

ANNEX

EU Ecolabel criteria for awarding the EU Ecolabel to retail financial products

FRAMEWORK

The criteria for awarding the EU Ecolabel to 'retail financial products' are as follows:

1. Investment in environmentally sustainable economic activities
2. Investment in companies investing in transition and green growth
3. Exclusions based on environmental aspects
4. Exclusions based on social and governance aspects
5. Engagement
6. Measures taken to enhance investor impact
7. Retail investor information
8. Information appearing on the EU Ecolabel

Assessment and verification requirements:

The specific assessment and verification requirements are indicated within each criterion.

Where the applicant is required to provide declarations, documentation, analyses, or other evidence to show compliance with the criteria, these may come from the applicant and/or their supplier(s) and/or their subcontractor(s). As a prerequisite, the 'financial product' shall meet all legal requirements related to the place of product manufacture, registration and authorisation.

Competent bodies shall give preference to attestations that are issued by bodies that are accredited under the relevant harmonised standard for bodies certifying products, processes and services. Accreditation shall be carried out in line with Regulation (EC) No 765/2008 of the European Parliament and of the Council. Competent bodies may require supporting documentation and may carry out independent checks.

After being awarded the EU Ecolabel licence, the applicant is required to inform the relevant competent body of any changes pertaining to their licensed product(s). The applicant is required to provide updated information on their licensed product(s) every 6 months. Such information related to any changes or deviations should include all the evidence of proof of compliance to the proposed EU Ecolabel criteria.

The competent body may perform follow-up assessments of the applicant's financial product up to once a year during the award period.

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

‘alternative investment funds’ (AIFs) means collective investment undertakings, including investment compartment thereof, which:

- a) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and
- b) do not require authorisation pursuant to Article 5 of Directive 2009/65/EC

‘asset’ means a resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide a future benefit;

‘bond’ means a fixed income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental);

‘CapEx’ means capital expenditure (investment) made along the life cycle of a project and assigned to the year when it is incurred. Included are investments in assets used for production, transformation and distribution; as well as for refurbishment, upgrades, new construction and the replacements of capital assets. Also included are investments made in Research & Development that are directed towards the development of new assets or production technologies;

‘deposit’ means a credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution is required to repay under the legal and contractual conditions applicable, including a fixed-term deposit and a savings deposit;

‘environmentally sustainable economic activity’ means an economic activity that qualifies with the criteria set out in Delegated Regulation (EU) xxxx/xxx supplementing Article 3 of Regulation (EU) 2020/852¹, including transitional activities as defined in Article 10(2) and enabling activities as defined in Article 16 of Regulation (EU) 2020/852;

‘green CapEx’ means capital expenditure made in environmentally sustainable economic activities;

‘green revenues’ means financial revenues derived from the ‘environmentally sustainable economic activities’ of a company;

‘insurance-based investment product’ means an insurance product which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations;

‘investment fund’ means a supply of capital belonging to numerous investors used to collectively purchase securities while each investor retains ownership and control of this own shares; types of investment funds include mutual funds, exchange-traded funds, money market funds and hedge funds;

¹ The exact wording of the legal reference to the EU Taxonomy and its Delegated Regulations is to be defined following consultation within the Commission Services.

‘packaged retail and insurance-based investment product’ or ‘PRIIP’ means a product that is one or both of the following:

- a) a packaged retail investment product (PRIIP);
- b) an insurance-based investment product;

‘packaged retail investment product’ or ‘PRIIP’ means an investment, including instruments issued by special purpose vehicles as defined in point (26) of Article 13 of Directive 2009/138/EC or securitisation special purpose entities as defined in point (an) of Article 4(1) of the Directive 2011/61/EU of the European Parliament and of the Council (19), where, regardless of the legal form of the investment, the amount repayable to the retail investor is subject to fluctuations because of exposure to reference values or to the performance of one or more assets which are not directly purchased by the retail investor;

‘pension products’ refers to non-public arrangements and investment vehicles which have an explicit objective of retirement provision (according to a national social and labour law or tax rules) irrespective whether they are of occupational or personal type;

‘portfolio’ means a grouping of financial assets;

‘portfolio management’ means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments;

‘retail investor’ means:

- a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU
- b) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of Directive 2014/65/EU;

‘revenue’ means this is the amount of money that is brought into a company by its business activities;

‘share or stock’ means a type of security that signifies ownership in a corporation and represents a claim on part of the corporation’s assets and earnings;

‘sovereign bond’ means a debt security issued by a national government;

‘structured deposits’ means a deposit as defined in point (c) of Article 2(1) of Directive 2014/49/EU of the European Parliament and of the Council (1), which is fully repayable at maturity on terms under which interest or a premium will be paid or is at risk, according to a formula;

‘sub-sovereign bond’ means a debt security issued by a regional, city or local government entity, as well as government agencies;

‘transferable securities’ means:

- a) shares in companies and other securities equivalent to shares in companies;
- b) bonds and other forms of securitised debt (debt securities);
- c) any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange;

‘turnover’ is also used as a synonym for investments; in the investment industry, turnover is defined as the percentage of a portfolio that is sold in a particular month or year;

‘undertaking collective investment transferable securities (UCITS)’ means an undertaking for collective investment in transferable securities authorised in accordance with Article 5 of Directive 2009/65/EC;

‘unit-linked’ means that the financial benefits provided by an insurance contract are directly linked to the value of assets contained in an investment fund;

‘verification’ means a procedure to certify that a product complies with specified EU Ecolabel criteria.

EU ECOLABEL CRITERIA FOR RETAIL FINANCIAL PRODUCTS

Criterion 1- Investment in environmentally sustainable economic activities

The minimum proportion indicated below of the assets under management of the retail financial product are invested or loaned to environmentally sustainable economic activities. This requirement shall apply to the different retail financial products in the scope as follows:

- Investment funds and Profit Participation insurance funds: the total portfolio value or portion of the general fund invested in environmentally sustainable economic activities.
- Unit-linked funds: the investment in unit shares meeting the individual requirements to the total portfolio value invested in environmentally sustainable economic activities or the investment in EU Ecolabel investment funds.
- Multi option and hybrid insurance funds: the total portfolio value in a general fund invested in environmentally sustainable economic activities and/or the investment in unit share choices that meet the relevant total portfolio value thresholds.
- Fixed term and savings deposit accounts: the value of deposited funds loaned to environmentally sustainable economic activities.

Sub-criteria also apply to:

- the proportion of the total portfolio value invested in ‘companies investing in transition’ and ‘companies investing in green growth’, for which requirements are defined in criterion 2,
- the economic activities of the issuers of corporate bonds that form part of the assets under management (AuM), which are defined in sub-criterion 1.1.C
- The international commitments of the issuers of sovereign bonds that form part of the assets under management (AuM), which are defined in sub-criterion 3.2
- Other assets² that shall be counted in the total portfolio, when assessing compliance with the portfolio threshold, as defined in sub-criterion 1.1.I

All underlying assets that can comply with the criteria established in the Delegated Regulation (EU) xxxx/xxx supplementing Article 3 of Regulation (EU) 2020/852^{Error! Bookmark not defined.} (‘the EU Taxonomy’) may be counted towards the total portfolio greenness, including, where applicable, real estate and infrastructure investments made by underlying funds in which unit shares are held.

² Other assets may include as an example, derivatives or money held as cash.

1.1 Investment funds and Profit Participation insurance funds

A. Retail AIF funds

At least 70% of the total portfolio value in terms of assets under management (AuM) shall be invested in environmentally sustainable economic activities. The equity component shall be calculated according to the requirements of criterion 1.1.B and for the bonds to contribute they shall meet the requirements of criterion 1.1.C.

B. UCITS equity funds

At least 40% of the total portfolio value of the assets under management (AuM) shall be invested in environmentally sustainable economic activities, which may include a contribution from companies investing in transition or green growth, according to the formula below.

$$G = \begin{cases} \sum_{i=1}^n (PCi * (0.6 * GRi + 0.4 * GCi)), & \text{if } GCi > GRGi \\ \sum_{i=1}^n (PCi * (0.6 * GRi + 0.4 * GRGi)), & \text{if } GCi < GRGi \end{cases}$$

Where:

G = % of total portfolio value invested in environmentally sustainable economic activity

i = an individual company in which portfolio equities are held

n = total number of companies in the portfolio

PCi = % Portfolio contribution of company i

GRi = % Green Revenue of company i

GCi = cumulative % Green Capex of company i over 5 years

GRGi = cumulative % projected Green Revenue Growth i over 5 years

Each company's percentage contribution shall be calculated as the weighted average of their % green revenue (GRi) and their % Green Capex (GCi) or % projected Green Revenue Growth (GRGi). The company contribution to the total portfolio value is then weighted based on the % of holdings in the total portfolio value (PCi). The sum of the weighted company contributions gives the % of total portfolio value invested in environmentally sustainable economic activity.

The eligibility requirements for green CapEx (GCi) and growth in green revenue (GRGi) are stipulated in criterion 2.

The remaining proportion of the total portfolio may include:

- companies deriving less than 5% of their revenue from environmentally sustainable economic activities and that are not excluded by criteria 3 and 4, and/or

- other assets or cash

Holdings in derivatives shall meet the requirements of sub-criterion I.

C. UCITS bond funds

At least 50% of the total portfolio value of the assets under management (AuM) shall be invested in green bonds. For corporate and sovereign bonds to contribute towards the portfolio greenness threshold, and be considered to be 'green bonds', they shall meet the following requirements:

- The green projects to be financed using the bond's proceeds shall be identified and shall be verified as environmentally sustainable economic activities.
- for corporate bonds, the issuer shall either meet the requirements of criterion 2.1 for companies investing in transition or show that their percentage of green revenue is more than 50%.
- The allocation of finance to the green projects or portfolios of projects shall be separated, tracked and reported on a 12 monthly basis following issuance.
- The value of refinanced projects within a green bond issue may only contribute to portfolio greenness if the issuer can demonstrate that the refinancing supports the creation of asset-backed securities or the recycling of funds for lending to new green projects.

Bonds verified as meeting the criteria of the EU Green Bond Standard shall be accepted as green bonds.

General purpose corporate bonds that are not green bonds may also contribute to the portfolio greenness. To contribute towards the portfolio greenness threshold, the issuer shall meet the requirements of criterion 2.1 for companies investing in transition or show that their percentage of green revenue is more than 50%. The percentage of green revenue of the issuer shall be applied as the percentage value of the bonds that contributes to portfolio greenness.

D. UCITS mixed funds

At least 50% of the total portfolio value of the assets under management (AuM) comprising bonds and equities shall be invested in environmentally sustainable economic activities. The equity component shall be calculated according to the requirements of criterion 1.1.B and for the bonds to contribute they shall meet the requirements of criterion 1.1.C.

The remaining proportion of the total portfolio may include:

- companies deriving less than 5% of their revenue from environmentally sustainable economic activities and that are not excluded by criteria 3 and 4, and/or
- other assets or cash

Holdings in derivatives that meet the requirements of sub-criterion I.

E. Fund of funds (FoFs)

At least 90% of FoFs have been invested in funds already awarded the EU Ecolabel.

The remaining proportion of the total portfolio may include:

- other assets or cash
- holdings in derivatives that meet the requirements of sub-criterion I

F. Unit-linked insurance products

All the underlying unit funds in which shares are held shall comply with the requirements in Criterion 1, as relevant to the type of fund and its composition. Alternatively all underlying unit funds shall hold the EU Ecolabel.

G. Profit participation insurance products

The portfolio holdings of the general fund and any associated underlying funds shall each comply with the requirements of Criterion 1, as relevant to the type of fund and its composition.

Where the general fund of the product is shared with other products, then the assets held in relation to the ecolabelled product shall be separated on the balance sheet of the license holder in such a way as to restrict transferability and to ensure that the assets underlying the EU ecolabelled products are traceable and correspond with money invested by the customers.

H. Multi option and hybrid insurance products

The portfolio holdings of the general fund and any associated underlying funds in which unit shares are held shall each comply with the requirements of Criterion 1, as relevant to the type of fund and its composition.

Where the general fund of the product is shared with other products, then the assets held in relation to the EU Ecolabel product shall be separated on the balance sheet of the license holder in such a way as to restrict transferability and to ensure that the assets underlying the EU Ecolabelled products are traceable and correspond with money invested by the customers.

All the underlying unit funds in which shares are held, shall comply with the requirements in Criterion 1, as relevant to the type of fund and the composition. Alternatively, all underlying unit funds shall hold the EU Ecolabel.

I. Other assets

Derivatives

A fund may invest in derivatives according to its investment objectives. The use of derivatives shall be in line with the funds environmental investment policy. The use of derivatives shall be restricted to the following situations:

- Hedging: Derivatives may be used for hedging purposes with regard to currency risk, duration risk, market risk or/and sensitivity to changes in interest rate structures.
- Exposure: The use of derivatives to increase exposure to the underlying assets shall be temporary and respond to significant subscriptions. The management company shall explain in the fund's periodical reports how it proceeds and, in particular, to illustrate the temporary nature of the use of derivatives for exposure purposes.

Derivatives shall not be used for the short selling of securities.

Assessment and verification

A. Retail AIFs

The applicant shall provide the following:

- i. *documentation showing that the monthly averages for the 12 months preceding the application for the EU Ecolabel request, comply with the portfolio composition requirements or pre-contractual information and a portfolio statement and prospectus including:*
 - *complete listing of the portfolio assets, including where relevant equity, bonds, real estate and infrastructure, and*
 - *evidence that the fund complies with the respective minimum percentage at the time of application or in the year preceding it.*
- ii. *An audit report on the latest annual financial statement.*
- iii. *For products put on the market less than 12 months prior to the application, the fund manager shall provide a prospectus which details the fund strategy, the initial composition and how the greenness threshold will be met*
- iv. *For all products new and existing, an update on continuous compliance shall be provided every 12 months.*

B. UCITS equity funds

The applicant shall provide the following:

- i. *Documentation showing that the monthly averages for the 12 months preceding the application for the EU Ecolabel request comply with the portfolio composition requirements for equity funds or pre-contractual information and a portfolio statement and prospectus including:*
 - *complete listing of the portfolio assets, and*
 - *evidence that the fund complies with the respective minimum percentages for the equity fund.*

- ii. *The documentation required to demonstrate that selected companies within the portfolio that contribute towards green CapEx or green revenue growth qualify with criterion 2.*
- iii. *For products put on the market less than 12 months prior to the application, the fund manager shall provide a prospectus which details the fund strategy, the initial composition and how the greenness threshold will be met*
- iv. *For all products new and existing, an update on continuous compliance shall be provided every 12 months.*

C. UCITS bond funds

The applicant shall provide the following:

- i. *Documentation showing that the monthly averages for the 12 months preceding the application for the EU Ecolabel request comply with the portfolio composition requirements for bond funds,*
- ii. *the external verification for green bonds as proof of the allocation of financing to green economic activities.*
- iii. *For general purpose corporate bonds, documentation that verifies the percentage green revenue of the issuer.*
- iv. *For products put on the market less than 12 months prior to the application, the fund manager shall provide a prospectus which details the fund strategy, the initial composition and how the greenness threshold will be met.*
- v. *For all products new and existing, an update on continuous compliance shall be provided every 12 months.*

D. UCITS mixed funds

The applicant shall provide documentation as specified in B and C of this section.

E. Fund of funds (FoFs)

The applicant shall provide licence number of the EU Ecolabel licences held by each of the underlying funds

F. Unit-linked insurance products

The applicant shall provide documentation as specified in B, C and D of this section.

Where an underlying fund has the EU Ecolabel, the license number shall be provided. The prospectus and information about the management service provided to retail investors shall demonstrate the pre-selection of EU Ecolabel unit funds.

G. Profit participation insurance products

The applicant shall provide documentation as specified in B, C and D of this section, as applicable to the general fund. Where relevant, information shall be provided about the accounting practice used to separate the underlying assets of the fund that comply with the EU Ecolabel criteria, together with annual audit financial accounts that show the assets separated on the balance sheet.

Where an underlying fund has the EU Ecolabel, the license number shall be provided. The prospectus and information about the management service provided to retail investors shall demonstrate the pre-selection of EU Ecolabel unit funds.

H. Multi option and hybrid insurance products

The applicant shall provide documentation as specified in B, C and D of this section, as applicable to the general fund. Where relevant, information shall be provided about the accounting practice used to separate the underlying assets of the fund that comply with the EU Ecolabel criteria, together with annual audit financial accounts that show the assets separated on the balance sheet.

Where an underlying fund has the EU Ecolabel, the license number shall be provided. The prospectus and information about the management service provided to retail investors shall demonstrate the pre-selection of EU Ecolabel unit funds.

I. Other assets

The applicant shall provide the following documentation on the derivatives included in the funds:

- the investment or management policy governing the use of derivatives and outlining clearly how the derivatives are to be applied including information about the counterparty*
- A statement on the strategy applied addressing how the use of derivatives is in line with the fund environmental policy.*
- A listing of the types of derivatives and other assets used during the last 12 months preceding the application for the EU Ecolabel [where applicable], including their nature, average total amount invested (in proportion of the portfolio) and their average duration/frequency of use shall be demonstrated.*
- For OTC derivatives, consumer information on all of the counterparties used over the last 12 months preceding the application for the EU Ecolabel [where applicable].*

1.2. Green fixed term and savings deposit accounts

A. Green asset to deposit ratio

At least 70% of the value of the total deposits shall be used to make green loans and/or to invest in green bonds.

The value of both the assets (limited, for the purpose of criterion 1.2, to green loans and bonds) and the deposits shall be calculated based on the annual average for the time that the product has been on the market. For new products the target green asset to deposit ratio shall be stated and after a minimum of one year on the market. The license holder shall declare the ratio achieved to the Competent Body.

B. Green loans made using the deposited money

Green loans contributing to the green asset to deposit ratio shall only be granted to environmentally sustainable economic activities. The green loans may be made by partner credit institutions, provided there is traceability back to the deposited funds.

The applicant shall provide annual updates on the implementation status of the funded projects, which may be aggregated by economic activity.

C. Green bonds purchased using the deposited money

Bonds that contribute to the green asset to deposit ratio shall be green bonds or general purpose corporate bonds meeting the requirements of 1.1.C.

D. Separation of the deposited money

The money held in deposit and then granted as loans and/or used to buy bonds shall be separated within the accounts of the Credit Institution in such a way as to restrict transferability and to ensure that the funds loaned are traceable to the money deposited by the customers. The structural solution and/or internal accounting procedures used shall allow for the traceability of the each retail customers' deposited money and their contribution to the total value of the green loans granted.

Assessment and verification

A. Green asset to deposit ratio

The applicant shall provide a set of declarations and supporting information to verify the declared asset to deposit ratio and to ensure that it is traceable and transparent. The information related to green loans shall comprise:

- i. the total value of the deposits derived from individual values marked and entered into the Single Customer View (SCV) for the specific product;*
- ii. the value of each green loan issued and bonds purchased using the deposited money. This shall be recorded and declared together with the total value of the green loans and bonds for each year.*
- iii. The value of the deposits and green loans related to the product shall be reported annually in a dedicated EU Ecolabel report to be provided to the retail customer, to also be reflected as itemised entries on the balance sheet in the annual report of the*

Credit Institution, with each entry to be clearly marked as EU Ecolabel verified deposited money and green loans.

B. Green loans made using the deposited money

The applicant shall document on an annual basis the value of green loans approved by types of projects and economic activities. The value of green loans made by associated credit institutions shall be reported on.

The applicant shall provide a declaration that the green loans approved meet the criteria for being environmentally sustainable economic activities. The Competent Body reserves the right to select projects at random from a list of the economic activities funded for verification purposes.

C. Green bonds purchased using the deposited money

The applicant shall document on an annual basis the

- i. the external verification for green bonds as proof of the allocation of financing to green economic activities.*
- ii. For general purpose corporate bonds, documentation that verifies the percentage green revenue of the issuer.*

D. Separation of the deposited money

The internal accounting procedures and/or structures used to separate the funds, limit transferability and how they allow for the traceability of the deposited money shall be described. This could be supported by an auditors' qualification of the effectiveness of the procedure that may be included in the annual report of the credit institution.

Criterion 2- Investment in companies investing in transition and green growth

The equities or bonds of a company may be eligible for inclusion as a company investing in transition or green growth within an EU Ecolabel product, if they meet either criteria 2.1 or 2.2.

2.1 Companies investing in transition ³

A company is considered as investing in transition if:

³ The differs from the definition of a 'transitional' activity in the EU Taxonomy, which relates to specific activities (not companies) that are not inherently low carbon, whereas in this criterion the reference is to companies whose revenue may be generated by transitional and enabling activities.

- It obtains >95% of its revenue from economic activities in the energy, mobility, manufacturing and/or waste management sectors, and
- It currently generates between 5 and 50% of its total revenue from environmentally sustainable economic activities, and
- A formal commitment has been made to close down capital assets that would otherwise be excluded under criterion 3.1.

In addition, the following shall be demonstrated by the company's strategic investment plan:

- How the company is investing to increase its's green revenue base on a projected path to achieve >20% within a minimum of 5 year forward looking period, and
- A commitment to an average green capex over a minimum of 5 years of greater than 20%, based on a two year look back period and a minimum of 3 years forward looking period, and
- The means of raising capital shall be identified, to include own balance sheet resources, loans and bonds.

2.2 Companies investing in green growth

A company is considered as investing in green growth if:

- It obtains >95% of its revenue from economic activities in the energy, mobility, manufacturing and/or waste management sectors, and
- It currently generates more than 50% of its revenue from environmentally sustainable economic activities.

In addition the following shall be demonstrated by the company's strategic investment plan:

- How the company is investing to increase its's green revenue base within a minimum of a 5 year forward looking period, and
- How the company is investing to increase its's market share in key segments and by how much within a minimum 5 year period, and
- A commitment to total green capex over a minimum of 5 years of greater than 50%, based on a two year look back period and a minimum of 3 years forward looking, and
- The means of raising capital shall be identified, to include own balance sheet resources, loans and bonds.

Assessment and verification

For each qualifying company the strategic investment plan and prospectus shall be provided. The plan shall provide background information and market data to support the green revenue

and/or market share projections. The allocation of capital expenditure plans, both looking back and forward looking shall also be detailed, including specific investments in projects and sites. Each plan shall be accompanied by an auditors' opinion.

Criterion 3 - Exclusions based on environmental aspects

3.1 Exclusions relating to economic activities

Investment funds and insurance products shall not contain equities or bonds issued by companies that derive more than 5% of their revenue from the excluded activities listed below.

For fixed-term and savings deposit accounts, green loans shall not be made to companies whose activities are in the list of excluded activities and project loans shall not finance the excluded activities. Bonds held shall not be issued by companies whose activities are in the list of excluded activities.

3.1.1 List of excluded activities

A. Agriculture

- A.1** Use of pesticides, including plant protection products, identified in the Rotterdam Convention Prior Informed Consent (PIC) procedure or in classes Ia or Ib in the World Health Organization Recommended Classification by Hazard.
- A.2** Production, distribution and use of agricultural products, including vegetable oils, and livestock on land obtained as a result of conversion, fragmentation or unsustainable intensification of high-nature-value land, wetlands, peatland, forests, or other areas of high-biodiversity value or high-carbon stock in or after 2008, where high-biodiversity value and high-carbon stock land is defined according to Directive 2018/2001.
- A.3** Cultivation of crops (for agricultural products) that does not minimise the use of pesticides and does not favour alternative approaches or techniques, according to Directive 2009/128/EC or the UN FAO International Code of Conduct on the Distribution and Use of Pesticides.

B. Forestry

- B.1** Forestry management for production of timber as well as the production of timber-derived products, where the economic operator cannot demonstrate the following:
 - That the timber is covered by valid FLEGT or CITES licences and/or is controlled by a due diligence system which provides the information set out in Regulation (EU) 995/2010; and

- That the forests are not located on land obtained from the conversion, fragmentation or unsustainable intensification of high-nature-value land, wetlands, peatlands, forests, or other areas of high-biodiversity value and/or high-carbon stock in or after 2008.

C. Energy sector

C.1 Solid, liquid and gaseous fossil fuel exploration, extraction, refining and production of derivative products. This includes unconventional sources such as hydraulic fracking, arctic drilling, oil sands and shale deposits.

C.2 The supply of solid, liquid and gaseous fossil fuel for fuel or electricity generation using these fuels, unless the company operating the activity:

- is a company investing in transition, and :
- The company revenue from these excluded activities is below 30%, and
- The company has set a phase-out, closure or fuel-switching plan for natural gas and coal power stations on a ten-year timeframe.

C.3 Transportation, distribution and storage of fossil fuels.

C.4 All activities relating to the nuclear fuel cycle, including power generation.

D. Waste Management

D.1 Waste management facilities and services without any form of material segregation of non-hazardous waste, including waste handling, landfill and incineration, unless the company operating the activity:

- Is a company investing in transition, and
- The company revenue from these excluded activities is below 30%.

E. Manufacturing

E.1 Production, trade, distribution and use of chemicals and mixtures of chemicals that are listed or identified in the following:

- Regulation (EU) 2019/1021 on persistent organic pollutants (for companies domiciled in the EU) or the Stockholm Convention (for companies domiciled outside the EU),
- Regulation (EU) 649/2012 concerning the export and import of hazardous chemicals (for companies domiciled in the EU) or the Rotterdam Convention Prior Informed Consent (PIC) procedure (for companies domiciled outside the EU),
- Class Ia or Ib in the World Health Organization Recommended Classification by Hazard (for all companies),

- The candidate list of Substances of very high concern (SVHC) and Annex XVII under the Regulation (EC) 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (for all companies),
- Regulation 1005/2009 on substances that deplete the ozone layer (for companies domiciled in the EU) or the Montreal Protocol on Substances that Deplete the Ozone layer (for companies domiciled outside the EU),
- Regulation (EU) 2017/852 on mercury (for companies domiciled in the EU) or the Minamata Convention (for companies domiciled outside the EU),
- Fluorinated greenhouse gases that are listed in Regulation (EU) 517/2014 and with a Global Warming Potential (GWP) according to the thresholds by product group listed in Annex III (for all companies).

E.2 The mining, processing, production, trade and use of asbestos and asbestos-based products.

F. Transportation

F.1 Production, distribution and sale of new passenger cars and light commercial vehicles with engine technology based on combustion of fossil fuels, unless the company operating the activity:

- is a company investing in transition, or
- is a company investing in green growth.

Assessment and verification

The applicant shall provide a declaration of compliance for the fund or deposit account as a whole for each of the specific exclusions that are relevant because of the economic activities of holdings in the portfolio. In support of this declaration, information shall be provided on each company's link (tie) to each of the excluded activity, any related corporate actions at the moment of application, and ownership information if the company has links (ties) to the excluded business activity through a subsidiary or parent company.

Supporting evidence shall be submitted in one of the forms below:

- *Company screening using controversy proxies;*
- *Business involvement indicators;*
- *Company environmental reports;*
- *Company compliance reports.*

To demonstrate compliance with criterion C.2, a strategic plan shall be made available. The plan shall include a time plan of the phasing-out, closure or fuel-switching for natural gas

and coal power stations, important intermediate milestones for meeting the plan, and expected increase in renewable energy capacity. An official communication of the plan shall moreover be made available on the company's website.

Further to the initial verification by the Competent Body, the fund manager shall carry out assessment on compliance with environmental exclusions at least once per year and communicate any inconsistencies to the Competent Body.

If the fund manager receives information or identifies the existence of severe and/or systematic allegations in terms of conformity with environmental exclusions, then as a response the company shall be requested to develop within three months a plan and list of actions to resolve the issue. If the issue remains unresolved after 1 year, the respective assets shall be sold.

The Competent Body retains the right to make random checks on compliance.

3.2 Exclusions relating to sovereign and sub-sovereign bonds

The following exclusions apply to sovereign and sub-sovereign bonds and their issuers.

3.2.1 Ratification of the Paris Agreement on Climate Change

Sovereign bonds shall be excluded from being held by the portfolio if:

- the issuer or the supranational organisation to which it belongs is not party to the Paris Agreement on climate change, and
- the issuer has not published a credible CO₂ reduction trajectory compatible with a 2 degrees scenario.

An exemption shall be made for sub-sovereigns in the case that they can demonstrate a formally adopted political commitment to meet the same targets and requirements.

3.2.2 Ratification of other international environmental agreements

Sovereign bonds shall be excluded from being held by the portfolio if the issuer or the supranational organisation to which it belongs are not party to the following international agreements:

- the UN Convention for Biological Diversity;
- the Convention on International Trade of Endangered Species of Wild Fauna and Flora(CITES);
- the United Nations Convention to Combat Desertification in those Countries Experiencing Serious Drought and/or Desertification (where applicable);
- the Ramsar Convention on the conservation and wise use of wetlands of international importance and their resources;

- the Cartagena Protocol on Biosafety to the Convention on Biological Diversity;
- the Basel Convention (transboundary movements of hazardous wastes and their disposal);
- the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade;
- the Stockholm Convention on Persistent Organic Pollutants;
- The Montreal Protocol on Substances that Deplete the Ozone layer;
- The Minamata Convention.

Assessment and verification

The issuers of the sovereign and sub-sovereign bonds that are held shall be identified. The applicant shall then provide a declaration of compliance for the fund or deposit account. For sovereign carbon reduction trajectories relevant information and data contained within a sovereign climate risk rating shall be accepted as a form of verification. For sub-sovereign bonds, additional information on equivalent political commitments shall be provided.

Further to the initial verification, internal checks shall be performed by the licence holder at least once per year and any changes in the fund composition, together with revised declarations of compliance, shall be communicated to the Competent Body which also retains the right to make random checks on compliance.

Criterion 4. Exclusions based on social and governance aspects

4.1 Exclusions applying to companies

The investment portfolio shall not contain equities, corporate bonds or use-of-proceeds bonds issued by companies excluded on the basis of social or corporate governance aspects as defined below. For fixed-term and savings deposit accounts, loans shall not be made to these companies.

A company is excluded on the basis of **social aspects** if, throughout its business activities, it does not comply with the following conditions:

- Respect⁴ the protection of internationally proclaimed human rights and relevant domestic laws and regulations of the country in which it operates and from which it sources raw materials. [UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, International Humanitarian Law]
- Ensures it is not complicit in human rights abuses. [UN Global Compact]
- Upholds the freedom of association and the effective recognition of the right to collective bargaining. [ILO Convention, UN Global Compact]. Only in reference to that point, if the excluded company is part of a holding that operates elsewhere, the other activities of the holding are not excluded subject of their compliance.
- Ensures the elimination of all forms of forced and compulsory labour. [ILO Convention, UN Global Compact]
- Upholds the effective abolition of child labour. [ILO Convention, UN Global Compact]
- Ensures the elimination of discrimination in respect of employment and occupation. [ILO Convention, UN Global Compact]
- Abides by local legislation that addresses corruption, bribery and extortion, and works against corruption in all its forms, including extortion and bribery by formulating and operationalising adequate business policies. [UN Global Compact, UN Convention against Corruption]

A company is also excluded on the basis of **social aspects** if it derives revenues from following activities:

- Tobacco production or any tobacco-related activities at any stage from raw material to sale of the final products to consumers.
- The production or trade of controversial weapons that are covered by the following international treaties:
 - o Chemical Weapons Convention,
 - o Biological Weapons Convention,
 - o Ottawa Convention (Ban on Anti-Personnel Mines),
 - o Oslo Convention (Ban on Cluster Munition)
 - o and the Treaty on the Non-Proliferation of Nuclear Weapons.

⁴ Respect in this context means: Companies should avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur. It also means that companies should seek to prevent or mitigate adverse human rights impacts directly linked to their operations, products or services by their business relations, even if they have not contributed to those impacts.

- The production or trade of conventional weapons and/or military products used for combat if there is evidence of sales in countries under EU restrictive measures
- Corporate activities which violate minorities' and indigenous communities' rights with reference to the World Bank's Social Safeguard Policies.

A company is excluded on the basis of **governance aspects** if, throughout its business activities, it does not have in place:

- corporate policies on social aspects and operational procedures necessary to embed them throughout the business activities;
- an up-to-date management system covering all business activities with the capability to identify, evaluate, prevent, mitigate and remediate adverse social impacts.

At a company level, exclusions apply to both transnational and other business enterprises, regardless of their size, sector, location, ownership and structure.

4.2 Exclusions applied to sovereign bonds

The investment portfolio shall not contain sovereign bonds issued by countries that:

- have not ratified the following international conventions on labour rights and corruption:
 - the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work;
 - ILO Declaration on Social Justice for a Fair Globalization;
- have ratified less than half of the 18 Core International Human Rights Treaties⁵;
- are subject to EU or UN restricted measures (including sanctions);
- achieve a score worse than 40, when evaluated according to the Corruption Perception Index;
- produce, trade or possess controversial weapons that are subject to EU or international restrictions, including non-ratification of:
 - Chemical Weapons Convention,
 - Biological Weapons Convention,
 - Ottawa Convention (Ban on Anti-Personnel Mines),
 - Oslo Convention (ban of cluster munition) and

⁵ United Nations. *The Core International Human Rights Treaties and their monitoring bodies*. Oct 2019, <https://www.ohchr.org/EN/ProfessionalInterest/Pages/CoreInstruments.aspx>. Compliance can be checked using the United Nations Human Rights interactive dashboard, available at: <https://indicators.ohchr.org/>

- Treaty on the Non-Proliferation of Nuclear Weapons.

Assessment and verification

The fund manager shall demonstrate to the Competent Body that followings have been assessed, with respect to companies in which investments are held and/or the issuers of sovereign debt that is held:

- *Excluded activities: The status of each country and company shall be checked against the exclusions list.*
- *Compliance of corporate policies on social matters with social exclusions.*
- *Compliance of risk identification, evaluation, prevention, mitigation and remediation targets, as included in the management system, with corporate policies on social matters.*

For use-of-proceeds bonds, the EU GBS may be used as proof of compliance.

All companies shall disclose information about their social responsibility, human and labour rights and their anti-corruption policies, approved at the most senior management level. If data are provided by third party data providers, the methodology for obtaining these data and the used proxies, if any, shall be documented.

For large companies, reporting under the Non-financial Reporting Directive (2014/95/EU⁶) shall be accepted as basis for verification if it is sufficient to prove compliance with the social exclusions criterion.

Further to the initial verification by the Competent Body, the fund manager shall carry out assessment on compliance with social exclusions at least once per year and communicate any inconsistencies to the Competent Body.

If the fund manager receives information or identifies the existence of severe and/or systematic allegations in terms of conformity with social exclusions, then as a response the company shall be requested to develop within three months a plan and list of actions to resolve the issue. If the issue remains unresolved after 1 year, the respective assets shall be sold.

The Competent Body retains the right to perform random checks on compliance.

⁶ Directive 2014/95/EU of the European Parliament and of the Council. Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0095&from=EN>

Criterion 5. Engagement

5.1 Engagement policy

This criterion applies to investment funds and life insurance products with a general fund.

The fund manager shall have a documented engagement policy describing at least:

- Objective: How the environmental objectives of the EU Taxonomy will be used as the basis on which to engage with companies including, as a minimum, contributions to one of the six objectives;
- Strategy: How they plan to target and engage with companies to grow their green revenue share and their market share for environmentally sustainable economic activities in order to contribute to the medium to long-term performance of their assets.
- Methods: How they seek to use their influence, including by exercising their voting rights, increasing their influence by working with other shareholders, using differing intensities and frequencies of dialogue with investee companies and using other means, such as campaigns, to achieve their objective(s).
- Monitoring: The means of regular monitoring and reporting on the outcomes of their engagement with companies.

5.2 Exercising voting rights

The fund manager shall show how they exercise their voting rights and other rights attached to shares in order to fulfil the objectives of their engagement policy. They shall show how they use these rights to try to orientate those companies in the portfolio with <20% green revenue to:

- Achieve alignment of company strategies with the environmental objectives of the EU Taxonomy ,
- Achieve alignment of investment strategies with the need to grow green revenue and market share for environmentally sustainable economic activities.

They shall provide the following information to show how their rights have been used in relation to resolutions addressing these two areas:

- The numbers of resolutions raised, either singularly or in co-operation with other shareholders.
- How they have cast votes in the general meetings of companies in which they hold shares.
- Those cases where proposals were carried.

5.3 Dialogue with investee companies

5.3.1 Requirements for UCITS funds

The fund manager shall actively regularly engage at management level with at least one company or 10% of companies in the portfolio (*whichever is greater*) that are ‘companies investing in transition’ according to the requirements of criterion 2 *or* which have <20% green revenue and have responded positively to offers of management support to make a transition. These companies shall be selected from amongst those with the lowest % green revenue in the portfolio.

5.3.2 Requirements for retail AIF funds

The fund manager shall actively engage at management level with at least one company or 10% of companies (*whichever is greater*) that qualify as: ‘companies investing in green growth’ according to criterion 2. These companies shall be selected from amongst those:

- with the most significant prospects for % green revenue growth in the portfolio,
- or that are considered to not yet demonstrate their growth potential or are considered to require support to realise their potential

5.3.3 The engagement process used to achieve outcomes

Once engagement with a company has been initiated the process followed and the progress achieved shall be monitored and reported on. The following information shall be provided for each company:

- The specific topics raised via engagement with each company in planning strategic activities and investments within a specific period of time,
- The goals and targets discussed and raised with each company to achieve environmental objectives, which are as a minimum suggested to be measured based on:
 - Commitments made to green CapEx over a minimum 5 year period and associated plans to raise capital,
 - Targets set and measures taken to achieve projected increases in green revenue over a minimum 5 year period,
 - Targets set and measures taken to achieve growth their market share in key market segments relating to the economic activities that they carry out over a minimum 5 year period.
- The intermediate steps or milestones to achieving these goals and targets, including the development of plans and investment strategies,

- The frequency and means of ongoing communication and dialogue with the company, such as board meetings, analyst conferences, meetings with business field managers, or controlling tools,

In addition the measures that will be taken by the fund or asset manager shall be reported in the case that a company:

- deviates from or does not meet the proposed goals and targets.
- is considered to require a change in how the company is managed or in its investment strategy in order to meet proposed goals and targets.

Assessment and verification

The fund manager shall provide the verifier with the following information:

- 1. The fund or asset managers engagement policy structured to clearly address the points in section 5.1*
- 2. Documentation of how their voting rights have been used, including the tracking of resolutions raised and proposals made by the fund manager or product provider, as well as their voting record on proposals and resolutions of relevance to the engagement policy.*
- 3. Documentation of which companies have been engaged with, as well as the information as specified for each point in section 5.3.3,*

Ongoing reporting of progress against the goals and targets established with each company engaged shall be provided on a 12 month basis to the Competent Body and also made available in the public domain. Any regulatory restrictions on engagement activities in specific EU or international jurisdictions will be taken into account in the assessment and verification.

Criterion 6: Measures taken to enhance investor impact

This criterion applies to UCITS and AIF investment funds, profit participation life insurance products with a general fund and to bonds held by deposit accounts.

Fund managers shall make available a report on the investor impact of the product. The report shall provide information on which of the measures described in table 1 have been taken to enhance the investor impact. Supporting information shall be provided to describe how each measure has been implemented. A summary of the report shall be provided as information to prospective retail investors.

Table 1. Measures that can be taken by portfolio managers to enhance the investor impact of the product

EU Ecolabel criterion	Investor impact enhancement measures	
1. Investment in environmentally sustainable economic activities	1.1 Capital allocation to equities	1.1.1 Investments are made in new start-ups and/or unlisted companies.
		1.1.2 Investments are made in new listings – Initial Public Offerings (IPOs).
		1.1.3 Activities or market segments in need of more capital are actively identified and invested in.
		1.1.4 Activities in mainstream market segments with the potential for green growth are actively identified and invested in.
	1.2 Capital allocation to bonds	1.2.1 Bonds are purchased that are asset backed securities and/or support the recycling of funds to make new loans.
		1.2.2 Use of Proceeds bonds are used to provide loan facilities for investment in environmentally sustainable activities and/or companies investing in transition or green growth.
		1.2.3 The allocation of funds to new projects is monitored and each project impact is quantified and reported on.
		1.2.4 Use of Proceeds bonds are used to provide new financing for projects and the funds are allocated to a Special Purpose Vehicle.
2. Investment in companies investing in transition and green growth	2.1 Identifying opportunities and monitoring change	2.1.1 Opportunities to invest in companies investing in transition are actively identified.
		2.1.2 Frequent reporting is provided on the green capex and the change in % green revenue of companies in which equities are held or which have issued the bonds held.
		2.1.3 Opportunities to invest in companies investing in green growth are actively identified.
		2.1.4 Frequent reporting is provided on the % green market share of companies in which equities are held or which have issued the bonds held.
	2.2 Taking a long-term	2.2.3 The fund manager can provide

	outlook	evidence that a long position has been taken on the specific shareholdings of companies investing in transition and/or green growth (as per criterion 2).
3. Environmental exclusions	3.1 Committing to transition	3.1.1 The fund manager can provide evidence that they have required phase out strategies with milestones for specific harmful activities.
		3.1.2 The fund manager can provide evidence that they have linked requirements for the phase out of excluded activities (as defined in criterion 3) to active engagement activities.
4. Engagement	4.1 Engaging to increase shareholder value from green growth	4.1.1 The fund manager can provide evidence of bilateral or collective engagement of shareholders with the management of companies in order to grow their green revenue share or market share in mainstream market segments.
	4.2 Engaging to increase shareholder value from companies in transition	4.1.2 The fund manager can provide evidence of the bilateral or collective engagement of shareholders with the management of companies to shift their investment strategies, complemented by a threat of divestment, action at shareholder level or public campaigns.

Assessment and verification

The fund manager shall provide an impact report detailing the measures taken to enhance the investor impact of the product and its associated investment strategy. The report shall include material that is presented in an accessible form for retail investors. For each measure, the type and portfolio value of the holdings addressed shall be detailed and information on the specific economic activities related to the holdings shall be provided. This information can be provided within the impact report.

Criterion 7: Retail investor information

7.1 Equity, bonds and mixed funds

As a minimum the following information shall be made available annually by the fund manager to the retail investors, where applicable:

- Information about the percentage of the total portfolio value in terms of assets under management (AuM) invested in companies whose economic activities comply with the requirements of criterion 1, i.e.:
 - o total share of AuM of companies with >50% revenue from environmentally sustainable activities;
 - o total share of AuM of companies with 5%<x<50% revenue from environmentally sustainable activities;
 - o share of green Capex in companies with 5%<x<50% revenue from environmentally sustainable activities;
 - o share of growth in green revenues in companies with >50% revenue from environmentally sustainable activities;
 - o share of AuM invested in green bonds;
 - o share of AuM going (indirectly) to environmentally sustainable activities.
- The fund manager has to make publicly available the breakdown of portfolio holdings by value of AuM and for each company and bond issuer.
- Information on how the fund manager actively engages with companies on sustainability issues. The information provided shall comply with the requirements laid down in criterion 5.
- Information about the type of exclusions applied.
- Information on the measures that have been taken to enhance the impact of the fund.
- An electronic link to the full annual report described below.

The information shall be accompanied by a disclaimer. The disclaimer shall clearly state that the EU Ecolabel does not evaluate the environmental and social impacts of the fund.

Where the financial product is required to publish a prospectus, this prospectus shall contain a document providing information, which is additional to that contained in the key investor information document (KIID), or key information document (KID), in accordance with European or national laws. According to art. 8(3c)(ii) of the PRIIPs Level 1 Regulation the KID includes information on specific environmental or social objectives targeted by the PRIIPs product. Neither the PRIIPs Level 1 nor the PRIIPs RTS prohibit manufacturers of PRIIPs products to add a sign suggesting the product's adherence to an environmental quality label. In this context reference to EU Ecolabel could be made in the "What is this product?" section of the KID.

As a minimum, the fund manager shall issue a report annually, to be uploaded on the fund's website, describing the environmental, social and engagement aspects addressed by the financial product and the EU Ecolabel criteria. The report shall include at least the following:

- A description of the objectives / investment policy of the fund;
- A description of the environmentally sustainable economic activities in which the money held by the financial product was invested in during the reporting period, including the investment policy and how the companies are selected;
- A description of the activities of the companies investing in transition, as defined in criterion 2 that are held by the financial product, including a description of the commitment and investment strategy of the company to increasing the green revenue;
- A description of the activities of the companies investing in green growth, as defined in criterion 2, that are held by the financial product, including a description of their investment and growth strategy;
- A description of the main engagement activities (including voting and cooperating with other shareholders) and results within companies;
- The report shall also include the engagement policy followed by the fund manager or provide an electronic link to it;
- Information on management and internal control procedures to identify and correct any non-compliance with EU Ecolabel criteria.

7.2 Deposit accounts

As a minimum, the following information shall be made available annually to the retail investors by the deposit manager:

- Documentation of the projects and environmentally sustainable economic activities for which loans have been approved, including their value. This may take the form of a selected list together with a link to a website where a full list can be consulted;
- An annual report that as a minimum includes: details of the projects to which loans have been granted, their implementation status, the deposit account balance sheet showing the annual records of the deposit to loan ratio, and the accounting procedure used to separate the deposited money.

7.3 Communications of changes

In the event of any observed deviations from any of the following, the fund or deposit manager shall without delay communicate and publish the updated information and/or the updated report:

- changes in the methodology of computing the portfolio or deposit ratio;
- changes in the objectives / investment policy of the fund;
- changes in the investment portfolio.

7.4 Monitoring

The retail investor information should be updated at least annually and whenever the fund or asset manager makes changes as described in 5.3.

Assessment and verification

By submitting the application, the applicant shall hand over to the Competent body a sample of the information to be provided to the retail investors. The information can be added on a prospectus along with the respective KID or KIID or be provided as a separate information brochure.

A documentation of changes in the methodology computing the portfolio or deposit ratio, objectives or fund investment policy and/or alteration in the fund portfolio shall be handed over to the Competent Body before the change is applied.

Criterion 8: Information appearing on the EU Ecolabel

The applicant shall follow the instructions on how to properly use the EU Ecolabel logo provided in the EU Ecolabel Logo Guidelines available at:

<https://ec.europa.eu/environment/ecolabel/documents.html>

If the optional label with text box is used, it shall contain the following statements:

- Investing in activities that contribute to a green and low carbon economy
- Investing in activities contributing to climate change mitigation and adaptation
- Avoiding investments in environmentally and socially harmful activities

The following additional statement may be used for investment funds and insurance products:

- Engaging with companies to become greener

Assessment and verification

The applicant shall provide a signed declaration of compliance along with a sample of the product label or product documentation where the EU Ecolabel is placed that clearly shows the label, the registration/licence number and, where relevant, the statements that are displayed together with the label.