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12 April 2023

Joint Consultation Paper

Review of SFDR Delegated Regulation regarding PAI and financial product disclosures

Draft regulatory technical standards with regard to the content, methodologies and presentation of sustainability disclosures pursuant to Article 2a(3), 4(6), 4(7), 8(3), 8(4), 9(5), 9(6), 10(2), 11(4) and 11(5) of Regulation (EU) 2019/2088

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1. Responding to this Consultation

The European Supervisory Authorities (hereinafter 'ESAs') welcome comments on this consultation paper setting out the proposed Regulatory Technical Standards (hereinafter 'RTS') on content and presentation of disclosures pursuant to Article 2a(3), 4(6), 4(7), 8(3), 8(4), 9(5), 9(6), 10(2), 11(4) and 11(5) of Regulation (EU) 2019/2088 (hereinafter *Sustainable Finance Disclosure Regulation* 'SFDR').

The consultation package includes:

- The Consultation Paper
- The draft amending RTS [and their relevant Annexes].
- Template for comments

The ESAs invite comments on any aspect of this paper. Comments are most helpful if they:

- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/rationale proposed; and
- describe any alternative regulatory choices that the ESAs should consider.

The ESAs also invite specific comments on the questions on the draft RTS as listed in Section 4, and any input on the preliminary impact assessment in Section 5.

Submission of responses

The consultation paper is available on the websites of the three ESAs. Comments on this consultation paper should be sent using the response form, via the ESMA website under the heading 'Your input/Consultations'. Please send your comments in the provided response form by 4 July 2023.

Contributions not provided in the response form or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on

the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC as implemented by the ESAs in the implementing rules adopted by their Management Board. Further information on data protection can be found under the Legal notice section of the EBA website, the Legal notice section of the EIOPA website and the Legal notice section of the ESMA website.

2. Executive Summary

Reasons for publication

1. The European Commission has mandated the Joint Committee of the ESAs to review and revise the RTS laid down in the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to RTS specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (hereinafter ‘SFDR Delegated Regulation’).
2. The purpose of the review is to broaden the disclosure framework and address some technical issues that have emerged since the SFDR was originally agreed, which concern sustainability indicators in relation to principal adverse impacts¹ as, and to propose amendments to RTS on pre-contractual and periodic documents² or and on website product disclosures³ for financial products, in order to include greenhouse gas (GHG) emissions reduction targets, including intermediary targets and milestones and actions pursued.
3. The ESAs have taken the opportunity of this mandate also to provide adjustments to other sections of the Delegated Regulation as outlined below.

General background

4. The fast evolving ESG markets and the growing demand for ESG investments has been accompanied by an increased demand for high quality sustainability information, although this is not being matched by adequate transparency and comparability on the sustainability impact of the financial products available in the market, on the underlying sustainability profile of issuers and on the methodologies underpinning ESG ratings and data in general.
5. In light of these developments, the Commission has announced in the [‘Strategy for Financing the Transition to a Sustainable Economy’](#) the review of the previously published RTS to cater for the increased request for transparency in areas that extend beyond the environment.
6. In the [mandate](#) the Commission has requested a review of the RTS laid down in the SFDR Delegated Regulation which aims at broadening the disclosure framework and addressing the main technical issues that have emerged since the SFDR was originally agreed, which concern

¹ Information referred to in Article 4(6) and (7) SFDR

² Information referred to in Article 6(3) and Article 11(2) SFDR

³ Information referred to in Article 10(1) SFDR

sustainability indicators in relation to adverse impacts as referred to in Article 4(6) and (7) SFDR; and the review of the information provided in relation to financial products in pre-contractual documents, on websites, and in periodic reports on GHG emissions reduction targets, including intermediary targets and milestones, and actions pursued; the provisions in RTS regarding financial products referred to in Article 5 and 6 of the Taxonomy Regulation sufficiently address the disclosure and information on environmentally sustainable economic activities.

7. The Commission has suggested to adopt as guiding principle for amendments to the RTS to reduce the risk of 'false certainty' and potential 'safeguards washing' by requiring well-substantiated evidence that investments align with the safeguards, and that implementation and application efforts do take place. However, the amended RTS should be carefully calibrated so that disclosures based on these indicators are proportionate and feasible for financial market participants (hereafter referred to as 'FMPs').
8. In developing the revised RTS, in addition to the guiding principles suggested by the Commission, ESAs have also used knowledge from the Q&As adopted on the practical application of the standards, issues raised by the NCAs as well as the results of the desk-based research performed in the drafting process of the annual report on the extent of PAI reporting under SFDR⁴.
9. For these reasons, the ESAs have gone further than the explicit Commission mandate in the review of the RTS and have proposed in this consultation paper reflections on the existing disclosures of do not significantly harm, considered as leaving too much discretion to FMPs, reflections on potential simplifications of the current templates, often considered too complex and difficult to understand by retail investors, and a number of other technical adjustments meant to facilitate the use of the templates and the application of the standards.

Process followed for Consultation Paper

10. During the preparation of this consultation paper, the ESAs sought input from the European Environment Agency and the Joint Research Centre of the European Commission, and, where suitable, from decentralised agencies, such as the EU Agency for Fundamental Rights, the European Labour Authority, the European Foundation for Living and Working Conditions, the European Agency for Safety and Health at Work, the European Institute for Gender Equality, and the European Maritime Safety Agency.

⁴ Required by Article 18 SFDR

3. Background analysis

3.1 Introduction

11. The area of sustainable finance disclosures is a fast and evolving area and to reflect the increased demand for high quality sustainability-related information the Commission has invited the ESAs to review the RTS submitted by the ESAs on 4 February 2021 and on 22 October 2021, adopted by the Commission on 6 April 2022 and published in the Official Journal as Commission Delegated Regulation (EU) 2022/1288 (referred to in this document as the SFDR Delegated Regulation). The SFDR Delegated Regulation was amended on 17 February 2023 by Commission Delegated Regulation (EU) 2023/363 with regard to EU Taxonomy investments in fossil gas and nuclear energy.
12. To meet the Commission's request, the ESAs are proposing the following changes:
 - Extension of the list of social indicators for principal adverse impacts;
 - Refinement of the content of a number of the other indicators for adverse impacts and their respective definitions, applicable methodologies, metrics and presentation and;
 - Amendments regarding decarbonisation (the ESAs' preferred term is "GHG emissions reduction") targets.
13. In addition to what was explicitly requested by the Commission, the ESAs have considered further changes to the SFDR Delegated Regulation based on experiences shared by stakeholders through Q&As and observations, both directly through desk-based research and feedback from, the National Competent Authorities. Those proposed changes relate to:
 - DNSH disclosure design options;
 - Simplification of the templates; and
 - Other technical adjustments.

3.2 Extension of the list of social indicators for principal adverse impacts

14. The ESAs have reflected on ways to enhance and extend the list of social indicators, including indicators which would be relevant from both EU and international perspectives (such as tax avoidance). Conscious of the lack of data challenge which was raised by FMPs during previous iterations of the RTS, the approach used by the ESAs to define potential new social indicators was to use as basis the first set of draft European Sustainability Reporting Standards (ESRS)

published by the European Financial Reporting Advisory Group (EFRAG) in November 2022, mandated by the Corporate Sustainability Reporting Directive (CSRD)⁵.

15. The draft ESRS have been a valuable source for the definition of the new social PAI indicators, as the ESRS disclosures requirements will have to be reported by all companies in the scope of CSRD, allowing for less burdensome disclosures. However, the ESAs have considered suggesting additional mandatory and opt-in indicators which are not – for the time being – reported under ESRS and seek stakeholders’ feedback.

Overview of newly introduced mandatory social indicators (Table 1)

| New mandatory indicator | Description | Rationale | ESRS Reference |
|---|--|---|---|
| Amount of accumulated earnings in non-cooperative tax jurisdictions | Amount of accumulated earnings by undertakings where the consolidated revenue on their balance sheet date exceeded for each of the last two consecutive financial years a total of € 750 million at the end of the relevant financial year in jurisdictions that appear on the revised EU list of non-cooperative jurisdictions for tax purposes | Addition of indicator to assess company’s profit in non-cooperative jurisdictions for tax purposes according to Article 48(b) and (c) of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 | Not an ESRS disclosure. However, it is disclosed by parent undertakings where the consolidated revenue on their balance sheet date exceeded for each of the last two consecutive financial years a total of € 750 million |
| Exposure to companies involved in the cultivation and production of tobacco | Share of investments in investee companies involved in the cultivation and production of tobacco | Additional indicator to align with Commission Delegated Regulation (EU) 2020/1818 supplementing Regulation (EU) 2016/1011 of the | ESRS 2 SBM-1 |

⁵ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

European Parliament and of the Council as regards minimum standards for EU Climate transition Benchmarks and EU Paris-aligned Benchmarks, Article 12 (1)(b) - Exclusions for EU Paris-aligned Benchmarks

| | | | |
|---|--|---|--|
| Interference in the formation of trade unions or election of worker representatives | Share of investments in investee companies without commitments on its non-interference in the formation of trade unions or election of workers' representatives. | Addition of indicator to assess the adverse impact of companies preventing the formation of trade unions or election of worker representative | Under ESRS S1 the non-interference in trade union formation is mentioned as an example of a policy that could be disclosed (not mentioned as "commitment") |
|---|--|---|--|

| | | | |
|--|--|---|--------------|
| Share of employees earning less than the adequate wage | Average percentage of employees in investing companies earning less than the adequate wage | Addition of indicator to assess the adverse impact of companies employing a high percentage of employees earning less than the adequate wage ⁶ . | ESRS S1 - 10 |
|--|--|---|--------------|

Overview of newly introduced opt-in indicators (Table 3)

| New opt-in indicator | Description | Rationale | ESRS reference |
|--------------------------------------|---------------------------------------|--|----------------|
| Excessive use of non-guaranteed-hour | Average share of non-guaranteed hours | Addition of indicator to assess the adverse impact | ESRS S1-6 |

⁶ The calculation of "adequate wage" has been taken from the ESRS

| | | | |
|--|---|--|------------|
| employees in investee companies | employees as share of total employees | of a company's excessive use of non-guaranteed hour employees | |
| Excessive use of temporary contract employees in investee companies | Average share of own employees with a temporary contract as share of total employees | Addition of indicator to assess the adverse impact of a company's excessive use of temporary contract employees | ESRS S1-6 |
| Excessive use of non-employee workers in investee companies | Average share of non-employee workers as share of total employees | Addition of indicator to assess the adverse impact of a company's excessive use of workers on temporary contracts | ESRS S1-6 |
| Insufficient employment of persons with disabilities within the workforce | Average share of persons with disabilities amongst the workforce of investee companies | Addition of indicator to assess the company's employment of people with disabilities | ESRS S1-12 |
| Lack of grievance/complaints handling mechanism for communities affected by the operations of the investee companies | Share of investments in investee companies without grievance/complaints handling mechanism for stakeholders materially affected by the operations of the investee companies | Addition of indicator to assess the lack of grievance/complaints handling mechanism for communities affected by the operations of the investee companies | ESRS S3 |
| Lack of grievance/complaints handling mechanism for consumers/end-users of the investee company | Share of investments in investee companies without grievance/complaints handling mechanism for consumers or end users of the investee companies | Addition of indicator to assess the lack of grievance/complaints handling mechanism for consumers end-users of the investee company | ESRS S4 |

16. Under the current RTS, there is no social PAI indicator applicable to an investment in a real estate asset. In order to enable these investments to duly take into account social factors, the ESAs would like to raise the issue whether social PAI indicators could apply to the entity managing this real estate asset. This entity could either be the financial market participant itself, or any other company it hires in view of managing it.
17. Furthermore, the currently applicable definition of 'inefficient real estate assets', designed for PAI indicator 22 of Table 1 in Annex I of the SFDR Delegated Regulation, makes the difference between real estate assets built before and after 31 December 2020. To improve the interaction between SFDR and the EU Taxonomy technical screening criteria and to aid the implementation of this PAI indicator 22 of Table 1, the ESAs would like to raise the issue whether it would be relevant to expand the definition of inefficient real estate assets built before 31 December 2020 and further align it with the EU Taxonomy criteria designed for climate change mitigation DNSH under section 7.7 ('Acquisition and ownership of building') of Annex II of the Commission Delegated Regulation (EU) 2021/2139.
18. Under such a change, a building built before 31 December 2020 would qualify as 'inefficient real estate asset' if it meets the two cumulative conditions:
 - a. the building has an Energy performance certificate (EPC) below C; and
 - b. the building is not within the top 30% of the national or regional building stock expressed as operational primary energy demand (PED) and demonstrated by adequate evidence.
19. As with the other changes, the ESAs have aligned the wording of a number of current PAI indicators to align the language with the datapoints reported under the ESRS (i.e. number of days lost to work-related injuries, accidents, fatalities from work-related accidents, work related ill health and fatalities from ill health) or improved formulations (i.e.. Operations and suppliers at significant risk of incidents of use of workforce qualifying as child labour instead of 'operations and suppliers at significant risk of child labour').
20. With the view to ensure consistency with the other pieces of sustainable finance legislation (i.e. Taxonomy Regulation⁷, Climate Benchmarks Regulation⁸), the ESAs have also proposed changing the PAI indicator 10 in Table 1 of Annex I (Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises) and indicator #11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) in Annex I, Table I, replacing the UN Global Compact principles with 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

⁷ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

⁸ Regulation (EU) 2019/2089 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks

on Fundamental Principles and Rights at Work and the International Bill of Human Rights. The ESAs also added a new indicator measuring the adverse impact of the exposure to companies involved in the cultivation and production of tobacco in line with the exclusions under the Climate Benchmarks Delegated Regulation.

21. Finally, to improve the practicality of the provisions related to the calculation of PAI, the ESAs would welcome comments about whether the definition of 'enterprise value' in point (4) of Annex I of the SFDR Delegated Regulation has any impact with regard to the definition of 'current value of investment' in the same Annex.

Question 1: Do you agree with the newly proposed mandatory social indicators in Annex I, Table I (amount of accumulated earnings in non-cooperative tax jurisdictions for undertakings whose turnover exceeds € 750 million, exposure to companies involved in the cultivation and production of tobacco, interference with the formation of trade unions or election worker representatives, share of employees earning less than the adequate wage) ?

Question 2: Would you recommend any other mandatory social indicator or adjust any of the ones proposed?

Question 3: Do you agree with the newly proposed opt-in social indicators in Annex I, Table III (excessive use of non-guaranteed-hour employees in investee companies, excessive use of temporary contract employees in investee companies, excessive use of non-employee workers in investee companies, insufficient employment of persons with disabilities in the workforce, lack of grievance/complaints handling mechanism for stakeholders materially affected by the operations of investee companies, lack of grievance/complaints handling mechanism for consumers/end-users of the investee companies)?

Question 4: Would you recommend any other social indicator or adjust any of the ones proposed?

Question 5: Do you agree with the changes proposed to the existing mandatory and opt-in social indicators in Annex I, Table I and III (i.e. replacing the UN Global Compact Principles with the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work) ? Do you have any additional suggestions for changes to other indicators not considered by the ESAs?

Question 6: For real estate assets, do you consider relevant to apply any PAI indicator related to social matters to the entity in charge of the management of the real estate assets the FMP invested in?

Question 7: For real estate assets, do you see any merit in adjusting the definition of PAI indicator 22 of Table 1 in order to align it with the EU Taxonomy criteria applicable to the DNSH of the climate change mitigation objective under the climate change adaptation objective?

Question 8: Do you see any challenges in the interaction between the definition 'enterprise value' and 'current value of investment' for the calculation of the PAI indicators?

3.3 Technical revision of the PAI framework

22. New formulae: For ease of calculation of the PAI indicators, the ESAs have introduced new formulae for the PAI indicators that did not already have them, as FMPs have requested greater clarity about the numerators and denominators.

Question 9: Do you have any comments or proposed adjustments to the new formulae suggested in Annex I?

23. Technical changes or clarifications to the current indicators: The ESAs have proposed adjusting a number of indicators considered to merit clarification or clarifying definition. By way of non-exhaustive list of examples: adjustment of the indicators where the metric is 'expressed as weighted average' instead of 'expressed per million euros' ; the distinction between hazardous waste and radioactive waste which are proposed as two separate indicators with two different calculation formulae ; specification of the metrics for the indicator on investments in companies without sustainable land/agriculture practices and for the indicator on investments in companies without sustainable oceans/seas practices.

Question 10: Do you have any comments on the further clarifications or technical changes to the current list of indicators? Did you encounter any issues in the calculation of the adverse impact for any of the other existing indicators in Annex I?

24. Disclosure of share of information received directly from investee companies: as the ESAs outlined in Question II.1 in the November 2022 Q&As, it is good practice to show the share of investments for which the FMP relies on information directly from investee companies. Therefore, in this proposal this is required to be displayed in the "explanation" column of the PAI disclosures.

Question 11: Do you agree with the proposal to require the disclosure of the share of information for the PAI indicators for which the financial market participant relies on information directly from investee companies?

25. Definition of 'current value of all investments': The ESAs would like to gather feedback on the notion of 'current value of all investments' (point (4) of Annex I below) for the purpose of the denominators in the various PAI calculations.
26. Under the currently applicable Delegated Regulation, the notion of 'all investments' aims to cover all the investments made by the financial market participant (for the exact definition, please refer to point 3 of Annex I of the SFDR Delegated Regulation, which is the subject of question I.2 of the ESAs' Q&As on the SFDR Delegated Regulation⁹ released in November 2022).
27. In the ESAs' view, this definition has two main benefits. First, it enables the comparability between FMPs: investors know about the impact of €1M invested by two different FMPs and

⁹ https://www.esma.europa.eu/sites/default/files/library/jc_2022_62_jc_sfdr_qas.pdf

can compare them. Furthermore, it makes the calculation easier for financial market participants as the same denominator applies across all indicators, although arguably this introduces inconsistency between the numerator and denominator.

28. 'All investments' could also be understood to mean investments in the particular type of entity or real estate asset (i.e. investee companies, sovereigns and supnationals, or real estate assets) causing the adverse impact. The idea would be to focus the calculations of PAI on the relevant categories of exposures (investee companies, sovereigns and supnationals, real estate assets).
29. This approach would have one advantage: each indicator would focus on the investments for which it is relevant. Nevertheless, the ESAs consider that adopting such approach may hinder the comparability between FMPs and limit the relevance of the data disclosed (see the example below).

Illustrative case of investment decisions made by two FMPs, FMP n°1 and FMP n°2, and information related to some of the PAI indicators of table 1¹⁰

| FMPs | Entity or real estate asset invested in | Current value of investment | Current value of all investments | Investee company's tonnes of emissions to water generated | Company's enterprise value | Information for PAI 8 (T1) ¹¹ Emissions to water : | Information for PAI 20 (T1) Is the country subject to social violations? (Yes/No) (Yes = adverse impact) |
|---------|---|-----------------------------|----------------------------------|---|----------------------------|--|--|
| FMP n°1 | Company A | €0,5 M | €1M | 40 000 t | €10 M | (0,5 x 40 000) / (10 x 1) = 2.000 t / €M | Irrelevant |
| | Company B | €0,3 M | | 0t | €5 M | 0t | Irrelevant |
| | Sovereign α | €0,2 M | | Irrelevant | Irrelevant | Irrelevant | Yes |
| FMP n°2 | Company C | €0,3 M | €1M | 80 000 t | €4 M | (0,3 x 80 000) / (4 x 1) = 6.000 t / €M | Irrelevant |

¹⁰ Please note that the numbers of the indicators in this illustrative table reflect the proposed changed indicators in this consultation paper, not the numbers of the original PAI indicators in Commission Delegated Regulation (EU) 2022/1288

¹¹ (8) "Emissions to water" shall be calculated in accordance with the following formula:

$$\frac{\sum_i^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's tonnes of emissions to water generated}_i \right)}{\text{current value of all investments (€M)}}$$

where n is the number of investee companies in the investments

| | | | | | | | |
|--|----------------|-----------|--|------------|------------|------------|-----|
| | Sovereign β | €0,2 M | | Irrelevant | Irrelevant | Irrelevant | Yes |
| | Sovereign γ | €0,1 M | | Irrelevant | Irrelevant | Irrelevant | No |
| | Sovereign δ | €0,4 M | | Irrelevant | Irrelevant | Irrelevant | No |

Information reported by the FMPs – ‘All investments’ approach that is currently applicable (Q&A I.2 November 2022 Q&A document):

| FMPs | Information reported for PAI 8 (T1) | Information reported for PAI 20 (T1) |
|---------|-------------------------------------|--------------------------------------|
| FMP n°1 | 2 000t/€M | 20% |
| FMP n°2 | 6 000t/€M | 20% |

Information reported by the FMPs – ‘All investments’ approach focusing on each entity/asset type:

| FMPs | Information reported for PAI 8 (T1) | Information reported for PAI 20 (T1) |
|---------|-------------------------------------|--------------------------------------|
| FMP n°1 | $(2000 / 0,8) = 2\ 500\ t/€M$ | 100% |
| FMP n°2 | $(4000 / 0,3) = 13\ 333\ t / €M$ | 28,57% |

For noting:

30. A change in approach would impact the PAI indicators. Concerning PAI 3, the carbon intensity of the investment decisions made by FMP n°2 is significantly higher in the second approach, while the impact on the disclosure made by FMP n°1 is negligible. This affects significantly the information provided to the investors. Such a result is also observable for PAI 19.

Question 12: What is your view on the approach taken in this consultation paper to define ‘all investments’? What are the advantages and drawbacks you identify? Would a change in the approach adopted for the treatment of ‘all investments’ be necessary in your view?

31. Treatment of investee companies’ value chains: the ESAs received many questions from stakeholders and public institutions about whether the PAI calculations for investee companies’

PAIs should include those investee companies' value chains (or supply chains) contributions to the adverse impacts.

32. In order to bring some clarity to this situation and in order to align with the CSRD's draft ESRS, the ESAs propose to clarify in the normative text that the contribution of investee companies' value chains to the PAIs should be considered where the investee company is reporting impacts in its value chain according to the ESRS under its own materiality assessment performed in accordance with the ESRS. Financial market participants should include information on the value chains of investee companies that are not reporting under the ESRS where that information is readily available, e.g. in the public reporting of those investee companies. The consequence of that proposal is that if the investee company is not reporting its value chain's adverse impacts under the ESRS or this is disclosed in other reporting, then those do not need to be taken into account for the PAI calculations. However, an exception to this principle would be indicators 1-3, 15 and 18 in Table 1 since they require Scope 3 GHG emissions (i.e. the emissions from the value chain) in all cases.

Question 13: Do you agree with the ESAs' proposal to only require the inclusion of information on investee companies' value chains in the PAI calculations where the investee company reports them? If not, what would you propose as an alternative?

33. Treatment of derivatives in the PAI indicators: there have been a number of discussions with NCAs on the treatment of derivatives in the calculation of PAI indicators. The starting point was to consider derivatives as an investment decision. The ESAs note that, under UCITS and AIFMD frameworks¹² derivatives are converted into an equivalent position in the underlying asset to measure their exposure to the underlying assets and their contribution to the risk profile of the investment fund.
34. The proposed solution would be to require the inclusion of any derivative with an equivalent long net exposure in the numerator of the PAI indicator, because in such cases the transaction would have resulted in money going towards the adverse impacts identified in the indicators. Where FMPs can show that this derivative does not ultimately result in a physical investment in the underlying security by the counterparty – or any other intermediary in the investment chain – the FMP would be allowed to consider that this derivative investment does not result in an adverse impact and should therefore be allowed to exclude it from the numerator. This would not affect the calculation of the denominator, which should always include all investments including derivatives (see the discussion above on the notion of “all investments”). In most cases the counterparty with which an FMP conclude a derivative transaction hedges itself with short or long exposures on the same underlying assets, but such hedging is not automatic.
35. The proposed approach aims to avoid the circumvention of PAI reporting by FMPs who set up derivative transactions in order to artificially lower their PAIs. Without appropriate rules concerning the inclusion of derivatives within PAI calculations, FMPs could be incentivised to

¹² Article 51 of UCITS Directive and Article 42(2) and 43(5) of Commission Directive 2010/43/EU and Article 8 and Annex II of Commission Delegated Regulation (EU) No 231/2013

achieve long exposures through derivatives, resulting in an underestimation of the principal adverse impacts of their investment decisions.

36. Furthermore, the ESAs see merit in clarifying how FMPs should perform netting to ensure that their reporting of the principal adverse impacts reflects as closely as possible the investments decisions they have made. In accordance with Q&A 3.1 of the November 2022 Q&As, adverse impacts should be netted at the level of an individual counterpart without going below zero.

Question 14: Do you agree with the proposed treatment of derivatives in the PAI indicators or would you suggest any other method?

37. Treatment of derivatives generally: the treatment of derivatives has been discussed for a long time under the European sustainable finance framework. In the context of the review of the SFDR Delegated Regulation, this issue has been considered in relation with three different calculations: (i) the proportion of Taxonomy-aligned investments of a financial product ; (ii) the proportion of sustainable investments of a financial product; and (iii) the information on principal adverse impacts.

38. Taking into consideration derivatives in these calculations is paramount to avoid greenwashing. For taxonomy-alignment and the share of sustainable investments, the risk of greenwashing comes from financial market participants including derivatives in the numerator in order to overestimate the products’ alignment or share of sustainable investments. On the other hand, for PAI indicators the opposite applies: the risk of greenwashing stems from financial market participants excluding derivatives from the numerator in order to underestimate the PAI indicators.

39. The table below summarises the risks of greenwashing related to these circumstances as well as the ESAs’ suggestions to address them:

| | Proportion of Taxonomy-aligned investments | Proportion of sustainable investments of a financial product | PAI calculation |
|--|---|---|---|
| Long net exposure on a given issuer | <p>For Taxonomy-aligned investments, the risk of greenwashing stems from trying to maximise the numerator.</p> <p>In accordance with recital 33 of the SFDR Delegated Regulation, exposures achieved through derivatives should not be included in the numerator. Therefore, net long</p> | <p>For sustainable investments, the risk of greenwashing stems from trying to maximise the numerator.</p> <p>Therefore, the numerator should take into account short positions achieved through derivatives.</p> <p>There is currently no provision applicable to</p> | <p>For PAI indicators, the risk of greenwashing stems from trying to minimise the numerator. Therefore, when it comes to PAI indicators, derivatives should by default be included in the numerator when the exposure is a long position.</p> |

| | | | |
|--|--|---|---|
| | <p>positions achieved only through derivatives should not be taken into account.</p> <p>However, the numerator should take into account short positions achieved through derivatives to reduce the long net exposure on a given issuer.</p> <p>Currently, Article 17(1)(g) of the SFDR Delegated Regulation addresses this risk. Nevertheless, the reference to Delegated Regulation 236/2012 focuses on equity and sovereign exposures only.</p> <p>The ESAs are keen to receive feedback on whether there is a need to clarify that netting may be performed for other asset classes as well (e.g. corporate bonds</p> | <p>sustainable investment in relation to derivatives.</p> <p>The ESAs would like feedback about applying the provisions laid down in Article 17(1)(g) to sustainable investments.</p> | |
| <p>Net short exposure on a given issuer</p> | <p>None. Nevertheless, the ESAs are of the view that displaying a negative proportion of Taxonomy-aligned investments or a negative proportion of sustainable investments would not fit with the actual investments nor with the EU sustainable finance framework.</p> <p>Therefore, the ESAs suggested in Q&A I.3 of the November 2022 Q&As that this proportion can never be negative at the level of an individual issuer. Feedback welcome.</p> | | <p>In accordance with Q&A I.3 of the November 2022 Q&As, adverse impacts should be netted at the level of an individual counterpart without going below zero.</p> |

40. Concerning the calculation of the Taxonomy-alignment of financial products in Article 17 of the SFDR Delegated Regulation, the ESAs note that the provisions on netting laid down in point g of paragraph 1 of this Article cross-refer to Article 3(4) and (5) of Regulation (EU) No 236/2012 (short-selling Regulation) which set out the method to be used to calculate net short positions relating to share capital and sovereign debt. Such cross-reference might be interpreted as meaning that netting is only allowed with respect to shares and sovereign debt instruments.

The ESAs are keen to receive feedback on whether there is a need to clarify that netting may be performed for other asset classes as well (e.g. corporate bonds), for the purpose of the calculation of Taxonomy-alignment, and, if so, what method should therefore be used.

Question 15: What are your views with regard to the treatment of derivatives in general (Taxonomy-alignment, share of sustainable investments and PAI calculations)? Should the netting provision of Article 17(1)(g) be applied to sustainable investment calculations?

Question 16: Do you see the need to extend the scope of the provisions of point g of paragraph 1 of Article 17 of the SFDR Delegated Regulation to asset classes other than equity and sovereign exposures?

3.4 DNSH disclosure design options

41. Under SFDR, the definition of “sustainable investment” laid down in Article 2(17) leaves significant discretion to FMPs in how they assess the requirements an investment has to meet to qualify as sustainable and how they disclose it.

42. Despite the empowerment to the ESAs to create disclosures for do not significantly harm (DNSH) set out in Article 2a, compliance with the DNSH principle also leaves room for discretion:

(i) Disclosure requirements: financial products have to describe how they “take principal adverse impact (“PAI”) indicators into account” to demonstrate that their investments respect the DNSH principle;

(ii) DNSH assessment framework: due to SFDR being a disclosure framework, financial market participants cannot rely on predefined, common criteria in order to assess compliance of their sustainable investments with the DNSH principle, as they only have to take into account PAI indicators in their assessment. Considering the fact that ‘taking into account’ remains undefined, FMPs have discretion about the criteria they will apply when conducting the assessment.¹³

43. Within this disclosure-based framework, investors have limited ways to compare financial products, and investee companies have little predictability about how PAI-based DNSH criteria will be applied by FMPs. The ESAs are concerned about this as it may undermine the comparability of financial products and could lead to greenwashing of “sustainable investments” in SFDR. For this reason, the ESAs are considering more specific disclosure requirements regarding DNSH under PAIs for sustainable investments, in order to increase transparency and support some degree of comparability.

¹³ Criteria could be quantitative, qualitative, a mix of both or anything at all that qualifies as “taking into account”. In addition, they could reflect quantitative thresholds defined in relation to one or more PAI indicators (e.g. only investment in companies performing above certain levels, as measured by one or more PAI indicator(s) would pass the DNSH test).

44. The abovementioned issues are of particular concern in the case of the environmental PAI indicators, due to the interlinkage with the EU Taxonomy. In the absence of a social Taxonomy, the use of social PAI indicators for the DNSH test does not face similar questions. A key conceptual challenge is that the PAI indicators were designed on a sector-agnostic basis, i.e. they do not differentiate between the adverse impacts of one sector of the economy compared to another. They do not establish what level of a specific adverse impact is to be considered causing significant harm to the environment and society. This makes sense in the context of the PAI disclosures which consist of the aggregate total adverse consequences of a financial market participant's investment decisions at the entity level. However, this contrasts with the approach taken for the Technical Screening Criteria (TSC) for substantial contribution and DNSH of the EU Taxonomy, which are tailored to specific economic activities. Moreover, the TSC applies at economic activity level while the DNSH principle of SFDR applies at investment level. This difference hampers the interaction between those two principles: it appears that a company may have a proportion of its economic activities aligned with the EU Taxonomy, while investing in its equity does not qualify as a sustainable investment under SFDR.
45. While the requirement that SFDR DNSH disclosure should be consistent with the PAI indicators stems from the empowerment given to the ESAs under Article 2a SFDR, using sector-agnostic PAI thresholds as "pass or fail" thresholds for DNSH could lead to outcomes potentially inconsistent with the environmental sustainability criteria set by the EU Taxonomy. For instance, based on a given threshold for PAI indicator 3 (greenhouse gas intensity), one fully taxonomy-aligned company in a high-emitting sector (e.g. a cement company) could "fail" the test, if the PAI 3 threshold is set too low. In parallel, if set too high, such threshold might fail to filter out investments in a company with activities not compliant with DNSH TSC under the EU Taxonomy, in another, relatively less emitting sector. Such issues lower the comprehensibility and comparability of financial products to investors and may increase greenwashing risks or risks of investment in stranding assets and causing carbon lock-ins related to assets incompatible with climate neutrality by 2050. In addition, one single company could pass the threshold of PAI indicator 3 (calculated on the basis of emissions per EUR million revenue) but fail the threshold of PAI indicator 2 (carbon footprint which is calculated on the basis of enterprise value).
46. Furthermore, evidence from investigative work by NGOs shows that a significant share of Article 9 SFDR financial products have exposures to fossil fuels, and in particular to coal activities¹⁴. DNSH disclosures at product level on how sustainable investments take into account PAI indicator 4 of Table 1 "exposure to companies active in the fossil fuels sector", will support transparency on the investments they make in the fossil fuel sector.
47. As a consequence of these inherent inconsistencies between the two parallel concepts of sustainability, the ESAs believe that Level 1 reform of SFDR is required to resolve them.

¹⁴ According to the "[Great Green Investment Investigation](#)": 269 investment funds have at least one investment in a company active in the coal industry (including the extraction, transportation and combustion of coal), out of a sample of 838 Article 9 funds studied by the investigation consortium. Power generation from solid fossil fuels (including coal) is considered as always significantly harmful under Article 19 (3) of the Taxonomy Regulation.

Consequently, the ESAs welcome the “comprehensive assessment” of SFDR announced by the European Commission in January 2023. The ESAs are considering contributing their views to the comprehensive assessment through a dedicated Opinion from the Joint Committee.

48. In the context of this review of the SFDR Delegated Regulation, the ESAs have considered several alternatives: keeping the provisions in the SFDR Delegated Regulation unchanged, providing more specific disclosures and introducing an optional safe harbour for environmental DNSH of Taxonomy-aligned activities. The ESAs also considered some longer term issues related to the DNSH framework.

Status quo

49. The ESAs are aware that SFDR Delegated Regulation disclosures have only become fully applicable on 1 January 2023 (and the first PAI statements under Chapter II and Annex I of the SFDR Delegated Regulation are not due until 30 June 2023 at the latest). Therefore, there may be merit in preserving the status quo for the time being while financial market participants are becoming used to the disclosures and the Taxonomy is becoming more usable and used across companies. Analytical work could help the ESAs and stakeholders better understand the needed improvements. Furthermore, the ESAs note that the Commission is undertaking a comprehensive assessment of SFDR.
50. The status quo avoids market disruption and further significant implementation efforts for the industry (on the basis that there is not a clearly preferable option that might justify the implementation costs). However, the status quo preserves the already identified weaknesses of the current framework for likely several more years: the risks of greenwashing and that DNSH disclosure under SFDR is not sufficiently rigorous remain unaddressed in the wait for more fundamental solutions.

More specific disclosures

51. The current disclosures could also be improved upon to require more granular information. The ESAs have proposed in this consultation paper that quantitative thresholds related to the PAI indicators to determine that the sustainable investments do not significantly harm any environmental or social objectives should be disclosed on the website disclosure of the financial product. Furthermore, the disclosure of “how the PAI indicators are taken into account” in the pre-contractual and periodic disclosure templates should indicate that the quantitative thresholds are available on the website disclosures for the financial product.
52. By clarifying that the FMPs should publish the thresholds for the use of PAI indicators to determine that their sustainable investments do no significant harm, this option allows better transparency and some degree of comparability between financial products. However, with FMPs still given full discretion on the methodology used to assess DNSH compliance, this option does not ensure full comparability. Furthermore, it may not prevent the risk that the DNSH test is applied by FMPs in a way that still allows investments in what some could still consider

significantly harmful activities. The ESAs want to hear from stakeholders their feedback on this proposal.

Optional safe harbour for environmental DNSH disclosures

53. The ESAs would like to collect stakeholders views about the potential implementation of an optional “safe-harbour for environmental DNSH” for investments in certain categories of economic activities considered as environmentally sustainable under Article 3 of the Taxonomy Regulation. The ESAs consulted on a similar concept in the March 2021 consultation paper on taxonomy-aligned disclosures ([JC 2021 22](#)), but at the time it was not considered a feasible alternative. At the time, the concern was that Article 18(2) TR requires adherence to the principle of the SFDR DNSH when the minimum safeguards are implemented under Article 18(1) TR, so it was not considered possible to derogate from that in the RTS. This time, the key difference is that the statement would only concern environmental DNSH.
54. In disclosure terms, the ESAs proposed in the consultation paper on taxonomy-aligned disclosures (JC 2021 22) a standardised statement that certain economic activities that comply with the EU Taxonomy do not require further DNSH disclosures. This time the proposed standardised statement would read that that certain economic activities that comply with the EU Taxonomy do not require further environmental DNSH disclosures.
55. The implementation of an optional safe harbour for environmental DNSH disclosures for environmental taxonomy-aligned activities might boost use of proceeds instruments focused exclusively on such environmental economic activities.
56. However, as the safe harbour for environmental DNSH would apply only to the part of investee companies’ activities that are aligned with the EU Taxonomy, this could result in additional complexity due to the separate treatment of Taxonomy-aligned economic activities. Therefore, the recourse to such safe harbour would be optional and FMPs could decide to apply the general approach of SFDR DNSH to all activities.

Longer term considerations

57. With reference to the broader Level 1 considerations mentioned in paragraph 48, the ESAs believe that co-legislators may wish to consider shifting to a single taxonomy-based system for DNSH. Nevertheless, should the two parallel concepts of sustainability (SFDR Article 2(17) and the EU Taxonomy) be retained, the ESAs think the EU Taxonomy technical screening criteria should form the basis of DNSH assessments also for SFDR.
58. The EU Taxonomy contain more detailed, activity-level technical screening criteria for DNSH that are more sensitive to specific economic activities undertaken by investee companies. However, the investment-level application of DNSH in SFDR represents a challenge. I.e. since an investment in a general financing instrument in an investee company covers all that company’s economic activities, so the Taxonomy-based DNSH test would have to cover all its economic activities. The ESAs would like feedback on these issues.

Question 17: Do you agree with the ESAs' assessment of the DNSH framework under SFDR?

Question 18: With regard to the DNSH disclosures in the SFDR Delegated Regulation, do you consider it relevant to make disclosures about the quantitative thresholds FMPs use to take into account the PAI indicators for DNSH purposes mandatory? Please explain your reasoning.

Question 19: Do you support the introduction of an optional "safe harbour" for environmental DNSH for taxonomy-aligned activities? Please explain your reasoning.

Question 20: Do you agree with the longer term view of the ESAs that if two parallel concepts of sustainability are retained that the Taxonomy TSCs should form the basis of DNSH assessments? Please explain your reasoning.

Question 21: Are there other options for the SFDR Delegated Regulation DNSH disclosures to reduce the risk of greenwashing and increase comparability?

3.5 Amendments regarding GHG emissions reduction targets

59. The mandate received from the European Commission requests that the ESAs propose amendments regarding financial products information provided "in pre-contractual documents, on websites and in periodic reports on GHG emissions reduction targets, including intermediary targets and milestones, where relevant, and actions pursued." This request is meant to help deliver on the Commission's objective to improve target-setting, disclosure and monitoring of the financial sector's commitments, under the Strategy for financing the transition to a sustainable economy for sustainable finance published in July 2021.
60. A growing number of financial institutions have made "net-zero" commitments¹⁵, often as part of coalitions such as the Net Zero Asset Managers Initiative (NZAMI) and the Net-Zero Asset Owner Alliance (NZAOA). In order to deliver on their ambition, the [Commitment statement](#) of the NZAMI mentions that signatories will "as required, create investment products aligned with net zero emissions by 2050 and facilitate increased investment in climate solutions." NZAOA signatories are committed to "transition [their] investment portfolios to net-zero [greenhouse gases] GHG emissions by 2050." Financial products offering need to evolve to cater to the needs of investors with net-zero commitments. Financial products that help align financial flows with the objectives of the Paris Agreement can also help manage climate-related transition risks. In that context, the ESAs anticipate a potential increase in the supply of products featuring targets and investment strategies addressing climate change mitigation.

¹⁵ Defined in the [criteria](#) of the UN-backed Race to Zero campaign as a commitment to "reach (net) zero GHGs as soon as possible, and by 2050 at the latest, in line with the scientific consensus on the global effort needed to limit global warming to 1.5C with no or limited overshoot, recognising that this requires phasing down and out all unabated fossil fuels as part of a global, just transition." [see the Race to Zero's criteria]

61. A growing number of financial products have been including GHG emissions reduction-related terms in their names.¹⁶ Some have designated EU Climate Transition or Paris-Aligned Benchmarks as reference benchmarks with the potential to support investors climate change mitigation ambitions (disclosing under Article 9(3) of the SFDR). Others have designated an index other than an EU climate benchmark as a reference benchmark (therefore disclosing under Article 9(1)) while some disclose under Article 8 SFDR. Given the potential importance of such products for investors' capacity to deliver on their climate commitments, high-quality product-level disclosures are critical to support informed investment decisions. They should support investors' efforts to compare products and to assess the contribution such products could make to the achievement of their own climate commitments.¹⁷ In this respect, disclosures on intermediary targets appear important and they could take into account the investment horizon recommended to provide the most relevant information to investors. Product-level disclosures should also support investors' capacity to monitor progress over time.
62. GHG emissions reduction target disclosure requirements should not create any additional burden for products without such targets. That is why the first disclosure requirement is a question asking whether the product has a GHG emission reduction target. If the answer is yes, then a set of disclosures developed by the ESAs below – and reflected in the relevant templates – should be applied. Otherwise, the proposed additional disclosures would not apply. The ESAs consider that products should calculate their GHG emissions reduction targets on the basis of all their investments.
63. For the sake of clarity, such disclosure requirements would also apply to products having GHG emissions reduction as their investment objective under Article 9(3) SFDR. But such products would be required to show the relevant benchmark disclosures when they passively track a Paris-Aligned Benchmark or Climate Transition Benchmark by providing a hyperlink to a description of the Benchmark methodology, which is information disclosed by the benchmark administrator under Articles 13 and 27 of Regulation (EU) 2016/11.
64. The ESAs would like to highlight that such disclosures only aim to foster transparency and comparability between financial products. As with all SFDR disclosures, disclosures at product-level on a GHG emission reduction target should not automatically be considered as a guarantee of the robustness or ambition of the methodologies implemented by the FMP.
65. The need for detailed, decision-useful disclosures for investors should be balanced with the need for comprehensible, summarised information suitable to retail investors. Such disclosure aims to ensure that GHG emissions reduction targets are substantiated and tackle

¹⁶ ESA staff have conducted a preliminary screening of c. 30,000 EU-domiciled funds names as at end-2022 and found at least 336 funds whose legal name includes using GHG emissions reduction-related terms.

¹⁷ Beyond voluntary commitments taken by financial institutions, the regulatory framework does not currently mandate financial institutions in the EU to publish transition plans. However, the draft European Sustainability Reporting Standards (ESRS) lays out disclosure requirements related to climate transition plans including, for institutions that do not have a transition plan, an obligation to disclose so. Once finalised and adopted by the European Commissions, the ESRS will be incorporated in the forthcoming Delegated Regulation pursuant to Article 49 of the Accounting Directive as amended by the Corporate Sustainability Reporting Directive.

greenwashing. At the same time, disclosure requirements need to be feasible and proportional for FMPs. The ESAs have developed the disclosures proposed below taking into account these various constraints:

- (i) In pre-contractual documents, simplified disclosures are meant to provide information on the type of outcome the product is committing to achieve, on the level of ambition of the target(s), in particular for products disclosing under Article 9 SFDR the alignment of the target with the goal of limiting global warming to 1.5 degree Celsius¹⁸ and on the share of investments covered by the target (if not covering all investments although the target needs to be calculated on the basis of all investment). Disclosures also explain how the investment strategy will help deliver on the target(s);
- (ii) In the periodic reports, additional simplified disclosures are meant to provide information on progress to date and to explain how the investment strategy contributed to such progress. Periodic reports should also identify the potential delays in achieving the target(s) and potential adjustments needed.;
- (iii) A third set of disclosures, more detailed and available on the website will complement pre-contractual and periodic disclosures. Cross-references to the website should be included in both the pre-contractual documents and the periodic disclosures.

66. An important disclosure requirement which the ESAs propose to include in pre-contractual documents seeks to clarify the nature of the commitment the product is making. The objective is that financial products actually deliver what investors (retail investors in particular¹⁹) expect and that investors understand clearly what the investment strategy can help achieve. FMPs would be asked to provide a narrative description about the way the target will be achieved indicating whether the GHG emissions reduction target is:

- a. a commitment to reduce the financed GHG emissions of the product²⁰, through divestment from investments with particular GHG emissions levels and reallocation of the investments towards companies with comparatively lower GHG emissions, (excluding relatively higher-emitting assets from the portfolio would achieve a reduction in financed emissions, even if in parallel no emissions reduction has been achieved in the real economy); and/or
- b. a commitment that the investments will be invested in investee companies that deliver actual GHG emissions reductions over the duration of the investment, either:

¹⁸ This information appears useful for investors interested in products that will support the alignment of their financial flows on the objective of the Paris Agreement to limit global warming to 1.5C.

¹⁹ Research shows that retail investors' decision to invest in ESG products can be motivated either by "value-alignment" or by actual investment's impact. [Heeb, Florian and Kölbel, Julian and Paetzold, Falko and Zeisberger, Stefan, Do Investors Care About Impact? (January 5, 2022). Forthcoming in The Review of Financial Studies, Available at SSRN: <https://ssrn.com/abstract=3765659> ; 2° Investing Initiative. [What do your clients really want?](#) May 2022.

²⁰ In the context of investment activities, "financed" emissions are the scope 1, scope 2 (and to some extent scope 3) GHG emissions of investee companies and assets in which funds are invested.

- by investing in companies that are expected to deliver GHG emissions reductions over the duration of the investment (conducting a robust *ex ante* assessment of the companies’ ability to deliver GHG emissions reductions over time, based on their potential transition plans); or
- by engaging with investee companies to contribute to their GHG emissions (reduction resorting to active ownership and harnessing the potential impact of stewardship and engagement).²¹

67. “Climate targets” for investments may rely on a number of approaches. The most common approach is based on GHG accounting methodologies, where financed GHG emissions are first measured to set the baseline value, before a target is set for a reduction of financed GHG emissions over a certain time horizon. Climate target-setting may also rely on other approaches, including capacity-based ones.²²

68. While the proposed disclosure requirements do not mandate the use of any specific approach to climate target-setting, the ESAs see some limitations to such a situation. The co-existence of different approaches to climate target-setting can be an additional burden for investors who want to identify products that can help them deliver on their climate commitments. It can also complicate their efforts to monitor progress and aggregate results across products. Overall, it undermines financial product comparability. Investors would have to understand the various methodologies and to access additional data, in order to convert baselines, targets and progress measurements for various products into a single set of metrics that is consistent with the financial market participant’s own entity-level commitments and/ or risks management system. Under the empowerments in Regulation (EU) 2019/2088 referring to technical standards with regard to the “presentation and content” the ESAs believe that all targets should be disclosed as a measure of financed GHG emissions, and for the purpose of comparability it is important that all targets are provided using a single metric. Therefore, all targets should be converted and disclosed using financed GHG emissions expressed in tonnes of CO₂-equivalent per millions EUR of investments – and the same metric should be used for the baseline value and to measure progress.

69. Methodological standardisation regarding the disclosure of targets has important benefits for investors as they assess or compare products and monitor progress. Significant progress has been made in standardising GHG accounting and reporting. This justifies relying on the forthcoming Delegated Regulation supplementing the CSRD, where such standards are expected to become mandatory for use by financial institutions – as laid out in the European

²¹ In November 2022, the Glasgow Financial Alliance for Net Zero published a set of recommendations and [guidance](#) on financial institutions net-zero transition plans. It lays out why and how financial institutions can engage with investee companies to support their transition to net zero.

²² In its [introductory guide](#) to net zero for financial institutions, the WWF defines capacity-based methodologies as those “which looks at forward-looking production plans of clients’ assets by technology and by sector and maps alignment with climate scenarios” and temperature-based methodologies as those “which give an implied degree of warming for portfolios”.

Financial Reporting Advisory Group's (EFRAG) first batch of European Sustainability Reporting Standards (ESRS) submitted to the Commission in November 2022.

70. Emissions associated with financial products fall under the scope 3 downstream emissions of financial institutions investing (or managing investments) in these products.²³ With regards to their scope 1 and scope 2 emissions, financial institutions can rely on the GHG accounting and reporting standards, available to corporates for more than two decades now. Additional GHG accounting and reporting guidance and standards have been developed, later on, to deal specifically with financed emissions. The GHG Protocol Corporate Value Chain (Scope 3) Standard first provided guidance, under the Chapter dedicated to investments. In 2020, the Partnership for Carbon Accounting Financials ("PCAF") complemented the GHG Protocol guidance with the Global GHG Accounting and Reporting Standard for the Financial Industry ("PCAF's Standard"), which provides detailed guidance per asset class.²⁴
71. EFRAG has built on these pre-existing standardisation efforts for the development of its draft ESRS. Under the draft ESRS E1, which covers climate-related disclosure requirements, financial institutions are required to consider the use of the PCAF's Standard for their financed emissions. Requiring the use of the PCAF's Standard for the measure of financial product-level baseline financed GHG emissions, when setting and disclosing targets, would support consistency in the way targets are set and progress is measured. PCAF's Standard covers all seven GHG included in national inventories under the United Nations Framework Convention for Climate Change (UNFCCC).²⁵ In line with the GHG Protocol, PCAF's Standard requires the inclusion of investee companies' scope 1 and scope 2 emissions, and is set to require the inclusion of scope 3 emissions for all sectors over time (following a phased-in approach).²⁶
72. Requiring FMPs to use PCAF's standard when measuring emissions and setting GHG emissions reduction targets will reduce the burden of assessing, comparing and aggregating investment products claims. Enhanced transparency and comparability will support the level-playing field and the market uptake of these investment products. That is why the proposed disclosures require that the product's baseline, target(s) and progress are disclosed based on PCAF's Standard. In order to reflect that requirement, the amended RTS and red line instructions of

²³ Also called "financed" emissions, they often represent the most significant portion of financial institutions' emissions, far outweighing scope 1 and 2 emissions (respectively, emissions coming from the institution's own operations and from its energy consumption)

²⁴ Seven asset classes are covered: listed equity and corporate bonds, sovereign bonds, business loans and unlisted equity, project finance, commercial real estate, mortgages and motor vehicle loans. According to the second version of the standard which was [published](#) on 14 December.

²⁵ Carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃)

²⁶ The inclusion of investees' scope 3 emissions is challenging due to data availability and methodological uncertainty issues. PCAF adopted a phased-in approach whereby the requirement to include scope 3 emissions of companies will cover additional sectors over time. Starting in 2021, two sectors are covered: oil and gas, and mining. Starting 2024, transportation, construction, buildings, materials and industrial activities are covered as well. All sectors are to be covered starting 2026.

the templates refer to the forthcoming Commission Delegated Regulation supplementing the CSRD that is expected to be adopted in 2023, based on EFRAG's first batch of draft ESRS.²⁷

73. Consistency with the forthcoming Delegated Regulation of the CSRD would be beneficial with regard to GHG removals and storage, and the use of carbon credits. Based on the latest EFRAG drafts, under the CSRD, companies would be required to report separately on their gross GHG emissions, on GHG removals and on their use of carbon credits. In particular, under the draft standards, companies should disclose any "GHG emission reduction targets" they may have set, covering all three scopes in terms of gross GHG emissions and GHG removals, and carbon credits should be accounted separately and should not be considered as means to achieve the GHG emissions reduction targets. Consequently, the disclosure of product-level financed GHG emissions reduction targets should only reflect gross GHG emissions of the investments. That is why financed GHG removals and carbon credits should be disclosed separately if at all.
74. In addition, the financial market participant may also be directly financing additional GHG mitigation projects, through the purchase of carbon credits (in addition to any carbon credits purchased by the product's investee companies). Plans to purchase such carbon credits and their use over time should be disclosed separately. Given the greenwashing concerns surrounding these carbon credits, it is critical that investors are fully informed regarding the use of such credits and regarding their quality.²⁸ The ESAs are proposing detailed website disclosures meant to address these needs.

Question 22: Do you agree that the proposed disclosures strike the right balance between the need for clear, reliable, decision-useful information for investors and the need to keep requirements feasible and proportional for FMPs? Please explain your answers.

Question 23: Do you agree with the proposed approach of providing a hyperlink to the benchmark disclosures for products having GHG emissions reduction as their investment objective under Article 9(3) SFDR or would you prefer specific disclosures for such financial products? Do you believe the introduction of GHG emissions reduction target disclosures could lead to confusion between Article 9(3) and other Article 9 and 8 financial products? Please explain your answer.

Question 24: The ESAs have introduced a distinction between a product-level commitment to achieve a reduction in financed emissions (through a strategy that possibly relies only on divestments and reallocations) and a commitment to achieve a reduction in investees' emissions (through investment in companies that has adopted and duly executes a convincing transition plan or through active ownership). Do you find this distinction useful for investors and actionable for FMPs? Please explain your answer.

²⁷ It is useful to note that EFRAG will start developing sector-specific ESRS in 2023. The financial sector is expected to be subject to a number of additional sector-specific disclosure requirements. It will be essential to ensure continued consistency between such requirements and the disclosure requirements under the SFDR, including the GHG emissions reduction-related amendments inserted in the RTS.

²⁸ The NZAMI [commitment statement](#), for instance, explains that for assets committed to be managed in line with the attainment of net zero emissions by 2050, signatories will "If using offsets, invest in long-term carbon removal, where there are no technologically and/or financially viable alternatives to eliminate emissions"

Question 25: Do you find it useful to have a disclosure on the degree of Paris-Alignment of the Article 9 product's target(s)? Do you think that existing methodologies can provide sufficiently robust assessments of that aspect? If yes, please specify which methodology (or methodologies) would be relevant for that purpose and what are their most critical features? Please explain your answer.

Question 26: Do you agree with the proposed approach to require that the target is calculated on the basis of all investments of the financial product? Please explain your answer.

Question 27: Do you agree with the proposed approach to require that, at product level, Financed GHG emissions reduction targets be set and disclosed based on the GHG accounting and reporting standard to be referenced in the forthcoming Delegated Act (DA) of the CSRD? Should the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF be required as the only standard to be used for the disclosures, or should any other standard be considered? Please justify your answer and provide the name of alternative standards you would suggest, if any.

Question 28: Do you agree with the approach taken to removals and the use of carbon credits and the alignment the ESAs have sought to achieve with the EFRAG Draft ESRS E1? Please explain your answer.

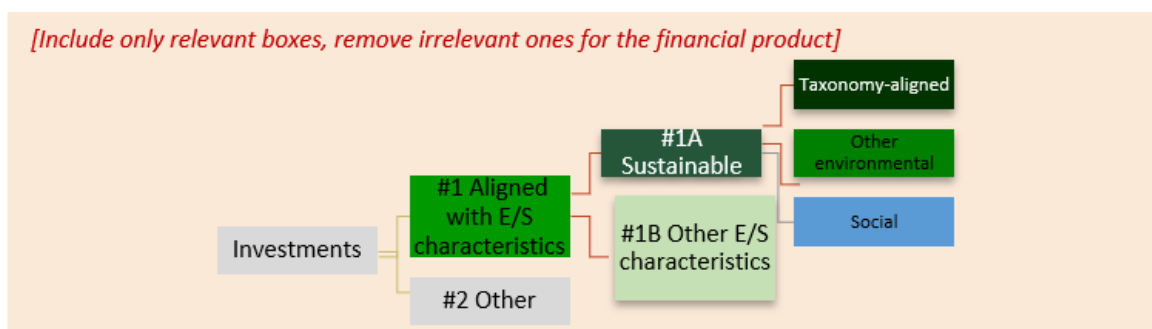
Question 29: Do you find it useful to ask for disclosures regarding the consistency between the product targets and the financial market participants entity-level targets and transition plan for climate change mitigation? What could be the benefits of and challenges to making such disclosures available? Please explain your answer.

3.6 Simplification of the templates

75. The ESAs have also taken the opportunity of the Commission's mandate to review the SFDR Delegated Regulation to reflect on the financial product templates (Annexes II-V). Conscious of the fact that the templates have frequently been criticised for the excessive length and the complexity of the information presented, the ESAs would like to consult stakeholders on possible changes to the language, layout and structure. The ESAs also intend to conduct consumer testing on the possible changes.
76. Central to the ESAs' approach is the need to simplify the language in the templates to enhance comprehensibility for retail investors. For this reason, the ESAs have developed a dedicated "dashboard" of key information to complement the more detailed information of the pre-contractual and periodic disclosures in Chapter III and V and Annexes II to V of the SFDR Delegated Regulation. The ESAs are of the opinion that such dashboards can be effective in attracting the attention of the reader to the most vital information and alleviating issues of information overload, while also still providing more detailed information for more sophisticated investors further in the document. The dashboard identifies whether the product has a sustainable investment objective or promotes environmental/social characteristics, but also identifies the "minimum commitments" of (1) investments used to meet

environmental/social characteristics or sustainable investment objectives; minimum figure of (2) sustainable investments and (3) Taxonomy-aligned investments, presented in the form of bar chart, which stakeholders are invited to express views on.

77. The dashboards are neutral in colour (with the important exception of the green colour which is only used for the investments made by the products, consistent with the colours used in the rest of the templates). At the start of the dashboard there is a statement outlining what sort of product it is, and in the case of products disclosing under Article 8 SFDR, it highlights that the product does not have a sustainable investment objective. The four boxes following this statement are the four core elements that the ESAs considered essential to include in the dashboard: (i) Sustainable investments, (ii) Taxonomy aligned investments, (iii) PAI consideration, and (iv) GHG emissions reduction (i.e. decarbonisation targets). The ESAs also tried to simplify the language in each of the boxes to make the disclosure more understandable for consumers and retail investors. With regard to the disclosure on decarbonisation, the ESAs opted for disclosing in the dashboard only information about a target calculated on the basis of all of the investments of the financial product. The ESAs believe that adding information about the share of investments covered by the target to the dashboard would make the disclosure too complex for retail investors to understand. Furthermore, the disclosures lower down in the template provide more information on decarbonisation targets, including on the share of investments that the target covers.
78. Icons were added next to the boxes for visual effect. These are icons that were already present in the templates and correspond to the sections tackled in the respective boxes. Two versions of each icon (green and grey) are available for the boxes about Sustainable investments, Taxonomy aligned investments and PAI. When filling the templates, FMPs would select the green version in case the product makes sustainable investments, EU Taxonomy aligned investments, or where it considers PAI. However, FMPs would select the grey version of the icons in case the product does not make sustainable investments or EU Taxonomy aligned investments or where it does not consider PAI.
79. Given that the proposed dashboard provides information about the product’s sustainable and taxonomy-aligned investment, this would allow for the below graph currently present in the “Asset allocation” section of the templates to potentially be removed (the below is taken from Annex II):



80. The ESAs believe that the terminology used in the templates can be considered challenging for many retail investors (e.g. the reference to “Article 8” and “Article 9”, the difference between “sustainable objective” and “promotion of characteristics”, the notion of “other investments aligned with E/S characteristics, the concept of “Principal Adverse Impacts”). The definitions and the glossary in the left-hand margin can partially address these challenges, but principally the ESAs believe the proposed use of plainer language can help.

Question 30: What are your views on the inclusion of a dashboard at the top of Annexes II-V of the SFDR Delegated Regulation as summary of the key information to complement the more detailed information in the pre-contractual and periodic disclosures ? Does it serve the purpose of helping consumers and less experienced retail investors understand the essential information in a simpler and more visual way?

Question 31: Do you agree that the current version of the templates capture all the information needed for retail investors to understand the characteristics of the products ? Do you have views on how to further simplify the language in the dashboard, or other sections of the templates, to make it more understandable to retail investors?

Question 32: Do you have any suggestion on how to further simplify or enhance the legibility of the current templates?

Question 33: Is the investment tree in the asset allocation section necessary if the dashboard shows the proportion of sustainable and taxonomy-aligned investments?

3.7 Other adjustments

81. Finally, the ESAs have taken the opportunity of the review to address a number of technical issues that have been raised since the adoption of the RTS in October 2021 by stakeholders. Those issues are presented below:

82. **General principles for the presentation of the information:** the ESAs have noted that FMPs were given a certain discretion to adapt the colours which could result in different shades of green or even different colours used in the pie chart and bar chart on the taxonomy alignment. To ensure consistency on the use of templates, the ESAs have included an amendment in Article 2 of the Delegated Regulation that the colours in the templates cannot be changed.

Question 34: Do you agree with this approach of ensuring consistency in the use of colours in Annex II to V in the templates?

83. **Delivery of pre-contractual and periodic disclosures electronically:** when the pre-contractual and periodic disclosures are delivered electronically, the ESAs propose to allow to display the disclosures as being extendable on click, based on the questions that open each section (those accompanied by an icon). The ESAs will conduct a consumer testing on this proposal.

Question 35: Do you agree with the approach to allow to display the pre-contractual and periodic disclosures in an extendable manner electronically?

84. **Definition of equivalent information**: in relation to Article 17(2)(b) and Recital (35) of Regulation (EU) 2022/1288, when the taxonomy-alignment of investments is not available from the public disclosures of investee companies, FMPs should be able to rely on “equivalent information” from investee companies or third-party providers.
85. The Commission clarified in its May 2022 Q&As that Recital (21) Regulation (EU) 2020/852 refers to exceptional cases where FMPs cannot reasonably obtain the relevant information to reliably determine the alignment with the technical screening criteria established pursuant to that Regulation (as far as economic activities carried out by undertakings that are not reporting according to that Regulation are concerned). In such exceptional cases and only for those economic activities for which complete, reliable and timely information could not be obtained, FMPs are allowed to make complementary assessments and estimates on the basis of information from other sources. Assessments and estimates should only compensate for limited and specific parts of the desired data elements and produce a prudent outcome. FMPs should clearly explain the basis for their conclusions as well as the reasons for having to make such complementary assessments and estimates for the purposes of disclosure to end investors. Information on taxonomy-eligible (as opposed to aligned) activities should not be provided for the disclosure of the extent to which investments underlying the financial product are in Taxonomy-aligned economic activities.
86. Rather than referring to the concept of “equivalent information”, the ESAs suggest to align with the wording of the Recital (21) of Regulation (EU) 2020/852 and use the term “estimates” only.
87. The ESAs considered a set of criteria inspired by the work undertaken by the Platform of Sustainable Finance in its [Platform Usability Report](#) and would like more feedback from stakeholders with regard to their feasibility. Furthermore, it may be the case that the European Commission may wish to have the opportunity to consider more general guidelines for the use of estimates across different sustainable finance legislation.
88. The ESAs would appreciate feedback on the possible criteria, as outlined by the Platform Usability Report, on what can be accepted as estimates:
- For substantial contribution, FMPs could seek evidence from the reporting investee company that its activities are in compliance with Article 3(a) of the Taxonomy Regulation. Where an investee company does not directly provide information about turnover derived from products of services associated with economic activities that qualify as environmentally sustainable under Regulation (EU) 2020/852, or capital expenditure or operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under Regulation (EU) 2020/852, FMPs may have recourse to environmental metrics disclosed by the investee company to determine substantial contribution. Where using information provided by a third party, FMPs shall ensure that the source of that information is the investee company’s reporting. If an investee company has not reported key environmental metrics required to determine substantial contribution, an FMP or third party data provider should not estimate those values. When a company has not reported activity-

level information, but has reported metrics at investee company level, these could be used to estimate compliance with environmentally sustainable economic activities (i.e. economic activities compliant with the EU Taxonomy) under the precautionary principle;

- In order to show that the economic activities comply with the do no significant harm principle in Article 3(b) of the Taxonomy Regulation, FMPs could assess, where applicable, their compliance with EU and international environmental laws and standards, and adherence to the quantitative and process-based tests laid out in the technical screening criteria referred to in Article 3(d) of the Taxonomy Regulation. Investee company reported environmental metrics and the existence of adequate due diligence processes, including policies, managements systems, monitoring, reporting, could be used to determine compliance with the qualitative process-based tests of do no significant harm under Article 3(b) of the Taxonomy Regulation.
- To show compliance with minimum social safeguards referred to in Article 3(c) of Regulation (EU) 2020/852, investee company reported social and governance policies, management systems, metrics, and remediation processes could be used to determine compliance with the qualitative process-based tests of minimum safeguards. This assessment should be made at entity level and can therefore be applied at that level to any issuance of that investee company. The assessment could focus on forward looking compliance, incorporating social supply chain management and remediation of any identified risks via continuous monitoring of the accountability displayed by the investee company. FMPs should not consider negative or controversial media reaction with regard to compliance with Minimum Safeguards. Project-based investments do not require an assessment at issuing investee company-level but assurance that the project is conducted in accordance with Article 3(c) of the Taxonomy Regulation.

Question 36: Do you have any feedback with regard to the potential criteria for estimates?

Question 37: Do you perceive the need for a more specific definition of the concept of “key environmental metrics” to prevent greenwashing? If so, how could those metrics be defined?

89. The calculation of the proportion of sustainable investments of financial products: the ESAs would like to gather feedback whether further specifications are required to calculate the proportion of sustainable investments. These specifications would build upon the provisions of Article 17 of SFDR Delegated Regulation related to the calculation of the Taxonomy-alignment of financial products, as well as upon the rules proposed in this consultation paper regarding the consideration of derivatives within the calculations of the principal adverse impacts.

Question 38: Do you see the need to set out specific rules on the calculation of the proportion of sustainable investments of financial products? Please elaborate.

90. Financial products with investment options: To cater for the specificities of financial products with investment options which can be insurance-based investment products that offer a choice

of investment options to the investor, and pension products that offer different options (such as the pan-European pension product) the SFDR Delegated Regulation includes provisions for those products.

91. Periodic disclosures for financial products with investment options: The delegated regulation currently specifies that pre-contractually, for products that offer a large range of underlying investment options and where a corresponding large number of annexes of information need to be provided, the SFDR disclosures can be provided through a cross-reference to other SFDR disclosures made pursuant to Directives, Regulations or national law. This in practice means a link to the website disclosures made in accordance with Article 10(1)(c) of SFDR, including to the website of financial market participant offering the financial product as an investment option. The reason to allow for cross-referencing is that including the SFDR disclosures for all relevant investment options would lead to information overload, as such products can offer a large number of options.
92. Periodically, this possibility was previously not proposed by the ESAs, as the number of invested options chosen is usually significantly lower than the number of options offered. Since the adoption of the SFDR Delegated Regulation, the ESAs have received requests to change the approach on the basis that the number of options chosen can still be quite numerous and hence the risk of information overload is also present for the periodic disclosures. To address this, the ESAs propose to replicate the pre-contractual rules, allowing financial products with investment options to cross-reference to the relevant sectoral SFDR disclosures (including website disclosures made in accordance with Article 10 of Regulation (EU) 2019/2088, including by the financial market participant offering the financial product).
93. When the cross-references are provided via a link to the website disclosure, the link should open the relevant sectoral SFDR disclosure for the specific investment option, and not a website section of the manufacturer of the investment option where other information on this investment option or on different investment options is available. This is necessary as retail consumers might struggle with finding the sustainability disclosures, as they might not be aware that this disclosure is an Annex of one pre-contractual document (such as the UCITS prospectus) of the different documents published in such pages (factsheets, Key Information Document etc.). As a result, the ESAs propose that the cross-referencing is to the specific document where the SFDR disclosure is Annexed to, by adding a reference to article 10(1)(c) for pre-contractual disclosures and article 10(1)(d) for periodic disclosures.
94. Website disclosures for financial products with investment options: While the SFDR Delegated Regulation introduced specific rules for financial products with investment options pre-contractually and periodically, it did not do so for website disclosures. The ESAs have provided clarifications on how to disclose the sustainability-related information on the website in the paragraphs 52-53 of the [clarifications statement](#) published in 2022. In the current RTS, the ESAs have added these clarifications in the normative text. Namely, the draft RTS clarifies that website disclosures for financial products with investment options referred to in Article 8(1) or 9(1), (2) and (3) SFDR should include disclosure of the following items:

- a. a list of the investment options that qualify the financial product as a financial product referred to in Article 8(1) or 9(1), (2) and (3) SFDR;
- b. a summary of the underlying investment options that qualify the financial product as a financial product referred to in Article 8(1) or 9(1), (2) and (3) SFDR;
- c. Additional details should be disclosed at the underlying investment option level. This includes a summary per investment option. Where relevant, the information can be provided by cross-references to the specific section in the website of the specific underlying investment option. The cross-references can be a direct link to the relevant SFDR disclosure for the specific investment option as required under sectoral rules, and not a link to the general website section of the manufacturer of the investment option where information on the different investment options is available, or where different pre-contractual documents of that investment options are generally available. This is because investors might not be aware that the SFDR disclosure is an Annex of a specific document (listed in Article 6(3) SFDR) that is frequently published jointly with other documents such as factsheets or Key Information Document in more general pages of the investment option. Alternatively, such information is published on a page with a list of the investment options available. As a result, the ESAs require that the cross-referencing is to the relevant Annex containing the SFDR disclosure or to the stand-alone SFDR disclosure, where it is provided separately.

95. Disclosures for some underlying investment options that qualify the financial product with investment options as a financial product referred to in Article 8(1), 9(1), (2) and (3) SFDR: The underlying investment options offered might or might not qualify as stand-alone financial products offered by the financial market participant that is marketing the financial product with investment options nor by another financial market participant. For example, this can be the case for profit participation funds that are only offered in the form of a multi-option product.

96. The lack of standardised disclosures for underlying investment options that are not stand-alone financial products creates a greenwashing risk as the financial market participant could still make sustainability related claims for the underlying investment option, without being required to follow the SFDR disclosures.

97. As a result, the ESAs propose that FMPs should disclose for underlying investment options that, because of its sustainability-related features, qualify the financial product with investment options as a financial product that promotes environmental and/or social characteristics or as a financial product that has sustainable investment as its objective, the financial product templates, irrespective of whether the underlying investment option qualifies as a stand-alone financial product under the SFDR or not. In that case the wording in the template is to be adjusted by replacing “product” by “investment option”.

98. The ESAs propose that this should not apply to investment options that are financial instruments according to Annex I of Directive 2014/65/EU, except for units in collective

investment undertakings. This is because of the potential scope extension of SFDR and that some financial products with investment options giving access to thousands of shares or bonds that would be subject to an impossibly large disclosure obligation.

Question 39: Do you agree that cross-referencing in periodic disclosures of financial products with investment options would be beneficial to address information overload?

Question 40: Do you agree with the proposed website disclosures for financial products with investment options?

Question 41: What are your views on the proposal to require that any investment option with sustainability-related features that qualifies the financial product with investment options as a financial product that promotes environmental and/or social characteristics or as a financial product that has sustainable investment as its objective, should disclose the financial product templates, with the exception of those investment options that are financial instruments according to Annex I of Directive 2014/65/EU and are not units in collective investment undertakings? Should those investment options be covered in some other way?

99. **Machine readability:** In the context of the upcoming Regulation on the European Single Access Point (ESAP), the Joint Committee may be mandated to define which information disclosed pursuant to SFDR (Article 3(1), Article 3(2), Article 4(1), Article 4(3), Article 4(4), Article 4(5), Article 5(1) and Article 10(1)) should be prepared in a machine-readable format and which machine-readable format should be used.²⁹

100. The use of files format structured so that software applications can easily identify, recognise and extract specific data, including individual statements of fact, and their internal structure, could allow for a more effective supervision of the compliance of these documents with the Delegated Regulation.

101. The ESAs would like to take this opportunity to gauge the preliminary views of stakeholders with regards to machine-readability for SFDR disclosures within the scope of this Consultation (Article 4(1), Article 4(3), Article 4(4), Article 4(5) and Article 10(1)).

Question 42: What are the criteria the ESAs should consider when defining which information should be disclosed in a machine-readable format? Do you have any views at this stage as to which machine-readable format should be used? What challenges do you anticipate preparing and/or consuming such information in a machine-readable format?

Preliminary impact assessments

102. The ESAs have provided preliminary impact assessments of the proposed amendments to CDR (EU) 2022/1288 under empowerments in Regulation (EU) 2019/2088 in Section 5.

²⁹ Proposal for a Regulation of the European Parliament and the Council amending certain Regulations as regards the establishment and functioning of the European single access point, COM/2021/725

Question 43: Do you have any views on the preliminary impact assessments? Can you provide estimates of costs associated with each of the policy options?

Questions to stakeholders

103. The sections above contain several questions for stakeholders in this consultation paper. These questions are reproduced below for ease of reference:

Question 1: Do you agree with the newly proposed mandatory social indicators in Annex I, Table I (amount of accumulated earnings in non-cooperative tax jurisdictions for undertakings whose turnover exceeds € 750 million, exposure to companies involved in the cultivation and production of tobacco, interference with the formation of trade unions or election worker representatives, share of employees earning less than the adequate wage) ?

Question 2: Would you recommend any other mandatory social indicator or adjust any of the ones proposed?

Question 3: Do you agree with the newly proposed opt-in social indicators in Annex I, Table III (excessive use of non guaranteed-hour employees in investee companies, excessive use of temporary contract employees in investee companies, excessive use of non-employee workers in investee companies, insufficient employment of persons with disabilities in the workforce, lack of grievance/complaints handling mechanism for stakeholders materially affected by the operations of investee companies, lack of grievance/complaints handling mechanism for consumers/ end-users of the investee companies)?

Question 4: Would you recommend any other social indicator or adjust any of the ones proposed?

Question 5: Do you agree with the changes proposed to the existing mandatory and opt-in social indicators in Annex I, Table I and III (i.e. replacing the UN Global Compact Principles with the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work) ? Do you have any additional suggestions for changes to other indicators not considered by the ESAs?

Question 6: For real estate assets, do you consider relevant to apply any PAI indicator related to social matters to the entity in charge of the management of the real estate assets the FMP invested in?

Question 7: For real estate assets, do you see any merit in adjusting the definition of PAI indicator 22 of Table 1 in order to align it with the EU Taxonomy criteria applicable to the DNSH of the climate change mitigation objective under the climate change adaptation objective?

Question 8: Do you see any challenges in the interaction between the definition ‘enterprise value’ and ‘current value of investment’ for the calculation of the PAI indicators?

Question 9: Do you have any comments or proposed adjustments to the new formulae suggested in Annex I?

Question 10: Do you have any comments on the further clarifications or technical changes to the current list of indicators? Did you encounter any issues in the calculation of the adverse impact for any of the other existing indicators in Annex I?

Question 11: Do you agree with the proposal to require the disclosure of the share of information for the PAI indicators for which the financial market participant relies on information directly from investee companies?

Question 12: What is your view on the approach taken in this consultation paper to define ‘all investments’? What are the advantages and drawbacks you identify? Would a change in the approach adopted for the treatment of ‘all investments’ be necessary in your view?

Question 13: Do you agree with the ESAs’ proposal to only require the inclusion of information on investee companies’ value chains in the PAI calculations where the investee company reports them? If not, what would you propose as an alternative?

Question 14: Do you agree with the proposed treatment of derivatives in the PAI indicators or would you suggest any other method?

Question 15: What are your views with regard to the treatment of derivatives in general (Taxonomy-alignment, share of sustainable investments and PAI calculations)? Should the netting provision of Article 17(1)(g) be applied to sustainable investment calculations?

Question 16: Do you see the need to extend the scope of the provisions of point g of paragraph 1 of Article 17 of the SFDR Delegated Regulation to asset classes other than equity and sovereign exposures?

Question 17: Do you agree with the ESAs’ assessment of the DNSH framework under SFDR?

Question 18: With regard to the DNSH disclosures in the SFDR Delegated Regulation, do you consider it relevant to make disclosures about the quantitative thresholds FMPs use to take into account the PAI indicators for DNSH purposes mandatory? Please explain your reasoning.

Question 19: Do you support the introduction of an optional “safe harbour” for environmental DNSH for taxonomy-aligned activities? Please explain your reasoning.

Question 20: Do you agree with the longer term view of the ESAs that if two parallel concepts of sustainability are retained that the Taxonomy TSCs should form the basis of DNSH assessments? Please explain your reasoning.

Question 21: Are there other options for the SFDR Delegated Regulation DNSH disclosures to reduce the risk of greenwashing and increase comparability?

Question 22: Do you agree that the proposed disclosures strike the right balance between the need for clear, reliable, decision-useful information for investors and the need to keep requirements feasible and proportional for FMPs? Please explain your answers.

Question 23: Do you agree with the proposed approach of providing a hyperlink to the benchmark disclosures for products having GHG emissions reduction as their investment objective under Article 9(3) SFDR or would you prefer specific disclosures for such financial products? Do you believe the introduction of GHG emissions reduction target disclosures could lead to confusion between Article 9(3) and other Article 9 and 8 financial products? Please explain your answer.

Question 24: The ESAs have introduced a distinction between a product-level commitment to achieve a reduction in financed emissions (through a strategy that possibly relies only on divestments and reallocations) and a commitment to achieve a reduction in investees' emissions (through investment in companies that has adopted and duly executes a convincing transition plan or through active ownership). Do you find this distinction useful for investors and actionable for FMPs? Please explain your answer.

Question 25: Do you find it useful to have a disclosure on the degree of Paris-Alignment of the Article 9 product's target(s)? Do you think that existing methodologies can provide sufficiently robust assessments of that aspect? If yes, please specify which methodology (or methodologies) would be relevant for that purpose and what are their most critical features? Please explain your answer.

Question 26: Do you agree with the proposed approach to require that the target is calculated on the basis of all investments of the financial product? Please explain your answer.

Question 27: Do you agree with the proposed approach to require that, at product level, Financed GHG emissions reduction targets be set and disclosed based on the GHG accounting and reporting standard to be referenced in the forthcoming Delegated Act (DA) of the CSRD? Should the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF be required as the only standard to be used for the disclosures, or should any other standard be considered? Please justify your answer and provide the name of alternative standards you would suggest, if any.

Question 28: Do you agree with the approach taken to removals and the use of carbon credits and the alignment the ESAs have sought to achieve with the EFRAG Draft ESRS E1? Please explain your answer.

Question 29: Do you find it useful to ask for disclosures regarding the consistency between the product targets and the financial market participants entity-level targets and transition plan for climate change mitigation? What could be the benefits of and challenges to making such disclosures available? Please explain your answer.

Question 30: What are your views on the inclusion of a dashboard at the top of Annexes II-V of the SFDR Delegated Regulation as summary of the key information to complement the more detailed information in the pre-contractual and periodic disclosures? Does it serve the purpose of helping consumers and less experienced retail investors understand the essential information in a simpler and more visual way?

Question 31: Do you agree that the current version of the templates capture all the information needed for retail investors to understand the characteristics of the products? Do you have views on how to further simplify the language in the dashboard, or other sections of the templates, to make it more understandable to retail investors?

Question 32: Do you have any suggestion on how to further simplify or enhance the legibility of the current templates?

Question 33: Is the investment tree in the asset allocation section necessary if the dashboard shows the proportion of sustainable and taxonomy-aligned investments?

Question 34: Do you agree with this approach of ensuring consistency in the use of colours in Annex II to V in the templates?

Question 35: Do you agree with the approach to allow to display the pre-contractual and periodic disclosures in an extendable manner electronically?

Question 36: Do you have any feedback with regard to the potential criteria for estimates?

Question 37: Do you perceive the need for a more specific definition of the concept of “key environmental metrics” to prevent greenwashing? If so, how could those metrics be defined?

Question 38: Do you see the need to set out specific rules on the calculation of the proportion of sustainable investments of financial products? Please elaborate.

Question 39: Do you agree that cross-referencing in periodic disclosures of financial products with investment options would be beneficial to address information overload?

Question 40: Do you agree with the proposed website disclosures for financial products with investment options?

Question 41: What are your views on the proposal to require that any investment option with sustainability-related features that qualifies the financial product with investment options as a financial product that promotes environmental and/or social characteristics or as a financial product that has sustainable investment as its objective, should disclose the financial product templates, with the exception of those investment options that are financial instruments according to Annex I of Directive 2014/65/EU and are not units in collective investment undertakings? Should those investment options be covered in some other way?

Question 42: What are the criteria the ESAs should consider when defining which information should be disclosed in a machine-readable format? Do you have any views at this stage as to which machine-readable format should be used? What challenges do you anticipate preparing and/or consuming such information in a machine-readable format?

Question 43: Do you have any views on the preliminary impact assessments? Can you provide estimates of costs associated with each of the policy options?

Next steps

104. The ESAs will be reviewing these draft RTS based on the responses received. They will then be submitted as a final report to the Commission for endorsement and scrutiny by the European Parliament and Council before being published in the Official Journal of the European Union.

4. Draft RTS

**COMMISSION DELEGATED REGULATION (EU) No .../..
of **XXX****

**amending Delegated Regulation (EU) 2022/1288
supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with
regard to regulatory technical standards specifying the details of the content and presentation
of the information in relation to the principle of ‘do no significant harm’, specifying the content,
methodologies and presentation of information in relation to sustainability indicators and
adverse sustainability impacts, and the content and presentation of the information in relation
to the promotion of environmental or social characteristics and sustainable investment
objectives in precontractual documents, on websites and in periodic reports**

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector⁽³⁰⁾, and in particular Article 2a(3), Article 4(6), third subparagraph, Article 4(7), second subparagraph, Article 8(3), fourth subparagraph, Article 8(4), fourth subparagraph, Article 9(5), fourth subparagraph, Article 9(6), fourth subparagraph, Article 10(2), fourth subparagraph, Article 11(4), fourth subparagraph and Article 11(5), fourth subparagraph thereof,

Whereas:

- (1) Regulation (EU) 2019/2088 establishes harmonised rules for sustainability-related disclosures by financial market participants and financial advisers. Commission Delegated Regulation (EU) 2022/1288⁽³¹⁾ lays down the content, methodologies and presentation of entity-level principal adverse impact disclosures and the content and presentation of financial product-level pre-contractual, website and periodic disclosures. That Regulation also requires pre-contractual and periodic disclosures of a financial product investing in an economic activity that contributes to one or more of the environmental objectives referred to in Regulation (EU) 2020/852 of the European Parliament and of the Council³².

³⁰ OJ L 317, 9.12.2019, p. 1.

³¹ OJ L 196, 25.7.2022, p.1

³² Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

- (2) The European Supervisory Authorities propose changes for the European Commission to consider to the Delegated Regulation (EU) 2022/1288³³ regarding principal adverse impact indicators and transparency by financial products following a request for such amendments from the European Commission on 28 April 2022.
- (3) With the aim of enhancing the comprehensiveness of the disclosures of the principal adverse impacts of investment decisions on sustainability factors, it is necessary to specify that the analysis of the adverse impacts of investee companies includes the adverse impacts of their value chains. However, to ensure coherence with the additional information on value chains to be disclosed in accordance with Directive (EU) 2022/2464 of the European Parliament and of the Council³⁴ and the accompanying sustainability reporting standards, that information should be required where those investee companies themselves report that information in accordance with that Directive. If investee companies are not subject to the reporting required under that Directive, financial market participant should include information on those companies' value chains where that information is readily available, for example by third party data providers.
- (4) With the same aim of enhancing the comprehensiveness of the disclosures at entity level and to avoid circumvention by financial market participants, it is also appropriate to include the adverse impacts of the derivatives of financial market participants as they also constitute investment decisions on sustainability factors. For this purpose, the calculation and conversion methodology set out in Article 8 and Annex II of Commission Delegated Regulation (EU) No 231/2013³⁵ is an appropriate methodology for calculating the exposure by converting the derivatives into equivalent positions in the underlying assets of those derivatives.
- (5) As announced in the Communication on the Strategy for Financing the Transition to a Sustainable Economy³⁶, financial market participants should provide more transparency on the decarbonisation targets of their financial products. In order to enhance the robustness of the financial sector's commitments to sustainability goals, new disclosure obligations on any greenhouse gas emission reduction targets of financial products should be introduced in this Regulation. Financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 that for the purpose of measuring their performance track the return of an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark are considered to always have a decarbonisation target and should refer to the relevant decarbonisation disclosures of the benchmark administrator.

³³ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports (OJ L 196, 25.7.2022, p. 1).

³⁴ Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (OJ L 322, 16.12.2022, p. 15).

³⁵ Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 083 22.3.2013, p. 1).

³⁶ COM(2021)390.

- (6) In order to provide more comprehensive disclosures of social adverse impacts of investment decisions, it is necessary to add additional indicators for such adverse impacts that are always principal, covering impacts arising from earnings in non-cooperative tax jurisdictions, the cultivation and production of tobacco, interference in the formation of trade unions, or employees earning less than an adequate wage. Other indicators are also required covering additional adverse impacts on social factors that may be principal adverse impacts.
- (7) Other technical changes are required to the indicators for adverse impacts of investment decisions on sustainability factors to update and clarify the provisions relating to the entity-level disclosures. In order to increase clarity for financial market participants, it is necessary to introduce additional formulas specifying the metrics for all the indicators in Tables 1 to 3 of Annex I of Delegated Regulation (EU) 2022/1288.
- (8) In order to ensure that investors receive information that is comprehensible and is simple and clear, it is appropriate to simplify the presentation of the financial product pre-contractual and periodic disclosures, including through a new dashboard of key information to be presented at the beginning of the disclosure templates.
- (9) It is appropriate to complement the content and presentation of the disclosures for financial products with investment options to ensure that adequate information on each investment option with sustainability characteristics or with a sustainable investment objective is disclosed. In particular, pre-contractual, periodic and website disclosures for financial products offering a range of investment options should provide detailed information at the investment option level, including the investment options that do not qualify as financial products, provided the investment option promotes environmental or social characteristics or has a sustainable investment objective. At the same time, it is proportionate to exclude those investment options that qualify as financial instruments according to Section C of Annex I to Directive 2014/65/EU and are not units in collective investment undertakings because such instruments are typically not made available by agents to end investors (principals).
- (10) Commission Delegated Regulation (EU) 2022/1288 enables cross-referencing where the number of annexes of the pre-contractual and periodic disclosures of financial products with investment options prevents the disclosures from being clear and concise. It is appropriate to clarify that financial market participants may make use of such cross-referencing by including a hyperlink to the templates published in accordance with points (c) and (d) of Article 10(1) of Regulation (EU) 2019/2088. Similarly, cross-referencing through hyperlinks should also be available for website disclosures of financial products with investment options in relation to the information disclosed in accordance with Article 10(1).
- (11) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (European Supervisory Authorities).
- (12) The European Supervisory Authorities have conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder

Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council ^[1], the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council ^[2], and the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council ^[3].

- (13) In order to ensure the smooth functioning of the financial services sector and sustainability disclosures, it is necessary that this Regulation applies from [...],

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Commission Delegated Regulation (EU) 2022/1288

Delegated Regulation (EU) 2022/1288 is amended as follows:

- (1) Article 1 is replaced by the following:

‘Article 1
Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘greenhouse gas (GHG) emissions’ means emissions of gases listed in Part 2 of Annex V to Regulation 2018/1999 expressed in tonnes of CO₂-equivalent ³⁷;
- (2) ‘financed GHG emissions’ means GHG emissions relating to investments underlying the financial product and shall be measured in accordance with the GHG accounting and reporting standard for the financial industry mentioned in [Section/Article] [...] of Commission Delegated Regulation

^[1] Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

^[2] Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

^[3] Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

³⁷ 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).

(EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council³⁸;

- (3) ‘GHG removals and storage’ means GHG removals and storage as referred to in Article [XX] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council];
- (4) ‘carbon credits’ means carbon credits as defined in Article [XX] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council];
- (5) ‘sovereign exposure’ means an exposure to central governments, central banks and supranational issuers;
- (6) ‘environmentally sustainable economic activity’ means an economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852;
- (7) ‘non-financial undertaking’ means an undertaking that is not a financial undertaking as defined in point (8);
- (8) ‘financial undertaking’ means an AIFM as defined in Article 4(1), point (b), of Directive 2011/61/EU of the European Parliament and of the Council³⁹, a management company as defined in Article 2(1), point (b), of Directive 2009/65/EC of the European Parliament and of the Council, an investment company authorised in accordance with Articles 27, 28 and 29 of Directive 2009/65/EC of the European Parliament and of the Council⁴⁰ that has not designated for its management a management company authorised in accordance with Articles 6, 7 and 8 of that Directive, a credit institution as defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council⁴¹, an investment firm as defined in Article 4(1), point (2), of Regulation (EU) No 575/2013, an insurance undertaking as defined in Article 13, point (1), of Directive 2009/138/EC of

³⁸ Throughout the Articles, reference to ‘Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council’ means to the delegated act that the European Commission will adopt pursuant to Article 29b of Directive (EU) 2022/2464 of the European Parliament and the Council. The reference to the relevant Section or Article will be inserted following the publication of such delegated act.

³⁹ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).

⁴⁰ Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

⁴¹ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).

the European Parliament and of the Council⁴², a reinsurance undertaking as defined in Article 13, point (4), of Directive 2009/138/EC, or any third country entity that carries out similar activities, is subject to the laws of a third country and is supervised by a third-country supervisory authority;

- (9) ‘transitional economic activity’ means an economic activity that complies with the requirements laid down in Article 10(2) of Regulation (EU) 2020/852;
- (10) ‘enabling economic activity’ means an economic activity that complies with the requirements laid down in Article 16 of Regulation (EU) 2020/852.’;

(2) in Article 2, paragraph 1 is replaced by the following:

- ‘1. Financial market participants and financial advisers shall provide the information required by this Regulation free of charge and in a manner that is easily accessible, non-discriminatory, prominent, simple, concise, comprehensible, fair, clear and not misleading. Financial market participants and financial advisers shall present and lay out the information required by this Regulation in a way that is easy to read, use characters of readable size and use a style that facilitates its understanding. Financial market participants may only adapt size and font type of characters used in the templates set out in Annexes I to V to this Regulation.’;

(3) in Article 6, the following paragraphs 4 to 7 are inserted:

- ‘4. For the purposes of the indicators related to adverse impacts referred to in paragraph 1, financial market participants shall include derivatives by calculating them according to the conversion method set out in Annex II to Commission Delegated Regulation (EU) No 231/2013⁴³ and applying Article 8(2), points © and (d) and Article 8(4) of that Regulation. Financial market participant shall net positions in accordance with Article 8(3), point (a) of that Regulation, without going below zero.

By way of derogation from the first subparagraph, where a derivative transaction does not result in an indirect transaction to buy the underlying investee company, sovereign exposures or real estate asset, it shall be excluded from the calculations

⁴² Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).

⁴³ Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83, 22.3.2013, p. 1).

of principal adverse impact of investment decisions on sustainability factors in this Chapter.

5. For the purposes of the indicators related to principal adverse impacts referred to in paragraph 1 that apply to investments in investee companies, financial market participants shall include information on the value chains of those investee companies where that information is reported by those investee companies in accordance with the sustainability reporting requirements in Article 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council⁴⁴. Financial market participants shall include information on the value chains of other investee companies where that information is readily available.
6. Financial market participants shall disclose in the column ‘Explanation’ in the section ‘Description of the principal adverse impacts on sustainability factors’ in Table 1 of Annex I, the proportion of their calculation that is based on information obtained directly from the investee company, sovereign or supranational or real estate asset.
7. Where the investments decisions exclusively finance identified projects, the assessment of the principal adverse impacts of these investment decisions may be limited to those of the projects financed. Financial market participants shall indicate whether the assessment is limited to principal adverse impacts of the projects financed.’;

(4) Point (c) of Article 7(1) is replaced by the following:

‘(c) The methodologies to select and prioritise the indicators referred to in Article 6(1), points (a), (b) and (c), and to identify and assess the principal adverse impacts referred to in Article 6(1), and in particular an explanation of how those methodologies take into account the probability of occurrence and the severity of those principal adverse impacts, including their potentially irremediable character.’;

(5) the following Article 14a is inserted:

‘Article 14a
GHG emission reduction targets information

1. Financial market participants shall disclose the information set out in the template in Annex II on GHG emission reduction targets where:

⁴⁴ Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).

- (a) The GHG emission reduction target aims to reduce financed GHG emissions; and
 - (b) The GHG emission reduction target is calculated on the basis of investments of the financial product to which the GHG accounting and reporting standard for the financial industry referred to in [Article / Section [XXX] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council] applies.
2. The baseline financed GHG emission shall be expressed in tonnes of CO₂-equivalent per million EUR and calculated according to the following formula:

$$\text{Baseline Financed GHG emission}_i \text{ (tCO}_2\text{eq/€M)} = \frac{\text{Financed GHG emissions}_i \text{ (tCO}_2\text{eq)}}{\text{Current value of investments}_i \text{ (€M)}}$$

Where the value of the ‘Baseline financed GHG emissions_i’ is calculated for financial product *i*, and where the ‘current value of investments_i’ refers to the financial product’s investments referred to in paragraph 1(b) and expressed in million EUR.

The GHG emission reduction target shall be expressed in tonnes of CO₂-equivalent per million EUR or in percentage terms relative to the baseline financed GHG emission. Investee companies’ GHG removals and storage, investee companies’ carbon credits and carbon credits of the financial market participant shall not be included in the calculation of the GHG emission reduction target of the financial product.

3. Information on investee companies’ GHG removals and storage, investee companies’ carbon credits and carbon credits of the financial market participant shall be provided in accordance with the template set out in Annex II, in the section ‘What is the greenhouse gas emission reduction target of the product?’.
- Where information on investee companies’ GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available.’;

(6) Article 15 is amended as follows:

- (a) the introductory sentence of paragraph 1 is replaced by the following:

- ‘1. For the financial products referred to in Article 6, first subparagraph, of Regulation (EU) 2020/852, financial market participants shall provide, in the section ‘What is the minimum proportion of EU Taxonomy investments’ in the template set out in Annex II, all of the following:’;

(b) point (b) of paragraph 3 is replaced by the following:

- ‘(b) where information about the degree to which the investments are in environmentally sustainable economic activities is not readily available from public disclosures by investee companies, details of whether the financial market participant used estimates;’;

(7) Article 16 is replaced by the following:

*‘Article 16
Sustainable investment information in the asset allocation section
for financial products that promote social characteristics*

For financial products that promote environmental or social characteristics and that include a commitment in sustainable investments with a social objective, financial market participants shall include in the section ‘What is the asset allocation planned for this product?’ in the template set out in Annex II the minimum share of those sustainable investments.’;

(8) Article 17 is amended as follows:

(a) in paragraph 1, the following point (ba) is inserted:

‘(ba) for loans and advances granted by the financial product to investee companies, where a proportion of activities of those investee companies is associated with environmentally sustainable economic activities, the market value of that proportion of those loans and advances’;

(b) in paragraph 1, point (c) is replaced by the following:

‘(c) for loans and advances other than those referred to in point (ba), where a proportion of the proceeds is required by the terms of those loans and advances to be used exclusively on environmentally sustainable economic activities, the market value of that proportion’;

(c) point (b) of paragraph 2 is replaced by the following:

‘(b) for other investee companies, estimates obtained by the financial market participant directly from investee companies or from third party providers.’;

(9) in Article 18, the following paragraphs (4) and (5) are inserted:

‘4. For the financial products with a GHG emission reduction target set in accordance with Article 14a(1), financial market participants shall provide the information in the format of the template set out in Annex III on GHG emission reduction targets. The baseline financed GHG emission and the GHG emission reduction target shall be calculated in accordance with Article 14a(2) and (3).

5. By way of derogation from paragraph 4, for financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 whose investment objective is to track an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011, financial market participants shall provide a hyperlink to information disclosed by the benchmark administrator pursuant to Articles 13 and 27 of that Regulation.’;

(10) Article 20 is amended as follows:

(a) paragraphs 2 to 5 are replaced by the following:

‘2. The prominent statement referred to in paragraph 1 shall be accompanied by all of the following:

(a) a list of the investment options referred to in paragraph 3, presented in accordance with the categories of investment options referred to in points (a) and (b) of that paragraph;

(b) the proportions of investment options within each of the categories referred to in paragraph 3, points (a) and (b), relative to the total number of investment options offered by the financial product.

3. Financial market participants shall provide all of the following information in annexes to the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088 for the following categories of investment options:

(a) for each investment option that promotes environmental or social characteristics, the information referred to in Articles 14 to 17 of this Regulation;

(b) for each investment option that has sustainable investment as its objective, the information referred to in Articles 18 and 19 of this Regulation.

4. Financial market participants shall present the information referred to in paragraph 3, point (a), in the form of the template set out in Annex II and the information referred to in paragraph 3, point (b), in the form of the template set out in Annex III. For this purpose, references to ‘product’ and ‘financial product’ in the templates shall be replaced by ‘investment option’.

5. By way of derogation from paragraph 3 and the second sentence of paragraph 4, where a financial product offers a range of investment options to the investor such that the information about those investment options cannot be provided in annexes to the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088 in a clear and concise manner due to the number of annexes required, financial market participants may provide the information referred to in paragraph 3 of this Article by including in the main body of the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088 a hyperlink to the templates referred to in paragraph 4.’;

(b) the following paragraph 6 is inserted:

‘6. For the purposes of this Article, the investment options shall not include those investment options that qualify as financial instruments according to points (1), (2) and (4) to (11) of Section C, Annex I to Directive 2014/65/EU.’;

(11) Article 21 is amended as follows:

(a) paragraphs 2 to 5 are replaced by the following:

‘2. The prominent statement referred to in paragraph 1 shall be accompanied by a list of the investment options referred to in paragraph 3.

3. For each investment option that has sustainable investment as its objective, financial market participants shall provide the information referred to in Articles 18 and 19 of this Regulation in annexes to the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088.

4. Financial market participants shall present the information referred to in paragraph 3 in the form of the template set out in Annex III. For this purpose, references to ‘product’ and ‘financial product’ in the template shall be replaced by ‘investment option’.

5. By way of derogation from paragraph 3 and the second sentence of paragraph 4, where a financial product offers a range of investment options to the investor such that the information relating to those investment options cannot be provided in annexes to the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088 in a clear and concise manner due to the number of annexes required, financial market participants may provide the information referred to in paragraph 3 of this Article by including in the main body of the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088 a hyperlink to the templates referred to in paragraph 4.’;

(b) the following paragraph 6 is inserted:

⁴⁵ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), OJ L 173 12.6.2014, p. 349.

‘6. For the purposes of this Article, the investment options shall not include those investment options that qualify as financial instruments according to points (1), (2) and (4) to (11) of Section C, Annex I to Directive 2014/65/EU.’;

(12) Article 22 is deleted;

(13) Article 24 is replaced by the following:

‘Article 24

Sections of website product disclosure for financial products that promote environmental or social characteristics

For financial products that promote environmental or social characteristics, financial market participants shall publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 25 to 36 of this Regulation in the following order and made up of all of the following sections titled:

- (a) ‘Summary’;
- (b) ‘No sustainable investment objective’;
- (c) ‘Environmental or social characteristics of the financial product’;
- (d) ‘Investment strategy’;
- (e) ‘Proportion of investments’;
- (ea) where the financial product has set a GHG emission reduction target in accordance with Article 14a(1), ‘GHG emission reduction target’;
- (f) ‘Monitoring of environmental or social characteristics’;
- (g) ‘Methodologies for environmental or social characteristics’;
- (h) ‘Data sources and processing’;
- (i) ‘Limitations to methodologies and data’;
- (j) ‘Due diligence’;
- (k) ‘Engagement policies’;
- (l) where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product, ‘Designated reference benchmark’.’;

(14) in Article 26, paragraph 2, point (a) is replaced by the following:

- ‘(a) how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex are taken into account, including the description of the thresholds used to determine that the sustainable investments do

not significantly harm any environmental or social objectives and how they are determined;’;

(15) Article 29 is replaced by the following:

‘Article 29

Website section ‘Proportion of investments’ for financial products that promote environmental or social characteristics

In the website section ‘Proportion of investments’ referred to in Article 24, point (e), financial market participants shall insert the information referred to in the section ‘What is the asset allocation planned for this product?’ in the template set out in Annex II to this Regulation and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.’;

(16) the following Article 29a is inserted:

‘Article 29a

Website section ‘GHG emission reduction target’ for financial products that promote environmental or social characteristics

1. For financial products that set GHG emission reduction targets in accordance with Article 14a(1), in the website section ‘GHG emission reduction target’ referred to in Article 24, point (ea), financial market participants shall provide all of the following information:

(a) A description of the actions planned to achieve the GHG emission reduction target, including of all of the following:

- (i) whether and how binding elements of the investment strategy are designed to meet the GHG emission reduction target;
- (ii) actions planned to meet the GHG emission reduction target;
- (iii) where the financial product commits to contribute to GHG emission reduction at investee companies’ level, a summary of the engagement plan supporting the GHG emission reduction target, including how the financial market participant intends to conduct dialogue with investee companies, exercise voting rights, monitor investee companies progress regarding GHG emissions reduction target and actions planned in case of non-achievement of the GHG emission reduction target;

(b) Where the financial market participant has disclosed a transition plan for climate change mitigation and related target(s) in accordance with [Section] [...] of Commission

Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council], all of the following information:

- (i) a summary of the transition plan for climate change mitigation and related targets;
- (ii) a description of the contribution that the financial product is expected to have on the financial market participant's ability to achieve its transition plan for climate change mitigation and the related targets;
- (iii) any discrepancy between the methodology used to set the transition plan for climate change mitigation and related targets and the methodology used to set the GHG emissions reduction target of the financial product.';

(17) Article 37 is replaced by the following:

Article 37

Website product disclosure for financial products that have sustainable investments as their objective

For financial products that have sustainable investments as their objective, financial market participants shall publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 38 to 49 of this Regulation in the following order and made up of all of the following sections titled:

- (a) 'Summary';
- (b) 'No significant harm to the sustainable investment objective';
- (c) 'Sustainable investment objective of the financial product';
- (d) 'Investment strategy';
- (e) 'Proportion of investments';
- (ea) Where the financial product has a GHG emission reduction target in accordance with Article 14a(1), 'GHG emission reduction target';
- (f) 'Monitoring of sustainable investment objective';
- (g) 'Methodologies for sustainable investments';
- (h) 'Data sources and processing';
- (i) 'Limitations to methodologies and data';
- (j) 'Due diligence' ;
- (k) 'Engagement policies' ;
- (l) 'Attainment of the sustainable investment objective'.';

(18) in Article 39, point (a) is replaced by the following:

- ‘(a) how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex, are taken into account, including the description of the thresholds used to determine that the sustainable investments do not significantly harm any environmental or social objectives and how they are determined;’;

(19) the following Article 42a is inserted:

‘Article 42a

Website section ‘GHG emissions reduction target’ for financial products that have sustainable investments as their objective

1. For financial products that set GHG emission reduction targets in accordance with Article 14a(1), in the website section ‘GHG emissions reduction target’ referred to in Article 37, point (ea), financial market participants shall provide all of the following information:

(a) a description of the actions planned to achieve the GHG emission reduction target, including of all of the following:

- (i) whether and how binding elements of the investment strategy are designed to meet the GHG emission reduction target;
- (ii) actions planned to meet the GHG emission reduction target;
- (iii) where the financial product commits to contribute to GHG emission reduction at investee companies’ level, a summary of the engagement plan supporting the GHG emission reduction target, including how the financial market participant intends to conduct dialogue with investee companies, exercise voting rights, monitor investee companies progress regarding GHG emissions reduction target and actions planned in case of non-achievement of the GHG emission reduction target;

(b) Where the financial market participant has disclosed a transition plan for climate change mitigation and related targets in accordance with [Section] [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council], all of the following information:

- (i) a summary of the transition plan for climate change mitigation and related targets;
- (ii) a description of the contribution that the financial product is expected to have on the financial market participant’s ability to achieve its transition plan for climate change mitigation and the related targets;

(iii) any discrepancy between the methodology used to set the transition plan for climate change mitigation and related targets, and the methodology used to set the GHG emissions reduction target of the financial product.

2. By way of derogation from paragraph 1, for financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 that use an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011 to measure performance by tracking the return of those indices, financial market participants shall provide a hyperlink to information disclosed by the benchmark administrator pursuant to Articles 13 and 27 of that Regulation.’;

(20) Article 44 is replaced by the following:

‘Article 44

Website section ‘Methodologies for sustainable investments’ for financial products that have sustainable investment as their objective

In the website section ‘Methodologies for sustainable investments’ referred to in Article 37, point (g), financial market participants shall describe the methodologies used to measure the attainment of the sustainable investment objective and how the sustainability indicators to measure the attainment of that sustainable investment objective are used.’;

(21) in Chapter IV, the following Sections 3 and 4 are inserted:

‘SECTION 3

Website financial product disclosure for financial products with one or more underlying investment options that qualify the financial product as promoting environmental or social characteristics

Article 49a

Website section for the disclosure of sustainability-related information about financial products with underlying investment options that qualify those financial products as promoting environmental or social characteristics

1. By way of derogation from Section 1, where a financial product offers investment options to the investor and one or more of those investment options qualify that financial product as a financial product that promotes environmental or social characteristics, financial market participants shall publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 49b to 49f of this Regulation in the following order and made up of all of the following sections titled:

- (a) 'List of investment options that promote environmental or social characteristics';
- (b) 'List of investment options that have sustainable investment as their objective';
- (c) 'Summary';
- (d) for each investment option that promotes environmental or social characteristics 'Investment option information: environmental or social characteristics';
- (e) for each investment option that has a sustainable investment objective, 'Investment option information: sustainable investment objective'.

2. For the purposes of this Section, the investment options shall not include those investment options that qualify as the financial instruments referred to in points (1), (2) and (4) to (11) of Section C, Annex I to Directive 2014/65/EU.

Article 49b

Website section 'List of investment options that qualify the financial product as promoting environmental or/and social characteristics'

In the website section 'List of investment options that promote environmental or social characteristics' referred to in Article 49a, point (a), financial market participants shall list all investment options that promote environmental or social characteristics.

Article 49c

Website section 'List of investment options that have sustainable investment as their objective'

In the website section 'List of investment options that have sustainable investment as their objective' referred to in Article 49a, point (b), financial market participants shall list all investment options that have sustainable investment as their objective.

Article 49d

Website section 'Summary' for financial products with underlying investment options

1. In the website section 'Summary' referred to in Article 49a, point (c), financial market participants shall summarise the information contained in the different sections referred to in that Article about the financial product with underlying investment options, including

whether a sustainability-related investment strategy is applied to all the options or only a selection of options and in that case to specify to which options. The summary section shall have a maximum length of two sides of A4-sized paper when printed.

2. The website section ‘Summary’ referred to in Article 49a, point (c), shall be provided in at least the following languages:

(a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;

(b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.

Article 49e

Website section ‘Investment option information: environmental or social characteristics’

1. In the website section ‘Investment option information: environmental or social characteristics’ as referred to in Article 49a, point (d), financial market participants shall identify each investment option and publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 25 to 36 of this Regulation in respect of those investment options in the same order and made up of all of the same sections as those referred to in Article 24.

2. For the purposes of paragraph 1:

(a) the sections referred to in Article 24 shall be subsections of the website section, ‘Investment option information: environmental or social characteristics’;

(b) in Articles 26 to 36, references to ‘financial product’ shall be replaced with ‘investment option’.

3. By way of derogation from paragraphs 1 and 2, financial market participants may provide the information referred to in paragraph 1 in respect of an investment option through a hyperlink to the website section for that investment option published in accordance with Article 24 of this Regulation, where applicable.

Article 49f

Website section ‘Investment option information: sustainable investment objective’

1. In the website section ‘Investment option information: sustainable investment objective’ as referred to in Article 49a, point (e), financial market participants shall identify each investment option and publish the information referred to in Article 10(1) of Regulation

(EU) 2019/2088 and Articles 38 to 49 of this Regulation in respect of those investment options in the same order and made up of the same sections as those referred to in Article 37.

2. For the purposes of paragraph 1:

(a) the sections referred to in Article 37 shall be subsections of the website section, ‘Investment option information: sustainable investment objective’;

(b) in Articles 38 to 49, references to ‘financial product’ shall be replaced with ‘investment option’.

3. By way of derogation from paragraphs 1 and 2, financial market participants may provide the information referred to in paragraph 1 in respect of an investment option through a hyperlink to the website section for that investment option published in accordance with Article 37 of this Regulation, where applicable.

SECTION 4

Website product disclosure for financial products with underlying options that all have sustainable investment as their objective

Article 49f

Website section for the disclosure of sustainability-related information about financial products with underlying options that all have sustainable investment as their objective

1. By way of derogation from Section 2, where a financial product offers investment options to the investor and those investment options all have sustainable investment as their objective, financial market participants shall publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 49g to 49i of this Regulation in the following order and made up of all of the following sections titled:

(a) ‘List of investment options that have sustainable investment as their objective’;

(b) ‘Summary’;

(c) for each investment option, ‘Investment option information: sustainable investment objective’.

2. For the purposes of this Section, the investment options shall not include those investment options that qualify as the financial instruments referred to in points (1), (2) and (4) to (11) of Section C, (1), (2) and (4) to (11) of Section C of Annex I to Directive 2014/65/EU.

Article 49g

Website section ‘List of investment options that have sustainable investment as their objective’

In the website section ‘List of investment options that qualify the financial product as having sustainable investment as its objective’ referred to in Article 49f, point (a), financial market participants shall list all the investment options.

Article 49h

Website section ‘Summary’ for financial products with underlying options that all have sustainable investment as their objective

1. In the website section ‘Summary’ referred to in Article 49f, point (b), financial market participants shall summarise the information contained in point (c) of that Article. The summary section shall have a maximum length of two sides of A4-sized paper when printed.
2. The website section ‘Summary’ referred to in Article 49f, point (b), shall be provided in at least the following languages:
 - (a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;
 - (b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.

Article 49i

Website section ‘Investment option information: sustainable investment objective’ for financial products with underlying options that all have sustainable investment as their objective

1. In the website section ‘Investment option information: sustainable investment objective’ as referred to in Article 49f, point (c), financial market participants shall identify each investment option and publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 and Articles 38 to 49 of this Regulation in respect of those investment options in the same order and made up of the same sections as those referred to in Article 37.
2. For the purposes of paragraph 1:
 - (a) the sections referred to in Article 37 shall be subsections of the website section, ‘Investment option information: sustainable investment objective’;

(b) in Articles 38 to 49, references to ‘financial product’ shall be replaced with ‘investment option.

3. By way of derogation from paragraphs 1 and 2, financial market participants may provide the information referred to in paragraph 1 in respect of an investment option through a hyperlink to the website section for that investment option published in accordance with Article 37 of this Regulation, where applicable.’;

(22) Article 51 is replaced by the following:

‘Article 51

Attainment of the environmental or social characteristics promoted by the financial products

‘In the section ‘To what extent were the environmental and/or social characteristics of this product met?’ in the template set out in Annex IV to this Regulation, financial market participants shall provide all of the following information:

(a) the extent to which the environmental or social characteristics promoted by the financial product were met during the period covered by the periodic report, including the performance of the sustainability indicators used to measure how each of those environmental or social characteristics are met and which derivatives, if any, have been used to meet those environmental or social characteristics;

(b) for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, an identification of the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributed;

(c) where the financial market participant has provided at least one previous periodic report in accordance with this Section for the financial product, a historical comparison between the period covered by the periodic report and periods covered by previous periodic reports;

(d) for financial products that included a commitment to make sustainable investments, an explanation of how those investments have contributed to the sustainable investment objectives referred to in Article 2, point (17), of Regulation (EU) 2019/2088;

(e) information on principal adverse impacts on sustainability factors as referred to in the section ‘How did this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)’ in the template set out in Annex IV to this Regulation.’;

(23) the following Article 51a is inserted:

‘Article 51a

‘Progress achieved towards the GHG emissions reduction target for financial products that promote environmental or social characteristics

For financial products that set GHG emission reduction target in accordance with Article 14a(1), in the section ‘How much progress was achieved towards the financial product GHG emission reduction target?’ in the template set out in Annex IV to this Regulation, financial market participants shall provide all of the following information:

(a) a comparison between the information published in the template set out in Annex II to this Regulation on the GHG emission reduction target and the progress achieved towards that target. The comparison shall be presented in the form of a table and shall include:

(i) the baseline financed GHG emissions published in the template set out in Annex II to this Regulation;

(ii) intermediate and final GHG emission reduction targets published in the template set out in Annex II to this Regulation and the progress achieved during the period covered by the periodic report. Progress in terms of financed GHG emissions reduction shall be measured in accordance with Article 14a(2) of this Regulation;

(iii) investee companies’ GHG removals and storage published in the template set out in Annex II to this Regulation and the progress achieved during the period covered by the periodic report;

(iv) investee companies’ and financial market participant’s carbon credits published in the template set out in Annex II to this Regulation and the progress in terms of carbon credits used by investee companies and by the financial market participant during the period covered by the periodic report.

Where information on investee companies’ progress as regards GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available;

(b) A description of how the implementation of the investment strategy contributed to the achievement of the target and the description of amendments to the investment strategy during the period covered by the periodic report;

(c) Where the GHG emission reduction target has not been met, an explanation of why that target has not been met, including the explanation of obstacles encountered and the extent to which it hampered progress towards the target(s), and a description of corrective actions planned to meet the target.’;

(24) Article 52 is replaced by the following:

‘Article 52

Largest investments for financial products that promote environmental or social characteristics

1. The section ‘What were the largest investments of this product?’ in the template set out in Annex IV to this Regulation shall contain a list, in descending order of size, of the fifteen investments constituting the largest proportion of investments of the financial product during the period covered by the periodic report, including the sector and countries in which those investments were made.
2. By way of derogation from paragraph 1, where the number of investments constituting fifty percent of the investments of the financial product during the period covered by the periodic report is less than fifteen, the section referred to in paragraph 1 shall contain a list of those investments, in descending order of size, including the sectors and countries in which those investments were made.’;

(25) the following Article 54a is inserted:

‘Article 54a

Information on how the sustainable investments of the financial product do not significantly harm any of the sustainable objectives

‘For financial products that included a commitment to make sustainable investments, in the section ‘With regards to the sustainable investments of the product, how did they not cause significant harm to any environmental or social sustainable investment objective?’ in the template set out in Annex IV to this Regulation, financial market participants shall provide an explanation of how those investments have not harmed significantly any of the objectives referred to in Article 2, point (17), of Regulation (EU) 2019/2088 during the period covered by the periodic report, including all of the following:

- (i) how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex, were taken into account. Financial market participants shall provide a concise explanation of how the thresholds to determine that the sustainable investments have not harmed significantly any sustainable investment objective during the reference period were determined and provide a hyperlink to the section on the website referred to in Article 26(2)(a) where further explanations and the thresholds are disclosed;
- (ii) whether the sustainable investment was aligned 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.’;

(26) in Article 55, paragraph 1, the introductory sentence is replaced by the following:

‘For financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852, financial market participants shall include in the section ‘What was the proportion of EU Taxonomy investments?’ in the template set out in Annex IV all of the following information:’;

(27) Article 56 is replaced by the following:

‘Article 56

Information for financial products that promote social characteristics

For financial products that promote environmental or social characteristics that included a commitment in sustainable investments with a social objective, the section ‘What was the share of socially sustainable investments?’ in the template set out in Annex IV shall contain the share of those sustainable investments.’;

(28) the following Articles 56a and 56b are inserted:

‘Article 56a

Information on the investments of the financial product that do not promote environmental or social characteristics

In the section ‘What investments are not in line with the product’s environmental or social characteristics, what was their purpose and were there any minimum environmental or social safeguards?’ in the template set out in Annex IV to this Regulation, financial market participants shall provide a description of the purpose of the investments of the financial product that do not promote environmental or social characteristics during the period covered by the periodic report, including a description of any minimum environmental or social safeguards and whether those investments are used for hedging, relate to cash held as ancillary liquidity or are investments for which there are insufficient data.

Article 56b

Information on the actions taken to meet the environmental or social characteristics promoted by the financial product

In the section ‘What actions have been taken to meet the environmental and/or social characteristics during the reference period?’ in the template set out in Annex IV to this Regulation, financial market participants shall provide a description of the actions taken

during 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.’

(29) in Article 57, paragraph 1, the introductory sentence is replaced by the following:

‘In the section ‘How did this product perform compared to the reference benchmark and how was the benchmark monitored to ensure consistency with the environmental and/or social characteristics of the product?’ in the template set out in Annex IV to this Regulation, financial market participants shall, for financial products that promote environmental or social characteristics, provide all of the following information:’;

(30) Article 59 is replaced by the following:

‘Article 59

Attainment of the sustainable investment objective of the financial product

In the section ‘To what extent was the sustainable investment objective of this product met?’ in the template set out in Annex V, financial market participants shall provide all of the following information:

- (a) in the subsection ‘How did the indicators measuring the sustainable objectives of this financial product perform?’ the extent to which the sustainable investment objective was attained during the period covered by the periodic report, including the performance of:
 - (i) the sustainability indicators referred to in the subsection ‘How do you measure how the sustainable investment objective of this product will be met?’ of the section ‘What is the sustainable investment objective of this product?’ in the template set out in Annex III to this Regulation;
 - (ii) any derivatives referred to in the subsection ‘How does the use of derivatives contribute to the sustainable investment objective?’ of the section ‘What is the asset allocation and the minimum share of sustainable investments?’ in the template set out in Annex III to this Regulation used to attain the sustainable investment objective;
- (b) for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852, an identification of the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributed;

- (c) for the financial products referred to in Article 9(3) of Regulation (EU) 2019/2088, information on how the objective of a reduction in carbon emissions was aligned with the Paris Agreement, containing a description of the contribution of the financial product during the period covered by the periodic report to achieve the objectives of the Paris Agreement, including in respect of an EU Climate Transition Benchmark or EU Paris-aligned Benchmark, the ESG factors and criteria considered by the benchmark administrator in accordance with Delegated Regulation (EU) 2020/1818;
- (d) where the financial market participants have provided at least one previous periodic report in accordance with this Section for the financial product, a historical comparison between the current period covered by the periodic report and previous periods;
- (e) an explanation of how the sustainable investments have contributed to a sustainable investment objective;
- (f) information on principal adverse impacts on sustainability factors as referred to in the section ‘How did this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)?’ in the template set out in Annex V to this Regulation.’;

(31) the following Article 59a is inserted:

Article 59a

Progress achieved towards the GHG emissions reduction target for financial products that have sustainable investment as their objective

1. For financial products that set GHG emission reduction targets in accordance with Article 14a(1), in the section ‘How much progress was achieved towards the financial product GHG emission reduction target?’ in the template set out in Annex V to this Regulation, financial market participants shall provide all of the following information:

- (a) a comparison between the information published in the template set out in Annex III to this Regulation on the GHG emission reduction target and the progress achieved towards that target. The comparison shall be presented in the form of a table and shall include:
 - (i) the baseline financed GHG emissions published in the template set out in Annex III to this Regulation;
 - (ii) intermediate and final GHG emission reduction targets published in the template set out in Annex III to this Regulation and the progress achieved during the period covered by the periodic report. Progress in terms of financed GHG emissions reduction shall be measured in accordance with the GHG accounting and reporting

standard for the financial industry mentioned in [Section/Article] [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council;

(iii) investee companies' GHG removals and storage published in the template set out in Annex III to this Regulation and the progress in terms of investee companies' GHG removals and storage deployed during the period covered by the periodic report;

(iv) investee companies' and financial market participant's carbon credits published in the template set out in Annex III to this Regulation and the progress in terms of carbon credits used by investee companies or by the financial market participant during the period covered by the periodic report.

Where information on investee companies' progress as regards GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available;

- (b) A description of how the implementation of the investment strategy contributed to the achievement of the target and the description of amendments to the investment strategy during the period covered by the periodic report;
 - (c) Where the GHG emission reduction target has not been met, an explanation of why that target has not been met, including the explanation of obstacles encountered and the extent to which it hampered progress towards the target(s), and a description of corrective actions planned to meet the target.'
2. By way of derogation from paragraph 1, for financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 that use an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011 to measure performance by tracking the return of those indices, financial market participants shall provide a hyperlink to information disclosed by the benchmark administrator pursuant to Articles 13 and 27 of that Regulation;

(32) Article 60 is replaced by the following:

Article 60

Largest investments for financial products that have sustainable investment as their objective

1. In the section ‘What were the largest investments of this product?’ in the template set out in Annex V, financial market participants shall list, in descending order of size, the fifteen investments constituting the largest proportion of investments of the financial product during the period covered by the periodic report, including the sectors and countries of those investments.
2. By way of derogation from paragraph 1, where the number of investments constituting fifty percent of the investments of the financial product during the period covered by the periodic report is less than fifteen, the section referred to in paragraph 1 shall contain a list of those investments, in descending order of size, including the sectors and countries in which those investments were made.’;

(33) Article 61 is replaced by the following:

‘Article 61

Proportion of sustainable investments for financial products that have sustainable investment as their objective

In the section ‘What was the proportion of sustainable investments?’ in the template set out in Annex V, financial market participants shall provide all of the following information:

- (a) the proportions of the investments of the financial product that contributed to the sustainable investment objective;
- (b) the proportion of investments during the period covered by the periodic report in different sectors and sub-sectors.
- (c) an explanation of how the sustainable investments have not harmed significantly any of the sustainable investment objectives during the period covered by the periodic report, including all of the following:
 - (i) how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex, were taken into account. Financial market participants shall provide a concise explanation of how the thresholds to determine that the sustainable investments have not harmed significantly any sustainable investment objective during the reference period were determined and provide a hyperlink to the section on the website referred to in Article 39(a) where further explanations and the thresholds are disclosed;
 - (ii) whether the sustainable investment was aligned 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.’;

(34) Article 62 is replaced by the following:

‘Article 62

Information on environmentally sustainable investments for financial products with the objective of sustainable investment

1. For the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852, the section ‘What was the proportion of EU Taxonomy-related investments?’ in the template set out in Annex V shall contain all of the following information:

- (a) a breakdown in accordance with Article 55(1), point (a);
- (b) a description of the sustainable investments in environmentally sustainable economic activities during the period covered by the periodic report, including:
 - (i) the information in accordance with Article 55(1), point (b)(i);
 - (ii) a graphical representation in the form of a bar chart in accordance with Article 55(1), point (b)(ii);
 - (iii) a graphical representation in the form of a bar chart in accordance with Article 55(1), point (b)(iii);
 - (iv) the information referred to in Article 15(3), point (b);
 - (v) a breakdown in accordance with Article 55(1), point (b)(v);
 - (vi) where the financial product invested in sustainable investments with an environmental objective but that are not environmentally sustainable economic activities, a clear explanation of the reasons for doing so;
 - (vii) where the financial market participant has provided at least one previous periodic report in accordance with this Section for the financial product, a historical comparison of the degree to which the investments were made in environmentally sustainable economic activities during the period covered by the periodic report and during previous periods;
- (c) a narrative explanation in accordance with Article 55(1), point (b)(viii);

2. For the purposes of paragraph 1, point (b)(ii) and point (b)(iii), financial market participants shall apply Article 55(2).’;

(35) the following Articles 62a to 62c are inserted:

‘Article 62a

Information for financial products having sustainable investments with a social objective

For financial products having sustainable investments with a social objective, the section ‘What was the share of socially sustainable investments?’ in the template set out in Annex V shall contain the share of those sustainable investments.

‘Article 62b

Information on the investments that do not have a sustainable objective for financial products with the objective of sustainable investments

In the section ‘What investments were not sustainable, what was their purpose and were there any minimum environmental or social safeguards?’ in the template set out in Annex V to this Regulation, financial market participants shall provide a description of the purpose of the investments of the financial product that do not have a sustainable objective during the period covered by the periodic report, including a description of any minimum environmental or social safeguards and whether those investments are used for hedging, relate to cash held as ancillary liquidity.’

‘Article 62c

Information on the actions taken to attain the sustainable investment objective

In the section ‘What actions have been taken attain the sustainable investment objective during the reference period?’ in the template set out in Annex V to this Regulation, financial market participants shall provide a description of the actions taken during 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 sustainable investment objective of the financial product.’

(36) in Article 63, paragraph 1, the introductory sentence is replaced by the following:

‘1. In the section ‘How did this product perform compared to the reference sustainable benchmark and how was the benchmark monitored to ensure consistency with the sustainable investment objective of the product?’ in the template set out in Annex V, financial market participants shall, for financial products that have sustainable investment

as their objective and for which an index has been designated as a reference benchmark, provide all of the following information:’;

(37) in Article 64, paragraph 2, point (c) is replaced by the following:

‘(c) the proportion of underlying assets of the financial product referred to in the section ‘What was the proportion of investments that promote environmental and/or social characteristics?’ in the template set out in Annex IV to this Regulation and in the section ‘What was the proportion of sustainable investments?’ in the template set out in Annex V.’;

(38) Articles 65 and 66 are replaced by the following:

Article 65

Financial products with one or more underlying investment options that qualify those financial products as financial products that promote environmental or social characteristics

1. By way of derogation from Articles 50 to 57, where a financial product offers investment options to the investor and one or more of those investment options qualify that financial product as a financial product that promotes environmental or social characteristics, financial market participants shall insert in the main body of the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 a prominent statement confirming all of the following:

- (a) that the financial product promotes environmental or social characteristics;
- (b) that the attainment of those characteristics is subject to investing in at least one of the investment options referred to in paragraph 2 of this Article and holding at least one of those options during the holding period of the financial product;
- (c) that further information related to those environmental or social characteristics is available in the annexes referred to in paragraph 2 of this Article.

2. Financial market participants shall provide all of the following information in annexes to the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088:

- (a) for each investment option invested in that promotes environmental or social characteristics, the information referred to in Articles 50 to 57 of this Regulation;
- (b) for each investment option invested in that has sustainable investment as its objective, the information referred to in Articles 58 to 63 of this Regulation.

3. Financial market participants shall present the information referred to in paragraph 2, point (a), in the form of the template set out in Annex IV and the information referred to in paragraph 2, point (b), in the form of the template set out in Annex V. For this purpose, references to ‘product’ and ‘financial product’ in the template shall be replaced by ‘investment option’.

4. By way of derogation from paragraph 2 and the second sentence of paragraph 3, where a financial product offers a range of investment options to the investor such that the information about those investment options cannot be provided in annexes to the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 in a clear and concise manner due to the number of annexes required, financial market participants may provide the information referred to in paragraph 2 of this Article by including in the main body of the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 hyperlinks to the annexes referred to in paragraph 2.’

5. For the purposes of this Article, the investment options shall not include those investment options that qualify as financial instruments according to points (1), (2) and (4) to (11) of Section C, Annex I to Directive 2014/65/EU.

Article 66

Financial products with underlying investment options that all have sustainable investment as their objectives

1. By way of derogation from Articles 58 to 63, where a financial product offers investment options to the investor and all of those investment options have sustainable investment as their objectives, financial market participants shall confirm in a prominent statement in the main body of the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 that the financial product has as its objective sustainable investment and that the information related to that objective is available in the annexes referred to in paragraph 2 of this Article.

2. Financial market participants shall provide the information referred to in Articles 58 to 63 in the annexes to the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 for each investment option that has sustainable investment as its objective.

3. Financial market participants shall present the information referred to in paragraph 2 in the form of the template set out in Annex V. For this purpose, references to ‘product’ and ‘financial product’ in the template shall be replaced by ‘investment option’.

⁴⁶ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), OJ L 173 12.6.2014, p. 349.

4. By way of derogation from paragraph 2 and the second sentence of paragraph 3, where a financial product offers a range of investment options to the investor such that the information about those investment options cannot be provided in annexes to the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 in a clear and concise manner due to the number of annexes required, financial market participants may provide the information referred to in paragraph 2 of this Article by including in the main body of the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 hyperlinks to the annexes referred to in paragraph 2.

5. For the purposes of this Article, the investment options shall not include those investment options that qualify as financial instruments according to points (1), (2) and (4) to (11) of Section C, (1), (2) and (4) to (11) of Section C of Annex I to Directive 2014/65/EU.;

(39) Annexes I to V are replaced by Annexes I to V of this Regulation.

Article 2

Entry into force and application

1. This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.
2. This Regulation shall apply from [...].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

[For the Commission
On behalf of the President]

[Position]

⁴⁷ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), OJ L 173 12.6.2014, p. 349.

ANNEX I

Template principal adverse sustainability impacts statement

For the purposes of this Annex, 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) ‘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 Council⁴⁸;
- (4) ‘current value of all investments’ means the value in EUR of the following investments of the financial market participant:
 - i. for financial market participants referred to in Article 2(1)(a) of Regulation (EU) 2019/2088, the following balance sheet items: holdings in related undertakings, including participations (item R0090), equities (item R0100), bonds (item R0130), collective investment undertakings (item R0180), derivatives (item R0190), deposits other than cash equivalents (item R0200), other investments (item R0210), assets held for index-linked and unit-linked contracts (item R0220), loans and mortgages (item R0230), deposits to cedants (item R0350) and cash and cash equivalents (item R0410), as defined in Annex I to Commission Implementing Regulation (EU) 2015/2452⁴⁹;
 - ii. for financial market participants referred to in Article 2(1)(b) and (j) of Regulation (EU) 2019/2088, financial instruments and financial contracts (including cash and cash equivalents) held as part of the activity of portfolio management as defined in Article 4(1), point (8), of Directive 2014/65/EU;
 - iii. for financial market participants referred to in Article 2(1)(c) of Regulation (EU) 2019/2088, the following lines from the balance sheet: currency and deposits, debt securities, loans, equity, investment fund shares/units, pension fund reserves, financial derivatives, other

⁴⁸ 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).

⁴⁹ Commission Implementing Regulation (EU) 2015/2452 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council (OJ L347, 31.12.2015, p. 1285).

accounts receivable/payable, non-financial assets as referred to in Table 1a of Annex I of Regulation (EU) 2018/231 of the European Central Bank⁵⁰ and real estate property as referred to in Table 1 of Chapter 7 of Annex A to Regulation (EU) No 549/2013⁵¹;

- iv. for financial market participants referred to in Article 2(1)(e), (g), (h) and (i) of Regulation (EU) 2019/2088, all assets under management resulting from both collective and portfolio management activities;
- (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 Council⁵², except for environmentally sustainable economic activities referred to in Section 4.29 to 4.31 of Annexes I and II to Delegated Regulation (EU) 2021/2139;
- (6) ‘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;
- (7) ‘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 Council⁵³;
- (8) ‘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:

⁵⁰ Regulation (EU) 2018/231 of the European Central Bank of 26 January 2018 on statistical reporting requirements for pension funds (ECB/2018/2) (OJ L 45, 17.2.2018, p. 3).

⁵¹ Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union (OJ L 174, 26.6.2013, p.1)

⁵² 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).

⁵³ 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).

- (i) Directive 2009/147/EC of the European Parliament and of the Council⁵⁴;
 - (ii) Council Directive 92/43/EEC⁵⁵;
 - (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 Council⁵⁶;
 - (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);
- (9) ‘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) 2021/2139⁵⁷;
 - (10) ‘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 Council⁵⁸ and direct emissions of nitrates, phosphates and pesticides;
 - (11) ‘hazardous waste’ means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council⁵⁹;
 - (12) ‘radioactive waste’ means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom⁶⁰;
 - (13) ‘UN Guiding Principles’ means the Principles of the UN Guiding Principles on Business and Human Rights;
 - (14) ‘ILO Declaration’ means the International Labour Organization Declaration on Fundamental Principles and Rights at Work;

⁵⁴ 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).

⁵⁵ 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).

⁵⁶ 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).

⁵⁷ 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).

⁵⁸ 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).

⁵⁹ 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).

⁶⁰ 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).

- (15) ‘pay’ means pay as defined in [point (a) of Article (3)(1) of] [Directive (EU) .../... of ... of the European Parliament and of the Council [Pay Transparency Directive]];
- (16) ‘controversial weapons’ means anti-personnel mines, cluster munitions, chemical weapons and biological weapons;
- (17) ‘adequate wage’ means adequate wage as defined in Appendix [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council – current ESRS S1];
- (18) ‘nearly zero-energy building (NZEB)’ means nearly zero-energy building as defined in point 2 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council⁶¹;
- (19) ‘primary energy (PE)’ means primary energy as defined in point 5 of Article 2 of Directive 2010/31/EU;
- (20) ‘energy performance certificate (EPC)’ means energy performance certificate as defined in point 12 of Article 2 of Directive 2010/31/EU;
- (21) ‘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 Council⁶², for the Large Volume Inorganic Chemicals- Solids and Others industry;
- (22) ‘air pollutants’ means direct emissions of sulphur dioxides (SO₂), nitrogen oxides (NO_x), non-methane volatile organic compounds (NMVOC), and fine particulate matter (PM_{2,5}) as defined in Article 3, points (5) to (8), of Directive (EU) 2016/2284 of the European Parliament and of the Council⁶³, ammonia (NH₃) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;
- (23) ‘areas of high water stress’ means regions where the percentage of total water withdrawn is high (40-80%) or extremely high (greater than 80%) in the World Resources Institute’s (WRI) Water Risk Atlas tool “Aqueduct”;
- (24) ‘ozone depleting substances’ mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer;
- (25) ‘land degradation’ means land degradation means as defined in Article [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council – current ESRS E4];

⁶¹ 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).

⁶² 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).

⁶³ 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*

- (26) ‘desertification’ means desertification as defined in Appendix [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council – current ESRS E4];
- (27) ‘sustainable land/agriculture practices or policies’ means practices or policies in accordance with the meaning of ‘sustainable food system’ in Article .../... in Regulation/Directive .../... [legislative proposal for a framework for a sustainable food system by the European Commission due before the end of 2023 – see page 5 of COM(2020)381 “A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system”];
- (28) ‘sustainable oceans/seas practices or policies’ means practices or policies relating to oceans, seas, coasts and inland waters, including emerging sectors and non-market goods and services, aimed at ensuring environmental, social and economic sustainability in the long term and which are consistent with the sustainable development goals (SDGs) of the United Nations 2030 Agenda for Sustainable Development, and in particular SDG 14 (‘Conserve and sustainably use the oceans, seas and marine resources for sustainable development’), and with Union environmental legislation;
- (29) ‘non-recycled waste’ means any waste not recycled within the meaning of ‘recycling’ in Article 3(17) of Directive 2008/98/EC;
- (30) ‘protected area’ means the Natura 2000 network of protected areas set up in accordance with Directives 2009/147/EC and 92/43/EEC⁶⁴ and designated areas in the European Environment Agency’s Common Database on Designated Areas (CDDA);
- (31) ‘deforestation’ means the temporary or permanent human-induced conversion of forested land to non-forested land;
- (32) ‘supplier code of conduct’ means publicly available code of conducts adopted by suppliers that include prevention policies against unsafe working conditions child labour and forced labour;
- (33) ‘whistleblower’ means ‘reporting person’ as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council⁶⁵;
- (34) ‘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;

⁶⁴ Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds (codified version) (OJ L 20, 26.1.2010, p.7) and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1993, p.7). All the information about the N2000 network is assembled and visualised through the [N2000 network viewer](#).

⁶⁵ 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).

- (35) ‘child labour’ means child labour as defined in Appendix [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council – current ESRS S1];
- (36) ‘affected communities’ means affected communities as defined in Appendix [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council – current ESRS S3];
- (37) ‘corruption’ means ‘active corruption’ and ‘passive corruption’ as referred to in points (a) and (b) of Article 4(2) of Directive (EU) 2017/1371 of the European Parliament and of the Council⁶⁶ and ‘active and passive corruption in the private sector’ as referred to in Article 2 of the Council Framework Decision 2003/568/JHA⁶⁷ ;
- (38) ‘persons with disabilities’ means persons with disabilities as defined in Appendix [...] of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council – current ESRS S1];
- (39) ‘severe human rights issues and incidents’ means severe human rights issues and incidents in accordance with Article [current AR 106of Commission Delegated Regulation (EU) .../... of ... supplementing Directive (EU) 2022/2464 of the European Parliament and the Council – current ESRS S1];
- (40) ‘non-renewable energy sources’ means energy sources other than renewable energy sources;
- (41) ‘renewable energy sources’ means the following renewable non-fossil sources: 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;
- (42) ‘EU list of non-cooperative jurisdictions for tax purposes’ means the list of jurisdictions included in the applicable Council conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes;
- (43) ‘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;

⁶⁶ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

⁶⁷ Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector (OJ L 192, 31.7.2003, p. 54).

- (44) ‘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 Council⁶⁸.

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

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

For x: {1,2,3}

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x) \text{ GHG emissions}_i \text{ (tCO}_2\text{eq)} \right)$$

where n is the number of investee companies in the investments

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

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 GHG emissions}_i \text{ (tCO}_2\text{eq)} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

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

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i \text{ (tCO}_2\text{eq)}}{\text{investee company's €M revenue}_i} \right)$$

where n is the number of investee companies in the investments

⁶⁸ 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).

- (4) ‘exposure to companies active in the fossil fuel sector’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment}_i \text{ in investee companies active in the fossil fuel sector})}{\text{current value of all investments}}$$

where n is the the number of investee companies active in the fossil fuel sector

- (5) ‘exposure to companies active in the coal sector’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment}_i \text{ in investee companies active in the coal sector})}{\text{current value of all investments}}$$

where n is the number of investee companies active in the coal sector

- (6) ‘share of non-renewable energy consumption and production’ shall be calculated in accordance with the following formula:

$$\text{a) Energy consumption} = \sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{consumption of non-renewable energy (in GWh) by investee company}_i}{\text{consumption of energy (in GWh) by investee company}_i} \right)$$

b) Energy production

$$= \sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{production of non-renewable energy (in GWh) by investee company}_i}{\text{production of energy (in GWh) by investee company}_i} \right)$$

where n is the number of investee companies in the investments

- (7) ‘energy consumption intensity per high impact climate sector’ shall be calculated in accordance with the following formula:

For α in {A, B, C, D, E, F, G, H, L}

$$= \sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{Energy consumption intensity}_{y_\alpha} \times \text{energy consumption of investee company}_i \text{ belonging to NACE}(\alpha) \text{ (in GWh)}}{\text{investee company's } \text{€M revenue}_i \text{ belonging to NACE}(\alpha)} \right)$$

where n is the number of investee companies in the investments belonging to NACE(α)

- (8) ‘activities negatively affecting biodiversity-sensitive areas’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i \text{ in investee companies with sites or operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas}}{\text{current value of all investments}} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (9) ‘emissions to water’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's tonnes of emissions to water generated}_i \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (10) ‘hazardous waste ratio’ and ‘radioactive waste ratio’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's tonnes of hazardous and radioactive waste generated}_i \right)}{\text{current value of all investments}}$$

where *n* is the number of investee companies in the investments

- (11) ‘violations of Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises or the UN Guiding Principles, including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\begin{array}{l} \text{current value of investment}_i \text{ in investee companies in violation of} \\ \text{at least one international guidelines or principles} \end{array} \right)}{\text{current value of all investments}}$$

where the international guidelines or principles are either OECD guidelines for multinational enterprises or the UN Guiding Principles, including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration; and

where *n* is the number of investee companies in the investments

- (12) ‘lack of processes and compliance mechanisms to monitor compliance with the OECD Guidelines for Multinational Enterprises or the UN Guiding principles, including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\begin{array}{l} \text{current value of investment}_i \text{ in investee companies with no policies to monitor compliance with} \\ \text{or no available grievance and complaints handling mechanisms to address violations of at least one international guideline or principle} \end{array} \right)}{\text{current value of all investments}}$$

where the international guideline or principle are either OECD guidelines for multinational enterprises or the UN Guiding Principles, including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration ; and

where n is the number of investee companies in the investments

(13) ‘gender pay gap’ shall be calculated in accordance with the following formula:

For each $i = 1, \dots, n$

$$\text{Gender Pay Gap}_i = \max\left\{0; \frac{\left(\text{pay of male paid employees in investee company}_i - \text{pay of female paid employees in investee company}_i\right)}{\text{pay of male paid employees in investee company}_i}\right\}$$

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \text{Gender Pay Gap}_i \right)$$

where n is the the number of investee companies in the investments

(14) ‘management and supervisory bodies gender diversity’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{number of male board members in investee company}_i}{\text{total number of board members in investee company}_i} \right)$$

where board members mean members of management and supervisory bodies; and

where n is the number of investee companies in the investments

- (15) ‘amount of accumulated earnings in non-cooperative tax jurisdictions’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments from the EU revised list of non – cooperative jurisdictions for tax purposes}} \times \text{accumulated earnings of investee company}_i \right)$$

where n is the number of investee companies where the total consolidated revenue on its balance sheet date for each of the last two consecutive financial years exceeds total of 750M€ in the investments

- (16) ‘exposure to controversial weapons’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment}_i \text{ in investee companies involved in the manufacture or selling of controversial weapons})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (17) ‘exposure to companies involved in the cultivation and production of tobacco’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment}_i \text{ in investee companies involved in the cultivation and production of tobacco})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (18) ‘interference in the formation of trade unions or elections of worker representatives’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n(\text{current value of investment}_i \text{ in investee companies without commitments})}{\text{current value of all investments}}$$

where investee companies without commitments means the investee companies without commitments on their non-interference in the formation of trade unions or election of worker representatives; and

where n is the number of investee companies in the investments

(19) ‘share of employees earning less than the adequate wage’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{number of employees in investee company}_i \text{ earning less than the adequate wage}}{\text{number of employees in investee company}_i} \right)$$

where n is the number of investee companies in the investments

(20) ‘sovereign GHG intensity’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of sovereign investment}_i}{\text{current value of all investments}} \times \frac{\text{country's Scope 1,2 and 3 GHG emissions}_i \text{ (tCO}_2\text{eq)}}{\text{country's GDP}_i} \right)$$

where n is the number of different sovereigns in the investments

(21) ‘investee countries subject to social violations’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n(\text{current value of investment in investee country}_i \text{ under investigation})}{\text{current value of all investments}}$$

where investee country_i under investigation means countries under investigation for social violations as referred to in international treaties and conventions, United Nations principles and where applicable national laws or principles; and where n is the number of different sovereigns in the investments

(22) ‘exposure to fossil fuels through real estate assets’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment}_i \text{ in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels})}{\text{current value of all investments}}$$

where n is the the number of real estate assets involved in the extraction, storage or manufacture of fossil fuels

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

$$\frac{((\text{Value of real estate assets built before 31.12.2020 with EPC of C or below}) + (\text{Value of real estate assets built after 31.12.2020 with PE demand below NZEB in Directive 2010/31/Eu}))}{\text{Value of real estate assets required to abide by EPC and NZEB rules}}$$

(24) ‘emissions of inorganic pollutants’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's emissionsof inorganic pollutants}_i \text{ (in tonnes)})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(25) ‘emissions of air pollutants’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's emissions of air pollutants}_i \text{ (in tonnes)} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(26) ‘emissions of ozone-depleting substances’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's emissions of ozone – depleting substances}_i \text{ (in tonnes)} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(27) ‘investments in companies without carbon emission reduction initiatives’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{Current value of investment in company}_i \text{ without carbon emission reduction initiative})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(28) ‘breakdown of energy consumption by type of non-renewable sources of energy’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{consumption of non – renewable energy (in GWh) type by investee company}_i}{\text{consumption of energy (in GWh) by investee company}_i} \right)$$

where n is the number of investee companies in the investments

(29) ‘water usage and recycling’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{amount of water consumed by investee company (in cubic meters)}_i}{\text{investee company's €M revenue}_i} \right)$$

where n is the number of investee companies in the investments

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{amount of water recycled and reused by investee companies (in cubic meters)}_i}{\text{amount of water consumed by investee companies}_i} \right)$$

where n is the number of investee companies in the investments

(30) ‘investments in companies without water management policies’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \text{Current value of investment in investee companies without water management policies}_i}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(31) ‘exposure to areas of high-water stress’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\text{Current value of investment in investee companies with sites located in areas of high water stress without a water management policy}_i \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(32) ‘investments in companies producing pesticides and other agro-chemicals’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\begin{array}{l} \text{Current value of investment in investee companies the activities of which} \\ \text{fall under Division 20.2 of Annex I to Regulation (EC)No 1893/2006}_i \end{array} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(33) ‘land degradation, desertification, soil sealing’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\begin{array}{l} \text{Current value of investment in investee companies the activities of} \\ \text{which cause land degradation, desertification or soil sealing}_i \end{array} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(34) ‘investments in companies without sustainable land-agriculture practices or policies’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\begin{array}{l} \text{Current value of investment in investee companies without} \\ \text{sustainable land or agriculture practices or policies}_i \end{array} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(35) ‘investments in companies without sustainable oceans/seas practices or policies’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\begin{array}{l} \text{current value of investment in investee companies without} \\ \text{sustainable oceans or seas practices or policies}_i \end{array} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(36) 'non-recycled waste ratio' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's tonnes of non - recycled waste generated}_i \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(37) 'natural species and protected areas' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \text{Current value of investment in investee companies whose operations affect threated species}_i}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

$$\frac{\sum_{i=1}^n \left(\frac{\text{Current value of investment in investee companies witout a biodiversity protection policy covering operational sites owned, leased, managed in or adjacent to, a protected area or an area of high diversity value outside protected areas}_i}{\text{current value of all investments}} \right)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(38) 'deforestation' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \text{Current value of investment in investee companies without a policy to address deforestation}_i}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(39) 'share of corporate debt securities not issued under Union legislation on environmentally sustainable bonds' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{Current value of investments in corporate debt securities not issued under Union legislation on environmentally sustainable bonds}_i}{\text{current value of all corporate debt securities}} \right)}$$

where n is the number of corporate debt securities in the investments

- (40) ‘share of sovereign and supranational debt securities not issued under Union legislation on environmentally sustainable bonds’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{Current value of investments in sovereign and supranational debt securities not issued under Union legislation on environmentally sustainable bonds}_i}{\text{current value of all sovereign and supranational debt securities}} \right)}$$

where n is the number of sovereign and supranational debt securities in the investments

- (41) ‘GHG emissions’ in real estate shall be calculated in accordance with the following formula:

For $x = \{1,2,3,Total\}$

$$\sum_{i=1}^n \left(\frac{\text{current value of investment in real estate asset}_i}{\text{current value of real estate asset}_i} \times \text{scope}(x) \text{ GHG emissions generated by real estate asset}_i \text{ (tCO}_2\text{eq)} \right)$$

where n is the number of real estate assets in the investments

- (42) ‘energy consumption intensity’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of real estate asset}_i}{\text{current value of all investments in real estate assets}} \times \frac{\text{energy consumption (in GWh) of real estate asset}_i}{\text{surface area of real estate asset}_i \text{ (in square meters)}} \right)$$

where n is the number of real estate assets in the investments

(43) ‘waste production in operations’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \frac{\text{(current value of real estate asset not equipped with facilities for waste sorting, and not covered by a waste recovery or recycling contract}_i)}{\text{current value of all investments in real estate assets}}$$

where n is the number of real estate assets in the investments

(44) ‘raw materials consumption for new construction and major renovations’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of newly constructed or renovated real estate asset}_i}{\text{current value of all newly constructed or renovated real estate assets}} \times \frac{\text{Weight of raw building materials by real estate asset (in tonnes)}_i}{\text{Weight of building materials by real estate asset (in tonnes)}_i} \right)$$

where n is the number of new construction or major renovations of real estate assets

(45) ‘land artificialisation’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of real estate asset}_i}{\text{current value of all investments in real estate assets}} \times \frac{\text{non vegetated surface area of real estate asset}_i \text{ (in square meters)}}{\text{surface area of real estate asset}_i \text{ (in square meters)}} \right)$$

where n is the number of real estate assets in the investments

(46) ‘investments in companies without workplace accident prevention policies or management systems’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment in investee companies with no publicly available policy or management system in place preventing accidents that occur as part of the exercise of labour activities}_i)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(47) ‘rate of recordable work-related injuries’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{investee company's rate of recordable work related injuries}}{\text{investee company's €M revenue}} \right)$$

where n is the number of investee companies in the investments; and

$$\text{where rate of recordable work related injuries} = \frac{\text{number of accidents occurring as part of the exercise of labour activities in company}_i}{\text{number of employees in company}_i}$$

(48) ‘number of days lost to work-related injuries, accidents, ill health and fatalities’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \text{investee company's workdays lost to work – related injuries, accidents, ill health and fatalities occurring as part of the exercise of labour activities}_i \right)$$

where n is the number of investee companies in the investments

(49) ‘lack of supplier code of conduct’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n(\text{current value of investment in investee companies without supplier code of conduct}_i)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (50) ‘lack of grievance/complaints handling mechanism to report alleged cases of discrimination related to employee matters’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n(\text{current value of investment in investee companies with no grievance and complaints handling mechanisms to report alleged cases of discrimination related to employee matters})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (51) ‘insufficient whistleblower protection’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \text{current value of investment}_i \text{ in investee companies without whistleblower protection policy}}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (52) ‘incidents of discrimination related to any type of discrimination leading to monetary and non-monetary sanctions’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \text{number of incidents relating to any type of discrimination leading to monetary and non monetary sanctions in company}_i \right)$$

where n is the number of investee companies in the investments

(53) ‘excessive CEO pay ratio’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{total annual compensation of highest paid individual in investee company}_i}{\text{median annual total compensation for all other employees in investee company}_i} \right)$$

where n is the number of investee companies in the investments

(54) ‘excessive non-guaranteed-hour employees in investee companies’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{number of non – guaranteed – hour employees in investee company}_i}{\text{number of employees in investee company}_i} \right)$$

where n is the number of investee companies in the investments

(55) ‘excessive temporary contract employees in investee companies’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{number of temporary contract employees in investee company}_i}{\text{number of employees in investee company}_i} \right)$$

where n is the number of investee companies in the investments

(56) ‘excessive non- employee workers in investee companies’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{number of non – employees workers in investee company}_i}{\text{number of employees and non – employees workers in investee company}_i} \right)$$

where n is the number of investee companies in the investments

(57) ‘insufficient employment of persons with disabilities within the workforce’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \frac{\text{number of persons with disabilities in investee company}_i}{\text{number of employees in investee company}_i} \right)$$

where n is the number of investee companies in the investments

(58) ‘lack of human rights policies’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment in investee companies without adherence to a human rights policy})}{\text{current value of all investments}}$$

where n is the number of investee companies in the portfolio

(59) ‘lack of due diligence’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment in investee companies with no due diligence process clearly stipulating how human rights violations and adverse impacts on human rights are identified, prevented, mitigated and addressed in accordance with the ILO Declaration n Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human rights}_i)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(60) ‘lack of processes and measures for preventing trafficking in human beings’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment in investee companies with no publicly available policy in place that prevents trafficking in human beings chain}_i)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(61) ‘operations and suppliers using workforce qualifying as child labour’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment in investee companies exposed to operations and suppliers using workforce qualifying as child labour}_i)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(62) ‘operations and suppliers at significant risk of incidents of forced or compulsory labour’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment in investee companies exposed to operations and suppliers at risk of incidents of forced or compulsory labour in terms of geographic areas and/or type of operations}_i)}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

(63) ‘number of identified cases of severe human rights issues and incidents’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \text{number of severe human rights issues and incidents connected to the investee company}_i \right)$$

where n is the number of investee companies in the investments

- (64) 'lack of remediation mechanism for affected communities in relation to the operations of the investee companies' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment}_i \text{ in investee companies with a lack of remediation mechanism for affected communities})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (65) 'lack of remediation handling mechanism for consumers/end-users of the investee company' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment}_i \text{ in investee companies without a remediation handling mechanism for consumers or end users of the investee company})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (66) 'lack of anti-corruption and anti-bribery policies' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n (\text{current value of investment in investee companies without anticorruption and antibribery policies})}{\text{current value of all investments}}$$

where n is the number of investee companies in the investments

- (67) 'cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment in investee companies with identified insufficiencies in actions taken to address breaches in international and national procedures and standards of anticorruption and antibribery}_i}{\text{current value of all investments}} \right)}{\text{current value of all investments}}$$

- (68) ‘number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws’ shall be calculated in accordance with the following formula:

$$\sum_{i=1}^n \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \text{investee company's number of convictions for violations of anti – corruption and anti – bribery laws according to international or national laws} \right) \times \left(\frac{\text{current value of investment}_i}{\text{current value of all investments}} \times \sum_{i=1}^n \text{total amount of fines for violations of international or national anticorruption laws} \right)$$

where n is the number of investee companies in the investments

- (69) ‘investments in non-cooperative tax jurisdictions’ shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left(\frac{\text{current value of investment in investee countries or supranationals on the EU list of noncooperative jurisdictions for tax purposes}_i}{\text{current value of all investments}} \right)}{\text{current value of all investments}}$$

where n is the number of investee countries or supranationals in the investments

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

| |
|---|
| <p>Financial market participant <i>[Name and, where available, LEI]</i></p> |
| <p>Summary <i>[Name and, where available, LEI]</i> 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 <i>[name of the financial market participant]</i> <i>[where applicable, insert “and its subsidiaries, namely [list the subsidiaries included]”]</i>.</p> <p>This statement on principal adverse impacts on sustainability factors covers the reference period from <i>[insert “1 January” or the date on which principal adverse impacts were first considered]</i> to 31 December <i>[year n]</i>.</p> <p><i>[Summary referred to in Article 5 provided in the languages referred to in paragraph 1 thereof]</i></p> |
| <p>Description of the principal adverse impacts on sustainability factors <i>[Information referred to in Articles 6 and 7 in the format set out below]</i></p> |

| Indicators applicable to investments in investee companies | | | | | | |
|---|--------------------|---|--------------------------|--------------------|---|--|
| Adverse sustainability indicator | Description | Impact [year n] | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | |
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions of investee companies expressed in tonnes of CO2 equivalent | | | | |
| | | Scope 2 GHG emissions of investee companies emissions expressed in tonnes of CO2 equivalent | | | | |
| | | Scope 3 GHG emissions of investee companies | | | | |

| | | | | | | |
|--|---|---|--|--|--|--|
| | | expressed in tonnes of CO2 equivalent | | | | |
| | | Total GHG emissions of investee companies expressed in tonnes of CO2 equivalent | | | | |
| | 2. Carbon footprint | Total GHG emissions expressed as a ratio of all investments | | | | |
| | 3. GHG intensity of investee companies | GHG emissions expressed as a ratio of investee company's revenue | | | | |
| | 4. Exposure to companies active in the fossil fuel sector | a) Share of investments in companies active in the fossil fuel sector b) Share of investments in companies active in the coal sector | | | | |
| | 5. Share of non-renewable energy consumption and production | a) Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources b) Share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources | | | | |

| | | | | | | |
|---|---|--|--|--|--|--|
| | 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 negatively 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 | | | | |
| Waste | 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested | | | | |
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | |
| Social and employee matters | 10. Violations of OECD Guidelines for Multinational Enterprises or the UN Guiding Principles including the principles and rights set out in the eight | Share of investments in investee companies that have been involved in violations of the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, including the principles and | | | | |

| | | | | | | |
|--|---|---|--|--|--|--|
| | fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights | rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights | | | | |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with OECD Guidelines for Multinational Enterprises or the UN Guiding principles including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights | Share of investments in investee companies without policies to monitor compliance with or with grievance/ complaints handling mechanisms to address violations of the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles, including the principles and rights set out in the eight fundamental conventions identified in the ILO Declaration and the International Bill of Human Rights | | | | |
| | 12. Gender pay gap between female and male employees | Average gender pay gap between female and male employees of investee companies | | | | |

| | | | | | | |
|--|---|--|--|--|--|--|
| | 13. Management and supervisory board gender diversity | Average ratio of female to male management and supervisory board members in investee companies, expressed as a percentage of all board members | | | | |
| | 14. Amount of accumulated earnings in non-cooperative tax jurisdictions | Amount of accumulated earnings at the end of the relevant financial year from investee companies where the total consolidated revenue on their balance sheet date for each of the last two consecutive financial years exceeds total of EUR 750M in jurisdictions that appear on the revised EU list of non-cooperative jurisdictions for tax purposes | | | | |
| | 15. Exposure to controversial weapons | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | | | | |
| | 16. Exposure to companies involved in the cultivation and production of tobacco | Share of investments in investee companies involved in the cultivation and production of tobacco | | | | |
| | 17. Interference in the formation of trade unions | Share of investments in investee companies without | | | | |

| | | | | | | |
|--|--|--|------------------------|--------------------------|--------------------|---|
| | or elections of worker representatives | commitments on their non-interference in the formation of trade unions or election of worker representatives | | | | |
| | 18. Share of employees of investee companies earning less than the adequate wage | Average percentage of employees in investee companies earning less than the adequate wage | | | | |
| Indicators applicable to investments in sovereigns and supranationals | | | | | | |
| Adverse sustainability indicator | | Description | Impact [year n] | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period |
| Environmental | 19. Sovereign GHG intensity | GHG intensity of investee countries as a ratio of investee country's GDP | | | | |
| Social | 20. Investee countries subject to social violations | Number of investee countries subject to social violations, 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 | | Description | Impact [year n] | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period |
| Fossil fuels | 21. 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 | 22. 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 | | | | | | |
| <i>[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (a) in the format in Table 2]</i> | | | | | | |

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| |
| <i>[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (b), in the format in Table 3]</i> |
| <i>[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]</i> |
| Description of policies to identify and prioritise principal adverse impacts on sustainability factors |
| <i>[Information referred to in Article 7]</i> |
| Engagement policies |
| <i>[Information referred to in Article 8]</i> |
| References to international standards |
| <i>[Information referred to in Article 9]</i> |
| Historical comparison |
| <i>[Information referred to in Article 10]</i> |

Table 2
Additional climate and other environment-related indicators

| Adverse sustainability impact | Adverse impact on sustainability factors (qualitative or quantitative) | Description |
|---|---|---|
| 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 |
| | 2. Emissions of air pollutants | Tonnes of air pollutants equivalent per million EUR invested |
| | 3. Emissions of ozone-depleting substances | Tonnes of ozone-depleting substances equivalent per million EUR invested |
| | 4. Investments in companies without carbon emission 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 | a) Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies b) 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 pesticides and other agrochemical products | 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 or policies | Share of investments in investee companies, the activities of which involve land/agricultural activities without sustainable land/agriculture practices or policies |
| | 12. Investments in companies without sustainable oceans/seas practices or policies | Share of investments in investee companies, the activities of which involve oceans, seas, coasts or inland water activities 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 |
| | 14. Natural species and protected areas | a) Share of investments in investee companies whose operations affect threatened species b) 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 corporate debt 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 sovereign and supranational debt securities 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. Real estate GHG emissions | a) Scope 1 GHG emissions generated by real estate assets expressed in tonnes of CO2 equivalent |
| | | b) Scope 2 GHG emissions generated by real estate assets expressed in tonnes of CO2 equivalent |
| | | c) Scope 3 GHG emissions generated by real estate assets expressed in tonnes of CO2 equivalent |
| | | d) Total GHG emissions generated by real estate assets expressed in tonnes of CO2 equivalent |
| 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) | Description |
| Indicators applicable to investments in investee companies | | |
| | 1. Investments in companies without workplace accident prevention policies or management systems | Share of investments in investee companies |

| | | |
|-----------------------------|--|--|
| Social and employee matters | | without a workplace accident prevention policy or management system |
| | 2. Rate of recordable work-related injuries | Rate of recordable work-related injuries in investee companies |
| | 3. Number of days lost to work-related injuries, accidents, ill health and fatalities | Number of workdays lost to work-related injuries, accidents, ill health or fatalities of investee companies |
| | 4. Lack of a supplier code of conduct | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, child labour and forced labour) |
| | 5. Lack of grievance/complaints handling mechanism to report alleged cases of discrimination related to employee matters | Share of investments in investee companies without a grievance/complaints handling mechanism to report alleged cases of discrimination related to employee matters |
| | 6. Insufficient whistleblower protection | Share of investments in entities without policies |

| | | |
|--|---|--|
| | | on the protection of whistleblowers |
| | 7. Incidents of discrimination and incidents of discrimination related to any type of discrimination leading to monetary and non-monetary sanctions in investee companies | a) Number of incidents of discrimination b) Number of incidents of discrimination related to any type of discrimination leading to monetary and non-monetary sanctions in investee companies |
| | 8. Excessive CEO pay ratio | 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) |

| | | |
|--|---|--|
| | 9. Excessive use of non-guaranteed-hour employees in investee companies | Share of non-guaranteed hour employees in investee companies as share of total employees |
| | 10. Excessive use of temporary contract employees in investee companies | Share of temporary contract employees in investee companies as share of total employees |

| | | |
|--------------|---|--|
| | 11. Excessive use of non-employee workers in investee companies | Share of non-employee workers in investee companies as share of total employees |
| | 12. Insufficient employment of persons with disabilities within the workforce | Share of persons with disabilities within the workforce of investee companies |
| Human Rights | 13. Lack of human rights policies | Share of investments in entities without human rights policies |
| | 14. Lack of due diligence | Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts |

| | | |
|--|---|--|
| | 15. Lack of processes and measures for preventing trafficking in human beings | Share of investments in investee companies without policies against trafficking in human beings |
| | 16. Operations and suppliers using workforce qualifying as child labour | Share of investments in investee companies exposed to operations and suppliers using workforce qualifying as child labour |
| | 17. Operations and suppliers at significant risk of forced or compulsory labour | Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and / or the type of operation |
| | 18. 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 |
| | 19. Lack of remediation mechanism for affected communities relating to the operations of the investee companies | Share of investments in investee companies without remediation mechanism for |

| | | |
|----------------------------------|---|---|
| | | stakeholders materially affected by the operations of the investee companies |
| | 20. Lack of remediation handling mechanism for consumers/end-users of the investee company | Share of investments in investee companies without remediation mechanism for consumers/end-users of the investee companies |
| Anti-corruption and anti-bribery | 21. 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 |
| | 22. 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 |
| | 23. 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 | 24. Average income inequality score | The distribution income and economic inequality among the participant in a particular economy including a quantitative indicator explained in the explanation column |
| | 25. 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 |
| | 26. Average human rights performance | Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column |
| Human rights | 27. Average corruption score | Measure of the perceived level of public sector corruption using a quantitative indicator |

| | | |
|------------|--|---|
| | | explained in the explanation column |
| Governance | 28. Investments in non-cooperative tax jurisdictions | Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes |
| | 29. 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 |
| | 30. 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 |

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





Product name: [complete]

Legal entity identifier: [complete]

Pre-contractual information: Environmental and/or social characteristics *[delete environmental or social if not applicable]*

Sustainable investments contribute to environmental or social objectives and do not cause significant harm to environment and society.

The **EU Taxonomy** defines **environmentally sustainable economic activities according to specific criteria**. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

| | | |
|---|--|------------------|
| This product has some sustainability characteristics, but does not have sustainable investment as its objective | | |
| <i>[include the environmental and/or social characteristic(s) promoted by the product and the [X]% of the product's investments that promote those characteristics – 250 character limit with spaces]</i> | | |
|  | <p><i>[if q%>0 use green icon and text:] Minimum sustainable investments = [q]%</i> <i>[if q%=0 use grey icon, remove green box on the right and use text:] This product does not commit to making sustainable investments.</i></p> | <p>q%</p> |
|  | <p><i>[if r%>0 use dark green icon and text:] Minimum EU Taxonomy investments = [r, calculated according to Article 17 of this Regulation]%</i> <i>[if r%=0 use grey icon, remove dark green box on the right and use text:] This product does not commit to making EU Taxonomy investments.</i></p> | <p>r%</p> |
|  | <p>This product <i>[does not]</i> considers the most significant negative impacts of its investments on the environment and society. <i>[use grey icon where the product does not]</i></p> | |
|  | <p>This product targets a reduction of ___% of greenhouse gas emissions in the atmosphere by ___. <i>[mention the date of achievement of the target]. [remove this statement and icon where the product does not have a decarbonisation target]</i></p> | |



What are the environmental and/or social characteristics of this 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]*

- **How do you measure how each of the environmental or social characteristics are met?** *[specify the sustainability indicators used]*
- **This product makes a minimum of [x]% sustainable investments. What are the objectives of the sustainable investments?** *[only 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,*

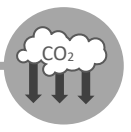
first paragraph, of Regulation (EU) 2020/852, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes]



Does this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)?

[include notes only for financial products that consider PAI] **Principal adverse impacts** are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.

- 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 *[indicate the reasons]*



Does this product have a greenhouse gas (GHG) emission reduction target?

[include notes only for financial products that have a GHG emission reduction target] **Greenhouse gases (GHG)** are those gases, including carbon dioxide, that are responsible for the “greenhouse effect”. The increased concentration of these gases in the atmosphere is the cause of global warming.

- Yes: *[if the financial product has a GHG emission reduction target in accordance with Article 14a(1) of this Regulation, provide a narrative explanation about the way the target will be achieved, indicating whether the financial product (a) divests from investments with particular GHG emissions levels and invests instead in companies with lower GHG emissions; (b) invests in companies that are expected to deliver GHG emissions reductions over the duration of the investment; (c) engages with investee companies to contribute to their GHG emissions reduction. Indicate which is the share of the investments of the financial product covered by the GHG emission reduction target and when the target is achieved only by a share of investments, indicate the target of that share of investments.]*
- No *[if the financial product does not have a GHG emission reduction target in accordance with Article 14a(1) of this Regulation, do not include any subsequent question related to the topic below and proceed to the next section ‘What investment strategy does this product follow?’]*

● **What is the greenhouse gas emission reduction target of the product?** *[Fill in the table below, with information on the baseline GHG emissions, the final and intermediate targets and the corresponding years. The baseline financed GHG emissions and the targets shall be calculated in accordance with Article 14a(2) of this Regulation. Financial market participants shall indicate if the data on the investee companies’ GHG removals and storage and/or the purchase of carbon credits are not readily available and include details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions. Financial market participants shall disclose the share of the investments for which the data are available.]*

This product is not aiming at limiting global warming to 1.5 degree Celsius.

| | <i>[Baseline year]</i> | <i>[Date of expected achievement of intermediate target]</i> | <i>[Add columns for other intermediate targets, where applicable]</i> | <i>[Date of expected achievement of the final target]</i> |
|--|---|--|---|---|
| GHG emission reduction targets (tCO ₂ -eq/€M) | <i>[GHG emissions in tCO₂-eq/€M, not including</i> | | | |

[include only for financial products that have a GHG emission reduction target] Information on progress towards the target will be available in the periodic reports *[add link to periodic reports where available]* and additional details are available here *[add link to website]*.

| | <i>carbon removals and storage and credits]</i> | | | |
|--|---|--|--|--|
| GHG removals and storage (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | | | | |
| Carbon credits used by investee companies and/or purchased by the financial market participant (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | | | | |



What investment strategy does this 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 how much risk can be taken.

- **What commitments are made in the investment strategy regarding the environmental or social characteristics of the product?**
- **What is the committed minimum rate of reduction of investments according to the investments strategy?** *[Where there is a commitment to reduce the scope of investments by a minimum rate, include an indication of the rate to reduce the scope of the investments considered prior to the application of the investment strategy]*
- **How is it assessed whether the companies which are invested in, follow good governance practices, such as tax compliance or employee matters?** *[include a short description of the policy to assess good governance practices of the investee companies]*



What is the asset allocation planned for this 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. This includes 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]*

Asset allocation describes the share of investments in specific assets.

- **How does the use of derivatives contribute to the promotion of environmental or social characteristics?** *[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]*

● **With regards to sustainable investments, how do they not cause significant harm to any environmental or social objective?** [include a description for the financial product that partially intends to make 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 renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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

EU 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.

How are the indicators to assess the most significant negative impacts of the investments on the environment and society taken into account for this assessment? [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. If the financial product uses thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]

Link where detailed information is provided:

How are the sustainable investments consistent with the relevant international standards? 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.



● **What is the minimum proportion of EU Taxonomy investments?** [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 product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

- Yes: [specify below, and details in the graphs of the box]
- In fossil gas In nuclear energy
- No

¹ 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.

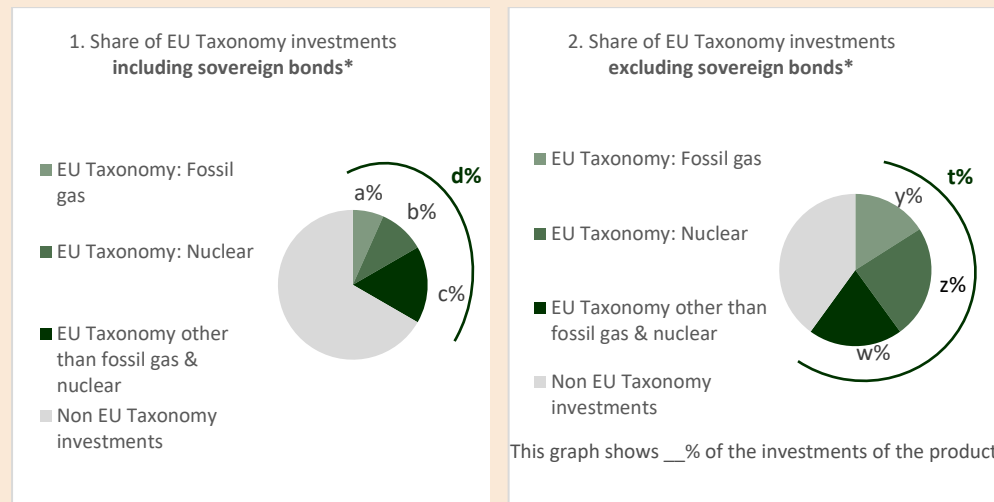
[include note for the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852.

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.

The two graphs below show in green the minimum percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to all the investments of the product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the product other than sovereign bonds.

[only include in the graphs the figures for EU 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 EU Taxonomy-aligned economic activities]



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

[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 of 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 do not meet the criteria of 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 EU 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 not promoting the product's environmental or social characteristics, what is their purpose and are there any minimum environmental or social safeguards?



Is a specific index used as a reference benchmark and how is this index monitored to ensure consistency with the environmental and/or social characteristics of the product?

[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. Specify how the index is continuously aligned with each of the environmental or social characteristics promoted by the financial product. Specify also how is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis and indicate where the methodology used for the calculation of the index can be found]

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

[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 show how well a product performs compared to an index with similar objectives or features.



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]*

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]

Pre-contractual information: Sustainable investment objective

Sustainable investments contribute to an environmental or social objective and do not cause significant harm to environment and society.

The **EU Taxonomy** defines **environmentally sustainable economic activities according to specific criteria**. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

| | |
|---|---|
| This product has sustainable investment as its objective. | |
| <i>[in this box include the product's sustainable investment objective – 250 characters limit with space]</i> | |
|  | Minimum sustainable investments = [q]% q% |
|  | <i>[if r%>0 use dark green icon and text:] Minimum EU taxonomy investments = [r calculated according to Article 17 of this Regulation]%</i> <i>[if r%=0 use grey icon, remove dark green box on the right and use text:] This product does not commit to making EU taxonomy investments.</i> r% |
|  | This product considers the most significant negative impacts of its investments on the environment and society. <i>[use grey icon, and "does not consider" instead of "considers" where the product does not]</i> |
|  | This product targets a reduction of ___% of greenhouse gas emissions in the atmosphere by ____. <i>[include this statement and icon where the product has a GHG emission reduction target that is not compatible with limiting global warming to 1.5 degrees Celsius.]</i> This product targets a reduction of greenhouse gas emissions in the atmosphere to limit global warming to 1.5 °C. <i>[include this statement and icon where the product has a GHG emission reduction target compatible with limiting global warming to 1.5 degrees Celsius.]</i> |



What is the sustainable investment objective of this 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 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]*

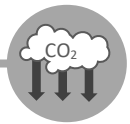
- **How do you measure how the sustainable investment objective of this product will be met?** *[specify the sustainability indicators used]*



Does this product consider the most significant negative impacts of its investments on the environment and the society (principal adverse impacts)?

[include notes only for financial products that consider PAI] **Principal adverse impacts** are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.

- 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 *[explain the reasons]*



Does this product have a greenhouse gas emission reduction target?

[include note only for financial products that have a GHG emission reduction target] **Greenhouse gases (GHG)** are those gases, including carbon dioxide, that are responsible for the “greenhouse effect”. The increased concentration of these gases in the atmosphere is the cause of global warming.

- Yes: *[if the financial product has a greenhouse gases (GHG) emission reduction target in accordance with Article 14a(1) of this Regulation, provide a narrative explanation about the target, indicating whether the financial product (a) divests from investments with particular GHG emissions levels and invests instead in companies with lower GHG emissions; (b) invests in companies that are expected to deliver actual GHG emissions reductions over the duration of the investment; (c) engages with investee companies to contribute to their GHG emissions reduction. Indicate which is the share of the investments of the financial product covered by the GHG emission reduction target and when the target is achieved only by a share of investments, indicate the target of that share of investments.*

For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 whose investment objective is to track use an EU Climate Transition Benchmarks or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011 , provide a hyperlink to information disclosed by the benchmark administrator according to Article 18(5) of this Regulation. Do not include any subsequent question related to the topic below and proceed to the next section ‘What investment strategy does this product follow?’]
- No *[if the financial product does not have a GHG emission reduction target in accordance with Article 14a(1) of this Regulation, do not include any subsequent question related to the topic below and proceed to the next section ‘What investment strategy does this product follow?’]*

- **What is the greenhouse gas emission reduction target of the product?** *[Fill in the table below, with information on the baseline financed GHG emissions, the final and intermediate targets and the corresponding years. The baseline financed GHG emissions and the targets shall be calculated in accordance with Article 14a(2) of this Regulation. Financial market participants shall indicate if the data on the investee companies’ GHG removals or the purchase of carbon credits or on both are not readily available and include details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions. Financial market participants shall disclose the share of the investments for which the data are available.]*

[remove this box where the product aims to limit global warming to 1.5 °C] This product is not aiming at limiting global warming to 1.5 °C.

[include only for financial products that have a GHG emission reduction target] **Information on progress towards the target will be available in the periodic reports** *[add link to periodic reports where available]* **and additional details are available here** *[add link to website].*

| | <i>[Baseline year]</i> | <i>[Date of expected achievement of first intermediate target]</i> | <i>[Add columns for other intermediate targets]</i> | <i>[Date of expected achievement of the final target]</i> |
|---|--|--|---|---|
| GHG emission reduction targets (tCO ₂ -eq/€M) | <i>[GHG emissions in tCO₂-eq/€M, not including carbon removals and storage and credits]</i> | | | |
| GHG removals and storage (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | | | | |
| Carbon credits used by investee companies and/or purchased by the financial market participant (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | | | | |

● **Does the greenhouse gas emission reduction target aim to limit global warming to 1.5 °C?**

- Yes:** *[if yes, describe the methodology used to assess if the target aims to limit global warming to 1.5 °C]*
- No** *[if no, include the following text “The target of this financial product is not compatible with the objective to limit global warming to 1.5 °C.”]*
- Not Assessed.** *[If the alignment of the target was not assessed, include the following text “The degree of alignment of this financial product with the objective to limit global warming to 1.5 degree Celsius was not assessed. The target of this financial product may not be compatible with the objective to limit global warming to 1.5 °C.”]*



What investment strategy does this 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 commitments are made in the investment strategy regarding the product’s sustainable investments?**
- **How is it assessed whether the companies which are invested in follow good governance practices, such as tax compliance or employee matters?** *[include a short description of the policy to assess good governance practices of the investee companies]*

The investment strategy guides investment decisions based on factors such as investment objectives and how much risk can be taken.



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]

- **How does the use of derivatives contribute to 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]*

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

How are the indicators to assess the most significant negative impacts of the investments on the environment and the society taken into account for this assessment? [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. If the financial product uses thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]

Link where detailed information is provided:

How are the sustainable investments consistent with relevant international standards? [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]



What is the minimum proportion of EU Taxonomy investments? *[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 product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

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

In fossil gas In nuclear energy

No

¹ 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.

Asset allocation describes the share of investments in specific assets.

[include note only 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 renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

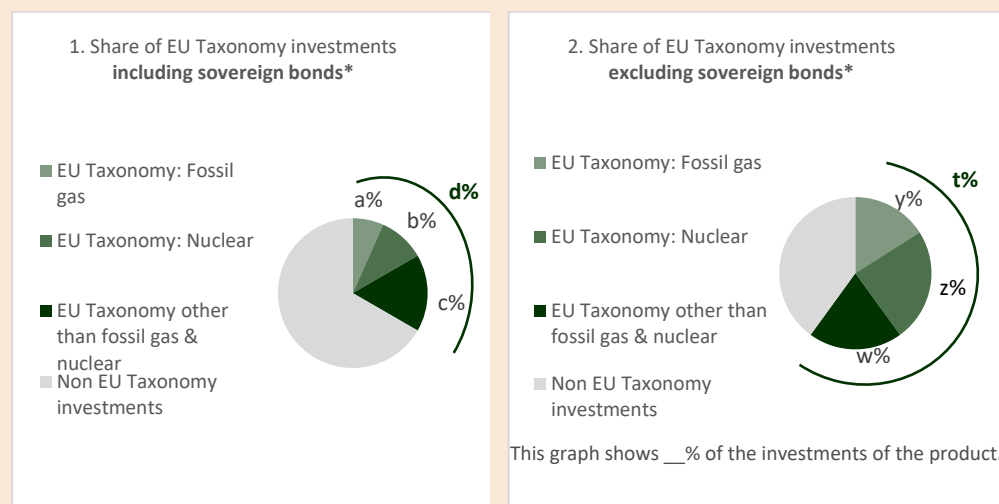
[include note only for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852]

EU 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 two graphs below show in green the minimum percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to all investments of the product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the product other than sovereign bonds.

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

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.

[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]



What is the minimum share of sustainable investments with an environmental objective that do not meet the criteria of 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 EU 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 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]

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



Is a specific index used as a reference benchmark and how is the benchmark monitored to ensure consistency with the sustainable investment objective of the product? *[include section only for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088. Specify how the reference benchmark takes into account sustainability factors in a way that is continuously aligned with the sustainable investment objective. Specify how is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis 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]

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

[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 show how well a product performs compared to an index with similar objectives or features.



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 37 of this Regulation]*

ANNEX IV

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

Product name: [complete]

Legal entity identifier: [complete]

Reference period:
[add reference period]

Periodic information: Environmental and/or social characteristics

[delete environmental or social if not applicable]

Sustainable investments contribute to an environmental or social objective and do not cause significant harm to environment and society.

The **EU Taxonomy** defines environmentally sustainable economic activities according to specific criteria. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

| | | |
|---|--|-----------|
| <p>This product has some sustainability characteristics, but does not have a sustainable investment objective.</p> | | |
| <p><i>[in this box include the environmental and/or social characteristic(s) promoted by the product and the [X]% of the product's investments that promote those characteristics – 250 characters limit with spaces]</i></p> | | |
| | <p><i>[if q%>0 use green icon and text:] This product made [q]% sustainable investments</i> <i>[if q%=0 use grey icon, remove green box on the right and use text:] This product did not make sustainable investments.</i></p> | <p>q%</p> |
| | <p><i>[if r%>0 use dark green icon and text:] This product made [r]% EU taxonomy investments [r calculated according to Article 17 of this Regulation]</i> <i>[if r%=0 use grey icon, remove dark green box on the right and use text:] This product did not make EU taxonomy investments.</i></p> | <p>r%</p> |
| | <p>This product considered the most significant negative impacts of its investments on the environment and society. <i>[use grey icon, and "did not consider" instead of "considered" where the product does not]</i></p> | |
| | <p>This product targets a reduction of ___% of greenhouse gas emissions in the atmosphere by ___<i>[mention date of the achievement of the target]. [remove this statement and icon where the product does not have a decarbonisation target]</i></p> | |



To what extent were the environmental and/or social characteristics of this 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 indicators measuring each of the environmental or social characteristics perform?**
- **...and compared to previous periods?** *[include for products where at least one previous periodic report was provided]*

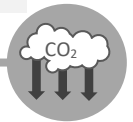
- **This product made [x]% of sustainable investments. What were the objectives of the sustainable investments?** *[include for products that made sustainable investments, where not included in the reply to the above question, describe the objectives. Describe how the sustainable investments contributed 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 this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)? *[include section if the financial product considered principal adverse impacts on sustainability factors]*

[include section if the financial product considered PAI]

Principal adverse impacts are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.



How much progress was achieved towards the product greenhouse gases (GHG) emission reduction target? *[only include if the product's pre-contractual disclosures included a GHG emission reduction target in accordance with Article 14a(1) of this Regulation. Fill in the table below with data from the pre-contractual disclosure and with measurements of progress to date, when available. If target(s) have not been met, provide an explanation and specify the actions planned to meet the target.]*

[include only for financial products that have a GHG emission reduction target]

Greenhouse gases (GHG) are those gases, including carbon dioxide, that are responsible for the “greenhouse effect”. The increased concentration of these gases in the atmosphere is the cause of global warming.

Where information on investee companies' progress as regards GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available.]

This product is not aiming at limiting global warming to 1.5 °C

| | <i>[Baseline year]</i> | <i>Progress made [Add a column for previous reporting period with data available]</i> | <i>Progress made [current reporting period]</i> | <i>[Date of expected achievement of intermediate target 1]</i> | <i>[Add columns for other intermediate targets]</i> | <i>[Date of expected achievement of the final target]</i> |
|--|--|---|---|--|---|---|
| GHG emission reduction targets (tCO ₂ -eq/€M) | <i>[Pre-contractual disclosure - Baseline GHG emissions in tCO₂-eq/€M, not including GHG removals and storage and carbon credits]</i> | <i>[disclose progress made towards the GHG emissions reduction targets (tCO₂-eq/€M) and any difference between the</i> | <i>[disclose progress made towards the GHG emissions reduction targets (tCO₂-eq/€M) and any difference between the</i> | <i>[Pre-contractual disclosure – percentage of the GHG emission reduction intermediate target]</i> | | <i>[Pre-contractual disclosure – percentage of the GHG emission reduction final target]</i> |

[include only for financial products that have a GHG emission reduction target]

Information to better understand the level of ambition and scope of the target can be found on the website [add links to “GHG emission reduction target” section of the website].

| | | | | | | |
|---|-------------------------------|--|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | | <i>target set for the reporting period and progress made]</i> | <i>target set for the reporting period and progress made]</i> | | | |
| GHG removals and storage (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | <i>Baseline GHG emissions</i> | <i>[Progress made in terms of GHG removals used (tCO₂-eq/€M) [include row where relevant]</i> | <i>[Progress made in terms of GHG removals used (tCO₂-eq/€M) [include row where relevant]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> |
| Carbon credits used by investee companies and/or purchased by the financial market participant (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | <i>Baseline GHG emissions</i> | <i>[Progress made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO₂-eq/€M) - include row where relevant]</i> | <i>[Progress made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO₂-eq/€M) - include row where relevant]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> |

- **How did the implementation of the investment strategy contribute to the achievement of the target?** *[indicate how the investment strategy was implemented, explain any obstacle encountered and the extent to which it hampered progress towards the target(s). Describe any change made to the investment strategy over the last reporting period.]*



What were the largest investments of this product?

| Largest investments | Sector | % Assets | Country |
|----------------------------------|--------|----------|---------|
| <i>during:[reference period]</i> | | | |
| | | | |



What was the proportion of investments that promote environmental and/or social characteristics?

Asset allocation describes the share of investments in specific assets.

- **What was the asset allocation?** *[include information referred to in Article 53 of this Regulation]*
- **In which economic sectors were the investments made?** *[include information referred to in Article 54 of this Regulation]*
- **With regards to sustainable investments, how did they not cause significant harm to any environmental or social sustainable investment objective?** *[include where the financial product includes sustainable investments]*

How have the indicators to assess the most significant negative impacts of the investments on the environment and society been taken into account for this assessment?

[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 were taken into account. If the financial product used thresholds to determine that sustainable investments did not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]

Link where detailed information is provided:

Were sustainable investments consistent with the relevant international standards? 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 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.

[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 account the EU criteria for environmentally sustainable economic activities.

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

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

EU 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.



What was the proportion of EU Taxonomy investments? *[include section for the products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 and include information in accordance with Article 55 of this Regulation]*

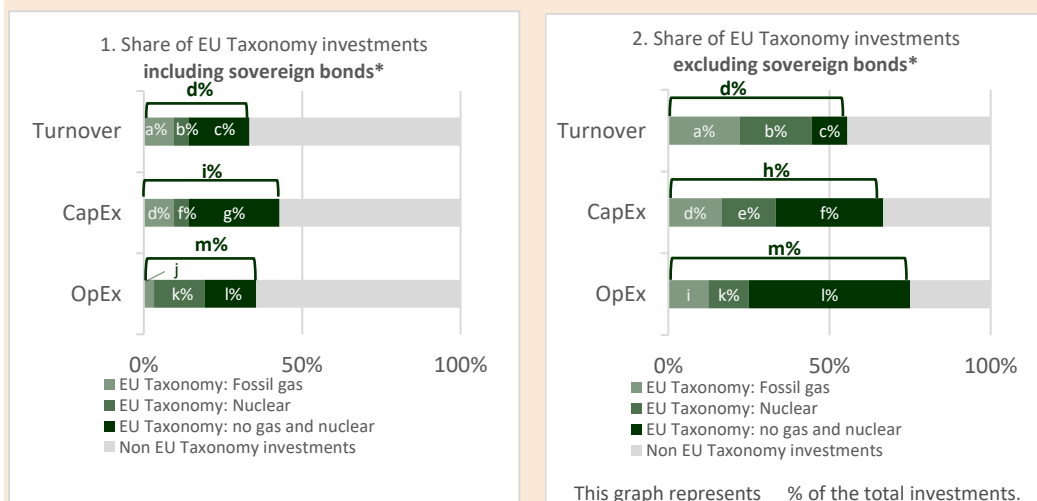
Did the product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

- Yes: *[specify below, and details in the graphs of the box]*
 - In fossil gas
 - In nuclear energy
- No

¹ 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.

The two graphs below show in green the percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the financial product other than sovereign bonds.

[Include information on EU 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 EU 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 EU Taxonomy investments compare with previous reference periods?** [include where at least one previous periodic report was provided]



What was the share of sustainable investments with an environmental objective that did not meet the criteria of 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 EU 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 are not in line with the product's environmental or social characteristics, what was their purpose and were there any minimum environmental or social safeguards? [include information referred to in Article 56a of this Regulation]

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

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.

[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 under the EU taxonomy.



What actions have been taken to meet the environmental and/or social characteristics during the reference period? *[include the information referred to in Article 56b of this Regulation]*



How did this product perform compared to the reference benchmark and how was the benchmark monitored to ensure consistency with the environmental and/or social characteristics of the product? *[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. Specify how this financial product performed with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted, how this financial product performed compared with the reference benchmark and indicate where the methodology used for the calculation of the designated index can be found]*

- **How does the reference benchmark differ from a broad market index?**
- **How did this product perform compared with the broad market index?**

[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 see how well a product performs compared to an index with similar objectives or features.

ANNEX V

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]

Reference period:
[add reference period]

Periodic information: Sustainable investment objective

Sustainable investments contribute to an environmental or social objective and do not cause significant harm to environment and society.

The EU Taxonomy defines **environmentally sustainable economic activities according to specific criteria**. Not all sustainable investments with an environmental objective meet the EU Taxonomy criteria.

| | |
|--|---|
| This product has sustainable investment as its objective. | |
| <i>[in this box include what was the product's sustainable investment objective – 250 characters limit with space]</i> | |
|  | This product made [q]% sustainable investments |
|  | <i>[if r%>0 use dark green icon and text:] This product made [r]% EU taxonomy investments [r calculated according to Article 17 of this Regulation]</i> <i>[if r%=0 use grey icon, remove dark green box on the right and use text:] This product did not make EU taxonomy investments.</i> |
|  | This product considered the most significant negative impacts of its investments on the environment and society. <i>[use grey icon, and "did not consider" instead of "considered" where the product does not]</i> |
|  | This product targets a reduction of ___% of greenhouse gas emissions in the atmosphere by ___ <i>[include this statement and icon where the product has a GHG emission reduction target that is not compatible with limiting global warming to 1.5 °C]</i> This product targets a reduction of greenhouse gas emissions in the atmosphere to limit global warming to 1.5 °C. <i>[include this statement and icon where the product has a GHG emission reduction target compatible with limiting global warming to 1.5 °C]</i> |



To what extent was the sustainable investment objective of this 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]

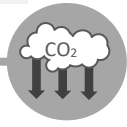
- **How did the indicators measuring the sustainable objectives of this financial product perform?**
- **...and compared to previous periods?** *[include for financial products where at least one previous periodic report was provided]*



How did this product consider the most significant negative impacts of its investments on the environment and society (principal adverse impacts)?

[include section if the product considered principal adverse impacts on sustainability factors]

Principal adverse impacts are the most significant negative impacts on the environment and society including employee matters, human rights, corruption and bribery.



How much progress was achieved towards the product target of greenhouse gases (GHG) emission reduction?

[only include if the product's pre-contractual disclosures included a GHG emission reduction target in accordance with Article 14a(1) of this Regulation. Fill in the table below with data from the pre-contractual disclosure and with measurements of progress to date, when available. If target(s) have not been met, provide an explanation and specify the corrective actions planned to meet the target.]

Where information on investee companies' progress as regards GHG removals and storage or carbon credits is not readily available, financial market participants shall provide details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions and indicate that such information is not available.

For financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 whose investment objective is to track use an EU Climate Transition Benchmarks or an EU Paris-aligned Benchmark as defined in Article 3, points (23a) and (23b) of Regulation (EU) 2016/1011, provide a hyperlink to information disclosed by the benchmark administrator according to Article 59a(2) of this Regulation. Do not include any subsequent question related to the topic below and proceed to the next section 'What were the largest investments of this product?']

[remove this box where the product has a Paris-aligned decarbonisation target] This product is not aiming at limiting global warming to 1.5 °C.

[include only for financial products that have a GHG emission reduction target]

Greenhouse gases (GHG) are those gases, including carbon dioxide, that are responsible for the "greenhouse effect". The increased concentration of these gases in the atmosphere is the cause of global warming.

| | <i>[Baseline year]</i> | <i>Progress made [Add a column for previous reporting period with data available]</i> | <i>Progress made [current reporting period]</i> | <i>[Date of expected achievement of intermediate target 1]</i> | <i>[Add columns for other intermediate targets]</i> | <i>[Date of expected achievement of the final target]</i> |
|--|--|---|---|--|---|---|
| GHG emission reduction targets (tCO ₂ -eq/€M) | <i>[Pre-contractual disclosure - Baseline GHG emissions in tCO₂-eq/€M, not including GHG removals and storage and carbon credits]</i> | <i>[disclose progress made towards the GHG emissions reduction targets (tCO₂-eq/€M) and any difference between the</i> | <i>[disclose progress made towards the GHG emissions reduction targets (tCO₂-eq/€M) and any difference between the</i> | <i>[Pre-contractual disclosure – percentage of the GHG emission reduction intermediate target]</i> | | <i>[Pre-contractual disclosure – percentage of the GHG emission reduction final target]</i> |

[include only for financial products that have a GHG emission reduction target]

Information to better understand the level of ambition and scope of the target can be found on the 'GHG emission reduction target' section of the website [add links to website].

| | | | | | | |
|---|-------------------------------|--|--|-------------------------------------|-------------------------------------|-------------------------------------|
| | | <i>target set for the reporting period and progress made]</i> | <i>target set for the reporting period and progress made]</i> | | | |
| GHG removals and storage (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | <i>Baseline GHG emissions</i> | <i>[Progress made in terms of GHG removals used (tCO₂-eq/€M) [include row where relevant]</i> | <i>[Progress made in terms of GHG removals used (tCO₂-eq/€M) [include row where relevant]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> |
| Carbon credits used by investee companies and/or purchased by the financial market participant (tCO ₂ -eq/€M) <i>[include row where relevant]</i> | <i>Baseline GHG emissions</i> | <i>[Progress made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO₂-eq/€M) - include row where relevant]</i> | <i>[Progress made in terms of carbon credits used by investee companies and/or purchased by the financial market participant (tCO₂-eq/€M) - include row where relevant]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> | <i>[Pre-contractual disclosure]</i> |

● **How did the implementation of the investment strategy contribute to the achievement of the target?** *[indicate how the investment strategy was implemented, explain any obstacle encountered and the extent to which it hampered progress towards the target(s). Mention any change made to the investment strategy over the last reporting period.]*



What were the largest investments of this product?

| Largest investments | Sector | % Assets | Country |
|-----------------------------------|---------------|-----------------|----------------|
| during: [reference period] | | | |
| | | | |



What was the proportion of sustainable investments?

Asset allocation describes the share of investments in specific assets.

[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.

● **What was the asset allocation?** *include information referred to in Article Article 61(a) and (b) of this Regulation]*

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

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

How have the indicators to assess the most significant negative impacts of the investments on the environment and society been taken into account for this assessment? [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 were taken into account. If the financial product used thresholds to determine that sustainable investments do not significantly harm any environmental or social objective under the PAI indicators in Annex I of this Regulation, provide a concise explanation of how they were determined and provide a hyperlink to the section on the website where further explanations and the thresholds are disclosed.]

Link where detailed information is provided:

Were sustainable investments consistent with the relevant international standards? 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 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.



What was the proportion of EU taxonomy investments? [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 product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy⁷²?**

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

In fossil gas In nuclear energy

No

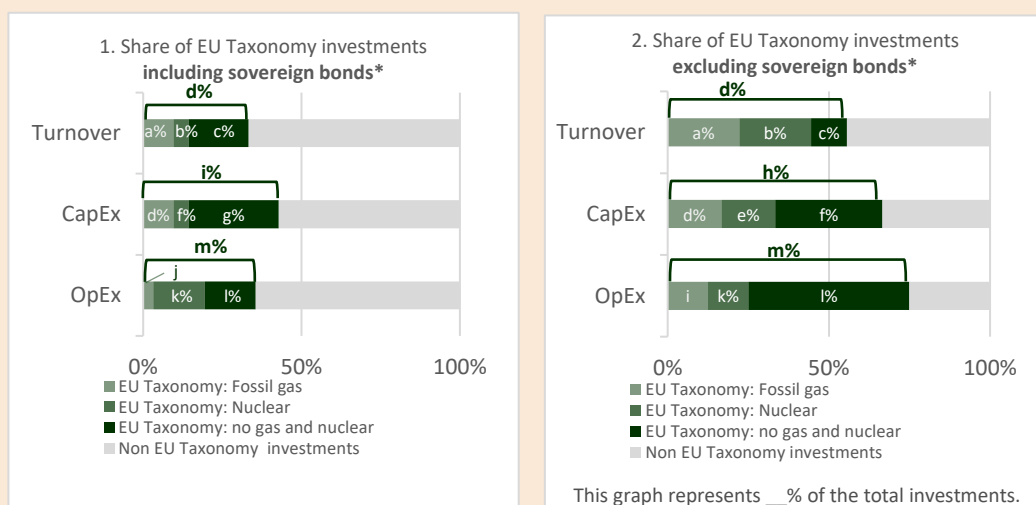
[include note for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852.

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.

The two graphs below show in green the percentage of EU Taxonomy investments. As there is no appropriate way to determine if sovereign bonds* meet the criteria of the EU Taxonomy, the first graph shows the share of EU Taxonomy investments in relation to investments of the financial product including sovereign bonds, while the second graph shows the share of EU Taxonomy investments in relation only to the investments of the financial product other than sovereign bonds.

[Include information on EU 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 EU 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]

⁷² 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 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.

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



What was the share of sustainable investments with an environmental objective that did not meet the criteria of 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 not sustainable, what was their purpose and were there any minimum environmental or social safeguards? *[include the information referred to in Article 62b]*



What actions have been taken to attain the sustainable investment objective during the reference period? *[include the information referred to in Article 62c of this Regulation]*



How did this product perform compared to the reference sustainable benchmark and how was the benchmark monitored to ensure consistency with the sustainable investment objective of the product? *[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]*

[include note for the financial products referred to in Article 9(1) of Regulation (EU) 2019/2088]

Reference benchmarks are indexes to see how well a product performs compared to an index with similar objectives or features.

- **How did the reference benchmark differ from a broad market index?**
- **How did this product perform compared with the broad market index?**

5. Preliminary Impact Assessments

This section contains an assessment of impacts of the proposals in this Consultation Paper. According to the ESA Regulations, the ESAs conduct analysis of costs and benefits when drafting RTS. The analysis of costs and benefits is undertaken according to an impact assessment methodology assessing pros and cons of various options. The draft RTS and its impact assessment are subject to public consultation.

Review of the RTS adopted by the Commission as SFDR Delegated Regulation on 6 April 2022.

1. Problem definition

The area of sustainable finance disclosures is a fast and revolving area, and to reflect the increased demand for high quality sustainability-related information the Commission has deemed necessary to invite the ESAs to review the RTS submitted by the ESAs on 4 February 2021 and on 22 October 2021 and adopted by the Commission as SFDR Delegated Regulation on 6 April 2022. To meet the request, the ESAs have proposed the following changes:

- Extension of the list of universal social indicators for principal adverse impacts (PAI);
- Disclosure of GHG emissions reduction targets, including consideration of whether the financial products making taxonomy-aligned investments (referred to in Articles 5-6 of the Taxonomy Regulation) sufficiently address the disclosure information on taxonomy-aligned economic activities.

In addition to what was explicitly requested by the Commission, the ESAs have considered further changes to the SFDR Delegated Regulation based on experience shared by stakeholders and National Competent Authorities. Those proposed changes relate to:

- Technical revision to the PAI indicators;
- DNSH disclosure design options;
- Simplification of the templates; and
- Other technical changes.

2. Objectives

The amendments proposed in this consultation paper are designed to enhance the quality of the sustainability-related information disclosed under the SFDR Delegated Regulation for more transparent and more comparable disclosures.

Policy options

Policy issue 1: Extension of the list of universal social indicators for principal adverse impacts

Option 1.1: Status quo

Under this option, the ESAs would determine that the social indicators already developed are sufficient to ensure comprehensive transparency about the negative consequences of investment decisions on social factors.

Option 1.2: Alignment with European Sustainability Reporting Standards (ESRS) additions

This option consists of the addition of new PAI indicators related to social factors that are consistent with the ESRS reporting under the CSRD.

Option 1.3: Non-ESRS new social indicators

It is also possible for the ESAs to add additional new social indicators not covered by the ESRS in order to ensure a comprehensive coverage of social adverse impacts.

| Policy Option 1: Status quo | |
|---|---|
| Pros | Cons |
| Ensure continuity in the disclosures of the existing indicators by FMPs | Current mandatory social indicators are considered too few to ensure a coherent and consistent coverage for PAI purposes |
| Allows a longer time period to consider whether the originally proposed indicators sufficiently captured social adverse impacts | The ESAs would determine that the Commission's request in the mandate to expand on the social indicators is not necessary |
| Policy option 2: Alignment with European Sustainability Reporting Standards (ESRS) additions | |
| Pros | Cons |
| Ensure consistency with existing policy provisions | There may be important social indicators currently not reported under ESRS |
| Less burdensome disclosures for FMPs | |
| Reduce the risk of data challenge | |
| Policy option 3: Non-ESRS new social indicators | |
| Pros | Cons |

| | |
|---|--|
| Possibility of introducing additional social indicators currently not considered within ESRS. | Discrepancy between SFDR and ESRS leads to data gap for SFDR disclosures |
| | Increased risk of data challenge |

Policy issue 2: GHG emissions reduction targets disclosures

Option 2.1: Yes/No question only in templates

This option consists of only requiring financial products to disclose whether they have a decarbonisation target (or GHG emissions reduction target).

Option 2.2: Basic disclosure (Yes/No question) in templates and website details

This option consists of including some basic information in the financial product templates about the existence of a target and if so what kind of target the financial product had and how it intended to meet it, with more methodological details to be made available on the website.

Option 2.3: Mandatory GHG emissions reduction targets disclosures

This option would require all financial products to disclose their level of success in meeting a GHG emissions reduction target, so that if financial products did not have a target they would have to disclose no success in meeting such a target.

| Policy option 2.1: Basic disclosure (Yes/No question) in templates | |
|---|--|
| Pros | Cons |
| Ensure comprehensibility of and easy access to basic indication on GHG emissions reduction targets | Limited information provided based only on a simple question |
| No additional disclosures needed for those financial products without GHG emissions reduction targets. | No explanation as to how GHG emissions reduction targets are achieved if the financial product has a target. |
| | Unlikely to satisfy the European Commission’s mandate to the ESAs |
| Policy option 2.2: Basic disclosure (Yes/No question) in template and website details (preferred option) | |
| Pros | Cons |

| | |
|--|---|
| Simple, understandable indication for end-investor of pursuit of any GHG emissions reduction targets | Limited information on GHG emissions reduction available on templates. |
| Availability of additional, detailed information on GHG emissions reduction targets on website | Detailed information available on website only might not be accessible to all investors. |
| Policy option 2.3: Mandatory GHG emissions reduction targets disclosures | |
| Pros | Cons |
| Ensure standardisation of GHG emissions reduction disclosures among FMPs | Unlikely to be legally possible to design disclosures having a target mandatory for all Article 8 and 9 SFDR financial products |
| High informative, qualitative level of disclosures supporting informed investment decision | Significant burden in terms of time and cost for FMPs making available sustainable financial products |
| | Risk of information overload for end-investors, thus not justifying the potential added value. |

Policy issue 3: DNSH disclosure design options

The options for the DNSH disclosure design framework are described in the background analysis section above under paragraphs 49-58.

Option 3.1: Status quo (with slightly enhanced red text instructions)

Option 3.2: PAI threshold disclosures (and feedback on an optional safe harbour for environmental DNSH for taxonomy-aligned activities)

Option 3.3: Longer term considerations: Taxonomy DNSH alignment for environmental DNSH in SFDR

| | |
|---|--|
| Policy option 3.1: Status quo (with slightly enhanced red text instructions) | |
| Pros | Cons |
| Avoid market disruption and additional implementation costs. | Wide discretion given to FMPs to design the DNSH methodology |
| No application burden for FMPs | Likelihood of greenwashing under “sustainable investments” |

| | |
|--|--|
| Enables some flexibility and tailoring to the specificities of products and investments | Reduced comparability among “sustainable investments” as applied criteria may diverge from one FMP to another |
| Policy option 3.2: PAI threshold disclosures (and feedback on an optional safe harbour for environmental DNSH for taxonomy-aligned activities) (preferred option) | |
| Pros | Cons |
| Reduce the wide discretion given to FMPs defining what constitutes significant harm. | Additional transparency alone is not expected to prevent the risk that the DNSH test is applied by FMPs in a way that is not considered to prevent harmful investments being considered sustainable. |
| PAI threshold disclosures by FMPs would allow better transparency and comparability between financial products. | Optional safe harbour may result in greater application burden due to need to comply with stricter Taxonomy criteria for part of the investment |
| Encourage use of the taxonomy and use of proceed instruments. | |
| Policy option 3.3: Longer term considerations: Taxonomy DNSH alignment for environmental DNSH in SFDR | |
| Pros | Cons |
| Consistent definition of DNSH in SFDR regarding environmental harm and the Taxonomy Regulation. | Establishing a direct link or cross-reference between the Taxonomy Regulation and SFDR link would have a significant market impact, because the TSC are stricter than the current application of the DNSH under SFDR |
| PAI indicators would be more measurable, the discretion for FMPs would be reduced and there would be a single definition of DNSH within the EU sustainable finance framework | A key difference between the current DNSH test in SFDR and the Taxonomy Technical Screening Criteria (TSC) is that the TSC are tailored to specific economic activities while the DNSH test in SFDR is investment-based. This implies a great degree of difficulty in mapping the TSC to the current SFDR PAI indicators |

| | |
|---|--|
| Minimise the risk of greenwashing given that the Taxonomy TSC are detailed and are expected to filter out harmful investments | An alignment to the current Taxonomy will have an impact only on the environmental indicators, while the DNSH test for social indicators will not benefit from relevant screening criteria |
| | Would require Level 1 reform before such provisions could be enacted in the SFDR Delegated Regulation |

Policy issue 4: Template simplification

Option 4.1: Status quo

Under this option, the ESAs would not make any changes to the presentation and language of information in the SFDR financial product templates.

Option 4.2: Dashboard summaries replacing tick-box

The ESAs are considering replacing the current tick-boxes in the financial product templates with dashboards summarising the key information in the templates, especially the three key commitments in the pre-contractual templates: (1) investments used to meet the characteristics or sustainable objectives of the financial product, (2) sustainable investments and (3) taxonomy-aligned investments.

Option 4.3: Additional dashboard summaries separated from templates

Under this option, the ESAs would separate the dashboards referred to in Option 4.2 from the templates entirely to make them additional to the templates.

| | |
|--|--|
| Policy option 4.1: Status quo | |
| Pros | Cons |
| Ensure continuity and comparability with current reporting templates | The excessive length of templates and complexity of the information presented would remain unaddressed |
| Would allow more time to consider the benefits and drawbacks of the current SFDR financial product templates | During consumer testing of the original templates the ESAs found that consumers experienced information overload, which would remain unaddressed under this option |
| Policy option 4.2: Dashboard summaries replacing tick-box | |

| Pros | Cons |
|--|--|
| Enhance the comprehensibility of the information to retail investors by providing key information in a more easily accessible format | Change of the templates currently in use by FMPs |
| Possibility to verify the key information with the detailed information provided in the template | |
| Ensure simplification of current templates and language to reduce information overload | |
| Policy option 4.3: Additional dashboard summaries separated from templates | |
| Pros | Cons |
| Enhance visibility of simplified summary (dashboard) | Risk that investors do not read the full information provided in the templates |
| | No simplification of current disclosure templates. |

3. Analysis of impact

The ESAs' approach in terms of extension of the list of universal social indicators for principal adverse impacts is to rely primarily upon the draft European Sustainability Reporting Standards (ESRS) published by EFRAG as mandated by the CSRD. The draft ESRS have been chosen as they will be applied by all companies under the scope of CSRD, thus reducing the burden of disclosure and ensuring coherence between legislation. As the expansion of the social indicators is part of the mandate by the Commission to the ESAs, the ESAs did not consider sticking to the status quo of the current list of social indicators. The ESAs agreed with the Commission that the current list of social indicators is insufficient and considered how to align the list of social indicators to those in the draft ESRS, with the intention to facilitate the reporting and ensuring consistency throughout existing sustainable finance legislative provisions. Finally, the ESAs have reached the conclusion that in addition to the social indicators reported in the ESRS, certain additional mandatory indicators currently not reported under ESRS, but required under BMR or available in financial reporting, may be useful for the purpose of PAI disclosures.

The ESAs' goal concerning the amendments of the pre-contractual and periodic disclosures of GHG emissions reduction targets is to enhance the transparency of such disclosures driven by the potential increase in the supply of products featuring targets and investment strategies aimed at climate change mitigation. This was also a request by the Commission in its mandate to the ESAs.

The ESAs rejected a simple yes/no question in the templates clarifying whether the financial product has GHG emissions reduction targets or not as being insufficiently transparent, potentially giving rise to greenwashing. Because such information would be limited (and potentially misleading) in content, the ESAs' preferred option would be to require basic information about a potential GHG emissions reduction target in the financial product templates and then require more details in the website financial product disclosures. A further option that was considered was a mandatory GHG emissions reduction target disclosure. This option, while providing a granular disclosure for all financial products on such targets, would be legally questionable in a disclosure-based framework.

The ESAs' starting point for the proposed DNSH design options is the concern that in the current version FMPs benefit from a wide discretion when designing the DNSH test for sustainable investments. This would increase the risk of greenwashing as a result of the application of differing DNSH test methodologies among FMPs.

A first option would be to keep the status quo, thus not changing the Level 2 requirements. This option could be complemented by addressing the Commission on the need of a Level 1 review. However this would mean that the discretion in the current framework will not be addressed for several years. The ESAs preferred option is to require the disclosure of the thresholds for environmental PAI indicators used to design the DNSH test. The published thresholds would allow a certain degree of comparability among financial products while the safe harbour would allow satisfying the DNSH test for those environmental PAI indicators complying with the technical screening criteria of the EU taxonomy. The ESAs are aware that this option would not fully address the issues of comparability and greenwashing but it would enhance transparency. The ESAs also seek feedback about the benefits of an optional safe harbour for environmental DNSH for taxonomy-aligned economic activities.

The ESAs further discussed the longer term consideration of a full alignment with the EU Taxonomy, meaning full compliance with the Taxonomy technical screening criteria for all Taxonomy-eligible economic activities of investee companies in order to pass the DNSH test for the environmental PAI indicators.

While addressing the risk of greenwashing and eliminating the inconsistency between the SFDR definition of environmental significant harm and that of the Taxonomy (to the benefit of the latter), this consideration was rejected in the short term as it would require more fundamental Level 1 reform of SFDR before disclosure-related changes could be enacted in the Delegated Regulation.

The ESAs further discussed the opportunity to simplify the current reporting templates to enhance comprehensibility for retail investors. At first, the ESAs were reluctant to undertake such changes as the current reporting templates have just started to be used. However the importance of providing key information in a more easily accessible format to investors has driven the ESAs to consider as preferable the option of developing a "dashboard" for both pre-contractual and periodic disclosures providing the most important information to investors and possibly using a simpler language and terminology. This dashboard would replace the current tick-box. The ESAs are of the opinion that this option would best serve the goal of increasing comprehensibility and simplification.

The use of a dashboard has spurred further considerations by the ESAs to use them as a separate, additional information from the current templates. This would allow having a summary of the key features of the financial product while keeping the current reporting templates unchanged. This option has its merit in providing an easy-to-go source of information together with the current full disclosures. However it would not serve the purpose of simplifying the current reporting templates, in fact adding an additional information panel that may even create confusion for retail investors.