British International Investment

Guidance

In collaboration with

Akin Gump
STRAUSS HAUER & FELD LLP

Sustainable Finance Disclosure Regulation for fund managers in emerging markets

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Executive summary

This guidance is designed to help fund managers understand the implications of the EU SFDR.[1] This regulation will have material implications for the private equity (PE) and venture capital (VC) industries, including for some fund managers in emerging markets.

SFDR applies to fund managers marketing funds in the EU and may apply to fund managers domiciled outside the EU.[2] For example, SFDR could apply – in some circumstances – to an Africa-focused fund based in Lagos that is marketing to limited partners (LPs) in the EU, including development finance institutions (DFIs). Given the wide-ranging and extraterritorial application of SFDR, it is likely to drive long-term environmental, social and governance (ESG) norms in the global PE and VC industries.[3]

SFDR is designed to prevent so-called green or impact 'washing', where funds claim ESG impacts that cannot be substantiated. SFDR creates three standards to differentiate between the ESG objectives of funds:

- **Article 6 funds** – A fund that does not market itself as aiming to support, promote or improve sustainable environmental or social characteristics.
- **Article 8 funds (light green)** – A fund that aims to support, promote or improve sustainable environmental or social characteristics.
- **Article 9 funds (dark green)** – A fund that has sustainable outcomes as an investment objective.

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

1. Sustainability risk management – A sustainability risk policy and explanation of how sustainability risks are integrated into investment decisions.[4]
2. Remuneration – An explanation of how the fund manager's remuneration policy aligns with the consideration of sustainability risks.
3. Principle Adverse Impacts (PAI) – An explanation of how the fund manager considers PAI on sustainability factors.[5] Alternatively, the fund manager can explain why it does not consider PAI.

For Article 8 and 9 funds, additional disclosures about the ESG focus area and investment process are required. These product-specific disclosures must be made in several formats, including the offering documents, the fund manager's website and in annual reports.

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

BII's position on SFDR

BII – as a DFI – receives capital from the UK government and does not market funds in the EU.[6] As a result, BII is not directly subject to the EU SFDR. However, a significant proportion of fund managers that receive capital from BII will need to comply with SFDR. Given BII's ESG requirements as an LP, we would expect fund managers to align with much of the substance of SFDR anyway (if not in the specific formats prescribed by SFDR). More broadly, BII is closely monitoring the emerging regulatory environment for ESG disclosure in the EU, UK and other markets. Over time, we expect there will be efforts to align a) the reporting requirements of these emerging regulatory regimes and b) between the new regimes and existing DFI/LP expectations.

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Introduction

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

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

1. **Environmental Taxonomy Regulation** – A standard for defining what constitutes environmental sustainability across a range of sectors. The Environmental Taxonomy (Taxonomy) interacts with SFDR, particularly in relation to Article 8 and 9 funds. Therefore, this report also explains disclosure obligations arising under the Environmental Taxonomy Regulation, where relevant.
2. **Social Taxonomy** – A comparable standard for socially sustainable activities across a range of sectors. The Social Taxonomy is currently at an early stage of development, in contrast to the Environmental Taxonomy Regulation, but would be likely to impact SFDR in the longer term.
3. **Corporate Sustainability Reporting Directive** – An update to the Non-Financial Reporting Directive, which will require all large companies and listed companies to meet sustainability reporting requirements.
4. **Corporate Sustainability Due Diligence Directive** – When introduced, this will create mandatory sustainability due diligence requirements applicable to large EU companies and some non-EU companies generating high turnover in the EU.
5. **Low-Carbon Benchmark Regulation** – This requires benchmark administrators to disclose ESG factors in their methodology documents and benchmark statements to facilitate climate transition and alignment with the objectives under the Paris Agreement.

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

The EU's regulations are the most advanced, but other regulators are developing broadly comparable regimes. For example, the UK Financial Conduct Authority (FCA) has introduced climate-related disclosure requirements applicable to – among others – asset managers. The FCA is also developing Sustainability Disclosure Requirements (SDR) for fund managers which will create ESG-linked fund labels, as well as an environmental taxonomy. The application of SDR to fund managers based outside the UK is currently unclear. Nonetheless, UK-based fund managers that market funds in the EU could be obliged to align with both the EU SFDR and UK SDR. This guidance does not discuss the evolving UK SDR regime further.

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Application

3.1 Which entities does SFDR apply to?

SFDR applies to a wide range of fund managers, including those established, domiciled or with a registered office outside the EU. The disclosure requirements under SFDR apply to fund managers, including alternative investment fund managers (AIFMs) and MiFID investment firms in respect of the 'financial products' they offer or distribute in the EU.[7] Fund managers are required to comply with SFDR disclosure requirements with respect to pooled funds, segregated accounts, fund-of-one vehicles and other investment products under their management.

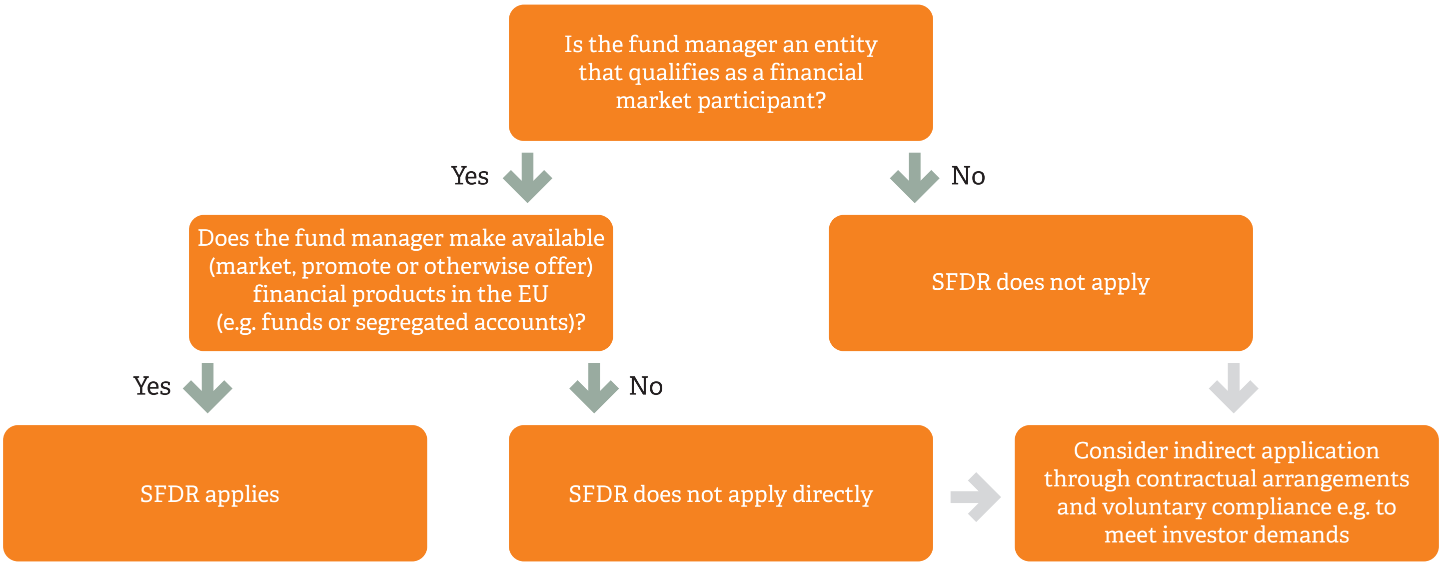
Sub-threshold AIFMs are also required to comply with SFDR. Sub-threshold AIFMs are EU AIFMs whose aggregate assets under management attributable to Alternative Investment Funds (AIFs) they manage is either below €100 million or – provided they only manage unleveraged AIFs that do not grant investors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

3.2. What is the timeline for implementing SFDR?

Applicable funds with a close after 10 March 2021 are required to align with SFDR. For clarity, the disclosure requirements do not apply to funds with a final close before 10 March 2021. While the primary legislation for SFDR came into force on 10 March 2021, the secondary legislation known as the Regulatory Technical Standards (RTS) will not enter force until 1 January 2023. (The European Commission published the final RTS on 6 April 2022. Future versions of this report will contain updates to reflect the moderate updates in the final RTS.) However, fund managers would need to start collecting relevant data from 1 January 2022 to fulfil the disclosure requirements from 2023 onwards. Additional requirements (chiefly in respect of Article 8 and Article 9 funds) under the Taxonomy Regulation took effect in January 2022. The European Commission has delayed implementation of parts of its Action Plan and elements remain hotly debated, such as inclusion of gas and nuclear in the Taxonomy. These delays and debates have created uncertainty for fund managers.

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

Non-EU AIFMs that offer funds in the EU are captured by SFDR.[8] Guidance published in July 2021 clarifies that SFDR applies to non-EU AIFMs (including sub-threshold AIFMs) that offer their funds in the EU by means of a National Private Placement Regime, "including the financial product related provisions".[9] Accordingly, fund managers that have registered their funds under Article 42 of the AIFMD must provide the disclosures required under SFDR. The guidance leaves open whether the manager-level disclosures must cover all products and strategies, or only those that are being marketed in the EU. However, where EU-based LPs subscribe for interests in funds managed by non-EU AIFMs on the basis of reverse solicitation, this does not create a requirement under the current rules for the non-EU AIFM to comply with SFDR.



3.4. What happens if fund managers breach SFDR?

Non-compliance with SFDR may result in regulatory sanction and investor complaints. This includes financial penalties and fines (the level of sanctions varies between EU member states in accordance with local legislation), public censure and suspension, or revocation of the manager's operating or marketing authorisation or registration. Moreover, a lack of disclosure or deficient disclosure could give rise to investor claims (for example, for misrepresentation). Non-compliance with SFDR may also have a commercial impact on LP perception of the fund manager, thereby affecting fundraising.

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

EU-based LPs could pass down reporting requirements to non-EU fund managers not formally captured by SFDR (i.e., due to reverse solicitation). Investors – such as fund-of-funds – that need to produce SFDR disclosures will be required to source data relating to their underlying investments and are likely to require additional ESG data from their non-EU fund managers.

In addition, non-EU fund managers not captured by SFDR may choose to voluntarily align because of the perceived commercial benefits; for example, the potential for increased fundraising traction. Comparable disclosure regimes in other markets – such as the UK – may also make it less burdensome to align with SFDR requirements (provided the reporting requirements are broadly similar).

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Manager-level disclosures

4.1 Sustainability risk policy

Fund managers are required to publish information on their websites about the integration of sustainability risks into their investment process.[10] This requires specific consideration of how sustainability risks are identified, managed and monitored in the due diligence process, and as part of the ongoing risk management framework. The policy should consider relevant ESG risks, including climate change risks (physical and transitional). Where appropriate, the policy should explain the sustainability risk management measures for different categories of investment, products or strategies. For example, the sustainability risks relating to underlying investee companies in the construction sector may be materially different from those in the digital technologies sector. There is no mandatory template prescribing how managers should approach this disclosure, and advice should be sought regarding appropriate disclosure.

4.2 Remuneration policy

Fund managers must consider whether and how their remuneration policies are consistent with the integration of sustainability risks. They must publish information on their websites about whether and how such consistency is achieved.[11] Integration does not necessarily require performance-related remuneration, such as bonuses or carry allocation, to be linked to portfolio-level ESG or impact metrics. Non-EU fund managers that are not in scope of SFDR should still consider whether they are contractually required, or expected by their investors, to ensure their remuneration policies comply with these requirements. There is no mandatory template prescribing how managers should approach this disclosure, and advice should be sought regarding appropriate disclosure.

4.3 Principal adverse impacts (PAI)

SFDR requires fund managers to disclose whether they consider the PAI of their investment decisions on sustainability factors. These factors include environmental and social matters, such as labour and human rights issues, anti-corruption and anti-bribery. A fund manager must publish and maintain on its website a statement which either confirms that it complies or clearly explains why it does not consider PAI, and indicates whether and when in the future it will consider them.

The disclosure requirements if PAI are, or are not, considered are set out in more detail in Annex 6.

4.4 Marketing materials

All promotional materials will need to align with SFDR. Fund managers must review their marketing materials and communications on an ongoing basis to ensure they do not contradict any information disclosed under SFDR, including teasers, pitch-books and private placement memoranda, inter alia.

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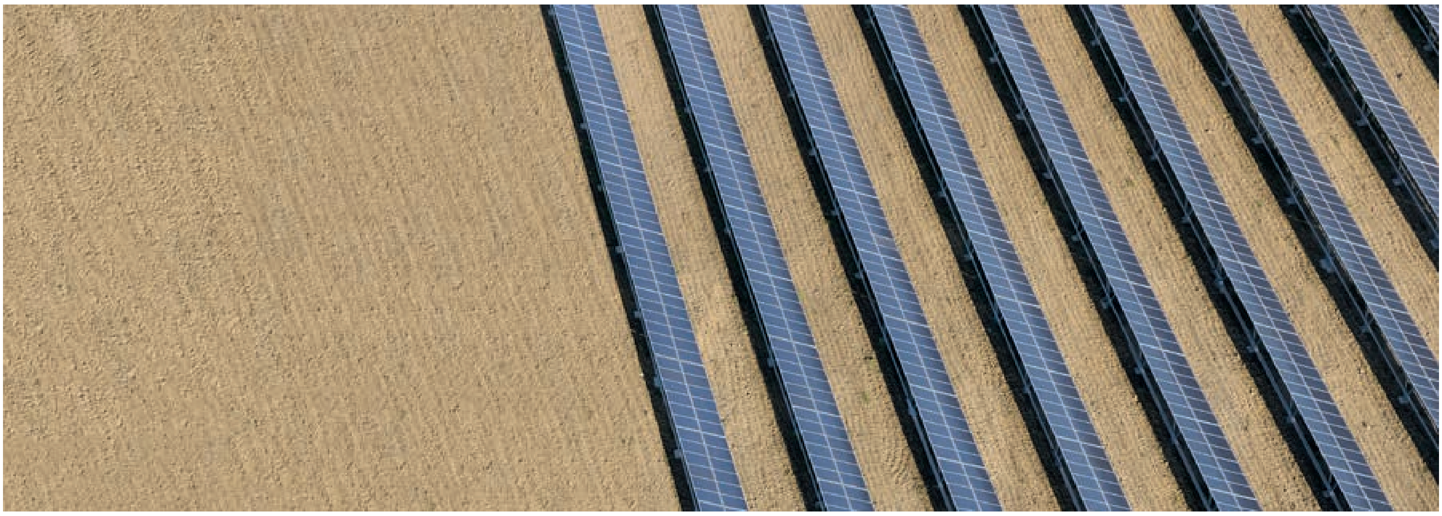
Product-level disclosures – Summary

SFDR establishes three disclosure standards: Article 6 (all funds), Article 8 (light green) and Article 9 (dark green). All funds, including those without an ESG-component, are required to make an Article 6 disclosure.

Additional disclosures are required where the fund either promotes certain sustainability characteristics or has sustainable investment as its objective. Fund managers will need to determine the appropriate category for each of their funds.

Overview	No specific ESG focus.	Promotes one or more environmental or social characteristics.	Has sustainable investment as a core objective, alongside positive financial returns.
Fund marketing	Must not promote environmental or social characteristics.	The environmental or social characteristics must be binding, measurable and reportable.	The sustainable objective(s) must be binding, measurable and reportable.
Portfolio construction	No limitations on the type of investee companies.	a) Currently no mandatory minimum proportion of sustainable investments in the portfolio. b) All investee companies must have “good governance”.	a) Holdings must be sustainable investments and “do no significant harm”. b) All investee companies must have “good governance”.
Pre-contractual disclosures	a) Sustainability risk policy. b) Remuneration policy. c) PAI – “Comply or explain”. d) “The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.”[12]	a) Sustainability risk policy. b) Remuneration policy. c) PAI – “Comply or explain”. d) Information on which environmental or social characteristics the fund seeks to promote and how they will promote them. e) For environmental funds, the proportion of investments which are “environmentally sustainable” (as per the Taxonomy). f) For environmental funds: “The ‘do no significant harm’ principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.”	a) Sustainability risk policy. b) Remuneration policy. c) PAI – “Comply or explain”. d) Information specifying the sustainable investment objective(s) of the fund. e) For environmental funds, an explanation of which environmental objectives the investments contribute to. f) For environmental funds, the proportion of investments which are “environmentally sustainable” (as per the Taxonomy). g) For environmental funds: “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.”
Periodic disclosures	Confirmation that the fund does not make environmentally sustainable investments (as per the Taxonomy).	a) Information about the fund’s performance against the environmental or social characteristics promoted. b) The indicators used to measure success in promoting the environmental or social characteristics, including KPIs for reporting PAI. c) For environmental funds, the proportion of investments which are “environmentally sustainable” (as per the Taxonomy).	a) Information specifying the sustainable investment objective(s) of the fund. b) The indicators used to measure the sustainable objective, including KPIs for reporting PAI. c) For environmental funds, the proportion of investments which are “environmentally sustainable” (as per the Taxonomy).



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Article 6 funds

6.1 Overview

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

6.2 Pre-contractual disclosures

SFDR prescribes that AIFMs must make pre-contractual disclosures in their offering documents.[13] MiFID investment firms must include the disclosures in the set of documentation provided to portfolio management clients before signing a segregated account agreement or similar. The pre-contractual disclosures relating to an Article 6 fund must describe:

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

If a fund manager decides sustainability risks are not relevant, they must explain why.[14] In most instances, managers will need to consider sustainability risks in some form. However, there may be a small minority of cases where managers consider it appropriate to explain why such risks are not relevant.

By 30 December 2022, fund managers that have elected to consider PAI must clarify their approach for each product in pre-contractual disclosures. Specifically, the manager must include in its pre-contractual disclosures:[15]

- A clear and reasoned explanation of whether the fund considers PAI on sustainability factors; and, if so, how.
- A statement that information on PAI is available in the fund’s annual report.

If the fund manager does not consider PAI, this must be disclosed in the fund’s pre-contractual disclosures and an explanation must be provided. In particular, the following prescribed statement must be included:[16]

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

6.3 Periodic disclosures

The periodic disclosures of an Article 6 fund – such as an annual report – must include the following prescribed statement:[17]

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

If relevant, an Article 6 fund’s annual report may include information set out in the fund manager’s own disclosures regarding PAI.[18]

Defining sustainable

“Sustainable investment” under SFDR

In summary, SFDR’s test of whether an investment is “sustainable” includes:

- Do the investee company’s activities contribute to a sustainable objective? For example, climate change mitigation or adaptation, sustainable water use, transition to a circular economy (environmental objectives); or reducing inequality, fostering respect for human rights, countering corruption (social objectives).
- Does the company demonstrate good governance? For instance, through board and management structure, remuneration arrangements or tax compliance.
- Does investment in the company align with the principle of “do no significant harm”?

“Environmentally sustainable investment” under the Taxonomy

The test for environmental sustainability under the Taxonomy is more stringent than sustainability under SFDR. In summary, the Taxonomy requires that the economic activities of portfolio companies:

- Contribute substantially to one or more of the environmental objectives set out under the Taxonomy.[19]
- Do no significant harm to any of the environmental objectives.
- Be carried out in compliance with the “minimum safeguards”, including the Organisation for Economic Cooperation and Development (OECD) Guidelines on Multinational Enterprises, the United Nations (UN) Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organization (ILO) on Fundamental Principles and Rights at Work, and the International Bill of Human Rights.[20]
- Comply with the technical screening criteria established under the Taxonomy.[21]

Article 9 funds (dark green) are not required to exclusively make investments that are considered “environmentally sustainable” under the Taxonomy. However, they must principally make investments that meet “sustainable investment” criteria under SFDR (subject to limited use of other investments for hedging or liquidity purposes).

What does “doing no significant harm” mean?

- If an investment is categorised as “environmentally sustainable” under the Taxonomy, it must not have a significant adverse impact on one of the other environmental objectives. For example, an investment in a large-scale monoculture forestry plantation might support the objective of climate change mitigation under the Taxonomy, but cause significant harm to the protection of biodiversity (another objective).
- Currently, the Taxonomy includes a definition of doing significant harm to environmental objectives and technical screening criteria are set out under the Taxonomy Complementary Climate Delegated Act, with further technical screening criteria on water, circular economy, pollution prevention and biodiversity forthcoming. However, there is no clear definition for social objectives.

Article 8 and 9 funds – Website disclosures

Managers of Article 8 and Article 9 funds are required to publish and maintain sustainability-related disclosures about each product on their website. There are detailed requirements about the information that should be included on the manager's website. However, there is no prescribed template. This permits some flexibility in the content and presentation.

Disclosure requirements

Fund managers must provide information about each Article 8 or 9 fund under a section of their website titled 'Sustainability-related disclosures'. This information must be disclosed in the same part of the website as the other information related to the product, including marketing communications.[22]

The disclosures must include:[23]

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

The disclosures must conform to the additional detailed requirements set out in SFDR RTS.[24]

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Article 8 funds – Light green

7.1 Overview

Article 8 funds are 'promoted' as having environmental or social characteristics and following good governance practices.[25] The definition in Article 8 is broad and does not define specific strategies, portfolio composition, minimum sustainable investment thresholds or targets, or investment strategies, methodologies or tools, minimum investment criteria or other 'hard' requirements. However, EU guidance has clarified that including references to sustainability in the name of the fund will likely cause it to be deemed an Article 8 product, if not Article 9.

SFDR does not clearly define what is meant by "good governance practices".[26] However, these practices include at least sound management structures (such as, board diversity and independence), employee relations (such as, compliance with legal and regulatory labour standards, employee benefit and engagement policies), remuneration of staff (such as risk alignment, compliance with minimum wage requirements) and tax compliance. Fund managers should consider the use of external consultants and recognised governance standards to demonstrate alignment.

A fund which 'promotes' its alignment with ESG standards – including international conventions and voluntary codes – is likely to be an Article 8 fund.[27] 'Promoting' in this context is a broad concept. As a result, fund managers should be cognisant that statements in fund materials about aligning with specific ESG standards may result in the fund being deemed to 'promote' environmental or social characteristics. It is unclear whether a mere factual reference to compliance with minimum standards and legal requirements could cause a fund to be deemed to promote environmental or social characteristics.

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

Minimum sustainable investment requirements may be introduced in the future. The European Commission has indicated it will consider introducing minimum sustainability standards for financial products that promote environmental or social characteristics. The proposed "EU Ecolabel" for funds (principally envisaged for retail funds with equity strategies) would require a certain proportion of a fund's investments to be in Taxonomy-aligned activities. More stringent – possibly quantitative – minimum standards for Article 8 funds are expected in future.

7.2 Pre-contractual disclosures

Article 8 funds must state that they promote environmental or social characteristics, but do not have sustainable investment as an objective. The pre-contractual disclosures must also state whether the fund intends to make any sustainable investments (as per SFDR definition).[28] The pre-contractual disclosures must include information about how the environmental or social characteristics promoted will be attained, and contain a list of the sustainability indicators used to measure the attainment of each characteristic.[29] SFDR RTS sets out further granular requirements about disclosure.

The manager must also include the following prescribed statement in the pre-contractual disclosures:[30]

"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 8 funds will be required to use a pre-contractual disclosure template contained in the final SFDR RTS. An annotated version of the draft template is included in Annex 2. Where the template is used, a prominent statement must be included in the fund's offering document stating that information related to environmental or social characteristics is available and where it can be found.

7.3 Periodic disclosures

The periodic disclosures of an Article 8 fund – such as an annual report – must include a description of the extent to which the promoted environmental and/or social characteristics were met.[31] SFDR RTS sets out further granular requirements regarding disclosure.

For Article 8 funds that promote an environmental characteristic,[32] the annual report must include:[33]

- Information about which one or more of the environmental objectives that fund investments contribute to, namely –[34]

Applicable from 1 January 2022

  - Climate change mitigation.
  - Climate change adaptation.

Applicable from 1 January 2023

  - The sustainable use and protection of water and marine resources.
  - The transition to a circular economy.
  - Pollution prevention and control.
  - The protection and restoration of biodiversity and ecosystems.

- A description of how and to what extent the investments underlying the fund are in economic activities that qualify as "environmentally sustainable" under the Taxonomy.[35] This description must specify the proportion of investments in environmentally sustainable economic activities, including details on the proportions of enabling and transitional activities as a percentage of all investments.

The fund manager must also include the following prescribed statement in the annual report:[36]

"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 8 funds will be required to use a prescribed annual reporting template when SFDR RTS takes effect. An annotated version of the draft template is included in Annex 4. Where the template is used, a prominent statement must be included in the fund's annual report stating that information related to environmental or social characteristics is available in the template annex.

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Article 9 funds – Dark green

8.1 Overview

An Article 9 fund "has sustainable investment as its objective",[37] including a reduction in carbon emissions.[38] Recent guidance seems to confirm that if the sustainable investment objective is the reduction of carbon emissions, and an EU Climate Transition Benchmark or EU Paris-aligned Benchmark exists, an Article 9 fund should track these benchmarks.[39] PE and VC funds with the objective of a reduction in carbon emissions should seek advice about how this requirement may be reconciled with their investment strategies.

While Article 8 funds have associated environmental or social characteristics and benefits, Article 9 funds must have sustainable investment as their objective or purpose. "Sustainable investment" for Article 9 funds means investment in an economic activity that contributes to an environmental objective,[40] or investment in an economic activity that contributes to a social objective,[41] provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.

Article 9 funds must principally hold sustainable assets. The portfolios of Article 9 funds may only include instruments which are not sustainable investments for hedging or liquidity purposes. Even in these limited circumstances, the overall portfolio composition must remain consistent with the sustainable investment objective.

8.2 Pre-contractual disclosures

The pre-contractual disclosures of an Article 9 fund must explain how the sustainable investment objective will be attained.[42] Where an Article 9 fund has an objective of a "reduction in carbon emission", it must specify that its objectives include low carbon emission exposure with a view to achieving the long-term global warming objectives of the Paris Agreement.[43]

For Article 9 funds with an environmental objective, the pre-contractual disclosures must identify which environmental objective(s) – under Article 9 of the Taxonomy – the fund contributes to. The Taxonomy's environmental objectives are:[44]

- Applicable from 1 January 2022
  - Climate change mitigation.
  - Climate change adaptation.
- Applicable from 1 January 2023
  - The sustainable use and protection of water and marine resources.
  - The transition to a circular economy.
  - Pollution prevention and control.
  - The protection and restoration of biodiversity and ecosystems.

The disclosure must specify the proportion of investments in environmentally sustainable economic activities, including details about the proportion of enabling and transitional activities,[45] each expressed as a percentage of the total portfolio. The disclosures must also describe how and to what extent the portfolio is composed of investments that can be considered as environmentally sustainable under the Taxonomy, and describe the sustainability assessment applied to portfolio companies.

The Taxonomy RTS contains a pre-contractual disclosure template, which will be mandatory when the relevant provisions under the Taxonomy RTS take effect. The template is likely to be subject to updates and refinement in the future. An annotated version of the questions in the template is included in Annex 3. Where the template is used, a prominent statement must be included in the main body of the fund's offering document stating that information related to environmental or social characteristics is available and where it may be found.[46]

8.3 Periodic disclosures

The periodic disclosures of an Article 9 fund – such as an annual report – must include information about its sustainable objective(s).[47] The annual report must include a description of the overall sustainability-related impact of the fund using the relevant indicators,[48] including those used to assess the PAI.[49]

An Article 9 fund's periodic disclosures should also describe how and to what extent its investments are environmentally sustainable, as per the Taxonomy. This description should also specify the proportion of investments in environmentally sustainable economic activities, including details about the proportions of enabling and transitional activities, each expressed as a percentage of the total portfolio.[50]

The Taxonomy RTS contains a periodic disclosure template, which will be mandatory when the relevant provisions under the Taxonomy RTS take effect. The template is likely to be subject to updates and refinement in future. An annotated version of the questions in the template is included in Annex 5.[51]

Annex 1 – Regulatory Technical Standard disclosures (annotated)

Table 1: Principal adverse sustainability impacts statement

Financial Market Participant: [Firm Name] LEI Number: [#])

Summary[52,53]

[Firm Name] (LEI Number: [#]) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of [Firm Name] and its subsidiary, [Subsidiary Name].

This principal adverse impact statement covers the reference period from [1 January [YEAR] [or other date on which principal adverse impacts were first considered] to 31 December [YEAR].[54]

A summary of the Firm's principal adverse impacts statement is as follows: [include a summary of the principal adverse impacts statement of a maximum length of two sides of A4-sized paper when printed, that is, prepare an overarching summary of the qualitative and quantitative disclosures.][55]

Description of principal adverse sustainability impacts[56]

During the course of the Reference Period, the Firm has identified[57] the following principal adverse sustainability impacts as indicated in the below table.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken
Climate and other environment-related indicators						
Greenhouse gas emissions (GHG)	1. GHG emissions	Scope 1 GHG emissions				
		Scope 2 GHG emissions				
		[From 1 January 2023, Scope 3 GHG emissions]				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage				
	6. Energy consumption intensity per high impact climate sector	Energy consumption in gigawatt hours (GWh) per €million 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 invested, expressed as a weighted average.				
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per €million invested, expressed as a weighted average				
Social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and employee matters	10. Violations of UN Global Compact (UNGC) principles[58] and 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 UNGC 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				
	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
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, UN principles and, where applicable, national law				

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken
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

[Information on the principal adverse sustainability impact/s referred to in Article 6(1)(b) in the format in Table 2]

During the course of the Reference Period, the Firm has identified[59] the following principal adverse sustainability impacts as indicated in Table 2 below: [insert a description of at least one additional indicator related to principal adverse impacts on a climate or other environment-related sustainability factor that qualifies as principal as set out in Table 2, below.]

[Information on the principal adverse sustainability impact/s referred to in Article 6(1)(c) in the format in Table 3]

During the course of the Reference Period, the Firm has identified[60] the following principal adverse sustainability impacts as indicated in Table 3 below: [insert a description of at least one additional indicator related to principal adverse impacts on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor that qualifies as principal as set out in Table 3 below.]

[Information on any other adverse sustainability impacts used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 6(1)(d)]

During the course of the Reference Period, the Firm has identified[61] the following additional principal adverse sustainability impacts on a sustainability factor: [describe any additional principal adverse sustainability impacts.]

In respect of the principal adverse impacts identified, the Firm [has taken/plans to take for the next financial year/has set targets for the next financial year] the following actions to avoid or reduce[62] the principal adverse impacts [insert description].[63]

Description of policies to identify and prioritise principal adverse sustainability impacts[64]

The Firm has in place policies on the assessment process to identify and prioritise principal adverse impacts on sustainability factors. [Describe these in more detail.]

The Firm's [management committee/other governing body] approved the policies on [insert date].

Ultimate responsibility for implementing the policies within the Firm's business rests with [insert allocation of responsibility for the implementation of the policies within organisational strategies and procedures.]

The policies are designed to [include a description of the methodologies used to select the indicators from Table 2, Table 3 and any additional indicators discussed (in the preceding boxes), to identify and assess the principal adverse impacts referred to in all of the preceding boxes, and (in particular) how those methodologies take into account the probability of occurrence and severity of adverse impacts, including their potentially irremediable character].

In identifying and prioritising the principal adverse sustainability impacts there is a degree of [where relevant, explain any associated margins of error within those methodologies.]

The Firm's policies identifying and prioritising the principal adverse sustainability impacts are aided by the use of [insert description of tools/data sources used].

Engagement policies

The Firm has in place certain engagement policies, including pursuant to Article 3g of Directive 2007/36/EC (the "Shareholder Rights Directive"), which [summarise the engagement policies in place, i.e. explain how the policy/policies document how the Firm integrates shareholder engagement in its investment strategy. The Firm should include a description of the indicators for adverse impacts considered in the policy/policies and how the policy/policies adapt where there is no reduction of the principal adverse impacts over more than one reference period[65]].

References to international standards

The Firm adheres to responsible business codes of conduct and internationally recognised standards for due diligence and reporting, including [insert applicable codes/standards].

The relevant codes of conduct and recognised standards [describe the degree to which the codes/standards adhere/align with the relevant objectives of the Paris Agreement. The description should contain:[66]

(a) the adverse impact indicators used in the assessment of principal adverse sustainability impacts referred to Article 6 of the RTS to measure that adherence or alignment;

(b) the methodology and data used to measure that adherence or alignment, including a description of the scope of coverage, data sources and how the methodology forecasts the future performance of investee companies;

(c) where a forward-looking climate scenario is used, an identification of that scenario, including the name and provider of the scenario and when it was designed; and

(d) where a forward-looking climate scenario is not used, an explanation of why forward-looking climate scenarios are not considered to be relevant by the Firm].

Historical comparison

[In the first year] As the Reference Period is the first year in which the Firm has provided a description of adverse impacts on sustainability factors, it is not able to undertake a historical comparison to previous years.

[In subsequent years] As compared to the previous Reference Periods for the past [five years, or less if five years' data is not available], the current Reference Period shows [insert description of comparison].[67]

Table 2: Additional climate and other environment-related indicators

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

Water, waste and material emissions (continued)	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 invested expressed as a weighted average
	14. Natural species and protected areas	1. Share of investments in investee companies whose operations affect threatened species. 2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas
	15. Deforestation	Share of investments in companies without a policy to address deforestation
Green securities	16. Share of securities not certified as green under a future EU legal act setting up an EU Green Bond Standard	Share of securities in investments not certified as green
	17. Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	Share of bonds not certified as green
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
		From 1 January 2023, Scope 3 GHG emissions generated by real estate assets
		Total GHG emissions generated by real estate assets
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract
Resource consumption	21. Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and biosourced) compared to the total weight of building materials used in new construction and major renovations
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface area of the plots of all assets

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

Social and employee, respect for human rights, anti-corruption and anti-bribery matters		
Adverse sustainability impact	**Adverse sustainability impact (qualitative or quantitative)**	**Metric**
Indicators applicable to investments in investee companies		
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share in investments in investee companies without any grievance/complaints handling mechanism related to employee matters
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average
	8. Excessive chief executive officer (CEO) pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)
Human rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
	11. Lack of processes and measures for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings
	12. Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation
	13. Operations and suppliers at significant risk of forced or compulsory labour	Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation
	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis

Human rights	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the UN Convention against Corruption
	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies
Indicators applicable to investments in sovereigns and supranationals		
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column
	24. Average rule of law score	Measure of the lack of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column

Annex 2 – Article 8 pre-contractual disclosure template: Questions[68]

[tick when relevant]

This product:

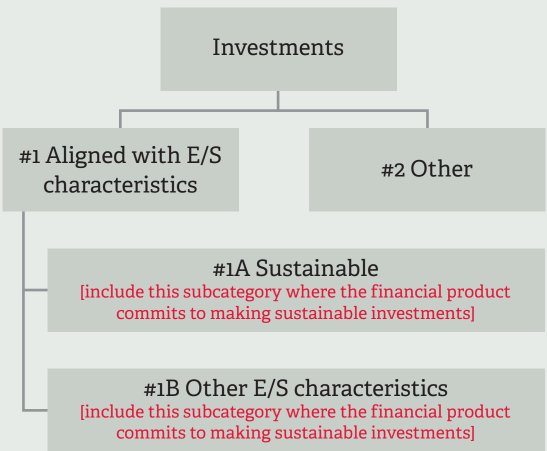
☒ ● ○ Promotes environmental or social characteristics, but does not have as its objective a sustainable investment

- ☐ It does not invest in suitable investments
- ☐ It invests partially in sustainable investments
  - ☐ In activities aligned with the EU Taxonomy
  - ☐ In activities not aligned with the EU Taxonomy

☐ ● ● Has sustainable investment as its objective. Sustainable investment means an investment in an economic actvity 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.

- ☐ In activities aligned with the EU Taxonomy
- ☐ In activities not aligned with the EU Taxonomy

1. What environmental and/or social characteristics are promoted by this financial product? [For financial products referred to in Article 6 of Regulation (EU) 2020/852,[69] in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes.]
2. What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?
3. What investment strategy does this financial product follow?
4. 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?
5. How is that strategy implemented in the investment process on a continuous basis?
6. What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy? [Include question where there is a commitment to reduce the scope of investments by a minimum rate.]
7. What is the policy to assess good governance practices of investee companies?
8. Where can I find further details on the investment strategy?
9. Has a reference benchmark been designated for the purpose of attaining the environmental or social characteristics promoted by the financial product? [Yes/No]
10. What is the asset allocation planned for this 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 Subcategory **#1A Sustainable** covers investments that qualify as sustainable investments:
– The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

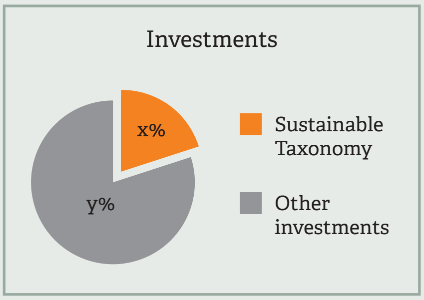
11. What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

12. How does the use of derivatives attain the environmental or social characteristics promoted by the financial product? [Include question where derivatives are used to attain the environmental or social characteristics promoted by the financial product.]

13. To which objectives do the sustainable investments contribute to and how do they not cause significant harm? [Include section where financial product includes sustainable investments.]

14. What is the minimum share of investments aligned with the EU Taxonomy? [Include subsection for financial products referred to in Article 6 of Regulation (EU) 2020/852[70]] [Where information relating to the Taxonomy alignment of investments is not readily available from public disclosures by investee companies, include details of how equivalent information was obtained directly from investee companies or from third-party providers.]

The graph below shows in green the minimum percentage of investments that are aligned with the EU Taxonomy.



[include statement and question for financial products referred to in Article 6 of Regulation (EU) 2020/852 with sustainable investments in evironmentally sustainable economic activities]

The minimum percentage of investments of the financial product that are aligned with the EU Taxonomy are made in environmentally sustainable economic activities.

Was this statement subject to an external review by a third party?

- Yes: [include name of third party]
- No

15. What methodology is used for the calculation of the alignment with the Taxonomy and why? [Indicate methodology chosen for non-financial investee companies and the reasons for that choice, including how that choice is appropriate for investors in the financial product.]

16. What is the minimum share of transitional and enabling activities?

17. What is the minimum share of sustainable investments that are not aligned with the Taxonomy? [Include subsection (i) where the financial product includes sustainable investments with social objectives; or (ii) for financial products referred to in Article 6 of Regulation (EU) 2020/852[71] where the financial product invests in economic activities that are not environmentally sustainable economic activities.]

18. Why does the financial product invest in economic activities that are not environmentally sustainable? [Include question for financial products referred to in Article 6 of Regulation (EU) 2020/852[72] where the financial product invests in economic activities that are not environmentally sustainable economic activities.]

19. How will sustainable investments contribute to a sustainable investment objective and not significantly harm any sustainable investment objective?

20. How are indicators for adverse impacts on sustainability factors taken into account?

21. Are sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

22. Does this financial product take into account principal adverse impacts on sustainability factors? [Yes/No]

23. Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental or social characteristics that it promotes? [Include this 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.]

24. How does the designated index differ from a relevant broad market index?

25. How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product and with the investment strategy?

26. Can I find more product specific information online?

27. More product specific information can be found on the website: [insert hyperlink]

Annex 3 – Article 9 pre-contractual disclosure template: Questions[73]

[tick when relevant]

This product:

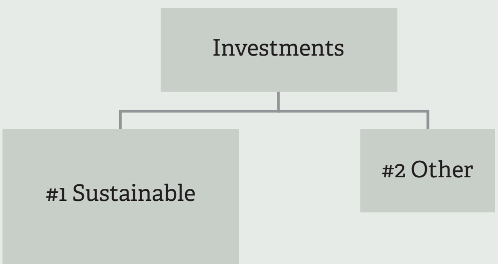
☐ Promotes environmental or social characteristics, but does not have as its objective a sustainable investment

- ☐ It does not invest in suitable investments
- ☐ It invests partially in sustainable investments
  - ☐ In activities aligned with the EU Taxonomy
  - ☐ In activities not aligned with the EU Taxonomy

☒ Has sustainable investment as its objective. Sustainable investment means an investment in an economic actvity 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.

- ☐ In activities aligned with the EU Taxonomy
- ☐ In activities not aligned with the EU Taxonomy

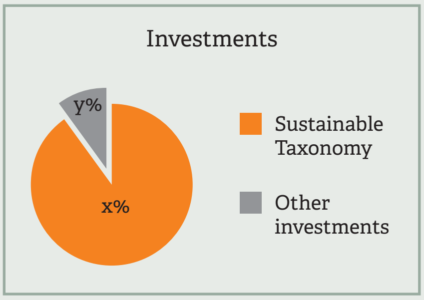
1. What is the sustainable investment objective of this financial product? [For financial products referred to in Article 5 of Regulation (EU) 2020/852,[74] in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of that Regulation to which the sustainable investment underlying the financial product contributes.]
2. What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?
3. What investment strategy does this financial product follow?
4. What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?
5. How is that strategy implemented in the investment process on a continuous basis?
6. What is the policy to assess good governance practices of the investee companies?
7. Where can I find further details on the investment strategy?
8. Has a reference sustainable benchmark been designated for the purpose of meeting the sustainable investment objective? [Yes/No]
9. What is the asset allocation planned for this financial product?



#1 Sustainable covers investments that qualify as sustainable investments.
#2 Other includes investments which do not qualify as sustainable investments.

10. How does the use of derivatives attain the sustainable investment objective? [Include where derivatives are used to attain the sustainable investment objective.]
11. What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?
12. How does the proportion and use of such investments not affect the delivery of the sustainable investment objective?
13. To which objectives do the sustainable investments contribute to and how do they not cause significant harm?
14. What is the minimum share of investments aligned with the Taxonomy? [Include subsection for financial products referred to in Article 5 of Regulation (EU) 2020/852[75]] [Where information relating to the Taxonomy alignment of investments is not readily available from public disclosures by investee companies, include details of how equivalent information was obtained directly from investee companies or from third-party providers.]

The graph below shows in green the minimum percentage of investments that are aligned with the EU Taxonomy.



[include statement and question for financial products referred to in Article 5 of Regulation (EU) 2020/852 with sustainable investments in evironmentally sustainable economic activities]

The minimum percentage of investments of the financial product that are aligned with the EU Taxonomy are made in environmentally sustainable economic activities.

Was this statement subject to an external review by a third party?

- Yes: [include name of third party]
- No

15. What methodology is used for the calculation of the alignment with the Taxonomy and why? [Indicate methodology chosen for non-financial investee companies and the reasons for that choice including how that choice is appropriate for investors in the financial product.]
16. What is the minimum share of transitional and enabling activities?
17. What is the minimum share of sustainable investments that are not aligned with the Taxonomy? [Include subsection (i) where the financial product includes sustainable investments with social objectives; or (ii) for financial products referred to in Article 5 of Regulation (EU) 2020/852[76] where the financial product invests in economic activities that are not environmentally sustainable economic activities.]
18. Why does the financial product invest in economic activities that are not environmentally sustainable? [Include question for financial products referred to in Article 5 of Regulation (EU) 2020/852[77] where the financial product invests in economic activities that are not environmentally sustainable economic activities.]
19. How will sustainable investments contribute to a sustainable investment objective and not significantly harm any sustainable investment objective?
20. How have the indicators for adverse impacts on sustainability factors been taken into account?
21. Are sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?
22. Does this product take into account principal adverse impacts on sustainability factors? [Yes/No]
23. Is a specific index designated as a reference sustainable benchmark to meet the sustainable investment objective? [Include section for 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.]
24. How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?
25. How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?
26. Why and how does the designated index differ from a relevant broad market index?
27. Does the financial product have the objective of a reduction in carbon emissions? [Include section for financial products referred to in Article 9(3) of Regulation (EU) 2019/2088 and indicate where the methodology used for the calculation of the reference benchmark can be found#.]
28. More product-specific information can be found on the website: [insert hyperlink to the website]

Annex 4 – Article 8 annual report template: Questions[78]

[tick when relevant]

This product:

☒ Promotes environmental or social characteristics, but does not have as its objective a sustainable investment

- ☐ It does not invest in suitable investments
- ☐ It invests partially in sustainable investments
  - ☐ In activities aligned with the EU Taxonomy
  - ☐ In activities not aligned with the EU Taxonomy

☐ Has sustainable investment as its objective. Sustainable investment means an investment in an economic actvity 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.

- ☐ In activities aligned with the EU Taxonomy
- ☐ In activities not aligned with the EU Taxonomy

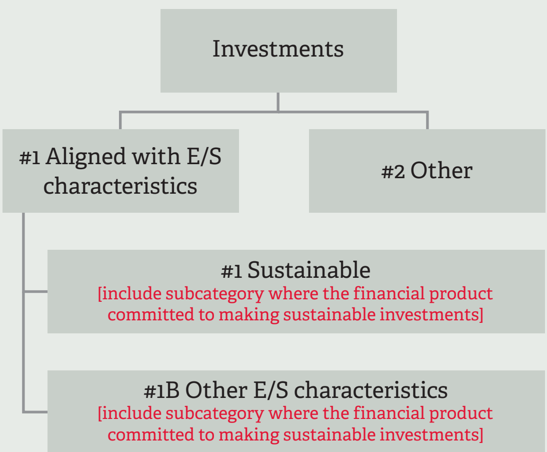
1. To what extent were the environmental and/or social characteristics promoted by this financial product met? [For financial products referred to in Article 6 of Regulation (EU) 2020/852,[79] in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of Regulation (EU) 2020/852 to which the sustainable investment underlying the financial product contributed.]
2. How did the sustainability indicators perform? And compared to previous periods? [Include question for financial products where at least one previous periodic report was provided in accordance with Section 1 of Chapter V of Commission Delegated Regulation (EU) 2021/xxx.]

Reference period	[Indicator 1]	[Indicator 2...]

3. What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country

4. What was the proportion of sustainability-related investments?
5. What was the asset allocation?

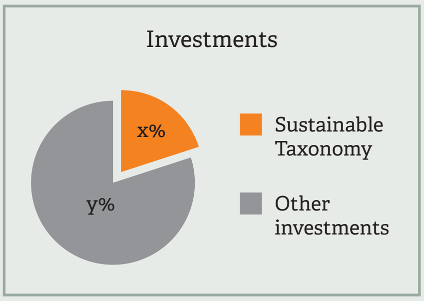


#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.
#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

[include text below where the financial product committed to making sustainable investments]
The category **#1 Aligned with E/S characteristics** covers:
– The Subcategory **#1A Sustainable** covers investments that qualify as sustainable investments:
– The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

6. What investments were included under “#2 other”, what was their purpose and were there any minimum environmental or social safeguards?
7. In which economic sectors were the investments made?
8. To which objectives did the sustainable investments contribute to and how did they not cause significant harm? [Include section where the financial product included a commitment to make sustainable investments.]
9. What was the share of investments aligned with the Taxonomy? [Include subsection for financial products referred to in Article 6 of Regulation (EU) 2020/852[80]] [Where information relating to the Taxonomy alignment of investments is not readily available from public disclosures by investee companies, include details of how equivalent information was obtained directly from investee companies or from third-party providers.]

The graph below shows in green the minimum percentage of investments that are aligned with the EU Taxonomy.



[include statement and question for financial products referred to in Article 6 of Regulation (EU) 2020/852 with sustainable investments in evironmentally sustainable economic activities]

The percentage of investments of the financial product that are aligned with the EU Taxonomy are made in environmentally sustainable economic activities.

Was this statement subject to an external review by a third party?

- ☐ Yes: [include name of third party]
- ☐ No

10. What was the breakdown of the environmental objectives that the sustainable investments contribute to?
11. What methodology was used for the calculation of the alignment with the Taxonomy and why? [Indicate methodology chosen for non-financial investee companies and the reasons for that choice including how that choice is appropriate for investors in the financial product.]
12. What was the share of transitional and enabling activities?
13. How did the percentage of investments that are aligned with the Taxonomy compare with previous reference periods? [Include question where at least one previous periodic report was provided in accordance with Section 1 of Chapter V of Commission Delegated Regulation (EU) 2021/xxx.]

Reference period	Percentage of investments aligned with EU taxonomy

14. What was the share of sustainable investments that are not aligned with the Taxonomy? [Include subsection for (i) financial products referred to in Article 6 of Regulation (EU) 2020/852[81] where the financial product invested in economic activities that are not environmentally sustainable economic activities; or (ii) financial products that included a commitment to make sustainable investments with social objectives.]
15. Why did the financial product invest in economic activities that are not environmentally sustainable? [Include question for financial products referred to in Article 6 of Regulation (EU) 2020/852[82] where the financial product invests in economic activities that are not environmentally sustainable economic activities.]
16. How did sustainable investments contribute to a sustainable investment objective and did not significantly harm any sustainable investment objective?
17. How were the indicators for adverse impacts on sustainability factors taken into account?
18. Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?
19. What actions were taken to meet the environmental and/or social characteristics during the reference period?

20. How did this financial product perform compared to the designated reference benchmark? [Include section where an index has been designated as a reference benchmark for the purpose of the attainment of 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.]
21. How does the reference benchmark differ from a broad market index?
22. 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?
23. How did this financial product perform compared with the reference benchmark?
24. How did this financial product perform compared with the broad market index?

Annex 5 – Article 9 annual report template: Questions[83]

[tick when relevant]

This product:

☐ Promotes environmental or social characteristics, but does not have as its objective a sustainable investment

- ☐ It does not invest in suitable investments
- ☐ It invests partially in sustainable investments
  - ☐ In activities aligned with the EU Taxonomy
  - ☐ In activities not aligned with the EU Taxonomy

☒ Has sustainable investment as its objective. Sustainable investment means an investment in an economic actvity 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.

- ☐ In activities aligned with the EU Taxonomy
- ☐ In activities not aligned with the EU Taxonomy

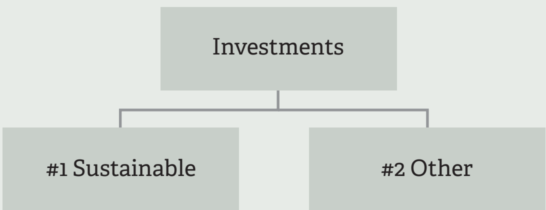
1. To what extent was the sustainable investment objective of this financial product met? [For financial products referred to in Article 5 of Regulation (EU) 2020/852,[84] in respect of sustainable investments with environmental objectives, list the environmental objectives set out in Article 9 of Regulation (EU) 2020/852 to which the sustainable investment underlying the financial product contributed.]
2. How did the sustainability indicators perform? And compared to previous periods? [Include question for financial products where at least one previous periodic report was provided in accordance with Section 2 of Chapter V of Commission Delegated Regulation (EU) 2021/xxx.]

Reference period	[Indicator 1]	[Indicator 2...]

3. What were the top investments of this financial product?

Largest investments	**Sector**	**% Assets**	**Country**

4. What was the proportion of sustainability-related investments?

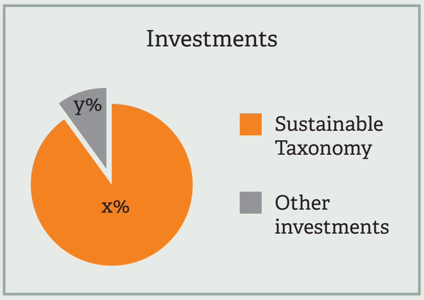


#1 Sustainable covers investments that qualify as sustainable investments.
#2 Other includes investments which do not qualify as sustainable investments.

5. What was the asset allocation?
6. What investments were included under "#2 other", what was their purpose and were there any minimum environmental or social safeguards?
7. In which economic sectors were the investments made?
8. To which objectives did the sustainable investments contribute to and how did they not cause significant harm?

9. What was the share of investments aligned with the Taxonomy? [Include subsection for financial products referred to in Article 5 of Regulation (EU) 2020/852[85]] [Where information relating to the taxonomy alignment of investments is not readily available from public disclosures by investee companies, include details of how equivalent information was obtained directly from investee companies or from third party providers.]

The graph below shows in green the minimum percentage of investments that are aligned with the EU Taxonomy.



[include statement and question for financial products referred to in Article 5 of Regulation (EU) 2020/852 with sustainable investments in evironmentally sustainable economic activities]

The percentage of investments of the financial product that are aligned with the EU Taxonomy are made in environmentally sustainable economic activities.

Was this statement subject to an external review by a third party?

- ☐ Yes: [include name of third party]
- ☐ No

10. What was the breakdown of the environmental objectives that the sustainable investments contribute to?

11. What methodology was used for the calculation of the alignment with the Taxonomy and why? [Indicate methodology chosen for non-financial investee companies and the reasons for that choice including how that choice is appropriate for investors in the financial product.]

12. What was the share of transitional and enabling activities?

13. How did the percentage of investments that are aligned with the Taxonomy compare with previous reference periods? [Include question where at least one previous periodic report was provided in accordance with Section 2 of Chapter V of Commission Delegated Regulation (EU) 2021/xxx.]

Reference period	Percentage of investments aligned with EU taxonomy

14. What was the share of sustainable investments that are not aligned with the Taxonomy? [Include subsection for (i) financial products referred to in Article 5 of Regulation (EU) 2020/852[86] where the financial product invested in economic activities that are not environmentally sustainable economic activities; or (ii) financial products that included a commitment to make sustainable investments with social objectives.]

15. Why did the financial product invest in economic activities that are not environmentally sustainable? [Include question for financial products referred to in Article 5 of Regulation (EU) 2020/852[87] where the financial product invests in economic activities that are not environmentally sustainable economic activities.]

16. How did sustainable investments contribute to a sustainable investment objective and did not significantly harm any sustainable investment objective?

17. How have the indicators for adverse impacts on sustainability factors been taken into account?

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

19. What actions were taken to attain the sustainable investment objective during the reference period?

20. How did this financial product perform compared to the reference sustainable benchmark? [Include section where an index has been designated as a reference benchmark for the purpose of the attainment of the sustainable investment objective of the financial product and indicate where the methodology used for the calculation of the designated index can be found.]

21. How does the reference benchmark differ from a broad market index?

22. 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?

23. How did this financial product perform compared with the reference benchmark?

24. How did this financial product perform compared with the broad market index?

25. How was the objective of a reduction in carbon emissions aligned with the Paris Agreement? [Include section for a financial product referred to in Article 9(3) of Regulation (EU) 2019/2088 and indicate where the methodology used for the calculation of the reference benchmark can be found.]

Annex 6 – Requirements if PAI are considered

If PAI are considered

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

- Information about their policies on the identification and prioritisation of principal adverse sustainability impacts and indicators.
  - This may include a summary description and explanation of the fund manager's ESG focus areas, including a description of the key performance indicators by which the manager seeks to assess its performance.
- A description of the principal adverse sustainability impacts and of any associated actions taken or, where relevant, planned.
  - This may include a narrative description explaining the manager's performance assessed based on the performance metrics identified as relevant and appropriate for the manager's business, and the steps the manager may take to improve its performance in future.
- A reference to the fund manager's adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.
  - This may include a description of any voluntary codes to which the fund manager is a signatory and any internal policies (applicable to the fund manager or with which the fund manager requires or encourages portfolio companies to comply) which replicate or require alignment with any relevant international standards. For example, the UN Principles for Responsible Investment, ILO Declaration on Fundamental Principles and Rights at Work, or the UN Guiding Principles on Business and Human Rights.
  - In addition, this disclosure may also include a description of policies or practices applicable at the fund manager or portfolio company level with a view to achieving alignment with international ESG reporting initiatives (such as the Global Reporting Initiative or Sustainability Accounting Standards Board).
- Where applicable, brief summaries of engagement policies published in accordance with the (revised) Shareholder Rights Directive. This will generally be more applicable to managers of listed / liquid strategies traded on exchanges.

The European Supervisory Authorities have published a final draft of the Regulatory Technical Standards which provides additional detail on how fund managers are expected to satisfy this requirement, including a template to report quantitative performance of the portfolio. Please see an annotated form of the template at Annex 1.

If PAI are not considered

- If the fund manager elects not to consider adverse impacts of investment decisions on sustainability factors, it must publish certain information on its website in a separate section entitled "No consideration of sustainability adverse impacts".[88] This section must include the following items:[89]

1. A prominent statement that the manager does not consider the adverse impacts of its investment decisions on sustainability factors.
2. Clear reasons why the manager does not do so. If relevant, the manager should also include information on whether and, if so, when it intends to consider those adverse impacts by reference to – at a minimum – the indicators set out in the RTS template.

As noted above, the use of the template is not yet mandatory. Until it becomes mandatory, advice should be sought regarding appropriate disclosure.

Notes

1 SFDR and Taxonomy are intended to be adopted under the agreement constituting the European Economic Area (EEA), currently under discussion by Iceland, Liechtenstein and Norway. From the date of adoption, SFDR and the Taxonomy will have the same legal effect in the EEA countries (that is, Iceland, Liechtenstein and Norway) as in the EU. We refer to EU and non-EU herein (rather than EEA and non-EEA), where appropriate.

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

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

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

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

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

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

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

9 European Commission Q&A on SFDR.

10 SFDR Article 3.

11 SFDR Article 5(1).

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

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

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

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

16 Taxonomy Regulation Article 7.

17 Taxonomy Regulation Article 7.

18 SFDR Article 7(1), second paragraph.

19 Taxonomy Regulation Articles 10 to 16.

20 Taxonomy Regulation Article 18(1).

21 Under development, proposal for public comment published in August 2021.

22 RTS Article 31.

23 SFDR Article 10(1).

24 RTS Article 32.

25 SFDR Article 8(1).

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

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

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

29 SFDR Article 8(1).

30 Taxonomy Regulation Article 6.

31 SFDR Article 11(1)(a).

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

33 Taxonomy Regulation Article 5. These requirements will apply when the Taxonomy takes effect.

34 Taxonomy Regulation Article 9.

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

36 Taxonomy Regulation Article 6.

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

38 SFDR Article 9(3), first paragraph.

39 European Commission Q&A, pp. 5-6.

40 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.

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

42 SFDR Article 9(2).

43 SFDR Article 9(3).

44 Taxonomy Regulation Article 9.

45 Taxonomy Regulation Article 16 and Article 10(2).

46 RTS Article 58 (as amended by Article 1(8) of the Taxonomy RTS).

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

48 SFDR Article 11(1)(b).

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

50 Taxonomy Regulation Article 16 and Article 10(2).

51 RTS Article 64 (as amended by Article 1(8) of the Taxonomy RTS).

52 RTS Article 5.

53 The summary section should be provided in at least:
(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; and
(b) where a financial product of the financial market participant is marketed in a host Member State, one of the official languages of that host Member State.

54 RTS Article 4(3): for a financial market participant that publishes on its website a statement on due diligence policies with respect to PAI in accordance with the RTS for the first time:
(i) In respect of the calendar year in which PAI are first considered, that financial market participant should publish the information referred to in paragraphs 1(a), 2, 3 and 4 of Article 4 of Regulation (EU) 2019/2088 and the RTS, with the exception of the information that relates to a reference period, on the date on which those impacts are first considered.
(ii) In respect of the following calendar year, the first reference period should be the period in the preceding year beginning on the date on which PAI were first considered and ending on 31 December of that year.

55 RTS Article 5(1)(d).

56 RTS Article 6. Where information relating to any of the indicators used is not readily available, the firm shall also include in this section details of the best efforts used to obtain the information either directly from investee companies, or by carrying out additional research, co-operating with third-party data providers or external experts or making reasonable assumptions: see RTS Article 7(2).

57 RTS Article 6(3): the assessment should be based on at least the average of four calculations made by the Firm on 31 March, 30 June, 30 September and 31 December during the Reference Period.

58 Including the International Labour Organisation's declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights.

59 RTS Article 6(3): the assessment should be based on at least the average of four calculations made by the Firm on 31 March, 30 June, 30 September and 31 December during the Reference Period.

60 RTS Article 6(3): the assessment should be based on at least the average of four calculations made by the Firm on 31 March, 30 June, 30 September and 31 December during the Reference Period.

61 RTS Article 6(3): the assessment should be based on at least the average of four calculations made by the Firm on 31 March, 30 June, 30 September and 31 December during the Reference Period.

62 RTS Article 6(3): the assessment should be based on at least the average of four calculations made by the Firm on 31 March, 30 June, 30 September and 31 December during the Reference Period.

63 RTS Article 6(2).

64 RTS Article 7(1).

65 RTS Article 8(2).

66 RTS Article 9(1).

67 RTS Article 6(4): where the financial market participant has provided a description of adverse impacts on sustainability factors for a previous reference period in accordance with paragraphs 1 to 3 above, the statement should contain a historical comparison of the current reference period with the previous reference period provided in accordance with those paragraphs and should continue to include further historical comparisons within that statement for at least five previous reference periods.

68 This tick-box form must be completed. The x already completed next to the one solid and one empty green circles indicates that this is a 'light green' Article 8 fund. Xs should be placed next to the appropriate Article 8 sub-questions.

69 For instance, Article 8 funds which promote environmental characteristics.

70 For instance, Article 8 funds which promote environmental characteristics.

71 For instance, Article 8 funds which promote environmental characteristics.

72 For instance, Article 8 funds which promote environmental characteristics.

73 This tick box form must be completed. The x already completed next to the two solid green circles indicates that this is a 'dark green' Article 9 fund. Xs should be placed next to the appropriate Article 9 sub-questions.

74 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

75 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

76 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

77 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

78 This tick-box form must be completed. The x already completed next to the one solid and one empty green circles indicates that this is a 'light green' Article 8 fund. Xs should be placed next to the appropriate Article 8 sub-questions.

79 For instance, Article 8 funds which promote environmental characteristics.

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82 For instance, Article 8 funds which promote environmental characteristics.

83 This tick box form must be completed. The x already completed next to the two solid green circles indicates that this is a 'dark green' Article 9 fund. Xs should be placed next to the appropriate Article 9 sub-questions.

84 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

85 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

86 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

87 For instance, Article 9 funds which invest in an economic activity that contributes to an environmental objective.

88 RTS Article 11(1).

89 RTS Article 11(2).

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