# SFDR Article 8 and Article 9 Funds: Q2 2024 in Review

Slow recovery for Article 8 funds; further outflows for Article 9 funds.

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**Contents**



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## Executive Summary

Since the European Union's Sustainable Finance Disclosure Regulation came into force in March 2021, asset managers have been required to provide more information on the sustainability risks and impact of their investment products sold in the EU. The level of disclosure depends on the sustainability objective of the products—that is, whether these are classified as Article 8 or Article 9 under the SFDR. Funds with no environmental, social, and governance characteristics are classified as Article 6.

This report provides an update on the landscape of Article 8 and Article 9 funds at the end of June 2024, examining aspects such as flows, assets, launches, reclassifications, and name changes. We dive into the disclosure of sustainable investments, taxonomy alignment, and principal adverse impact indicators. We also provide a regulatory update.

## Key Takeaways

- In the second quarter of 2024, Article 8 funds netted about EUR 26 billion of new money, up from the restated EUR 18 billion in the first quarter. But these pale in comparison to Article 6 fund flows of EUR 107 billion in the first half of the year.
- Redemptions from Article 9 funds extended to the second quarter, reaching a record level of EUR 6.2 billion, after withdrawals of more than EUR 4 billion in the first quarter.
- Actively managed Article 8 funds continued their flow recovery, with more than EUR 14 billion of inflows in the second quarter.
- Combined assets in Article 8 and Article 9 funds inched marginally to almost EUR 6 trillion, accounting for 61% of the EU fund assets.
- Newly incepted Article 8 and Article 9 funds, although declining, continue to represent more than half (53%) of the total number of funds launched in the EU.
- Reclassifications over the quarter reached their lowest level, at just over 50.
- During the first half of the year, 30 Article 8 and Article 9 funds removed ESG-related terms from their names. More are expected to drop key terms, especially "ESG" and "sustainable", by the end of the year following ESMA's final guidelines, published in May.
- About 75% of Article 8 funds report making some sustainable investments. More than half (52%) report holding at least 30% of sustainable assets but based on various methodologies.
- Some 40% and 50% of Article 8 and Article 9 funds, respectively, report taxonomy-aligned revenues above zero, but only about one-quarter report aligned-opex and capex above zero. We expect these numbers to increase in the coming months as more issuer-level taxonomy-alignment data becomes available.

## The Article 8 and Article 9 Fund Universe

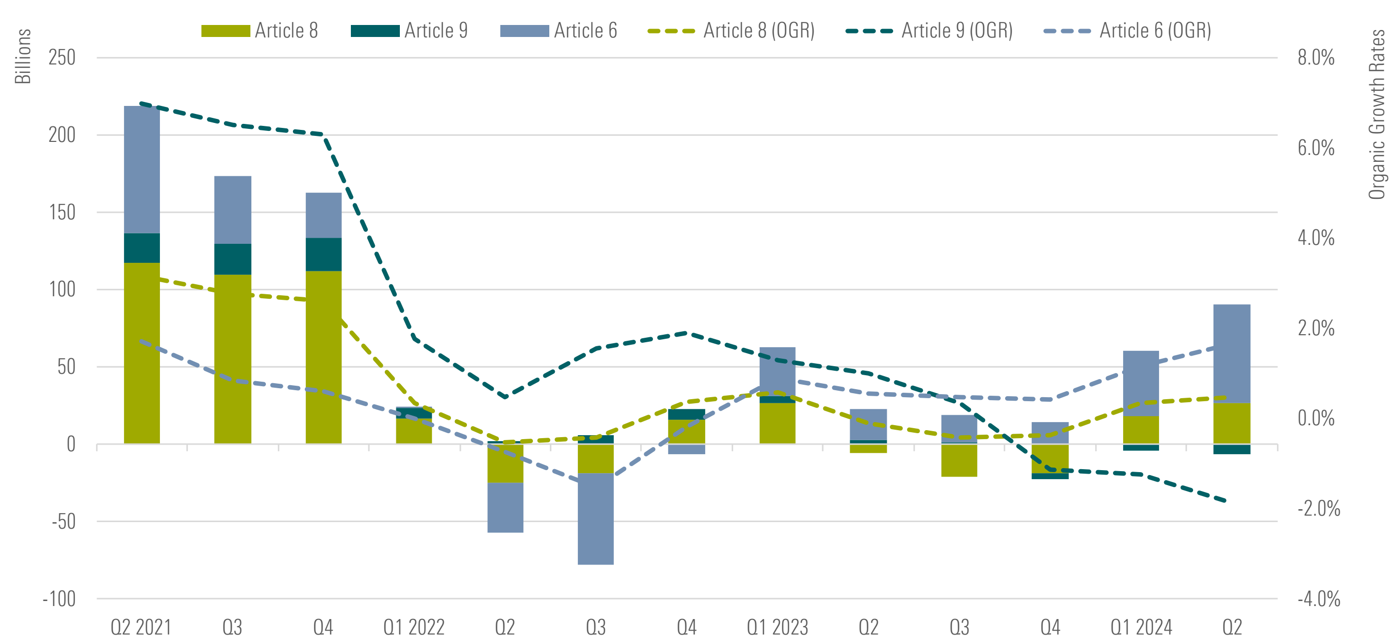
The Article 8 and Article 9 fund universe in this study encompasses open-ended and exchange-traded funds in the scope of the SFDR that state in their prospectuses that they promote environmental and/or social characteristics (Article 8, "light green" funds) or they have a sustainable-investment objective (Article 9, "dark green" funds). We identified these funds using the EU SFDR Fund Type (Article 8 or Article 9) data point in the Morningstar Direct database. Funds within the scope of the SFDR that are neither Article 8 nor Article 9 are Article 6 funds (Not Stated in Morningstar Direct). This report uses SFDR disclosures collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

## Article 8 Funds Attract Lower Inflows, While Article 9 Funds Suffer Record Withdrawals

In the second quarter of 2024, Article 8 funds netted EUR 26.2 billion of new money, up from the restated EUR 18 billion in the first quarter. However, redemptions from Article 9 funds continued as investors pulled EUR 6.2 billion out of these strategies. This is the third consecutive outflow and the largest on record for Article 9 funds.

Once again, Article 8 and Article 9 funds underperformed Article 6 funds in terms of flow performance. Article 6 funds attracted a whopping EUR 64 billion in net subscriptions during the second quarter, after garnering almost EUR 43 billion in the prior quarter.

**Exhibit 1** Quarterly Flows into Article 8 and Article 9 Funds Versus Article 6 Funds (EUR Billion) and Organic Growth Rates (%)



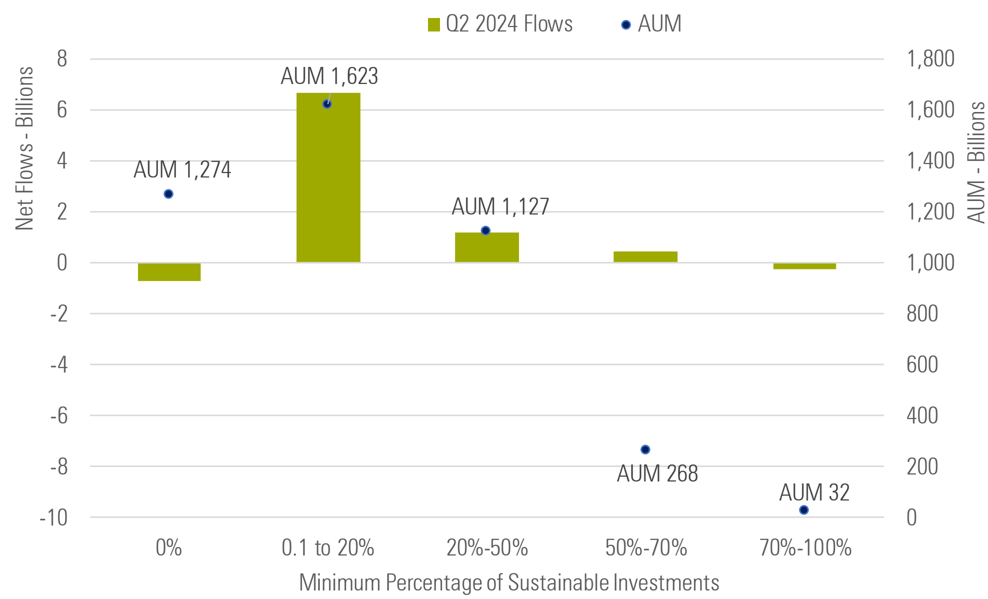

Source: Morningstar Direct. Data as of March 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Calculated as net flows relative to total assets at the start of a period, the organic growth rate of the Article 8 universe showed a minor uptick to 0.5% over the last three months, up from the restated 0.4% in the first quarter. But this is still lower than the organic growth rate of 1.6% for Article 6 funds. Meanwhile, the organic growth rate for Article 9 strategies slid further to almost minus 2% from minus 1.3% three months ago.

### Article 8 Funds Targeting up to 20% of Sustainable Investments Attract Most Money

As the exhibit below shows, the Article 8 funds that registered the largest inflows are those with some commitment to sustainable investment (SI), especially those targeting SI between 0.1% and 20%. The Article 8 funds with no commitment to sustainable investment registered small outflows.

**Exhibit 2a** Q2 2024 Net Flows into Article 8 Funds Per Percentage of Minimum Sustainable Investments (EUR Billion)

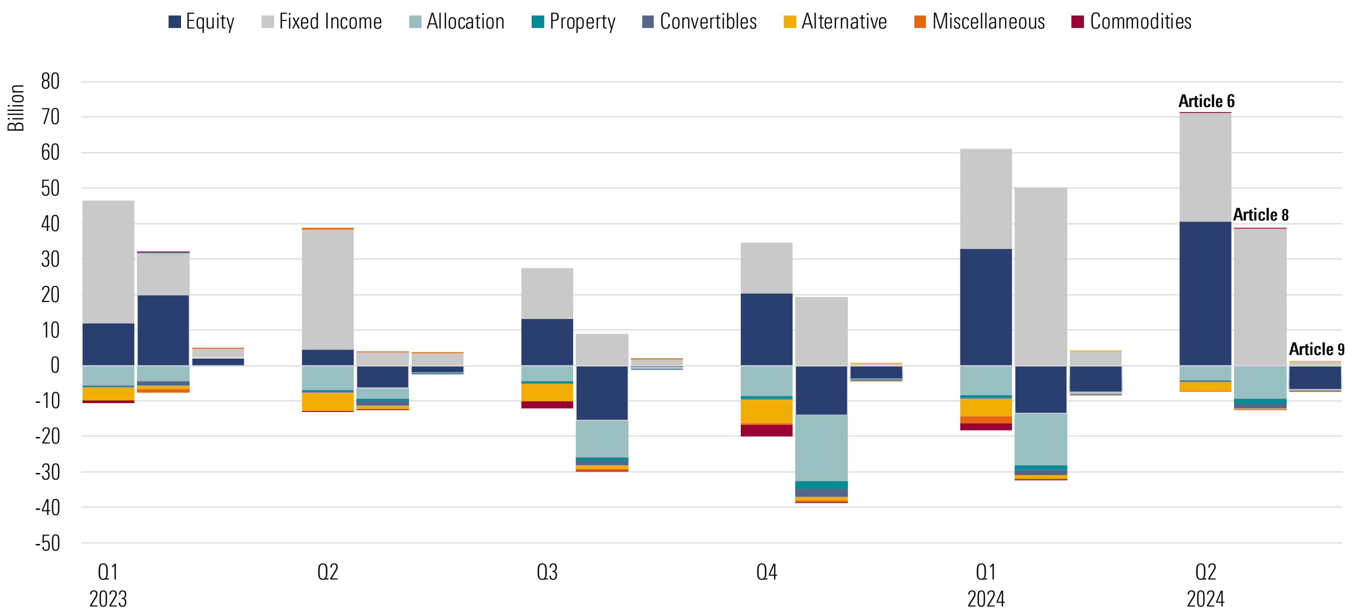



Source: Morningstar Direct. Data as of June 2024, including 9,268 Article 8 funds that reported the EU SFDR Minimum or Planned Investments Sustainable Investments field in the European ESG template (EET). Funds that didn't report the field amount to about EUR 1,100 billion in assets and registered EUR 18.8 billion of inflows in the second quarter.

### Investors Shun Article 8 and Article 9 Equity Funds but Pour Money into Bond Strategies

Looking at flows by asset class (Exhibit 2b), we see that fixed income continued garnering new monies in the second quarter of 2024 across all SFDR classifications. Slower disinflation and economic activity strength have given rise to a less hawkish pace of rate cuts, implying that there are still yield opportunities for bond investors. Fixed income has been the sole asset class registering inflows through the past five quarters for both Article 8 and Article 9 funds. Article 8 bond funds attracted EUR 39 billion in the second quarter, more again than their Article 6 equivalents, which collected EUR 31 billion. As for Article 9 fixed income funds, the positive flows decelerated to EUR 1.1 billion from the restated EUR 4.1 billion in the previous quarter.

**Exhibit 2b** Net Flows into Article 8, Article 9, and Article 6 Funds Per Asset Class (EUR Billion)

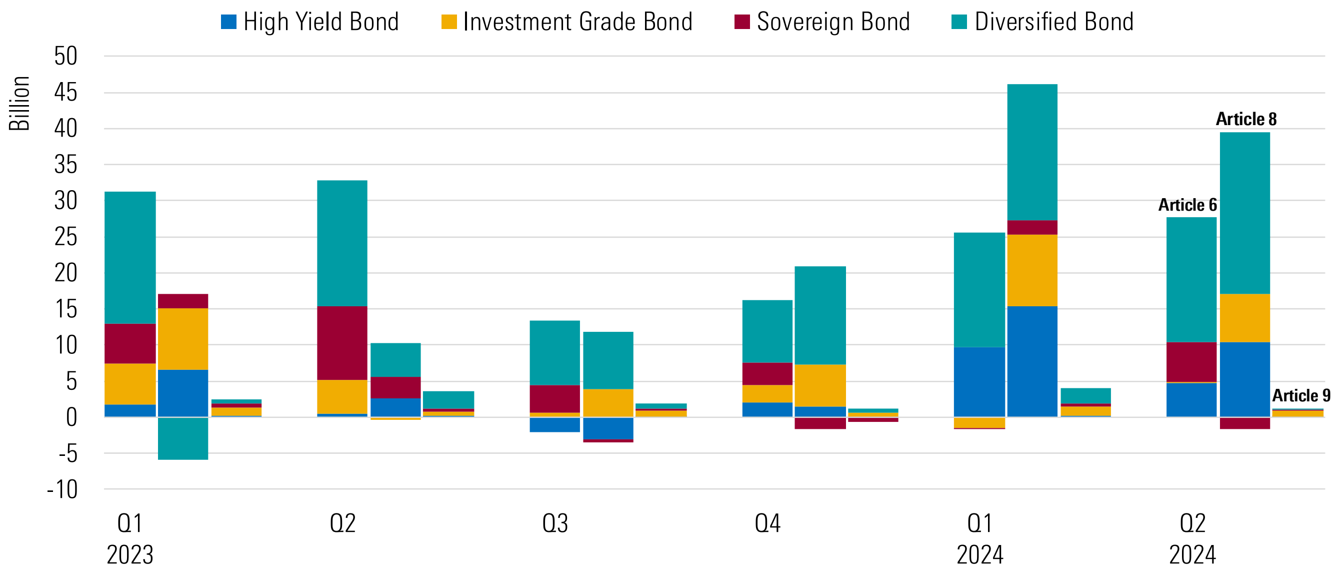



Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Equity strategies in the Article 8 and Article 9 categories continued to perform poorly compared with Article 6 equity products. Net flows into Article 8 equity funds were insignificant, at EUR 200 million, and Article 9 equity funds registered another notable outflow of almost EUR 7 billion in the second quarter, while Article 6 equity fund flows rose to EUR 40 billion. Allocation funds experienced outflows across all SFDR classifications but the largest redemptions were registered by Article 8 funds, at almost EUR 10 billion.

Within the fixed income space (Exhibit 2c), we saw the flow rebound in the high yield category extend to the second quarter of this year, supported by strong credit fundamentals and a benign economic backdrop. Furthermore, investors continued to favor Article 8 funds for investment-grade bond investments over Article 6 funds.

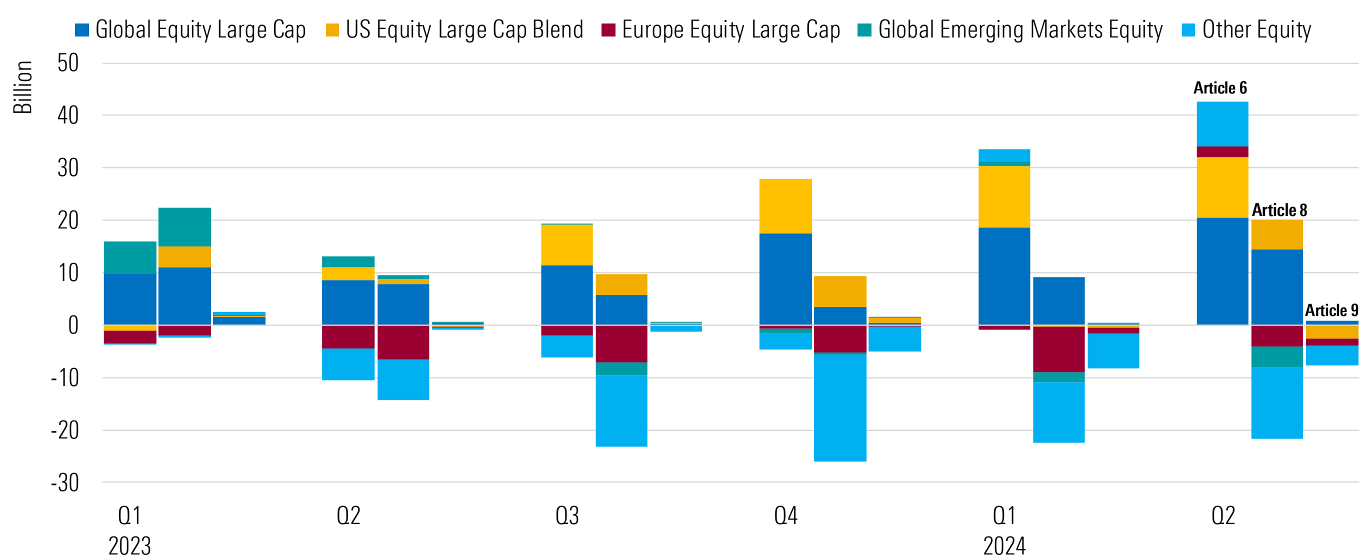
**Exhibit 2c** Net Flows into Article 8, Article 9, and Article 6 Fixed Income Funds Per Morningstar Global Category (EUR Billion)




Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Looking into the equity space, we see that Article 8 funds collected net new money into the global and US large-cap equity space, although these inflows were lower than those into Article 6 funds, and they were not enough to offset the withdrawals from Europe, emerging markets, and other equity funds, while Article 6 funds experienced inflows into these categories.

**Exhibit 2d** Net Flows into Article 8, Article 9, and Article 6 Equity Funds Per Morningstar Global Category (EUR Billion)

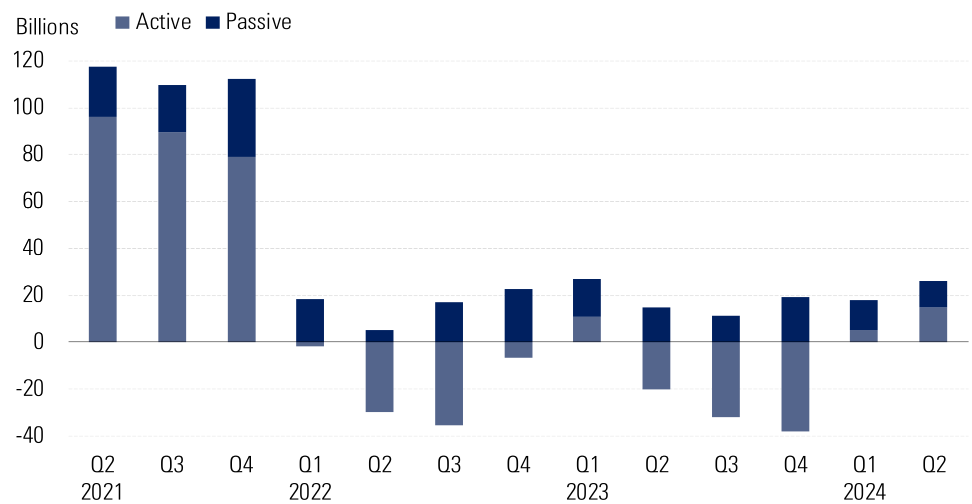



Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

### Active Strategies Continue Their Recovery

Actively managed Article 8 funds continued their flow recovery, with more than EUR 14 billion of inflows in the second quarter of 2024. Meanwhile, passive Article 8 funds attracted EUR 11.7 billion of net new money, down from the restated EUR 13 billion in the first quarter.

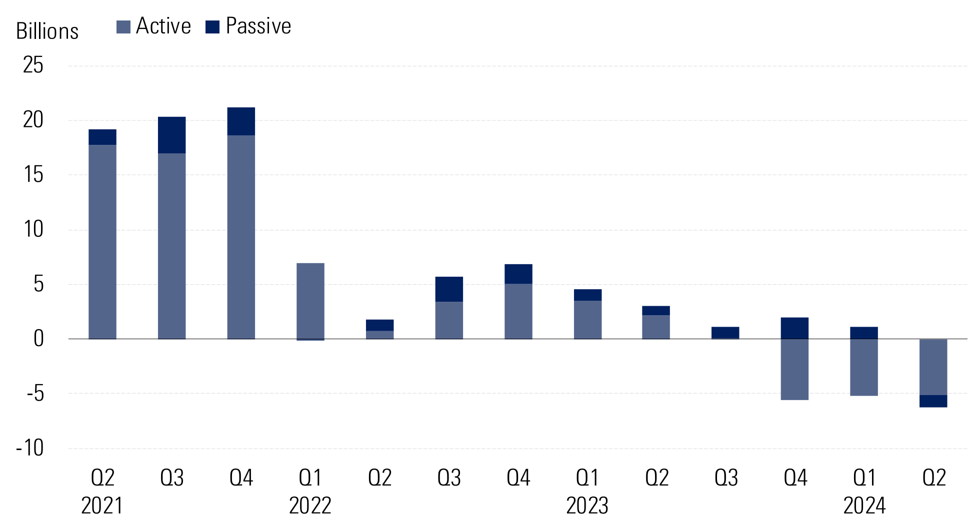
**Exhibit 3a** Net Flows into Article 8 Funds Divided by Active and Passive (EUR Billion)




Source: Morningstar Direct. Assets as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

The Article 9 fund flow picture looks rather bleak, with redemptions from both active and passive funds totaling EUR 5 billion and EUR 1 billion, respectively. This is the first time that passive Article 9 funds face overall withdrawals, but the third consecutive quarter for active Article 9 strategies.

**Exhibit 3b** Net Flows into Article 9 Funds Divided by Active and Passive




Source: Morningstar Direct. Assets as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Overall, active Article 8 and 9 funds registered modest inflows of nearly EUR 9.5 billion, almost level with the EUR 10.6 billion inflows seen among passive Article 8 and Article 9 strategies.

### Flows—Leaders and Laggards

Below are the Article 8 and Article 9 funds that saw the largest inflows and outflows over the second quarter of 2024.

**Exhibit 4** Article 8 Funds with the Largest Inflows and Outflows in the Second Quarter of 2024

| Name | Inflows (EUR Million) | Name | Outflows (EUR Million) |
|---|---|---|---|
| Mercer Passive Global Equity CCF Fund | 2,567 | iShares MSCI USA SRI ETF | -1,625 |
| iShares MSCI USA ESG Enhanced ETF | 2,205 | Amundi MSCI USA SRI Climate Net Zero Ambition PAB ETF | -1,204 |
| JPMorgan  Enhanced Index Equity Paris Aligned Fund | 1,746 | Aviva Emerging Markets Local Currency Bond Fund | -1,188 |
| JPMorgan Investment Funds - Global Select Equity Fund | 1,654 | BlackRock Euro Short Duration Bond Fund | -1,125 |
| Nordea Global Developed Responsible Enhanced Equity Fund | 1,602 | Mercer Passive Low Volatility Equity CCF | -1,056 |
| DNCA Invest Alpha Bonds | 1,349 | BNP Paribas Easy MSCI Europe SRI S-Series PAB 5% Capped | -957 |
| Eurizon Valore Obbligazionario 3 anni Edizione 4 | 1,289 | Caixabank Master Renta Fija Advised BY FI | -865 |
| Franklin Euro Short Duration Bond Fund | 1,281 | Morgan Stanley Global Brands Fund | -837 |
| JPMorgan US Research Enhanced Index Equity (ESG) ETF | 1,260 | Morgan Stanley Global Opportunity Fund | -822 |
| Aviva Global Investment Grade Corporate Bond Fund | 1,223 | Nordea Emerging Stars Bond Fund | -726 |

Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Among the bestselling Article 8 funds in the second quarter of 2024, we find **Mercer Passive Global Equity CCF Fund**, which hauled in more than EUR 2.5 billion. The fund prioritizes investments in companies that demonstrate strong ESG practices and actively engages with portfolio companies to encourage better sustainability performance. Taking the second place is **iShares MSCI USA ESG Enhanced ETF** with inflows of EUR 2.2 billion, after suffering withdrawals of about EUR 850 million in the first quarter. Featuring high in the Article 8 flow leaderboard are also three JPMorgan funds.

At the other end of the flow list, we find **iShares MSCI USA SRI ETF**, which saw redemptions of over EUR 1.6 billion. The fund adopts a best-in-class approach to sustainable investing, selecting top ESG performers within each sector.

**Exhibit 5** Article 9 Funds with the Largest Inflows and Outflows in the Second Quarter of 2024

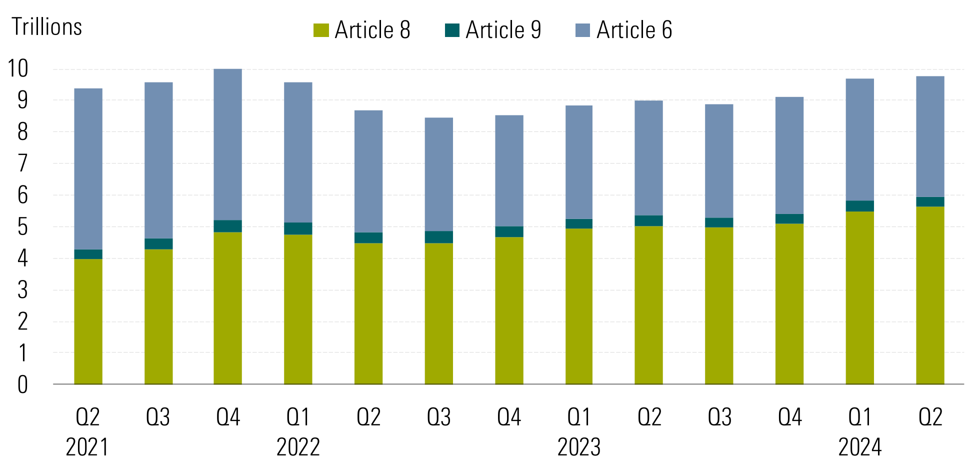
| Name | Inflows (EUR Million) | Name | Outflows (EUR Million) |
|---|---|---|---|
| Handelsbanken Global Index Criteria | 668 | Handelsbanken USA Index Criteria | -1,132 |
| Handelsbanken Developed Markets Index Criteria | 626 | L&G US ESG Exclusions Paris Aligned ETF | -1,131 |
| Handelsbanken Norden Index Criteria | 432 | Candriam Sustainable Bond Euro Short Term | -641 |
| L&G ESG Paris Aligned World Equity Index Fund | 360 | Handelsbanken Europa Index Criteria | -524 |
| Vontobel TwentyFour Sustainable Short Term Bond Income | 319 | BlackRock Global Funds - Sustainable Energy Fund | -436 |
| Nordea European Corporate Sustainable Labelled Bond | 279 | Pictet Clean Energy Transition | -428 |
| WisdomTree Global Sustainable Equity ETF | 273 | L&G Europe ESG Exclusions Paris Aligned ETF | -367 |
| Vontobel Global Environmental Change | 185 | Candriam Sustainable Equity Europe | -300 |
| Swisscanto (LU) Bond Fund Sustainable Global Credit | 173 | Danske Invest SICAV Global Index | -298 |
| Manulife Sustainable Asia Bond Fund | 156 | DPAM L - Bonds Government Sustainable | -294 |

Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

### Article 8 and Article 9 Fund Assets Remain Stable

Combined assets in Article 8 and Article 9 funds rose marginally over the second quarter to EUR 5.95 trillion, from last quarter's record of EUR 5.83 billion. Collectively, Article 8 and Article 9 funds maintained their market share of 61%.

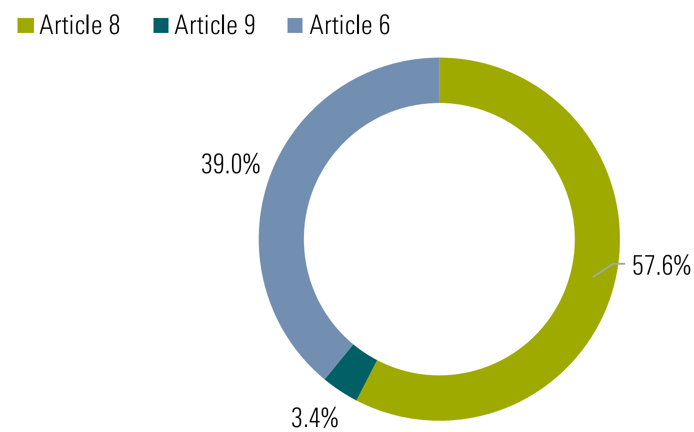
**Exhibit 6** Quarterly Asset Breakdown by SFDR Classification (EUR Trillion)




Source: Morningstar Direct. Assets as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Article 8 funds expanded their market share to 57.6% as of June 2024. Meanwhile, Article 9 products remained steady at 3.4%.

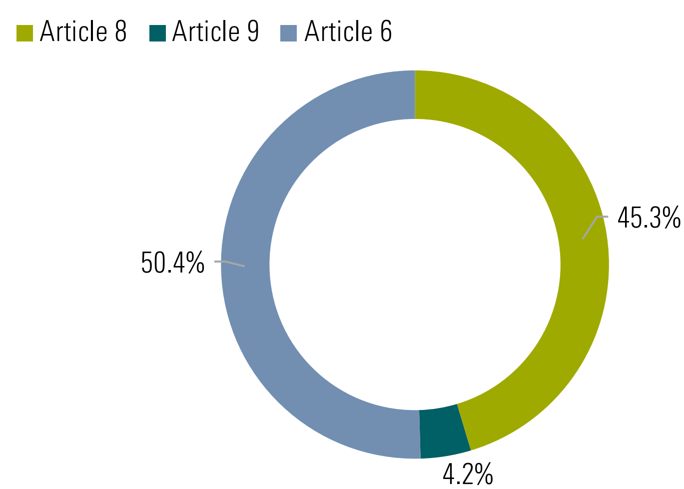
**Exhibit 7a** SFDR Fund Type Breakdown (by Assets)




Source: Morningstar Direct. Assets as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Measured by number of funds,[1] the combined market share of Article 8 and Article 9 products exhibited a marginal increase to 49.5% from the previous quarter's 48.4%. For Article 9 funds, this represents a market share of 4.2%, showing almost no change compared to the previous quarter. Meanwhile, the Article 8 category grew slightly to 11,227 at the end of June, taking up 45.3% of the market.

**Exhibit 7b** SFDR Fund Type Breakdown (by Number of Funds)



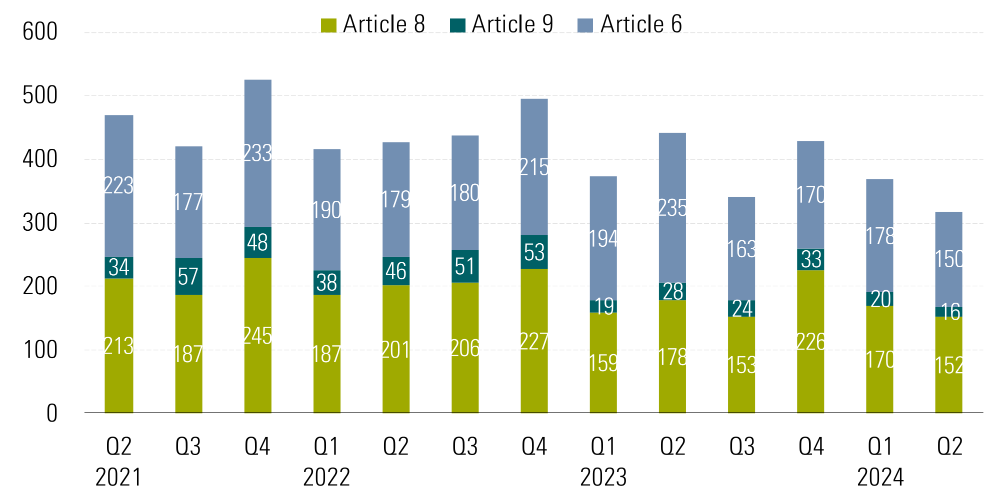

Source: Morningstar Direct. Assets as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds

1 Based on SFDR data collected from prospectuses on 97.6% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

## Product Development Declines, but New Article 8 and 9 Funds Maintain High Market Share

The number of newly launched Article 8 and Article 9 funds totaled a modest 168 in the second quarter. This number will likely be restated upward in future reports as we identify more launches and as additional ones are reported to Morningstar. We revised the number of new Article 8 and Article 9 fund launches in the first quarter to 190 (from 165).

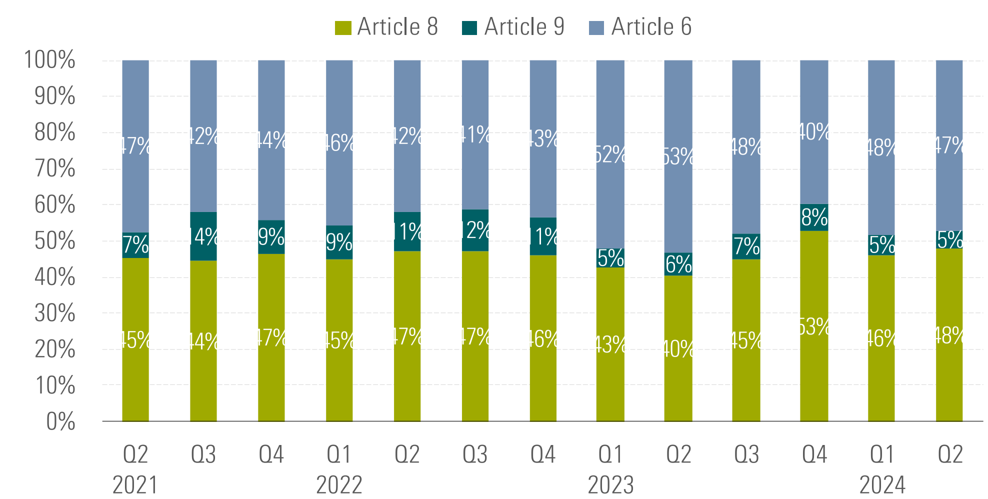
**Exhibit 8a** Quarterly Number of Fund Launches




Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

The slower product development seen in the past few quarters is not limited to Article 8 and Article 9 funds. Fewer Article 6 funds have also been incepted, partly attributed to the overall market sentiment dampened by the uncertain macro environment, including high inflation and interest rates. In the second quarter of 2024, newly incepted Article 8 and Article 9 funds accounted for 53% of the total number of funds launched in the EU, roughly in line with the first quarter of 2024. The 53% market share for new Article 8 and Article 9 funds is higher than the 49.5% market share for existing Article 8 and Article 9 funds.

**Exhibit 8b** Quarterly Breakdown of Fund Launches




Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

As seen in past quarters, the new Article 8 and Article 9 products launched during the second quarter of 2024 encompass a variety of asset classes, market exposures, investment styles, themes, and ESG approaches. The following two exhibits show the largest new Article 8 and Article 9 fund launches over the last three months.

Among the top newly launched Article 8 funds, we find **JPMorgan Enhanced Index Equity Paris Aligned Fund,** with assets of EUR 1.8 billion at the end of June. The fund aims to achieve long-term capital growth while aligning with the Paris Agreement's climate goals and ensuring that the overall carbon intensity of its portfolio is at least 50% lower than that of the broader market, with a target of reducing this intensity by 7% annually.

**Exhibit 9a** Top 10 Newly Launched Article 8 Funds for Second Quarter 2024

| **Name** | **SFDR Fund Type** | **Assets (EUR Million)** |
|---|---|---|
| JPMorgan Funds - Global Research Enhanced Index Equity Paris Aligned Fund | Article 8 | 1,820 |
| Eurizon Valore Obbligazionario 3 anni Edizione 4 | Article 8 | 1,311 |
| Schroder Special Situations Fund Wealth Management Global Sustainable Equity | Article 8 | 1,198 |
| Nordea Invest Denmark Enhanced KL | Article 8 | 944 |
| Barrow Hanley Global ESG Value Equity Fund | Article 8 | 746 |
| Groupama Dynamic Bond Medium Term | Article 8 | 662 |
| Amundi Soluzioni Italia - Obbligazionario Euro 04/2029 | Article 8 | 654 |
| JPMorgan Investment Funds - Coutts Diversifying Alternatives Multi-Manager | Article 8 | 561 |
| Eurizon Target Solution 40 Plus Edizione 4 | Article 8 | 433 |
| Lightrock UCITS ICAV - Lightrock Global Small-Cap Fund | Article 8 | 402 |

Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

BlackRock also launched a range of four climate transition-aware ETFs classified as Article 8. These include **iShares MSCI Japan Climate Transition Aware ETF** and **iShares MSCI USA Climate Transition Aware ETF**, which invest in companies with SBTi emissions reductions targets or that derive significant revenue from green activities.

In the ranking of the top 10 new Article 9 funds, **Nordea European Corporate Sustainable Labelled Bond** comes first, with assets of EUR 281 million. The fund invests in corporate bonds that are labeled as sustainable, prioritizing bonds that finance projects with clear environmental benefits, such as renewable energy, energy efficiency, and sustainable water management. In second position, we find **BNP Paribas Funds Euro Government Green Bond**, which is structured to align with the Paris Agreement's climate objectives, primarily selecting sovereign bonds that finance environmentally sustainable projects, including renewable energy, energy efficiency, and climate change mitigation.

**Exhibit 9b** Top 10 Newly Launched Article 9 Funds in Second Quarter 2024

| Name | SFDR Fund Type | Assets (EUR Million) |
|---|---|---|
| Nordea European Corporate Sustainable Labelled Bond | Article 9 | 281 |
| BNP Paribas Funds Euro Government Green Bond | Article 9 | 122 |
| Nordea European Sustainable Labelled Bond Fund | Article 9 | 111 |
| Indosuez Funds Chronos Green Bonds 2028 | Article 9 | 83 |
| Fonditalia Clean Energy Solutions | Article 9 | 58 |
| BCV FUND (LUX) - Ethos Climate ESG Ambition | Article 9 | 27 |
| Carmignac Portfolio Tech Solutions | Article 9 | 19 |
| Lazard Green Capital | Article 9 | 18 |
| Robeco High Income Green Bonds | Article 9 | 10 |
| SDG Invest Globale Bæredygtige Aktier udl. 2 | Article 9 | 4 |

Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

### SFDR Reclassifications Dry Out

Reclassifications in the second quarter of 2024 reached their lowest level since the introduction of the SFDR in March 2021. Only 53 funds changed their SFDR product type, of which almost the entirety (52) were upgraded from Article 6 to Article 8.

Reclassifications reached their zenith in the last quarter of 2022, with close to 420 funds altering their SFDR status. Out of these, 307 were downgraded to Article 8 from Article 9, representing a total size of EUR 175 billion at the time. The great reclassification wave was triggered by the clarification, provided by ESMA, of the EC's June 2021 Q&A over the summer of 2021. It specified that funds making Article 9 disclosures may only invest in sustainable investments based on the definition provided by Article 2, No. 17 of the Disclosure Regulation, with the exception of cash and assets used for hedging purposes.

### Thirty Funds Drop ESG-Related Terms from Their Names in the First Half of 2024

Since the beginning of the year, we have identified 29 Article 8 funds and one Article 9 fund that removed ESG-related terms from their names. Below we list the top 10 rebranded Article 8 funds, while the only rebranded Article 9 fund we identified was **ODDO BHF Global Target IG 2029**, previously named **ODDO BHF Global Target Green 2028**. The most common keywords removed were "ESG" and "Sustainable".

**Exhibit 10** Top 10 Funds That Removed ESG-Related Terms from Their Names in First Half of 2024

| New Name Without ESG Term | Previous Name with ESG Term | SFDR Fund Type | Assets (EUR Million) |
|---|---|---|---|
| AZ Fund 1 AZ Bond - Hybrids | AZ Fund 1 AZ Bond Sustainable Hybrid | Article 8 | 1289 |
| State Street Global High Yield Bond Screened Index Fund | State Street Global High Yield Bond ESG Screened Index Fund | Article 8 | 926 |
| Eurizon Fund - Equity USA LTE | Eurizon Fund - Equity USA ESG LTE | Article 8 | 778 |
| Groupama America Active Equity | Améri-Gan | Article 8 | 654 |
| Groupama Euro Credit | G Fund Crédit Euro ISR | Article 8 | 611 |
| Sydinvest Virksomhedsobligationer IG Screened | Sydinvest Virksomhedsobligationer IG Etik | Article 8 | 519 |
| Aktiespararna Topp Sverige | Aktiespararna Topp Sverige Hållbar | Article 8 | 442 |
| Groupama Euro Active Equity | G Fund Equity Convictions ISR | Article 8 | 395 |
| Sydinvest HøjrenteLande HC Udb | Sydinvest HøjrenteLande ESG | Article 8 | 322 |
| BNP Paribas Funds Global Megatrends | BNP Paribas Funds Sustainable Global Equity | Article 8 | 313 |

Source: Morningstar Direct. Data as of June 2024. Based on 25 Article 9 funds that revised their minimum sustainable investment. Funds are ranked first by change in sustainable-investment exposure and second by fund size.

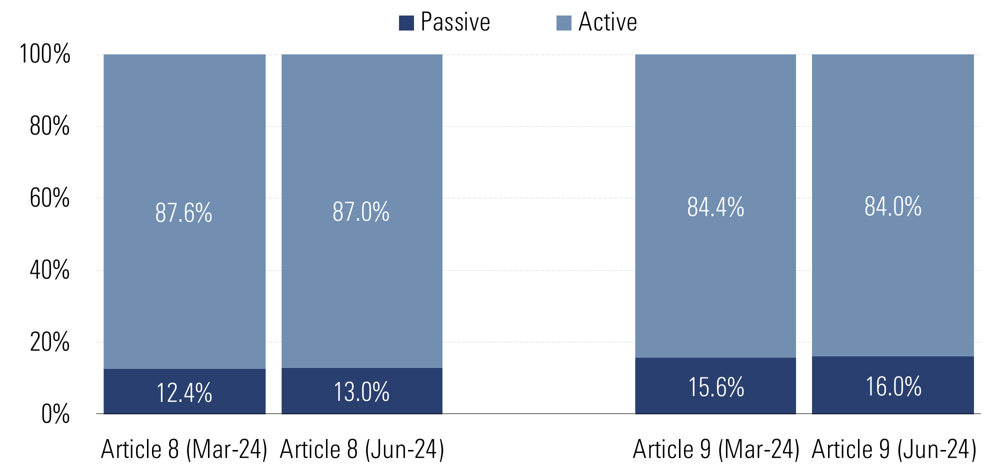
In the coming months, we can expect more Article 8 and Article 9 funds to drop ESG key terms from their names as asset managers start complying with the European Securities and Markets Authority's final guidelines on funds' names using ESG or sustainability-related terms, which were published in May. The aim of these guidelines is to protect investors against greenwashing risks and to provide minimum standards for funds available for sale in the EU that use specific ESG terms in their names. Funds will either need to comply with the new portfolio requirements, as laid out in the guidelines, or change their name.

For more details on the impact of the guidelines: ESMA's Guidelines on ESG Fund Names | Morningstar.

### Passive Article 9 Funds Continue to Gain Ground

The market share for passive funds increased for both Article 8 and Article 9 funds by 0.6% and 0.4%, respectively.

**Exhibit 11** Market Share of Active and Passive Funds Classified as Article 8 and Article 9




Source: Morningstar Direct. Assets as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

### The Largest Article 8 and Article 9 Funds

Over the past three months, the league table of the 20 largest Article 8 funds has remained relatively stable. We count a majority (14) of funds that target no or low (up to 10%) exposure to sustainable investments. **Nordea Global Responsible Enhanced Equity Fund**, which was not in the top 20 Article 8 products in the previous quarter, now ranks as the fund with the highest minimum target of 50% in sustainable investment, followed by **iShares MSCI USA ESG Enhanced ETF** and **Mercer Multi Asset Growth Fund** holding a commitment of 20%, as in the previous quarter.

**Exhibit 12** The 20 Largest Article 8 Funds

| Name | SFDR Fund Type | Morningstar Global Category | AUM (EUR Billion) | Active / Passive | Morningstar Sustainability Rating | Minimum % Sustainable Investments |
|---|---|---|---|---|---|---|
| Flossbach von Storch SICAV - Multiple Opportunities | 8 | Flexible Allocation | 25.3 | Active | 🌐🌐🌐 | 0 |
| AB FCP I - American Income Portfolio | 8 | US Fixed Income | 23.1 | Active | 🌐🌐 | 0 |
| Fidelity Funds - Global Technology Fund | 8 | Technology Sector Equity | 21.9 | Active | 🌐🌐🌐 | 5 |
| DWS Top Dividende | 8 | Global Equity Large Cap | 20.2 | Active | 🌐🌐 | 15 |
| Morgan Stanley Investment Funds - Global Brands Fund | 8 | Global Equity Large Cap | 20.1 | Active | 🌐🌐🌐🌐🌐 | 10 |
| Deka-ImmobilienEuropa | 8 | Property-Direct | 18.3 | Active | — | 0 |
| iShares MSCI USA ESG Enhanced UCITS ETF | 8 | US Equity Large Cap Blend | 16.9 | Passive | 🌐🌐🌐🌐 | 20 |
| hausInvest | 8 | Property-Direct | 16.8 | Active | — | 5 |
| JPMorgan Investment Funds - Global Income Fund | 8 | Moderate Allocation | 16.8 | Active | 🌐🌐 | 10 |
| UniImmo: Deutschland | 8 | Property-Direct | 16.6 | Active | — | 0 |
| Nordea 2 - Global Responsible Enhanced Equity Fund | 8 | Global Equity Large Cap | 16.2 | Active | 🌐🌐🌐🌐 | 50 |
| DWS Vermögensbildungsfonds I | 8 | Global Equity Large Cap | 15.1 | Active | 🌐🌐🌐 | 15 |
| UniImmo: Europa | 8 | Property-Direct | 14.5 | Active | — | 0 |
| AB FCP I - Global High Yield Portfolio | 8 | Global Fixed Income | 14.3 | Active | 🌐 | 0 |
| DWS Concept Kaldemorgen | 8 | Flexible Allocation | 14.2 | Active | 🌐🌐🌐🌐 | 10 |
| Capital Group New Perspective Fund (LUX) | 8 | Global Equity Large Cap | 13.5 | Active | 🌐🌐🌐 | 0 |
| Mercer Multi Asset Growth Fund | 8 | Aggressive Allocation | 13.4 | Active | 🌐🌐🌐🌐 | 20 |
| BlackRock Global Funds - World Healthscience Fund | 8 | Healthcare Sector Equity | 13.4 | Active | 🌐🌐🌐🌐 | 0 |
| Northern Trust World Custom ESG Equity Index Fund | 8 | Global Equity Large Cap | 13.2 | Passive | 🌐🌐🌐 | 10 |
| Algebris UCITS Funds plc - Algebris Financial Credit Fund | 8 | Europe Fixed Income | 12.4 | Active | 🌐🌐 | 0 |

Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

The league table of the largest Article 9 funds also showed little change in the second quarter. At the top of the table, we find **Handelsbanken Global Index Criteria** with the highest AUM of EUR 11 billion and a 90% commitment to sustainable investments.

As expected, all Article 9 funds in the table below have high sustainable-investment targets (above 80%), with the rest representing various allocations to cash and hedging instruments. Eleven funds have an SI target of 90%. A majority focus on an environmental theme such as climate, alternative energy, and water. Also featured is a handful of passive Paris-aligned strategies, including four offered by Handelsbanken. These contrast with the majority of passive funds tracking Paris-aligned and climate transition indexes, which are classified as Article 8.

**Exhibit 13** The 20 Largest Article 9 Funds

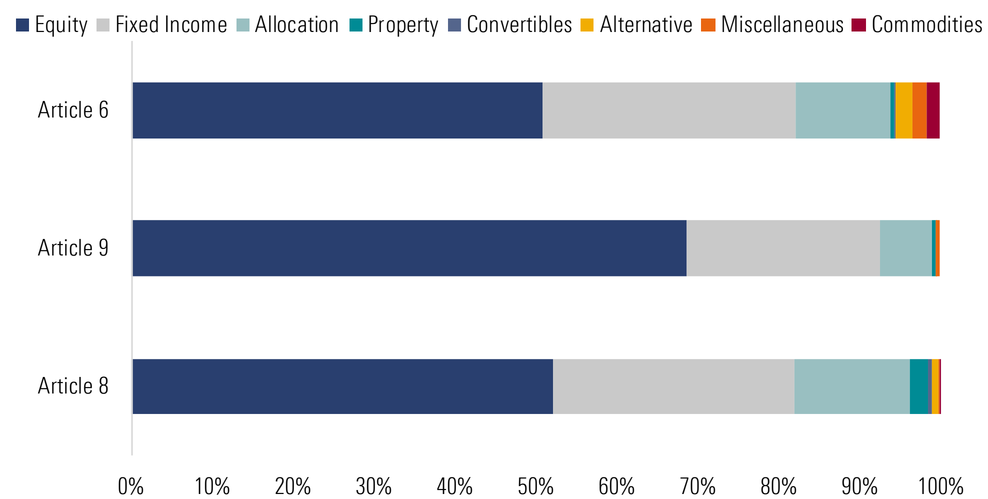
| Name | SFDR Fund Type | Morningstar Global Category | AUM (EUR Billion) | Active / Passive | Morningstar Sustainability Rating | Minimum % Sustainable Investments |
|---|---|---|---|---|---|---|
| Handelsbanken Global Index Criteria | 9 | Global Equity Large Cap | 11.0 | Passive | 🌐🌐🌐 | 90 |
| Nordea 1 - Global Climate and Environment Fund | 9 | Global Equity Mid/Small Cap | 8.7 | Active | 🌐🌐🌐🌐 | 85 |
| Pictet-Water | 9 | Equity Miscellaneous | 8.2 | Active | 🌐🌐🌐🌐 | 80 |
| Pictet - Global Environmental Opportunities | 9 | Global Equity Large Cap | 7.7 | Active | 🌐🌐🌐🌐🌐 | 80 |
| Mirova Global Sustainable Equity Fund | 9 | Global Equity Large Cap | 5.4 | Active | 🌐🌐🌐🌐🌐 | 90 |
| BlackRock Global Funds - Sustainable Energy Fund | 9 | Energy Sector Equity | 5.0 | Active | 🌐🌐🌐🌐🌐 | 80 |
| Handelsbanken USA Index Criteria | 9 | US Equity Large Cap Blend | 4.9 | Passive | 🌐🌐🌐🌐 | 90 |
| Handelsbanken Norden Index Criteria | 9 | Europe Equity Large Cap | 4.9 | Passive | 🌐🌐 | 90 |
| Pictet - Clean Energy Transition | 9 | Energy Sector Equity | 4.3 | Active | 🌐🌐🌐🌐🌐 | 80 |
| BNP Paribas Funds Aqua | 9 | Equity Miscellaneous | 3.6 | Active | 🌐🌐🌐🌐 | 85 |
| BNP Paribas Aqua | 9 | Equity Miscellaneous | 3.4 | Active | 🌐🌐🌐🌐 | 85 |
| DPAM L - Bonds Emerging Markets Sustainable | 9 | Emerging Markets Fixed Income | 3.4 | Active | 🌐🌐🌐🌐 | 80 |
| Robeco Smart Energy | 9 | Energy Sector Equity | 3.1 | Active | 🌐🌐🌐🌐🌐 | 90 |
| Robeco Sustainable Water | 9 | Equity Miscellaneous | 2.9 | Active | 🌐🌐🌐🌐 | 90 |
| Impact ES Actions Europe | 9 | Europe Equity Large Cap | 2.7 | Active | 🌐🌐🌐🌐 | 90 |
| Candriam Sustainable Bond Euro Corporate | 9 | Europe Fixed Income | 2.7 | Active | 🌐🌐🌐 | 80 |
| Handelsbanken Developed Markets Index Criteria | 9 | Global Equity Large Cap | 2.7 | Passive | 🌐🌐🌐🌐 | 90 |
| L&G ESG Paris Aligned World Equity Index Fund | 9 | Global Equity Large Cap | 2.6 | Passive | 🌐🌐🌐🌐 | 0 |
| AB SICAV I - Sustainable Global Thematic Portfolio | 9 | Global Equity Large Cap | 2.6 | Active | 🌐🌐🌐🌐🌐 | 80 |
| Goldman Sachs Green Bond | 9 | Europe Fixed Income | 2.5 | Active | 🌐🌐🌐🌐 | 90 |

Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

## Article 8 and Article 9 Funds Per Broad Asset Class

Article 8 funds share a similar asset-class distribution with Article 6 funds, whereas Article 9 funds exhibit a stronger inclination toward equity. As of June 2024, equity funds constitute almost 70% of Article 9 products, in contrast to 52% and 51% observed in the Article 8 and Article 6 fund groups, respectively.

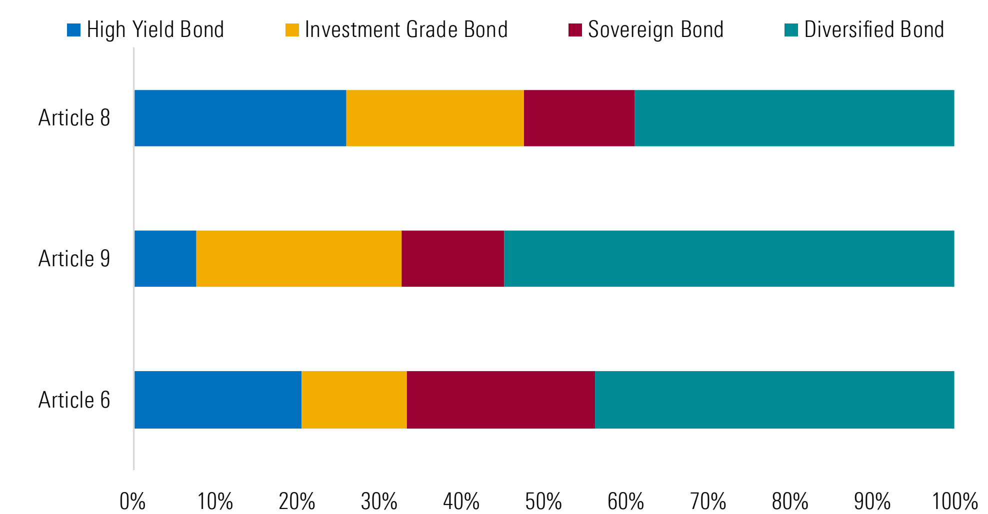
**Exhibit 14a** Article 8 and Article 9 Funds Per Broad Asset Class




Source: Morningstar Direct. Data as of March 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

Zooming into the fixed income space, the exhibit below shows an under-representation of sovereign bonds in both Article 8 and Article 9 fund categories, relative to Article 6 products. This may not come as a surprise, given the challenges of incorporating ESG factors in that asset class. Meanwhile, investment-grade bonds are over-represented in both categories, while diversified bonds make up the bulk of Article 9 fund assets (55%) at the expense of high yield (in addition to sovereign bonds). The significant market share for diversified bonds across the SFDR products is unsurprising, as that category encompass a wide range of sectoral and geographical exposures.

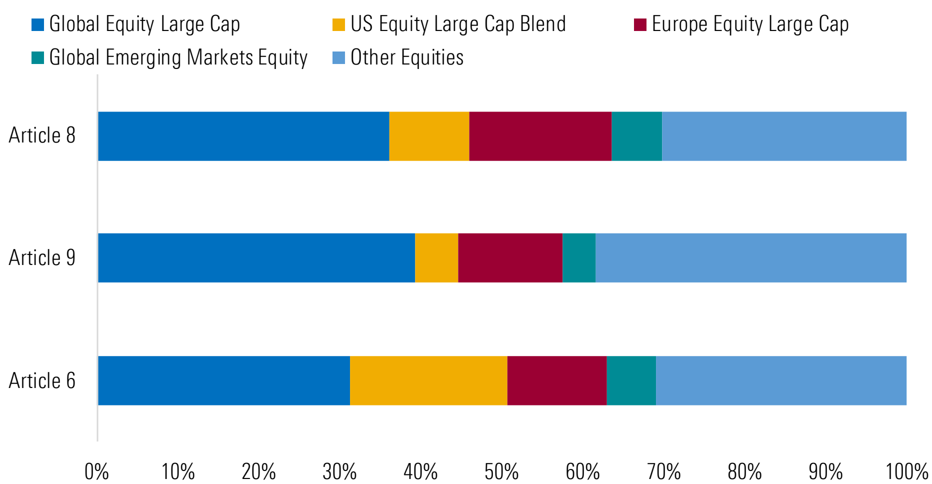
**Exhibit 14b** Article 8 and Article 9 Funds Per Broad Asset Class




Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

The exhibit below reveals an over-representation of Global Large Cap funds in the Article 8 and Article 9 categories, compared with Article 6 funds, as these represent 36% and 39% of equity funds in these categories, respectively (versus 31% for Article 6 funds). This reflects sustainability-focused investors' preference for broad, diversified, investment strategies focused on global opportunities. US Equity Large Cap funds are underrepresented within both the Article 8 and Article 9 fund categories, while Europe Large Cap funds are overrepresented.

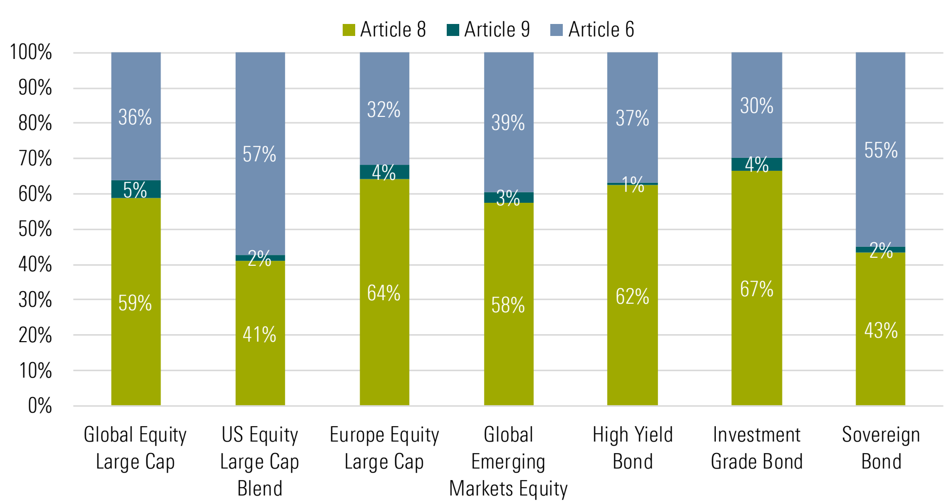
**Exhibit 14c** Article 8 and Article 9 Funds Per Broad Asset Class




Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

The exhibit below confirms the under-representation of Article 8 and Article 9 funds in US Equity Large Cap and Sovereign bond Morningstar categories and their over-representation in the Investment Grade Bond and Europe Equity Large Cap categories, relative to Article 6 funds.

**Exhibit 15** Most Popular Morningstar Categories Split into Article 8, 9, and 6 Fund Assets

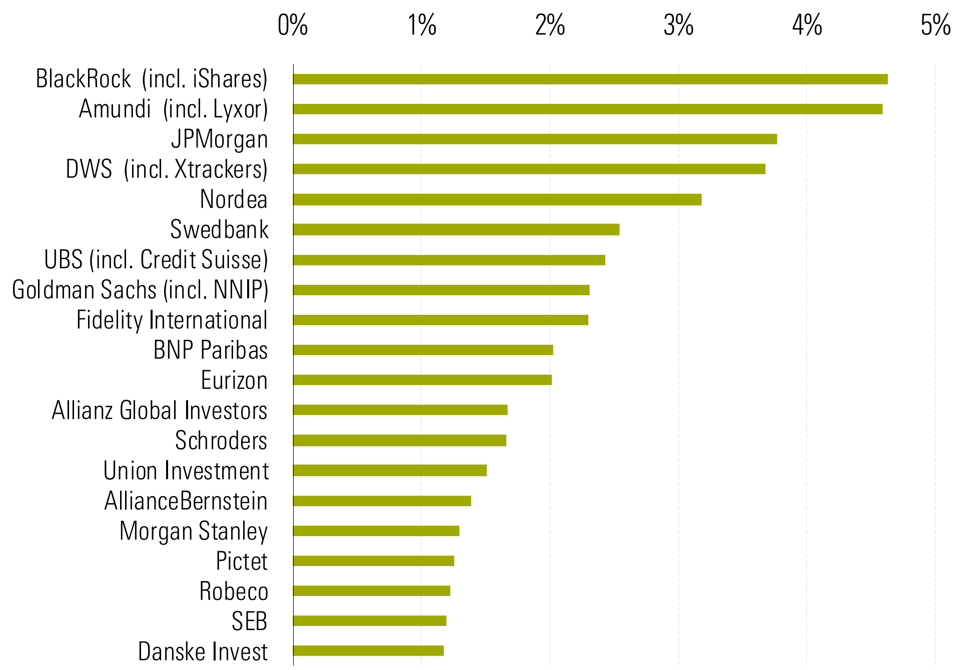



Source: Morningstar Direct. Data as of June 2024. Based on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds.

## Provider League Tables

The exhibits below show the 20 asset managers with the highest market share in Article 8 and Article 9 funds, ranked by assets. In the most recent quarter, Blackrock gained 4.6 percentage points, overtaking Amundi by a margin of less than 0.1 percentage point, securing its lead in the rankings. Meanwhile, DWS experienced a decline, relinquishing its third position to JPMorgan, which also edged ahead by 0.1 percentage point.

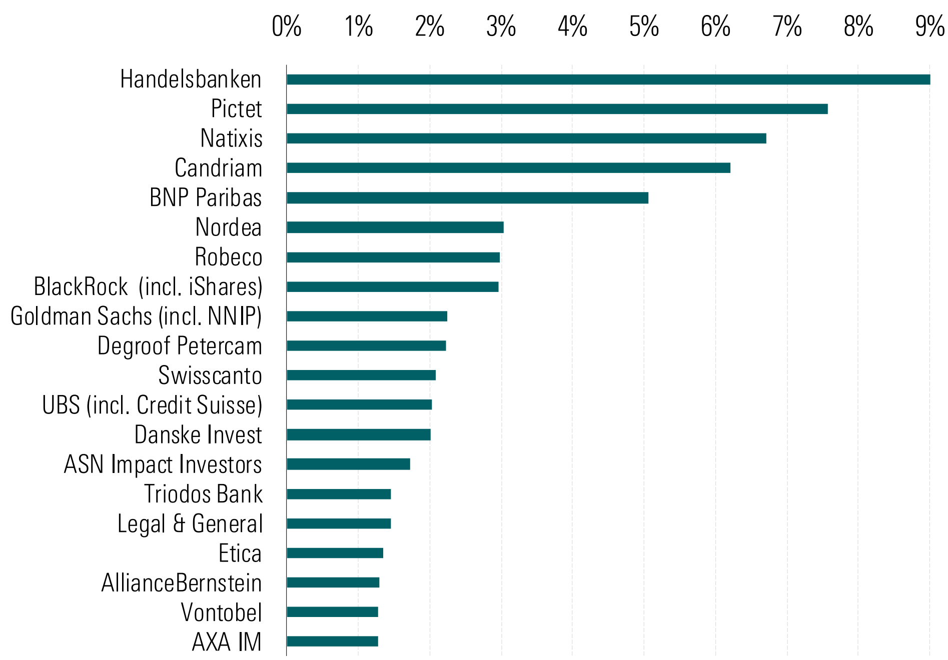
**Exhibit 16** Top 20 Asset Managers by Article 8 Fund Assets




Source: Morningstar Direct. Assets as of June 2024 on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds. Using Branding Name in Morningstar Direct, a manager's market share is calculated as following: manager's Article 8 fund assets divided by total market Article 8 fund assets.

Thanks to its large range of passive Paris-aligned funds classified as Article 9, Handelsbanken maintained its leading position in the Article 9 fund league table, even increasing its share from 9.6% to 9.8%. Pitctet remains second, while Natixis overtook Candriam in third position, achieving a market share of 6.7%.

**Exhibit 17** Top 20 Asset Managers by Article 9 Fund Assets




Source: Morningstar Direct. Assets as of June 2024 on SFDR data collected from prospectuses on 98% of funds available for sale in the EU, excluding money market funds, funds of funds, and feeder funds. Using Branding Name in Morningstar Direct, a manager's market share is calculated as following: manager's Article 9 fund assets divided by total market Article 9 fund assets.

## Article 8 and Article 9 Funds Through the Lens of Sustainable Investments, Taxonomy Alignment, and PAIs

Since August 2022, the amended MiFID II requires financial intermediaries to consider clients' sustainability preferences when conducting suitability assessments. If clients express an interest in making sustainable investments, financial intermediaries have to accommodate. Depending on the specific client's preferences, financial intermediaries will have to source products that have a minimum proportion of sustainable investments, as defined by the SFDR or the EU Taxonomy. Clients may also choose only investments that consider principal adverse impacts, or PAIs.

To facilitate this process, a European ESG template, or EET, was developed by industry representatives (FinDatEx) to ease the exchange of data between asset managers and distributors. Asset managers marketing their funds in the EU have been submitting EET data to third-party data organizations like Morningstar Sustainalytics on a voluntary basis since June 2022.

As of June 2024, Morningstar has collected EET data on 109,600 share classes, accounting for 75.4% of all share classes in the scope of MiFID II. These represent 21,990 funds,[2] including 11,220 Article 8 funds and 960 Article 9 funds.

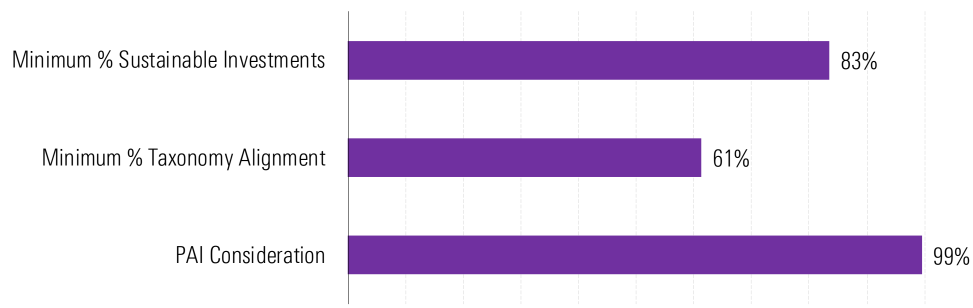
2 The number of funds and share classes estimated to be in the scope of the EET is 34,474 and 145,263, respectively. Money market funds, funds of funds, and feeder funds are included in this section on the EET.

In this section, we analyze the coverage and values of the three following EET fields, as featured in the Morningstar Direct database:

- EU SFDR Minimum or Planned Investments Sustainable Investments, representing the minimum percentage of portfolio investments that are deemed sustainable but are not taxonomy-aligned. Answers are numerical values.[3]
- EU SFDR Minimum or Planned Investments Sustainable Investments Taxonomy Aligned, representing the minimum percentage of the portfolio that is aligned with the EU Taxonomy. Answers are numerical values.[4]
- PAI Consideration, indicating whether a product considers principal adverse impact in its investments. Answers are "Yes" or "No".[5]

The exhibit below shows the coverage of these three fields for the surveyed Article 8 and Article 9 funds at the end of June 2024.

**Exhibit 18** Coverage of Key EET Data Points for the Surveyed Article 8 and Article 9 Funds




Source: Morningstar Direct. Data as of June 2024. Based on 11,220 funds and 960 funds reported as Article 8 and Article 9, respectively.

All Article 8 and Article 9 products are required to disclose whether they consider PAI indicators, explaining the high percentage (99%) of surveyed funds that populated the PAI Consideration field, as of the end of June 2024. With the regulatory requirement, in place since January 2023, of adding detailed SFDR annexes to product disclosures, managers have stepped up their reporting through the EET, resulting in rising coverage of the two other metrics. By mid-2024, over 83% of the surveyed Article 8 and Article 9 funds reported a minimum percentage of sustainable investments, marginally increasing from the 82% recorded three months earlier. Meanwhile, 61% of surveyed Article 8 and Article 9 funds disclosed a minimum percentage of taxonomy-aligned investments, which decreased from 64% at the end of March. This minorly reduced coverage can be explained by the growing number of Article 8 and Article 9 funds as well as some missing data that were previously submitted and that should be submitted again in the coming months.

3 EET Name: 20420_Financial_Instrument_EU_SFDR_Minimum_Or_Planned_Investments_Sustainable_Investments

4 EET Name: 20450_Financial_Instrument_EU_SFDR_Minimum_Or_Planned_Investments_Sustainable_Investments_Taxonomy_Aligned

5 EET Name: 20100_Financial_Instrument_Does_This_Product_Consider_Principal_Adverse_Impact_In_Their_Investment

### Planned and Reported Sustainable Investments

The exhibits below compare the distribution of "Planned Minimum Sustainable Investments" and the "Last Reported Sustainable Investments" for the surveyed Article 8 and Article 9 funds, in terms of both count and percentage.

**Exhibit 19** Count and Proportion of Article 8 and Article 9 Funds (Y-Axis) With Various Planned and Reported Sustainable Investments (X-Axis)


Source: Morningstar Direct. Data as of June 2024. Based on 9,268 Article 8 funds and 896 Article 9 funds that report Minimum or Planned Sustainable Investment, and 7,776 Article 8 funds and 746 Article 9 funds that reported Last Reported Sustainable Investment.

#### Seventy-five percent of Article 8 Funds End Up Reporting Some Sustainable Investments

Despite an increased sample size, the distribution of minimum sustainable investment (charts on the left) exhibited little change compared with the previous quarter. The number of Article 8 funds with 0% values reached over 3,287 at the end of June, accounting for 36% of the sample Article 8 funds, representing a marginal increase from the 35% recorded last quarter. In other words, 64% of Article 8 funds now commit to make some sustainable investments.

However, we see that the proportion of funds that report making sustainable investments (charts on the right) is higher, about 75%, with the number of Article 8 funds that have 0% values accounting for only 25% of the sample Article 8 funds. This suggests that asset managers are cautious with their precontractual commitment to sustainable investments as they report higher exposure to sustainable investments than planned.

More than half (52%) of Article 8 funds reported holding at least 30% of sustainable investments, which is much higher than the 18% of Article 8 funds that originally planned to reach that minimum level. Meanwhile, Article 8 funds reporting over 60% of SI accounted for 22% of the sample compared to less than 2% for the planned minimum.

Examples of Article 8 funds that reported higher than planned SI numbers include **KBI Global Resource Solutions Fund**, which focuses on companies involved in infrastructure and technological advancement of water, energy efficiency, energy transition, waste management and recycling, agribusiness and carbon trading. As of June 2024, this fund reported allocating over 90% of its assets to sustainable investments, versus the 50% stated in the planned minimum. Meanwhile, **Lyxor Net Zero 2050 S&P Europe Climate PAB ETF** exhibited a slightly larger disparity between the two EET data fields, 71% (reported) versus 35% (planned), whereas the disparity for **Amundi S&P 500 Climate Net Zero Ambition PAB ETF** appeared much smaller (36% vs 20%). While adhering to similar indexed and investment themes, the difference between the two strategies with regard to both reported and planned data fields illustrates the various approaches adopted by asset managers in the calculation of sustainable-investment exposure, including within firms.

Meanwhile, Article 9 funds targeting at least 80% of sustainable investments rose moderately to 81%, compared with 80% three months ago, while the number of such funds populating the field grew to 725 from 671. The proportion of Article 9 funds targeting between 90% and 100% increased to almost 44% of the sample. Among these, we identified 104 Article 9 funds targeting 100% exposure to sustainable investment. The reported numbers were, however, higher. About 81% of Article 9 funds reported 90% of SI, compared to 44% seen in the planned minimum. Of these, 93 Article 9 funds reported 100% of SI.

It remains to be seen whether the Article 9 distribution of targeted sustainable investments will continue shifting toward the higher end of the spectrum. One factor that could affect the distribution of sustainable-investment commitments for Article 9 funds is the way asset managers account for instruments held for hedging or liquidity purposes. When asset managers report commitments lower than 100%, the difference corresponds in practice to a maximum allocation to cash and hedging instruments. This allocation varies across funds, as evidenced by the distribution for Article 9 products and could evolve over time. For example, a fund allowing itself to hold up to 30% of cash may revise this allocation down in the future if it proves too conservative in practice. The fund would then report a higher minimum sustainable investment, to, say, 85%, from 70% currently. Conversely, a fund currently reporting to target 100% of SI may revise this number down to account for cash and hedging instruments.

Furthermore, as previously mentioned, sustainable investment commitments depend on the way asset managers interpret the definition of a "sustainable investment", as defined under the SFDR,6 and how they calculate sustainable investments in portfolios. As previously reported, different interpretations of the regulation have led asset managers to adopt different approaches to calculating sustainable investment exposure. A change in methodology can lead to changes in reported sustainable investment commitments, as discussed earlier.

In the second quarter of 2024, about 260 Article 8 funds revised their minimum SI commitment, significantly fewer than the number (367) recorded three months earlier. The majority of these (210, or 79%) reported increased SI targets, with changes ranging from 1% to 51%. The exhibit below lists the Article 8 funds that saw the largest increases in minimum exposure to sustainable investments between March and June 2024.

**Exhibit 20a** Article 8 Funds with the Highest Increases in Minimum Sustainable Investments

| Fund Name | SFDR Type | Min % of Sustainable Investments in Q2 2024 | Min % of Sustainable Investments in Q1 2024 | Fund Size (EURO Mil) | Morningstar Category | Broad Category |
|---|---|---|---|---|---|---|
| WisdomTree Renewable Energy UCITS ETF | Article 9 | 90 | 0 | 1 | Sector Equity Alternative Energy | Equity |
| Pictet-Robotics | Article 8 | 51 | 0 | 9,388 | Sector Equity Technology | Equity |
| Pictet-Security | Article 8 | 51 | 0 | 5,526 | Global Flex-Cap Equity | Equity |
| Wellington Sustainable Multi-Asset Total Return Income Fund | Article 8 | 50 | 0 | 101 | USD Flexible Allocation | Allocation |
| Autofocus Transition Climat Février 2023 | Article 8 | 40 | 0 | 160 | Capital Protected | Miscellaneous |
| Ostrum SRI Credit 12M | Article 8 | 40 | 5 | 1,032 | EUR Ultra Short-Term Bond | Fixed Income |
| Ostrum SRI EURO Bonds 1-3 | Article 8 | 40 | 5 | 36 | EUR Government Bond - Short Term | Fixed Income |
| Nordea Global Stable Equity Fund | Article 8 | 30 | 0 | 2,364 | Global Large-Cap Value Equity | Equity |
| OSTRUM SRI EURO BONDS 3-5 | Article 8 | 40 | 10 | 1,355 | EUR Government Bond | Fixed Income |
| BankInvest Engros Globale Aktier Akk. KL | Article 8 | 30 | 0 | 711 | Other Equity | Equity |
| Nordea Global Real Estate Fund | Article 8 | 30 | 0 | 643 | Property - Indirect Global | Equity |
| BankInvest Engros Globale Aktier KL | Article 8 | 30 | 0 | 576 | Other Equity | Equity |
| Nordea Global Stable Equity Fund - Euro Hedged | Article 8 | 30 | 0 | 571 | Other Equity | Equity |
| Federal Optimal Plus ESG | Article 8 | 30 | 0 | 518 | Eurozone Large-Cap Equity | Equity |
| Nordea Global Portfolio Fund | Article 8 | 30 | 0 | 494 | Global Large-Cap Blend Equity | Equity |
| Ostrum SRI Credit Euro | Article 8 | 40 | 10 | 349 | EUR Corporate Bond | Fixed Income |
| Nordea Global Listed Infrastructure Fund | Article 8 | 30 | 0 | 327 | Sector Equity Infrastructure | Equity |
| Nordea Stable Emerging Markets Equity Fund | Article 8 | 30 | 0 | 323 | Global Emerging Markets Equity | Equity |
| Nordea Nordic Equity Fund | Article 8 | 30 | 0 | 245 | Nordic Equity | Equity |
| Nordea Global Small Cap Fund | Article 8 | 30 | 0 | 192 | Global Small/Mid-Cap Equity | Equity |

Source: Morningstar Direct. Data as of June 2024. Based on 266 Article 8 funds that revised their minimum sustainable investment between March 2024 and June 2024. Funds are ranked first by change in sustainable-investment exposure and second by fund size.

6 Article 2(17) of SFDR defines the term *sustainable investment* as:

- An investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy;
- Or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration, and labor relations, or an investment in human capital or economically or socially disadvantaged communities;
- Provided that such investments do not significantly harm any of those objectives;
- And [provided] that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff, and tax compliance.

As in the past, some funds saw their minimum SI exposure increase following an assessment of the actual share of sustainable investments in the portfolios. In some cases, the actual share was higher than expected, and portfolio managers felt comfortable with the higher commitment for the strategy. For others, the minimum sustainable investment increased because the funds expanded their thematic focus.

The table above features a range of Nordea funds with an average increase in planned SI from 0% to 30%. In addition to sectoral and value-based exclusions, these funds have seen SDG alignment and ESG score laggard screening added as binding issuer selection criteria.

The following two exhibits list the Article 8 funds that saw the largest decreases in minimum exposure to sustainable investments between March and June, including a range of MFS Article 8 funds that revised their minimum sustainable investment to zero from 50%. While not shown here, MFS strategies featuring low carbon transition characteristics, including **MFS Meridian UK Equity Fund**, have kept their 50% SI unchanged. These funds take into account a wide range of climate and/or energy-related PAIs, including GHG emissions, carbon footprint, and production and energy consumption intensity per high impact climate sector.

**Exhibit 20b** Article 8 Funds with the Highest Decreases in Minimum Sustainable Investments

| Fund Name | SFDR Type | Min % of Sustainable Investments in Q2 2024 | Min % of Sustainable Investments in Q1 2024 | Fund Size (EURO Mil) | Morningstar Category | Broad Category |
|---|---|---|---|---|---|---|
| La Française Systematic Multi Asset Allocation | Article 8 | 0 | 60 | 39 | Capital Protected | Miscellaneous |
| La Française Systematic Global Listed Real Estate | Article 8 | 0 | 60 | 26 | Property - Indirect Global | Equity |
| GNB Momentum Sustentável Mobiliário Aberto de Acções | Article 8 | 0 | 56 | 178 | Global Large-Cap Blend Equity | Equity |
| MFS European Smaller Companies Fund | Article 8 | 0 | 50 | 197 | Europe Mid-Cap Equity | Equity |
| MFS European Core Equity Fund | Article 8 | 0 | 50 | 128 | Europe Large-Cap Blend Equity | Equity |
| MFS Global Research Focused Fund | Article 8 | 0 | 50 | 123 | Global Large-Cap Blend Equity | Equity |
| MFS Global Credit Fund | Article 8 | 0 | 50 | 95 | Global Corporate Bond | Fixed Income |
| MFS Global Value ex-Japan Fund | Article 8 | 0 | 50 | 90 | Global Large-Cap Blend Equity | Equity |
| MFS Continental European Equity Fund | Article 8 | 0 | 50 | 71 | Europe ex-UK Equity | Equity |
| MFS U.S. Growth | Article 8 | 0 | 50 | 67 | US Large-Cap Growth Equity | Equity |
| MFS Global Value Fund | Article 8 | 0 | 50 | 64 | Global Large-Cap Blend Equity | Equity |
| MFS Diversified Income Fund | Article 8 | 0 | 50 | 62 | USD Moderate Allocation | Allocation |
| MFS Global Intrinsic Value Fund | Article 8 | 0 | 50 | 61 | Global Large-Cap Growth Equity | Equity |
| MFS Global Equity Euro Hedged Fund | Article 8 | 0 | 50 | 61 | Other Equity | Equity |
| MFS Emerging Markets Debt Local Currency Fund | Article 8 | 0 | 50 | 20 | Fund Global Emerging Markets Bond - Local Currency | Fixed Income |
| MFS U.K. Equity Fund | Article 8 | 0 | 50 | 19 | UK Large-Cap Equity | Equity |
| MFS Funds Global Equity Income Fund | Article 8 | 0 | 50 | 9 | Global Equity Income | Equity |
| MFS Blended Research European Equity Fund | Article 8 | 0 | 50 | 8 | Europe Large-Cap Blend Equity | Equity |
| MFS Global Strategic Equity | Article 8 | 0 | 50 | 5 | Global Large-Cap Growth Equity | Equity |
| MFS Blended Research Global Equity Fund | Article 8 | 0 | 50 | 3 | Global Large-Cap Blend Equity | Equity |

Source: Morningstar Direct. Data as of June 2024. Based on 266 Article 8 funds that revised their minimum sustainable investment between March 2024 and June 2024. Funds are ranked first by change in sustainable-investment exposure and second by fund size.

Compared with three months ago, only 25 Article 9 funds changed their minimum sustainable-investment commitment, of which only seven showed decreases. Exhibit 21a lists the Article 9 funds that saw the largest increases in minimum exposure to sustainable investments between March and June 2024.

**Exhibit 21a** Article 9 Funds with Increases in Minimum Sustainable Investments

| Fund Name | SFDR Type | Min % of Sustainable Investments in Q2 2024 | Min % of Sustainable Investments in Q1 2024 | Fund Size (EURO Mil) | Morningstar Category | Broad Category |
|---|---|---|---|---|---|---|
| CB European Quality Fund SICAV | Article 9 | 80 | 0 | 92 | Europe Large-Cap Growth Equity | Equity |
| SEB Impact Fund | Article 9 | 85 | 10 | 174 | Global Flex-Cap Equity | Equity |
| Swedbank Robur Climate Bond High Yield A | Article 9 | 80 | 10 | 112 | SEK Flexible High Yield Bond | Fixed Income |
| Swedbank Robur Climate Bond | Article 9 | 80 | 10 | 73 | Other Bond | Fixed Income |
| Empreinte Emploi France | Article 9 | 90 | 20 | 42 | France Small/Mid-Cap Equity | Equity |
| Länsförsäkringar Företagsobligation Vision | Article 9 | 90 | 50 | 127 | SEK Corporate Bond | Fixed Income |
| ERSTE WWF Stock Environment | Article 9 | 80 | 51 | 542 | Sector Equity Ecology | Equity |
| ERSTE Responsible Bond Global Impact | Article 9 | 80 | 51 | 244 | Global Bond - EUR Biased | Fixed Income |
| ERSTE Stock Environment | Article 9 | 80 | 51 | 38 | Sector Equity Ecology | Equity |
| OSSIAM Bloomberg Eurozone PAB NR | Article 9 | 40 | 20 | 325 | Eurozone Large-Cap Equity | Equity |
| OSSIAM BloombergJapan PAB NR | Article 9 | 40 | 20 | 302 | Japan Large-Cap Equity | Equity |
| OSSIAM Bloomberg Europe ex Eurozone PAB | Article 9 | 40 | 20 | 252 | Other Equity | Equity |
| Ossiam Bloomberg Asia Pacific Ex Japan PAB NR | Article 9 | 40 | 20 | 125 | Asia-Pacific ex-Japan Equity | Equity |
| Indecap Guide Q30 | Article 9 | 100 | 85 | 5 | Sweden Small/Mid-Cap Equity | Equity |
| Impax Environmental Markets (Ireland) Fund | Article 9 | 90 | 80 | 724 | Sector Equity Ecology | Equity |
| Impax Environmental Leaders Fund | Article 9 | 90 | 80 | 273 | Sector Equity Ecology | Equity |
| JBNP PM ESG Green Social & Sustainability IG EUR Bond | Article 9 | 95 | 85 | 264 | EUR Diversified Bond | Fixed Income |
| Impax Asian Environmental Markets IRL | Article 9 | 90 | 80 | 174 | Sector Equity Ecology | Equity |

Source: Morningstar Direct. Data as of June 2024. Based on 25 Article 9 funds that revised their minimum sustainable investment. Funds are ranked first by change in sustainable-investment exposure and second by fund size.

The exhibit below lists the Article 9 funds that saw a decrease in minimum exposure to sustainable investments between March and June 2024.

**Exhibit 20b** Article 9 Funds with Decreases in Minimum Sustainable Investments

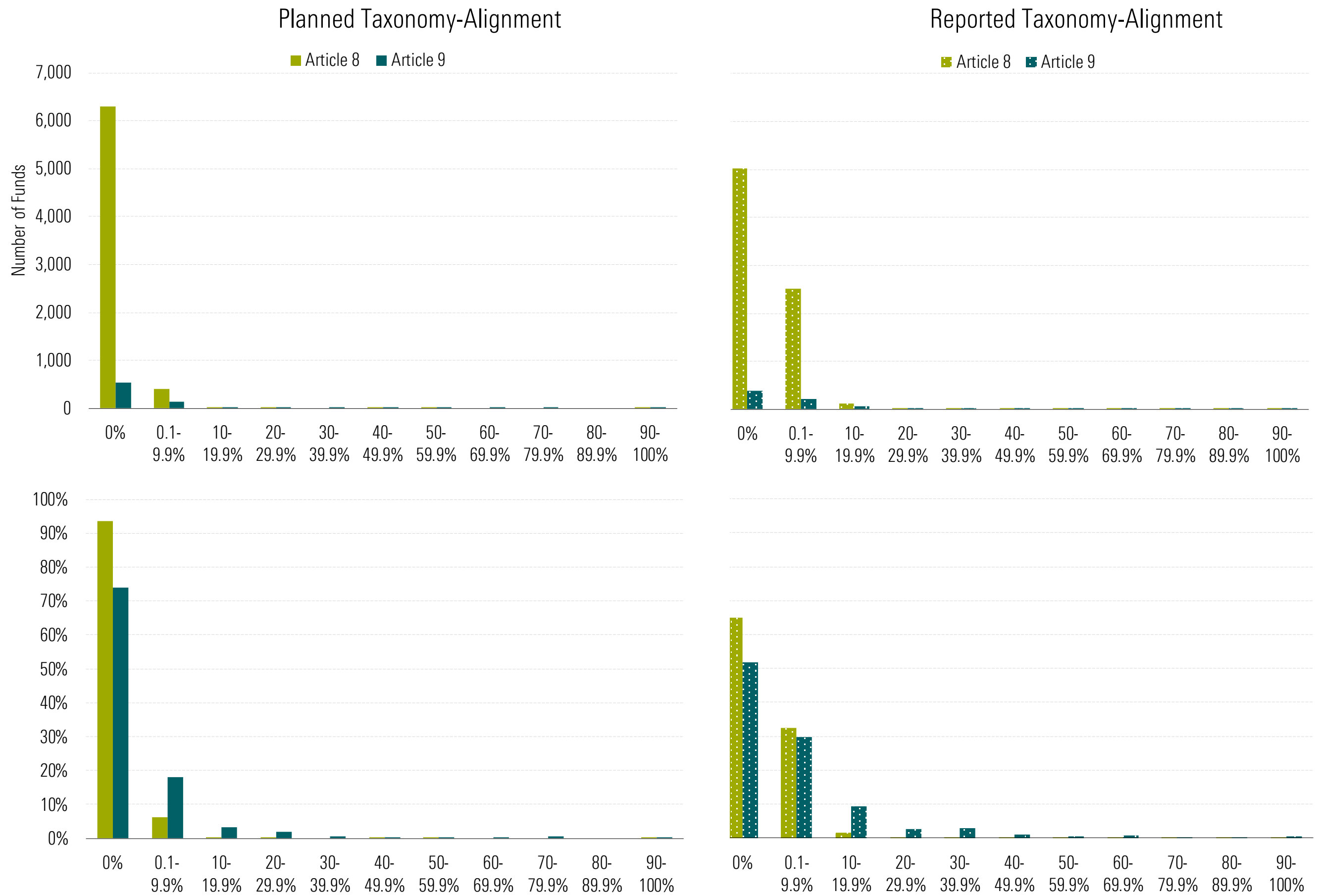
| Fund Name | SFDR Type | Min % of Sustainable Investments in Q2 2024 | Min % of Sustainable Investments in Q1 2024 | Fund Size (EURO Mil) | Morningstar Category | Broad Category |
|---|---|---|---|---|---|---|
| Impax Listed Infrastructure Fund | Article 9 | 50 | 80 | 3 | Sector Equity Infrastructure | Equity |
| Lazard Global Green Bond Opportunities | Article 9 | 80 | 100 | 71 | Global Bond - EUR Hedged | Fixed Income |
| Lazard Human Capital | Article 9 | 90 | 100 | 50 | Global Large-Cap Blend Equity | Equity |
| Montanaro Better World Fund | Article 9 | 95 | 100 | 281 | Global Small/Mid-Cap Equity | Equity |
| Groupama Future For Generations | Article 9 | 95 | 100 | 251 | EUR Moderate Allocation - Global | Allocation |
| Groupama Health And Wellness | Article 9 | 95 | 100 | 6 | Sector Equity Healthcare | Equity |
| VYV Allocation Flexible | Article 9 | 0 | 5 | 0 | EUR Flexible Allocation - Global | Allocation |

Source: Morningstar Direct. Data as of June 2024. Based on 25 Article 9 funds that revised their minimum sustainable investment. Funds are ranked first by change in sustainable-investment exposure and second by fund size.

## Planned and Reported Taxonomy-Aligned Investments

The exhibits below compare the distribution of "Planned Taxonomy-Aligned Sustainable Investments" and the "Last Reported Taxonomy-Aligned Sustainable Investments" for the surveyed Article 8 and Article 9 funds, in terms of both count and percentage.

**Exhibit 21** Count and Proportion of Article 8 and Article 9 Funds (Y-Axis) with Various Planned and Reported Taxonomy-Aligned Sustainable Investments (X-Axis)




Source: Morningstar Direct. Data as of June 2024. Based on 6,724 Article 8 funds and 732 Article 9 funds that reported Planned or Minimum Taxonomy Aligned Sustainable Investment, and 7,724 Article 8 funds and 727 Article 9 funds that reported Last Reported Taxonomy Aligned Sustainable Investment.

### 35% of Article 8 and 48% of Article 9 Funds Report Taxonomy-Aligned SI Above Zero

The proportion of funds planning taxonomy-aligned investments remains unchanged compared with the first quarter. The overwhelming majority of the funds populating the field (6,290 or 94% for Article 8 funds and 541 or 74% for Article 9 funds) showed 0% value at the end of June. Just over 18% of Article 9 funds planned minimum taxonomy-aligned sustainable investments between 0% and 10%. Almost 58 (8%) Article 9 funds target exposure of at least 10%. Nine funds committed exposure higher than 60%.

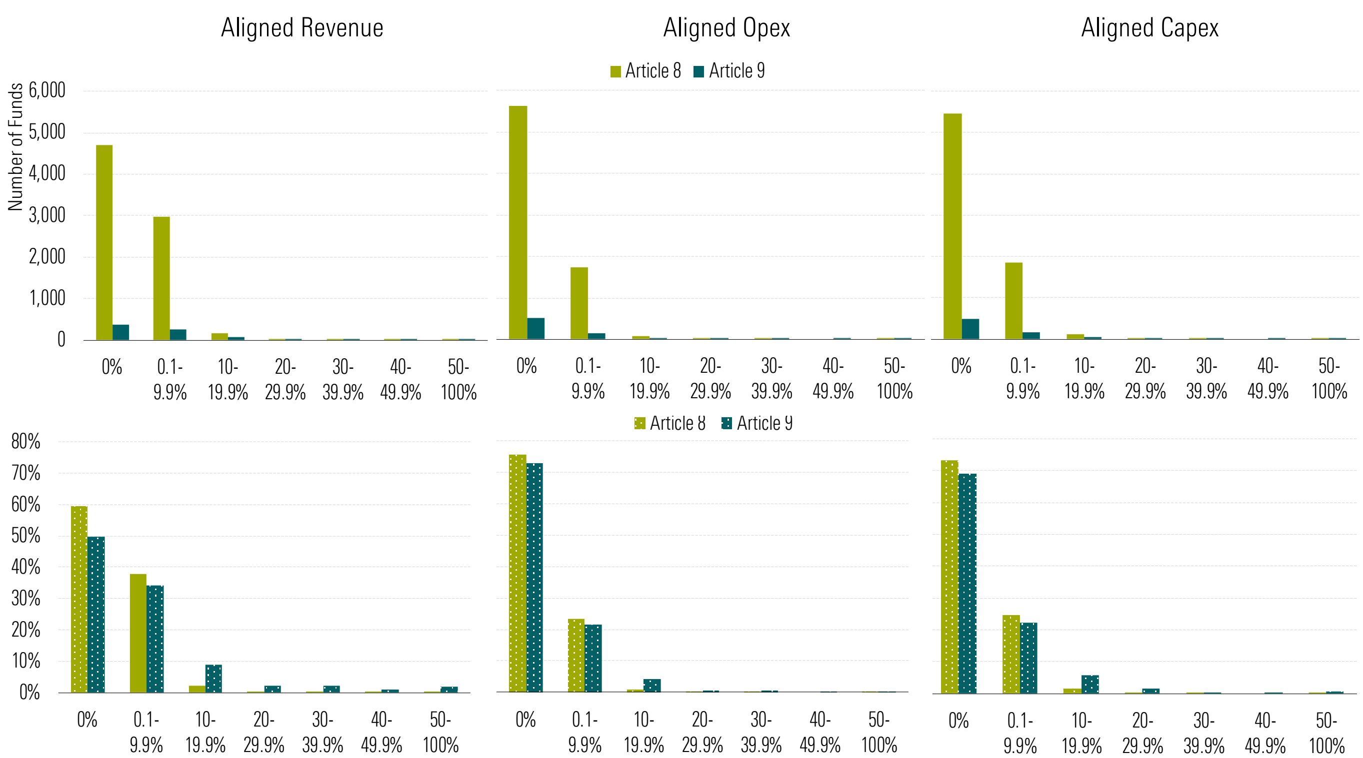
Looking at reported taxonomy-aligned investments, we can see a less skewed distribution for both Article 8 and Article 9 funds, which means that a higher number and proportion of funds report taxonomy-aligned sustainable investments than planned. About 35% of Article 8 funds and 48% of Article 9 funds report taxonomy-aligned investments above zero. The percentage of Article 8 funds with last reported taxonomy-aligned sustainable investments between 0% and 20% is 34.2%, compared to 6.3% for the planned data field.

We can expect both the planned and last reported figures to improve in the coming months as last year, it became mandatory for companies to start disclosing the taxonomy alignment of their activities. For more details on issuer-level taxonomy alignment, see the next section.

**Reported Taxonomy-Aligned Revenue, Opex and Capex**

In this section, we look at how Article 8 and Article 9 funds report taxonomy-aligned revenue, capital expenditure (capex) and operational expenditure (opex). The number of surveyed Article 8 and Article 9 funds that have populated the three fields are 7,392 and 700, accounting for 66% and 73% of our sample, respectively. The exhibits below show the distribution of the reported values.

**Exhibit 22** Proportion and Count of Article 8 and Article 9 Funds (Y-Axis) with Various Taxonomy Aligned Revenue, Opex and Capex (X-Axis)



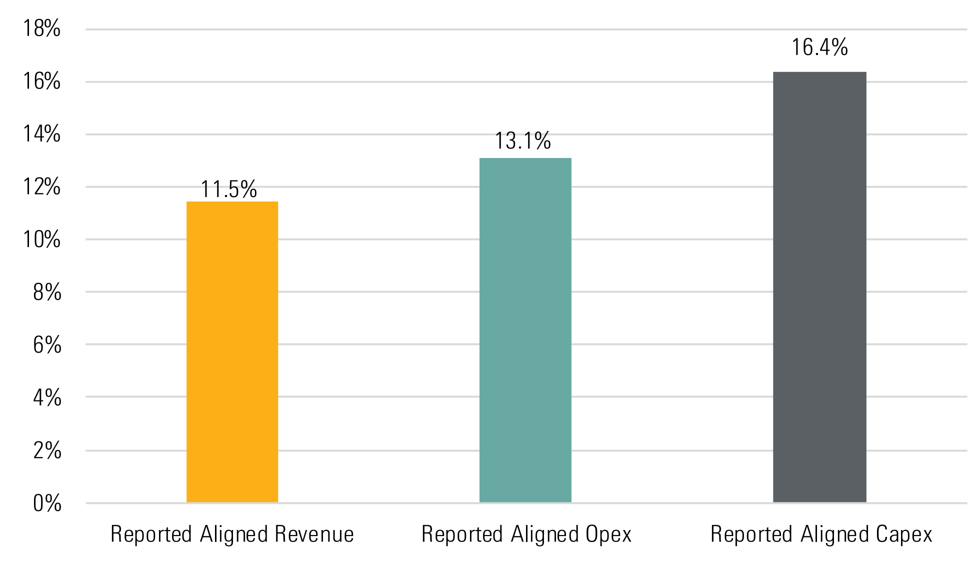

Source: Morningstar Direct. Data as of June 2024. Based on 7,876 Article 8 funds and 746 Article 9 funds that report Taxonomy Aligned Revenue; 7,462 Article 8 funds and 702 Article 9 funds that reported Taxonomy Aligned Operational Expenditure; and 7,472 Article 8 funds and 702 Article 9 funds that report Taxonomy Aligned Capital Expenditure.

Overall, the number of Article 8 and Article 9 funds reporting taxonomy-aligned revenue above 0% totaled 3,179 and 374, respectively, accounting for 40% and 50% of the samples. About 38% of the surveyed Article 8 funds report values between 0% and 10%. This number was lower for the Article 9 funds reporting the same range of taxonomy-aligned revenue (34%).

The number and proportion of funds reporting taxonomy-aligned capex and opex above 0% were lower: only 1,815, or 24%, of Article 8 funds and 190, or 27% of Article 9 funds populated both fields at the end of June. Just 5%, or 36 Article 9 funds reported taxonomy-aligned capex and opex higher than 10%.

We expect these numbers to increase in the coming months as more issuer-level taxonomy-alignment data becomes available. Based on data reported by companies under the EU Taxonomy in 2023 for full years 2020-2022, Sustainalytics calculated the overall average reported aligned capex and opex at just above 16% and 13%, respectively. These numbers are low, but they still surpass the average aligned revenue of 11.5%. This can be interpreted as a positive signal that companies are investing in environmental projects that are turning non-sustainable activities into sustainable ones.

**Exhibit 23** Issuer-Level Overall Percentage of Reported Taxonomy Alignment




Source: Morningstar Sustainalytics. Data as of June 2024. Based on 1,142 companies that have reported data for EU Taxonomy, out of which 1,129 reported on climate change mitigation and adaptation. Data for Fiscal Years between 2020 and 2022.

The numbers above show overall averages, but we observe wide disparities across sectors. Utilities companies exhibit the highest average taxonomy alignment numbers for climate change mitigation activities. For example, the average reported aligned capex for utilities is 66%, while healthcare companies report close to 0% alignment. Real estate, industrials, and materials companies report average aligned capex numbers of 20.7%, 12.2%, and 9%, respectively.

Next month, Sustainalytics will release the latest reported data (FY2023) for non-financial institutions. This data will include:

- the remaining four environmental objectives (pollution, water, circular economy, and biodiversity and ecosystems),
- nuclear and gas data,
- 12 new climate change mitigation and climate change adaptation activities that apply as of January 2024.

More issuer-level taxonomy-aligned data will result in more funds reporting taxonomy-aligned revenue, opex and capex. For investors, this should facilitate better comparison when selecting funds.

**Consideration of Principal Adverse Impacts**

The principal adverse impact is a cornerstone of the SFDR. It captures the second sustainability leg[7] of the regulation: the potential negative impacts that a financial product may have on sustainability factors relating to environmental, social, and employee matters; respect for human rights; and anticorruption and antibribery matters.

The SFDR requires financial market participants to disclose PAI information on a product level (Article 7) in precontractual financial product documentation, such as fund information memoranda or prospectuses.

The SFDR outlines 64 adverse sustainability indicators to measure, such as PAIs. Of these, 14 are currently mandatory (on a comply-or-explain basis) for corporate investments, two for sovereign issuers, and two for real estate assets.

7 The first leg is sustainability risks, such as climate-related or social risks.

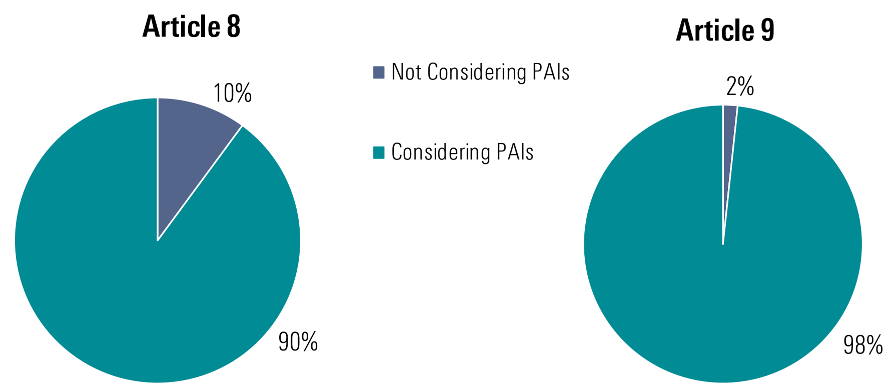
**Exhibit 24** 18 of the 64 PAI Indicators Under the EET

| | | |
|---|---|---|
| **Corporate** | | |
| Greenhouse gas emissions | 1 | GHG emissions |
| | 2 | Carbon footprint |
| | 3 | GHG intensity of investee companies |
| | 4 | Exposure to companies active in the fossil fuel sector |
| | 5 | Share of nonrenewable energy consumption and production |
| | 6 | Energy consumption intensity per high impact climate sector |
| Biodiversity | 7 | Activities negatively affecting biodiversity-sensitive areas |
| Water | 8 | Emissions to water |
| Waste | 9 | Hazardous waste ratio |
| Social and employee matters | 10 | Violations of the UNGC principles and OECD Guidelines for Multinational Enterprises |
| | 11 | Lack of processes and compliance mechanisms to monitor compliance |
| | 12 | Unadjusted gender pay gap |
| | 13 | Board gender diversity |
| | 14 | Exposure to controversial weapons |
| **Sovereign and supranational** | | |
| Environmental | 15 | GHG intensity of investee countries |
| Social | 16 | Number of investee countries subject to social violations |
| **Real estate** | | |
| Fossil fuels | 17 | Exposure to real estate assets involved in the extraction, storage, transport of fossil fuels |
| Energy efficiency | 18 | Exposure to energy-inefficient real estate assets |

Source: SFDR delegated regulation-annex I.

As previously mentioned, almost the entirety (99% for both) of the Article 8 and Article 9 universes had populated the PAI Consideration field by June 2024. And among those, the vast majority stated they do consider PAIs (90% for the respondent Article 8 funds and 98% for the respondent Article 9 funds). The 10% and 2% of Article 8 and Article 9 funds, respectively, that have reported they do not consider PAIs include funds that may not have updated this EET field since their last reporting date. Thus, it may not reflect their current process. If no PAI on sustainability factors are considered for a certain product, the precontractual information must include a statement to this effect, including the reasons for non-consideration.

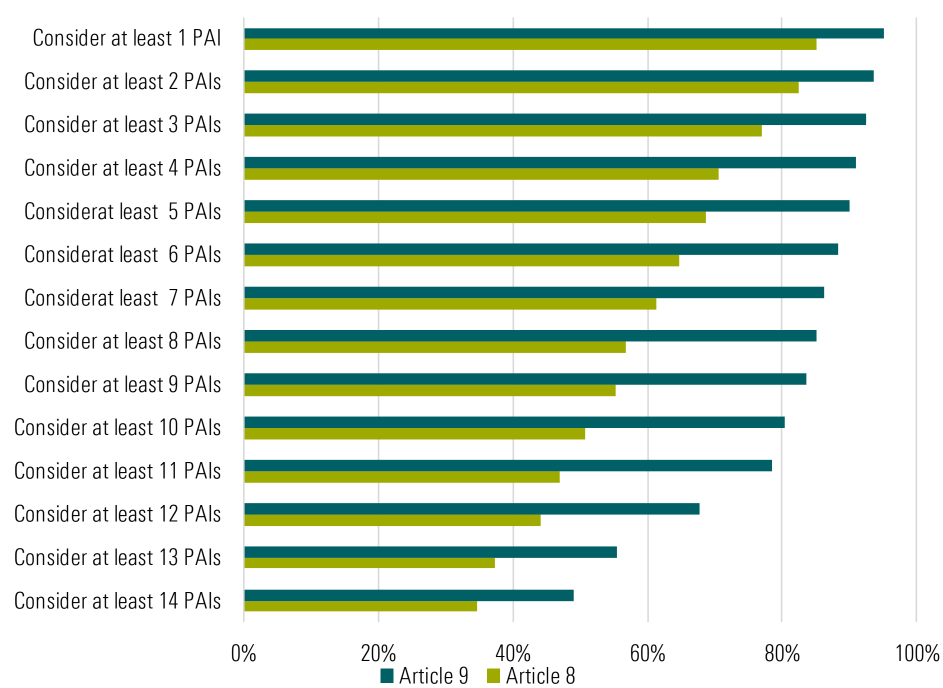
**Exhibit 25** SFDR Product Type and PAI Consideration




Source: Morningstar Direct. Data as of June 2024. Based on 11,166 Article 8 funds and 949 Article 9 funds that reported the field.

The exhibit below shows the number of corporate PAIs considered by Article 8 and Article 9 funds.

**Exhibit 26** Consideration of Mandatory PAIs for Corporates



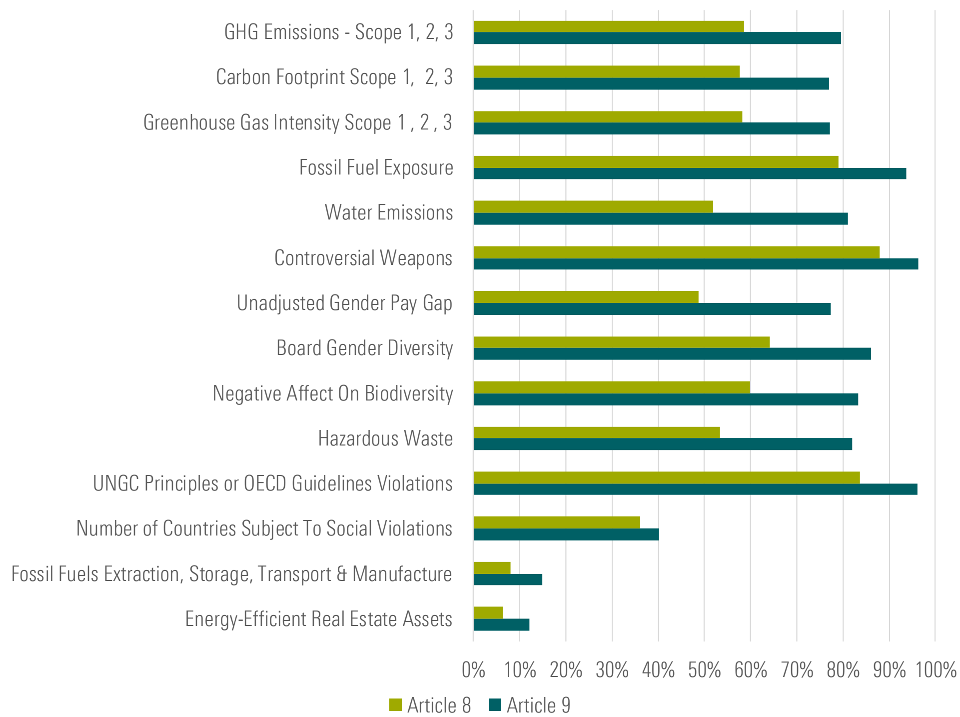

Source: Morningstar Direct. Data as of June 2024. Based on 10,039 Article 8 funds and 933 Article 9 funds that reported "Yes" under the selected PAIs. The exact numbers for Article 8 and Article 9 funds that reported each of the data fields vary.

The table above reveals that the majority of Article 8 funds (more than 50%) consider at least 10 of the 14 mandatory PAIs for corporates. This is unchanged from the previous quarter.

Meanwhile, about half of Article 9 funds considered all 14 PAIs. This may come as a surprise, given that Article 9 products should only hold sustainable investments, for which the "Do Not Significantly Harm" requirement applies. This, however, can be explained by the different interpretations that asset managers take of the definition of "sustainable investment" and the different criteria they use to assess "significant harm" to a sustainability objective. While some managers are indeed considering all PAIs for their Article 9 funds, others have taken a selective approach and are considering only the most relevant indicators for their strategies.

The exhibit below shows the level of consideration for the 14 mandatory corporate PAIs (in decreasing order).

**Exhibit 27** Number of Article 8 and Article 9 Funds Considering Corporate PAIs




Source: Morningstar Direct. Data as of June 2024. Based on 10,039 Article 8 funds and 933 Article 9 funds that reported "Yes" under the selected PAIs. Note that these numbers include funds for which corporate PAIs may not be relevant.

The exhibit above reveals a wide range of PAI consideration, with "Controversial Weapons," "UNGC Principles or OECD Guidelines Violations," and "Fossil Fuel Exposure" being the three most-considered metrics among both Article 8 and Article 9 funds. This is unchanged from the previous quarter. We, however, find continued progress in the consideration of certain environmental PAIs, particularly among Article 9 products. For example, 80% of the sample Article 9 funds consider "GHG Emissions - Scope 1, 2, 3", compared with the 78% reported three months ago. Article 9 funds considering " Water Emissions" also rose to 81% from less than 79% of the previous quarter. For certain PAIs, however, we continue to see significant disparities of consideration between Article 8 and Article 9 products. For example, over

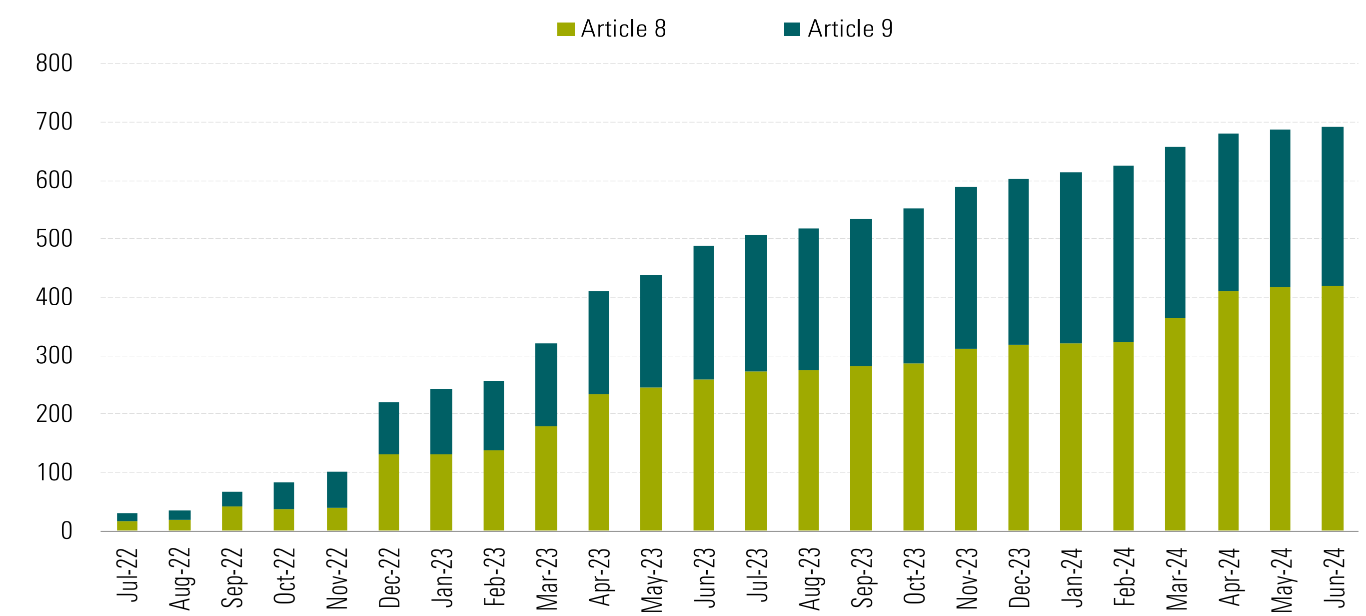
77% of the Article 9 funds considered "Unadjusted Gender Pay Gap," whereas still less than half the sample Article 8 funds do.

As previously discussed, these differences in consideration can be partly explained by the fact that not all PAIs may be relevant for all strategies. But the lack of consideration in many cases can also be explained by a lack of data availability and quality. Gaps in issuer-level reporting for mandatory PAIs are particularly notable.

**Carbon Emission-Reduction Objectives**

Another important field in the EET is "Carbon Emission Reduction Objective,"[8] which asset managers are increasingly keen to add to their funds, as evidenced below by the growing number of funds responding "Yes" to the field. As of June 2024, 691 Article 8 and Article 9 funds reported having a carbon-reduction objective—420 Article 8 funds and 271 Article 9 funds. These leveled with the 16% reported in the previous quarter for the Article 8 and Article 9 funds that have reported the field.

**Exhibit 28** Number of Article 8 and Article 9 Funds with Carbon Emission-Reduction Objectives




Source: Morningstar Direct. Data as of June 2024, based on a total of 4,242 funds that populated the field, including 3,484 Article 8 funds and 758 Article 9 funds. The increase in the number of funds with carbon-reduction objectives also partly reflects the increase in EET coverage.

There is, however, a range of objectives represented in this universe of Article 8 and Article 9 funds with emissions-reduction objectives. The least constraining goal is to reduce a portfolio's carbon intensity relative to a benchmark or an investment universe. For example, **Xtrackers MSCI AC Asia ex Japan ESG Swap ETF** tracks an index that aims to "maximize the reduction of carbon exposure compared to the parent index, in terms of carbon emissions and fossil fuel reserves."

8 EET reference: 20570_Financial_Instrument_With_Objective_Of_A_Reduction_In_Carbon

Other strategies offer quantified emissions reduction between 10% and 50%. Examples include **HSBC Emerging Market Sustainable Equity ETF**, which targets a 50% reduction in index level carbon emissions, a 50% reduction in fossil fuel reserves and a 20% improvement in index level ESG ratings. **Lombard Odier TargetNetZero Europe Equity** aims for a faster rate of reduction in $CO_2$ emissions when compared to the benchmark, with the objective to keep the implied temperature rise of the financial product's portfolio below 1.5 degrees.

Additionally, funds that track or reference themselves to Paris-aligned benchmarks and climate-transition benchmarks target emissions reduction of 50% and 30%, respectively. **Northern Trust World Natural Capital PAB Index Fund** tracks an index that is designed to meet the standards of the EU Paris Aligned Benchmark (PAB), aiming to reduce the weighted average greenhouse gas intensity relative to the parent index by 50% and reduce the weighted average greenhouse gas (GHG) intensity by 7% on an annualized basis. Funds tracking MSCI ESG-screened indexes, including **iShares MSCI World ESG Screened ETF**, also target a minimum 30% reduction in carbon intensity relative to the parent index.

While aligned with the overall carbon reduction goal under the Paris Agreement, certain active strategies focus on the emission reduction progress made by individual companies instead of a predetermined annual emission target at the fund level. For example, for the **M&G European Sustainable Paris Aligned Fund**, this is "because most companies looking to cut GHG emissions will not experience a consistent, linear reduction year in and year out. Instead, there will be sharp jumps as the company makes changes, such as switching to renewable energy or acquiring another company. If the timing of such actions is wrong, the company could be removed from the portfolio before its good work comes into effect."

About 10% of Article 8 funds now include an emission reduction objective, compared with only 6% for Article 9 funds.

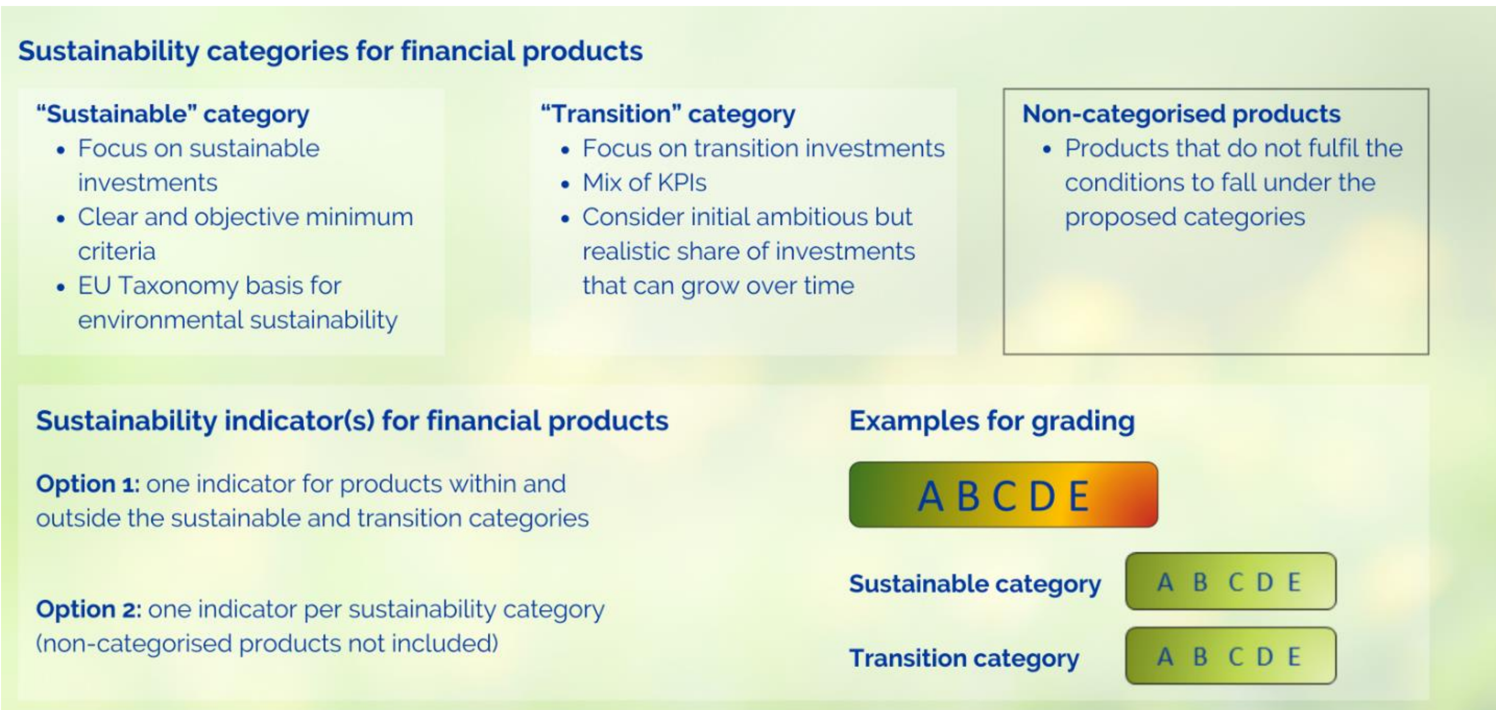
### Regulatory Update

On May 14, the European Securities and Markets Authority (ESMA) published its final guidelines on fund names using ESG or sustainability-related terms. The guidelines aim to protect investors from greenwashing risk and to provide minimum standards for funds available for sale in the EU that use specific ESG terms in their names. Funds will either need to comply with new portfolio requirements, as laid out in the guidelines, or change their names. The requirements include: (1) a minimum of 80% of investments that meet environmental or social characteristics or sustainable investment objectives; and (2) exclusions, as set by EU regulation for Paris-aligned benchmarks, or PABs, and climate-transition benchmarks, or CTBs. The PAB exclusions are particularly impactful, as they would rule out investments in companies deriving a certain level of revenue from fossil fuels. Additionally, funds with the key term "sustainable" in their name will need to invest "meaningfully" in sustainable investments, and funds using "transition" or "impact"-related terms are subject to specific qualitative requirements. ESMA's guidelines constitute a significant additional requirement on top of the SFDR, which is expected to be reviewed once the new European Commission takes office.

For more details on the impact of the guidelines: ESMA's Guidelines on ESG Fund Names | Morningstar.

Regarding the SFDR review, the European Commission published a summary of the feedback received from its public consultation and the European Supervisory Authorities (ESAs) released an opinion proposing improvements to the SFDR. Among others, the ESAs propose to simplify disclosure requirements and to create two sustainability categories for financial products, namely "sustainable" and "transition". Details are outlined in the exhibit below.

**Exhibit 29** ESAs' Opinion on the SFDR

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Source: https://www.esma.europa.eu/press-news/esma-news/esas-propose-improvements-sustainable-finance-disclosure-regulation#:~:text=The%20ESAs%20call%20for%20a,clear%20categories%20for%20financial%20products

As a reminder, the SFDR review will need to go through the legislative process, involving the European Parliament and Council, and is therefore not expected to enter into application before at least 2027.

The ESAs have also published their Final Reports to the European Commission on greenwashing in the financial sector at large. ESMA's report, which looks specifically at issuers, investment managers, benchmark providers, and investment service providers, mainly formulates recommendations for the National Competent Authorities to tackle greenwashing. ESMA indicates that, to date, NCAs have detected only a limited number of actual or potential occurrences of greenwashing but that it will continue to monitor greenwashing risks and supervisory progress.

This quarter is also marked by the publication in the Official journal of the EU of the Corporate Sustainability Due Diligence Directive (CSDDD), which sets due diligence requirements on human rights and environmental impacts (only upstream value chain for financial sector) and the execution of transition plans aligned with the 1.5 degrees Paris Agreement and the EU objective of climate neutrality by 2050. The CSDDD will come into effect in July 2027, and by 2029 will capture roughly 5,500 companies. While complementary to the Corporate Sustainability Reporting Directive (CSRD), the CSDDD constitutes a significant regulatory step up: it mandates the execution of certain sustainability practices, while the CSRD requires reporting on sustainability risks and impacts.

For more details on the CSDDD: The Corporate Sustainability Due Diligence Directive: A Step Towards Stronger Human Rights and Environmental Practice (sustainalytics.com).

On the CSRD front, while companies are gearing up to publish their first report in 2025, the European Financial Reporting Advisory Group (EFRAG) published a series of non-binding documents supporting implementation (materiality assessment, value chain and list of data points, Q&A) and showing interoperability with other standards (TNFD, ISSB).

**About Morningstar Sustainalytics**

Morningstar Sustainalytics is a leading ESG research, ratings, and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Morningstar Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The firm also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices, and capital projects. For more information, visit www.sustainalytics.com.