

ESG - Sustainable Finance

- Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR) together with the SFDR RTS (April 2022)
- Taxonomy Regulation (EU) 2020/852
- Amended AIFM, UCITS and MiFID II legislation



This brochure contains:

*The **Sustainable Finance Disclosure Regulation ("SFDR")**, i.e. the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector together with:*

- *The SFDR Regulatory Technical Standards published by the EU Commission on 6 April 2022, i.e. the Commission Delegated Regulation of 6 April 2022 supplementing the SFDR 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 pre-contractual documents, on websites and in periodic reports ("**SFDR RTS**")*; and
- *The **Taxonomy Regulation**, i.e. Regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending the SFDR ("**Taxonomy Regulation**").*

By using the electronic version, you will have a direct access to the relevant articles of the SFDR, the Taxonomy Regulation and the SFDR RTS (with their annexes).

The following EU legislation is also included:

- *The **Commission Delegated Regulation (EU) 2021/1255** of 21 April 2021 amending Delegated Regulation (EU) No 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers (**AIFMs**) (Appendix VIII);*
- *The **Commission Delegated Directive (EU) 2021/1270** of 21 April 2021 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (**UCITS**) (Appendix IX);*
- *The **Commission Delegated Regulation (EU) 2021/1253** of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms (**MiFID sustainability preferences**) (Appendix X);*
- *The **Commission Delegated Directive (EU) 2021/1269** of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations (**MiFID product governance**) (Appendix XI).*

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TABLE OF CONTENTS

Sustainable Finance Disclosure Regulation (“SFDR”)	6
Recitals SFDR.....	6
Article 1 SFDR.....	13
Article 2 SFDR.....	14
Article 2a SFDR	17
Article 3 SFDR.....	18
Article 4 SFDR.....	19
Article 5 SFDR.....	25
Article 6 SFDR.....	26
Article 7 SFDR.....	27
Article 8 SFDR.....	28
Article 9 SFDR.....	35
Article 10 SFDR.....	40
Article 11 SFDR.....	48
Article 12 SFDR.....	60
Article 13 SFDR.....	61
Article 14 SFDR.....	62
Article 15 SFDR.....	63
Article 16 SFDR.....	64
Article 17 SFDR.....	65
Article 18 SFDR.....	66
Article 19 SFDR.....	67
Article 20 SFDR.....	68
Taxonomy Regulation	69
Recitals Taxonomy Regulation	69
CHAPTER I SUBJECT MATTER, SCOPE AND DEFINITIONS	82
Article 1 Taxonomy Regulation	82
Article 2 Taxonomy Regulation	83
CHAPTER II ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES	85
Article 3 Taxonomy Regulation	85
Article 4 Taxonomy Regulation	86
Article 5 Taxonomy Regulation	87
Article 6 Taxonomy Regulation	88
Article 7 Taxonomy Regulation	89
Article 8 Taxonomy Regulation	90
Article 9 Taxonomy Regulation	91
Article 10 Taxonomy Regulation	92
Article 11 Taxonomy Regulation	94
Article 12 Taxonomy Regulation	95
Article 13 Taxonomy Regulation	96
Article 14 Taxonomy Regulation	98
Article 15 Taxonomy Regulation	99
Article 16 Taxonomy Regulation	100
Article 17 Taxonomy Regulation	101
Article 18 Taxonomy Regulation	102
Article 19 Taxonomy Regulation	103
Article 20 Taxonomy Regulation	105
Article 21 Taxonomy Regulation	107
Article 22 Taxonomy Regulation	108

Article 23 Taxonomy Regulation	109
Article 24 Taxonomy Regulation	110
CHAPTER III FINAL PROVISIONS	111
Article 25 Taxonomy Regulation	111
Article 26 Taxonomy Regulation	114
Article 27 Taxonomy Regulation	115
 APPENDICES	
Appendix I: Recitals SFDR RTS	116
Appendix II: Articles 1 and 68 SFDR RTS	124
Appendix III: Template principal adverse sustainability impacts statement (Annex I SFDR RTS)	126
Table 1 Annex I of SFDR RTS Statement on principal adverse impacts of investment decisions on sustainability factors	130
Table 2 Annex I SFDR RTS Additional climate and other environment-related indicators	136
Table 3 Annex I of SFDR RTS Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters	140
Appendix IV: Annex II SFDR RTS - Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of SFDR and Article 6, first paragraph, of Taxonomy Regulation	145
Appendix V: Annex III SFDR RTS - Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of SFDR and Article 5, first paragraph, of Taxonomy Regulation	150
Appendix VI: Annex IV SFDR RTS - Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of SFDR and Article 6, first paragraph, of Taxonomy Regulation	155
Appendix VII: Annex V SFDR RTS - Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of SFDR and Article 5, first paragraph, of Taxonomy Regulation	161
Appendix VIII: Sustainability risks and sustainability factors to be taken into account by AIFMs - Delegated Regulation 2021/1255	166
Appendix IX: Sustainability risks and sustainability factors to be taken into account by UCITS - Delegated Directive (EU) 2021/1270	170
Appendix X: Integration of sustainability factors, risks and preferences (MiFID II) - Delegated Regulation (EU) 2021/1253	175
Appendix XI: Integration of sustainability factors into the product governance obligations (MiFID II) - Delegated Directive (EU) 2021/1269	181

Sustainable Finance Disclosure Regulation (“SFDR”)

Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹

Acting in accordance with the ordinary legislative procedure²

Recitals SFDR

Whereas

- (1) On 25 September 2015, the UN General Assembly adopted a new global sustainable development framework: the 2030 Agenda for Sustainable Development (the ‘2030 Agenda’), which has at its core the Sustainable Development Goals (SDGs). The Commission Communication of 22 November 2016 on the next steps for a sustainable European future links the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, both within the Union and globally, take the SDGs on board at the outset. In its conclusions of 20 June 2017, the Council confirmed the commitment of the Union and its Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner, and in close cooperation with partners and other stakeholders.
- (2) The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the SDGs is key to ensuring long-term competitiveness of the economy of the Union. The Paris Agreement adopted under the United Nations Framework Convention on Climate Change (the ‘Paris Agreement’), which was approved by the Union on 5 October 2016³ and which entered into force on 4 November 2016, seeks to strengthen the response to climate change by, inter alia, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- (3) In order to reach the objectives of the Paris Agreement and significantly reduce the risks and impacts of climate change, the global target is to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1,5 °C above pre-industrial levels.

¹ OJ C 62, 15.2.2019, p. 97.

² Position of the European Parliament of 18 April 2019 (not yet published in the Official Journal) and decision of the Council of 8 November 2019.

³ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

- (4) Directives 2009/65/EC⁴, 2009/138/EC⁵, 2011/61/EU⁶, 2013/36/EU⁷, 2014/65/EU⁸, (EU) 2016/97⁹, (EU) 2016/2341¹⁰ of the European Parliament and of the Council, and Regulations (EU) No 345/2013¹¹, (EU) No 346/2013¹², (EU) 2015/760¹³ and (EU) 2019/1238¹⁴ of the European Parliament and of the Council share the common objective of facilitating the uptake and pursuit of the activities of undertakings for collective investment in transferable securities (UCITS), credit institutions, alternative investment fund managers (AIFMs) which manage or market alternative investment funds, including European long-term investment funds (ELTIFs), insurance undertakings, investment firms, insurance intermediaries, institutions for occupational retirement provision (IORPs), managers of qualifying venture capital funds (EuVECA managers), managers of qualifying social entrepreneurship funds (EuSEF managers) and providers of pan-European personal pension products (PEPPs). Those Directives and Regulations ensure the more uniform protection of end investors and make it easier for them to benefit from a wide range of financial products, while at the same time providing rules that enable end investors to make informed investment decisions.
- (5) Disclosures to end investors on the integration of sustainability risks, on the consideration of adverse sustainability impacts, on sustainable investment objectives, or on the promotion of environmental or social characteristics, in investment decision-making and in advisory processes, are insufficiently developed because such disclosures are not yet subject to harmonised requirements.
- (6) The exemption from this Regulation for financial advisers which employ fewer than three persons should be without prejudice to the application of the provisions of national law transposing Directives 2014/65/EU and (EU) 2016/97, in particular the rules on investment and insurance advice. Therefore, although such advisers are not required to provide information in accordance with this Regulation, they are required to consider and factor in sustainability risks in their advisory processes.
- (7) Entities covered by this Regulation, depending on the nature of their activities, should comply with the rules on financial market participants where they manufacture financial products and should comply with the rules on financial advisers where they provide investment advice or insurance advice. Therefore, where such entities carry out activities of both financial market participants and financial advisers concurrently, such entities should be deemed to be financial market participants where they act in the capacity of manufacturers of financial products, including portfolio management, and should be deemed to be financial advisers where they provide investment or insurance advice.
- (8) As the Union is increasingly faced with the catastrophic and unpredictable consequences of climate change, resource depletion and other sustainability-related issues, urgent action is needed to mobilise capital not only through public policies but also by the financial services sector. Therefore, financial market participants and financial advisers should be required to disclose specific information regarding

⁴ 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).

⁵ 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).

⁶ Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (OJ L 174, 1.7.2011, p. 1).

⁷ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

⁸ 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 (OJ L 173, 12.6.2014, p. 349).

⁹ Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (OJ L 26, 2.2.2016, p. 19).

¹⁰ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).

¹¹ Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).

¹² Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18).

¹³ Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds (OJ L 123, 19.5.2015, p.98).

¹⁴ Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a Pan-European Personal Pension Product (PEPP) (OJ L 198, 25.7.2019, p. 1).

their approaches to the integration of sustainability risks and the consideration of adverse sustainability impacts.

- (9) In the absence of harmonised Union rules on sustainability-related disclosures to end investors, it is likely that diverging measures will continue to be adopted at national level and different approaches in different financial services sectors might persist. Such divergent measures and approaches would continue to cause significant distortions of competition because of significant differences in disclosure standards. In addition, the parallel development of market-based practices that are based on commercially-driven priorities that produce divergent results currently causes further market fragmentation and might even further exacerbate inefficiencies in the functioning of the internal market in the future. Divergent disclosure standards and market-based practices make it very difficult to compare different financial products, create an uneven playing field for such products and for distribution channels, and erect additional barriers within the internal market. Such divergences could also be confusing for end investors and could distort their investment decisions. In ensuring compliance with the Paris Agreement, there is a risk that Member States adopt divergent national measures which could create obstacles to the smooth functioning of the internal market and be detrimental to financial market participants and financial advisers. Furthermore, the lack of harmonised rules relating to transparency makes it difficult for end investors to effectively compare different financial products in different Member States with respect to their environmental, social and governance risks and sustainable investment objectives. It is therefore necessary to address existing obstacles to the functioning of the internal market and to enhance the comparability of financial products in order to avoid likely future obstacles.
- (10) This Regulation aims to reduce information asymmetries in principal-agent relationships with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment, by requiring financial market participants and financial advisers to make pre-contractual and ongoing disclosures to end investors when they act as agents of those end investors (principals).
- (11) This Regulation supplements the disclosure requirements laid down in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013, (EU) No 346/2013, (EU) 2015/760 and (EU) 2019/1238 as well as in national law governing personal and individual pension products. To ensure the orderly and effective monitoring of compliance with this Regulation, Member States should rely on the competent authorities already designated under those rules.
- (12) This Regulation maintains the requirements for financial market participants and financial advisers to act in the best interest of end investors, including but not limited to, the requirement of conducting adequate due diligence prior to making investments, provided for in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013 and (EU) No 346/2013, as well as in national law governing personal and individual pension products. In order to comply with their duties under those rules, financial market participants and financial advisers should integrate in their processes, including in their due diligence processes, and should assess on a continuous basis not only all relevant financial risks but also including all relevant sustainability risks that might have a relevant material negative impact on the financial return of an investment or advice. Therefore, financial market participants and financial advisers should specify in their policies how they integrate those risks and publish those policies. [↪ Art.3 SFDR](#)
- (13) This Regulation requires financial market participants and financial advisers which provide investment advice or insurance advice with regard to insurance-based investment products (IBIPs), regardless of the design of the financial product and the target market, to publish written policies on the integration of sustainability risks and ensure the transparency of such integration. [↪ Art.3 SFDR](#)
- (14) A sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment, as specified in sectoral legislation, in particular in Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, or delegated acts and regulatory technical standards adopted pursuant to them. [↪ Art.3 SFDR](#) | [↪ Art.6 SFDR](#)
- (15) This Regulation should be without prejudice to the rules on the risk integration under Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations

(EU) No 345/2013 and (EU) No 346/2013 and as well as under national law governing personal and individual pension products, including but not limited to the relevant applicable proportionality criteria such as size, internal organisation and the nature, scope and complexity of the activities in question. This Regulation seeks to achieve more transparency regarding how financial market participants and financial advisers integrate sustainability risks into their investment decisions and investment or insurance advice. Where the sustainability risk assessment leads to the conclusion that there are no sustainability risks deemed to be relevant to the financial product, the reasons therefor should be explained. Where the assessment leads to the conclusion that those risks are relevant, the extent to which those sustainability risks might impact the performance of the financial product should be disclosed either in qualitative or quantitative terms. The sustainability risk assessments and related pre-contractual disclosures by financial market participants should feed into pre-contractual disclosures by financial advisers. Financial advisers should disclose how they take sustainability risks into account in the selection process of the financial product that is presented to the end investors before providing the advice, regardless of the sustainability preferences of the end investors. This should be without prejudice to the application of provisions of national law transposing Directives 2014/65/EU and (EU) 2016/97, in particular the obligations on financial market participants and financial advisers as regards product governance, assessments of suitability and appropriateness, and the demands-and-needs test. [🔗 Art.3 SFDR](#) | [🔗 Art.6 SFDR](#)

- (16) Investment decisions and advice might cause, contribute to or be directly linked to effects on sustainability factors that are negative, material or likely to be material. [🔗 Art.3 SFDR](#) | [🔗 Art.6 SFDR](#)
- (17) To ensure the coherent and consistent application of this Regulation, it is necessary to lay down a harmonised definition of ‘sustainable investment’ which provides that the investee companies follow good governance practices and the precautionary principle of ‘do no significant harm’ is ensured, so that neither the environmental nor the social objective is significantly harmed. [🔗 Art.9 SFDR](#)
- (18) Where financial market participants, taking due account of their size, the nature and scale of their activities and the types of financial products they make available, consider principal adverse impacts, whether material or likely to be material, of investment decisions on sustainability factors, they should integrate in their processes, including in their due diligence processes, the procedures for considering the principal adverse impacts alongside the relevant financial risks and relevant sustainability risks. The information on such procedures might describe how financial market participants discharge their sustainability-related stewardship responsibilities or other shareholder engagements. Financial market participants should include on their websites information on those procedures and descriptions of the principal adverse impacts. In that respect, the Joint Committee of the European Banking Authority established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council¹⁵ (EBA), the European Insurance and Occupational Pensions Authority established by Regulation (EU) No 1094/2010 of the European Parliament and of the Council¹⁶ (EIOPA) and the European Securities and Markets Authority established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council¹⁷ (ESMA) (the ‘Joint Committee’), and financial market participants and financial advisers should consider the due diligence guidance for responsible business conduct developed by the Organisation for Economic Co-operation and Development (OECD) and the United Nations-supported Principles for Responsible Investment. [🔗 Art.4 SFDR](#)
- (19) The consideration of sustainability factors in the investment decision-making and advisory processes can realise benefits beyond financial markets. It can increase the resilience of the real economy and the stability of the financial system. In so doing, it can ultimately impact on the risk-return of financial products. It is therefore essential that financial market participants and financial advisers provide the information necessary to enable end investors to make informed investment decisions. [🔗 Art.4 SFDR](#)

¹⁵ 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).

¹⁶ 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).

¹⁷ 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).

- (20) Financial market participants which consider the principal adverse impacts of investment decisions on sustainability factors should disclose in the pre-contractual information for each financial product, concisely in qualitative or quantitative terms, how such impacts are considered as well as a statement that information on the principal adverse impacts on sustainability factors is available in the ongoing reporting. Principal adverse impacts should be understood as those impacts of investment decisions and advice that result in negative effects on sustainability factors. [↪ Art.7 SFDR](#)

- (21) Sustainable products with various degrees of ambition have been developed to date. Therefore, for the purposes of pre-contractual disclosures and disclosures in periodical reports, it is necessary to distinguish between the requirements for financial products which promote environmental or social characteristics and those for financial products which have as an objective a positive impact on the environment and society. As a consequence, as regards the financial products with environmental or social characteristics, financial market participants should disclose whether and how the designated index, sustainability index or mainstream index, is aligned with those characteristics and where no benchmark is used, information on how the sustainability characteristics of the financial products are met. As regards financial products which have as an objective a positive impact on the environment and society, financial market participants should disclose which sustainable benchmark they use to measure the sustainable performance and where no benchmark is used, explain how the sustainable objective is met. Those disclosures by means of periodic reports should be carried out annually. [↪ Art.8 SFDR](#) | [↪ Art.9 SFDR](#)

- (22) This Regulation is without prejudice to the rules on remuneration or the assessment of the performance of staff of financial market participants and financial advisers under Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97, (EU) 2016/2341, and Regulations (EU) No 345/2013 and (EU) No 346/2013, or to implementing acts and national law governing personal and individual pension products, including but not limited to the relevant applicable proportionality criteria such as size, internal organisation and the nature, scope and complexity of the activities in question. It is, however, appropriate to achieve more transparency, in qualitative or quantitative terms, on the remuneration policies of financial market participants and financial advisers, with respect to their investment or insurance advice, that promote sound and effective risk management with respect to sustainability risks whereas the structure of remuneration does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance. [↪ Art.5 SFDR](#)

- (23) To enhance transparency and inform end investors, access to information on how financial market participants and financial advisers integrate relevant sustainability risks, whether material or likely to be material, in their investment decision making processes, including the organisational, risk management and governance aspects of such processes, and in their advisory processes, respectively, should be regulated by requiring those entities to maintain concise information about those policies on their websites. [↪ Art.3 SFDR](#)

- (24) The current disclosure requirements set out in Union law do not require the disclosure of all the information necessary to properly inform end investors about the sustainability-related impact of their investments in financial products with environmental or social characteristics or financial products which pursue sustainability objectives. Therefore, it is appropriate to set out more specific and standardised disclosure requirements with regard to such investments. For instance, the overall sustainability-related impact of financial products should be reported regularly by means of indicators relevant for measuring the chosen sustainable investment objective. Where an appropriate index has been designated as a reference benchmark, that information should also be provided for the designated index as well as for a broad market index to allow for comparison. Where EuSEF managers make available information on the positive social impact that is the objective of a given fund, on the overall social outcome achieved and on the related methods used in accordance with Regulation (EU) No 346/2013, they might, where appropriate, use such information for the purposes of the disclosures under this Regulation. . [↪ Art.8 SFDR](#) | [↪ Art.9 SFDR](#)

- (25) Directive 2013/34/EU of the European Parliament and of the Council¹⁸ imposes transparency obligations as regards environmental, social and corporate governance matters in non-financial reporting. However,

¹⁸ 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).

- the form and presentation required by that Directive is not, always suitable for direct use by financial market participants and financial advisers when dealing with end investors. Financial market participants and financial advisers should have the option to use information in management reports and non-financial statements for the purposes of this Regulation in accordance with that Directive, where appropriate.
- (26) To ensure the reliability of information published on the websites of financial market participants and financial advisers, such information should be kept up to date, and any revisions or changes to such information should be clearly explained. [🔗 Art.3 SFDR](#) | [🔗 Art.4 SFDR](#) | [🔗 Art.5 SFDR](#)
 - (27) Even though this Regulation does not cover national social security schemes covered by Regulations (EC) No 883/2004 and (EC) No 987/2009, in view of the fact that Member States increasingly open up parts of the management of compulsory pension schemes within their social security systems to financial market participants or other entities under private law, and as such schemes are exposed to sustainability risks and might consider adverse sustainability impacts, promote environmental or social characteristics or pursue sustainable investment, Member States should have the option to apply this Regulation with regard to such schemes in order to mitigate information asymmetries.
 - (28) This Regulation should not prevent a Member State from adopting or maintaining in force more stringent provisions on the publication of climate change adaptation policies and on additional disclosures to end investors regarding sustainability risks provided that the affected financial market participants and financial advisers, have their head offices in its territory. However, such provisions should not impede the effective application of this Regulation or the achievement of its objectives.
 - (29) Under Directive (EU) 2016/2341, IORPs are already required to apply governance and risk-management rules to their investment decisions and risk assessments in order to ensure continuity and regularity. Investment decisions and the assessment of relevant risks, including environmental, social and governance risks, should be made in such a manner as to ensure compliance with the interests of members and beneficiaries of IORPs. EIOPA should issue guidelines specifying how investment decisions and risk assessments by IORPs are to take into account environmental, social and governance risks under that Directive.
 - (30) EBA, EIOPA and ESMA (collectively, the ‘ESAs’) should be mandated, through the Joint Committee, to develop draft regulatory technical standards to further specify the content, methodologies and presentation of information in relation to sustainability indicators with regard to climate and other environment-related adverse impacts, to social and employee matters, to respect for human rights, and to anti-corruption and anti-bribery matters, as well as to specify the presentation and content of the information with regard to the promotion of environmental or social characteristics and sustainable investment objectives to be disclosed in pre-contractual documents, annual reports and on websites of financial market participants in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010. The Commission should be empowered to adopt those regulatory technical standards by means of delegated acts pursuant to Article 290 of the Treaty on the Functioning of the European Union (TFEU) and in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.
 - (31) The ESAs should be mandated, through the Joint Committee, to develop draft implementing technical standards to determine the standard presentation of information on the promotion of environmental or social characteristics and sustainable investments in marketing communications. The Commission should be empowered to adopt those implementing technical standards by means of an implementing act pursuant to Article 291 TFEU and in accordance with Article 15 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.
 - (32) Since annual reports in principle summarise business results for complete calendar years, the provisions of this Regulation regarding the transparency requirements for such reports should not apply until 1 January 2022. [🔗 Art.11 SFDR](#)
 - (33) The disclosure rules contained in this Regulation should supplement the provisions of Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2014/65/EU, (EU) 2016/97 and (EU) 2016/2341, and Regulations (EU) No 345/2013, (EU) No 346/2013, (EU) 2015/760 and (EU) 2019/1238.
 - (34) This Regulation respects fundamental rights and observes the principles recognised in particular by the Charter of the Fundamental Rights of the European Union.

- (35) Since the objectives of this Regulation, namely to strengthen protection for end investors and improve disclosures to them, including in cases of cross-border purchases by end investors, cannot be sufficiently achieved by the Member States but can rather, by reason of the need to lay down uniform disclosure requirements, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

Article 1 SFDR

Subject matter

This Regulation lays down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products.

Article 2 SFDR

Definitions

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

- (1) 'financial market participant' means:
 - a) an insurance undertaking which makes available an insurance-based investment product (IBIP);
 - b) an investment firm which provides portfolio management;
 - c) an institution for occupational retirement provision (IORP);
 - d) a manufacturer of a pension product;
 - e) an alternative investment fund manager (AIFM);
 - f) a pan-European personal pension product (PEPP) provider;
 - g) a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013;
 - h) a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013;
 - i) a management company of an undertaking for collective investment in transferable securities (UCITS management company); or
 - j) a credit institution which provides portfolio management;
- (2) 'insurance undertaking' means an insurance undertaking authorised in accordance with Article 18 of Directive 2009/138/EC;
- (3) 'insurance-based investment product' or 'IBIP' means:
 - a) an insurance-based investment product as defined in point (2) of Article 4 of Regulation (EU) No 1286/2014 of the European Parliament and of the Council¹⁹; or
 - b) an insurance product which is made available to a professional investor and which offers a maturity or surrender value that is wholly or partially exposed, directly or indirectly, to market fluctuations;
- (4) 'alternative investment fund manager' or 'AIFM' means an AIFM as defined in point (b) of Article 4(1) of Directive 2011/61/EU;
- (5) 'investment firm' means an investment firm as defined in point (1) of Article 4(1) of Directive 2014/65/EU;
- (6) 'portfolio management' means portfolio management as defined in point (8) of Article 4(1) of Directive 2014/65/EU;
- (7) 'institution for occupational retirement provision' or 'IORP' means an institution for occupational retirement provision authorised or registered in accordance with Article 9 of Directive (EU) 2016/2341 except an institution in respect of which a Member State has chosen to apply Article 5 of that Directive or an institution that operates pension schemes which together have less than 15 members in total;
- (8) 'pension product' means:
 - a) a pension product as referred to in point (e) of Article 2(2) of Regulation (EU) No 1286/2014; or
 - b) an individual pension product as referred to in point (g) of Article 2(2) of Regulation (EU) No 1286/2014;

¹⁹ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, p. 1).

- (9) 'pan-European Personal Pension Product' or 'PEPP' means a product as referred to in point (2) of Article 2 of Regulation (EU) 2019/1238;
- (10) 'UCITS management company' means:
- a) a management company as defined in point (b) of Article 2(1) of Directive 2009/65/EC; or
 - b) an investment company authorised in accordance with Directive 2009/65/EC which has not designated a management company authorised under that Directive for its management;
- (11) 'financial adviser' means:
- a) an insurance intermediary which provides insurance advice with regard to IBIPs;
 - b) an insurance undertaking which provides insurance advice with regard to IBIPs;
 - c) a credit institution which provides investment advice;
 - d) an investment firm which provides investment advice;
 - e) an AIFM which provides investment advice in accordance with point (b)(i) of Article 6(4) of Directive 2011/61/EU; or
 - f) a UCITS management company which provides investment advice in accordance with point (b)(i) of Article 6(3) of Directive 2009/65/EC;
- (12) 'financial product' means:
- a) a portfolio managed in accordance with point (6) of this Article;
 - b) an alternative investment fund (AIF);
 - c) an IBIP;
 - d) a pension product;
 - e) a pension scheme;
 - f) a UCITS; or
 - g) a PEPP;
- (13) 'alternative investment funds' or 'AIFs' means AIFs as defined in point (a) of Article 4(1) of Directive 2011/61/EU;
- (14) 'pension scheme' means a pension scheme as defined in point (2) of Article 6 of Directive (EU) 2016/2341;
- (15) 'undertaking for collective investment in transferable securities' or 'UCITS' means an undertaking authorised in accordance with Article 5 of Directive 2009/65/EC;
- (16) 'investment advice' means investment advice as defined in point (4) of Article 4(1) of Directive 2014/65/EU;
- (17) 'sustainable investment' means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance;

- **Article 5, Article 27 of the Taxonomy Regulation**
- **Article 2a of the SFDR**

- (18) 'professional investor' means a client who meets the criteria laid down in Annex II to Directive 2014/65/EU;
- (19) 'retail investor' means an investor who is not a professional investor; (20) 'insurance intermediary' means an insurance intermediary as defined in point (3) of Article 2(1) of Directive (EU) 2016/97;
- (20) 'insurance intermediary' means an insurance intermediary as defined in point (3) of Article 2(1) of Directive (EU) 2016/97;
- (21) 'insurance advice' means advice as defined in point (15) of Article 2(1) of Directive (EU) 2016/97;
- (22) 'sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment;
- (23) 'European long-term investment fund' or 'ELTIF' means a fund authorised in accordance with Article 6 of Regulation (EU) 2015/760;
- (24) 'sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Article 2a SFDR

Principle of do no significant harm

Art.2(17) SFDR

- (1) The European Supervisory Authorities established by Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 of the European Parliament and of the Council (collectively, the 'ESAs') shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information in relation to the principle of 'do no significant harm' referred to in point (17) of Article 2 of this Regulation consistent with the content, methodologies, and presentation in respect of the sustainability indicators in relation to the adverse impacts referred to in paragraphs 6 and 7 of Article 4 of this Regulation.
- (2) The ESAs shall submit the draft regulatory technical standards referred to in paragraph 1 to the Commission by 30 December 2020.
- (3) Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in paragraph 1 of this Article in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 3 SFDR

Transparency of sustainability risk policies

▪ ***Recitals 12, 13, 14, 15, 16, 23 and 26 of the SFDR***

- (1) Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.
- (2) Financial advisers shall publish on their websites information about their policies on the integration of sustainability risks in their investment advice or insurance advice.

Article 4 SFDR

Transparency of adverse sustainability impacts at entity level

▪ **Recitals 18, 19 and 26 of the SFDR**

- (1) Financial market participants shall publish and maintain on their websites:
 - a) where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available; or
 - b) where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.
- (2) Financial market participants shall include in the information provided in accordance with point (a) of paragraph 1 at least the following:
 - a) information about their policies on the identification and prioritisation of principal adverse sustainability impacts and indicators;
 - b) a description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned;
 - c) brief summaries of engagement policies in accordance with Article 3g of Directive 2007/36/EC, where applicable;
 - d) a reference to their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.
- (3) By way of derogation from paragraph 1, from 30 June 2021, financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors. That statement shall at least include the information referred to in paragraph 2.
- (4) By way of derogation from paragraph 1 of this Article, from 30 June 2021, financial market participants which are parent undertakings of a large group as referred to in Article 3(7) of Directive 2013/34/EU exceeding on the balance sheet date of the group, on a consolidated basis, the criterion of the average number of 500 employees during the financial year shall publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors. That statement shall at least include the information referred to in of paragraph 2.
- (5) Financial advisers shall publish and maintain on their websites:
 - a) information as to whether, taking due account of their size, the nature and scale of their activities and the types of financial products they advise on, they consider in their investment advice or insurance advice the principal adverse impacts on sustainability factors; or
 - b) information as to why they do not to consider adverse impacts of investment decisions on sustainability factors in their investment advice or insurance advice, and, where relevant, including information as to whether and when they intend to consider such adverse impacts.
- (6) By 30 December 2020, the ESAs shall develop, through the Joint Committee, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in

paragraphs 1 to 5 of this Article in respect of the sustainability indicators in relation to adverse impacts on the climate and other environment-related adverse impacts.

The ESAs shall, where relevant, seek input from the European Environment Agency and the Joint Research Centre of the European Commission.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

- (7) By 30 December 2021, the ESAs shall develop, through the Joint Committee, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in paragraphs 1 to 5 of this Article in respect of sustainability indicators in relation to adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 2: General principles for the presentation of information **(SFDR RTS)**

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 adapt size and font type of characters and colours used in the templates set out in Annexes I to V to this Regulation.*
2. *Financial market participants and financial advisers shall provide the information required by this Regulation in a searchable electronic format, unless otherwise required by the sectoral legislation referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088.*
3. *Financial market participants and financial advisers shall keep the information published on their websites in accordance with this Regulation up to date. They shall clearly mention the date of publication of the information and the date of any update. Where that information is presented as a downloadable file, financial market participants and financial advisers shall indicate the version history in the file name.*
4. *Financial market participants and financial advisers shall provide, where available, legal entity identifiers (LEIs) and international securities identification numbers (ISINs) when referring to entities or financial products in the information provided in accordance with this Regulation.*

Articles 4 to 9 of the SFDR RTS: Transparency about adverse impacts on sustainability factors

Article 4 Statement by financial market participants that they do consider principal adverse impacts of their investment decisions on sustainability factors **(SFDR RTS)**

1. *By 30 June each year, the financial market participants referred to in Article 4(1), point (a), of Regulation (EU) 2019/2088, or Article 4(3) or Article 4(4) of that Regulation, shall publish on their website, in a separate section titled: 'Statement on principal adverse impacts of investment decisions on sustainability factors', the information referred to in Article 4(1), point (a), of Regulation (EU)*

2019/2088, in Article 4(2), (3) and (4) of that Regulation, and in Articles 4 to 10 of this Regulation. That information shall cover the period of 1 January until 31 December of the preceding year, and shall be published in the section 'Sustainability-related disclosures' referred to in [Article 23 of this Regulation](#).

2. Financial market participants shall publish the statement referred to in paragraph 1 in the format of the template set out in [Table 1 of Annex I](#).
3. By way of derogation from paragraph 1, for financial market participants that publish the statement referred to in Article 4(1), point (a), of Regulation (EU) 2019/2088, or Article 4(3) or Article 4(4) of that Regulation for the first time, the information referred to in paragraph 1 shall cover the period from the date on which the principal adverse impacts of investment decisions on sustainability factors were first considered until 31 December of that year. Those financial market participants shall publish the information in the statement referred to in paragraph 1 by 30 June of the following year.

Article 5 Summary section (SFDR RTS)

In the summary section in [Table 1 of Annex I](#), financial market participants shall include all of the following:

- (a) the name of the financial market participant to which the adverse sustainability impacts statement relates;
- (b) the fact that principal adverse impacts on sustainability factors are considered;
- (c) the reference period of the statement;
- (d) a summary of the principal adverse impacts.

The summary section in Table 1 of Annex I shall be drafted in all of the following languages:

- (a) one of the official languages of the home Member State of the financial market participant and, where different, in an additional language customary in the sphere of international finance;
- (b) where a financial product of the financial market participant is made available in a host Member State, one of the official languages of that host Member State.

The summary section shall be of a maximum length of two sides of A4-sized paper when printed.

Article 6 Description of the principal adverse impacts of investment decisions on sustainability factors (SFDR RTS)

1. In the section 'Description of the principal adverse impacts on sustainability factors' in [Table 1 of Annex I](#), financial market participants shall complete all the fields that relate to the indicators related to principal adverse impacts of their investment decisions on sustainability factors, and they shall add all of the following:
 - (a) information on one or more additional climate and other environment-related indicators, as set out in [Table 2 of Annex I](#);
 - (b) information on one or more additional indicators for social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, as set out in [Table 3 of Annex I](#);
 - (c) information on any other indicators used to identify and assess additional principal adverse impacts on a sustainability factor.
2. In the section 'Description of the principal adverse impacts on sustainability factors' in Table 1 of Annex I, financial market participants shall describe the actions taken during the period from 1 January to 31

December of the preceding year and actions planned or targets set for the subsequent period from 1 January to 31 December to avoid or reduce the principal adverse impacts identified.

3. *Financial market participants shall include in the columns 'Impact' in the section 'Description of the principal adverse impacts on sustainability factors' in Table 1 of Annex I a figure on impact as the average of impacts on 31 March, 30 June, 30 September and 31 December of each period from 1 January to 31 December.*

Article 7 Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors (SFDR RTS)

1. *In the section 'Description of policies to identify and prioritise principal adverse impacts on sustainability factors' in Table 1 of Annex I, financial market participants shall describe their policies to identify and prioritise principal adverse impacts on sustainability factors and how those policies are kept up to date and applied, including all of the following:*
 - (a) *the date on which the governing body of the financial market participant approved those policies;*
 - (b) *how the responsibility for the implementation of those policies within organisational strategies and procedures is allocated;*
 - (c) *the methodologies to select 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;*
 - (d) *any associated margin of error within the methodologies referred to in point (c) of this paragraph, with an explanation of that margin;*
 - (e) *the data sources used.*
2. *Where information relating to any of the indicators used is not readily available, financial market participants shall include in the section 'Description of policies to identify and prioritise principal adverse impacts on sustainability factors' in Table 1 of Annex I 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.*

Article 8 Engagement policies section (SFDR RTS)

1. *In the section 'Engagement policies' in Table 1 of Annex I, financial market participants shall provide all of the following information:*
 - (a) *where applicable, brief summaries of the engagement policies referred to in Article 3g of Directive 2007/36/EC of the European Parliament and of the Council²⁰;*
 - (b) *brief summaries of any other engagement policies to reduce principal adverse impacts.*
2. *The brief summaries referred to in paragraph 1 shall describe all of the following:*
 - (a) *the indicators for adverse impacts considered in the engagement policies referred to in paragraph 1;*

²⁰ Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007, p. 17).

- (b) *how those engagement policies will be adapted where there is no reduction of the principal adverse impacts over more than one period reported on.*

Article 9 References to international standards section (SFDR RTS)

1. *In the section 'References to international standards' in [Table 1 of Annex I](#), financial market participants shall describe whether and to what extent they adhere to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.*
2. *The description referred to in paragraph 1 shall contain information about all of the following:*
 - (a) *the indicators used to consider the principal adverse impacts on sustainability factors referred to in Article 6(1) that measure the adherence or alignment referred to in paragraph 1;*
 - (b) *the methodology and data used to measure the adherence or alignment referred to in paragraph 1, including a description of the scope of coverage, data sources, and how the methodology used forecasts the principal adverse impacts of investee companies;*
 - (c) *whether a forward-looking climate scenario is used, and, if so, the name and provider of that scenario and when it was designed;*
 - (d) *where no forward-looking climate scenario is used, an explanation of why the financial market participant does consider forward-looking climate scenarios to be irrelevant.*

Article 10 Historical comparison (SFDR RTS)

Financial market participants that have described the adverse impacts on sustainability factors for a period preceding the period for which information is to be disclosed in accordance with Article 6 shall provide in the section 'Description of principal adverse impacts on sustainability factors' in [Table 1 of Annex I](#) a historical comparison of the period reported on with the previous period reported on and, subsequently, with every previous period reported on up to the last five previous periods.

Article 11 Statement by financial advisers that they do consider in their insurance or investment advice principal adverse impacts on sustainability factors (SFDR RTS)

1. *The financial advisers referred to in Article 2, point (11), points (a) and (b), of Regulation (EU) 2019/2088 that apply Article 4(5), point (a), of that Regulation shall publish the information referred to in Article 4(5), point (a), of that Regulation in a separate section of their website titled, 'Statement on principal adverse impacts of insurance advice on sustainability factors'.*
2. *The financial advisers referred to in Article 2, point (11), points (c) to (f), of Regulation (EU) 2019/2088 and apply Article 4(5), point (a), of that Regulation shall publish the information referred to in Article 4(5), point (a), of that Regulation in a separate section of their websites titled, 'Statement on principal adverse impacts of investment advice on sustainability factors'.*
3. *The statement and information referred to in paragraphs 1 and 2 shall contain details on the process used by financial advisers to select the financial products they advise on, including all of the following:*
 - (a) *how the financial advisers use the information published by financial market participants pursuant to this Regulation;*

- (b) whether the financial advisers rank and select financial products based on the indicators listed in [Table 1 of Annex I](#) and any additional indicators and, where applicable, a description of the ranking and selection methodology used;
- (c) any criteria or thresholds based on the principal adverse impacts listed in Table 1 of Annex I that are used to select, or advise on, financial products.

Article 12 Statement by financial market participants that they do not consider adverse impacts of their investments decisions on sustainability factors
(SFDR RTS)

1. Financial market participants referred to in Article 4(1), point (b), of Regulation (EU) 2019/2088 shall publish the information referred to in Article 4(1), point (b), of that Regulation in a separate section of their website titled 'No consideration of adverse impacts of investment decisions on sustainability factors'.
2. The statement referred to in paragraph 1 shall contain all of the following:
 - (a) a prominent statement that the financial market participant does not consider any adverse impacts of its investment decisions on sustainability factors;
 - (b) the reasons why the financial market participant does not consider any adverse impacts of its investment decisions on sustainability factors and, where relevant, information on whether the financial market participant intends to consider such adverse impacts by reference to the indicators listed in [Table 1 of Annex I](#), and if so, when.

Article 13 Statement by financial advisers that they do not consider adverse impacts of investment decisions on sustainability factors in their investment or insurance advice
(SFDR RTS)

1. The financial advisers referred to in Article 2, point (11), points (a) and (b), of Regulation (EU) 2019/2088 that apply Article 4(5), point (b), of that Regulation shall publish the information referred to in Article 4(5), point (b), of that Regulation in a separate section of their website titled 'No consideration of adverse impacts of insurance advice on sustainability factors'.
2. The financial advisers referred to in Article 2, point (11), points (c) to (f), of Regulation (EU) 2019/2088 that apply Article 4(5), point (b), of that Regulation shall publish the information referred to in Article 4(5), point (b), of that Regulation in a separate section of their website titled 'No consideration of adverse impacts of investment advice on sustainability factors'.
3. The statement and information referred to in paragraphs 1 and 2 shall contain all of the following:
 - (a) a prominent statement that the financial adviser does not consider any adverse impacts of investment decisions on sustainability factors in its investment or insurance advice;
 - (b) the reasons why the financial adviser does not consider any adverse impacts of investment decisions on sustainability factors in its investment or insurance advice and, where relevant, information on whether the financial adviser intends to consider such adverse impacts by reference to the indicators listed in [Table 1 of Annex I](#), and if so, when.

Article 5 SFDR

Transparency of remuneration policies in relation to the integration of sustainability risks

▪ **Recitals 22 and 26 of the SFDR**

- (1) Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks, and shall publish that information on their websites.
- (2) The information referred to in paragraph 1 shall be included in remuneration policies that financial market participants and financial advisers are required to establish and maintain in accordance with sectoral legislation, in particular Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/65/EU, (EU) 2016/97 and (EU) 2016/2341.

Article 6 SFDR

Transparency of the integration of sustainability risks

- **Articles 5, 6, 7, and 27 of the Taxonomy Regulation**
- **Recitals 14, 15, and 16 of the SFDR**

(1) Financial market participants shall include descriptions of the following in pre-contractual disclosures:

- a) the manner in which sustainability risks are integrated into their investment decisions; and
- b) the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.

Where financial market participants deem sustainability risks not to be relevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons therefor.

(2) Financial advisers shall include descriptions of the following in pre-contractual disclosures:

- a) the manner in which sustainability risks are integrated into their investment or insurance advice; and
- b) the result of the assessment of the likely impacts of sustainability risks on the returns of the financial products they advise on.

Where financial advisers deem sustainability risks not to be relevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons therefor.

(3) The information referred to in paragraphs 1 and 2 of this Article shall be disclosed in the following manner:

- a) for AIFMs, in the disclosures to investors referred to in Article 23(1) of Directive 2011/61/EU;
- b) for insurance undertakings, in the provision of information referred to in Article 185(2) of Directive 2009/138/EC or, where relevant, in accordance with Article 29(1) of Directive (EU) 2016/97;
- c) for IORPs, in the provision of information referred to in Article 41 of Directive (EU) 2016/2341;
- d) for managers of qualifying venture capital funds, in the provision of information referred to in Article 13(1) of Regulation (EU) No 345/2013;
- e) for managers of qualifying social entrepreneurship funds, in the provision of information referred to in Article 14(1) of Regulation (EU) No 346/2013;
- f) for manufacturers of pension products, in writing in good time before a retail investor is bound by a contract relating to a pension product;
- g) for UCITS management companies, in the prospectus referred to in Article 69 of Directive 2009/65/EC;
- h) for investment firms which provide portfolio management or provide investment advice, in accordance with Article 24 (4) of Directive 2014/65/EU;
- i) for credit institutions which provide portfolio management or provide investment advice, in accordance with Article 24(4) of Directive 2014/65/EU;
- j) for insurance intermediaries and insurance undertakings which provide insurance advice with regard to IBIPs and for insurance intermediaries which provide insurance advice with regard to pension products exposed to market fluctuations, in accordance with Article 29(1) of Directive (EU) 2016/97;
- k) for AIFMs of ELTIFs, in the prospectus referred to in Article 23 of Regulation (EU) 2015/760;
- l) for PEPP providers, in the PEPP key information document referred to in Article 26 of Regulation (EU) 2019/1238.

Article 7 SFDR

Transparency of adverse sustainability impacts at financial product level

▪ Recital 20 of the SFDR

(1) By 30 December 2022, for each financial product where a financial market participant applies point (a) of Article 4 (1) or Article 4(3) or (4), the disclosures referred to in Article 6(3) shall include the following:

- a) a clear and reasoned explanation of whether, and, if so, how a financial product considers principal adverse impacts on sustainability factors;
- b) a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2).

Where information in Article 11(2) includes quantifications of principal adverse impacts on sustainability factors, that information may rely on the provisions of the regulatory technical standards adopted pursuant to Article 4(6) and (7).

(2) Where a financial market participant applies point (b) of Article 4(1), the disclosures referred to in Article 6(3) shall include for each financial product a statement that the financial market participant does not consider the adverse impacts of investment decisions on sustainability factors and the reasons therefor.

Article 8 SFDR

Transparency of the promotion of environmental or social characteristics in pre-contractual disclosures

- **Articles 6, 9 and 27 of the Taxonomy Regulation**
- **Recitals 21 and 24 of the SFDR**
- **Annex II SFDR RTS**
- **Annex IV SFDR RTS**

- (1) Where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, the information to be disclosed pursuant to Article 6(1) and (3) shall include the following:
 - a) information on how those characteristics are met;
 - b) if an index has been designated as a reference benchmark, information on whether and how this index is consistent with those characteristics.
- (2) Financial market participants shall include in the information to be disclosed pursuant to Article 6(1) and (3) an indication of where the methodology used for the calculation of the index referred to in paragraph 1 of this Article is to be found.
- (2a) Where financial market participants make available a financial product as referred to in Article 6 of Regulation (EU) 2020/852 of the European Parliament and of the Council, they shall include in the information to be disclosed pursuant to Article 6(1) and (3) of this Regulation the information required under Article 6 of Regulation (EU) 2020/852.

[New paragraph 2a introduced by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

- (3) The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information to be disclosed pursuant to paragraphs 1 and 2 of this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph, the ESAs shall take into account the various types of financial products, their characteristics and the differences between them, as well as the objective that disclosures are to be accurate, fair, clear, not misleading, simple and concise.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 30 December 2020.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

[Paragraph 3 as amended by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

- (4) The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in paragraph 2a of this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their characteristics and the differences between them, as well as the objective that disclosures are to be accurate, fair, clear,

not misleading, simple and concise and, where necessary to achieve that objective, shall develop draft amendments to the regulatory technical standards referred to in paragraph 3 of this Article. The draft regulatory technical standards shall take into account the respective dates of application set out in points (a) and (b) of Article 27(2) of Regulation (EU) 2020/852 in respect of the environmental objectives set out in Article 9 of that Regulation.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission:

- a) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852 by 1 June 2021; and
- b) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852 by 1 June 2022.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

[New paragraph 4 introduced by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

Article 2: General principles for the presentation of information (SFDR RTS)

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 adapt size and font type of characters and colours used in the templates set out in Annexes I to V to this Regulation.*
2. *Financial market participants and financial advisers shall provide the information required by this Regulation in a searchable electronic format, unless otherwise required by the sectoral legislation referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088.*
3. *Financial market participants and financial advisers shall keep the information published on their websites in accordance with this Regulation up to date. They shall clearly mention the date of publication of the information and the date of any update. Where that information is presented as a downloadable file, financial market participants and financial advisers shall indicate the version history in the file name.*
4. *Financial market participants and financial advisers shall provide, where available, legal entity identifiers (LEIs) and international securities identification numbers (ISINs) when referring to entities or financial products in the information provided in accordance with this Regulation.*

Article 3: Reference benchmarks with basket indexes (SFDR RTS)

Where an index designated as a reference benchmark is made up of a basket of indexes, financial market participants and financial advisers shall provide the information relating to that index in respect of that basket and of each index in that basket.

Articles 14 to 17 of the SFDR RTS: Promotion of environmental social characteristics

Article 14 Presentation by financial market participants of the pre-contractual information to be disclosed pursuant to Article 8(1), (2) and (2a) of Regulation (EU) 2019/2088 (SFDR RTS)

1. Financial market participants shall present the information to be disclosed pursuant to Article 8(1), (2) and (2a) of Regulation (EU) 2019/2088 in the format of the template set out in Annex II to this Regulation. That information shall be attached as an annex to the documents or the information referred to in Article 6(3) of Regulation (EU) 2019/2088.
2. Financial market participants shall include in the main body of the documents or information referred to in Article 6(3) of Regulation 2019/2088 a prominent statement that information about the environmental or social characteristics is available in the annex to those documents or that information.
3. Financial market participants shall provide at the beginning of the annex to the documents or the information referred to in Article 6(3) of Regulation (EU) 2019/2088 all of the following information:
 - (a) whether the financial product intends to make any sustainable investments;
 - (b) whether the financial product promotes environmental or social characteristics, without having as its objective a sustainable investment.

Article 15 Sustainable investment information in the asset allocation section for financial products that promote environmental characteristics (SFDR RTS) [↪ Art.19 SFDR RTS](#)

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 'To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?' in the template set out in Annex II, all of the following:
 - (a) a graphical representation in the form of a pie chart of:
 - (i) the degree to which the aggregated investments are investments in environmentally sustainable economic activities, as calculated in accordance with Article 17(1) to (4) of this Regulation;
 - (ii) the degree to which the aggregated investments, excluding sovereign exposures, are investments in environmentally sustainable economic activities, as calculated in accordance with Article 17(5) of this Regulation.
 - (b) a description of the investments underlying the financial products that are in environmentally sustainable economic activities, including whether the compliance of those investments with the requirements laid down in [Article 3 of Regulation \(EU\) 2020/852](#) will be subject to an assurance provided by one or more auditors or a review by one or more third parties and, if so, the name or the names of the auditor or third party;
 - (c) where the financial products invest in economic activities other than environmentally sustainable economic activities, a clear explanation of the reasons for doing so;
 - (d) where the financial products have sovereign exposures and the financial market participant cannot assess the extent to which those exposures contribute to environmentally sustainable economic activities, a narrative explanation of the proportion in total investments of investments that consist of those exposures.
2. For the purposes of paragraph 1, point (a), financial market participants shall use:
 - (a) the same key performance indicator for the aggregated investments in non-financial undertakings;

- (b) the same key performance indicator for the aggregated investments in the same type of financial undertakings.

For insurance and reinsurance undertakings that carry out non-life underwriting activities, the key performance indicator may combine the investment and the underwriting key performance indicators in accordance with Article 6 of Delegated Regulation (EU) 2021/2178.

3. For the purposes paragraph 1, point (b), the description shall include all of the following:

- (a) in respect of investee companies that are non-financial undertakings, whether the degree to which the investments are in environmentally sustainable economic activities is measured by turnover, or whether, due to the features of the financial product, the financial market participant has decided that a more representative calculation is given when that degree is measured by capital expenditure or operating expenditure and the reason for that decision, including an explanation of why that decision is appropriate for investors in the financial product;
- (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 obtained equivalent information directly from investee companies or from third party providers;
- (c) a breakdown of the minimum proportions of investments in the transitional economic activities and in the enabling economic activities, in each case expressed as a percentage of all investments of the financial product.

Article 16 Sustainable investment information in the asset allocation section for financial products that promote social characteristics (SFDR RTS)

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 financial product?' in the template set out in Annex II the minimum share of those sustainable investments.

Article 17 Calculation of the degree to which investments are in environmentally sustainable economic activities (SFDR RTS)

1. The degree to which investments are in environmentally sustainable economic activities shall be calculated in accordance with the following formula:

$$\frac{\text{market value of all investments of the financial product in environmentally sustainable economic activities}}{\text{market value of all investments of the financial product}}$$

where 'investments of the financial product in environmentally sustainable economic activities' shall be the sum of the market values of the following investments of the financial product:

- (a) for debt securities and equities of 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 debt securities or equities;
- (b) for debt securities other than those referred to in point (a), where a proportion of the proceeds is required by the terms of those debt securities to be used exclusively on environmentally sustainable economic activities, the market value of that proportion;
- (c) for bonds issued under Union legislation on environmentally sustainable bonds, the market value of those bonds;

- (d) for investments in real estate assets which qualify as environmentally sustainable economic activities, the market value of those investments;
- (e) for investments in infrastructure assets which qualify as environmentally sustainable economic activities, the market value of those investments;
- (f) for investments in securitisation positions as defined in Article 2, point (19), of Regulation (EU) 2017/2402 of the European Parliament and of the Council²¹ with underlying exposures in environmentally sustainable economic activities, the market value of the proportion of those exposures;
- (g) for investments in financial products as referred to in **Article 5, first paragraph**, and **Article 6, first paragraph, of Regulation (EU) 2020/852**, the market value of the proportion of those financial products representing the degree to which investments are in environmentally sustainable economic activities, as calculated in accordance with this Article.

The degree to which investments are into environmentally sustainable economic activities shall be calculated by applying the methodology used to calculate net short positions laid down in Article 3(4) and (5) of Regulation (EU) No 236/2012 of the European Parliament and of the Council²².

2. For the purposes of paragraph 1, point (a), the proportion of activities of investee companies associated with environmentally sustainable economic activities shall be calculated on the basis of the most appropriate key performance indicators for the investments of the financial product using the following information:
 - (a) (a) for the investee companies referred to in Article 8(1) and (2) of Regulation (EU) 2020/852, the disclosures made by those investee companies in accordance with that Article;
 - (b) (b) for other investee companies, equivalent information obtained by the financial market participant directly from investee companies or from third party providers.
3. For the disclosures referred to in Article 15(1), point (a), and Article 19(1), point (a), in the case of investee companies that are non-financial undertakings that are subject to the obligation to publish non-financial information pursuant to Delegated Regulation (EU) 2021/2178 and other non-financial undertakings that are not subject to that obligation, the calculation referred to in paragraph 2 shall use turnover as the same type of key performance indicator for all non-financial undertakings.
4. By way of derogation from paragraph 3, where, due to the features of the financial product, capital expenditure or operating expenditure gives a more representative calculation of the degree to which an investment is into environmentally sustainable economic activities, the calculation may use the most appropriate of those two key performance indicators. In the case of investee companies that are financial undertakings subject to Article 8(1) of Regulation (EU) 2020/852 and for other financial undertakings that are not subject to that obligation, the calculation referred to in paragraph 2 shall use the key performance indicators referred to in Section 1.1, points (b) to (e), of Annex III to Delegated Regulation (EU) 2021/2178.
5. For the disclosures referred to in Article 15(1), point (a)(ii), Article 19(1), point (a)(ii), Article 55(1), point (b)(iii) and Article 62(1), point (b)(iii), paragraphs 1 to 4 of this Article shall apply, except that the sovereign exposures shall be excluded from the calculation of the numerator and of the denominator of the formula contained in paragraph 1.

Article 20 Financial products with one or more underlying investment options that qualify those financial products as financial products that promote environmental or social characteristics
(SFDR RTS)

²¹ Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).

²² Regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps (OJ L 86, 24.3.2012, p. 1).

1. *By way of derogation from Articles 14 to 17, 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 6(3) 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 those environmental or social characteristics will only be met where the financial product invests in at least one of the investment options mentioned in the list referred to in paragraph 2, point (a), of this Article and that at least one of those options is kept during the holding period of the financial product;*
 - (c) *that further information about those characteristics is available in the Annexes referred to in paragraph 3 of this Article or, where relevant, through the references referred to in paragraph 5 of this Article.*
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), (b) and (c) of that paragraph;*
 - (b) *the proportions of investment options within each of the categories referred to in paragraph 3, points (a), (b) and (c), 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 qualifies as a financial product that promotes environmental or social characteristics, the information referred to in Articles 14 to 17 of this Regulation;*
 - (b) *for each investment option that qualifies as a financial product that has sustainable investment as its objective, the information referred to in Articles 18 and 19 of this Regulation;*
 - (c) *for each investment option that has sustainable investment as its objective and is not a financial product, information on the objective of sustainable investment.*
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**.*
5. *By way of derogation from 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 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 references to the annexes to the disclosures required by the directives, regulations and national provisions referred to in that paragraph where that information can be found.*

Article 22 Information on underlying investment options that have sustainable investment as their objective and are not themselves financial products
(SFDR RTS)

*The information on the objective of the sustainable investments referred to in Article 20(3), point (c), and **Article 21(3), point (b)**, shall contain all of the following:*

- (a) *a description of the sustainable investment objective;*
- (b) *a list of the indicators used to measure the attainment of that sustainable investment objective;*

- (c) *a description of how the investments do not significantly harm any of the sustainable investment objectives, 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](#), are taken into account;*
 - ii) *whether the sustainable investment is 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.*

Article 9 SFDR

Transparency of sustainable investments in pre-contractual disclosures

- **Articles 3, 5, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 27 of the Taxonomy Regulation**
- **Recitals 17, 21 and 24 of the SFDR**
- **Annex III SFDR RTS**
- **Annex V SFDR RTS**

- (1) Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark, the information to be disclosed pursuant to Article 6(1) and (3) shall be accompanied by the following:
 - a) information on how the designated index is aligned with that objective;
 - b) an explanation as to why and how the designated index aligned with that objective differs from a broad market index.

- (2) Where a financial product has sustainable investment as its objective and no index has been designated as a reference benchmark, the information to be disclosed pursuant to Article 6(1) and (3) shall include an explanation on how that objective is to be attained.

- (3) Where a financial product has a reduction in carbon emissions as its objective, the information to be disclosed pursuant to Article 6(1) and (3) shall include the objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement.

By way of derogation from paragraph 2 of this Article, where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council²³ is available, the information referred to in Article 6 shall include a detailed explanation of how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the long-term global warming objectives of the Paris Agreement.

- (4) Financial market participants shall include in the information to be disclosed pursuant to Article 6(1) and (3) an indication of where the methodology used for the calculation of the indices referred to in paragraph 1 of this Article and the benchmarks referred to in the second subparagraph of paragraph 3 of this Article are to be found.
- (4a) Financial market participants shall include in the information to be disclosed pursuant to Article 6(1) and (3) of this Regulation the information required under Article 5 of Regulation (EU) 2020/852.

[New Paragraph 4a introduced by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

- (5) The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information to be disclosed pursuant to paragraphs 1 to 4 of this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their objectives as referred to in paragraphs 1, 2 and 3 and the differences between them as well as the objective that disclosures are to be accurate, fair, clear, not misleading, simple and concise.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 30 December 2020.

²³ 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).

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

[Paragraph 5 as amended by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

- (6) The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in paragraph 4a of this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their objectives as referred to in paragraph 4a of this Article and the differences between them as well as the objective that disclosures are to be accurate, fair, clear, not misleading, simple and concise and, where necessary to achieve that objective, shall develop draft amendments to the regulatory technical standards referred to in paragraph 5 of this Article. The draft regulatory technical standards shall take into account the respective dates of application set out in points (a) and (b) of Article 27(2) of Regulation (EU) 2020/852 in respect of the environmental objectives set out in Article 9 of that Regulation.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission:

- a) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852, by 1 June 2021; and
- b) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852, by 1 June 2022.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010

[New paragraph 6 introduced by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

Article 2 General principles for the presentation of information **(SFDR RTS)**

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 adapt size and font type of characters and colours used in the templates set out in Annexes I to V to this Regulation.*
2. *Financial market participants and financial advisers shall provide the information required by this Regulation in a searchable electronic format, unless otherwise required by the sectoral legislation referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088.*
3. *Financial market participants and financial advisers shall keep the information published on their websites in accordance with this Regulation up to date. They shall clearly mention the date of publication of the information and the date of any update. Where that information is presented as a downloadable file, financial market participants and financial advisers shall indicate the version history in the file name.*

4. *Financial market participants and financial advisers shall provide, where available, legal entity identifiers (LEIs) and international securities identification numbers (ISINs) when referring to entities or financial products in the information provided in accordance with this Regulation.*

Article 3 Reference benchmarks with basket indexes

(SFDR RTS)

Where an index designated as a reference benchmark is made up of a basket of indexes, financial market participants and financial advisers shall provide the information relating to that index in respect of that basket and of each index in that basket.

Articles 18 and 19 of the SFDR RTS: Sustainable investment as objective

Article 18 Presentation by financial market participants of pre-contractual information for financial products to be disclosed pursuant to Article 9, paragraphs 1 to 4a, of SFDR

(SFDR RTS)

1. *Financial market participants shall present the information to be disclosed pursuant to Article 9(1) to (4a) of Regulation (EU) 2019/2088 and this Section in an annex to the document or the information referred to in Article 6(3) of Regulation (EU) 2019/2088. They shall present that information in the format of the template set out in Annex III to this Regulation.*
2. *Financial market participants shall include in the main body of the document or the information referred to in Article 6(3) of Regulation (EU) 2019/2088 a prominent statement that information about sustainable investment is available in the annex.*
3. *Financial market participants shall include at the beginning of the annex to the document or the information referred to in Article 6(3) of Regulation (EU) 2019/2088 a statement that the financial product has sustainable investment as its objective.*

Article 19 Sustainable investment information for financial products with the objective of sustainable investment

(SFDR RTS)

1. *For the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852, financial market participants shall include in the section 'What is the asset allocation and the minimum share of sustainable investments?' in the template set out in Annex III all of the following information:*
 - (a) *a graphical representation in the form of a pie chart:*
 - i) *in accordance with Article 15(1), point (a)(i), of this Regulation;*
 - ii) *in accordance with Article 15(1), point (a)(ii), of this Regulation;*
 - (b) *a description in accordance with Article 15(1), point (b), of this Regulation;*
 - (c) *where the financial products invest in economic activities that contribute to an environmental objective and the economic activities are not environmentally sustainable economic activities, a clear explanation of the reasons for doing so;*
 - (d) *where the financial products have sovereign exposures and the financial market participant cannot assess the extent to which those exposures contribute to environmentally sustainable economic activities, a narrative explanation of the proportion in total investments of investments that consist of those exposures.*

2. For the purposes of paragraph 1, point (a), financial market participants shall apply [Article 15\(2\)](#).
3. For the purposes of paragraph 1, point (b), financial market participants shall apply [Article 15\(3\)](#).
4. For financial products that invest in an economic activity that contributes to a social objective, financial market participants shall include in the section 'What is the asset allocation and the minimum share of sustainable investments?' in the template set out in Annex III the minimum share of those investments.

Article 21 Financial products with underlying investment options that all have sustainable investment as their objective

(SFRD RTS) [Art.22 SFDR RTS](#)

1. By way of derogation from Articles 18 and 19, where a financial product offers investment options to the investor and those investment options all 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 6(3) of Regulation 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 to the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088 or, where relevant, through the references referred to in paragraph 5 of this Article.
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 each of the categories of investment options referred to in paragraph 3, points (a) and (b), within each of those categories 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 qualifies as a financial product that has sustainable investment as its objective, the information referred to in Articles 18 and 19 of this Regulation;
 - (b) for each investment option that has sustainable investment as its objective and is not a financial product, the information on the objective of sustainable investment.
4. Financial market participants shall present the information referred to in paragraph 3, point (a), in accordance with the template set out in [Annex III](#).
5. By way of derogation from paragraph 3, 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 references to the annexes of the applicable disclosures required by directives, regulations and national provisions referred to in that paragraph where that information can be found.

Article 22 Information on underlying investment options that have sustainable investment as their objective and are not themselves financial products

(SFDR RTS)

The information on the objective of the sustainable investments referred to in Article 20(3), point (c), and Article 21(3), point (b), shall contain all of the following:

- (a) a description of the sustainable investment objective;*
- (b) a list of the indicators used to measure the attainment of that sustainable investment objective;*
- (c) a description of how the investments do not significantly harm any of the sustainable investment objectives, 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](#), are taken into account;*
 - (ii) whether the sustainable investment is 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.*

Article 10 SFDR

Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites

- (1) Financial market participants shall publish and maintain on their websites the following information for each financial product referred to in Article 8(1) and Article 9(1), (2) and (3):
 - a) a description of the environmental or social characteristics or the sustainable investment objective;
 - b) information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product;
 - c) the information referred to in Articles 8 and 9;
 - d) the information referred to in Article 11.

The information to be disclosed pursuant to the first subparagraph shall be clear, succinct and understandable to investors. It shall be published in a way that is accurate, fair, clear, not misleading, simple and concise and in a prominent easily accessible area of the website.

- (2) The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content of the information referred to in points (a) and (b) of the first subparagraph of paragraph 1, and the presentation requirements referred to in the second subparagraph of that paragraph.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their characteristics and objectives as referred to in paragraph 1 and the differences between them. The ESAs shall update the regulatory technical standards in the light of regulatory and technological developments.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 30 December 2020.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 2 General principles for the presentation of information (SFDR RTS)

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 adapt size and font type of characters and colours used in the templates set out in Annexes I to V to this Regulation.*
2. *Financial market participants and financial advisers shall provide the information required by this Regulation in a searchable electronic format, unless otherwise required by the sectoral legislation referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088.*
3. *Financial market participants and financial advisers shall keep the information published on their websites in accordance with this Regulation up to date. They shall clearly mention the date of publication of the information and the date of any update. Where that information is presented as a*

downloadable file, financial market participants and financial advisers shall indicate the version history in the file name.

4. Financial market participants and financial advisers shall provide, where available, legal entity identifiers (LEIs) and international securities identification numbers (ISINs) when referring to entities or financial products in the information provided in accordance with this Regulation.

Article 3: Reference benchmarks with basket indexes (SFDR RTS)

Where an index designated as a reference benchmark is made up of a basket of indexes, financial market participants and financial advisers shall provide the information relating to that index in respect of that basket and of each index in that basket.

Article 23 Website section for the disclosure of sustainability-related information about financial products (SFDR RTS) [↪ Art.4 SFDR RTS](#)

Financial market participants shall, for each financial product, publish the information referred to in Article 10(1) of Regulation (EU) 2019/2088 in a separate section titled, 'Sustainability-related disclosures', in the same part of their website as the other information relating to the financial product, including marketing communications. Financial market participants shall clearly identify the financial product to which the information in the sustainability-related disclosure section relates and prominently display the environmental or social characteristics or the sustainable investment objective of that financial product.

Articles 24 to 36 of the SFDR RTS: Website product disclosure for financial products that promote environmental or social characteristics

Article 24 Sections of website product disclosure for financial products that promote environmental or social characteristics (SFDR RTS)

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';
- (f) 'Monitoring of environmental or social characteristics';
- (g) 'Methodologies';
- (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'.

Article 25 Website section 'Summary' for financial products that promote environmental or social characteristics

(SFDR RTS)

1. In the website section 'Summary' referred to in Article 24, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. 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 24, point (a), 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 26 Website section 'No sustainable investment objective' for financial products that promote environmental or social characteristics

(SFDR RTS)

1. In the website section 'No sustainable investment objective' referred to in Article 24, point (b), financial market participants shall insert the following statement: "This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment."
2. Where the financial product commits to making one or more sustainable investments, financial market participants shall in the website section 'No sustainable investment objective' referred to in Article 24, point (b), explain how the sustainable investment does not significantly harm any of the sustainable investment objectives, including all of 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 I](#), are taken into account;
 - (b) whether the sustainable investment is 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.

Article 27 Website section 'Environmental or social characteristics of the financial product' for financial products that promote environmental or social characteristics

(SFDR RTS)

In the website section 'Environmental or social characteristics of the financial product' referred to in Article 24, point (c), financial market participants shall describe the environmental or social characteristics that the financial products promotes.

Article 28 Website section 'Investment strategy' for financial products that promote environmental or social characteristics

(SFDR RTS)

In the website section 'Investment strategy' referred to in Article 24, point (d), financial market participants shall describe all of the following:

- (a) the investment strategy used to meet the environmental or social characteristics promoted by the financial product;*
- (b) the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.*

Article 29 Website section 'Proportion of investments' for financial products that promote environmental or social characteristics
(SFDR RTS)

In the website section 'Proportion of investments' referred to in Article 24, point (e), financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.

Article 30 Website section 'Monitoring of environmental or social characteristics' for financial products that promote environmental or social characteristics
(SFDR RTS)

In the website section 'Monitoring of environmental or social characteristics' referred to in Article 24, point (f), financial market participants shall describe how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.

Article 31 Website section 'Methodologies for environmental or social characteristics' for financial products that promote environmental or social characteristics
(SFDR RTS)

In the website section 'Methodologies for environmental or social characteristics' referred to in Article 24, point (g), financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.

Article 32 Website section 'Data sources and processing' for financial products that promote environmental or social characteristics
(SFDR RTS)

In the website section 'Data sources and processing' referred to in Article 24, point (h), financial market participants shall describe all of the following:

- (a) the data sources used to attain each of the environmental or social characteristics promoted by the financial product;*
- (b) the measures taken to ensure data quality;*
- (c) how data are processed;*
- (d) the proportion of data that are estimated.*

Article 33 Website section 'Limitations to methodologies and data' for financial products that promote environmental or social characteristics
(SFDR RTS)

In the website section 'Limitations to methodologies and data' referred to in Article 24, point (i), financial market participants shall describe all of the following:

- (a) any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h);
- (b) how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.

Article 34 Website section ‘Due diligence’ for financial products that promote environmental or social characteristics
(SFDR RTS)

In the website section ‘Due diligence’ referred to in Article 24, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

Article 35 Website section ‘Engagement policies’ for financial products that promote environmental or social characteristics
(SFDR RTS)

In the website section ‘Engagement policies’ referred to in Article 24, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.

Article 36 Website section ‘Designated reference benchmark’ for financial products that promote environmental or social characteristics
(SFDR RTS)

1. In the website section ‘Designated reference benchmark’ referred to in Article 24, point (l), financial market participants shall describe whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.
2. Where part or all of the information referred to in paragraph 1 is published on the website of the administrator of the reference benchmark, a hyperlink shall be provided to that information.

Articles 37 to 49 of SFDR RTS: Website product disclosure for financial products that have sustainable investments as their objective

Article 37 Website product disclosure for financial products that have sustainable investments as their objective
(SFDR RTS)

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’;

- (f) 'Monitoring of sustainable investment objective';
- (g) 'Methodologies';
- (h) 'Data sources and processing';
- (i) 'Limitations to methodologies and data';
- (j) 'Due diligence';
- (k) 'Engagement policies';
- (l) 'Attainment of the sustainable investment objective'.

Article 38 Website section 'Summary' for financial products that have sustainable investment as their objective
(SFDR RTS)

1. In the website section 'Summary' referred to in Article 37, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article 37 about the financial products that have sustainable investment as their objective. 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 37, point (a), 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 39 Website section 'No significant harm to the sustainable investment objective' for financial products that have sustainable investment as their objective
(SFDR RTS)

In the website section 'No significant harm to the sustainable investment objective' referred to in Article 37, point (b), financial market participants shall explain whether and why the investments of the financial product do not significantly harm any of the sustainable investment objectives, and provide all of the following information:

- (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;
- (b) whether the sustainable investment is 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.

Article 40 Website section 'Sustainable investment objective of the financial product' for financial products that have sustainable investment as their objective
(SFDR RTS)

In the website section 'Sustainable investment objective of the financial product' referred to in Article 37, point (c), financial market participants shall describe the sustainable investment objective of the financial product.

Article 41 Website section 'Investment strategy' for financial products that have sustainable investment as their objective

(SFDR RTS)

In the website section ‘Investment strategy’ referred to in Article 37, point (d), financial market participants shall describe all of the following:

- (a) the investment strategy used to attain the sustainable investment objective;*
- (b) the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.*

Article 42 Website section ‘Proportion of investments’ for financial products that have sustainable investment as their objective

(SFDR RTS)

In the website section ‘Proportion of investments’ referred to in Article 37, point (e), financial market participants shall insert the information referred to in 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 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.

Article 43 Website section ‘Monitoring of the sustainable investment objective’ for financial products that have sustainable investment as their objective

(SFDR RTS)

In the website section ‘Monitoring of the sustainable investment objective’ referred to in Article 37, point (f), financial market participants shall describe how the sustainable investment objective and the sustainability indicators used to measure the attainment of the sustainable investment objective are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.

Article 44 Website section ‘Methodologies’ for financial products that have sustainable investment as their objective

(SFDR RTS)

In the website section ‘Methodologies’ 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.

Article 45 Website section ‘Data sources and processing’ for financial products that have sustainable investment as their objective

(SFDR RTS)

In the website section ‘Data sources and processing’ referred to in Article 37, point (h), financial market participants shall describe all of the following:

- (a) the data sources used to attain the sustainable investment objective of the financial product;*
- (b) the measures taken to ensure data quality;*
- (c) how data is processed; and*
- (d) the proportion of data that is estimated.*

Article 46 Website section ‘Limitation to methodologies and data’ for financial products that have sustainable investment as their objective

(SFDR RTS)

In the website section ‘Limitation to methodologies and data’ referred to in Article 37, point (i), financial market participants shall describe all of the following:

- (a) any limitations to the methodologies referred to in Article 37, point (g), and the data sources referred to in Article 37, point (h);*
- (b) why such limitations do not affect the attainment of the sustainable investment objective.*

Article 47 Website section ‘Due diligence’ for financial products that have sustainable investment as their objective
(SFDR RTS)

In the website section ‘Due diligence’ referred to in Article 37, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the financial product, including the internal and external controls on that due diligence.

Article 48 Website section ‘Engagement policies’ for financial products that have sustainable investment as their objective
(SFDR RTS)

In the website section ‘Engagement policies’ referred to in Article 37, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the sustainable investment objective, including any management procedures applicable to sustainability-related controversies in investee companies.

Article 49 Website section ‘Attainment of the sustainable investment objective’ for financial products that have sustainable investment as their objective
(SFDR RTS)

- 1. In the website section ‘Attainment of the sustainable investment objective’ referred to in Article 37, point (l), financial market participants shall describe all of the following:*
 - (a) for financial products that have sustainable investment as their objective and for which an index has been designated as a reference benchmark, how that index is aligned with the sustainable investment objective of the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated;*
 - (b) for financial products that have a reduction in carbon emissions as their objective, a statement that the reference benchmark qualifies as 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, and a hyperlink to where the methodology used for the calculation of those benchmarks can be found.*
- 2. By way of derogation from paragraph 1, point (a), where the information referred to in that point is published on the website of the administrator of the reference benchmark, a hyperlink shall be provided to that information.*
- 3. By way of derogation from paragraph 1, point (b), where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark as defined in in Article 3, points (23a) and (23b), of Regulation (EU) 2016/1011 is available, the website section ‘Attainment of the sustainable investment objective’ referred to in Article 38, point (l), of this Regulation shall mention that fact and explain how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the objectives of the Paris Agreement. Financial market participants shall explain the extent to which the financial product complies with the methodological requirements set out in Delegated Regulation (EU) 2020/1818.*

Article 11 SFDR

Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports

- **Articles 5, 6, 7, 9, and 27 of the Taxonomy Regulation**
- **Recital 32 of the SFDR**

- (1) Where financial market participants make available a financial product as referred to in Article 8(1) or in Article 9(1), (2) or (3), they shall include a description of the following in periodic reports:
- a) for a financial product as referred to in Article 8(1), the extent to which environmental or social characteristics are met;
 - b) for a financial product as referred to in Article 9(1), (2) or (3):
 - i) the overall sustainability-related impact of the financial product by means of relevant sustainability indicators; or
 - ii) where an index has been designated as a reference benchmark, a comparison between the overall sustainability-related impact of the financial product with the impacts of the designated index and of a broad market index through sustainability indicators.
 - c) for a financial product subject to Article 5 of Regulation (EU) 2020/852, the information required under that Article;
 - d) for a financial product subject to Article 6 of Regulation (EU) 2020/852, the information required under that Article;

[Sub-paragraphs c) and d) as amended by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

- (2) The information referred to in paragraph 1 of this Article shall be disclosed in the following manner:
- a) for AIFMs, in the annual report referred to in Article 22 of Directive 2011/61/EU;
 - b) for insurance undertakings, annually in writing in accordance with Article 185(6) of Directive 2009/138/EC;
 - c) for IORPs, in the annual report referred to in Article 29 of Directive (EU) 2016/2341;
 - d) for managers of qualifying venture capital funds, in the annual report referred to in Article 12 of Regulation (EU) No 345/2013;
 - e) for managers of qualifying social entrepreneurship funds, in the annual report referred to in Article 13 of Regulation (EU) No 346/2013;
 - f) for manufacturers of pension products, in writing in the annual report or in a report in accordance with national law;
 - g) for UCITS management companies, in the annual report referred to in Article 69 of Directive 2009/65/EC;
 - h) for investment firms which provide portfolio management, in a periodic report as referred to in Article 25(6) of Directive 2014/65/EU;
 - i) for credit institutions which provide portfolio management, in a periodic report as referred to in Article 25(6) of Directive 2014/65/EU;
 - j) for PEPP providers, in the PEPP Benefit Statement referred to in Article 36 of Regulation (EU) 2019/1238.

- (3) For the purposes of paragraph 1 of this Article, financial market participants may use the information in management reports in accordance with Article 19 of Directive 2013/34/EU or the information in non-financial statements in accordance with Article 19a of that Directive where appropriate.
- (4) The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in points (a) and (b) of paragraph 1.

When developing the draft regulatory technical standards referred to in the first subparagraph, the ESAs shall take into account the various types of financial products, their characteristics and objectives and the differences between them. The ESAs shall update the regulatory technical standards in the light of regulatory and technological developments.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 30 December 2020.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

[Paragraph 4 as amended by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

- (5) The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in points (c) and (d) of paragraph 1.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their characteristics and objectives and the differences between them and, where necessary, shall develop draft amendments to the regulatory technical standards referred to in paragraph 4 of this Article. The draft regulatory technical standards shall take into account the respective dates of application set out in points (a) and (b) of Article 27(2) of Regulation (EU) 2020/852 in respect of the environmental objectives set out in Article 9 of that Regulation. The ESAs shall update the regulatory technical standards in the light of regulatory and technological developments.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission

- a) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852, by 1 June 2021; and
- b) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852, by 1 June 2022.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

[New paragraph 5 introduced by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

Article 2 General principles for the presentation of information (SFDR RTS)

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 adapt size and font type of characters and colours used in the templates set out in Annexes I to V to this Regulation.*
2. *Financial market participants and financial advisers shall provide the information required by this Regulation in a searchable electronic format, unless otherwise required by the sectoral legislation referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088.*
3. *Financial market participants and financial advisers shall keep the information published on their websites in accordance with this Regulation up to date. They shall clearly mention the date of publication of the information and the date of any update. Where that information is presented as a downloadable file, financial market participants and financial advisers shall indicate the version history in the file name.*
4. *Financial market participants and financial advisers shall provide, where available, legal entity identifiers (LEIs) and international securities identification numbers (ISINs) when referring to entities or financial products in the information provided in accordance with this Regulation.*

Article 3 Reference benchmarks with basket indexes (SFDR RTS)

Where an index designated as a reference benchmark is made up of a basket of indexes, financial market participants and financial advisers shall provide the information relating to that index in respect of that basket and of each index in that basket.

Article 50 to 57 of the SFDR RTS: Promotion of environmental or social characteristics

Article 50 Presentation and content requirements for periodic reports for financial products that promote environmental or social characteristics (SFDR RTS)

1. *For financial products that promote environmental or social characteristics, financial market participants shall present the information referred to in Article 11(1) of Regulation (EU) 2019/2088 in an annex to the document or information referred to in Article 11(2) of that Regulation in the form of the template set out in Annex IV to this Regulation.*
2. *Financial market participants shall include in the main body of the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 a prominent statement that information on the environmental or social characteristics is available in that annex.*

Article 51 Attainment of the environmental or social characteristics promoted by the financial products (SFDR RTS)

In the section 'To what extent were the environmental and/or social characteristics promoted by this financial 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 and have not harmed significantly any of those 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;*
 - (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;*
- (e) *information on principal adverse impacts on sustainability factors as referred to in the section 'Does this financial product consider principal adverse impacts on sustainability factors?' in the template set out in Annex II to this Regulation.*

Article 52 Top investments for financial products that promote environmental or social characteristics (SFDR RTS)

1. *The section 'What were the top investments of this financial 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..*

Article 53 Asset allocation by financial products that promote environmental or social characteristics (SFDR RTS)

In the section 'What was the asset allocation?' in the template set out in Annex IV to this Regulation, financial market participants shall provide a description of the investments of the financial product, including all of the following:

- (a) *the proportions of the investments of the financial product that attained the promoted environmental or social characteristics during the period covered by the periodic report;*
- (b) *the purpose of the remainder of the investments 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 54 Proportion of investments in different economic sectors and sub-sectors (SFDR RTS)

In the section ‘In which economic sectors were the investments made?’ in the template set out in Annex IV to this Regulation, financial market participants shall provide information on the proportion of investments during the period covered by the periodic report in different sectors and sub-sectors, including sectors and sub-sectors of the economy that derive 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 Council²⁴.

Article 55 Information on investments in environmentally sustainable economic activities for financial products that promote environmental characteristics (SFDR RTS)

1. *Where the financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 included a commitment to make investments in economic activities that contribute to an environmental objective within the meaning of Article 2, point (17), of Regulation 2019/2088, the section ‘What was the proportion of sustainability-related investments?’ in the template set out in Annex IV shall contain all of the following information:*
 - (a) *a breakdown of the proportion of the investments per each of the environmental objectives set out in Article 9 of Regulation (EU) 2020/852 to which those investments contributed;*
 - (b) *a description of the investments in environmentally sustainable economic activities during the period covered by the periodic report, including:*
 - (i) *whether the compliance of those investments with the requirements laid down in Article 3 of Regulation (EU) 2020/852 was subject to an assurance provided by one or more auditors or a review by one or more third parties and, if so, the name or the names of the auditor or third party;*
 - (ii) *a graphical representation in the form of a bar chart of the aggregated investments in environmentally sustainable economic activities during the period covered by the periodic report, calculated in accordance with Article 17(1) to (4);*
 - (iii) *a graphical representation in the form of a bar chart of the degree to which the aggregated investments are in environmentally sustainable economic activities during the period covered by the periodic report, but excluding sovereign exposures, and calculated in accordance with Article 17(5);*
 - (iv) *the information referred to in Article 15(2), point (b);*

²⁴ 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).

- (v) *a breakdown of the proportions of investments, during the period covered by the periodic report, in the transitional economic activities and in the enabling economic activities, in each case expressed as a percentage of all investments of the financial product;*
- (vi) *where the financial product invested in sustainable investments with an environmental objective, but which 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;*
- (viii) *where the financial market participant could not assess the extent to which sovereign exposures contributed to environmentally sustainable economic activities during the period covered by the periodic report, a narrative explanation of the reasons and the size of those exposures in total investments.*

2. *For the purposes of paragraph 1, point (b), points (ii) and (iii), all of the following shall apply:*

- (a) *when aggregating the investments in non-financial undertakings, the turnover, capital expenditure and operational expenditure shall be calculated and included in the graphical representation;*
- (b) *when aggregating the investments in financial undertakings, the turnover and capital expenditure shall, where applicable, be calculated and included in the graphical representation;*
- (c) *for insurance undertakings and reinsurance undertakings that carry out non-life underwriting activities, the key performance indicator may be a combination of the investment and the underwriting key performance indicators in accordance Article 6 of Delegated Regulation (EU) 2021/2178.*

Article 56 Information for financial products that promote social characteristics (SFDR RTS)

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 proportion of sustainability-related investments?' in the template set out in Annex IV shall contain the share of those sustainable investments.

Article 57 Sustainable performance of the index designated as a benchmark for environmental or social characteristics (SFDR RTS)

1. *In the section 'How did this financial product perform compared to the designated reference benchmark?' 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:*
 - (a) *an explanation of how the index designated as a reference benchmark differs from a relevant broad market index, including the performance, during the period covered by the periodic report, of the sustainability indicators deemed relevant by the financial market participant to determine the alignment of the index with the environmental or social characteristics promoted by the financial product and the ESG factors referred to in the benchmark statement published by the benchmark administrator in accordance with Article 27(1) of Regulation (EU) 2016/1011;*
 - (b) *a comparison between the performance of the financial product and the indicators measuring the sustainability factors of the index referred to in point (a) during the period covered by the periodic report;*
 - (c) *a comparison between the performance of the financial product and a relevant broad market index during the period covered by the periodic report.*

2. *The comparisons referred to in paragraph 1, points (b) and (c), shall be presented, where relevant, either in the form of a table or in the form of a graphical representation.*

Article 64 Historical comparisons for periodic reports (SFDR RTS)

1. *Financial market participants shall, in the historical comparisons referred to in Article 51, point (c), Article 55(1), point (b)(vii), Article 59, point (d), and Article 62(1), point (b)(vii), compare the period covered by the periodic report with periods covered by previous periodic reports and, subsequently, with every previous period covered by a periodic report up to at least the last five previous periods.*
2. *For the purposes of the historical comparisons referred to in Article 51, point (c), and Article 59, point (d), financial market participants shall report on the performance of the sustainability indicators consistently over time, and shall provide all of the following information:*
 - (a) *where quantitative disclosures are made, figures with a relative measure such as impact per euro invested;*
 - (b) *which indicators are subject to an assurance provided by an auditor or a review by a third party;*
 - (c) *the proportion of underlying assets of the financial product referred to in the section 'What was the proportion of sustainability-related investments?' in the template set out in Annex IV to this Regulation and in the section 'What was the proportion of sustainability-related investments?' in the template set out in Annex V.*

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 (SFDR RTS)

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 qualifies as a financial product 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 qualifies as a financial product that has sustainable investment as its objective, the information referred to in Articles 58 to 63 of this Regulation;*
 - (c) *for each investment option invested in that has sustainable investment as its objective and is not a financial product, the information on the objective of sustainable investment.*

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](#).

Article 67 Information on underlying investment options that have sustainable investment as their objective and are not themselves financial products
(SFDR RTS)

The information on the objective of the sustainable investment referred to in Article 65(2), point (c), and Article 66(2), point (b), shall contain all of the following:

- (a) a description of the sustainable investment objective;
- (b) the extent to which the sustainable investment objective was attained during the period covered by the periodic report, including the performance of the sustainability indicators used to measure the overall sustainable impacts of the options that have sustainable investment as their objective;
- (c) a description of how the investments do not significantly harm any of the sustainable investment objectives, 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](#), are taken into account;
 - (ii) whether the sustainable investment is 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.

Articles 58 to 63 of the SFDR RTS: Sustainable investment as objective

Article 58 Presentation and content requirements for periodic reports for financial products that have sustainable investment as their objective
(SFDR RTS)

For financial products that have sustainable investment as their objective, financial market participants shall present the information referred to in Article 11(1) of Regulation (EU) 2019/2088 in an annex to the document or information referred to in Article 11(2) of that Regulation in the form of the template set out in [Annex V to this Regulation](#). Financial market participants shall include in the main body of the document or information referred to in Article 11(2) of Regulation (EU) 2019/2088 a prominent statement that information on sustainable investment is available in that Annex.

Article 59 Attainment of the sustainable investment objective of the financial product
(SFDR RTS)

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

- (a) 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 ‘What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?’ of the section ‘What is the sustainable investment objective of this financial 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 attain 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 and 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;
 - (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;
- (f) information on principal adverse impacts on sustainability factors as referred to in in the section ‘Does this financial product consider principal adverse impacts on sustainability factors?’ in the template set out in Annex III to this Regulation.

Article 60 Top investments for financial products that have sustainable investment as their objective
(SFDR RTS)

1. In the section ‘What were the top investments of this financial 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.

Article 61 Proportion of sustainability-related investments for financial products that have sustainable investment as their objective
(SFDR RTS)

In the section ‘What was the proportion of sustainability-related 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 purpose of the remainder of the investments 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 or relate to cash held as ancillary liquidity;
- (c) the proportion of investments during the period covered by the periodic report in different sectors and sub-sectors.

Article 62 Information on sustainable investments for financial products with the objective of sustainable investment
(SFDR RTS)

1. For the financial products referred to in [Article 5, first paragraph, of Regulation \(EU\) 2020/852](#), the section 'What was the proportion of sustainability-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(1), 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);
 - (d) for financial products having sustainable investments with a social objective, the section 'What was the share of socially sustainable investments during the period covered by the periodic report' in the template set out in [Annex V](#) shall also contain the share of those sustainable investments.
2. For the purposes of paragraph 1, point (b)(ii) and point (b)(iii), financial market participants shall apply Article 55(2).

Article 63 Sustainable performance of the index designated as a benchmark for the sustainable objective
(SFDR RTS)

1. In the section 'How did this financial product perform compared to the reference sustainable benchmark?' 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:

- (a) *an explanation of how the index designated as a reference benchmark differs from a relevant broad market index, including at least the performance during the period covered by the periodic report of the sustainability indicators deemed relevant by the financial market participant to determine the alignment of the index with the sustainable investment objective, including the ESG factors referred to in the benchmark statement published by the benchmark administrator in accordance with Article 27(2a) of Regulation (EU) 2016/1011;*
 - (b) *a comparison between the performance of the financial product and the indicators measuring the sustainability factors of the index referred to in point (a) during the period covered by the periodic report;*
 - (c) *a comparison between the performance of the financial product and a relevant broad market index during the period covered by the periodic report.*
2. *The comparisons referred to in paragraph 1, points (b) and (c), shall be made either in the form of a table or in the form of a graphical representation.*

Article 64 Historical comparisons for periodic reports (SFDR RTS)

1. *Financial market participants shall, in the historical comparisons referred to in Article 51, point (c), Article 55(1), point (b)(vii), Article 59, point (d), and Article 62(1), point (b)(vii), compare the period covered by the periodic report with periods covered by previous periodic reports and, subsequently, with every previous period covered by a periodic report up to at least the last five previous periods.*
2. *For the purposes of the historical comparisons referred to in Article 51, point (c), and Article 59, point (d), financial market participants shall report on the performance of the sustainability indicators consistently over time, and shall provide all of the following information:*
 - (a) *where quantitative disclosures are made, figures with a relative measure such as impact per euro invested;*
 - (b) *which indicators are subject to an assurance provided by an auditor or a review by a third party;*
 - (c) *the proportion of underlying assets of the financial product referred to in the section 'What was the proportion of sustainability-related investments?' in the template set out in [Annex IV](#) to this Regulation and in the section 'What was the proportion of sustainability-related investments?' in the template set out in [Annex V](#).*

Article 66 Financial products with underlying investment options that all have sustainable investment as their objectives (SFDR RTS)

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 all of the following information in the 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 qualifies as a financial product that has sustainable investment as its objective, the information referred to in Articles 58 to 63;*

- (b) *for each investment option invested in that has sustainable investment as its objective and is not a financial product, the information on the objective of the sustainable investment.*
- 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 V](#).*

Article 67 Information on underlying investment options that have sustainable investment as their objective and are not themselves financial products
(SFDR RTS)

The information on the objective of the sustainable investment referred to in Article 65(2), point (c), and Article 66(2), point (b), shall contain all of the following:

- (a) *a description of the sustainable investment objective;*
- (b) *the extent to which the sustainable investment objective was attained during the period covered by the periodic report, including the performance of the sustainability indicators used to measure the overall sustainable impacts of the options that have sustainable investment as their objective;*
- (c) *a description of how the investments do not significantly harm any of the sustainable investment objectives, 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](#), are taken into account;*
 - (ii) *whether the sustainable investment is 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.*

Article 12 SFDR

Review of disclosures

- (1) Financial market participants shall ensure that any information published in accordance with Article 3, 5 or 10 is kept up to date. Where a financial market participant amends such information, a clear explanation of such amendment shall be published on the same website.
- (2) Paragraph 1 shall apply *mutatis mutandis* to financial advisers with regard to any information published in accordance with Articles 3 and 5.

Article 13 SFDR

Marketing Communications

- (1) Without prejudice to stricter sectoral legislation, in particular Directives 2009/65/EC, 2014/65/EU and (EU) 2016/97 and Regulation (EU) No 1286/2014, financial market participants and financial advisers shall ensure that their marketing communications do not contradict the information disclosed pursuant to this Regulation.
- (2) The ESAs may develop, through the Joint Committee, draft implementing technical standards to determine the standard presentation of information on the promotion of environmental or social characteristics and sustainable investments.

Power is delegated to the Commission to adopt the implementing technical standards referred to in the first subparagraph in accordance with Article 15 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.

Article 14 SFDR

Competent authorities

- (1) Member States shall ensure that the competent authorities designated in accordance with sectoral legislation, in particular the sectoral legislation referred to in Article 6(3) of this Regulation, and in accordance with Directive 2013/36/EU, monitor the compliance of financial market participants and financial advisers with the requirements of this Regulation. The competent authorities shall have all the supervisory and investigatory powers that are necessary for the exercise of their functions under this Regulation.
- (2) For the purposes of this Regulation, the competent authorities shall cooperate with each other and shall provide each other, without undue delay, with such information as is relevant for the purposes of carrying out their duties under this Regulation.

Article 15 SFDR

Transparency by IORPs and insurance intermediaries

- (1) IORPs shall publish and maintain the information referred to in Articles 3 to 7 and the first subparagraph of Article 10(1), of this Regulation in accordance with point (f) of Article 36(2) of Directive (EU) 2016/2341.
- (2) Insurance intermediaries shall communicate the information referred to in Article 3, Article 4(5), Article 5, Article 6 and the first subparagraph of Article 10(1), of this Regulation in accordance with Article 23 of Directive (EU) 2016/97.

Article 16 SFDR

Pension products covered by Regulations (EC) No 883/2004 and (EC) No 987/2009

- (1) Member States may decide to apply this Regulation to manufacturers of pension products operating national social security schemes which are covered by Regulations (EC) No 883/2004 and (EC) No 987/2009. In such cases, manufacturers of pension products as referred to in point (1)(d) of Article 2 of this Regulation shall include manufacturers of pension products operating national social security schemes and of pension products referred to in point (8) of Article 2 of this Regulation. In such case, the definition of pension product in point (8) of Article 2 of this Regulation shall be deemed to include the pension products referred to in the first sentence.
- (2) Member States shall notify the Commission and the ESAs of any decision taken pursuant to paragraph 1.

Article 17 SFDR

Exemptions

- (1) This Regulation shall neither apply to insurance intermediaries which provide insurance advice with regard to IBIPs nor to investment firms which provide investment advice that are enterprises irrespective of their legal form, including natural persons and self-employed persons, provided that they employ fewer than three persons.
- (2) Member States may decide to apply this Regulation to insurance intermediaries which provide insurance advice with regard to IBIPs or investment firms which provide investment advice as referred to in paragraph 1.
- (3) Member States shall notify the Commission and the ESAs of any decision taken pursuant to paragraph 2.

Article 18 SFDR

Report

The ESAs shall take stock of the extent of voluntary disclosures in accordance with point (a) of Article 4(1) and point (a) of Article 7(1). By 10 September 2022 and every year thereafter, the ESAs shall submit a report to the Commission on best practices and make recommendations towards voluntary reporting standards. That annual report shall consider the implications of due diligence practices on disclosures under this Regulation and shall provide guidance on this matter. That report shall be made public and be transmitted to the European Parliament and to the Council.

Article 19 SFDR

Evaluation

- (1) By 30 December 2022, the Commission shall evaluate the application of this Regulation and shall in particular consider:
 - a) whether the reference to the average number of employees in Article 4(3) and (4) should be maintained, replaced or accompanied by other criteria, and shall consider the benefits and proportionality of the related administrative burden;
 - b) whether the functioning of this Regulation is inhibited by the lack of data or their suboptimal quality, including indicators on adverse impacts on sustainability factors by investee companies.
- (2) The evaluation referred to in paragraph 1 shall be accompanied, if appropriate, by a legislative proposal.

Article 20 SFDR

Entry into force and application

▪ **Article 9 of the Taxonomy Regulation**

- (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 10 March 2021.
- (3) By way of derogation from paragraph 2 of this Article:
 - a) Articles 4(6) and (7), 8(3), 9(5), 10(2), 11(4) and 13(2) shall apply from 29 December 2019;
 - b) Articles 2a, 8(4), 9(6) and 11(5) shall apply from 12 July 2020;
 - c) Articles 8(2a) and 9(4a) shall apply:
 - i) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852, from 1 January 2022; and
 - ii) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852, from 1 January 2023;
 - d) Article 11(1), (2) and (3) shall apply from 1 January 2022.

[Paragraph 3 as amended by the Taxonomy Regulation, Chapter III: Final Provisions, Article 25: Amendments to Regulation (EU) 2019/2088]

Taxonomy Regulation

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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee²⁵,

Acting in accordance with the ordinary legislative procedure²⁶,

Recitals Taxonomy Regulation

Whereas:

- (1) Article 3(3) of the Treaty on European Union aims to establish an internal market that works for the sustainable development of Europe, based, among other things, on balanced economic growth and a high level of protection and the improvement of the quality of the environment.
- (2) On 25 September 2015, the UN General Assembly adopted a new global sustainable development framework: the 2030 Agenda for Sustainable Development (the '2030 Agenda'). The 2030 Agenda has at its core the Sustainable Development Goals (SDGs) and covers the three dimensions of sustainability: economic, social and environmental. The Commission communication of 22 November 2016 on the next steps for a sustainable European future links the SDGs to the Union policy framework to ensure that all Union actions and policy initiatives, both within the Union and globally, take the SDGs on board at the outset. In its conclusions of 20 June 2017 the Council confirmed the commitment of the Union and its Member States to the implementation of the 2030 Agenda in a full, coherent, comprehensive, integrated and effective manner, in close cooperation with partners and other stakeholders. On 11 December 2019, the Commission published its communication on 'The European Green Deal'.
- (3) The Paris Agreement adopted under the United Nations Framework Convention on Climate Change (the 'Paris Agreement') was approved by the Union on 5 October 2016²⁷. Article 2(1)(c) of the Paris Agreement aims to strengthen the response to climate change by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, among other means. In that context, on 12 December 2019, the European Council adopted conclusions on climate change. In light thereof, this Regulation represents a key step towards the objective of achieving a climate-neutral Union by 2050.
- (4) Sustainability and the transition to a safe, climate-neutral, climate-resilient, more resource-efficient and circular economy are crucial to ensuring the long-term competitiveness of the Union economy.

²⁵OJ C 62, 15.2.2019, p. 103.

²⁶ Position of the European Parliament of 28 March 2019 (not yet published in the Official Journal) and Position of the Council at first reading of 15 April 2020 (OJ C 184, 3.6.2020, p. 1). Position of the European Parliament of 17 June 2020 (not yet published in the Official Journal).

²⁷ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

Sustainability has long been central to the Union project, and the Treaty on European Union and the Treaty on the Functioning of the European Union (TFEU) reflect its social and environmental dimensions.

- (5) In December 2016, the Commission mandated a High-Level Expert Group to develop an overarching and comprehensive Union strategy on sustainable finance. The report of the High-Level Expert Group published on 31 January 2018 calls for the creation of a technically robust classification system at Union level to establish clarity on which activities qualify as 'green' or 'sustainable', starting with climate change mitigation.
- (6) In its communication of 8 March 2018, the Commission published its action plan on financing sustainable growth, launching an ambitious and comprehensive strategy on sustainable finance. One of the objectives set out in that action plan is to reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth. The establishment of a unified classification system for sustainable activities is the most important and urgent action envisaged by the action plan. The action plan recognises that the shift of capital flows towards more sustainable activities has to be underpinned by a shared, holistic understanding of the environmental sustainability of activities and investments. As a first step, clear guidance on activities that qualify as contributing to environmental objectives would help inform investors about the investments that fund environmentally sustainable economic activities. Further guidance on activities that contribute to other sustainability objectives, including social objectives, might be developed at a later stage.
- (7) Given the systemic nature of global environmental challenges, there is a need for a systemic and forward-looking approach to environmental sustainability that addresses growing negative trends, such as climate change, the loss of biodiversity, the global overconsumption of resources, food scarcity, ozone depletion, ocean acidification, the deterioration of the fresh water system, and land system change as well as the appearance of new threats, such as hazardous chemicals and their combined effects.
- (8) Decision No 1386/2013/EU of the European Parliament and of the Council²⁸ calls for an increase in private sector funding for environmental and climate-related expenditure, in particular by putting in place incentives and methodologies that stimulate companies to measure the environmental costs of their business and profits derived from using environmental services.
- (9) Achieving the SDGs in the Union requires the channelling of capital flows towards sustainable investments. It is important to fully exploit the potential of the internal market to achieve those goals. In that context, it is crucial to remove obstacles to the efficient movement of capital into sustainable investments in the internal market and to prevent new obstacles from emerging.
- (10) In view of the scale of the challenge and the costs associated with inaction or delayed action, the financial system should be gradually adapted in order to support the sustainable functioning of the economy. To that end, sustainable finance needs to become mainstream and consideration needs to be given to the sustainability impact of financial products and services.
- (11) Making available financial products which pursue environmentally sustainable objectives is an effective way of channelling private investments into sustainable activities. Requirements for marketing financial products or corporate bonds as environmentally sustainable investments, including requirements set by Member States and the Union to allow financial market participants and issuers to use national labels, aim to enhance investor confidence and awareness of the environmental impact of those financial products or corporate bonds, to create visibility and to address concerns about 'greenwashing'. In the context of this Regulation, greenwashing refers to the practice of gaining an unfair competitive advantage by marketing a financial product as environmentally friendly, when in fact basic environmental standards have not been met. Currently, a few Member States have labelling schemes in place. Those existing schemes build on different classification systems for environmentally sustainable economic activities. Given the political commitments under the Paris Agreement and at Union level, it is likely that more and more Member States will establish labelling schemes or impose other requirements on financial market participants or issuers in respect of promoting financial products or corporate bonds as environmentally sustainable. In such cases, Member States would use their own national classification systems for the purposes of determining which investments qualify as sustainable. If those national labelling schemes or

²⁸ Decision No 1386/2013/EU of the European Parliament and of the Council of 20 November 2013 on a General Union Environment Action Programme to 2020 'Living well, within the limits of our planet' (OJ L 354, 28.12.2013, p. 171).

requirements use different criteria to determine which economic activities qualify as environmentally sustainable, investors would be discouraged from investing across borders due to difficulties in comparing different investment opportunities. In addition, economic operators that wish to attract investment from across the Union would have to meet different criteria in different Member States in order for their activities to qualify as environmentally sustainable. The absence of uniform criteria would therefore increase costs and significantly disincentivise economic operators from accessing cross-border capital markets for the purposes of sustainable investment.

- (12) The criteria for determining whether an economic activity qualifies as environmentally sustainable should be harmonised at Union level in order to remove barriers to the functioning of the internal market with regard to raising funds for sustainability projects, and to prevent the future emergence of barriers to such projects. With such harmonisation, economic operators would find it easier to raise funding across borders for their environmentally sustainable activities, as their economic activities could be compared against uniform criteria in order to be selected as underlying assets for environmentally sustainable investments. Such harmonisation would therefore facilitate cross-border sustainable investment in the Union.
- (13) If financial market participants do not provide any explanation to investors about how the activities in which they invest contribute to environmental objectives, or if financial market participants use different concepts in their explanations of what an environmentally sustainable economic activity is, investors will find it disproportionately burdensome to check and compare different financial products. It has been found that such practices discourage investors from investing in environmentally sustainable financial products. Furthermore, a lack of investor confidence has a major detrimental impact on the market for sustainable investment. It has also been shown that national rules and market-based initiatives taken to tackle that issue within national borders lead to the fragmentation of the internal market. If financial market participants disclose how and to what extent the financial products that are made available as environmentally sustainable invest in activities that meet the criteria for environmentally sustainable economic activities under this Regulation, and if financial market participants use common criteria for such disclosures across the Union, that would help investors compare investment opportunities across borders and would incentivise investee companies to make their business models more environmentally sustainable. Additionally, investors would invest in environmentally sustainable financial products across the Union with higher confidence, thereby improving the functioning of the internal market.
- (14) To address existing obstacles to the functioning of the internal market and to prevent the emergence of such obstacles in the future, Member States and the Union should be required to use a common concept of environmentally sustainable investment when introducing requirements at national and Union level regarding financial market participants or issuers for the purpose of labelling financial products or corporate bonds that are marketed as environmentally sustainable. To avoid market fragmentation and harm to the interests of consumers and investors as a result of diverging notions of environmentally sustainable economic activities, national requirements that financial market participants or issuers have to comply with in order to market financial products or corporate bonds as environmentally sustainable should build on the uniform criteria for environmentally sustainable economic activities. Such financial market participants and issuers include financial market participants that make available environmentally sustainable financial products and non-financial companies that issue environmentally sustainable corporate bonds.
- (15) Establishing criteria for environmentally sustainable economic activities may encourage economic operators not covered by this Regulation, on a voluntary basis, to publish and disclose information on their websites regarding the environmentally sustainable economic activities they carry out. That information will not only help financial market participants and other relevant actors on the financial markets to easily identify which economic operators carry out environmentally sustainable economic activities, but will also make it easier for those economic operators to raise funding for their environmentally sustainable activities.
- (16) A classification of environmentally sustainable economic activities at Union level should enable the development of future Union policies in support of sustainable finance, including Union-wide standards for environmentally sustainable financial products and the eventual establishment of labels that formally recognise compliance with those standards across the Union. It could also serve as the basis for other economic and regulatory measures. Uniform legal requirements for determining the degree of

environmental sustainability of investments, based on uniform criteria for environmentally sustainable economic activities, are necessary as a reference for future Union law that aims to facilitate the shift of investment towards environmentally sustainable economic activities.

- (17) In the context of achieving the SDGs in the Union, policy choices such as the creation of a European Fund for Strategic Investment, have been effective in contributing to the channelling of private investment towards sustainable investments alongside public spending. Regulation (EU) 2015/1017 of the European Parliament and of the Council²⁹ specifies a 40 % climate investment target for infrastructure and innovation projects under the European Fund for Strategic Investment. Common criteria for determining whether economic activities qualify as sustainable, including their impact on the environment, could underpin future similar initiatives of the Union to mobilise investment that pursues climate-related or other environmental objectives.
- (18) To avoid harming investor interests, fund managers and institutional investors that make available financial products should disclose how and to what extent they use the criteria for environmentally sustainable economic activities to determine the environmental sustainability of their investments. The information disclosed should enable investors to understand the proportion of the investments underlying the financial product in environmentally sustainable economic activities as a percentage of all investments underlying that financial product, thereby enabling investors to understand the degree of environmental sustainability of the investment. Where the investments underlying the financial product are in economic activities that contribute to an environmental objective, the information to be disclosed should specify the environmental objective or objectives to which the investment underlying the financial product contributes, as well as how and to what extent the investments underlying the financial product fund environmentally sustainable economic activities, and should include details on the respective proportions of enabling and transitional activities. The Commission should specify the information that needs to be disclosed in that regard. That information should enable national competent authorities to easily verify compliance with that disclosure obligation, and to enforce such compliance in accordance with applicable national law. Where financial market participants do not take the criteria for environmentally sustainable investments into account, they should provide a statement to that end. To avoid the circumvention of the disclosure obligation, that obligation should also apply where financial products are marketed as promoting environmental characteristics, including financial products that have as their objective environmental protection in a broad sense.
- (19) The disclosure obligations laid down in this Regulation supplement the rules on sustainability-related disclosures laid down in Regulation (EU) 2019/2088 of the European Parliament and of the Council³⁰. To enhance transparency and to provide an objective point of comparison by financial market participants to end investors on the proportion of investments that fund environmentally sustainable economic activities, this Regulation supplements the rules on transparency in pre-contractual disclosures and in periodic reports laid down in Regulation (EU) 2019/2088. The definition of 'sustainable investment' in Regulation (EU) 2019/2088 includes investments in economic activities that contribute to an environmental objective which, amongst others, should include investments into 'environmentally sustainable economic activities' within the meaning of this Regulation. Moreover, Regulation (EU) 2019/2088 only considers an investment to be a sustainable investment if it does not significantly harm any environmental or social objective as set out in that Regulation.
- (20) To ensure the reliability, consistency and comparability of sustainability-related disclosures in the financial services sector, disclosures pursuant to this Regulation should use existing sustainability indicators to the extent feasible as proposed by the European Parliament in its resolution of 29 May 2018 on sustainable finance³¹. In that context, the technical screening criteria should, to the extent feasible, be based on the sustainability indicators referred to in Regulation (EU) 2019/2088.

²⁹ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1).

³⁰ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

³¹ OJ C 76, 9.3.2020, p. 23.

- (21) Regarding economic activities carried out by undertakings that are not required to disclose information under this Regulation, there could be exceptional cases where financial market participants cannot reasonably obtain the relevant information to reliably determine the alignment with the technical screening criteria established pursuant to this Regulation. In such exceptional cases and only for those economic activities for which complete, reliable and timely information could not be obtained, financial market participants should be allowed to make complementary assessments and estimates on the basis of information from other sources. Such assessments and estimates should only compensate for limited and specific parts of the desired data elements, and produce a prudent outcome. In order to ensure that the disclosure to investors is clear and not misleading, financial market participants 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.
- (22) In its communication of 20 June 2019 on 'Guidelines on non-financial reporting: Supplement on reporting climate-related information', the Commission recommends that certain large companies report on certain climate-related key performance indicators (KPIs) that are based on the framework established by this Regulation. In particular, information on the proportion of the turnover, capital expenditure (CapEx) or operating expenditure (OpEx) of such large non-financial companies that is associated with environmentally sustainable economic activities, as well as KPIs that are tailored for large financial companies, is useful to investors who are interested in companies whose products and services contribute substantially to any one of the environmental objectives set out in this Regulation. It is therefore appropriate to require the annual publication of such KPIs by such large companies and to further define that requirement in delegated acts, in particular with regard to large financial companies. While it would be disproportionately burdensome to extend such a requirement to smaller companies, smaller companies may voluntarily decide to publish such information.
- (23) For the purpose of determining the environmental sustainability of a given economic activity, an exhaustive list of environmental objectives should be laid down. The six environmental objectives that this Regulation should cover are: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; and the protection and restoration of biodiversity and ecosystems.
- (24) An economic activity that pursues the environmental objective of climate change mitigation should contribute substantially to the stabilisation of greenhouse gas emissions by avoiding or reducing them or by enhancing greenhouse gas removals. The economic activity should be consistent with the long-term temperature goal of the Paris Agreement. That environmental objective should be interpreted in accordance with relevant Union law, including Directive 2009/31/EC of the European Parliament and of the Council³².
- (25) An economic activity that pursues the environmental objective of climate change adaptation should contribute substantially to reducing or preventing the adverse impact of the current or expected future climate, or the risks of such adverse impact, whether on that activity itself or on people, nature or assets. That environmental objective should be interpreted in accordance with relevant Union law and the Sendai Framework for Disaster Risk Reduction 2015-2030.
- (26) The environmental objective of the sustainable use and protection of water and marine resources should be interpreted in accordance with relevant Union law, including Regulation (EU) No 1380/2013 of the European Parliament and of the Council³³ and Directives 2000/60/EC³⁴, 2006/7/EC³⁵, 2006/118/EC³⁶,

³² Directive 2009/31/EC of the European Parliament and of the Council of 23 April 2009 on the geological storage of carbon dioxide and amending Council Directive 85/337/EEC, European Parliament and Council Directives 2000/60/EC, 2001/80/EC, 2004/35/EC, 2006/12/EC, 2008/1/EC and Regulation (EC) No 1013/2006 (OJ L 140, 5.6.2009, p. 114)

³³ Regulation (EU) No 1380/2013 of the European Parliament and of the Council of 11 December 2013 on the Common Fisheries Policy, amending Council Regulations (EC) No 1954/2003 and (EC) No 1224/2009 and repealing Council Regulations (EC) No 2371/2002 and (EC) No 639/2004 and Council Decision 2004/585/EC (OJ L 354, 28.12.2013, p. 22).

³⁴ 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).

³⁵ Directive 2006/7/EC of the European Parliament and of the Council of 15 February 2006 concerning the management of bathing water quality and repealing Directive 76/160/EEC (OJ L 64, 4.3.2006, p. 37).

³⁶ Directive 2006/118/EC of the European Parliament and of the Council of 12 December 2006 on the protection of groundwater against pollution and deterioration (OJ L 372, 27.12.2006, p. 19).

2008/56/EC³⁷ and 2008/105/EC³⁸ of the European Parliament and of the Council, Council Directives 91/271/EEC³⁹, 91/676/EEC⁴⁰ and 98/83/EC⁴¹ and Commission Decision (EU) 2017/848⁴², and with the communications of the Commission of 18 July 2007 on ‘Addressing the challenge of water scarcity and droughts in the European Union’, of 14 November 2012 on ‘A Blueprint to Safeguard Europe’s Water Resources’ and of 11 March 2019 on ‘European Union Strategic Approach to Pharmaceuticals in the Environment’.

- (27) The environmental objective of the transition to a circular economy should be interpreted in accordance with relevant Union law in the areas of the circular economy, waste and chemicals, including Regulations (EC) No 1013/2006⁴³, (EC) No 1907/2006⁴⁴ and (EU) 2019/1021⁴⁵ of the European Parliament and of the Council and Directives 94/62/EC⁴⁶, 2000/53/EC⁴⁷, 2006/66/EC⁴⁸, 2008/98/EC⁴⁹, 2010/75/EU⁵⁰, 2011/65/EU⁵¹, 2012/19/EU⁵², (EU) 2019/883⁵³ and (EU) 2019/904⁵⁴ of the European Parliament and of the Council, Council Directive 1999/31/EC⁵⁵, Commission Regulation (EU) No 1357/2014⁵⁶ and Commission Decisions 2000/532/EC⁵⁷ and 2014/955/EU⁵⁸, and with the communications of the Commission of 2 December 2015 on ‘Closing the loop - An EU action plan for the Circular Economy’ and of 16 January 2018 on ‘A European Strategy for Plastics in a Circular Economy’.

³⁷ Directive 2008/56/EC of the European Parliament and of the Council of 17 June 2008 establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive) (OJ L 164, 25.6.2008, p. 19).

³⁸ Directive 2008/105/EC of the European Parliament and of the Council of 16 December 2008 on environmental quality standards in the field of water policy, amending and subsequently repealing Council Directives 82/176/EEC, 83/513/EEC, 84/156/EEC, 84/491/EEC, 86/280/EEC and amending Directive 2000/60/EC of the European Parliament and of the Council (OJ L 348, 24.12.2008, p. 84).

³⁹ Council Directive 91/271/EEC of 21 May 1991 concerning urban waste water treatment (OJ L 135, 30.5.1991, p. 40).

⁴⁰ Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1).

⁴¹ Council Directive 98/83/EC of 3 November 1998 on the quality of water intended for human consumption (OJ L 330, 5.12.1998, p. 32).

⁴² Commission Decision (EU) 2017/848 of 17 May 2017 laying down criteria and methodological standards on good environmental status of marine waters and specifications and standardised methods for monitoring and assessment, and repealing Decision 2010/477/EU (OJ L 125, 18.5.2017, p. 43).

⁴³ Regulation (EC) No 1013/2006 of the European Parliament and of the Council of 14 June 2006 on shipments of waste (OJ L 190, 12.7.2006, p. 1).

⁴⁴ Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC (OJ L 396, 30.12.2006, p. 1).

⁴⁵ Regulation (EU) 2019/1021 of the European Parliament and of the Council of 20 June 2019 on persistent organic pollutants (OJ L 169, 25.6.2019, p. 45).

⁴⁶ European Parliament and Council Directive 94/62/EC of 20 December 1994 on packaging and packaging waste (OJ L 365, 31.12.1994, p. 10).

⁴⁷ Directive 2000/53/EC of the European Parliament and of the Council of 18 September 2000 on end-of life vehicles (OJ L 269, 21.10.2000, p. 34).

⁴⁸ Directive 2006/66/EC of the European Parliament and of the Council of 6 September 2006 on batteries and accumulators and waste batteries and accumulators and repealing Directive 91/157/EEC (OJ L 266, 26.9.2006, p. 1).

⁴⁹ 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).

⁵⁰ 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).

⁵¹ Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (OJ L 174, 1.7.2011, p. 88).

⁵² Directive 2012/19/EU of the European Parliament and of the Council of 4 July 2012 on waste electrical and electronic equipment (WEEE) (OJ L 197, 24.7.2012, p. 38).

⁵³ Directive (EU) 2019/883 of the European Parliament and of the Council of 17 April 2019 on port reception facilities for the delivery of waste from ships, amending Directive 2010/65/EU and repealing Directive 2000/59/EC (OJ L 151, 7.6.2019, p. 116).

⁵⁴ Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment (OJ L 155, 12.6.2019, p. 1).

⁵⁵ Council Directive 1999/31/EC of 26 April 1999 on the landfill of waste (OJ L 182, 16.7.1999, p. 1).

⁵⁶ Commission Regulation (EU) No 1357/2014 of 18 December 2014 replacing Annex III to Directive 2008/98/EC of the European Parliament and of the Council on waste and repealing certain Directives (OJ L 365, 19.12.2014, p. 89).

⁵⁷ Commission Decision 2000/532/EC of 3 May 2000 replacing Decision 94/3/EC establishing a list of wastes pursuant to Article 1(a) of Council Directive 75/442/EEC on waste and Council Decision 94/904/EC establishing a list of hazardous waste pursuant to Article 1 (4) of Council Directive 91/689/EEC on hazardous waste (OJ L 226, 6.9.2000, p. 3).

⁵⁸ Commission Decision 2014/955/EU of 18 December 2014 amending Decision 2000/532/EC on the list of waste pursuant to Directive 2008/98/EC of the European Parliament and of the Council (OJ L 370, 30.12.2014, p. 44).

- (28) An economic activity can contribute substantially to the environmental objective of transitioning to a circular economy in several ways. It can, for example, increase the durability, reparability, upgradability and reusability of products, or can reduce the use of resources through the design and choice of materials, facilitating repurposing, disassembly and deconstruction in the buildings and construction sector, in particular to reduce the use of building materials and promote the reuse of building materials. It can also contribute substantially to the environmental objective of transitioning to a circular economy by developing ‘product-as-a-service’ business models and circular value chains, with the aim of keeping products, components and materials at their highest utility and value for as long as possible. Any reduction in the content of hazardous substances in materials and products throughout the life cycle, including by replacing them with safer alternatives, should, as a minimum, be in accordance with Union law. An economic activity can also contribute substantially to the environmental objective of transitioning to a circular economy by reducing food waste in the production, processing, manufacturing or distribution of food.
- (29) The environmental objective of pollution prevention and control should be interpreted in accordance with relevant Union law, including Directives 2000/60/EC, 2004/35/EC⁵⁹, 2004/107/EC⁶⁰, 2006/118/EC, 2008/50/EC⁶¹, 2008/105/EC, 2010/75/EU, (EU) 2016/802⁶² and (EU) 2016/2284⁶³ of the European Parliament and of the Council.
- (30) The environmental objective of the protection and restoration of biodiversity and ecosystems should be interpreted in accordance with relevant Union law, including Regulations (EU) No 995/2010⁶⁴, (EU) No 511/2014⁶⁵ and (EU) No 1143/2014⁶⁶ of the European Parliament and of the Council, Directive 2009/147/EC of the European Parliament and of the Council⁶⁷, Council Regulation (EC) No 338/97⁶⁸, Council Directives 91/676/EEC and 92/43/EEC⁶⁹, and with the communications of the Commission of 21 May 2003 on ‘Forest Law Enforcement, Governance and Trade (FLEGT)’, of 3 May 2011 on ‘Our life insurance, our natural capital: an EU biodiversity strategy to 2020’, of 6 May 2013 on ‘Green Infrastructure (GI) – Enhancing Europe’s natural Capital’, of 26 February 2016 on ‘EU Action Plan against Wildlife Trafficking’ and of 23 July 2019 on ‘Stepping up EU Action to Protect and Restore the World’s Forests’.
- (31) An economic activity can contribute substantially to the environmental objective of the protection and restoration of biodiversity and ecosystems, in several ways, including by protecting, conserving or restoring biodiversity and ecosystems, and thereby enhancing ecosystem services. Such services are grouped into four categories, namely provisioning services, such as the provisioning of food and water; regulating services, such as the control of climate and disease; supporting services, such as nutrient cycles and oxygen production; and cultural services, such as providing spiritual and recreational benefits.
- (32) For the purposes of this Regulation, the term ‘sustainable forest management’ should be construed by taking into account practices and uses of forests and forest land that contribute to enhancing biodiversity

⁵⁹ Directive 2004/35/EC of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage (OJ L 143, 30.4.2004, p. 56).

⁶⁰ Directive 2004/107/EC of the European Parliament and of the Council of 15 December 2004 relating to arsenic, cadmium, mercury, nickel and polycyclic aromatic hydrocarbons in ambient air (OJ L 23, 26.1.2005, p. 3).

⁶¹ Directive 2008/50/EC of the European Parliament and of the Council of 21 May 2008 on ambient air quality and cleaner air for Europe (OJ L 152, 11.6.2008, p. 1).

⁶² Directive (EU) 2016/802 of the European Parliament and of the Council of 11 May 2016 relating to a reduction in the sulphur content of certain liquid fuels (OJ L 132, 21.5.2016, p. 58).

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 (OJ L 344, 17.12.2016, p. 1).

⁶⁴ Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market (OJ L 295, 12.11.2010, p. 23).

⁶⁵ Regulation (EU) No 511/2014 of the European Parliament and of the Council of 16 April 2014 on compliance measures for users from the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization in the Union (OJ L 150, 20.5.2014, p. 59).

⁶⁶ Regulation (EU) No 1143/2014 of the European Parliament and of the Council of 22 October 2014 on the prevention and management of the introduction and spread of invasive alien species (OJ L 317, 4.11.2014, p. 35).

⁶⁷ 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).

⁶⁸ Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein (OJ L 61, 3.3.1997, p. 1).

⁶⁹ 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).

or to halting or preventing the degradation of ecosystems, deforestation and habitat loss, by taking into account the stewardship and use of forests and forest land in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems, as set out in Resolution H1 of the Second Ministerial Conference on the Protection of Forests in Europe of 16-17 June 1993 in Helsinki on General Guidelines for the Sustainable Management of Forests in Europe as well as by taking into account Regulations (EU) No 995/2010 and (EU) 2018/841⁷⁰ of the European Parliament and of the Council and Directive (EU) 2018/2001 of the European Parliament and of the Council⁷¹ and the communication of the Commission of 20 September 2013 on 'A new EU Forest Strategy: for forests and the forest-based sector'.

- (33) For the purposes of this Regulation, the term 'energy efficiency' is used in a broad sense and should be construed by taking into account relevant Union law, including Regulation (EU) 2017/1369 of the European Parliament and of the Council⁷² and Directives 2012/27/EU⁷³ and (EU) 2018/844⁷⁴ of the European Parliament and of the Council, as well as the implementing measures adopted pursuant to Directive 2009/125/EC of the European Parliament and of the Council⁷⁵.
- (34) For each environmental objective, uniform criteria for determining whether economic activities contribute substantially to that objective should be laid down. One element of the uniform criteria should be to avoid significant harm to any of the environmental objectives set out in this Regulation. This is in order to avoid that investments qualify as environmentally sustainable in cases where the economic activities benefitting from those investments cause harm to the environment to an extent that outweighs their contribution to an environmental objective. Such criteria should take into account the life cycle of the products and services provided by that economic activity in addition to the environmental impact of the economic activity itself, including taking into account evidence from existing life-cycle assessments, in particular by considering their production, use and end of life.
- (35) Recalling the joint commitment of the European Parliament, the Council and the Commission to pursuing the principles enshrined in the European Pillar of Social Rights in support of sustainable and inclusive growth, and recognising the relevance of international minimum human and labour rights and standards, compliance with minimum safeguards should be a condition for economic activities to qualify as environmentally sustainable. For that reason, economic activities should only qualify as environmentally sustainable where they are carried out in alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO), the eight fundamental conventions of the ILO and the International Bill of Human Rights. The fundamental conventions of the ILO define human and labour rights that undertakings should respect. Several of those international standards are enshrined in the Charter of Fundamental Rights of the European Union, in particular the prohibition of slavery and forced labour and the principle of non-discrimination. Those minimum safeguards are without prejudice to the application of more stringent requirements related to the environment, health, safety and social sustainability set out in Union law, where applicable. When complying with those minimum safeguards, undertakings should adhere to the principle of 'do no significant harm' referred to in Regulation (EU) 2019/2088, and take into account the regulatory technical standards adopted pursuant to that Regulation that further specify that principle.

⁷⁰ Regulation (EU) 2018/841 of the European Parliament and of the Council of 30 May 2018 on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry in the 2030 climate and energy framework, and amending Regulation (EU) No 525/2013 and Decision No 529/2013/EU (OJ L 156, 19.6.2018, p. 1).

⁷¹ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

⁷² Regulation (EU) 2017/1369 of the European Parliament and of the Council of 4 July 2017 setting a framework for energy labelling and repealing Directive 2010/30/EU (OJ L 198, 28.7.2017, p. 1).

⁷³ Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

⁷⁴ Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency (OJ L 156, 19.6.2018, p. 75).

⁷⁵ Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products (OJ L 285, 31.10.2009, p. 10).

- (36) In order to ensure consistency between this Regulation and Regulation (EU) 2019/2088, this Regulation should amend Regulation (EU) 2019/2088 to mandate the European Supervisory Authorities established by Regulations (EU) No 1093/2010⁷⁶, (EU) No 1094/2010⁷⁷ and (EU) No 1095/2010⁷⁸ of the European Parliament and of the Council (collectively, the 'ESAs') to jointly develop regulatory technical standards to further specify the details of the content and presentation of the information in relation to the principle of 'do no significant harm'. Those regulatory technical standards should be consistent with the content, methodologies, and presentation of the sustainability indicators in relation to adverse impacts as referred to in Regulation (EU) 2019/2088. They should also be consistent with the principles enshrined in the European Pillar of Social Rights, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, including the ILO Declaration on Fundamental Principles and Rights at Work, the eight fundamental conventions of the ILO and the International Bill of Human Rights.
- (37) Regulation (EU) 2019/2088 should further be amended to mandate the ESAs to develop, through the Joint Committee, draft regulatory technical standards to supplement the rules on transparency of the promotion of environmental characteristics and of environmentally sustainable investments in pre-contractual disclosures and in periodic reports.
- (38) Given the specific technical details needed to assess the environmental impact of an economic activity and the fast-changing nature of both science and technology, the criteria for environmentally sustainable economic activities should be adapted regularly to reflect such changes. For the criteria to be up to date, based on scientific evidence and input from experts as well as relevant stakeholders, the conditions for 'substantial contribution' and 'significant harm' should be specified with more granularity for different economic activities and should be updated regularly. For that purpose, granular and calibrated technical screening criteria for the different economic activities should be established by the Commission on the basis of technical input from a multi-stakeholder platform on sustainable finance.
- (39) Some economic activities have a negative impact on the environment, and reducing such negative impact can make a substantial contribution to one or more environmental objectives. For those economic activities, it is appropriate to establish technical screening criteria that require a substantial improvement in environmental performance compared with, inter alia, the industry average, but at the same time avoid environmentally harmful lock-in effects, including carbon-intensive lock-in effects, during the economic lifetime of the funded economic activity. Those criteria should also consider the long-term impact of a specific economic activity.
- (40) An economic activity should not qualify as environmentally sustainable if it causes more harm to the environment than the benefits it brings. The technical screening criteria should identify the minimum requirements necessary to avoid significant harm to other objectives, including by building on any minimum requirements laid down pursuant to Union law. When establishing and updating the technical screening criteria, the Commission should ensure that those criteria are based on available scientific evidence, are developed by taking into account life-cycle considerations, including existing life-cycle assessments, and are updated regularly. Where scientific evaluation does not allow for a risk to be determined with sufficient certainty, the precautionary principle should apply in accordance with Article 191 TFEU.
- (41) In establishing and updating the technical screening criteria for the environmental objective of climate change mitigation, the Commission should take into account and provide incentives for the ongoing and necessary transition towards a climate-neutral economy in accordance with Article 10(2) of this Regulation. In addition to the use of climate-neutral energy and more investments in already low-carbon economic activities and sectors, the transition requires substantial reductions in greenhouse gas emissions in other economic activities and sectors for which there are no technologically and economically

⁷⁶ 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).

⁷⁷ 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).

⁷⁸ 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).

feasible low-carbon alternatives. Those transitional economic activities should qualify as contributing substantially to climate change mitigation if their greenhouse gas emissions are substantially lower than the sector or industry average, they do not hamper the development and deployment of low-carbon alternatives and they do not lead to a lock-in of assets incompatible with the objective of climate-neutrality, considering the economic lifetime of those assets. The technical screening criteria for such transitional economic activities should ensure that those transitional activities have a credible path towards climate-neutrality, and should be adjusted accordingly at regular intervals.

- (42) An economic activity should qualify as contributing substantially to one or more of the environmental objectives set out in this Regulation where it directly enables other activities to make a substantial contribution to one or more of those objectives. Such enabling activities should not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets, and should have a substantial positive environmental impact, on the basis of life-cycle considerations.
- (43) When establishing and updating the technical screening criteria the Commission should take into account relevant Union law, including Regulations (EC) No 1221/2009⁷⁹ and (EC) 66/2010⁸⁰ of the European Parliament and of the Council, as well as Commission Recommendation 2013/179/EU⁸¹ and the communication of the Commission of 16 July 2018 on ‘Public procurement for a better environment’. To avoid unnecessary inconsistencies with classifications of economic activities that already exist for other purposes, the Commission should also take into account the statistical classifications relating to the environmental goods and services sector, namely the classification of environmental protection activities (CEPA) and the classification of resource management activities (CReMA) of Regulation (EU) No 538/2014 of the European Parliament and of the Council⁸². When establishing and updating the technical screening criteria, the Commission should take into account existing environmental indicators and reporting frameworks, developed by, amongst others, the Commission and the European Environment Agency, and existing international standards, such as those developed by, amongst others, the OECD.
- (44) When establishing and updating the technical screening criteria, the Commission should also take into account the specificities of the infrastructure sector and should take into account environmental, social and economic externalities within a cost-benefit analysis. In that regard, the Commission should take into account relevant Union law, including Directives 2001/42/EC⁸³, 2011/92/EU⁸⁴, 2014/23/EU⁸⁵, 2014/24/EU⁸⁶ and 2014/25/EU⁸⁷ of the European Parliament and of the Council, standards and current methodology, as well as the work of international organisations, such as the OECD. In that context, the technical screening criteria should promote appropriate governance frameworks integrating environmental, social and governance factors as referred to in the United Nations-supported Principles for Responsible Investment at all stages of a project’s life cycle.
- (45) The technical screening criteria should ensure that relevant economic activities within a specific sector can qualify as environmentally sustainable and are treated equally if they contribute equally to one or more of the environmental objectives laid down in this Regulation. The potential capacity to contribute to those environmental objectives can vary across sectors, which should be reflected in those criteria.

⁷⁹ Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1).

⁸⁰ Regulation (EC) No 66/2010 of the European Parliament and the Council of 25 November 2009 on the EU Ecolabel (OJ L 27, 30.1.2010, p. 1).

⁸¹ Commission Recommendation 2013/179/EU of 9 April 2013 on the use of common methods to measure and communicate the life cycle environmental performance of products and organisations (OJ L 124, 4.5.2013, p. 1).

⁸² Regulation (EU) No 538/2014 of the European Parliament and of the Council of 16 April 2014 amending Regulation (EU) No 691/2011 on European environmental economic accounts (OJ L 158, 27.5.2014, p. 113).

⁸³ Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment (OJ L 197, 21.7.2001, p. 30).

⁸⁴ 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 26, 28.1.2012, p. 1).

⁸⁵ Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts (OJ L 94, 28.3.2014, p. 1).

⁸⁶ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p. 65).

⁸⁷ Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p. 243).

However, within each sector, those criteria should not unfairly disadvantage certain economic activities over others if the former contribute to the environmental objectives to the same extent as the latter.

- (46) When establishing and updating technical screening criteria for environmentally sustainable activities, the Commission should assess whether the establishment of those criteria would give rise to stranded assets or would result in inconsistent incentives, or would have any other adverse impact on financial markets
- (47) To avoid overly burdensome compliance costs on economic operators, the Commission should establish technical screening criteria that provide for sufficient legal clarity, that are practicable and easy to apply, and for which compliance can be verified within reasonable cost-of-compliance boundaries, thereby avoiding unnecessary administrative burden. Technical screening criteria could require carrying out a life-cycle assessment where sufficiently practicable and where necessary.
- (48) To ensure that investments are channelled towards economic activities that make the greatest positive impact on the environmental objectives, the Commission should give priority to the establishment of technical screening criteria for the economic activities that potentially contribute most to the environmental objectives.
- (49) Appropriate technical screening criteria should be established for the transport sector, including for mobile assets. Those screening criteria should take into account the fact that the transport sector, including international shipping, contributes close to 26 % of total greenhouse gas emissions in the Union. As stated in the Action Plan on Financing Sustainable Growth the transport sector represents about 30 % of the additional annual investment needed for sustainable development in the Union, for example to increase electrification or to support the transition to cleaner modes of transport by promoting modal shift and better traffic management.
- (50) When developing the technical screening criteria, it is of particular importance that the Commission carry out appropriate consultations in line with the Better Regulation Agenda. The process for the establishment and update of the technical screening criteria should involve relevant stakeholders and should build on the advice of experts who have proven knowledge and experience in the relevant areas. For that purpose, the Commission should set up a Platform on Sustainable Finance (the 'Platform'). The Platform should be composed of experts representing both the public and private sectors. Public-sector experts should include representatives of the European Environmental Agency, the ESAs, the European Investment Bank and the European Union Agency for Fundamental Rights. Private sector experts should include representatives of financial and non-financial market participants and business sectors, representing relevant industries, and persons with accounting and reporting expertise. The Platform should also include experts representing civil society, including experts in the field of environmental, social, labour and governance issues. Financial market participants should be encouraged to inform the Commission if they consider that an economic activity that does not meet the technical screening criteria, or for which such criteria have not yet been established, should qualify as environmentally sustainable, in order to help the Commission in evaluating the appropriateness of complementing or updating the technical screening criteria.
- (51) The Platform should be constituted in accordance with the applicable horizontal rules on the creation and operation of Commission expert groups, including with regard to the selection process. The selection process should aim to ensure a high level of expertise, geographical and gender balance, as well as a balanced representation of relevant know-how, taking into account the specific tasks of the Platform. During the selection process, the Commission should perform an assessment in accordance with those horizontal rules to determine whether potential conflicts of interest exist and should take appropriate measures to resolve any such conflicts.
- (52) The Platform should advise the Commission on the development, analysis and review of technical screening criteria, including the potential impact of such criteria on the valuation of assets that qualify as environmentally sustainable assets under existing market practices. The Platform should also advise the Commission on whether the technical screening criteria are suitable for use in future Union policy initiatives aimed at facilitating sustainable investment and on the possible role of sustainability accounting and reporting standards in supporting the application of the technical screening criteria. The Platform should advise the Commission on developing further measures to improve data availability and quality, taking into account the objective of avoiding undue administrative burden, on addressing other

sustainability objectives, including social objectives, and on the functioning of minimum safeguards and the possible need to supplement them.

- (53) The Commission should continue the existing Member State Expert Group on Sustainable Finance and provide it with a formal status. The tasks of that expert group will, inter alia, consist of advising the Commission on the appropriateness of the technical screening criteria and the approach taken by the Platform with regard to developing those criteria. For that purpose, the Commission should keep the Member States informed through regular meetings of the Member State Expert Group on Sustainable Finance.
- (54) In order to specify the requirements set out in this Regulation, and in particular to establish and update for different economic activities granular and calibrated technical screening criteria for what constitutes 'substantial contribution' and 'significant harm' to the environmental objectives, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of the information required to comply with the disclosure obligations pursuant to this Regulation, and in respect of the technical screening criteria. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, such as through the Platform and the Member State Expert Group on Sustainable Finance, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making⁸⁸. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (55) This Regulation supplements the disclosure requirements laid down in Regulation (EU) 2019/2088. To ensure the orderly and effective monitoring of compliance by financial market participants with this Regulation, Member States should rely on the competent authorities designated in accordance with Regulation (EU) 2019/2088. To enforce compliance, Member States should in addition lay down rules on measures and penalties, which should be effective, proportionate and dissuasive. National competent authorities and the ESAs should exercise the product intervention powers laid down in Regulations (EU) No 600/2014⁸⁹, (EU) No 1286/2014⁹⁰ and (EU) 2019/1238⁹¹ of the European Parliament and of the Council also with respect to mis-selling practices or misleading disclosures of sustainability-related information, including the information required under this Regulation.
- (56) In order to ensure the efficient and sustainable organisation of the work and meeting practices of both the Platform and the Member State Expert Group on Sustainable Finance, and in order to enable broad participation and efficient interaction within the groups, their subgroups, the Commission and stakeholders, the increased use of digital, including virtual, technologies should be considered, where appropriate.
- (57) To give sufficient time to the relevant actors to familiarise themselves with the criteria for qualification as environmentally sustainable economic activities set out in this Regulation and to prepare for their application, the obligations set out in this Regulation should become applicable, for each environmental objective, 12 months after the relevant technical screening criteria have been established.
- (58) The provision in this Regulation referring to certificate-based tax incentive schemes that exist prior to the entry into force of this Regulation is without prejudice to the respective competences of the Union and the Member States with respect to tax provisions, as set out by the Treaties.
- (59) The application of this Regulation should be reviewed regularly in order to assess, inter alia: the progress with regard to the development of technical screening criteria for environmentally sustainable economic activities; the possible need to revise and complement those criteria for determining whether an economic activity qualifies as environmentally sustainable; the effectiveness of the classification system

⁸⁸ OJ L 123, 12.5.2016, p. 1.

⁸⁹ Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (OJ L 173, 12.6.2014, p. 84).

⁹⁰ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, p. 1).

⁹¹ Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP) (OJ L 198, 25.7.2019, p. 1).

for environmentally sustainable economic activities in channelling private investment into such activities and in particular as regards the flow of capital into private enterprises and other legal entities; and the further development of that classification system, including by expanding its scope beyond environmentally sustainable economic activities, in order to cover activities that significantly harm the environment, as well as other sustainability objectives, including social objectives.

- (60) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States, but can rather, by reason of the need to introduce at Union level uniform criteria for environmentally sustainable economic activities, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

CHAPTER I

SUBJECT MATTER, SCOPE AND DEFINITIONS

Article 1 Taxonomy Regulation

Subject matter and scope

- (1) This Regulation establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable.
- (2) This Regulation applies to:
 - a) measures adopted by Member States or by the Union that set out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable;
 - b) financial market participants that make available financial products;
 - c) undertakings which are subject to the obligation to publish a non-financial statement or a consolidated non-financial statement pursuant to Article 19a or Article 29a of Directive 2013/34/EU of the European Parliament and of the Council⁹², respectively.

⁹² 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).

Article 2 Taxonomy Regulation

Definitions

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

- (1) ‘environmentally sustainable investment’ means an investment in one or several economic activities that qualify as environmentally sustainable under this Regulation;
- (2) ‘financial market participant’ means a financial market participant as defined in point (1) of Article 2 of Regulation (EU) 2019/2088 and includes a manufacturer of a pension product to which a Member State has decided to apply that Regulation in accordance with Article 16 of that Regulation;
- (3) ‘financial product’ means a financial product as defined in point (12) of Article 2 of Regulation (EU) 2019/2088;
- (4) ‘issuer’ means an issuer as defined in point (h) of Article 2 of Regulation (EU) 2017/1129 of the European Parliament and of the Council⁹³;
- (5) ‘climate change mitigation’ means the process of holding the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1,5 °C above pre-industrial levels, as laid down in the Paris Agreement;
- (6) ‘climate change adaptation’ means the process of adjustment to actual and expected climate change and its impacts;
- (7) ‘greenhouse gas’ means a greenhouse gas listed in Annex I to Regulation (EU) No 525/2013 of the European Parliament and of the Council⁹⁴;
- (8) ‘waste hierarchy’ means the waste hierarchy as laid down in Article 4 of Directive 2008/98/EC;
- (9) ‘circular economy’ means an economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimising waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy;
- (10) ‘pollutant’ means a substance, vibration, heat, noise, light or other contaminant present in air, water or land which may be harmful to human health or the environment, which may result in damage to material property, or which may impair or interfere with amenities and other legitimate uses of the environment;
- (11) ‘soil’ means the top layer of the Earth’s crust situated between the bedrock and the surface, which is composed of mineral particles, organic matter, water, air and living organisms;
- (12) ‘pollution’ means:
 - a) the direct or indirect introduction of pollutants into air, water or land as a result of human activity;
 - b) in the context of the marine environment, pollution as defined in point 8 of Article 3 of Directive 2008/56/EC;
 - c) in the context of the water environment, pollution as defined in point 33 of Article 2 of Directive 2000/60/EC;

⁹³ Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168, 30.6.2017, p. 12).

⁹⁴ Regulation (EU) No 525/2013 of the European Parliament and of the Council of 21 May 2013 on a mechanism for monitoring and reporting greenhouse gas emissions and for reporting other information at national and Union level relevant to climate change and repealing Decision No 280/2004/EC (OJ L 165, 18.6.2013, p. 13).

- (13) 'ecosystem' means a dynamic complex of plant, animal, and micro-organism communities and their non-living environment interacting as a functional unit;
- (14) 'ecosystem services' means the direct and indirect contributions of ecosystems to the economic, social, cultural and other benefits that people derive from those ecosystems;
- (15) 'biodiversity' means the variability among living organisms arising from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part and includes diversity within species, between species and of ecosystems;
- (16) 'good condition' means, in relation to an ecosystem, that the ecosystem is in good physical, chemical and biological condition or of a good physical, chemical and biological quality with self-reproduction or self-restoration capability, in which species composition, ecosystem structure and ecological functions are not impaired;
- (17) 'energy efficiency' means the more efficient use of energy at all the stages of the energy chain from production to final consumption;
- (18) 'marine waters' means marine waters as defined in point 1 of Article 3 of Directive 2008/56/EC;
- (19) 'surface water' means surface water as defined in point 1 of Article 2 of Directive 2000/60/EC;
- (20) 'groundwater' means groundwater as defined in point 2 of Article 2 of Directive 2000/60/EC;
- (21) 'good environmental status' means good environmental status as defined in point 5 of Article 3 of Directive 2008/56/EC;
- (22) 'good status' means:
 - a) for surface water, having both 'good ecological status' as defined in point 22 of Article 2 of Directive 2000/60/EC and 'good surface water chemical status' as defined in point 24 of Article 2 of that Directive;
 - b) for groundwater, having both 'good groundwater chemical status' as defined in point 25 of Article 2 of Directive 2000/60/EC and 'good quantitative status' as defined in point 28 of Article 2 of that Directive;
- (23) 'good ecological potential' means good ecological potential as defined in point 23 of Article 2 of Directive 2000/60/EC.

CHAPTER II

ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

Article 3 Taxonomy Regulation

Criteria for environmentally sustainable economic activities

[↪ Art.9 SFDR](#) | [↪ Art. 15 SFDR RTS](#) | [↪ Art. 55 SFDR RTS](#)

For the purposes of establishing the degree to which an investment is environmentally sustainable, an economic activity shall qualify as environmentally sustainable where that economic activity:

- a) contributes substantially to one or more of the environmental objectives set out in Article 9 in accordance with Articles 10 to 16;
- b) does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17;
- c) is carried out in compliance with the minimum safeguards laid down in Article 18; and
- d) complies with technical screening criteria that have been established by the Commission in accordance with Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2).

Article 4 Taxonomy Regulation

Use of the criteria for environmentally sustainable economic activities in public measures, in standards and in labels

Member States and the Union shall apply the criteria set out in Article 3 to determine whether an economic activity qualifies as environmentally sustainable for the purposes of any measure setting out requirements for financial market participants or issuers in respect of financial products or corporate bonds that are made available as environmentally sustainable.

Article 5 Taxonomy Regulation

Transparency of environmentally sustainable investments in pre-contractual disclosures and in periodic reports

- **Annex III SFDR RTS**
- **Annex V SFDR RTS**

[↺ Art.2 \(17\) SFDR](#) | [↺ Art.6 SFDR](#) | [↺ Art.9 SFDR](#) | [↺ Art.11 SFDR](#) | [↺ Art. 17 SFDR RTS](#) | [↺ Art. 19 SFDR RTS](#) | [↺ Art. 59 SFDR RTS](#) | [↺ Art. 62 SFDR RTS](#)

Where a financial product as referred to in Article 9(1), (2) or (3) of Regulation (EU) 2019/2088 invests in an economic activity that contributes to an environmental objective within the meaning of point (17) of Article 2 of that Regulation, the information to be disclosed in accordance with Articles 6(3) and 11(2) of that Regulation shall include the following:

- a) the information on the environmental objective or environmental objectives set out in Article 9 of this Regulation to which the investment underlying the financial product contributes; and
- b) a description of how and to what extent the investments underlying the financial product are in economic activities that qualify as environmentally sustainable under Article 3 of this Regulation.

The description referred to in point (b) of the first subparagraph of this Article shall specify the proportion of investments in environmentally sustainable economic activities selected for the financial product, including details on the proportions of enabling and transitional activities referred to in Article 16 and Article 10(2), respectively, as a percentage of all investments selected for the financial product.

Article 6 Taxonomy Regulation

Transparency of financial products that promote environmental characteristics in pre-contractual disclosures and in periodic reports

- [Annex II SFDR RTS](#)
- [Annex IV SFDR RTS](#)

[↶ Art.6 SFDR](#) | [↶ Art.8 SFDR](#) | [↶ Art.11 SFDR](#) | [↶ Art. 15 SFDR RTS](#) | [↶ Art. 17 SFDR RTS](#) | [↶ Art. 51 SFDR RTS](#)
| [↶ Art. 55 SFDR RTS](#)

Where a financial product as referred to in Article 8(1) of Regulation (EU) 2019/2088 promotes environmental characteristics, Article 5 of this Regulation shall apply *mutatis mutandis*.

The information to be disclosed in accordance with Articles 6(3) and 11(2) of Regulation (EU) 2019/2088 shall be accompanied by the following statement:

‘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.’.

Article 7 Taxonomy Regulation

Transparency of other financial products in pre-contractual disclosures and in periodic reports

[🔗 Art.6 SFDR](#) | [🔗 Art.11 SFDR](#)

Where a financial product is not subject to Article 8(1) or to Article 9(1), (2) or (3) of Regulation (EU) 2019/2088, the information to be disclosed in accordance with the provisions of sectoral legislation referred to in Articles 6(3) and 11(2) of that Regulation shall be accompanied by the following statement:

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

Article 8 Taxonomy Regulation

Transparency of undertakings in non-financial statements

- (1) Any undertaking which is subject to an obligation to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU shall include in its non-financial statement or consolidated non-financial statement information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of this Regulation.
- (2) In particular, non-financial undertakings shall disclose the following:
 - a) the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9; and
 - b) the proportion of their capital expenditure and the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9.
- (3) If an undertaking publishes non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU in a separate report in accordance with Article 19a(4) or Article 29a(4) of that Directive, the information referred to in paragraphs 1 and 2 of this Article shall be published in that separate report.
- (4) The Commission shall adopt a delegated act in accordance with Article 23 to supplement paragraphs 1 and 2 of this Article to specify the content and presentation of the information to be disclosed pursuant to those paragraphs, including the methodology to be used in order to comply with them, taking into account the specificities of both financial and non-financial undertakings and the technical screening criteria established pursuant to this Regulation. The Commission shall adopt that delegated act by 1 June 2021.

Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p.9)

Article 9 Taxonomy Regulation

Environmental objectives

[🔗 Art.8 SFDR](#) | [🔗 Art.9 SFDR](#) | [🔗 Art.11 SFDR](#) | [🔗 Art.20 SFDR](#) | [🔗 Art. 51 SFDR RTS](#) | [🔗 Art. 55 SFDR RTS](#)

For the purposes of this Regulation, the following shall be environmental objectives:

- a) climate change mitigation;
- b) climate change adaptation;
- c) the sustainable use and protection of water and marine resources;
- d) the transition to a circular economy;
- e) pollution prevention and control;
- f) the protection and restoration of biodiversity and ecosystems.

Article 10 Taxonomy Regulation

Substantial contribution to climate change mitigation

Art.9 SFDR

- (1) An economic activity shall qualify as contributing substantially to climate change mitigation where that activity contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals, including through process innovations or product innovations, by:
- a) generating, transmitting, storing, distributing or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid;
 - b) improving energy efficiency, except for power generation activities as referred to in Article 19(3);
 - c) increasing clean or climate-neutral mobility;
 - d) switching to the use of sustainably sourced renewable materials;
 - e) increasing the use of environmentally safe carbon capture and utilisation (CCU) and carbon capture and storage (CCS) technologies that deliver a net reduction in greenhouse gas emissions;
 - f) strengthening land carbon sinks, including through avoiding deforestation and forest degradation, restoration of forests, sustainable management and restoration of croplands, grasslands and wetlands, afforestation, and regenerative agriculture;
 - g) establishing energy infrastructure required for enabling the decarbonisation of energy systems;
 - h) producing clean and efficient fuels from renewable or carbon-neutral sources; or
 - i) enabling any of the activities listed in points (a) to (h) of this paragraph in accordance with Article 16.
- (2) For the purposes of paragraph 1, an economic activity for which there is no technologically and economically feasible low-carbon alternative shall qualify as contributing substantially to climate change mitigation where it supports the transition to a climate-neutral economy consistent with a pathway to limit the temperature increase to 1,5 °C above preindustrial levels, including by phasing out greenhouse gas emissions, in particular emissions from solid fossil fuels, and where that activity:
- a) has greenhouse gas emission levels that correspond to the best performance in the sector or industry;
 - b) does not hamper the development and deployment of low-carbon alternatives; and
 - c) does not lead to a lock-in of carbon-intensive assets, considering the economic lifetime of those assets.

For the purpose of this paragraph and the establishment of technical screening criteria pursuant to Article 19, the Commission shall assess the potential contribution and feasibility of all relevant existing technologies.

- (3) The Commission shall adopt a delegated act in accordance with Article 23 to:
- a) supplement paragraphs 1 and 2 of this Article by establishing technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing substantially to climate change mitigation; and
 - b) supplement Article 17 by establishing, for each relevant environmental objective, technical screening criteria for determining whether an economic activity in respect of which technical screening criteria have been established pursuant to point (a) of this paragraph causes significant harm to one or more of those objectives.

- (4) Prior to adopting the delegated act referred to in paragraph 3 of this Article, the Commission shall consult the Platform referred to in Article 20 regarding the technical screening criteria referred to in paragraph 3 of this Article.
- (5) The Commission shall establish the technical screening criteria referred to in paragraph 3 of this Article in one delegated act, taking into account the requirements of Article 19.
- (6) The Commission shall adopt the delegated act referred to in paragraph 3 by 31 December 2020, with a view to ensuring its application from 1 January 2022.

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)

Article 11 Taxonomy Regulation

Substantial contribution to climate change adaptation

🔗 Art.9 SFDR

- (1) An economic activity shall qualify as contributing substantially to climate change adaptation where that activity:
 - a) includes adaptation solutions that either substantially reduce the risk of the adverse impact of the current climate and the expected future climate on that economic activity or substantially reduce that adverse impact, without increasing the risk of an adverse impact on people, nature or assets; or
 - b) provides adaptation solutions that, in addition to satisfying the conditions set out in Article 16, contribute substantially to preventing or reducing the risk of the adverse impact of the current climate and the expected future climate on people, nature or assets, without increasing the risk of an adverse impact on other people, nature or assets.
- (2) The adaptation solutions referred to in point (a) of paragraph 1 shall be assessed and ranked in order of priority using the best available climate projections and shall, at a minimum, prevent or reduce:
 - a) the location-specific and context-specific adverse impact of climate change on the economic activity; or
 - b) the potential adverse impact of climate change on the environment within which the economic activity takes place.
- (3) The Commission shall adopt a delegated act in accordance with Article 23 to:
 - a) supplement paragraphs 1 and 2 of this Article by establishing technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing substantially to climate change adaptation; and
 - b) supplement Article 17 by establishing, for each relevant environmental objective, technical screening criteria for determining whether an economic activity in respect of which technical screening criteria have been established pursuant to point (a) of this paragraph causes significant harm to one or more of those objectives.
- (4) Prior to adopting the delegated act referred to in paragraph 3 of this Article, the Commission shall consult the Platform referred to in Article 20 regarding the technical screening criteria referred to in paragraph 3 of this Article.
- (5) The Commission shall establish the technical screening criteria referred to in paragraph 3 of this Article in one delegated act, taking into account the requirements of Article 19.
- (6) The Commission shall adopt the delegated act referred to in paragraph 3 by 31 December 2020, with a view to ensuring its application from 1 January 2022.

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)

Article 12 Taxonomy Regulation

Substantial contribution to the sustainable use and protection of water and marine resources

🔗 Art.9 SFDR

- (1) An economic activity shall qualify as contributing substantially to the sustainable use and protection of water and marine resources where that activity either contributes substantially to achieving the good status of bodies of water, including bodies of surface water and groundwater or to preventing the deterioration of bodies of water that already have good status, or contributes substantially to achieving the good environmental status of marine waters or to preventing the deterioration of marine waters that are already in good environmental status, by:
 - a) protecting the environment from the adverse effects of urban and industrial waste water discharges, including from contaminants of emerging concern such as pharmaceuticals and microplastics, for example by ensuring the adequate collection, treatment and discharge of urban and industrial waste waters;
 - b) protecting human health from the adverse impact of any contamination of water intended for human consumption by ensuring that it is free from any micro-organisms, parasites and substances that constitute a potential danger to human health as well as increasing people's access to clean drinking water;
 - c) improving water management and efficiency, including by protecting and enhancing the status of aquatic ecosystems, by promoting the sustainable use of water through the long-term protection of available water resources, inter alia, through measures such as water reuse, by ensuring the progressive reduction of pollutant emissions into surface water and groundwater, by contributing to mitigating the effects of floods and droughts, or through any other activity that protects or improves the qualitative and quantitative status of water bodies;
 - d) ensuring the sustainable use of marine ecosystem services or contributing to the good environmental status of marine waters, including by protecting, preserving or restoring the marine environment and by preventing or reducing inputs in the marine environment; or
 - e) enabling any of the activities listed in points (a) to (d) of this paragraph in accordance with Article 16.
- (2) The Commission shall adopt a delegated act in accordance with Article 23 to:
 - a) supplement paragraph 1 of this Article by establishing technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing substantially to sustainable use and protection of water and marine resources; and
 - b) supplement Article 17 by establishing, for each relevant environmental objective, technical screening criteria, for determining whether an economic activity in respect of which technical screening criteria have been established pursuant to point (a) of this paragraph causes significant harm to one or more of those objectives.
- (3) Prior to adopting the delegated act referred to in paragraph 2 of this Article, the Commission shall consult the Platform referred to in Article 20 regarding the technical screening criteria referred to in paragraph 2 of this Article.
- (4) The Commission shall establish the technical screening criteria referred to in paragraph 2 of this Article in one delegated act, taking into account the requirements of Article 19.
- (5) The Commission shall adopt the delegated act referred to in paragraph 2 by 31 December 2021, with a view to ensuring its application from 1 January 2023.

Article 13 Taxonomy Regulation

Substantial contribution to the transition to a circular economy

Art.9 SFDR

- (1) An economic activity shall qualify as contributing substantially to the transition to a circular economy, including waste prevention, re-use and recycling, where that activity:
 - a) uses natural resources, including sustainably sourced bio-based and other raw materials, in production more efficiently, including by:
 - i) reducing the use of primary raw materials or increasing the use of by-products and secondary raw materials; or
 - ii) resource and energy efficiency measures;
 - b) increases the durability, reparability, upgradability or reusability of products, in particular in designing and manufacturing activities;
 - c) increases the recyclability of products, including the recyclability of individual materials contained in those products, inter alia, by substitution or reduced use of products and materials that are not recyclable, in particular in designing and manufacturing activities;
 - d) substantially reduces the content of hazardous substances and substitutes substances of very high concern in materials and products throughout their life cycle, in line with the objectives set out in Union law, including by replacing such substances with safer alternatives and ensuring traceability;
 - e) prolongs the use of products, including through reuse, design for longevity, repurposing, disassembly, remanufacturing, upgrades and repair, and sharing products;
 - f) increases the use of secondary raw materials and their quality, including by high-quality recycling of waste;
 - g) prevents or reduces waste generation, including the generation of waste from the extraction of minerals and waste from the construction and demolition of buildings;
 - h) increases preparing for the re-use and recycling of waste;
 - i) increases the development of the waste management infrastructure needed for prevention, for preparing for re-use and for recycling, while ensuring that the recovered materials are recycled as high-quality secondary raw material input in production, thereby avoiding downcycling;
 - j) minimises the incineration of waste and avoids the disposal of waste, including landfilling, in accordance with the principles of the waste hierarchy;
 - k) avoids and reduces litter; or
 - l) enables any of the activities listed in points (a) to (k) of this paragraph in accordance with Article 16.
- (2) The Commission shall adopt a delegated act in accordance with Article 23 to:
 - a) supplement paragraph 1 of this Article by establishing technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing substantially to the transition to a circular economy; and
 - b) supplement Article 17 by establishing, for each relevant environmental objective, technical screening criteria for determining whether an economic activity in respect of which technical screening criteria have established pursuant to point (a) of this paragraph causes significant harm to one or more of those objectives.
- (3) Prior to adopting the delegated act referred to in paragraph 2 of this Article, the Commission shall consult the Platform referred to in Article 20 regarding the technical screening criteria referred to in paragraph 2 of this Article.

- (4) The Commission shall establish the technical screening criteria referred to in paragraph 2 of this Article in one delegated act, taking into account the requirements of Article 19.
- (5) The Commission shall adopt the delegated act referred to in paragraph 2 by 31 December 2021, with a view to ensuring its application from 1 January 2023.

Article 14 Taxonomy Regulation

Substantial contribution to pollution prevention and control

Art.9 SFDR

- (1) An economic activity shall qualify as contributing substantially to pollution prevention and control where that activity contributes substantially to environmental protection from pollution by:
 - a) preventing or, where that is not practicable, reducing pollutant emissions into air, water or land, other than greenhouse gasses;
 - b) improving levels of air, water or soil quality in the areas in which the economic activity takes place whilst minimising any adverse impact on, human health and the environment or the risk thereof;
 - c) preventing or minimising any adverse impact on human health and the environment of the production, use or disposal of chemicals;
 - d) cleaning up litter and other pollution; or
 - e) enabling any of the activities listed in points (a) to (d) of this paragraph in accordance with Article 16.
- (2) The Commission shall adopt a delegated act in accordance with Article 23 to:
 - a) supplement paragraph 1 of this Article by establishing technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing substantially to pollution prevention and control; and
 - b) supplement Article 17 by establishing, for each relevant environmental objective, technical screening criteria for determining whether an economic activity in respect of which technical screening criteria have been established pursuant to point (a) of this paragraph causes significant harm to one or more of those objectives.
- (3) Prior to adopting the delegated act referred to in paragraph 2 of this Article, the Commission shall consult the Platform referred to in Article 20 regarding the technical screening criteria referred to in paragraph 2 of this Article.
- (4) The Commission shall establish the technical screening criteria referred to in paragraph 2 of this Article in one delegated act, taking into account the requirements of Article 19.
- (5) The Commission shall adopt the delegated act referred to in paragraph 2 by 31 December 2021, with a view to ensuring its application from 1 January 2023.

Article 15 Taxonomy Regulation

Substantial contribution to the protection and restoration of biodiversity and ecosystems

🔗 Art.9 SFDR

- (1) An economic activity shall qualify as contributing substantially to the protection and restoration of biodiversity and ecosystems where that activity contributes substantially to protecting, conserving or restoring biodiversity or to achieving the good condition of ecosystems, or to protecting ecosystems that are already in good condition, through:
 - a) nature and biodiversity conservation, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration where they already have favourable conservation status, and protecting and restoring terrestrial, marine and other aquatic ecosystems in order to improve their condition and enhance their capacity to provide ecosystem services;
 - b) sustainable land use and management, including adequate protection of soil biodiversity, land degradation neutrality and the remediation of contaminated sites;
 - c) sustainable agricultural practices, including those that contribute to enhancing biodiversity or to halting or preventing the degradation of soils and other ecosystems, deforestation and habitat loss;
 - d) sustainable forest management, including practices and uses of forests and forest land that contribute to enhancing biodiversity or to halting or preventing degradation of ecosystems, deforestation and habitat loss; or
 - e) enabling any of the activities listed in points (a) to (d) of this paragraph in accordance with Article 16.
- (2) The Commission shall adopt a delegated act in accordance with Article 23 to:
 - a) supplement paragraph 1 of this Article by establishing technical screening criteria for determining the conditions under which a specific economic activity qualifies as contributing substantially to the protection and restoration of biodiversity and ecosystems; and
 - b) supplement Article 17 by establishing, for each relevant environmental objective, technical screening criteria for determining whether an economic activity in respect of which technical screening criteria have been established pursuant to point (a) of this paragraph causes significant harm to one or more of those objectives.
- (3) Prior to adopting the delegated act referred to in paragraph 2 of this Article, the Commission shall consult the Platform referred to in Article 20 regarding the technical screening criteria referred to in paragraph 2 of this Article.
- (4) The Commission shall establish the technical screening criteria referred to in paragraph 2 of this Article in one delegated act, taking into account the requirements of Article 19.
- (5) The Commission shall adopt the delegated act referred to in paragraph 2 by 31 December 2021, with a view to ensuring its application from 1 January 2023.

Article 16 Taxonomy Regulation

Enabling activities

Art.9 SFDR

An economic activity shall qualify as contributing substantially to one or more of the environmental objectives set out in Article 9 by directly enabling other activities to make a substantial contribution to one or more of those objectives, provided that such economic activity:

- a) does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and
- b) has a substantial positive environmental impact, on the basis of life-cycle considerations.

Article 17 Taxonomy Regulation

Significant harm to environmental objectives

🔗 Art.9 SFDR

- (1) For the purposes of point (b) of Article 3, taking into account the life cycle of the products and services provided by an economic activity, including evidence from existing life-cycle assessments, that economic activity shall be considered to significantly harm:
 - a) climate change mitigation, where that activity leads to significant greenhouse gas emissions;
 - b) climate change adaptation, where that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;
 - c) the sustainable use and protection of water and marine resources, where that activity is detrimental:
 - i) to the good status or the good ecological potential of bodies of water, including surface water and groundwater; or
 - ii) to the good environmental status of marine waters;
 - d) the circular economy, including waste prevention and recycling, where:
 - i) that activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable energy sources, raw materials, water and land at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products;
 - ii) that activity leads to a significant increase in the generation, incineration or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste; or
 - iii) the long-term disposal of waste may cause significant and long-term harm to the environment;
 - e) pollution prevention and control, where that activity leads to a significant increase in the emissions of pollutants into air, water or land, as compared with the situation before the activity started; or
 - f) the protection and restoration of biodiversity and ecosystems, where that activity is:
 - i) significantly detrimental to the good condition and resilience of ecosystems; or
 - ii) detrimental to the conservation status of habitats and species, including those of Union interest.
- (2) When assessing an economic activity against the criteria set out in paragraph 1, both the environmental impact of the activity itself and the environmental impact of the products and services provided by that activity throughout their life cycle shall be taken into account, in particular by considering the production, use and end of life of those products and services.

Article 18 Taxonomy Regulation

Minimum safeguards

🔗 Art.9 SFDR

- (1) The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure 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.
- (2) When implementing the procedures referred to in paragraph 1 of this Article, undertakings shall adhere to the principle of 'do no significant harm' referred to in point (17) of Article 2 of Regulation (EU) 2019/2088.

Article 19 Taxonomy Regulation

Requirements for technical screening criteria

🔗 Art.9 SFDR

- (1) The technical screening criteria established pursuant to Articles 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) shall:
 - a) identify the most relevant potential contributions to the given environmental objective while respecting the principle of technological neutrality, considering both the short- and long-term impact of a given economic activity;
 - b) specify the minimum requirements that need to be met to avoid significant harm to any of the relevant environmental objectives, considering both the short- and long-term impact of a given economic activity;
 - c) be quantitative and contain thresholds to the extent possible, and otherwise be qualitative;
 - d) where appropriate, build upon Union labelling and certification schemes, Union methodologies for assessing environmental footprint, and Union statistical classification systems, and take into account any relevant existing Union legislation;
 - e) where feasible, use sustainability indicators as referred to in Article 4(6) of Regulation (EU) 2019/2088;
 - f) be based on conclusive scientific evidence and the precautionary principle enshrined in Article 191 TFEU;
 - g) take into account the life cycle, including evidence from existing life-cycle assessments, by considering both the environmental impact of the economic activity itself and the environmental impact of the products and services provided by that economic activity, in particular by considering the production, use and end of life of those products and services;
 - h) take into account the nature and the scale of the economic activity, including:
 - i) whether it is an enabling activity as referred to in Article 16; or
 - ii) whether it is a transitional activity as referred to in Article 10(2);
 - i) take into account the potential market impact of the transition to a more sustainable economy, including the risk of certain assets becoming stranded as a result of such transition, as well as the risk of creating inconsistent incentives for investing sustainably;
 - j) cover all relevant economic activities within a specific sector and ensure that those activities are treated equally if they contribute equally towards the environmental objectives set out in Article 9 of this Regulation, to avoid distorting competition in the market; and
 - k) be easy to use and be set in a manner that facilitates the verification of their compliance. Where the economic activity belongs to one of the categories referred to in point (h), the technical screening criteria shall clearly indicate that fact.
- (2) The technical screening criteria referred to in paragraph 1 shall also include criteria for activities related to the clean energy transition consistent with a pathway to limit the temperature increase to 1,5 °C above pre-industrial levels, in particular energy efficiency and renewable energy, to the extent that those activities substantially contribute to any of the environmental objectives.
- (3) The technical screening criteria referred to in paragraph 1 shall ensure that power generation activities that use solid fossil fuels do not qualify as environmentally sustainable economic activities.
- (4) The technical screening criteria referred to in paragraph 1 shall also include criteria for activities related to the switch to clean or climate-neutral mobility, including through modal shift, efficiency measures and alternative fuels, to the extent that those are substantially contributing to any of the environmental objectives.

- (5) The Commission shall regularly review the technical screening criteria referred to in paragraph 1 and, where appropriate, amend the delegated acts adopted in accordance with this Regulation in line with scientific and technological developments.

In that context, before amending or replacing a delegated act, the Commission shall assess the implementation of those criteria taking into account the outcome of their application by financial market participants and their impact on capital markets, including on the channelling of investment into environmentally sustainable economic activities.

To ensure that economic activities as referred to in Article 10(2) remain on a credible transition pathway consistent with a climate-neutral economy, the Commission shall review the technical screening criteria for those activities at least every three years and, where appropriate, amend the delegated act referred to in Article 10(3) in line with scientific and technological developments.

Article 20 Taxonomy Regulation

Platform on Sustainable Finance

- (1) The Commission shall establish a Platform on Sustainable Finance (the 'Platform'). It shall be composed in a balanced manner of the following groups:
 - a) representatives of:
 - i) the European Environment Agency;
 - ii) the ESAs;
 - iii) the European Investment Bank and the European Investment Fund; and
 - iv) the European Union Agency for Fundamental Rights;
 - b) experts representing relevant private stakeholders, including financial and non-financial market participants and business sectors, representing relevant industries, and persons with accounting and reporting expertise;
 - c) experts representing civil society, including persons with expertise in the field of environmental, social, labour and governance issues;
 - d) experts appointed in a personal capacity, who have proven knowledge and experience in the areas covered by this Regulation;
 - e) experts representing academia, including universities, research institutes and other scientific organisations, including persons with global expertise.
- (2) The Platform shall:
 - a) advise the Commission on the technical screening criteria referred to in Article 19, as well as on the possible need to update those criteria;
 - b) analyse the impact of the technical screening criteria in terms of potential costs and benefits of their application;
 - c) assist the Commission in analysing requests from stakeholders to develop or revise technical screening criteria for a given economic activity;
 - d) advise the Commission, where appropriate, on the possible role of sustainability accounting and reporting standards in supporting the application of the technical screening criteria;
 - e) monitor and regularly report to the Commission on trends at Union and Member State level regarding capital flows into sustainable investment;
 - f) advise the Commission on the possible need to develop further measures to improve data availability and quality;
 - g) advise the Commission on the usability of the technical screening criteria, taking into account the need to avoid undue administrative burdens;
 - h) advise the Commission on the possible need to amend this Regulation;
 - i) advise the Commission on the evaluation and development of sustainable finance policies, including with regard to policy coherence issues;
 - j) advise the Commission on addressing other sustainability objectives, including social objectives;
 - k) advise the Commission on the application of Article 18 and the possible need to supplement the requirements thereof.
- (3) The Platform shall take into account the views of a wide range of stakeholders.

- (4) The Platform shall be chaired by the Commission and constituted in accordance with the horizontal rules on the creation and operation of Commission expert groups. In that context the Commission may invite experts with specific expertise on an ad hoc basis.
- (5) The Platform shall carry out its tasks in accordance with the principle of transparency. The Commission shall publish the minutes of the meetings of the Platform and other relevant documents on the Commission website.
- (6) Where financial market participants consider that an economic activity which does not comply with the technical screening criteria established pursuant to this Regulation, or for which such technical screening criteria have not yet been established, should qualify as environmentally sustainable, they may inform the Platform thereof.

Article 21 Taxonomy Regulation

Competent authorities

- (1) Member States shall ensure that the competent authorities referred to in Article 14(1) of Regulation (EU) 2019/2088 monitor the compliance of financial market participants with the requirements laid down in Articles 5, 6 and 7 of this Regulation. Member States shall ensure that their competent authorities have all the necessary supervisory and investigatory powers for the exercise of their functions under this Regulation.
- (2) For the purposes of this Regulation, the competent authorities shall cooperate with each other and shall provide each other, without undue delay, with such information as is relevant for the purposes of carrying out their duties under this Regulation.

Article 22 Taxonomy Regulation

Measures and penalties

Member States shall lay down the rules on measures and penalties applicable to infringements of Articles 5, 6 and 7. The measures and penalties provided for shall be effective, proportionate and dissuasive.

Article 23 Taxonomy Regulation

Exercise of the delegation

- (1) The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
- (2) The power to adopt delegated acts referred to in Articles 8(4), 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) shall be conferred on the Commission for an indeterminate period from 12 July 2020.
- (3) The delegations of powers referred to in Articles 8(4), 10(3), 11(3), 12(2), 13(2), 14(2) and 15(2) may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
- (4) The Commission shall gather all necessary expertise, prior to the adoption and during the development of delegated acts, including through the consultation of the experts of the Member State Expert Group on Sustainable Finance referred to in Article 24. Before adopting a delegated act, the Commission shall act in accordance with the principles and procedures laid down in the Interinstitutional Agreement of 13 April 2016 on Better Law-Making.
- (5) As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
- (6) A delegated act adopted pursuant to Article 8(4), 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of four months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 24 Taxonomy Regulation

Member State Expert Group on Sustainable Finance

- (1) A Member State Expert Group on Sustainable Finance (the 'Member State Expert Group') shall advise the Commission on the appropriateness of the technical screening criteria and the approach taken by the Platform regarding the development of those criteria in accordance with Article 19.
- (2) The Commission shall inform the Member States through meetings of the Member State Expert Group to facilitate an exchange of views between the Member States and the Commission on a timely basis, in particular as regards the main output of the Platform, such as new technical screening criteria or material updates thereof, or draft reports.

CHAPTER III

FINAL PROVISIONS

Article 25 Taxonomy Regulation

Amendments to Regulation (EU) 2019/2088

Regulation (EU) 2019/2088 is amended as follows:

- (1) the following Article is inserted:

‘Article 2a

Principle of do no significant harm

- 1) The European Supervisory Authorities established by Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 of the European Parliament and of the Council (collectively, the ‘ESAs’) shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’ referred to in point (17) of Article 2 of this Regulation consistent with the content, methodologies, and presentation in respect of the sustainability indicators in relation to the adverse impacts referred to in paragraphs 6 and 7 of Article 4 of this Regulation.
- 2) The ESAs shall submit the draft regulatory technical standards referred to in paragraph 1 to the Commission by 30 December 2020.
- 3) Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in paragraph 1 of this Article in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.’;

- (2) Article 8 is amended as follows:

- a) the following paragraph is inserted:

‘2a. Where financial market participants make available a financial product as referred to in Article 6 of Regulation (EU) 2020/852 of the European Parliament and of the Council, they shall include in the information to be disclosed pursuant to Article 6(1) and (3) of this Regulation the information required under Article 6 of Regulation (EU) 2020/852.

- b) in paragraph 3, the first subparagraph is replaced by the following:

‘3. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information to be disclosed pursuant to paragraphs 1 and 2 of this Article.’;

- c) the following paragraph is added:

‘4. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in paragraph 2a of this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their characteristics and the differences between them, as well as the objective that disclosures are to be accurate, fair, clear, not misleading, simple and concise and, where necessary to achieve that objective, shall develop draft amendments to the regulatory technical standards referred to in paragraph 3 of this Article. The draft regulatory technical standards shall take into account the respective dates of application set out in points (a) and (b) of Article 27(2) of Regulation (EU) 2020/852 in respect of the environmental objectives set out in Article 9 of that Regulation.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission:

- (a) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852, by 1 June 2021; and
- (b) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852, by 1 June 2022.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.’;

(3) Article 9 is amended as follows:

- a) the following paragraph is inserted:

‘4a. Financial market participants shall include in the information to be disclosed pursuant to Article 6(1) and (3) of this Regulation the information required under Article 5 of Regulation (EU) 2020/852.’;

- b) in paragraph 5, the first subparagraph is replaced by the following:

‘5. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information to be disclosed pursuant to paragraphs 1 to 4 of this Article.’;

- c) the following paragraph is added:

‘6. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in paragraph 4a of this Article.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their objectives as referred to in paragraph 4a of this Article and the differences between them as well as the objective that disclosures are to be accurate, fair, clear, not misleading, simple and concise and, where necessary to achieve that objective, shall develop draft amendments to the regulatory technical standards referred to in paragraph 5 of this Article. The draft regulatory technical standards shall take into account the respective dates of application set out in points (a) and (b) of Article 27(2) of Regulation (EU) 2020/852 in respect of the environmental objectives set out in Article 9 of that Regulation.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission:

- (a) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852, by 1 June 2021; and
- (b) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852, by 1 June 2022.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.’;

(4) Article 11 is amended as follows:

- a) in paragraph 1, the following points are added:

‘(c) for a financial product subject to Article 5 of Regulation (EU) 2020/852, the information required under that Article;

(d) for a financial product subject to Article 6 of Regulation (EU) 2020/852, the information required under that Article.’;

- b) in paragraph 4, the first subparagraph is replaced by:

‘4. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in points (a) and (b) of paragraph 1.’;

- c) the following paragraph is added:

‘5. The ESAs shall, through the Joint Committee, develop draft regulatory technical standards to specify the details of the content and presentation of the information referred to in points (c) and (d) of paragraph 1.

When developing the draft regulatory technical standards referred to in the first subparagraph of this paragraph, the ESAs shall take into account the various types of financial products, their characteristics and objectives and the differences between them and, where necessary, shall develop draft amendments to the regulatory technical standards referred to in paragraph 4 of this Article. The draft regulatory technical standards shall take into account the respective dates of application set out in points (a) and (b) of Article 27(2) of Regulation (EU) 2020/852 in respect of the environmental objectives set out in Article 9 of that Regulation. The ESAs shall update the regulatory technical standards in the light of regulatory and technological developments.

The ESAs shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission:

- (a) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852, by 1 June 2021; and
- (b) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852, by 1 June 2022.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010.’;

- (5) in Article 20, paragraph 3 is replaced by the following:

‘3. By way of derogation from paragraph 2 of this Article:

- a) Articles 4(6) and (7), 8(3), 9(5), 10(2), 11(4) and 13(2) shall apply from 29 December 2019;
- b) Articles 2a, 8(4), 9(6) and 11(5) shall apply from 12 July 2020;
- c) Articles 8(2a) and 9(4a) shall apply:
 - (i) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 of Regulation (EU) 2020/852, from 1 January 2022; and
 - (ii) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 of Regulation (EU) 2020/852, from 1 January 2023;
- d) Article 11(1), (2) and (3) shall apply from 1 January 2022.’.

Article 26 Taxonomy Regulation

Review

- (1) By 13 July 2022, and subsequently every three years thereafter, the Commission shall publish a report on the application of this Regulation. That report shall evaluate the following:
 - a) the progress in implementing this Regulation with regard to the development of technical screening criteria for environmentally sustainable economic activities;
 - b) the possible need to revise and complement the criteria set out in Article 3 for an economic activity to qualify as environmentally sustainable;
 - c) the use of the definition of environmentally sustainable investment in Union law, and at Member State level, including the provisions required for setting up verification mechanisms of compliance with the criteria set out in this Regulation;
 - d) the effectiveness of the application of the technical screening criteria established pursuant to this Regulation in channelling private investments into environmentally sustainable economic activities and in particular as regards capital flows, including equity, into private enterprises and other legal entities, both through financial products covered by this Regulation and other financial products;
 - e) the access by financial market participants covered by this Regulation and by investors to reliable, timely and verifiable information and data regarding private enterprises and other legal entities, including investee companies within and outside the scope of this Regulation and, in both cases, as regards equity and debt capital, taking into account the associated administrative burden, as well as the procedures for the verification of the data that are necessary for the determination of the degree of alignment with the technical screening criteria and to ensure compliance with those procedures;
 - f) the application of Articles 21 and 22.
- (2) By 31 December 2021, the Commission shall publish a report describing the provisions that would be required to extend the scope of this Regulation beyond environmentally sustainable economic activities and describing the provisions that would be required to cover:
 - a) economic activities that do not have a significant impact on environmental sustainability and economic activities that significantly harm environmental sustainability, as well as a review of the appropriateness of specific disclosure requirements related to transitional and enabling activities; and
 - b) other sustainability objectives, such as social objectives.
- (3) By 13 July 2022, the Commission shall assess the effectiveness of the advisory procedures for the development of the technical screening criteria established under this Regulation.

Article 27 Taxonomy Regulation

Entry into force and application

[🔗 Art.2 \(17\) SFDR](#) | [🔗 Art.6 SFDR](#) | [🔗 Art.8 SFDR](#) | [🔗 Art.9 SFDR](#) | [🔗 Art.11 SFDR](#)

- (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) Articles 4, 5, 6 and 7 and Article 8(1), (2) and (3) shall apply:
 - a) in respect of the environmental objectives referred to in points (a) and (b) of Article 9 from 1 January 2022; and
 - b) in respect of the environmental objectives referred to in points (c) to (f) of Article 9 from 1 January 2023.
- (3) Article 4 shall not apply to certificate-based tax incentive schemes that exist prior to the entry into force of this Regulation and that set out requirements for financial products that aim to finance sustainable projects.

APPENDICES

Appendix I: Recitals SFDR RTS

Introductory note

Most of the articles of the SFDR RTS have been integrated in the appropriate places in the consolidated version of the SFDR above. However, the Recitals of the SFDR RTS are set out in this Appendix I. In the same way, please see Appendix II for Articles 1 and 68 of the SFDR RTS and Appendices III-VII for Annexes I-V of the SFDR RTS.

Commission Delegated Regulation (EU) .../... of 6.4.2022 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 pre-contractual documents, on websites and in periodic reports (Ref. C(2022)1931 final)

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector¹, 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) Sustainability-related disclosures in the financial services sector should be sufficiently clear, concise, and prominent to enable end investors to take informed decisions. To that end, end investors should have access to reliable data that they can use and analyse in a timely and efficient manner. The information provided in such disclosures should therefore be reviewed and revised in accordance with the Directives, Regulations and national provisions referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088. In addition, rules should be laid down concerning the publication of that information on websites, where such publication is required by Regulation (EU) 2019/2088.
- (2) The content and presentation of sustainability-related disclosures relating to financial products that reference a basket of indexes should provide end investors with a comprehensive view of the features of such financial products. It is therefore necessary that sustainability-related disclosures concerning an index that is designated as a reference benchmark and is made up of a basket of indexes, covers both the basket and each index in that basket.
- (3) For end investors that have an interest in the sustainability performance of financial market participants and financial advisers, it is essential that information provided by financial market participants about the principal adverse impacts of their investment decisions on sustainability factors, and by financial advisers about principal adverse impacts of their investment advice or insurance advice on sustainability factors, is comprehensive. Such information should therefore cover both direct and indirect investments in assets.
- (4) It is necessary to ensure that the information disclosed can be easily compared and that the indicators of principal adverse impacts of investment decisions on sustainability factors can be easily understood. Such comparability and comprehensibility would be improved by making a distinction between, on the one hand, indicators of adverse impacts that always lead to principal adverse impacts, and, on the other hand,

additional indicators of adverse impacts on sustainability factors that are principal for the financial market participants. It is, however, important to ensure that adverse impacts of investment decisions on climate, or on other environment-related sustainability factors, are considered as important as adverse impacts of investment decisions on social, employee, human rights, anti-corruption or anti-bribery sustainability factors. The additional indicators of principal adverse impacts should therefore relate to at least one of each of those factors. To ensure coherence with other sustainability-related disclosures, the indicators of principal adverse impacts should use standardised metrics, where relevant, and be based on the indicators used in Commission Delegated Regulation (EU) 2020/18182 and Commission Delegated Regulation (EU) 2021/2139⁹⁵.

- (5) To further strengthen the comparability of the information to be disclosed, the information on principal adverse impacts should relate to reference periods that run from 1 January until 31 December of the preceding year, and should be published by 30 June each year as a common date. It is possible, however, that the portfolios of investments of financial market participants change regularly within such reference periods. The determination of principal adverse impacts should therefore be undertaken on at least four specific dates during such reference period and the average result should be disclosed on an annual basis. To ensure that end investors can compare how financial market participants have considered the principal adverse impacts over time, financial market participants should provide a historical year-by-year comparison of their reports for at least the five previous reference periods, where available.
- (6) Financial market participants that consider principal adverse impacts for the first time in a given calendar year should be treated appropriately, while it should also be ensured that end investors receive sufficient information before taking their investment decisions. Such financial market participants should therefore disclose information about the actions they plan or the targets they set for the subsequent reference period to avoid or reduce any principal adverse impacts identified. For the same reason, they should also disclose information about their policies to identify and prioritise principal adverse impacts on sustainability factors and the international standards they will apply in that subsequent reference period.
- (7) End investors should, irrespective of the Member State they reside in, be able to compare the disclosed principal adverse impacts on sustainability factors. Financial market participants should therefore provide a summary of their disclosures in both a language that is customary in the sphere of international finance and in one of the official languages of the Member States in which the financial products of those financial market participants are made available.
- (8) Financial advisers use information on principal adverse impacts on sustainability factors that is provided by financial market participants. Information provided by financial advisers on whether and how they take into account principal adverse impacts on sustainability factors within their investment or insurance advice should therefore clearly describe how the information from financial market participants is processed and integrated in their investment or insurance advice. In particular, financial advisers that rely on criteria or thresholds concerning principal adverse impacts on sustainability factors that are used to select, or advise on, financial products, should publish those criteria or thresholds.
- (9) The carbon footprint metrics are not yet fully developed. Financial market participants that, in accordance with Article 4(2), point (d), of Regulation (EU) 2019/2088, refer in their entity-level disclosures to the degree of alignment of their financial products with the objectives of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change, should therefore base such disclosures on forward-looking climate scenarios.
- (10) One way in which financial products can promote environmental or social characteristics is to take into account principal adverse impacts of investment decisions. Financial products that have sustainable investment as their objective must, as part of the disclosures made with regard to the 'do no significant harm' principle, also consider sustainability indicators in relation to the adverse impacts referred to in Article 4(6) and (7) of Regulation (EU) 2019/2088. For those reasons, financial market participants should

⁹⁵ 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).

indicate, as part of their sustainability disclosures, how they consider, for those financial products, the principal adverse impacts of their investment decisions on sustainability factors.

- (11) Article 10(1), second subparagraph, of Regulation (EU) 2019/2088 requires financial market participants that make available financial products that promote environmental or social characteristics to disclose those characteristics without misleading end investors. That implies that financial market participants should not disclose on sustainability, including through product categorisation, in a way that does not reflect the way in which the financial product effectively promotes those environmental or social characteristics. Financial market participants should therefore only disclose those criteria for the selection of underlying assets that are binding on the investment decision-making process, and not criteria that they may ignore or override at their discretion.
- (12) Financial products that promote environmental or social characteristics can be used to invest in a wide range of underlying assets, some of which may not themselves qualify as sustainable investments or contribute to the specific environmental or social characteristics promoted by the financial product. Examples of such investments are hedging instruments, unscreened investments for diversification purposes, investments for which data are lacking or cash held as ancillary liquidity. Financial market participants making available such financial products should therefore be fully transparent about the allocation of the underlying investments to those categories of investments.
- (13) Financial products can promote environmental or social characteristics in a myriad of ways, including in a pre-contractual or periodic document, in their product name or in any marketing communication about their investment strategy, financial product standards, labels they adhere to, or applicable conditions for automatic enrolment. To ensure comparability and comprehensibility of the promoted environmental or social characteristics, financial market participants that make available financial products that promote environmental or social characteristics should confirm the information about the promotion of environmental or social characteristics in annexes to the documents or information referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088 on pre-contractual and periodic disclosures.
- (14) Financial products that promote environmental or social characteristics have various degrees of sustainability-related ambition. Therefore, where those financial products pursue sustainable investment in part, financial market participants should confirm that fact in the annexes to the documents or information referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088 on pre-contractual and periodic disclosures to ensure that end investors are able to understand the different degrees of sustainability and take informed investment decisions in terms of sustainability.
- (15) While financial products that have sustainable investment as their objective should make sustainable investments only, such products can to some extent make other investments where they are required to do so under sector specific rules. It is therefore appropriate to require disclosures on the amount and purpose of any other investments so that it can be verified whether those investments do not prevent the financial product from attaining its sustainable investment objective.
- (16) Many financial products rely on exclusion strategies based on environmental or social criteria. End investors should be provided with the information necessary to assess the effects of such criteria on investment decisions, and the effects of such exclusion strategies on the composition of the resulting portfolio. Market practice demonstrates that some exclusion strategies are showcased as effective, while in fact those exclusion strategies actually lead to the exclusion of only a limited number of investments, or are based on exclusions required by law. It is therefore necessary to address concerns about 'greenwashing', that is, in particular, the practice of gaining an unfair competitive advantage by recommending a financial product as environmentally friendly or sustainable, when in fact that financial product does not meet basic environmental or other sustainability-related standards. To prevent mis-selling and greenwashing, and to provide end investors with a better understanding of the effects of the exclusion strategies applied by certain financial products, financial market participants should confirm any commitment in terms of excluded investments, in particular as binding elements of the investment strategy, in information on asset allocation and in the information on sustainability indicators used to measure the effects of such strategies.
- (17) Regulation (EU) 2019/2088 aims to reduce information asymmetries in principal-agent relationships concerning the promotion of environmental or social characteristics and sustainable investment objectives. To that end, that Regulation requires financial market participants to make pre-contractual

and website disclosures to end investors when they act as agents of those end investors. For that requirement to be fully effective, financial market participants should monitor throughout the lifecycle of a financial product how that product complies with the disclosed environmental or social characteristics, or with the sustainable investment objective. Financial market participants should therefore explain, as part of their website disclosures, the internal or external control mechanisms put in place to monitor such compliance on a continuous basis.

- (18) Regulation (EU) 2019/2088 specifies that the assessment of good governance practices forms an integral part of financial products that promote environmental or social characteristics, or that have sustainable investment as their objective. Therefore, financial market participants that make available financial products that promote environmental or social characteristics or that have a sustainable investment objective should disclose information on their policies to assess good governance practices of investee companies.
- (19) Article 8(1), point (b), of Regulation (EU) 2019/2088 requires financial market participants that make available financial products that promote environmental or social characteristics and that use a designated index as a reference benchmark to disclose whether and how that index is consistent with those characteristics. In contrast, Article 9(1) of Regulation (EU) 2019/2088 requires financial market participants that make available financial products that have sustainable investment as their objective and that use a designated index as a reference benchmark to disclose how that index is aligned with that investment objective and why and how that designated index differs from a broad market index. For such financial products, financial market participants should thus clearly demonstrate that the design of the designated index is appropriate to deliver the stated sustainable investment objective and that the strategy of the financial product ensures that the financial product is continuously aligned with that index. Therefore, methodological disclosures should be made at index level for such financial products.
- (20) Financial market participants can use various investment methods to ensure that the financial products that they make available meet the environmental or social characteristics, or attain the sustainable investment objective. Financial market participants can directly invest in securities issued by investee companies or make indirect investments. Financial market participants should be transparent about which share of their investments is held directly and which share is held indirectly. In particular, financial market participants should explain how the use of derivatives is compatible with the environmental or social characteristics that the financial product promotes or with the objective of sustainable investment.
- (21) To ensure clarity to end investors, pre-contractual information about financial products that promote environmental or social characteristics should make clear, by way of a statement, that such products do not have sustainable investment as an objective. For the same purpose, and to ensure a level-playing field with financial products that have sustainable investment as their objective, pre-contractual, website and periodic information about products that promote environmental or social characteristics should also mention the proportion of the sustainable investments.
- (22) Article 2, point (17), of Regulation (EU) 2019/2088 defines a sustainable investment as an investment in an economic activity that contributes to an environmental or social objective, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices. The 'do not significant harm' principle is particularly important for financial products that have sustainable investment as their objective as compliance with that principle is a necessary criterion to assess whether an investment delivers the sustainable investment objective. That principle is, however, also relevant for financial products that promote environmental or social characteristics where those financial products make sustainable investments, as financial market participants should disclose the proportion of sustainable investments made. Financial market participants that make available financial products that promote environmental or social characteristics which partly make sustainable investments or financial products that have sustainable investment as their objective should thus provide information relating to the 'do not significant harm' principle. The principle of 'do not significant harm' is linked to the disclosures of principal adverse impacts of investment decisions on sustainability factors. For that reason, financial product disclosures about the 'do not significant harm' principle should explain how the indicators for adverse impacts have been taken into account. Furthermore, as those disclosures are closely

linked to Regulation (EU) 2020/852 of the European Parliament and of the Council⁹⁶, it is appropriate to require additional information on the alignment of the investments with the minimum safeguards set out in that Regulation.

- (23) To enable end investors to better understand the investment strategies offered, financial market participants should use website sustainability-related disclosures to expand on topics disclosed in a concise way in pre-contractual documents and to provide further information relevant to those end investors. Before a contract is concluded, financial market participants should inform end investors about the fact that more product-specific, detailed information can be found on the website and provide them with a hyperlink to that information.
- (24) The website product disclosure should provide additional details about the investment strategy used for the financial product concerned, including the policy to assess good governance of investee companies, and the methodologies used to measure whether the financial product meets the environmental or social characteristics or attains sustainable investment objectives. Moreover, financial market participants should publish on their website a clear, succinct and understandable summary of the information provided as part of the periodic reporting.
- (25) With respect to the content of the periodic disclosures required by Article 11 of Regulation (EU) 2019/2088, financial market participants should disclose a minimum set of standardised and comparable quantitative and qualitative indicators that demonstrate how each financial product meets the environmental or social characteristics that it promotes or the sustainable investment objective that it aims to attain. Those indicators should be relevant to the design and investment strategy of the financial product as described in the pre-contractual information of the financial product. In particular, to ensure consistency between pre-contractual disclosures and periodic disclosures, financial market participants should report in their periodic disclosures on the specific sustainability indicators mentioned in the pre-contractual information and that are used to measure how the environmental or social characteristics are met or the sustainable investment objective is attained.
- (26) It is necessary to ensure that end investors have a clear overview of the investments of the financial product. Financial market participants should therefore provide in the periodic reports required by Article 11 of Regulation (EU) 2019/2088 information on the impacts of the fifteen top investments of the financial product. Those top investments should be selected on the basis of the investments accounting for the greatest proportion of investments over the course of the period covered by the periodic report, calculated at appropriate intervals to be representative of that period. However, where less than fifteen investments account for half of the investments of the financial product, financial market participants should provide information on those investments only. Moreover, to ensure adequate comparability over time, financial market participants should provide a historical year-by-year comparison of their periodic reports for at least the five previous periods, provided periodic reports for those periods are available.
- (27) Financial market participants making available financial products that use a reference benchmark to meet environmental or social characteristics, or to attain the sustainable investment objective, should be transparent on how well the financial product is able to stay in line with the designated reference benchmark when aiming to meet or to attain that characteristic or objective. For that reason, and to foster consistency with the environmental, social and governance (ESG) disclosures required at benchmark level by Regulation (EU) 2016/1011 of the European Parliament and Council⁵, financial market participants should compare in their periodic reports the performance of the financial product concerned with that of the designated reference benchmark for all those sustainability indicators that are relevant to substantiate that the designated benchmark is aligned with the environmental or social characteristics of the financial product or its sustainable investment objective. That comparison should also enable end investors to clearly determine to what extent the financial product performs in a sustainable manner compared to the performance of a mainstream product.
- (28) It is necessary to ensure that end investors are able to benefit from the sustainability-related disclosures in relation to an offer for a financial product from a financial market participant from another Member State. Financial market participants should therefore provide a summary of the information provided in

⁹⁶ 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).

those sustainability-related disclosures in a language that is customary in the sphere of international finance. Where a financial product is made available outside of the Member State where the financial market participant is established, a summary of that information should also be provided in one of the official languages of the Member State where the financial product is made available.

- (29) It is necessary to ensure comparability of the principal adverse impacts statement, the pre-contractual disclosures and the periodic disclosures required by Regulation (EU) 2019/2088, and to ensure that such information is easily comprehensible to end investors. It is therefore appropriate to set out standard templates for the presentation of that information. For the same reason, the templates should contain summary explanations of key terms used in those templates.
- (30) Certain financial products may offer a range of underlying investment options to end investors. It is necessary to ensure that end investors are informed about the potential sustainability performance of such products, and that financial market participants are required to provide information on those options that promote environmental or social characteristics or have sustainable investment as their objective. That information should make clear that for financial products that promote environmental or social characteristics, the extent to which those products meet those characteristics is subject to the proportion of options selected by the end investor that promote those characteristics and the period of time in which the end investor invests in those options. The information provided should also make clear that for financial products that have sustainable investment as their objective, all of the underlying investment options must have sustainable investment as their objective. There are financial products that offer a range of underlying investment options to end investors, with one or more of the underlying investment options qualifying as financial products that promote environmental or social characteristics. To provide full transparency, it is important to ensure that information about those financial products also covers those options. There are also financial products where one or more of the underlying investment options are financial products that have sustainable investment as their objective. In that case also, the information about those products should cover those options. There are also financial products with one or more of the underlying investment options that have sustainable investment as their objective, but where those options are not financial products as defined in Article 2, point (12), of Regulation (EU) 2019/2088. Since those options are within an overall financial product within the scope of Regulation (EU) 2019/2088 and have sustainable investment as their objective, it is appropriate to require minimum information to be provided on their sustainable investment objective.
- (31) Pre-contractual disclosures for financial products that offer a range of underlying investment options should provide an appropriate level of sustainability-related information on the financial product overall. End investors should be provided with a summary list of the sustainability-related underlying investment options and a clear indication of where sustainability-related information about those options can be found. That list should ensure that the underlying investment options are appropriately categorised in terms of the objective of sustainable investment and the promotion of environmental or social characteristics.
- (32) Including the sustainability-related information directly in the form of annexes to the pre-contractual disclosures referred to in Regulation (EU) 2019/2088 may prevent an end investor from receiving a clear and concise disclosure because the financial product may offer a large range of underlying investment options and a corresponding number of annexes of information. In such cases, it should be allowed that such information is provided through a reference to other disclosures made pursuant to Directives, Regulations or national law. Similarly, for periodic disclosures relating to financial products that offer a range of underlying investment options, the periodic information should only relate to the investment options invested in, because the investment options actually invested in govern the extent to which the financial product meets the environmental or social characteristics that it promotes or attains its sustainable investment objective.
- (33) Regulation (EU) 2020/852 amended Regulation (EU) 2019/2088 by requiring financial market participants to include within the pre-contractual and periodic disclosures of financial products that have sustainable investment as their objective and invest in an economic activity that contributes to an environmental objective within the meaning of Article 2, point (17), of that Regulation, information on the environmental objective as set out in Regulation (EU) 2020/852, and a description of how and to what extent the investments underlying the financial product are in environmentally sustainable economic activities as referred to in Article 3 of that Regulation. In addition, Regulation (EU) 2019/2088 now also requires

financial market participants to include within the pre-contractual and periodic disclosures of financial products that promote environmental characteristics information required for financial products that have sustainable investment as their objective and invest in an economic activity that contributes to an environmental objective within the meaning of that Regulation. It is necessary to enable end investors to easily compare the degrees of financial products' investments in environmentally sustainable economic activities. Financial market participants should therefore, for the purposes of Article 6(1) and 2, and Article 11(2) of Regulation (EU) 2019/2088, include in the annexes to the documents or information referred to in Article 6(3) and Article 11(2) of that Regulation (EU) graphical representations of such investments on the basis of a standardised metric, with the numerator consisting of the market value of investments in environmentally sustainable economic activities and the denominator consisting of the market value of all investments. In order to provide reliable information to end investors, the numerator should include the market value of the investments in investee companies that represents the proportion of environmentally sustainable economic activities of those investee companies, and the proceeds of debt securities where the debt securities terms require those proceeds to be used for environmentally sustainable economic activities. To capture all investments that can finance environmentally sustainable economic activities, it should be possible to include into the numerator infrastructure assets, real estate assets, securitisation assets and investments in other financial products as referred to in Article 5, first paragraph, and Article 6, first paragraph, of Regulation (EU) 2020/852. Due to the lack of reliable methodologies to determine to what extent exposures achieved through derivatives are exposures to environmentally sustainable economic activities, such exposures should not be included in the numerator. The denominator should consist of the market value of all investments.

- (34) There is currently no appropriate methodology to calculate to what extent exposures to central governments, central banks and supranational issuers ('sovereign exposures') are exposures to environmentally sustainable economic activities. In order to increase awareness of end investors, it is appropriate to calculate and graphically represent the extent of investments in environmentally sustainable economic activities in two ways. The first way is to allow the inclusion in the numerator of investments in debt securities issued by central governments, central banks and supranational issuers where the debt securities' terms require the proceeds to be used for environmentally sustainable economic activities and the inclusion in the denominator of investments in debt securities issued by central governments, central banks and supranational issuers, regardless of the use of proceeds. To further inform investment decisions of end investors, financial market participants should explain why certain sovereign exposures are not in environmentally sustainable economic activities, including where that is the case due to the lack of appropriate methodologies to calculate to what extent those exposures are exposures to environmentally sustainable economic activities. The second way is to exclude sovereign exposures from the numerator and from the denominator, thus further enhancing comparability among financial products and allowing end investors to assess to what extent financial products invest in environmentally sustainable economic activities without the inclusion of sovereign exposures.
- (35) Financial market participants should be able to rely on third party data providers where undertakings have not yet complied with the obligation, laid down in Article 8 of Regulation (EU) 2020/852, to disclose information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9 of that Regulation. For the assessment of investments in investee companies that are not subject to the disclosures required by Article 8 of Regulation (EU) 2020/852, financial market participants should assess and use the publicly reported data. Only where such data are not available, financial market participants should be allowed to use data that have been obtained either directly from investee companies, or from third parties, in each case provided that the data made available under such disclosures are equivalent to the data made available under the disclosures made in accordance with that Article 8.
- (36) It is necessary to ensure that financial products consistently disclose information on the degree to which investments in investee companies that are non-financial undertakings, are investments in environmentally sustainable economic activities under Articles 3 and 9 of Regulation (EU) 2020/852. To that end, financial market participants should select either the proportion of the turnover, capital expenditure or operating expenditure to calculate the key performance indicator per financial product to measure that degree, and they should disclose that selection in the annexes to the documents or information referred to in Article 6(3) of Regulation (EU) 2019/2088. To ensure comparability among financial products and for ease of comprehension by end investors, the key performance indicator should

by default be turnover. Capital expenditure or operating expenditure should only be used where the features of the financial product justify such use, in particular where capital expenditure or operating expenditure are more representative for the degree to which those financial products invest in environmentally sustainable economic activities, and provided such use is explained. For investee companies that are financial undertakings, as defined in Article 1, point (8), of Commission Delegated Regulation (EU) 2021/2178⁹⁷, the comparability should be achieved by requiring the use of the same key performance indicator for the same type of financial undertaking. For insurance undertakings and reinsurance undertakings that carry out non-life underwriting activities, it should be possible to combine both the investment and underwriting key performance indicators into a single key performance indicator. To promote transparency to end investors, it is necessary to require that the periodic disclosures of how and to what extent the investments underlying the financial product are made in environmentally sustainable economic activities provide a comparison with the targeted proportions of investments in those economic activities featured in the pre-contractual disclosures. To ensure comparability and transparency, the periodic disclosures should indicate to what degree the investments were made in those economic activities by turnover, capital expenditure and operational expenditure.

- (37) The provisions of this Regulation are closely linked to each other, since they all deal with the information that must be provided by financial market participants and financial advisers in relation to sustainability-related disclosures in the financial services sector required under Regulation (EU) 2019/2088. To ensure coherence between those provisions, which should enter into force at the same time, and to facilitate a comprehensive view by financial market participants and financial advisers of their obligations under that Regulation, it is appropriate to include all the regulatory technical standards required by 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, into a single Regulation.
- (38) 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).
- (39) The Joint Committee of the European Supervisory Authorities referred to in Article 54 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council⁷, in Article 54 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council⁸ and in Article 54 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council⁹ has 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 advice of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010, the Insurance and Reinsurance Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010, and the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010.
- (40) It is necessary to enable financial market participants and financial advisers to adapt to the requirements laid down in this Delegated Regulation. Its date of application should therefore be deferred to 1 January 2023. It is, however, necessary to require financial market participants that have considered principal adverse impacts of investment decisions on sustainability factors as referred to in Article 4(1), point (a), of Regulation (EU) 2019/2088, or as required by Article 4(3) or (4) of that Regulation, by 31 December 2022, to publish the first time the information on those impacts on their websites in separate sections titled 'Statement on principal adverse impacts of investment decisions on sustainability factors' by 30 June 2023 for the period of 1 January 2022 until 31 December 2022,

⁹⁷ Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (OJ L 443, 10.12.2021, p. 9).

Appendix II: Articles 1 and 68 SFDR RTS

Introductory note

Most of the articles of the SFDR RTS have been integrated in the appropriate places in the consolidated version of the SFDR above. However, Articles 1 and 68 of the SFDR RTS are set out in this Appendix II. In the same way, please see Appendix I for the Recitals of the SFDR RTS and Appendices III-VII for Annexes I-V of the SFDR RTS.

Article 1

Definitions

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

- (1) ‘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 Council⁹⁸, a management company as defined in Article 2(1), point (b), of Directive 2009/65/EC of the European Parliament and of the Council⁹⁹, an investment company authorised in accordance with Articles 27, 28 and 29 of Directive 2009/65/EC 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 Council¹⁰⁰, 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 the European Parliament and of the Council¹⁰¹, 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;
- (2) ‘non-financial undertaking’ means an undertaking that is not a financial undertaking as defined in point (1);
- (3) ‘sovereign exposure’ means an exposure to central governments, central banks and supranational issuers;
- (4) ‘environmentally sustainable economic activity’ means an economic activity that complies with the requirements laid down in Article 3 of Regulation (EU) 2020/852;
- (5) ‘transitional economic activity’ means an economic activity that complies with the requirements laid down in Article 10(2) of Regulation (EU) 2020/852;
- (6) ‘enabling economic activity’ means an economic activity that complies with the requirements laid down in Article 16 of Regulation (EU) 2020/852.

Article 68

Entry into force and application

⁹⁸ 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).

⁹⁹ 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).

¹⁰⁰ 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).

¹⁰¹ 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).

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall apply from 1 January 2023. This Regulation shall be binding in its entirety and directly applicable in all Member States.

Appendix III: Template principal adverse sustainability impacts statement (Annex I SFDR RTS)

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

- (1) 'scope 1, 2 and 3 GHG emissions' means the scope of greenhouse gas emissions referred to in points (1)(e)(i) to (iii) of Annex III to Regulation (EU) 2016/1011 of the European Parliament and of the Council¹⁰²;
- (2) 'greenhouse gas (GHG) emissions' means greenhouse gas emissions as defined in Article 3, point (1), of Regulation (EU) 2018/842 of the European Parliament and of the Council¹⁰³;
- (3) 'weighted average' means a ratio of the weight of the investment by the financial market participant in an investee company in relation to the enterprise value of the investee company;
- (4) 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;
- (5) 'companies active in the fossil fuel sector' means companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council¹⁰⁴;
- (6) 'renewable energy sources' means renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas;
- (7) 'non-renewable energy sources' means energy sources other than those referred to in point (6);
- (8) 'energy consumption intensity' means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company;
- (9) 'high impact climate sectors' means the sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006 of the European Parliament and of the Council¹⁰⁵;
- (10) 'protected area' means designated areas in the European Environment Agency's Common Database on Designated Areas (CDDA);
- (11) 'area of high biodiversity value outside protected areas' means land with high biodiversity value as referred to in Article 7b(3) of Directive 98/70/EC of the European Parliament and of the Council¹⁰⁶;
- (12) 'emissions to water' means direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council⁶ and direct emissions of nitrates, phosphates and pesticides;

¹⁰² 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).

¹⁰³ Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26).

¹⁰⁴ 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).

¹⁰⁵ 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 (OJ L 393, 30.12.2006, p. 1).

¹⁰⁶ 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).

- (13) '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 "Aquaduct";
- (14) 'hazardous waste and radioactive waste' means hazardous waste and radioactive waste;
- (15) 'hazardous waste' means hazardous waste as defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council¹⁰⁷;
- (16) 'radioactive waste' means radioactive waste as defined in Article 3(7) of Council Directive 2011/70/Euratom¹⁰⁸;
- (17) 'non-recycled waste' means any waste not recycled within the meaning of 'recycling' in Article 3(17) of Directive 2008/98/EC;
- (18) 'activities negatively affecting biodiversity-sensitive areas' means activities that are characterised by all of the following:
- (a) those activities lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated;
 - (b) for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to any of the following Directives or national provisions or international standards that are equivalent to those Directives have been implemented:
 - (i) Directive 2009/147/EC of the European Parliament and of the Council¹⁰⁹;
 - (ii) Council Directive 92/43/EEC¹¹⁰;
 - (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 Council¹¹¹;
 - (iv) for activities located in third countries, conclusions, mitigation measures or impact assessments adopted in accordance with national provisions or international standards that are equivalent to the Directives and impact assessments listed in points (i), (ii) and (iii);
- (19) 'biodiversity-sensitive areas' means Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas ('KBAs'), as well as other protected areas, as referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139¹²;
- (20) 'threatened species' means endangered species, including flora and fauna, listed in the European Red List or the IUCN Red List, as referred to in Section 7 of Annex II to Delegated Regulation (EU) 2021/2139;
- (21) 'deforestation' means the temporary or permanent human-induced conversion of forested land to non-forested land;
- (22) 'UN Global Compact principles' means the ten Principles of the United Nations Global Compact;
- (23) 'unadjusted gender pay gap' means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees;
- (24) 'board' means the administrative, management or supervisory body of a company;

¹⁰⁷ 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).

¹⁰⁸ 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).

¹⁰⁹ 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).

¹¹⁰ 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).

¹¹¹ 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).

- (25) 'human rights policy' means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights;
- (26) 'whistleblower' means 'reporting person' as defined in Article 5(7) of Directive (EU) 2019/1937 of the European Parliament and of the Council¹¹²;
- (27) 'inorganic pollutants' means emissions within or lower than the emission levels associated with the best available techniques (BAT-AEL) as defined in Article 3, point (13) of Directive 2010/75/EU of the European Parliament and of the Council¹¹³, for the Large Volume Inorganic Chemicals- Solids and Others industry;
- (28) '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 Council¹¹⁴, ammonia (NH₃) as referred to in that Directive and heavy metals (HM) as referred to in Annex I to that Directive;
- (29) 'ozone depletion substances' mean substances listed in the Montreal Protocol on Substances that Deplete the Ozone Layer.

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

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

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x) \text{ GHG emissions}_i \right)$$

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

$$\frac{\sum_n^i (\text{current value of investment}_i)}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1,2, and 3 GHG emissions}_i$$

$$\text{current value of all investments (€M)}$$

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

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \right) \times$$

$$\frac{\text{investee company's Scope 1.2. and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i}$$

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

$$\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \right) \times$$

$$\frac{\text{The country's Scope 1,2 and 3 GHG emissions}_i}{\text{Gross Domestic Product}_i (\text{€M})}$$

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

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

¹¹² 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).

¹¹³ 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).

¹¹⁴ 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).

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

- (1) 'current value of investment' means the value in EUR of the investment by the financial market participant in the investee company;
- (2) 'enterprise value' means the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents;
- (3) 'current value of all investments' means the value in EUR of all investments by the financial market participant;
- (4) 'nearly zero-energy building (NZEB)', 'primary energy demand (PED)' and 'energy performance certificate (EPC)' shall have the meanings given to them in paragraphs 2, 5 and 12 of Article 2 of Directive 2010/31/EU of the European Parliament and of the Council¹¹⁵.

¹¹⁵ 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).

Table 1 Annex I of SFDR RTS

Statement on principal adverse impacts of investment decisions on sustainability factors

[↺ Art. 4 SFDR RTS](#) | [↺ Art. 5 SFDR RTS](#) | [↺ Art. 6 SFDR RTS](#) | [↺ Art. 7 SFDR RTS](#) | [↺ Art. 8 SFDR RTS](#) | [↺ Art. 9 SFDR RTS](#) | [↺ Art. 10 SFDR RTS](#) | [↺ Art. 11 SFDR RTS](#) | [↺ Art. 12 SFDR RTS](#) | [↺ Art. 13 SFDR RTS](#) | [↺ Art. 22 SFDR RTS](#) | [↺ Art. 26 SFDR RTS](#) | [↺ Art. 39 SFDR RTS](#) | [↺ Art. 51 SFDR RTS](#) | [↺ Art. 67 SFDR RTS](#) | [↺ Art. 59 SFDR RTS](#) | [↺ Art. 67 SFDR RTS](#)

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

Table 1 Annex I of SFDR RTS

Statement on principal adverse impacts of investment decisions on sustainability factors

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions				
		Scope 2 GHG emissions				
		Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources				

Table 1 Annex I of SFDR RTS

Statement on principal adverse impacts of investment decisions on sustainability factors

	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, expressed as a				
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average				
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						

Statement on principal adverse impacts of investment decisions on sustainability factors

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies				
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members				

Table 1 Annex I of SFDR RTS

Statement on principal adverse impacts of investment decisions on sustainability factors

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

Table 1 Annex I of SFDR RTS

Statement on principal adverse impacts of investment decisions on sustainability factors

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels				
Energy efficiency	18. Exposure to Energy inefficient real estate assets	Share of investments in energy inefficient real estate assets				
Other indicators for principal adverse impact on sustainability factors						
[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (a) in the format in Table 2]						
[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (b), in the format in Table 3]						
[Information on any other adverse impacts on sustainability factors used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 6(1), point (c), in the format in Table 2 or Table 3]						
Description of policies to identify and prioritise principal adverse impacts on sustainability factors [Information referred to in Article 7]						
Engagement policies [Information referred to in Article 8]						
References to international standards [Information referred to in Article 9]						
Historical comparison [Information referred to in Article 10]						

Table 2 Annex I SFDR RTS
Additional climate and other environment-related indicators

[↺ Art. 6 SFDR RTS](#) |
 [↺ Art. 22 SFDR RTS](#) |
 [↺ Art. 26 SFDR RTS](#) |
 [↺ Art. 39 SFDR RTS](#) |
 [↺ Art. 51 SFDR RTS](#) |
 [↺ Art. 67 SFDR RTS](#) |
 [↺ Art. 59 SFDR RTS](#) |
 [↺ Art. 67 SFDR RTS](#)

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments in investee companies		
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Emissions	1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent per million EUR invested, expressed as a weighted average
	2. Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average
	3. Emissions of ozone-depleting substances	Tonnes of ozone-depleting substances equivalent per million EUR invested, expressed as a weighted average
	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

Table 2 Annex I SFDR RTS

Additional climate and other environment-related indicators

Water, waste and material emissions	6. Water usage and recycling	<p>1. Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies</p> <p>2. Weighted average percentage of water recycled and reused by investee companies</p>
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies
	8. Exposure to areas of high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy
	9. Investments in companies producing chemicals	Share of investments in investee companies the
		activities of which fall under Division 20.2 of Annex I to Regulation (EC) No 1893/2006
	10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing
	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies
	12. Investments in companies without sustainable oceans/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average

Table 2 Annex I SFDR RTS
Additional climate and other environment-related indicators

	14. Natural species and protected areas	<p>1.Share of investments in investee companies whose operations affect threatened species</p> <p>2.Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas</p>
	15. Deforestation	Share of investments in companies without a policy to address deforestation
Green securities	16. Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds
Indicators applicable to investments in sovereigns and supranationals		
Green securities	17. Share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds
Indicators applicable to investments in real estate assets		
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets
		Scope 2 GHG emissions generated by real estate assets
		Scope 3 GHG emissions generated by real estate assets
		Total GHG emissions generated by real estate assets

Table 2 Annex I SFDR RTS
Additional climate and other environment-related indicators

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 Annex I of SFDR RTS
Additional indicators for social and employee, respect for human rights, anti-
corruption and anti-bribery matters

🔗 [Art. 6 SFDR RTS](#) | 🔗 [Art. 22 SFDR RTS](#) | 🔗 [Art. 26 SFDR RTS](#) | 🔗 [Art. 39 SFDR RTS](#) | 🔗 [Art. 51 SFDR RTS](#) | 🔗 [Art. 67 SFDR RTS](#) | 🔗 [Art. 59 SFDR RTS](#) | 🔗 [Art. 67 SFDR RTS](#)

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY		
Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
Indicators applicable to investments in investee companies		
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee

Table 3 Annex I of SFDR RTS

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

	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average
	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings

Table 3 Annex I of SFDR RTS

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

	12. Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation
	13. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms geographic areas and/or the type of operation
	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and antibribery consistent with the United Nations Convention against Corruption
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies
Indicators applicable to investments in sovereigns and supranationals		

Table 3 Annex I of SFDR RTS

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

Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of noncooperative jurisdictions for tax purposes
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column

Table 3 Annex I of SFDR RTS

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

	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column
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Appendix IV: Annex II SFDR RTS - Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of SFDR and Article 6, first paragraph, of Taxonomy Regulation

🔗 Art. 8 SFDR | 🔗 Art. 6 Taxonomy Regulation | 🔗 Art. 20 SFDR RTS

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

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

Product name: [complete]

Legal entity identifier: [complete]

Environmental and/or social characteristics

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

☒ ☒ ☐ **Yes**

☐ ☐ ☒ **No**

☐ It will make a minimum of sustainable investments with an environmental objective: ____%

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of sustainable investments with a social objective: ____%

☐ It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☐ It promotes E/S characteristics, but will not make any sustainable investments

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



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

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**
- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to**

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

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

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

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

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

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

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

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

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



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

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

No



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

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

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

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**
- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?** *[include an indication of the rate, where there is a commitment to reduce the scope of investments by a minimum rate]*
- **What is the policy to assess good governance practices of the investee companies?** *[include a short description of the policy to assess good governance practices of the investee companies]*



Asset allocation describes the share of investments in specific assets.

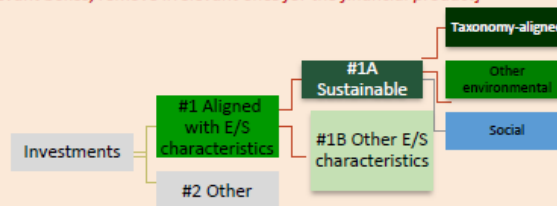
[include note only for financial products referred to in Article 6 of Regulation (EU) 2020/852]

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

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



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

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

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

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

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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

[include note only 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.

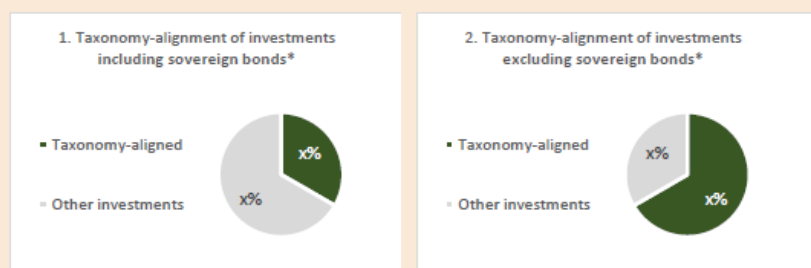
[include note for financial products referred to in Article 6, first paragraph, of Regulation (EU) 2020/852 that invest in environmental economic activities that are not environmentally sustainable economic activities]

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



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

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



* 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 6, first paragraph, of Regulation (EU) 2020/852]*



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



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



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



[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

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

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



Where can I find more product specific information online?

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

[↶ Art. 9 SFDR](#) | [↶ Art. 5 Taxonomy Regulation](#) | [↶ Art. 20 SFDR RTS](#) | [↶ Art. 21 SFDR RTS](#) | [↶ Art. 59 SFDR RTS](#)

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

Legal entity identifier: [complete]

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

Relevant, the percentage figure represents the minimum commitment to sustainable investments	Yes	No
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective 	
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____%	<input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments	



What is the sustainable investment objective of this financial product? *[indicate the investment objective pursued by the financial product, describe how the sustainable investments contribute to a sustainable investment objective and indicate whether a reference benchmark has been designated for the purpose of attaining the sustainable investment objective. For financial products 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 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 indicate whether 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 calculation of that benchmark can be found. Where no EU Climate Transition Benchmark or EU Paris-aligned benchmark is used, indicate that the financial product does not have a reference benchmark.]*

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

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

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

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

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

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



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

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

☐ **No**



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

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

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

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

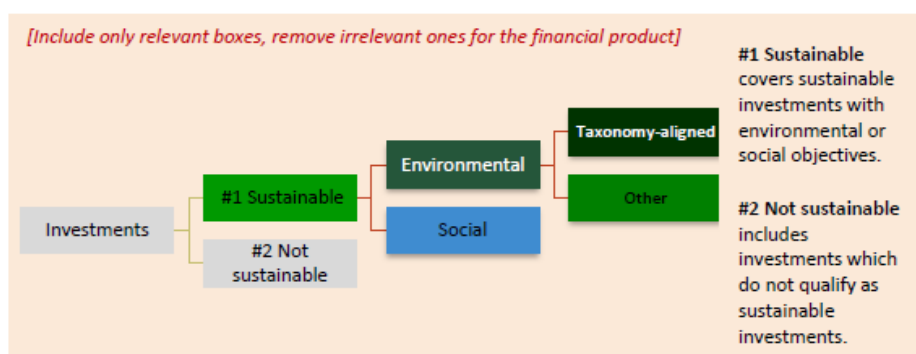
● **What is the policy to assess good governance practices of the investee companies?**



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

Asset allocation describes the share of investments in specific assets.

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



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

Taxonomy-aligned activities are expressed as a share of:

- turnover reflecting the share of revenue from green activities of investee companies
- capital expenditure

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



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy? *[include the section for financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 and include the graphical representation referred to in Article 19(1), point (a), of this Regulation, the description referred to in Article 19(1), point (b), of this Regulation, the clear explanation referred to in Article 19(1), point (c), of this Regulation, the narrative explanation referred to in Article 19(1), point (d), of this Regulation and the information referred to in Article 15(4) of this Regulation]*

[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 and the information referred to in Article 15(4) of this Regulation]

(CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

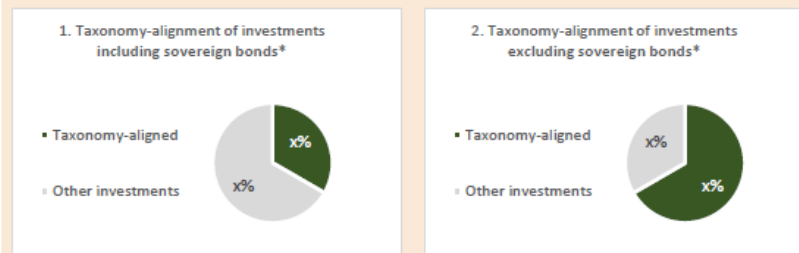
- operational expenditure (OpEx) reflecting green operational activities of investee companies.

[include note only for 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 minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



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

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



are environmentally sustainable investments that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

What is the minimum share of investments in transitional and enabling activities?

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



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

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



What is the minimum share of sustainable investments with a social objective?

[include section only where the financial product includes sustainable investments with a social objective]



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

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



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

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

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

- **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
- **How does the designated index differ from a relevant broad market index?**
- **Where can the methodology used for the calculation of the designated index be found?**



Where can I find more product specific information online?

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

Appendix VI: Annex IV SFDR RTS - Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of SFDR and Article 6, first paragraph, of Taxonomy Regulation

🔄 Art. 8 SFDR | 🔄 Art. 6 Taxonomy Regulation | 🔄 Art. 64 SFDR RTS | 🔄 Art. 65 SFDR RTS | 🔄 Art. 64 SFDR RTS

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

Environmental and/or social characteristics

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

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

Did this financial product have a sustainable investment objective? <small>[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]</small>	
Yes	No
<input type="checkbox"/> It made sustainable investments with an environmental objective: ____% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It made sustainable investments with a social objective: ____%	<input type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments

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

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

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

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

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

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?** *[include where the financial product includes sustainable investments]*
 - How were the indicators for adverse impacts on sustainability factors taken into account?

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

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

[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 Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

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



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



What were the top investments of this financial product?

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

Largest investments	Sector	% Assets	Country



What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

● *What was the asset allocation?*



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

Taxonomy-aligned activities are expressed as a share of:

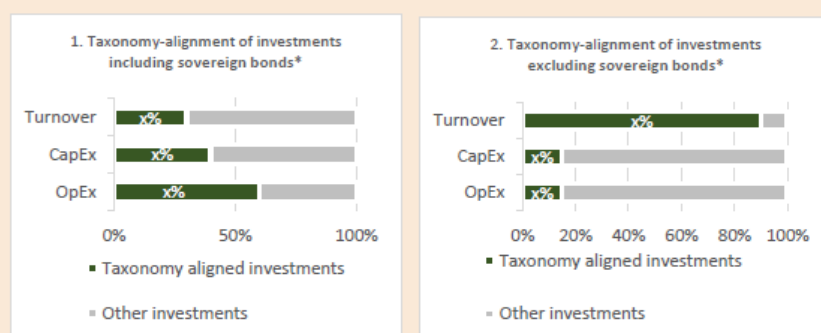
- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure (CapEx)** shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure (OpEx)** reflects the green operational activities of investee companies.

In which economic sectors were the investments made?



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

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



*For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures


[include note only 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.

- **What was the share of investments made in transitional and enabling activities?** *[include a breakdown of the proportions of investments during the reference period]*
- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?** *[include where at least one previous periodic report was provided]*

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

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



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



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



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



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



[include note for financial products where an index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product]

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

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

- ***How does the reference benchmark differ from a broad market index?***
- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***
- ***How did this financial product perform compared with the reference benchmark?***
- ***How did this financial product perform compared with the broad market index?***

Appendix VII: Annex V SFDR RTS - Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of SFDR and Article 5, first paragraph, of Taxonomy Regulation

[Art. 9 SFDR](#) | [Art. 5 Taxonomy Regulation](#) | [Art. 64 SFDR RTS](#) | [Art. 65 SFDR RTS](#) | [Art. 58 SFDR RTS](#) | [Art. 63 SFDR RTS](#) | [Art. 64 SFDR RTS](#) | [Art. 66 SFDR RTS](#)

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

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

Product name: [complete]

Legal entity identifier: [complete]

Sustainable investment objective

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

☒ ☒ ☒ **Yes**

☐ It made sustainable investments with an environmental objective: ____%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made sustainable investments with a social objective: ____%

☐ ☐ ☐ **No**


☐ It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☐ It promoted E/S characteristics, but did not make any sustainable investments



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

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

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


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


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

● **How did the sustainable investments not cause significant harm to any sustainable investment objective?** *[include where the financial product includes sustainable investments]*

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

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

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

—  **What were the top investments of this financial product?**

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

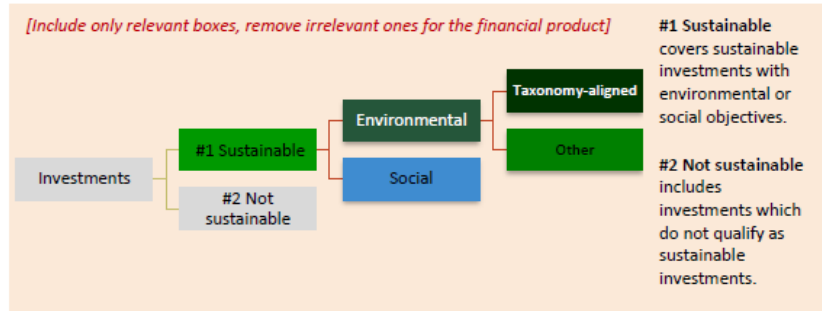
Largest investments	Sector	% Assets	Country



What was the proportion of sustainability-related investments?

What was the asset allocation?

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.

In which economic sectors were the investments made?



To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy? *[include section for the financial products referred to in Article 5, first paragraph, of Regulation (EU) 2020/852 and include information in accordance with Article 59 of this Regulation]*

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

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

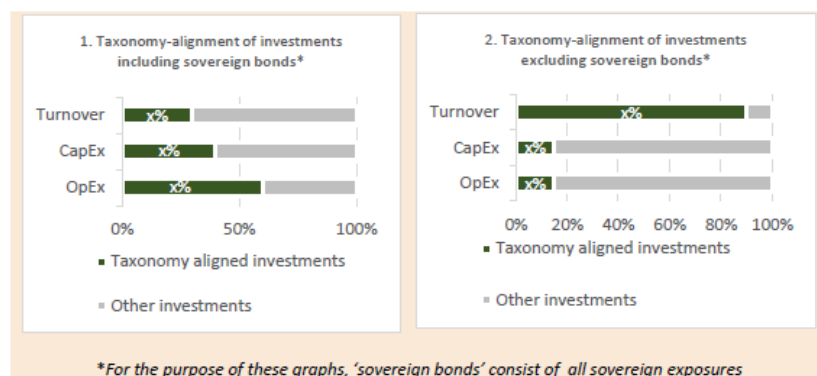
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

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

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



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



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

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



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



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



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



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



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

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

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

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

Appendix VIII: Sustainability risks and sustainability factors to be taken into account by AIFMs - Delegated Regulation 2021/1255

Commission Delegated Regulation (EU) 2021/1255 of 21 April 2021 amending AIFM level 2 Delegated Regulation (EU) 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers (AIFMs)

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to 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 1095/2010¹¹⁶, and in particular Article 12(3), Article 14(4), Article 15(5) and Article 18(2) thereof,

Whereas:

- (1) The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the Sustainable Development Goals is key to ensuring the long-term competitiveness of the economy of the Union. In 2016, the Union concluded the Paris Agreement¹¹⁷. Article 2(1), point (c) of the Paris Agreement sets out the objective of strengthening the response to climate change by, among others means, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- (2) Recognising that challenge, the Commission presented the European Green Deal¹¹⁸ in December 2019. That Green Deal represents a new growth strategy that aims to transform the Union into a fair and prosperous society with a modern, resource-efficient and competitive economy where there are no net greenhouse gas emissions from 2050 onwards and where economic growth is decoupled from resource use. That objective requires that clear signals are given to investors with regard to their investments to avoid stranded assets and to raise sustainable finance.
- (3) In March 2018, the Commission published its Action Plan ‘Financing Sustainable Growth’¹¹⁹, setting up an ambitious and comprehensive strategy on sustainable finance. One of the objectives set out in the Action Plan is to reorient capital flows towards sustainable investments to achieve sustainable and inclusive growth. The impact assessment underpinning subsequent legislative initiatives published in May 2018¹²⁰ demonstrated the need to clarify that sustainability factors should be taken into account by Alternative Investment Fund Managers (‘AIFMs’) as part of their duties towards investors. AIFMs should therefore assess not only all relevant financial risks on an ongoing basis, but also all relevant sustainability risks as referred to in Regulation (EU) 2019/2088 of the European Parliament and of the Council¹²¹ that, where they occur, could cause an actual or potential material negative impact on the value of an investment.

¹¹⁶ OJ L 174, 1.7.2011, p. 1.

¹¹⁷ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 4).

¹¹⁸ COM(2019) 640 final.

¹¹⁹ COM(2018) 97 final.

¹²⁰ SWD(2018) 264 final

¹²¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

Commission Delegated Regulation (EU) No 231/2013¹²² does not explicitly refer to sustainability risks. For that reason and to ensure that internal procedures and organisational arrangements are properly implemented and adhered to, it is necessary to clarify that processes, systems and internal controls of AIFMs reflect sustainability risks, and that technical capacity and knowledge is necessary to analyse those risks.

- (4) Pursuant to Regulation (EU) 2019/2088 AIFMs that are obliged to consider principal adverse impacts of investment decisions on sustainability factors, or consider those principal adverse impacts voluntarily, are obliged to disclose how their due diligence policies take those principal adverse impacts into account. To ensure consistency between Regulation (EU) 2019/2088 and Delegated Regulation (EU) No 231/2013, that obligation should be reflected in Delegated Regulation (EU) No 231/2013.
- (5) To maintain a high standard of investor protection, AIFMs should, when identifying the types of conflicts of interest the existence of which may damage the interests of an AIF, include conflicts of interest that may arise as a result of the integration of sustainability risks in their processes, systems and internal controls. Those conflicts may include conflicts arising from remuneration or personal transactions of relevant staff, conflicts of interest that could give rise to greenwashing, mis-selling or misrepresentation of investment strategies and conflicts of interests between different AIFs managed by the same AIFM.
- (6) Delegated Regulation (EU) No 231/2013 should therefore be amended accordingly.
- (7) Competent authorities and AIFMs should be given sufficient time to adapt to the new requirements contained in this Regulation. Its application should therefore be deferred,

HAS ADOPTED THIS REGULATION:

¹²² 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).

Article 1

Amendments to Regulation (EU) 231/2013

- (1) in Article 1, the following points (6) and (7) are added:

‘(6) “sustainability risk” means sustainability risk as defined in Article 2, point (22), of Regulation (EU) 2019/2088 of the European Parliament and of the Council¹²³;

(7) “sustainability factors” means sustainability factors as defined in Article 2, point (24), of Regulation (EU) 2019/2088.
- (2) in Article 18, the following paragraphs 5 and 6 are added:

‘5. AIFMs shall take into account sustainability risks when complying with the requirements set out in paragraphs 1 to 3.

6. Where AIFMs consider principal adverse impacts of investment decisions on sustainability factors as described in Article 4(1), point (a) of Article 4 of Regulation (EU) 2019/2088, or as required by paragraphs 3 or 4 of Article 4 of that Regulation, those AIFMs shall take into account such principal adverse impacts when complying with the requirements set out in paragraphs 1 to 3 of this Article.’;
- (3) in Article 22, the following paragraph 3 is added:

‘3. For the purposes of paragraph 1, AIFMs shall retain the necessary resources and expertise for the effective integration of sustainability risks.’;
- (4) in Article 30, the following subparagraph is added:

‘AIFMs shall ensure that when identifying the types of conflicts of interest, the existence of which may damage the interests of an AIF, they shall include those types of conflicts of interest that may arise as a result of the integration of sustainability risks in their processes, systems and internal controls.’;
- (5) in Article 40, paragraph 2 is replaced by the following:

‘2. The risk management policy shall comprise such procedures as are necessary to enable the AIFM to assess for each AIF it manages the exposure of that AIF to market, liquidity, sustainability and counterparty risks, and the exposure of the AIF to all other relevant risks, including operational risks, which may be material for each AIF it manages.’;
- (6) in Article 57(1), the following subparagraph is added:

‘AIFMs shall take into account sustainability risks when complying with the requirements laid down in the first subparagraph.’;
- (7) in Article 60(2), the following point (i) is added:

‘(i) is responsible for the integration of sustainability risks in activities referred to in points (a) to (h).’

¹²³ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

Article 2

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 August 2022.

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

Done at Brussels, 21 April 2021.

For the Commission

The President

Ursula VON DER LEYEN

Appendix IX: Sustainability risks and sustainability factors to be taken into account by UCITS - Delegated Directive (EU) 2021/1270

Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS)

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to 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)¹²⁴, and in particular Article 12(3), Article 14(2), and Article 51(4) thereof,

Whereas:

- (1) The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the Sustainable Development Goals is key to ensuring the long-term competitiveness of the economy of the Union. In 2016, the Union concluded the Paris Agreement¹²⁵. Article 2(1), point (c) of the Paris Agreement sets out the objective of strengthening the response to climate change by, among other means making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- (2) Recognising that challenge, the Commission presented the European Green Deal¹²⁶ in December 2019. That Green Deal represents a new growth strategy that aims to transform the Union into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net greenhouse gas emissions from 2050 onwards and where economic growth is decoupled from resource use. That objective requires that clear signals are given to investors with regard to their investments to avoid stranded assets and to raise sustainable finance.
- (3) In March 2018, the Commission published its Action Plan 'Financing Sustainable Growth'¹²⁷, setting up an ambitious and comprehensive strategy on sustainable finance. One of the objectives set out in the Action Plan is to reorient capital flows towards sustainable investments to achieve sustainable and inclusive growth. The impact assessment underpinning subsequent legislative initiatives published in May 2018¹²⁸ demonstrated the need to clarify that sustainability factors should be taken into account by management companies as part of their duties towards investors. Management companies should therefore assess not only all relevant financial risks on an ongoing basis, but also all relevant sustainability risks as referred to in Regulation (EU) 2019/2088 of the European Parliament and of the Council¹²⁹ that, where they occur, could cause an actual or potential material negative impact on the value of an investment. Commission

¹²⁴ OJ L 302, 17.11.2009, p. 32.

¹²⁵ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

¹²⁶ COM(2019) 640 final.

¹²⁷ COM(2018) 97 final.

¹²⁸ SWD(2018) 264 final.

¹²⁹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

Directive 2010/43/EU¹³⁰ does not explicitly refer to sustainability risks. For that reason and to ensure that internal procedures and organisational arrangements are properly implemented and adhered to, it is necessary to clarify that processes, systems and internal controls of management companies reflect sustainability risks, and that technical capacity and knowledge is necessary to analyse those risks.

- (4) To avoid an uneven playing field for management companies, and investment companies that have not designated a management company, and to avoid related fragmentation, inconsistency and unpredictability in the functioning of the internal market, the rules regarding the integration of sustainability risks should also apply to investment companies, taking into account the principle of proportionality.
- (5) To maintain a high standard of investor protection, management companies should, when identifying the types of conflicts of interest the existence of which may damage the interests of a UCITS, include conflicts of interest that may arise as a result of the integration of sustainability risks in their processes, systems and internal controls. Those conflicts may include conflicts arising from remuneration or personal transactions of relevant staff, conflicts of interest that could give rise to greenwashing, mis-selling or misrepresentation of investment strategies and conflicts of interests between different UCITS managed by the same management company.
- (6) Pursuant to Regulation (EU) 2019/2088 management or investment companies that are obliged to consider principal adverse impacts of investment decisions on sustainability factors, or consider those principal adverse impacts voluntarily, are obliged to disclose how their due diligence policies take those principal adverse impacts into account. To ensure consistency between Regulation (EU) 2019/2088 and Directive 2010/43/EU, that obligation should be reflected in Directive 2010/43/EU.
- (7) Directive 2010/43/EU should therefore be amended accordingly,

HAS ADOPTED THIS DIRECTIVE:

¹³⁰ Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company (OJ L 176, 10.7.2010, p. 42).

Article 1

Amendments to Directive 2010/43/EU

Directive 2010/43/EU is amended as follows:

- (1) in Article 3, the following points 11 and 12 are added:

‘11. “sustainability risk” means sustainability risk as defined in Article 2, point (22), of Regulation (EU) 2019/2088 of the European Parliament and of the Council¹³¹;

12. “sustainability factors” means sustainability factors as defined in Article 2, point (24), of Regulation (EU) 2019/2088.
- (2) in Article 4(1), the following subparagraph is added:

‘Member States shall ensure that management companies take into account sustainability risks when complying with the requirements laid down in the first subparagraph.’;
- (3) in Article 5, the following paragraph 5 is added:

‘5. Member States shall ensure that for the purposes laid down in paragraphs 1, 2 and 3, management companies retain the necessary resources and expertise for the effective integration of sustainability risks.’;
- (4) the following Article 5a is inserted:

‘Article 5a

Obligation for investment companies to integrate sustainability risks in the management of UCITS

Member States shall ensure that investment companies integrate sustainability risks in the management of UCITS, taking into account the nature, scale and complexity of the business of the investment companies.’;
- (5) in Article 9(2), the following point (g) is added:

‘(g) is responsible for the integration of sustainability risks in the activities referred to in points (a) to (f).’;
- (6) in Article 17, the following paragraph 3 is added:

‘3. Member States shall ensure that, when management companies identify the types of conflicts of interest the existence of which may damage the interests of a UCITS, those management companies include those types of conflicts of interest that may arise as a result of the integration of sustainability risks in their processes, systems and internal controls.’;
- (7) in Article 23, the following paragraphs 5 and 6 are added:

‘5. Member States shall require that management companies take into account sustainability risks when complying with the requirements set out in paragraphs 1 to 4.

6. Member States shall ensure that where management companies, or, where applicable, investment companies, consider principal adverse impacts of investment decisions on sustainability factors as described in Article 4(1), point (a), of Regulation (EU) 2019/2088, or as required by paragraphs 3 or 4 of Article 4 of that Regulation, those management companies or investment companies take into account such principal adverse impacts when complying with the requirements set out in paragraphs 1 to 4 of this Article.’;

¹³¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

(8) in Article 38(1), the second subparagraph is replaced by the following:

‘The risk management policy shall comprise such procedures as are necessary to enable the management company to assess for each UCITS it manages the exposure of that UCITS to market, liquidity, sustainability and counterparty risks, and the exposure of the UCITS to all other risks, including operational risks, which may be material for each UCITS it manages.’.

Article 2

Transposition

- (1) Member States shall adopt and publish, by 31 July 2022 at the latest, the laws, regulations and administrative provisions necessary to comply with this Directive. They shall forthwith communicate to the Commission the text of those provisions.

They shall apply those measures from 1 August 2022.

When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

- (2) Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

Article 3

Entry into force

This Directive shall enter into force on the on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Article 4

Addressees

This Directive is addressed to the Member States.

Done at Brussels, 21 April 2021

For the Commission

The President

Ursula VON DER LEYEN

Appendix X: Integration of sustainability factors, risks and preferences (MiFID II) - Delegated Regulation (EU) 2021/1253

Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms (Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to 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/EU¹³², and in particular Article 16(12), Article 24(13) and Article 25(8) thereof,

Whereas:

- (1) The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the Sustainable Development Goals is key to ensuring the long-term competitiveness of the economy of the Union. In 2016, the Union concluded the Paris Agreement¹³³. Article 2(1), point (c), of the Paris Agreement sets out the objective of strengthening the response to climate change by, among others, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- (2) Recognising that challenge, the Commission presented the European Green Deal¹³⁴ in December 2019. The Green Deal represents a new growth strategy that aims to transform the Union into a fair and prosperous society with a modern, resource-efficient and competitive economy where there are no net greenhouse gas emissions from 2050 onwards and where economic growth is decoupled from resource use. That objective requires that clear signals are given to investors with regard to their investments to avoid stranded assets and to raise sustainable finance.
- (3) In March 2018, the Commission published its Action Plan 'Financing Sustainable Growth'¹³⁵, setting up an ambitious and comprehensive strategy on sustainable finance. One of the objectives set out in the Action Plan is to reorient capital flows towards sustainable investments to achieve sustainable and inclusive growth. The impact assessment underpinning subsequent legislative initiatives published in May 2018¹³⁶ demonstrated the need to clarify that sustainability factors should be taken into account by investment firms as part of their duties towards clients and potential clients. Investment firms should therefore consider not only all relevant financial risks on an ongoing basis, but also all relevant sustainability risks as referred to in Regulation (EU) 2019/2088 of the European Parliament and of the Council¹³⁷ that, where they occur, could cause an actual or potential material negative impact on the value of an

¹³² OJ L 173, 12.6.2014, p. 349.

¹³³ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

¹³⁴ COM(2019) 640 final.

¹³⁵ COM(2018) 97 final.

¹³⁶ SWD(2018) 264 final.

¹³⁷ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

investment. Commission Delegated Regulation (EU) 2017/565¹³⁸ does not explicitly refer to sustainability risks. For that reason and to ensure that internal procedures and organisational arrangements are properly implemented and adhered to, it is necessary to clarify that processes, systems and internal controls of investment firms should reflect sustainability risks, and that technical capacity and knowledge is necessary to analyse those risks.

- (4) To maintain a high standard of investor protection, investment firms should, when identifying the types of conflicts of interest the existence of which may damage the interests of a client or potential client, include those types of conflicts of interest that stem from the integration of the client's sustainability preferences. For existing clients, for whom a suitability assessment has already been undertaken, investment firms should have the possibility to identify the client's individual sustainability preferences at the next regular update of the existing suitability assessment.
- (5) Investment firms that provide investment advice and portfolio management should be able to recommend suitable financial instruments to their clients and potential clients and should therefore be able to ask questions to identify a client's individual sustainability preferences. In accordance with an investment firm's obligation to act in the best interest of its clients, recommendations to clients and potential clients should reflect both the financial objectives and any sustainability preferences expressed by those clients. It is therefore necessary to clarify that investment firms should have in place appropriate arrangements to ensure that the inclusion of sustainability factors in the advisory process and portfolio management does not lead to mis-selling practices or to the misrepresentation of financial instruments or strategies as fulfilling sustainability preferences where they do not. In order to avoid such practices or misrepresentations, investment firms providing investment advice should first assess a client's or potential client's other investment objectives, time horizon and individual circumstances, before asking for his or her potential sustainability preferences.
- (6) Financial instruments with various degrees of sustainability-related ambition have been developed so far. To enable clients or potential clients to understand those different degrees of sustainability and take informed investment decisions in terms of sustainability, investment firms that provide investment advice and portfolio management services should explain the distinction between, on the one hand, financial instruments that pursue, fully or in part, sustainable investments in economic activities that qualify as environmentally sustainable under Regulation (EU) 2020/852 of the European Parliament and of the Council¹³⁹, sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088, and financial instruments that consider principal adverse impacts on sustainability factors that might be eligible for recommendation as meeting individual sustainability preferences of clients, and, on the other hand, other financial instruments without those specific features that should not be eligible for recommendation to the clients or potential clients that have individual sustainability preferences.
- (7) It is necessary to address concerns about 'greenwashing', that is, in particular, the practice of gaining an unfair competitive advantage by recommending a financial instrument as environmentally friendly or sustainable, when in fact that financial instrument does not meet basic environmental or other sustainability-related standards. In order to prevent mis-selling and greenwashing, investment firms should not recommend or decide to trade financial

¹³⁸ Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (OJ L 87, 31.3.2017, p. 1).

¹³⁹ 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).

instruments as meeting individual sustainability preferences where those financial instruments do not meet those preferences. Investment firms should explain to their clients or potential clients the reasons for not doing so, and keep records of those reasons.

- (8) It is necessary to clarify that financial instruments that are not eligible for individual sustainability preferences can still be recommended by investment firms, but not as meeting individual sustainability preferences. In order to allow for further recommendations to clients or potential clients, where financial instruments do not meet a client's sustainability preferences, the client should have the possibility to adapt information on his or her sustainability preferences. In order to prevent mis-selling and greenwashing, investment firms should keep records of the client's decision along with the client's explanation supporting the adaptation.
- (9) Delegated Regulation (EU) 2017/565 should therefore be amended accordingly.
- (10) Competent authorities and investment firms should be given sufficient time to adapt to the new requirements contained in this Regulation. Its application should therefore be deferred,

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Delegated Regulation (EU) 2017/565

Delegated Regulation (EU) 2017/565 is amended as follows:

- (1) in Article 2, the following points (7), (8) and (9) are added:

‘(7) “sustainability preferences” means a client’s or potential client’s choice as to whether and, if so, to what extent, one or more of the following financial instruments shall be integrated into his or her investment:

 - (a) a financial instrument for which the client or potential client determines that a minimum proportion shall be invested in environmentally sustainable investments as defined in Article 2, point (1), of Regulation (EU) 2020/852 of the European Parliament and of the Council¹⁴⁰;
 - (b) a financial instrument for which the client or potential client determines that a minimum proportion shall be invested in sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088 of the European Parliament and of the Council¹⁴¹;
 - (c) a financial instrument that considers principal adverse impacts on sustainability factors where qualitative or quantitative elements demonstrating that consideration are determined by the client or potential client;

‘(8) “sustainability factors” means sustainability factors as defined in Article 2, point (24), of Regulation (EU) 2019/2088;

‘(9) “sustainability risks” means sustainability risks as defined in Article 2, point (22), of Regulation (EU) 2019/2088.
- (2) in Article 21, paragraph 1 is amended as follows:
 - (a) the second subparagraph is replaced by the following:

‘Investment firms shall take into account sustainability risks when complying with the requirements set out in this paragraph.’;
 - (b) the following subparagraph is added:

‘When complying with the requirements set out in this paragraph, investment firms shall take into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business.’;
- (3) in Article 23(1), point (a) is replaced by the following:

‘(a) establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the firm’s activities, processes and systems, and, where appropriate, set the level of risk tolerated by the firm. In doing so, investment firms shall take into account sustainability risks;’;
- (4) Article 33 is replaced by the following:

‘Article 33

Conflicts of interest potentially detrimental to a client
(Article 16(3) and Article 23 of Directive 2014/65/EU)

For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a client, including his or her sustainability preferences, investment firms shall take into account, by way of minimum criteria, whether the investment firm or a relevant person, or a person directly or indirectly linked by control to

¹⁴⁰ 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).

¹⁴¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).’;

the firm, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- (a) the firm or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- (b) the firm or that person has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- (c) the firm or that person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- (d) the firm or that person carries on the same business as the client;
- (e) the firm or that person receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.';

- (5) in Article 52, paragraph 3 is replaced by the following:

'3. Investment firms shall provide a description of:

- (a) the types of financial instruments considered;
- (b) the range of financial instruments and providers, analysed per each type of instrument according to the scope of the service;
- (c) where relevant, the sustainability factors taken into consideration in the selection process of financial instruments;
- (d) when providing independent advice, how the service provided satisfies the conditions for the provision of investment advice on an independent basis, and the factors taken into consideration in the selection process used by the investment firm to recommend financial instruments, including risks, costs and complexity of the financial instruments.';

- (6) Article 54 is amended as follows:

- (a) in paragraph 2, point (a) is replaced by the following:

'(a) it meets the investment objectives of the client in question, including the client's risk tolerance and any sustainability preferences;';

- (b) paragraph 5 is replaced by the following:

'5. The information about the investment objectives of the client or potential client shall include, where relevant, information about the length of time for which the client wishes to hold the investment, his or her preferences regarding risk taking, his or her risk tolerance, the purpose of the investment and in addition his or her sustainability preferences.';

- (c) paragraph 9 is replaced by the following:

'9. Investment firms shall have in place, and be able to demonstrate that they have in place, adequate policies and procedures to ensure that they understand the nature features, including costs and risks of investment services and financial instruments selected for their clients, including any sustainability factors, and that they assess, while taking into account cost and complexity, whether equivalent investment services or financial instruments can meet their client's profile.';

- (d) paragraph 10 is replaced by the following:

'10. When providing the investment service of investment advice or portfolio management, an investment firm shall not recommend or decide to trade where none of the services or instruments are suitable for the client.

An investment firm shall not recommend financial instruments or decide to trade such instruments as meeting a client's or potential client's sustainability preferences when those financial instruments do not do meet those preferences. The investment firm shall explain to the client or potential clients the reasons for not doing so and keep records of those reasons.

Where no financial instrument meets the sustainability preferences of the client or potential client,

and the client decides to adapt his or her sustainability preferences, the investment firm shall keep records of the decision of the client, including the reasons for that decision.’;

- (e) in paragraph 12, the first subparagraph is replaced by the following:

‘12. When providing investment advice, investment firms shall provide a report to the retail client that includes an outline of the advice given and that explains how the recommendation provided is suitable for the retail client, including how the recommendation meets the client’s investment objectives, his or her personal circumstances with reference to the investment term required, the client’s knowledge and experience, the client’s attitude to risk his or her capacity to sustain losses and his or her sustainability preferences.’;

- (f) in paragraph 13 a new subparagraph is added:

‘The requirements to meet the sustainability preferences of clients or potential clients, where relevant, shall not alter the conditions laid down in the first subparagraph.’.

Article 2

Entry into force and application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 2 August 2022.

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

Done at Brussels, 21 April 2021.

For the Commission

The President

Ursula VON DER LEYEN

Appendix XI: Integration of sustainability factors into the product governance obligations (MiFID II) - Delegated Directive (EU) 2021/1269

Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations (Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to 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/EU¹⁴², and in particular Article 16(12) and Article 24(13) thereof,

Whereas:

- (1) The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the Sustainable Development Goals is key to ensuring the long-term competitiveness of the economy of the Union. In 2016, the Union concluded the Paris Agreement¹⁴³. Article 2(1), point (c), of the Paris Agreement sets out the objective of strengthening the response to climate change by, among others means, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- (2) Recognising that challenge, the Commission presented the European Green Deal¹⁴⁴ in December 2019. The Green Deal represents a new growth strategy that aims to transform the Union into a fair and prosperous society with a modern, resource-efficient and competitive economy where there are no net greenhouse gas emissions from 2050 onwards and where economic growth is decoupled from resource use. That objective requires that clear signals are given to investors with regard to their investments to avoid stranded assets and to raise sustainable finance.
- (3) In March 2018, the Commission published its Action Plan ‘Financing Sustainable Growth’¹⁴⁵, setting up an ambitious and comprehensive strategy on sustainable finance. One of the objectives set out in the Action Plan is to reorient capital flows towards sustainable investments to achieve sustainable and inclusive growth.
- (4) Proper implementation of the Action plan encourages investors’ demand for sustainable investments. It is therefore necessary to clarify that sustainability factors, and sustainability-related objectives should be considered within the product governance requirements set out in Commission Delegated Directive (EU) 2017/593¹⁴⁶.

¹⁴² OJ L 173, 12.6.2014, p. 349.

¹⁴³ Council Decision (EU) 2016/1841 of 5 October 2016 on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (OJ L 282, 19.10.2016, p. 1).

¹⁴⁴ COM(2019) 640 final.

¹⁴⁵ COM(2018) 97 final.

¹⁴⁶ Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations

- (5) Investment firms manufacturing and distributing financial instruments should consider sustainability factors in the product approval process of each financial instrument and in the other product governance and oversight arrangements for each financial instrument that is intended to be distributed to clients seeking financial instruments with a sustainability-related profile.
- (6) Considering that the target market should be set at a sufficient granular level, a general statement that a financial instrument has a sustainability-related profile should not be sufficient. Investment firms manufacturing and distributing financial instruments should rather specify to which group of clients with sustainability related objectives the financial instrument is supposed to be distributed.
- (7) To ensure that financial instruments with sustainability factors remain easily available also for clients that do not have sustainability preferences, investment firms should not be required to identify groups of clients with whose needs, characteristics and objectives the financial instrument with sustainability factors is not compatible.
- (8) The sustainability factors of a financial instrument should be presented in a transparent manner to enable the distributor to provide the relevant information to its clients or potential clients.
- (9) Delegated Directive (EU) 2017/593 should therefore be amended accordingly,

HAS ADOPTED THIS DIRECTIVE:

and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (OJ L 87, 31.3.2017, p. 500).

Article 1

Amendments to Delegated Directive (EU) 2017/593

Delegated Directive (EU) 2017/593 is amended as follows:

- (1) in Article 1, the following paragraph 5 is added:

‘5. “sustainability factors” means sustainability factors as defined in Article 2, point (24), of Regulation (EU) 2019/2088 of the European Parliament and of the Council¹⁴⁷.
- (2) Article 9 is amended as follows:
 - (a) in paragraph 9, the first subparagraph is replaced by the following:

‘9. Member States shall require investment firms to identify at a sufficiently granular level the potential target market for each financial instrument and specify the type(s) of client with whose needs, characteristics and objectives, including any sustainability related objectives, the financial instrument is compatible. As part of this process, the firm shall identify any group(s) of clients with whose needs, characteristics and objectives the financial instrument is not compatible, except where financial instruments consider sustainability factors. Where investment firms collaborate to manufacture a financial instrument, only one target market needs to be identified.’;
 - (b) paragraph 11 is replaced by the following:

‘11. Member States shall require investment firms to determine whether a financial instrument meets the identified needs, characteristics and objectives of the target market, including by examining the following elements:

 - (a) the financial instrument’s risk/reward profile is consistent with the target market;
 - (b) the financial instrument’s sustainability factors, where relevant, are consistent with the target market;
 - (c) the financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.’;
 - (c) in paragraph 13, the following second subparagraph is added:

‘The sustainability factors of the financial instrument shall be presented in a transparent manner and provide distributors with the relevant information to duly consider any sustainability related objectives of the client or potential client.’;
 - (d) paragraph 14 is replaced by the following:

‘14. Member States shall require investment firms to review the financial instruments they manufacture on a regular basis, taking into account any event that could materially affect the potential risk to the identified target market. Investment firms shall consider whether the financial instrument remains consistent with the needs, characteristics and objectives, including any sustainability related objectives, of the target market and if it is distributed to the target market, or reaches clients with whose needs, characteristics and objectives the financial instrument is not compatible.’;
- (3) Article 10 is amended as follows:
 - (a) in paragraph 2, the first subparagraph is replaced by the following:

¹⁴⁷ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

‘2. Member States shall require investment firms to have in place adequate product governance arrangements to ensure that products and services they intend to offer or recommend are compatible with the needs, characteristics, and objectives, including any sustainability related objectives, of an identified target market and that the intended distribution strategy is consistent with the identified target market. Investment firms shall appropriately identify and assess the circumstances and needs of the clients they intend to focus on, so as to ensure that clients’ interests are not compromised as a result of commercial or funding pressures. As part of this process, investment firms shall identify any group of clients with whose needs, characteristics and objectives the product or service is not compatible except where financial instruments consider sustainability factors.’;

(b) paragraph 5 is replaced by the following:

‘5. Member States shall require investment firms to review the investment products they offer or recommend and the services they provide on a regular basis, taking into account any event that could materially affect the potential risk to the identified target market. Firms shall assess at least whether the product or service remains consistent with the needs, characteristics and objectives, including any sustainability related objectives, of the identified target market and whether the intended distribution strategy remains appropriate. Firms shall reconsider the target market and/or update the product governance arrangements if they become aware that they have wrongly identified the target market for a specific product or service or that the product or service no longer meets the circumstances of the identified target market, such as where the product becomes illiquid or very volatile due to market changes.’.

Article 2

Transposition

1. Member States shall adopt and publish, by 21 August 2022 at the latest, the laws, regulations and administrative provisions necessary to comply with this Directive. They shall forthwith communicate to the Commission the text of those provisions.

They shall apply those provisions from 22 November 2022.

When Member States adopt those provisions, they shall contain a reference to this Directive or be accompanied by such a reference on the occasion of their official publication. Member States shall determine how such reference is to be made.

2. Member States shall communicate to the Commission the text of the main provisions of national law which they adopt in the field covered by this Directive.

Article 3

Entry into force

This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Article 4

Addressees

This Directive is addressed to the Member States.

Done at Brussels, 21 April 2021.

For the Commission

The President

Ursula VON DER LEYEN

OUR EXPERIENCE

We are the firm of choice for asset management and investment funds.

We advise on a wide range of investment products, with a client base of similar diversity: from boutique investment houses to the largest American, British, continental European and Asian fund promoters. We are the leading firm in Luxembourg in terms of net assets of investment funds for which we act as legal adviser.

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We are committed to the evolution of Luxembourg as the primary European investment fund centre. We actively participate in discussions with the government and the regulator on the evolution of the financial sector – thus contributing to legislative development and origination of new legal structures.

Our partners are members of a number of advisory committees led by the *Commission de Surveillance du Secteur Financier* (CSSF) where regulatory developments are discussed with industry practitioners. As a result of our participation in such committees and our day-to-day involvement in the CSSF approval process, we have a very good relationship with the CSSF. Our clients therefore benefit from efficient resolution of their regulatory matters.

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