

EU Sustainable Finance Regime Key Requirements and Timeframes

For Funds, UCITS Management Companies and AIFMs
(Based on adopted or draft texts currently available)

May 2020

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Sustainable Finance Disclosure Regulation")

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/ Effective Date	Action required
Article 3 Transparency of sustainability risk policies	<p><i>The Sustainable Finance Disclosure Regulation applies to "financial market participants" (including UCITS management companies and AIFMs ("ManCos")) making available "financial products" (including UCITS and AIFs ("Funds")) and "financial advisers".</i></p> <p><i>This summary relates only to provisions of relevance for ManCos and Funds (and does not address requirements applicable to other categories of financial market participants or to "financial advisers" (e.g. MiFID-licensed ManCos)).</i></p>	Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.	ManCo	10 March 2021	<p>Put in place policies on integration of sustainability risks in their investment decision-making process.</p> <p>Update website with information about these policies.</p>
Article 4 Transparency of adverse sustainability impacts at entity level	ManCo of any Fund	<p>Financial market participants shall publish and maintain on their websites:</p> <p>(a) where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due</p>	ManCo	<p>10 March 2021</p> <p>Note: from 30 June 2021, comply or explain option (i.e. paragraph (b) option) will be no longer</p>	<p>Website update – comply or explain statement.</p> <p>If complying, due diligence policy required around principal adverse impacts of investment decisions on sustainability factors.</p>

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		<p>diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available;</p> <p><i>[Note: to include at least the following: (a) information about their policies on the identification and prioritisation of principal adverse sustainability impacts and indicators; (b) a description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned; (c) brief summaries of engagement policies in accordance with Article 3g of Directive 2007/36/EC, where applicable; (d) a reference to their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.]</i></p> <p>(b) where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.</p>		<p>available for financial market participants exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year or for financial market participants which are parent undertakings of a large group as referred to in Article 3(7) of Directive 2013/34/EU exceeding on the balance sheet date of the group, on a consolidated basis, the criterion of the average number of 500 employees during the financial year.</p>	

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Sustainable Finance Disclosure Regulation")

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/ Effective Date	Action required
<p>Article 5</p> <p>Transparency of remuneration policies in relation to the integration of sustainability risks</p>	ManCo of any Fund	<p>Detail how remuneration policies are consistent with the integration of sustainability risks and publish that information on website.</p>	ManCo	10 March 2021	<p>Review and amend remuneration policies where necessary.</p> <p>Website disclosure.</p>
<p>Article 6</p> <p>Transparency of the integration of sustainability risks</p>	All Funds (and their ManCos)	<p>Financial market participants shall include descriptions of the following in pre-contractual disclosures:</p> <p>(a) the manner in which sustainability risks are integrated into their investment decisions; and</p> <p>(b) the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available.</p> <p>Where financial market participants deem sustainability risks not to be relevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons therefor.</p>	Fund	10 March 2021	Prospectus updates to include the prescribed disclosures.
<p>Article 7</p> <p>Transparency of adverse</p>	All Funds (and their ManCos)	Where principal adverse impacts of investment decisions on sustainability factors are considered (per Article	Fund	30 December 2022	Prospectus updates to include the prescribed disclosures.

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Sustainable Finance Disclosure Regulation")

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/ Effective Date	Action required
sustainability impacts at financial product level		<p>4(1)(a), 4(3) or 4(4)) the Fund prospectus must include:</p> <p>(a) a clear and reasoned explanation of whether, and, if so, how the Fund considers principal adverse impacts on sustainability factors;</p> <p>(b) a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2) (see below).</p> <p>OR</p> <p>Where principal adverse impacts of investment decisions on sustainability factors are not considered (per Article 4(1)(b)) the Fund prospectus must include a statement that the financial market participant does not consider the adverse impacts of investment decisions on sustainability factors and the reasons therefor.</p>			
<p>Article 8</p> <p>Transparency of the promotion of environmental or social characteristics</p>	<p>"Light green" Funds (which promote "among other characteristics, environmental or social characteristics, or a combination of those</p>	<p>Additional prospectus disclosure requirements for Funds which promote "among other characteristics, environmental or social characteristics, or a combination of those characteristics", namely:</p>	Fund	10 March 2021	Prospectus updates to include the prescribed disclosures.

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Sustainable Finance Disclosure Regulation")

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/ Effective Date	Action required
in pre-contractual disclosures	characteristics, provided that the companies in which the investments are made follow good governance practices") and their ManCos	(a) information on how those characteristics are met; (b) if an index has been designated as a reference benchmark, information on whether and how this index is consistent with those characteristics (as well as an indication of where the methodology used for the calculation of the index is to be found).			
Article 9 Transparency of sustainable investments in pre-contractual disclosures	"Dark green" Funds (i.e. any Fund with sustainable investment or a reduction in carbon emissions as its objective) and their ManCos	<i>Additional prospectus disclosure requirements for a Fund which has <u>sustainable investment</u> as its objective.</i> <ul style="list-style-type: none"> <i>Where it uses an index as its reference benchmark:</i> (a) information on how the designated index is aligned with that objective; (b) an explanation as to why and how the designated index aligned with that objective differs from a broad market index; <i>Where it does not use an index as its reference benchmark:</i> an explanation on how that objective is to be attained. <i>Additional prospectus disclosure requirements for a Fund which has a reduction in carbon emissions as its</i>	Fund	10 March 2021	Prospectus updates to include the prescribed disclosures.

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Sustainable Finance Disclosure Regulation")

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/ Effective Date	Action required
		<p><i>objective:</i> disclosure of the objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement.</p> <p>By way of derogation from Article 9(2), where no EU Climate Transition Benchmark or EU Paris-aligned Benchmark in accordance with Regulation (EU) 2016/1011 of the European Parliament and of the Council is available, the information referred to in Article 6 shall include a detailed explanation of how the continued effort of attaining the objective of reducing carbon emissions is ensured in view of achieving the long-term global warming objectives of the Paris Agreement.</p> <p>Financial market participants shall include in the information to be disclosed pursuant to Article 6(1) and (3) an indication of where the methodology used for the calculation of the indices referred to in Article 9(1) and the benchmarks referred to in the second subparagraph Article 9(3) are to be found.</p>			
Article 10 Transparency of the promotion of	ManCos of "green" (light or dark) Funds	ManCo to publish and maintain on its website in respect of each "green" Fund managed:	ManCo	10 March 2021	Information set out across to be disclosed "shall be clear, succinct and understandable to investors.

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Sustainable Finance Disclosure Regulation")

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/ Effective Date	Action required
environmental or social characteristics and of sustainable investments on websites		(a) a description of the environmental or social characteristics or the sustainable investment objective; (b) information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product; (c) the information referred to in Articles 8 and 9; (d) the information referred to in Article 11.			It shall be published in a way that is accurate, fair, clear, not misleading, simple and concise and in a prominent easily accessible area of the website".
Article 11 Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports	ManCos of "green" (light or dark) Funds	Description of the following to be included in periodic reports: (a) for "light green Funds" the extent to which environmental or social characteristics are met; (b) for "dark green Funds": (i) the overall sustainability-related impact of the financial product by means of relevant sustainability indicators; or (ii) where an index has been designated as a reference benchmark, a comparison between the overall sustainability-	ManCo/Fund	1 January 2022	Annual report for Fund to include prescribed disclosures.

REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "Sustainable Finance Disclosure Regulation")

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/ Effective Date	Action required
		related impact of the financial product with the impacts of the designated index and of a broad market index through sustainability indicators.			
Article 12 Review of disclosures	ManCo of any Fund	Requirement to ensure that any information published in accordance with Article 3, 5 or 10 is kept up to date. Where a financial market participant amends such information, a clear explanation of such amendment shall be published on the same website.	ManCo	Ongoing post-10 March 2021	Website disclosures to be kept up to date.
Article 13 Marketing communications	ManCo of any Fund	Ensure that marketing communications do not contradict the information disclosed pursuant to this Regulation.	ManCo	Ongoing post-10 March 2021	Marketing communications to be kept under review for consistency with disclosures referred to above.

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation")*

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/Effective Date	Action required
<p><i>Article 3</i></p> <p><i>(cross-referring to Articles 9 – 18)</i></p> <p>Criteria for environmentally sustainable economic activities</p>	<p><i>The Taxonomy Regulation applies to "financial market participants" (including UCITS management companies and AIFMs ("ManCos")) making available "financial products" (including UCITS and AIFs ("Funds")) and others.</i></p> <p><i>This summary relates only to provisions of relevance for ManCos and Funds (but does not address requirements applicable to other categories of financial market participants).</i></p>	<p><i>Sets out the criteria for treating an economic activity as "environmentally sustainable" as follows.</i></p> <ul style="list-style-type: none"> • <i>Contributes substantially to one or more of the following environmental objectives:</i> <ol style="list-style-type: none"> 1. <i>Climate change mitigation</i> 2. <i>Climate change adaptation</i> 3. <i>Sustainable use and protection of water and marine resources</i> 4. <i>Transition to a circular economy</i> 5. <i>Pollution prevention and control</i> 6. <i>Protection and restoration of biodiversity and ecosystems</i> • <i>Does not significantly harm any of the above objectives.</i> • <i>Is carried out in compliance with minimum safeguards, i.e. procedures are implemented by an undertaking that is carrying out the economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the</i> 	-	<p><i>1 January 2022 in respect of following environmental objectives:</i></p> <ol style="list-style-type: none"> (a) <i>Climate change mitigation</i> (b) <i>Climate change adaptation</i> <p><i>1 January 2023 in respect of following environmental objectives:</i></p> <ol style="list-style-type: none"> (a) <i>Sustainable use and protection of water and marine resources</i> (b) <i>Transition to a circular economy</i> (c) <i>Pollution prevention and control</i> (d) <i>Protection and restoration of biodiversity and ecosystems</i> 	-

*Awaiting publication in the Official Journal – based on final text as adopted by the Council on 1 April 2020.

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation")*

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/Effective Date	Action required
		<p><i>eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</i></p> <ul style="list-style-type: none"> <i>Complies with technical screening criteria to be produced by the Commission in relation to the above environmental objectives.</i> 			
<p>Article 5</p> <p>Transparency of environmentally sustainable investments in pre-contractual disclosures and in periodic reports</p>	<p>ManCos of and "dark green" Funds</p> <p>(i.e. any Fund with sustainable investment or a reduction in carbon emissions as its objective)</p>	<p>Where a "dark green" Fund (per Sustainable Finance Disclosure Regulation classification – see above) invests in an economic activity that contributes to an environmental objective within the meaning of point (17) of Article 2 of that Regulation, the information to be disclosed in accordance with Articles 6(3) and 11(2) of that Regulation shall include the following:</p> <p>(a) the information on the environmental objective or environmental objectives set out in Article 9 of this Regulation to which the investment underlying the Fund contributes; and</p> <p>(b) a description of how and to what extent the investments underlying the Fund are in economic activities that</p>	ManCo/Fund		Prospectus and annual report for Fund to include the prescribed information.

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation")*

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/Effective Date	Action required
		<p>qualify as environmentally sustainable under Article 3 of this Regulation.</p> <p>The description referred to in point (b) of the first subparagraph of this Article shall specify the proportion of investments in environmentally sustainable economic activities selected for the Fund, including details on the proportions of enabling and transitional activities referred to in Article 16 and Article 10(2), respectively, as a percentage of all investments selected for the Fund.</p>			
<p>Article 6</p> <p>Transparency of financial products that promote environmental characteristics in pre-contractual disclosures and in periodic reports</p>	<p>ManCos of and "light green" Funds</p> <p>(i.e. which promote "among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices")</p>	<p>Where a "light green" Fund promotes environmental characteristics, Article 5 of this Regulation shall apply mutatis mutandis.</p> <p>The information to be disclosed in accordance with Articles 6(3) and 11(2) of the Sustainable Finance Disclosure Regulation shall be accompanied by the following statement:</p> <p>'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.</p>	ManCo/Fund		Prospectus and annual report for Fund to include the prescribed information.

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation")*

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/Effective Date	Action required
		The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.'			
Article 7 Transparency of other financial products in pre-contractual disclosures and in periodic reports	ManCos of and Funds other than "light green" or "dark green" Funds	Where a Fund is neither "light green" nor "dark green" for the purposes of the Sustainable Finance Disclosure Regulation, the information to be disclosed in accordance with the provisions of sectoral legislation referred to in Articles 6(3) and 11(2) of that Regulation shall be accompanied by the following statement: 'The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.'	ManCo/Fund		Prospectus and annual report for Fund to include the prescribed information.

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
UCITS Directive 2010/43	UCITS Management Companies and Self Managed UCITS (SMICs)				
	ORGANISATIONAL REQUIREMENTS				
Article 4	<p>General Requirements on Procedures and Organisation</p> <p>New requirement highlighted</p>	<p>1. Member States shall require management companies to comply with the following requirements:</p> <p>(a) to establish, implement and maintain decision-making procedures and an organisational structure which clearly and in a documented manner specifies reporting lines and allocates functions and responsibilities;</p> <p>(b) to ensure that their relevant persons are aware of the procedures which must be followed for the proper discharge of their responsibilities;</p> <p>(c) to establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of</p>	ManCo	TBD	Business plans to be updated to include consideration of sustainability factors within the ManCo's organisational structure. Such an update should review reporting lines (both external and internal), information flows, internal controls and record keeping procedures.

** Awaiting Commission Delegated Acts – based on ESMA's technical advice to the European Commission on integrating sustainability risks and factors in the UCITS Directive and AIFMD.

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		<p>the management company; (d) to establish, implement and maintain effective internal reporting and communication of information at all relevant levels of the management company as well as effective information flows with any third party involved;</p> <p>(e) to maintain adequate and orderly records of their business and internal organisation.</p> <p>Member States shall ensure that management companies take into account the nature, scale and complexity of the business of the management company, and the nature and range of services and activities undertaken in the course of that business. <u>Member States shall ensure that management companies take into account sustainability risks when complying with the requirements laid down in the first subparagraph.</u></p>			
Article 5	<p>Resourcing Requirements</p> <p><u>New requirement highlighted</u></p>	<p>1. Member States shall require management companies to employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them.</p> <p>2. Member States shall ensure that management companies retain the necessary resources and expertise so as to effectively monitor the activities carried out by third parties on the basis of an</p>	ManCo	TBD	ManCos will need to consider their current resources and assess whether they have the necessary skill, expertise and knowledge required for the assessment of sustainability risks. There is no requirement to designate a specific person within the ManCo to take responsibility for sustainability matters, senior management as a whole should be responsible.

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		<p>arrangement with the management company, especially with regard to the management of the risk associated with those arrangements.</p> <p>3. Member States shall require management companies to ensure that the performance of multiple functions by relevant persons does not and is not likely to prevent those relevant persons from discharging any particular function soundly, honestly, and professionally.</p> <p>4. Member States shall ensure that for the purposes laid down in paragraphs 1, 2 and 3, management companies take into account the nature, scale and complexity of the business of the management company, and the nature and range of services and activities undertaken in the course of that business.</p> <p><u>5. Member States shall ensure that for the purposes laid down in paragraphs 1, 2 and 3, management companies take into account the necessary resources and expertise for the effective integration of sustainability risks.</u></p>			
Article 9	Control by Senior Management and Supervisory Function	1. Member States shall require management companies, when allocating functions internally, to ensure that senior management and, where appropriate, the	ManCo	TBD	ManCos should consider what internal reporting structures and review mechanisms are in place to ensure that senior management can

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
	<p>New requirement highlighted</p>	<p>supervisory function, are responsible for the management company's compliance with its obligations under Directive 2009/65/EC.</p> <p>2. The management company shall ensure that its senior management:</p> <p>(a) is responsible for the implementation of the general investment policy for each managed UCITS, as defined, where relevant, in the prospectus, the fund rules or the instruments of incorporation of the investment company;</p> <p>(b) oversees the approval of investment strategies for each managed UCITS;</p> <p>(c) is responsible for ensuring that the management company has a permanent and effective compliance function, as referred to in Article 10, even if this function is performed by a third party;</p> <p>(d) ensures and verifies on a periodic basis that the general investment policy, the investment strategies and the risk limits of each managed UCITS are properly and effectively implemented and complied with, even if the risk management function is performed by third parties;</p> <p>(e) approves and reviews on a periodic basis the adequacy of the internal procedures for undertaking investment</p>			<p>be satisfied on an ongoing basis that sustainability risks are integrated into the ManCo's risk management framework.</p>

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		<p>decisions for each managed UCITS, so as to ensure that such decisions are consistent with the approved investment strategies;</p> <p>(f) approves and reviews on a periodic basis the risk management policy and arrangements, processes and techniques for implementing that policy, as referred to in Article 38, including the risk limit system for each managed UCITS.</p> <p><u>(g) is responsible for the integration of sustainability risks</u></p>			
	OPERATING CONDITIONS				
New Recital 17	Conflicts of Interest	<p>When identifying the types of conflicts of interest whose existence may damage the interests of a UCITS, management companies and self-managed UCITS investment companies should include those that may arise in relation to the integration of sustainability risks. The identification process should include, for example, conflicts arising from remuneration or personal transactions of relevant staff as well as any sources of conflicts that could give rise to greenwashing, misselling, misrepresentation of investment strategies or churning. Consideration should also be given to conflicting</p>	ManCo	TBD	ManCos to review existing conflicts of interests policies to ensure that any potential conflicts related to sustainability risks are captured

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		interests between funds with different investment strategies managed by the same UCITS management company as well as situations where there are other business-relationships with investee companies, conflicting group interests, investments in entities with close links or similar circumstances.			
Article 23	Due Diligence Requirements New requirement highlighted	<p>1. Member States shall require management companies to ensure a high level of diligence in the selection and ongoing monitoring of investments, in the best interests of UCITS and the integrity of the market.</p> <p>2. Member States shall require management companies to ensure they have adequate knowledge and understanding of the assets in which the UCITS are invested.</p> <p>3. Member States shall require management companies to establish written policies and procedures on due diligence and implement effective arrangements for ensuring that investment decisions on behalf of the UCITS are carried out in compliance with the objectives, investment strategy and risk limits of the UCITS.</p> <p>4. Member States shall require management companies when implementing their risk management policy, and where it is appropriate after</p>	ManCos (and at portfolio level)	TBD	<p>ManCos to review investment due diligence processes to include sustainability factors.</p> <p>Shareholder voting and engagement policies should also be considered to ensure that strategies achieve more sustainable outcomes.</p>

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/ Portfolio Level?	Timing/Effective Date	Action required
		<p>taking into account the nature of a foreseen investment, to formulate forecasts and perform analyses concerning the investment's contribution to the UCITS portfolio composition, liquidity and risk and reward profile before carrying out the investment. The analyses must only be carried out on the basis of reliable and up-to-date information, both in quantitative and qualitative terms.</p> <p>Management companies shall exercise due skill, care and diligence when entering into, managing or terminating any arrangements with third parties in relation to the performance of risk management activities. Before entering into such arrangements, management companies shall take the necessary steps in order to verify that the third party has the ability and capacity to perform the risk management activities reliably, professionally and effectively. The management company shall establish methods for the on-going assessment of the standard of performance of the third party</p> <p><u>5. Member States shall require that management companies take into account sustainability risks and, where applicable, the principal adverse impact of investment decisions on sustainability factors when complying with the</u></p>			

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		<u>requirements set out in paragraphs 1 to 4. Where applicable, management companies shall develop engagement strategies including for the exercise of voting rights, where available, with a view to reducing the principal adverse impact of investee companies on sustainability factors.</u>			
	RISK MANAGEMENT				
Article 38	Risk Management Policy New requirement highlighted	1. Member States shall require management companies to establish, implement and maintain an adequate and documented risk management policy which identifies the risks the UCITS they manage are or might be exposed to. The risk management policy shall comprise such procedures as are necessary to enable the management company to assess for each UCITS it manages the exposure of that UCITS to market, liquidity, sustainability and counterparty risks, and the exposure of the UCITS to all other risks, including operational risks, which may be material for each UCITS it manages.	ManCos	TBD	ManCos should review their risk management policies to ensure that sustainability risks are adequately captured.

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
AIFMD Regulation 231/2013	AIFMs and internally managed AIFs				
	ORGANISATIONAL REQUIREMENTS				
Article 22	Resources New requirement highlighted	<p>1. AIFMs shall employ sufficient personnel with the skills, knowledge and expertise necessary for discharging the responsibilities allocated to them.</p> <p>2. For the purposes of paragraph 1, AIFMs shall take into account the nature, scale and complexity of their business and the nature and range of services and activities undertaken in the course of that business.</p> <p><u>For the purposes of paragraph 1, AIFMs should take into account the necessary resources and expertise for the effective integration of sustainability risks.</u></p>	AIFMs	TBD	AIFMs will need to consider their current resources and assess whether they have the necessary skill, expertise and knowledge required for the assessment of sustainability risks. There is no requirement to designate a specific person within the AIFM to take responsibility for sustainability matters, senior management as a whole should be responsible.
Article 57	General Requirements on Procedures and Organisation	<p>1. AIFMs shall:</p> <p>(a) establish, implement and maintain decision-making procedures and an organisational structure which specifies reporting lines and allocates functions</p>	AIFMs	TBD	Programme of Activity to be updated to include consideration of sustainability factors within the AIFM's organisational structure. Such an update should review reporting lines (both external and

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

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	New requirement highlighted	<p>and responsibilities clearly and in a documented manner;</p> <p>(b) ensure that their relevant persons are aware of the procedures to be followed for the proper discharge of their responsibilities;</p> <p>(c) establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the AIFM;</p> <p>(d) establish, implement and maintain effective internal reporting and communication of information at all relevant levels of the AIFM and effective information flows with any third party involved;</p> <p>(e) maintain adequate and orderly records of their business and internal organisation.</p> <p>AIFMs shall take into account the nature, scale and complexity of their business and the nature and range of services and activities undertaken in the course of that business. <u>AIFMs shall take into account sustainability risks when complying with the requirements laid down in the first subparagraph.</u></p>			internal), information flows, internal controls and record keeping procedures.

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
Article 60	Control by Senior Management and Supervisory Function New requirement highlighted	<p>1. When allocating functions internally, AIFMs shall ensure that the governing body, the senior management and, where it exists, the supervisory function are responsible for the AIFM's compliance with its obligations under Directive 2011/61/EU.</p> <p>2. An AIFM shall ensure that its senior management:</p> <p>(a) is responsible for the implementation of the general investment policy for each managed AIF, as defined, where relevant, in the fund rules, the instruments of incorporation, the prospectus or the offering documents;</p> <p>(b) oversees the approval of the investment strategies for each managed AIF;</p> <p>(c) is responsible for ensuring that valuation policies and procedures in accordance with Article 19 of Directive 2011/61/EU are established and implemented;</p> <p>(d) is responsible for ensuring that the AIFM has a permanent and effective compliance function, even if this function is performed by a third party;</p> <p>(e) ensures and verifies on a periodic basis that the general investment policy, the investment strategies and the risk limits of each managed AIF are properly</p>	AIFMs	TBD	AIFMs should consider what internal reporting structures and review mechanisms are in place to ensure that senior management can be satisfied on an ongoing basis that sustainability risks are integrated into the AIFM's risk management framework.

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Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		<p>and effectively implemented and complied with, even if the risk management function is performed by third parties;</p> <p>(f) approves and reviews on a periodic basis the adequacy of the internal procedures for undertaking investment decisions for each managed AIF, so as to ensure that such decisions are consistent with the approved investment strategies;</p> <p>(g) approves and reviews on a periodic basis the risk management policy and the arrangements, processes and techniques for implementing that policy, including the risk limit system for each AIF it manages;</p> <p>(h) is responsible for establishing and applying a remuneration policy in line with Annex II to Directive 2011/61/EU.</p> <p><u>(i) is responsible for the integration of sustainability risks.</u></p>			
	OPERATING CONDITIONS				
New Recital 48	Conflict of Interests	When identifying the types of conflicts of interest whose existence may damage the interests of an AIF or its investors, AIFMs should include those that may arise in relation to the integration of sustainability risks. The identification	AIFMs	TBD	AIFM's to review existing conflicts of interests policies to ensure that any potential conflicts related to sustainability risks are captured.

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		process should include, for example, conflicts arising from remuneration or personal transactions of relevant staff as well as any sources of conflicts that could give rise to greenwashing, misselling, misrepresentation of investment strategies or churning. Consideration should also be given to conflicting interests between funds with different investment strategies managed by the same AIFM as well as situations where there are other business-relationships with investee companies, conflicting group interests, investments in entities with close links or similar circumstances.			
Article 18	Due Diligence Requirements New requirement highlighted	<p>1. AIFMs shall apply a high standard of diligence in the selection and ongoing monitoring of investments.</p> <p>2. AIFMs shall ensure that they have adequate knowledge and understanding of the assets in which the AIF is invested.</p> <p>3. AIFMs shall establish, implement and apply written policies and procedures on due diligence and implement effective arrangements for ensuring that investment decisions on behalf of the AIFs are carried out in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the AIF.</p>	AIFMs (and at portfolio level)	TBD	<p>AIFMs to review investment due diligence processes to include sustainability factors.</p> <p>Shareholder voting and engagement policies should also be considered to ensure that strategies achieve more sustainable outcomes.</p>

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		<p>4. The policies and procedures on due diligence referred to in paragraph 3 shall be regularly reviewed and updated.</p> <p>5. <u>AIFMs shall take into account sustainability risks and, where applicable, the principal adverse impact of investment decisions on sustainability factors when complying with the requirements set out in paragraphs 1 to 3. Where applicable, AIFMs shall develop engagement strategies including for the exercise of voting rights, where available, with a view to reducing the principal adverse impact of investee companies on sustainability factors.</u></p>			
	RISK MANAGEMENT				
Article 40	<p>Risk Management Policy</p> <p>New requirement highlighted</p>	<p>1. An AIFM shall establish, implement and maintain an adequate and documented risk management policy which identifies all the relevant risks to which the AIFs it manages are or may be exposed.</p> <p>2. The risk management policy shall comprise such procedures as are necessary to enable the AIFM to assess for each AIF it manages the exposure of that AIF to market, liquidity, sustainability and counterparty risks,</p>	AIFMs	TBD	AIFMs should review their risk management policies to ensure that sustainability risks are adequately captured.

Commission Delegated Acts on integrating sustainability risks and factors in the UCITS Directive and AIFMD**

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		and the exposure of the AIF to all other relevant risks, including operational risks, which may be material for each AIF it manages.			

Commission Delegated Regulation amending Delegated Regulation (EU) 2017/565 as regards the integration of Environmental, Social and Governance (ESG) considerations and preferences into the investment advice and portfolio management Acts on integrating sustainability risks and factors in MiFID II***

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
MIFID II Delegated Regulation	MIFID Firms				
	ORGANISATIONAL REQUIREMENTS				
Article 21(1)	General Organisational Requirements New requirement highlighted	Investment firms shall comply with the following organisational requirements: [...] <u>Where ESG considerations are relevant for the provision of investment services to clients, firms should take them into account when complying with the above requirements.</u> When complying with the requirements set out in this paragraph, investment firms shall take into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business.	MIFID Firms	TBD	Programme of operations to be updated to include consideration of sustainability factors within the MIFID Firm's organisational structure. Such an update should review reporting lines (both external and internal), information flows, internal controls and record keeping procedures

***Based on draft Commission Delegated Regulation – awaiting final adopted text.

Commission Delegated Regulation amending Delegated Regulation (EU) 2017/565 as regards the integration of Environmental, Social and Governance (ESG) considerations and preferences into the investment advice and portfolio management Acts on integrating sustainability risks and factors in MiFID II***

Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
Article 23	Risk Management New requirement highlighted	Investment firms shall take the following actions relating to risk management: (a) establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the firm's activities, processes and systems, and where appropriate, set the level of risk tolerated by the firm. <u>In doing so, investment firms shall take into account sustainability risk.</u>	MIFID Firms	TBD	MIFID Firms should review their risk management policies to ensure that sustainability risks are adequately captured.
New Recital	Risk Management	In order for investment firms to comply with their risk management obligations to take into account sustainability risk within their risk management policies and procedures, the investment firms' compliance function, internal audit function, management body and senior management should also consider aspects related to sustainability risk in their respective duties.	MIFID Firms	TBD	MIFID Firms should assess how their internal framework (such as internal audit and compliance) takes sustainability risks into account.
New Recital 59	Conflicts of Interest	When identifying the types of conflicts of interest whose existence may damage the interests of a client, investment firms should include those that may stem from the distribution of sustainable investments. Firms should have in place appropriate arrangements to ensure that the inclusion of ESG considerations in the advisory process and portfolio	MIFID Firms	TBD	MIFID Firms should have appropriate arrangements in place to ensure that the inclusion of ESG considerations in the advisory process does not lead to mis-selling practices or misrepresentations and does not damage the interest of the client.

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Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		management does not lead to misselling practices, including as an excuse to sell own-products or more costly ones, or to generate churning of clients' portfolios, or to misrepresent products or strategies as fulfilling ESG preferences where they do not.			
	PRODUCT GOVERNANCE				
Article 9 (9)	Product Governance New requirement highlighted	Member States shall require investment firms to identify at a sufficiently granular level the potential target market for each financial instrument and specify the type(s) of client for whose needs, characteristics and objectives, and ESG preferences (where relevant) , the financial instrument is compatible. As part of this process, the firm shall identify any group(s) of clients for whose needs, characteristics and objectives the financial instrument is not compatible. Where investment firms collaborate to manufacture a financial instrument, only one target market needs to be identified.	MIFID Firms	TBD	MIFID Firms which manufacture financial products will need take into account investors' ESG preferences when identifying target markets.
Article 9 (11)	Product Governance	Member States shall require investment firms to determine whether a financial	MIFID Firms	TBD	When MIFID Firms which manufacture financial products

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Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
	New requirement <u>highlighted</u>	<p>instrument meets the identified needs, characteristics and objectives of the target market, including by examining the following elements:</p> <p>a) the financial instrument's risk/reward profile is consistent with the target market; and</p> <p><u>b) the financial instrument's ESG characteristics (where relevant) are consistent with the target market; and</u></p> <p>c) financial instrument design is driven by features that benefit the client and not by a business model that relies on poor client outcomes to be profitable.</p>			consider whether the product meets the needs of the target market they will need to include an examination of the product's ESG characteristics.
Article 9 (14)	Product Governance New requirement <u>highlighted</u>	Member States shall require investment firms to review the financial instruments they manufacture on a regular basis, taking into account any event that could materially affect the potential risk to the identified target market. Investment firms shall consider if the financial instrument remains consistent with the needs, characteristics and objectives, <u>and ESG preferences (where relevant)</u> , of the target market and if it is being distributed to the target market, or is reaching clients for whose needs, characteristics and	MIFID Firms	TBD	ESG preferences must become part of a MIFID Firm's ongoing review of its financial products to ensure those products continue to meet the needs and objectives of the target market.

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Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		objectives the financial instrument is not compatible.			
Article 10 (2)	Product Governance New requirement <u>highlighted</u>	Member States shall require investment firms to have in place adequate product governance arrangements to ensure that products and services they intend to offer or recommend are compatible with the needs, characteristics, and objectives, <u>and ESG preferences (where relevant)</u> , of an identified target market and that the intended distribution strategy is consistent with the identified target market. Investment firms shall appropriately identify and assess the circumstances and needs of the clients they intend to focus on, so as to ensure that clients' interests are not compromised as a result of commercial or funding pressures. As part of this process, firms shall identify any groups of clients for whose needs, characteristics and objectives the product or service is not compatible.	MIFID Firms	TBD	Where MIFID Firms offer and distribute financial products, they must include ESG preferences in assessing whether the product is compatible with the target market.
Article 10 (5)	Product Governance New requirement <u>highlighted</u>	Member States shall require investment firms to review the investment products they offer or recommend and the services they provide on a regular basis, taking into account any event that could materially affect the potential risk to the	MIFIF Firms	TBD	The aforementioned MIFID firms should include ESG preferences when carrying out their ongoing review as to whether the investment products they offer continue to meet

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Regulation	Scope of Application	Rule/Requirement	ManCo/Fund/Portfolio Level?	Timing/Effective Date	Action required
		<p>identified target market. Firms shall assess at least whether the product or service remains consistent with the needs, characteristics and objectives, and ESG preferences (where relevant), of the identified target market and whether the intended distribution strategy remains appropriate. Firms shall reconsider the target market and/or update the product governance arrangements if they become aware that they have wrongly identified the target market for a specific product or service or that the product or service no longer meets the circumstances of the identified target market, such as where the product becomes illiquid or very volatile due to market changes.</p>			<p>the needs of the identified target markets.</p>

EU Sustainable Finance Regime – Overview of the Status of Key Initiatives

Initiative	Current status	Estimated Implementation Timeframe
Climate Benchmarks Regulation	L1 agreed, published in OJ; draft L2 texts published	April 2020 (ESMA has issued a No Action Letter to NCAs pending adoption of the Delegated Acts)
Sustainable Finance Disclosure Regulation	L1 agreed, published in OJ; consultation on draft L2 ongoing	March 2021 (most rules), other dates June & December 2021, January & December 2022
Taxonomy Regulation	L1 agreed – awaiting publication in OJ; awaiting L2	December 2021 / December 2022
MiFID and IDD	Draft Delegated Regulation published. Awaiting formal adoption of Delegated Regulation	12 months + 20 days after publication in OJ
UCITS and AIFMD	Awaiting Delegated Regulation	12 months + 20 days after publication in OJ
Corporate non-financial disclosures	Initial consultation on the updating the Non-Financial Reporting Directive ongoing	TBD
Green bonds	Technical Expert Group (TEG) Reports have issued – subject to consultation under the renewed sustainable finance strategy	TBD
EU Ecolabel	Technical Reports from the Commission Joint Research Centre have issued. Q3 2021 expected adoption of Commission decision	TBD
Corporate governance	Early discussion stage on short-termism in financial markets	TBD
CRR / Solvency II	Awaiting Delegated Regulation - subject to consultation under the renewed sustainable finance strategy	TBD

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