



// ASSET MANAGEMENT & INVESTMENT FUNDS

Asset Management & Investment Funds Update: a fund manager's guide to SFDR Level 2

September 2022



After several delays, final delegated measures underpinning the Sustainable Finance Disclosures Regulation (**SFDR**) were published on 25 July 2022 with an effective date of 1 January 2023.

The SFDR delegated measures (**Level 2**) set out additional disclosure obligations in respect of:

- fund managers' website disclosure of the principal adverse impacts (**PAIs**) of investment decisions on sustainability factors under SFDR Article 4 (the **entity-level PAI disclosure rule**)
- fund disclosure of environmental or social (**E/S**) characteristics under SFDR Articles 8, 10 and 11 (**product-level disclosure rules**)
- fund disclosure of sustainable investment objectives under SFDR Articles 9, 10 and 11 (**product-level disclosure rules**).

Level 2 Compliance Timeline

Level 2 disclosures of entity-level PAIs are required to be published on the fund manager's website by 30 June 2023.

Level 2 pre-contractual and website disclosures for Article 8 and 9 funds must be published from 1 January 2023 and financial report disclosures must be included in any relevant fund reports published after this date (irrespective of the relevant financial/reference period).

The Central Bank has committed to providing a fast-track approval process ahead of the 1 January 2023 compliance deadline for Level 2 pre-contractual disclosures and while regulatory guidance is expected to issue shortly, the Central Bank has verbally confirmed a filing deadline of 1 December 2022 for the process. As such, fund managers have approximately 11 weeks in which to finalise Level 2 pre-contractual disclosures for any Article 8 and 9 funds under management and submit these for noting by the Central Bank.

Fund managers then have a further 4 weeks (including the Christmas period) in which to finalise and publish Level 2 website disclosures for Article 8 and 9 funds, in advance of the 1 January 2023 compliance deadline.

For those funds with a late Q3/early Q4 financial year-end, preparations must also be progressed this quarter for publishing Level 2 financial report disclosures in Article 8 or 9 funds' reports published after 1 January 2023.



This guide aims to assist fund managers' Level 2 compliance preparations and includes (i) key Level 2 considerations; (ii) a decision tree to facilitate funds managers scoping of Level 2 obligations; and (iii) a detailed summary of the Level 2 disclosure rules.

Fund Managers' PAI disclosures: 10 key Level 2 considerations

1. **From 1 January 2023, fund managers explaining non-compliance with the entity-level PAI disclosure rule** must ensure existing website statements of non-compliance (made pursuant to Level 1) align with Level 2 requirements for the format and positioning of such statements (see *Summary of Level 2 Disclosure Rules* section below).
2. **Fund managers explaining non-compliance with the entity-level PAI disclosure rule** are not precluded from establishing/managing funds that consider product-level PAIs. However, any such funds should be excluded from the website and pre-contractual non-compliance statements.
3. **Fund managers complying with the entity-level PAI disclosure rule** must first disclose the PAIs of investments by 30 June 2023, referencing 2022 calculations, on the manager's website.
4. **Level 2 requires PAIs to be calculated over a calendar year using a prescribed set of 64 mandatory and optional indicators across corporate, sovereign, and real estate investments.** In any given year, PAI calculations must be carried out on at least four calculation dates (31 March, 30 June 30 September, and 31 December) with the average of the impacts disclosed by 30 June of the following year as the PAIs of the previous year.
5. **Fund managers complying with the entity-level PAI disclosure rule for the first time** are, by way of exemption to the calendar-year calculation period rule, permitted to disclose PAIs by reference to the period beginning on the date on which PAIs are first calculated in the previous year until 31 December of that year.
6. **PAIs must be disclosed using the mandatory website disclosure template** set out in Annex I, Level 2. The template requires a summary disclosure of the PAIs, a detailed disclosure of impacts against the mandatory and optional PAI indicators, a historical comparison (where available), details of the manager's relevant policies and procedures and its adherence to international standards for due diligence and reporting (see *Summary of Level 2 Disclosure Rules* section below).
7. **Publicly available data should be used for calculating PAIs** and where not readily available, fund managers should use best efforts to source data either direct from investee companies, by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions.
8. **Fund managers are expected to calculate PAIs of both direct and indirect investments** by applying a look-through approach to indirect holdings e.g., via other funds, fund of funds, holding companies, SPVs and derivatives (see [here](#) for further details).
9. **Fund managers are expected to calculate the PAIs of instruments financing sustainable projects** e.g., a bond, by reference to the impact of the project or type of project funded by the instrument (see [here](#) for further details).
10. **Fund managers complying with the entity-level PAI disclosure rule must, from 30 December 2022, disclose whether they also consider product-level PAIs** in respect of underlying funds (SFDR Article 7(1)). In respect of funds that consider product-level PAIs, managers must make pre-contractual disclosure of how such PAIs are identified and financial report disclosure of any such PAIs identified. In contrast to the entity-level PAI disclosure rule, disclosure of product-level PAIs is not required to be made using the Level 2 indicators. However, ESMA's recently published supervisory expectation is that the Level 2 mandatory PAI indicators (Table 1, Annex I) are used to calculate and disclose product-level PAIs (see [here](#) for further details of ESMA's supervisory expectations for compliance with Level 2).



Funds' E/S characteristics / sustainable investment objectives: 10 key Level 2 considerations

1. **From 1 January 2023, Level 2 requires additional pre-contractual, website and financial report disclosures** for funds with E/S characteristics in scope of SFDR Article 8, and those with sustainable investment objectives in scope of SFDR Article 9. Financial report disclosure templates must be included in reports published after 1 January 2023, irrespective of the relevant reference/financial period.
2. **Level 2 pre-contractual and financial report disclosures** are required to be made using the mandatory disclosure templates annexed to Level 2, which may not be amended other than changes to the colour and font type and size.
3. **Level 2 website disclosures are not subject to a template** but are required to be made in accordance with detailed Level 2 rules (see *Summary of Level 2 Disclosure Rules* section below). Website disclosures should be used to 'expand on topics disclosed in a concise way in pre-contractual documents' and include 'a clear, succinct and understandable summary of the [financial report] information' disclosed using the relevant disclosure template.
4. **Level 2 pre-contractual and financial report disclosures** must include funds' binding sustainable investment commitments (if any)/sustainable investment holdings (if any), noting that both the ESAs and the Commission expect that Article 9 funds only invest in sustainable investments and ancillary investments (e.g., for hedging and liquidity purposes) subject to minimum safeguards (see [here](#) for further details).
5. **A fund manager's methodology for assessing sustainable investments' compliance with the 'do no significant harm' (DNSH) test (see box on the right) must take account of the Level 2 PAI indicators** and all sustainable investments, including those aligned with the Taxonomy, must satisfy the DNSH test. This is notwithstanding that the Taxonomy also includes a DNSH test and as such Taxonomy-aligned investments are subject to dual DNSH obligations under both SFDR and the Taxonomy. To take account of the Level 2 PAI indicators under the SFDR DNSH test, fund managers are expected to develop and establish significant harm thresholds for the Annex 1, Table 1 indicators and any relevant indicators from Tables 2 and 3, which the ESAs consider it best practice to disclose in order to prove sustainable investments' DNSH compliance. In addition to taking account of the Level 2 PAI indicators, fund managers' DNSH methodology must also include an assessment of whether the investments are aligned with the OECD Guidelines for Multinational Enterprises and 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.
6. **Level 2 pre-contractual and financial report disclosures** for Article 8 funds with environmental characteristics and Article 9 funds with environmentally sustainable investments must include any binding Taxonomy-aligned investment commitments/Taxonomy-aligned investment holdings. All Article 8 funds with environmental characteristics are subject to this disclosure requirement, including those with no sustainable investment commitments/holdings, according to the Commission (see [here](#) for further details).
7. **Article 8 anti-greenwashing guidance issued by ESMA to NCAs** clarifies that Article 8 funds' Level 2 disclosures must be binding and any significant discrepancy between a fund's investments and its pre-contractually disclosed investment commitments may be subject to regulatory action for greenwashing (see [here](#) for further details).
8. **Article 9 anti-greenwashing guidance issued by ESMA to NCAs** clarifies that Article 9 funds with significant non-sustainable investment holdings may be subject to regulatory action for greenwashing (see [here](#) for further details).
9. **Fund managers may, but are not obliged to, use the Level 2 PAI indicators** as sustainability indicators for measuring a fund's success in implementing its E/S characteristics or sustainable investment objectives. A fund manager is also not obliged to use the Level 2 PAI indicators when

Sustainable investment under SFDR means an investment:

- in an activity that contributes to an environmental or social objective
- that does not significantly harm any social or environmental objective (the DNSH test) and
- that follows good governance practices (in the case of investee companies)

considering any product-level PAIs, however, ESMA has published its expectation that such consideration takes account of the mandatory Table 1 PAI indicators (see [here](#) for further details).

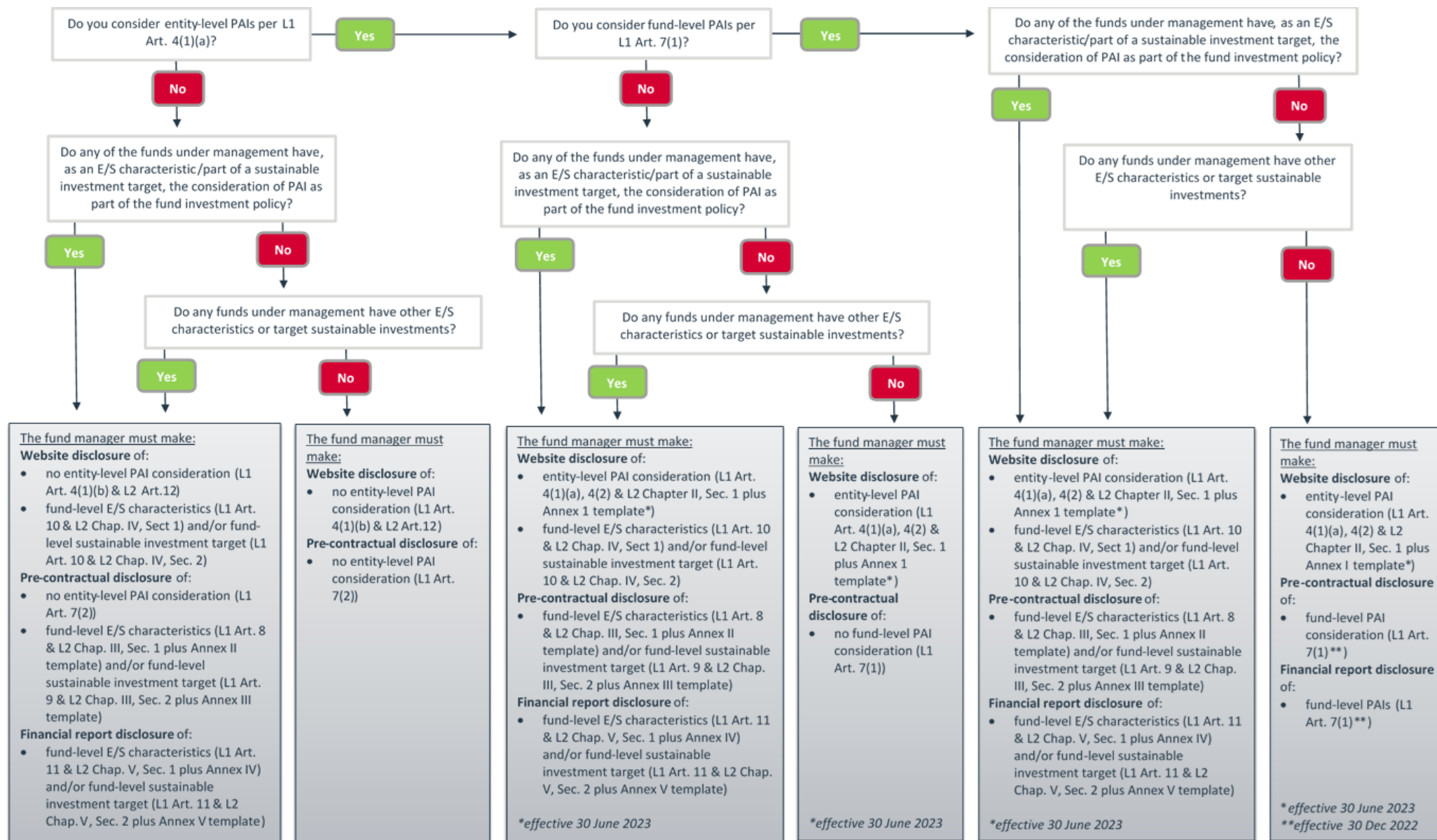
- 10. Both Article 8 and 9 funds are subject to the requirement for investee companies to follow good governance practices** and must make pre-contractual and website disclosure of their policies to assess corporate investments' good governance practices. Funds investing in companies that do not follow such practices are considered in "breach" of SFDR, according to the Commission (see [here](#) for further details).

Am I in scope of Level 2 disclosure rules?

The decision tree below is intended for use by fund managers in determining whether, based on their approach to compliance with the first SFDR (**Level 1/L1**) deadline of 10 March 2021, they are in scope of Level 2 disclosure rules and if so, the relevant disclosure rules to which they will be subject from 1 January 2023 (other than where indicated). A summary of the referenced Level 2 disclosure rules follows the decision tree.



SFDR Level 2 decision tree



Summary of Level 2 Disclosure Rules

WEBSITE DISCLOSURE OF NO ENTITY-LEVEL PAI CONSIDERATION (L2 Art.12)

A separate section of the FMC's website titled **'No consideration of adverse impacts of investment decisions on sustainability factors'** to include:

- prominent statement that FMC does not consider any adverse impacts of its investment decisions on sustainability factors
- the reasons why the FMC does not consider any adverse impacts of its investment decisions on sustainability factors
- where relevant, information on whether the FMC intends to consider the adverse impacts of investment decisions on sustainability factors by reference to the mandatory PAI indicators in Table 1, Annex I, and if so, when.

WEBSITE DISCLOSURE OF ENTITY-LEVEL PAI CONSIDERATION (L2 Chapter II, Sec. 1 plus Annex I template)

By 30 June each year, FMCs that comply with the PAI disclosure obligation must publish a template PAI statement with results from the assessment of PAIs during the previous annual reference period. Annual reference periods run from 1 January to 31 December except where PAIs are first being considered, in which case the first reference period is from the first date on which PAIs are considered until 31 December of that year. The first PAI statement is due for publication by 30 June 2023 referencing the first annual reference period of 1 January – 31 December 2022 (or such shorter period from the date PAIs were first considered during 2022).

Section 1: 'Summary' to include FMC name; confirmation of having undertaken PAI assessment; relevant reference period of the PAI statement; and summary of the PAIs (max two A4 pages when printed)

Section 2: 'Description of principal adverse impacts of investment decisions on sustainability factors' to include:

- PAIs identified during the relevant reference period based, at least, on the average of PAIs identified on 31 March, 30 June 30 September and 31 December using:
 - 18 mandatory PAI indicators in Table 1, Annex I
 - at least one additional climate or other environmental-related PAI indicator in Table 2, Annex I
 - at least one additional social, employee, human rights, anti-corruption or anti-bribery PAI indicator in Table 3, Annex I
 - any other PAI indicators used by the FMC
- a description of any PAI mitigation actions taken or planned for the subsequent reference period
- where applicable, a historical comparison of the current reference period against previous reference periods up to a maximum of the last five reference periods

Section 3: 'Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors' to include

- a description of policies to identify PAIs including how policies are kept up to date and applied, date of policies approval by the Board, and how responsibility for implementation of policies is allocated
- methodologies for selecting additional and other PAI indicators including an explanation of the methodologies to take account of probability of occurrence and severity of PAIs, any associated margin of error within these methodologies, and data sources used
- where information on PAI indicators is not readily available, details of best efforts used to obtain information either directly from investee companies, by carrying out additional research, cooperating with third party data providers or external experts or making reasonable assumptions

Section 4: 'Engagement policies' to include:

- where applicable, brief summaries of Shareholders' Rights Directive II engagement policies
- brief summaries of any other engagement policies adopted to mitigate PAIs including PAI indicators considered and how engagement policies will be adapted where there is no reduction in PAIs over more than one period reported on

Section 5: 'References to International Standards' to include:

- description of FMC's adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the Paris Agreement objectives
- PAI indicators used to measure such adherence/alignment
- methodology and data used to measure such adherence/alignment including description of scope of coverage, data sources and how the methodology used forecasts PAIs of investee companies
- whether a forward-looking climate scenario is used, and if so, the name and provider of that scenario and when it was designed
- if no forward-looking climate scenario is used, an explanation of why the FMC considers such scenarios to be irrelevant.

FUND DISCLOSURES OF E/S CHARACTERISTICS

Pre-Contractual Disclosures (L2 Chap. III, Sec. 1 L2 plus Annex II template)

In the main body of the prospectus:

- a prominent statement that information on the environmental and social characteristics of a fund is available in the annex (see below)

Using the mandatory pre-contractual template in Annex II, disclose in an annex to the prospectus:

- whether the fund intends to make any sustainable investments
- whether the fund promotes E/S characteristics, without having a sustainable investment objective
- for funds with environmental characteristics, to what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy, including
 - pie chart representing the level of Taxonomy aligned investments
 - pie chart representing the level of Taxonomy aligned investments, excluding sovereign exposures
 - description of Taxonomy aligned investments including whether such alignment is subject to an assurance provided by an auditor or third party and, if so, their names; whether Taxonomy alignment of investee companies is measured by turnover, capex or opex and reasons for that decision; whether Taxonomy alignment is calculated using equivalent information obtained from investee companies or third party data providers where alignment data is not readily available from public disclosures; and a breakdown of Taxonomy alignment between transitional and enabling economic activities
 - clear explanation for any investment in non-Taxonomy aligned investments
 - narrative explanation of the proportion of investment in sovereign exposures which cannot be assessed for alignment with the EU Taxonomy
- for funds with a socially sustainable investment commitment, the minimum share of those sustainable investments

Annex II pre-contractual template also requires disclosure of the E/S characteristics of the fund, the sustainability indicators used to measure the fund's success in achieving those characteristics, how any sustainable investments comply with the 'do no significant harm' principle, whether the fund considers PAIs of its investment decisions, the investment strategy of the fund, the planned asset allocation of the fund, use of derivatives to achieve the E/S characteristics of the fund, details of any benchmark used to achieve the E/S characteristics of the fund and where additional fund-specific information can be found on the FMC's website.

Website disclosures (L2 Chap. IV, Sect 1)

The following disclosures to be made in a separate section of the FMC's website titled 'Sustainability-related disclosures' in the same part of the FMC's website as other information relating to the fund, including marketing communications, and clearly identifying the relevant fund(s) to which the sustainability-related disclosures relate and prominently displaying the E/S characteristics of the fund:

- **summary:** two-page summary of required website disclosures

- **no sustainable investment objective:** prominent statement of "This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment" and, where applicable, an explanation of how the sustainable investments comply with the 'do no significant harm' principle including (i) how the PAI indicators in Table 1, Annex I and any relevant indicators from Tables 2 and 3 are taken into account; and (ii) whether the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights
- **E/S characteristics of the fund:** a description of these characteristics promoted by the fund
- **investment strategy:** the investment strategy used to meet the E/S characteristics of the fund and the policy to assess good governance practices of investee companies including with respect to sound management structures, employee relations, remuneration of staff and tax compliance
- **proportion of investments:** required prospectus asset allocation disclosure distinguishing between direct exposures in investee companies and all other types of exposures to those entities
- **monitoring of E/S characteristics:** a description of how the E/S characteristics and the relevant sustainability indicators used to measure the fund's success in achieving those characteristics are monitored throughout the lifecycle of the fund including the internal or external control mechanisms
- **methodologies:** methodologies used for measuring success in achieving the E/S characteristics of the fund
- **data sources and processing:** data sources used to achieve the E/S characteristics of the fund, measures taken to ensure data quality, how data is processed and the proportion of data that is estimated
- **limitations to methodologies and data:** any limitations to the methodologies used to measure the fund's success in achieving its E/S characteristics and how such limitations do not affect achievement of those characteristics
- **due diligence:** due diligence carried out on underlying investments, including relevant internal and external controls in place
- **engagement policies** (if applicable): where engagement is part of the E/S characteristics of the fund, describe the engagement policies including any management procedures applicable to sustainability-related controversies in investee companies
- **benchmark** (if applicable): description of any index designated as a reference benchmark to meet the E/S characteristics of the fund, how that index is aligned with those characteristics, including the input data, the methodologies used to select the data, the rebalancing methodologies and how the index is calculated or, where such information is disclosed by the index provider, a hyperlink to the index provider's disclosure of such information

Fund Financial Report disclosures (L2 Chap. V, Sec. 1 plus Annex IV template)

In the main body of the financial report:

- a prominent statement that information on the E/S characteristics of the fund is available in the annex (see below)

Using the mandatory pre-contractual template in Annex IV, disclose in an annex to the financial report:

- **to what extent were the E/S characteristics promoted by this financial product met?:** the extent to which the E/S characteristics of the fund were met during the relevant period including
 - the performance of the relevant sustainability indicators used to measure the fund's success in achieving the E/S characteristics and which derivatives, if any, were used to meet those characteristics
 - for funds with environmental characteristics, identify the environmental objectives under the EU Taxonomy to which the sustainable investments of the fund contributed
 - where available, a historical comparison between the current period and the periods covered by previous periodic reports up to a maximum of five previous periods

- where applicable, an explanation of how the sustainable investments contributed to the sustainable objectives and complied with the principle of 'do no significant harm' including how the PAI indicators in Table 1, Annex I and any relevant indicators from Tables 2 and 3, were taken into account and whether the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights
- information on the PAIs on sustainability factors referred to in the prospectus disclosure of whether the fund takes account of PAIs on sustainability factors
- **top investments:** a list, in descending order of size, of the 15 investments constituting the largest proportion of investments of the fund in the relevant period or, where the number of investments constituting 50% of the investments of the fund is less than 15, those investments, including the sector and countries in which those investments were made
- **asset allocation:** the proportion of investments used to achieve the E/S characteristics of the fund and the purpose of the remaining investments including a description of any minimum environmental or social safeguards and whether those investments were used for hedging, cash for ancillary liquidity or investments for which there was insufficient data
- **economic sectors in which investments were made:** information on the proportion of investments in different sectors and sub-sectors, including of those of the economy that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels
- **proportion of sustainability-related investments** (if applicable): for funds with environmental characteristics, a breakdown of the proportion of investments per each environmental objective under the EU Taxonomy and a description of the investments in Taxonomy aligned investments including:
 - whether investments' alignment with the Taxonomy was subject to third party assurance and if so the name of the third party
 - bar chart representing aggregated investments in the period in taxonomy-aligned investments and another excluding sovereign exposures
 - the key performance indicators used for assessing the taxonomy-alignment of investments
 - a breakdown of taxonomy-aligned investments between transitional and enabling activities
 - explanation for any investment in non-taxonomy-aligned environmentally sustainable investments
 - where available, a historical comparison as against previous reports up to a maximum of five previous periods
 - if applicable, an explanation of the reason sovereign exposures could not be assessed for alignment with the Taxonomy and the size of those exposures
- **the proportion of socially sustainable investments** (if applicable)
- **reference benchmark** (if applicable): an explanation of how the designated reference benchmark differs from a relevant broad market index, including the performance of the sustainability indicators to determine the alignment of the benchmark with the E/S characteristics of the fund and the ESG factors referred to in the benchmark statement of the administrator, a comparison (in table or graphic form) of the performance of the fund and the indicators measuring the sustainability factors of the index, a comparison (in table or graphic form) between the performance of the fund and a relevant broad market index.

FUND DISCLOSURES OF SUSTAINABLE INVESTMENT OBJECTIVES

Pre-contractual disclosures (L2 Chap. III, Sec. 2 plus Annex III template)

In the main body of the prospectus:

- a prominent statement that information about sustainable investment is available in the annex (see below)

Using the mandatory pre-contractual template in Annex III, disclose in an annex to the prospectus:

- a statement that the fund has sustainable investment as its objective
- for funds with environmentally sustainable investments
 - pie chart representing the level of Taxonomy aligned investments
 - pie chart representing the level of Taxonomy aligned investments, excluding sovereign exposures
 - description of Taxonomy aligned investments including whether such alignment is subject to an assurance provided by an auditor or third party and, if so, their names; whether Taxonomy alignment of investee companies is measured by turnover, capex or opex and reasons for that decision; whether Taxonomy alignment is calculated using equivalent information obtained from investee companies or third party data providers where alignment data is not readily available from public disclosures; and a breakdown of Taxonomy alignment between transitional and enabling economic activities
 - clear explanation for any investment in non-Taxonomy aligned investments
 - narrative explanation of the proportion of investment in sovereign exposures which cannot be assessed for alignment with the EU Taxonomy
- for funds with a socially sustainable investment commitment, the minimum share of those sustainable investments

Annex III pre-contractual template also requires disclosure of the fund's sustainable investment objective, the sustainability indicators used to measure the fund's success in achieving its objective, how the sustainable investments comply with the 'do no significant harm' principle, whether the fund considers PAIs of its investment decisions, the investment strategy of the fund, the planned asset allocation of the fund, use of derivatives to achieve the sustainable investment objective of the fund, details of any benchmark used to achieve the sustainable investment objective of the fund and where additional fund-specific information can be found on the FMC's website.

Website disclosures (L2 Chap. IV, Sec. 2)

The following disclosures to be made in a separate section of the FMC's website titled 'Sustainability-related disclosures' in the same part of the FMC's website as other information relating to the fund, including marketing communications, and clearly identifying the relevant fund(s) to which the sustainability-related disclosures relate and prominently displaying the E/S characteristics of the fund:

- **summary:** two-page summary of required website disclosures
- **no significant harm to the sustainable investment objective:** an explanation of whether and why the fund's investments comply with the 'do no significant harm' principle including (i) how the PAI indicators in Table 1, Annex I and any relevant indicators from Tables 2 and 3 are taken into account; and (ii) whether the sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights
- **sustainable investment objective of the fund:** a description of the fund's sustainable investment objective
- **investment strategy:** the investment strategy used to achieve the fund's sustainable investment objective and the policy to assess good governance practices of investee companies including with respect to sound management structures, employee relations, remuneration of staff and tax compliance

- **proportion of investments:** required prospectus disclosure of asset allocation and minimum share of sustainable investments distinguishing between direct exposures in investee companies and all other types of exposures to those entities
- **monitoring of the sustainable investment objective:** a description of how the sustainable investment objective and the relevant sustainability indicators used to measure the fund's success in achieving the sustainable investment objective are monitored throughout the lifecycle of the fund including the internal or external control mechanisms
- **methodologies:** methodologies used for measuring success in achieving the sustainable investment objective of the fund and how the sustainability indicators are used
- **data sources and processing:** data sources used to achieve the sustainable investment objective of the fund, measures taken to ensure data quality, how data is processed and the proportion of data that is estimated
- **limitations to methodologies and data:** any limitations to the methodologies used to measure the fund's success in achieving its sustainable investment objective and how such limitations do not affect achievement of that objective
- **due diligence:** due diligence carried out on underlying investments, including relevant internal and external controls in place
- **engagement policies** (if applicable): where engagement is part of the sustainable investment objective of the fund, describe the engagement policies including any management procedures applicable to sustainability-related controversies in investee companies
- **benchmark** (if applicable): description of any index designated as a reference benchmark to achieve the sustainable investment objective of the fund, how that index is aligned with the sustainable investment objective, including the input data, the methodologies used to select the data, the rebalancing methodologies and how the index is calculated or, where such information is disclosed by the index provider, a hyperlink to the index provider's disclosure of such information
- **carbon emission reduction objective** (if applicable): a statement that the reference benchmark qualifies as an EU Climate Transition Benchmark or an EU Paris-aligned Benchmark under the Benchmarks Regulation and a hyperlink to where the index calculation methodology can be found or, where no such benchmark is available, disclosure of this fact along with 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 an explanation of the extent to which the fund complies with the methodological requirements of the climate benchmark rules under the Benchmarks Regulation

Fund financial report disclosures (L2 Chap. V, Sec. 2 plus Annex V template)

In the main body of the financial report:

- prominent statement that information on sustainable investment is available in the annex (see below)

Using the mandatory pre-contractual template in Annex V, disclose in an annex to the financial report:

- **to what extent was the sustainable investment objective of the fund met:** the extent to which the objective was achieved during the relevant period including
 - the performance of the relevant sustainability indicators used to measure the fund's success in achieving the sustainable investment objective and which derivatives, if any, were used to achieve that objective
 - for funds with environmentally sustainable investments, identify the environmental objectives under the EU Taxonomy to which the sustainable investments of the fund contributed
 - for funds with carbon emission reduction objectives, information on how the objective was aligned with the Paris Agreement containing a description of the contribution of the fund during the period 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 climate benchmark rules under the Benchmarks Regulation
 - where available, a historical comparison between the current period and previous periods up to a maximum of five previous periods

- an explanation of how the sustainable investments contributed to the sustainable objectives and complied with the principle of 'do no significant harm' including how the PAI indicators in Table 1, Annex I and any relevant indicators from Tables 2 and 3, Annex I were taken into account and whether the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights
- if applicable, information on the PAIs on sustainability factors where such strategy is disclosed in the prospectus disclosure
- **top investments:** a list, in descending order of size, of the 15 investments constituting the largest proportion of investments of the fund in the relevant period or, where the number of investments constituting 50% of the investments of the fund is less than 15, those investments, including the sector and countries in which those investments were made
- **proportion of sustainability-related investments:** the proportion of investments that contributed to the sustainable investment objective, the purpose of the remaining investments including a description of any minimum environmental or social safeguards and whether those investments were used for hedging or relate to cash held as ancillary liquidity and the proportion of investments in different sectors and sub-sectors
- **sustainable investments:** a breakdown of the proportion of sustainable investments per each environmental objective under the EU Taxonomy and a description of the investments in Taxonomy aligned investments (where applicable) including:
 - whether investments' alignment with the Taxonomy was subject to third party assurance and if so the name of the third party
 - bar chart representing aggregated investments in the period in taxonomy-aligned investments and another excluding sovereign exposures
 - the key performance indicators used for assessing the taxonomy-alignment of investments
 - a breakdown of taxonomy-aligned investments between transitional and enabling activities
 - explanation for any investment in non-taxonomy-aligned environmentally sustainable investments
 - where available, a historical comparison as against previous reports up to a maximum of five previous periods
 - if applicable, an explanation of the reason sovereign exposures could not be assessed for alignment with the Taxonomy and the size of those exposures
- **the proportion of socially sustainable investments** (if applicable)
- **reference benchmark** (if applicable): an explanation of how the designated reference benchmark differs from a relevant broad market index, including the performance in the period of the sustainability indicators used to determine the alignment of the benchmark with the sustainable investment objective of the fund and the ESG factors referred to in the benchmark statement of the administrator, a comparison (in table or graphic form) of the performance of the fund and the indicators measuring the sustainability factors of the index, a comparison (in table or graphic form) between the performance of the fund and a relevant broad market index.