sustainability factors covers the reference period from [*insert “1 January” or the date on which principal adverse impacts were first considered*] to 31 December [*year n*].

[*Summary referred to in Article 5 provided in the languages referred to in paragraph 1 thereof*]

Description of principal adverse sustainability factors

[*Information referred to in Article 7 in the format set out below*]

Indicators applicable to investments in investee companies					
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					

[16] Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13)

Greenhouse gas emissions (GHG)	1. GHG emissions	Scope 1 GHG emissions				
		Scope 2 GHG emissions				
		Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				
Biodiversity	7. Activities negative affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas				

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average				
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average				
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies				

	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members				
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons				
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries				
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law				
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period

Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels				
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets				

Other indicators for principal adverse impacts on sustainability factors

[*Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (a) in the format in Table 2*]

[*Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (b), in the format in Table 3*]

[*Information on any other adverse impacts on sustainability factors used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 6(1), point (c), in the format in Table 2 or Table 3*]

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

[*Information referred to in Article 7*]

Engagement policies

[*Information referred to in Article 8*]

References to international standards

[*Information referred to in Article 9*]

Historical comparison

[*Information referred to in Article 10*]

Table 2: Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse sustainability impact (qualitative or quantitative)	Metric
Indicators applicable to investments in investee companies		
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Emissions	1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average
	2. Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average
	3. Emissions of ozone depletion substances	Tonnes of ozone-depleting substances equivalent per million EUR invested, expressed as a weighted average
	4. Investments in companies without carbon reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Energy performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source
Water, waste and material emissions	6. Water usage and recycling	1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies 2. Weighted average percentage of water recycled and reused by investee companies
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies
	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy
	9. Investments in companies producing chemicals	Share of investments in investee companies the activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006
	10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing

	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies
	12. Investments in companies without sustainable oceans/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average
	14. Natural species and protected areas	1. Share of investments in investee companies whose operations affect threatened species. 2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas
	15. Deforestation	Share of investments in companies without a policy to address deforestation
Green securities	16. Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds
Indicators applicable to investments in sovereigns and supranationals		
Green securities	17. Share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds
Indicators applicable to investments in real estate assets		
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets
		Scope 2 GHG emissions generated by real estate assets
		Scope 3 GHG emissions generated by real estate assets
		Total GHG emissions generated by real estate assets
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract
Resource consumption	21. Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations

Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets

Table 3: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**
Indicators applicable to investments in investee companies		
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share in investments in investee companies without any grievance/complaints handling mechanism related to employee matters
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average
	8. Excessive chief executive officer (CEO) pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total

		compensation for all employees (excluding the highest-compensated individual)
Human rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings
	12. Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour in terms of geographic areas or type of operation
	13. Operations and suppliers at significant risk of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation
	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies
Indicators applicable to investments in sovereigns and supranationals		
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column

Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column

Annex 2 – Article 8 pre-contractual disclosure template: Questions

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: [complete] **Legal entity identifier:** [complete]

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

☐ **Yes**	☐ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective:** __%	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** __%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product? *[indicate the environmental and/or social characteristics promoted by the financial product and whether a reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product]*

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?*** *[include, for financial products that make sustainable investments, a description of the objectives and how the sustainable investments contribute to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]*

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?*** *[include a description for the financial product that partially intends to make sustainable investments]*

  - *How have the indicators for adverse impacts on sustainability factors been taken into account? [include an explanation of how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I , are taken into account]*

  - *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details: [include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

[Include statement for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

☐ Yes, _____ *[if the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*

☐ No

[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

What investment strategy does this financial product follow? *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?*** *[include an indication of the rate, where there is a commitment to reduce the scope of investments by a minimum rate]*

- ***What is the policy to assess good governance practices of the investee companies?*** *[include a short description of the policy to assess good governance practices of the investee companies]*

What is the asset allocation planned for this financial product? *[include a narrative explanation of the investments of the financial product, including the minimum proportion of the investments of the financial product used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy, including the minimum proportion of sustainable investments of the financial product where that financial products commits to making sustainable investments, and the purpose of the remaining proportion of the investments, including a description of any minimum environmental or social safeguards]*

- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?*** *[for financial products that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain the environmental or social characteristics they promote, describe how the use of those derivatives meets those characteristics]*

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? *[include a section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 15(1), point (a), of this Regulation, the description referred to in Article 15(1), point (b), of this Regulation, a clear explanation as referred to in Article 15(1), point (c), of this Regulation, a narrative explanation as referred to in Article 15(1), point (d), of this Regulation and the information referred to in Article 15(2) and (3) of this Regulation]*

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[17]?**

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[17] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

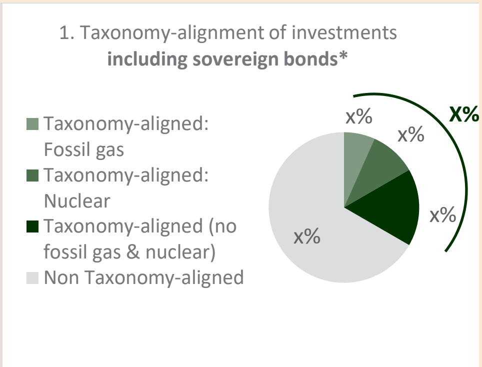
Yes: *[specify below, and details in the graphs of the box]*

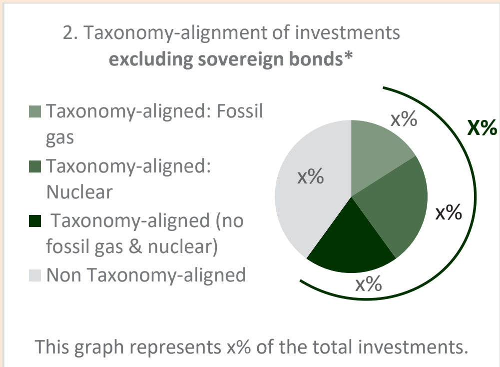
In fossil gas   In nuclear energy

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

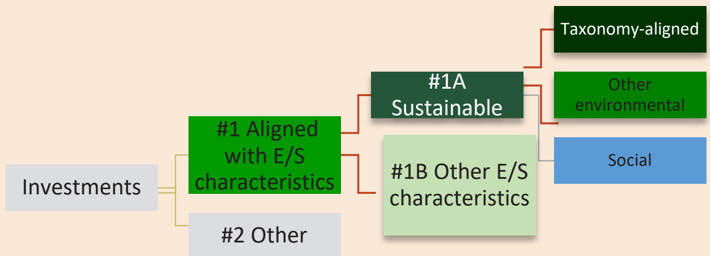
[only include in the graphs the figures for Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy]





**** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

[Include only relevant boxes, remove irrelevant ones for the financial product]



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

[include the note below where the financial product commits to making sustainable investments]

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or

[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentaly sustainable economic activities under the EU Taxonomy.

What is the minimum share of investments in transitional and enabling activities? *[include section for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]*

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy? *[include section only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not Taxonomy-aligned]*

What is the minimum share of socially sustainable investments? *[include section only where the financial product includes sustainable investments with a social objective]*

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]
Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes? *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]*

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***
- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***
- ***How does the designated index differ from a relevant broad market index?***
- ***Where can the methodology used for the calculation of the designated index be found?***

Where can I find more product specific information online?

More product-specific information can be found on the website: *[include a hyperlink to the website referred to in Article 23 of this Regulation]'*

Annex 3 – Article 9 pre-contractual disclosure template: Questions

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: [complete] **Legal entity identifier:** [complete]

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainable investment objective

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

☐ **Yes**	☐ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective:** __%	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** __%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

What is the sustainable investment objective of this financial product?

[indicate the investment objective pursued by the financial product, describe how the sustainable investments contribute to a sustainable investment objective and indicate whether a reference benchmark has been designated for the purpose of attaining the sustainable investment objective. For financial products referred to in Article 5 , first paragraph, of Regulation (EU) 2020/852, in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes. For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088, indicate that the financial product has the objective of reducing carbon emissions and explain that the reference benchmark qualifies as an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark under Title III, Chapter 3a, of Regulation (EU) 2016/1011 and indicate where the methodology used for the calculation of that benchmark can be found. Where no EU Climate

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Transition Benchmark or EU Paris-aligned Benchmark as qualified in accordance with Regulation (EU) 2016/1011 is available, describe that fact, how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the objectives of the Paris Agreement and the extent to which the financial product complies with the methodological requirements set out in Commission Delegated Regulation (EU) 2020/1818]

- ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

- ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

  — *How have the indicators for adverse impacts on sustainability factors been taken into account? [explain how the indicators for adverse impacts in Table 1 of Annex I and any relevant indicators in Tables 2 and 3 of Annex I are taken into account]*

  — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? [include an explanation on the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights]*

Does this financial product consider principal adverse impacts on sustainability factors?

☐ Yes *[if the financial product considers principal adverse impacts on sustainability factors, include a clear and reasoned explanation of how it considers principal adverse impacts on sustainability factors. Indicate where, in the information to be disclosed pursuant to Article 11(2) of Regulation (EU) 2019/2088, the information on principal adverse impacts on sustainability factors is available]*

☐ No

What investment strategy does this financial product follow? *[provide a description of the investment strategy and indicate how the strategy is implemented in the investment process on a continuous basis]*

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

- ***What is the policy to assess good governance practices of the investee companies?***

What is the asset allocation and the minimum share of sustainable investments? *[include a narrative explanation of the investments of the financial product including the minimum proportion of the investments of the financial product used to meet the sustainable investment objective in accordance with the binding elements of the investment strategy]*

Asset allocation describes the share of investments in specific assets.

[include note only for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852
Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

[Include only relevant boxes, remove irrelevant ones for the financial product]

#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as

- ***How does the use of derivatives attain the sustainable investment objective?*** *[for financial product that use derivatives as defined in Article 2(1), point (29), of Regulation (EU) No 600/2014 to attain their sustainable investment objective, describe how the use of those derivatives attains that sustainable investment objective]*

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? *[include the section for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 19(1), point (a), of this Regulation, the description referred to in Article 19(1), point (b), of this Regulation, the clear explanation referred to in Article 19(1), point (c), of this Regulation, the narrative explanation referred to in Article 19(1), point (d), of this Regulation]*

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[18]?**

  ☐ Yes: *[specify below, and details in the graphs of the box]*

[18] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

referred to in Article 5, first paragraph, of Regulation (EU) 2020/852

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

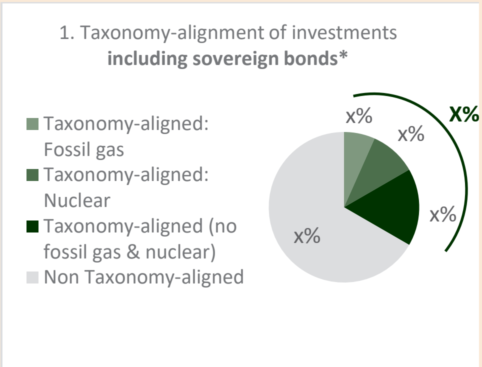
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

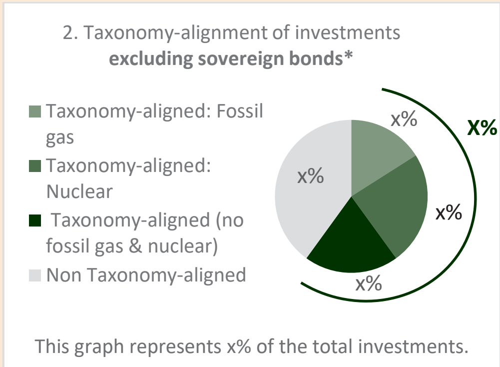
☐ In fossil gas ☐ In nuclear energy

☐ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

[only include in the graphs the figures for Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy Taxonomy-aligned economic activities]





* ***For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

What is the minimum share of investments in transitional and enabling activities? *[include section for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852]*

[include note for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentaly sustainable economic activities under the EU Taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

[include section only for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 where the financial product invests in environmental economic activities that are not environmentally sustainable economic activities and explain why the financial product invests in sustainable investments with an environmental objective in economic activities that are not Taxonomy-aligned]

What is the minimum share of sustainable investments with a social objective? *[include section only where the financial product includes sustainable investments with a social objective]*

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards? *[describe the purpose of the remaining proportion of the investments of the financial product, including a description of any minimum environmental or social safeguards, how their proportion and use does not affect the delivery of the sustainable investment objective on a continuous basis and whether those investments are used for hedging or relate to cash held as ancillary liquidity]*

[include note for financial products referred to in Article 9(1) of Regulation (EU) 2019/2088]
Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective? *[include section only for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088 and indicate where the methodology used for the calculation of the designated index can be found]*

- ***How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?***

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

- ***How does the designated index differ from a relevant broad market index?***

- ***Where can the methodology used for the calculation of the designated index be found?***

Where can I find more product specific information online?

More product-specific information can be found on the website: *[include a hyperlink to the website referred to in Article 23 of this Regulation*

Annex 4 – Article 8 annual report template: Questions

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: [complete] **Legal entity identifier:** [complete]

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents sustainable investments]*

☐ **Yes**	☐ **No**
☐ It made **sustainable investments with an environmental objective:** __%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** __%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met? *[list the environmental and/or social characteristics promoted by the financial product. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributed. For financial products that made sustainable investments with social objectives, list the social objectives]*

- ***How did the sustainability indicators perform?***

...and compared to previous periods? *[include for financial products where at least one previous periodic report was provided]*

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives? *[include for financial products that made sustainable investments, where not included in the reply to the above question, describe the objectives. Describe how the sustainable investments contributed to the sustainable investment objective. For the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributed]*

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective? *[include where the financial product includes sustainable investments]*

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How were the indicators for adverse impacts on sustainability factors taken into account?

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

[Include a statement for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into

How did this financial product consider principal adverse impacts on sustainability factors? *[include section if the financial product considered principal adverse impacts on sustainability factors]*

What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: [complete]

What was the proportion of sustainability-related investments?

- ***What was the asset allocation?***

Asset allocation describes the share of investments in specific assets.

[Include only relevant boxes, remove irrelevant ones for the financial product]

#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

[include the note below where the financial product made sustainable investments]
The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

[include note only for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852]
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

- ***In which economic sectors were the investments made?*** *[include information referred to in Article 54 of this Regulation]*

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy? *[include section for the financial products referred to in Article 6 , first paragraph, of Regulation (EU) 2020/852 and include information in accordance with Article 51 of this Regulation]*

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[19]?**

☐ Yes: *[specify below, and details in the graphs of the box]*

☐ In fossil gas ☐ In nuclear energy

☐ No

[19] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

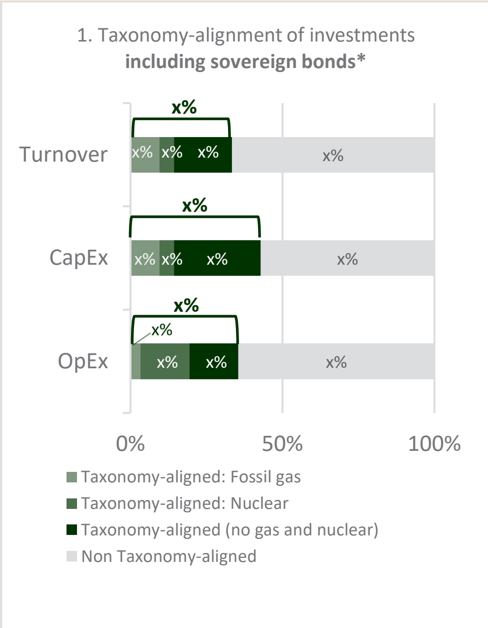
[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852

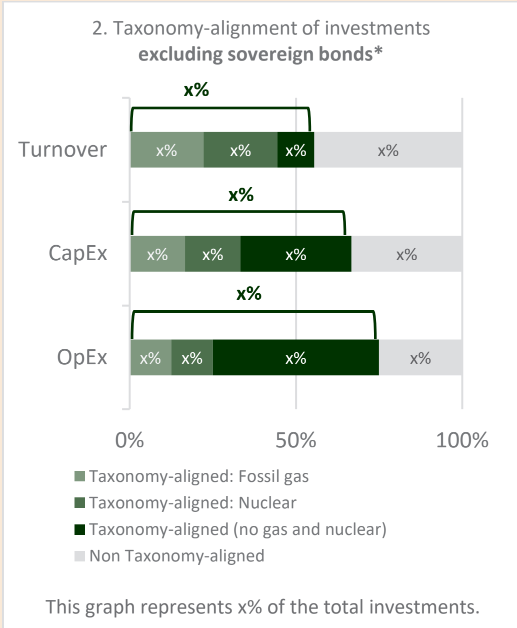
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

[Include information on Taxonomy aligned fossil gas and nuclear energy and the explanatory text in the left hand margin on the previous page only if the financial product invested in fossil gas and/or nuclear energy Taxonomy-aligned economic activities during the reference period]





**** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

- ***What was the share of investments made in transitional and enabling activities?*** *[include a breakdown of the proportions of investments during the reference period]*

- ***How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?*** *[include where at least one previous periodic report was provided]*

[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy? *[include section only for the financial products referred to in Article 6, first subparagraph, of Regulation (EU) 2020/852 where the financial product included sustainable investments with an environmental objective that invested in economic activities that are not environmentally sustainable economic activities, and explain why the financial product invested in economic activities that were not Taxonomy-aligned]*

What was the share of socially sustainable investments? *[include only where the financial product included sustainable investments with a social objective]*

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

What actions have been taken to meet the environmental and/or social characteristics during the reference period? *[list the actions taken within in the period covered by the periodic report to meet the environmental or social characteristics promoted by the financial product, including shareholder engagement as referred to in Article 3g of Directive 2007/36/EC and any other engagement relating to the environmental or social characteristics promoted by the financial product]*

How did this financial product perform compared to the reference benchmark? *[include section where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product and indicate where the methodology used for the calculation of the designated index can be found]*

[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]
Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the reference benchmark differ from a broad market index?***

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

- ***How did this financial product perform compared with the reference benchmark?***

- ***How did this financial product perform compared with the broad market index?`***

Annex 5 – Article 9 annual report template: Questions

'ANNEX V

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: [complete] **Legal entity identifier:** [complete]

Sustainable investment objective

Did this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the sustainable investments]*

☐ **Yes**	☐ **No**
☐ It made **sustainable investments with an environmental objective:** __%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** __%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent was the sustainable investment objective of this financial product met? *[list the sustainable investment objective of this financial product, and describe how the sustainable investments contributed to the sustainable investment objective. For the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852, in respect of sustainable investments with environmental objectives, indicate to which environmental objectives set out in Article 9 of Regulation (EU) 2020/852 to the investment underlying the financial product contributed to. For the financial products* *referred to in Article 9(3) of Regulation (EU) 2019/2088, indicate how the objective of a reduction in carbon emissions was aligned with the Paris Agreement]*

- ***How did the sustainability indicators perform?***

- ***…and compared to previous periods?*** *[include for financial products where at least one previous periodic report was provided]*

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- ***How did the sustainable investments not cause significant harm to any sustainable investment objective?***

  - *How were the indicators for adverse impacts on sustainability factors taken into account?*

  - *Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

How did this financial product consider principal adverse impacts on sustainability factors? *[include section if the financial product considered principal adverse impacts on sustainability factors]*

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: *[complete]*

Largest investments	Sector	% Assets	Country

What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

[Include only relevant boxes, remove irrelevant ones for the financial product]

#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

[include note for the financial products referred to in Article 5 , first paragraph, of Regulation (EU) 2020/852.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

In which economic sectors were the investments made? *[include information referred to in Article Article 61(c) of this Regulation]*

To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy? *[include section for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 and include information in accordance with Article 62 of this Regulation]*

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[20]?

☐ Yes: *[specify below, and details in the graphs of the box]*

☐ In fossil gas ☐ In nuclear energy

☐ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments

[20] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

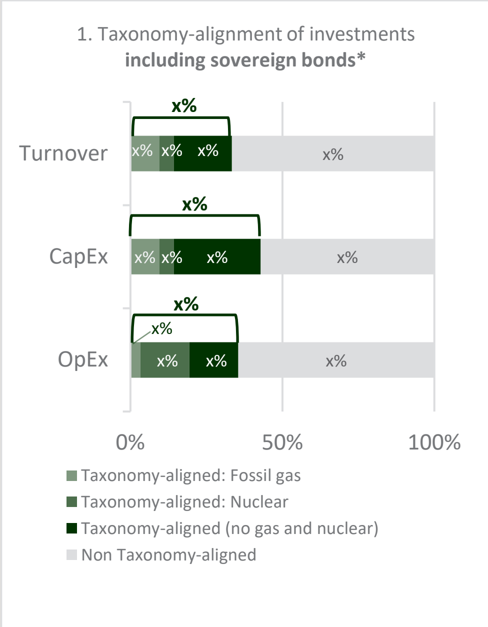
[include note only for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852

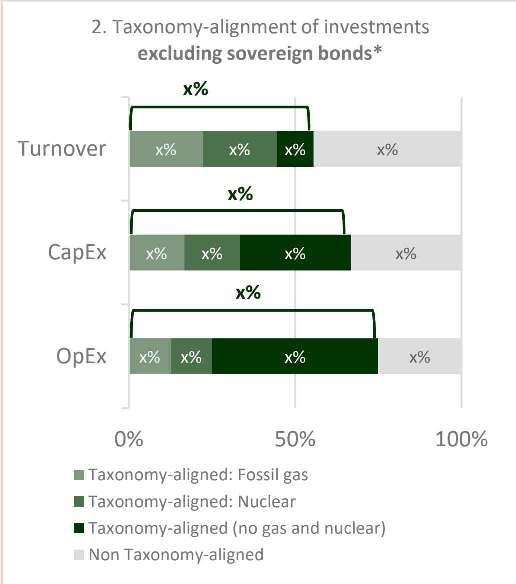
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

[Include information on Taxonomy aligned fossil gas and nuclear energy and the explanatory text in the left hand margin on the previous page only if the financial product invested in fossil gas and/or nuclear energy Taxonomy-aligned economic activities during the reference period]





This graph represents x% of the total investments.

* ***For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

What was the share of investments made in transitional and enabling activities? *[include a breakdown of the proportions of investments during the reference period]*

How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods? *[include where at least one previous periodic report was provided]*

[include note for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy? *[include only for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 where the financial product included investments with an environmental objective that invested in economic activities that are not environmentally sustainable economic activities and explain why the financial product invested in economic activities that were not taxonomy-aligned]*

What was the share of socially sustainable investments? *[include only where the financial product includes sustainable investments with a social objective]*

What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?

What actions have been taken to attain the sustainable investment objective during the reference period? *[list the actions taken within the period covered by the periodic report to attain the sustainable investment objective of the financial product, including shareholder engagement as referred to in Article 3g of Directive 2007/36/EC and any other engagement relating to the sustainable investment objective]*

How did this financial product perform compared to the reference sustainable benchmark? *[include section only for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088 and indicate where the methodology used for the calculation of the designated index can be found]*

- ***How did the reference benchmark differ from a broad market index?***
- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?***
- ***How did this financial product perform compared with the reference benchmark?***
- ***How did this financial product perform compared with the broad market index?'***

[include note for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088]
Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

Annex 6 – Requirements if PAI are considered

If the fund manager intends or is required to comply with the requirements under Article 4(2) of SFDR, they must include the following items in the disclosure:

- Information about their policies on the identification and prioritisation of principal adverse sustainability impacts and indicators.
  - This may include a summary description and explanation of the fund manager's ESG focus areas, including a description of the key performance indicators by which the manager seeks to assess its performance.

- A description of the adverse sustainability impacts and of any associated actions taken or, where relevant, planned.
  - This may include a narrative description explaining the manager's performance assessed based on the performance metrics identified as relevant and appropriate for the manager's business, and the steps the manager may take to improve its performance in future.

- A reference to the fund manager's adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.
  - This may include a description of any voluntary codes to which the fund manager is a signatory and any internal policies (applicable to the fund manager or with which the fund manager requires or encourages portfolio companies to comply) which replicate or require alignment with any relevant international standards. For example, the UN Principles for Responsible Investment, ILO Declaration on Fundamental Principles and Rights at Work, or the UN Guiding Principles on Business and Human Rights.
  - In addition, this disclosure may also include a description of policies or practices applicable at the fund manager or portfolio company level with a view to achieving alignment with international ESG reporting initiatives (such as the Global Reporting Initiative or Sustainability Accounting Standards Board).

- Where applicable, brief summaries of engagement policies published in accordance with the (revised) Shareholder Rights Directive. This will generally be more applicable to managers of listed / liquid strategies traded on exchanges.

The RTS contains a prescribed template in which to report quantitative performance of the portfolio. Please see the template at Annex 1.

- If the fund manager is able to and elects not to consider the principal adverse impacts, it must publish certain information on its website in a separate section entitled "No consideration of sustainability adverse impacts".[82] This section must include the following items:[83]
  1. A prominent statement that the manager does not consider the principal adverse impacts of its investment decisions on sustainability factors.
  2. Clear reasons why the manager does not do so. If relevant, the manager should also include information on whether and, if so, when it intends to consider those principal adverse impacts by reference to – at a minimum – the indicators set out in the RTS template.

Notes

1 British International Investment was known as CDC Group plc until 4 April 2022.

2 SFDR and Taxonomy are adopted under the agreement constituting the European Economic Area (EEA). The SFDR and the Taxonomy have the same legal effect in the EEA countries (that is, Iceland, Liechtenstein and Norway) as in the EU. We refer to EU and non-EU herein (rather than EEA and non-EEA), where appropriate.

3 Non-EU fund managers that do not market (within the meaning of Directive 2011/61/EU) their funds to EU investors are not required to comply with SFDR. Subscription by EU investors on the basis of a valid reverse solicitation does not cause a non-EU fund manager to be directly subject to the SFDR. However, there may be commercial reasons for voluntary compliance with SFDR, such as increasing fundraising traction by highlighting commitment to good practice and meeting investor expectations.

4 ESG is used here to encompass the broad responsible investing movement, including ESG risk management, impact investing, sustainable investing, socially responsible investing, climate finance, and gender-lens investing.

5 The ESG management systems typically requested by DFIs as LPs are likely to represent good practice for sustainability risk management. See BII's ESG Toolkit for Fund Managers for guidance.

6 For clarity, the results of pre-investment ESG due diligence does not need to be disclosed in the public domain. However, the overarching approach to ESG due diligence should be disclosed.

7 A large group as referred to in Article 3(7) of Directive 2013/34/EU – SFDR Article 4(4).

8 EU Commission – Targeted consultation on the implementation of the Sustainable Finance Disclosures Regulation: https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfdr-implementation_en

9 FCA Policy Statement PS23/16 – Sustainability Disclosure Requirements (SDR) and investment labels: https://www.fca.org.uk/publication/policy/ps23-16.pdf

10 SFDR also applies to several other financial institutions, including certain insurance undertakings which make available insurance-based investment products, institutions for occupational retirement provision, manufacturers of pension products, pan-European personal pension products, managers of qualifying venture capital and social entrepreneurship funds, and management companies of undertakings for collective investment in transferable securities (UCITS management companies).

11 SFDR Consolidated Q&As dated 17 May 2023, Question 4, pp. 31: https://www.esma.europa.eu/sites/default/files/2023-05/JC_2023_18_-_Consolidated_JC_SFDR_QAs.pdf

12 Fund managers that have their registered office or head office in a country that is not a member state of the EU, and have no branch office or other establishment in the EU.

13 SFDR Consolidated Q&As dated 17 May 2023, Question 2, pp. 4 – 5.

14 ESMA Supervisory briefing, May 2022 - https://www.esma.europa.eu/sites/default/files/library/esma34-45-1427_supervisory_briefing_on_sustainability_risks_and_disclosures.pdf

15 SFDR Article 3.

16 SFDR Article 5(1).

17 Funds that neither make environmentally sustainable investments nor promote "environmental characteristics" must include a prescribed disclaimer in Article 7 of the Taxonomy. "Environmental characteristics" is defined by reference to the "environmental objectives" under Article 9 of the Taxonomy which are as follows: (i) climate change mitigation; (ii) climate change adaption; (iii) the sustainable use and protection of water and marine resources; (iv) the transition to a circular economy; (v) pollution prevention and control; and (vi) the protection and restoration of biodiversity and eco-systems.

18 Taxonomy Article 6.

19 Taxonomy Article 5.

20 Article 10(1) of the SFDR.

21 Or other document in which the Article 23 AIFMD disclosures are made.

22 SFDR Article 6(1), second paragraph, and Article 6(2), second paragraph.

23 Fund managers with more than 500 employees must consider the PAI of investment decisions. Fund managers with subsidiaries with more than 500 employees, on a group basis, must also consider the PAI of investment decisions.

24 SFDR Article 7(1)(a) and (b).

25 Taxonomy Article 7.

26 Taxonomy Article 7.

27 SFDR Article 7(1), second paragraph.

28 ESMA Explanatory Note, December 2023: 'Concepts of sustainable investments and environmentally sustainable activities in the EU Sustainable Finance framework', paragraph 21, page 6 and Page 8 ("ESMA concepts of sustainable investment"): https://www.esma.europa.eu/sites/default/files/2023-11/ESMA30-379-2279_Note_Sustainable_investments_SFDR.pdf

29 ESMA concepts of sustainable investment, paragraph 21, page 6.

30 Taxonomy Articles 10 to 16.

31 Taxonomy Article 18(1).

32 Taxonomy, Article 18(2).

33 Platform on Sustainable Finance, 'Final Report on Minimum Safeguards' October 2022: https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

34 PSF Final Report on Minimum Safeguards, p. 4.

35 PSF Final Report on Minimum Safeguards, pp. 32 – 33.

36 PSF Final Report on Minimum Safeguards, pp. 32 – 33.

37 PSF Final Report on Minimum Safeguards, p. 34.

38 ESMA Explanatory Note, December 2023, paragraph 18, page 6: "'Do No Significant Harm' definitions and criteria across the EU Sustainable Finance framework" ("ESMA DNSH Note"): https://www.esma.europa.eu/sites/default/files/2023-11/ESMA30-379-2281_Note_DNSH_definitions_and_criteria_across_the_EU_Sustainable_Finance_framework.pdf and SFDR Consolidated Q&As, Question 3, p. 12.

39 ESMA DSNH Note, paragraph 18, page 6.

40 SFDR Consolidated Q&As, Question 3, p. 12.

41 ESMA DNSH Note, paragraph 13, page 4.

42 EU Sustainable Finance Package Publication, June 2023: https://finance.ec.europa.eu/publications/sustainable-finance-package-2023_en#delegate

43 RTS Article 23.

44 SFDR Article 10(1).

45 RTS Article 24.

46 SFDR Article 8(1).

47 At present, the concept of good governance is not as clearly defined in SFDR; except in the definition of sustainable investment (Article 2(17) SFDR) where SFDR clarifies good governance practices include "…in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance". Fund managers may wish to define what they consider good governance, including with reference to industry standards, practices and norms.

48 By way of example, such standards could include:
The International Finance Corporation's Corporate Governance Questionnaire |
The International Finance Corporation's Corporate Governance Progression Matrix
The International Finance Corporation's Corporate Governance Terms cheat sheet
The Dutch Corporate Governance Code

49 SFDR Consolidated Q&As, Question 8, pp. 46 – 47.

50 "Promotion" is broadly construed to encompass "direct or indirect claims, information, reporting, disclosures as well as an impression that investments…consider environmental or social characteristics in terms of investment policies, goals, targets or objectives or a general ambition in, but not limited to, pre-contractual and periodic documents or marketing communications, advertisements, product categorisation, description of investment strategies or asset allocation, information on the adherence to sustainability-related financial product standards and labels, use of product names or designations, memoranda or issuing documents, factsheets, specifications about conditions for automatic enrolment or compliance with sectoral exclusions or statutory requirements…". SFDR Consolidated Q&As, Question 2, pp. 29 – 30.

51 ESMA Public Statement, December 2023 – 'Update on the guidelines on funds' names using ESG or sustainability-related terms' ("ESMA Public Statement on Funds' Names"): https://www.esma.europa.eu/sites/default/files/2023-12/ESMA34-1592494965-554_Public_statement_on_Guidelines_on_funds__names.pdf

52 ESMA news article, 'ESMA proposes changes and updates timeline for its Guidelines on funds' names': https://www.esma.europa.eu/press-news/esma-news/esma-proposes-changes-and-updates-timeline-its-guidelines-funds-names

53 ESMA Public Statement on Funds' Names, pp. 1-2.

54 In addition, there are further requirements for products that designate and index as a reference benchmark, including on whether and how such an index is consistent with the characteristics identified. This is generally more relevant to fund managers of funds with liquid strategies.

55 SFDR Article 8(1).

56 SFDR Consolidated Q&As, Question 22, pp. 24 – 25.

57 Taxonomy Article 6.

58 RTS Article 14(2).

59 SFDR Article 11(1)(a).

60 Environmental objectives, "as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and circular economy."

61 Taxonomy Article 5.

62 Namely, where the economic activity:
a) Contributes substantially to one or more of the environmental objectives (climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems).
b) Does not significantly harm any of those environmental objectives.
c) Complies with the technical screening criteria established under the Taxonomy.

63 Taxonomy Article 6.

64 SFDR Consolidated Q&A, Question 4, p. 31.

65 SFDR Article 9(1) and (2).

66 As measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and circular economy.

67 For instance, tackling inequality or fostering social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities.

68 ESMA Public Statement on Funds' Names, pp. 1-2.

69 SFDR Article 9(2).

70 SFDR Article 9(3).

71 Taxonomy Article 16 and Article 10(2).

72 RTS Article 18(2).

73 SFDR Article 11(1)(c), read with Taxonomy Article 5.

74 SFDR Article 11(1)(b).

75 If the manager has designated an index as a reference benchmark, the disclosure must also include further disclosures, including about the index and a comparison of the fund's performance against the index.

76 Taxonomy Article 16 and Article 10(2).

77 RTS Article 58.

78 Updated Joint ESA Supervisory Statement on the application of the SFDR, para. 6, p. 2 (https://www.esma.europa.eu/sites/default/files/library/jc_2022_12_-_updated_supervisory_statement_on_the_application_of_the_sfdr.pdf), and SFDR Consolidated Q&A, Question 10, p. 52.

79 ESMA Explanatory Note, December 2023: 'Concept of estimates across the EU Sustainable Finance framework', Paragraph 12, pages 3 – 4: https://www.esma.europa.eu/sites/default/files/2023-11/ESMA30-1668416927-2548_Note_Use_of_estimates_and_equivalent_information.pdf

80 ESA final report on the review of PAI and financial product disclosures in the SFDR Delegated Regulation ("ESAs Final Report"): https://www.regulationtomorrow.com/eu/esa-final-report-on-the-review-of-pai-and-financial-product-disclosures-in-the-sfdr-delegated-regulation/

81 https://www.esma.europa.eu/sites/default/files/2023-04/JC_2023_09_Joint_consultation_paper_on_review_of_SFDR_Delegated_Regulation.pdf

82 RTS Article 12(1).

83 RTS Article 12(2).

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