FINANCIAL CONDUCT AUTHORITY

# The Sustainability Disclosure Requirements (SDR) and investment labels: pre-contractual disclosure examples

# Contents

# Introduction

The Sustainability Disclosure Requirements (SDR) and investment labels regime introduced a package of measures to help improve trust and transparency of sustainable investment products. The SDR and investment labels is a new regime without precedent and so naturally market practice is still evolving.

A key concept of the new regime is that to qualify for a label, specific criteria are required to be met and supported by disclosures.

We previously published illustrative examples for the Sustainability Focus and Sustainability Improver labels to showcase how applicants can meet the pre-contractual disclosure requirements. These have now been expanded to include illustrative examples for Sustainability Impact and Sustainability Mixed Goals labels.

These examples are based on our experience of applications to date and are non-exhaustive but are intended to aid applicants as they prepare their documentation.

## Table 1.1 – Sustainability Focus label

| Rule | Requirement | Example 1 | Example 2 |
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| 4.2.4 R (1)(b) | Have an explicit sustainability objective as part of its investment objectives that is clear, specific and measurable; | The fund's objective is to address the pressing health and well-being challenges faced by populations, by investing in companies that provide solutions to:<br><br>• **Poverty & Hunger**: to ensure everyone has access to basic needs.<br>• **Health and Medicine**: quality healthcare to foster longer, healthier lives.<br>• **Water, Sanitation & Clean Energy**: access to clean water, sanitation, and affordable clean energy.<br>• **Life Below Water & Life on Land**: Protecting marine and terrestrial ecosystems to preserve biodiversity and support ecosystem services. | To invest in companies that create positive impacts on their workers, communities, and the environment through:<br><br>• Providing transparency and accountability to stakeholders.<br>• Minimising their environmental footprint and adopting sustainable practices.<br>• Supporting fair treatment of employees, suppliers, and communities. |
| 5.3.3 R (2)(b) | A manager must include the link between the sustainability product's sustainability objective and a positive environmental and/or social outcome | | |
| 5.3.3R (3a)<br><br>5.3.3R (bi) | How the manager determines the assets the product invests in, including the criteria it applies in determining the | Asset allocation: we invest in assets that derive X% of revenue from activities that deliver against a subset of the UN's Sustainable Development Goals:<br>• **Poverty & Hunger**: Goal 2: Zero Hunger<br>• **Health and Medicine**: Goal 3 Ensure healthy lives and promote well-being for all | Standard - We invest in companies that meet or exceed the B-Corp Certification Standards, though the companies need not have obtained certification.<br><br>The manager has selected the B-Corp Certification Standards because it regards B Corp certification as an independent globally recognised |

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| | sustainability characteristics of those assets;<br><br>The standard which the manager relies upon including: the basis on which that standard is considered to be appropriate for the purposes of determining the assets the product invests in (in accordance with its sustainability objective) | • **Water, Sanitation & Clean Energy**: Goal 6 Ensure availability and sustainable management of water and sanitation for all<br>• **Life Below Water & Life on Land**: Goal 14 Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.<br><br>The manager has determined the revenue percentage based on internal research, which identified that companies with X% revenue have sufficient management focus on the SDG-aligned area of their business which will allow them to consistently deliver in line with the fund's sustainability objective and continue to grow that area of the business.<br><br>The UN Sustainable Development Goals (SDGs) were chosen as the basis of the robust evidence-based standard as they directly target the areas specified in the objective and have been endorsed by all UN member states, where the fund conducts its operations and investments. | assessment of high standards of social and environmental performance. The standards map to the fund's sustainability objective. The standards are regularly reviewed and updated to take into account changes and improvement in sustainable practices.<br><br>The manager will invest in assets that hold a B Corp certificate. The managers can also invest in companies that it has assessed to meet B Corp standards. |
| 5.3.3R (5)<br><br>4.2.4R (2a/c)<br><br>4.2.4 (3)<br><br>4.2.9 (5)<br><br>5.3.3R (6) | Details of the manager's policies and procedures to monitor the performance of the sustainability product in | The manager monitors the revenue generated by the assets aligned with the targets and indicators for SDG goals 2, 3, 6, and 14.<br><br>Where data is available, the manager also monitors how effectively the companies deliver on the fund's objectives by monitoring the positive and negative outcomes on the indicators for SDG goals. For example, under | On an annual basis the manager reviews companies against the B Corp Certification standards.<br><br>Where an investee company holds a B Corp certificate, the company is deemed to meet the standard. |

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| | achieving its sustainability objective;<br><br>At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability objective, except where:<br><br>Where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that conflict with that objective<br><br>A manager must, in addition to ensuring that a sustainability product meets | SDG Goal 6: *Ensure availability and sustainable management of water and sanitation for all,* the manager will monitor:<br><br>• New safe and affordable drinking water supplied to communities previously without services (cubic meters per annum).<br>• Number of EPA category 1, 2, and 3 pollution incidents per annum.<br>• Water savings from product use (cubic meters per annum).<br>• Water-related ecosystems protected or restored ($KM^2$).<br><br>The manager will publish the following metrics:<br><br>• % gross value of the portfolio meeting the sustainability objective for each theme.<br>• % of portfolio revenue aligned with the sustainability objective for each theme. | Where an investee company does not hold a B Corp certificate, the manager undertakes an internal review to determine whether the company meets B Corp standards.<br><br>In addition, the manager monitors investee company disclosures to establish if key measures are progressing or not. Deterioration of metrics would represent a conflict that the manager would seek to address. Key metrics include:<br><br>• Greenhouse Gas Emissions (GHG): Total emissions measured in $CO_2$ equivalents, including Scope 1 (direct), Scope 2 (indirect from purchased energy), and where available, Scope 3 (all other indirect emissions) emissions.<br>• Energy Consumption: Total energy used by the company, broken down by source (renewable vs. non-renewable) and efficiency improvements over time.<br>• Water Usage: Total water consumed, including metrics on water recycling and conservation efforts.<br>• Waste Management: Amount of waste generated, including the percentage that is recycled, composted, or sent to landfill. |

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| | the requirements set out: identify the KPIs that the manager will use that can demonstrate the product’s progress towards meeting its sustainability objective.<br><br>Details of the KPIs that the manager will use and/or other metrics a retail client may reasonably find useful in understanding the manager’s investment policy and strategy for the product | | • Environmental Incidents: Number and severity of environmental incidents, such as spills or accidental releases of pollutants.<br><br>The manager will publish the following metrics:<br><br>• % gross value of the portfolio meeting the sustainability objective for each theme.<br>• Breakdown of B Corp standards met and B Corp standards exceeded. |

# Table 1.2 – Sustainability Focus label

| Rule | Requirement | Example 3 |
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| 4.2.4 R (1)(b) | Have an explicit sustainability objective as part of its investment objectives that is clear, specific and measurable; | To invest in assets that are sustainable for the planet.<br><br>Our focus is on investing in businesses that set and achieve ambitious environmental goals and are dedicated to reducing carbon emissions, implementing sustainable procurement and waste management practices. |
| 5.3.3 R (2)(b) | a manager must include the link between the sustainability product's sustainability objective and a positive environmental and/or social outcome | |
| 5.3.3R (3a)<br><br>5.3.3R (bi) | How the manager determines the assets the product invests in, including the criteria it applies in determining the sustainability characteristics of those assets; | Standard – Only assets that score more than 300 on our proprietary scoring model will be considered for investment. Our model is based on in-depth internal research, which has included establishing the relevance of various factors to specific sustainability outcomes.<br><br>Below our threshold of 300, whilst some companies are making efforts, there is not sufficient evidence that these are resulting in outcomes that meet the sustainability objective. We calibrate our model on an annual basis using internal research to compare its scores with a detailed analysis of a sample of companies, to ensure they remain aligned with the score descriptors. Where we identify any discrepancies, we modify or recalibrate the model as required. This process ensures that the model remains a robust measure of the sustainability objective. |

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<td>The standard which the manager relies upon including:<br>the basis on which that standard is considered to be appropriate for the purposes of determining the assets the product invests in (in accordance with its sustainability objective)</td>
<td>The model corresponds with the following scale.
<table>
<tr><th>Score</th><th>Descriptor</th></tr>
<tr><td>400</td><td>This company is a leader in environmental sustainability, significantly reducing carbon emissions through extensive use of renewable energy and advanced energy efficiency measures. It has a robust sustainable procurement policy, ensuring its supply chain is free from deforestation and other harmful practices. The company excels in waste management, with comprehensive programs for reducing, reusing, and recycling. It sets ambitious environmental goals and transparently reports its progress, showcasing a strong commitment to accountability.</td></tr>
<tr><td>300</td><td>This company has made substantial strides in reducing carbon emissions by integrating renewable energy sources and improving energy efficiency. It implements sustainable procurement practices, though some minor supply chain issues persist. Waste management is a priority, with effective programs for reducing, reusing, and recycling. The company sets and reports on environmental goals, but with less transparency compared to market leaders.</td></tr>
<tr><td>200</td><td>This company is making efforts to reduce carbon emissions, primarily through energy efficiency improvements, with limited use of renewable energy. It has some sustainable procurement practices in place, but there are occasional lapses in supply chain oversight. Waste management practices are in place, focusing on recycling more than reducing and reusing. The company sets environmental goals but does not consistently or comprehensively report on progress.</td></tr>
<tr><td>100</td><td>This company has started to address carbon emissions, mainly through basic energy efficiency measures, with minimal use of renewable energy. Sustainable procurement practices are sporadic, and the supply chain often includes environmentally harmful activities. Waste management is basic, with some recycling efforts but little emphasis on reducing and reusing. Environmental goals are set but rarely achieved or reported on.</td></tr>
<tr><td>0</td><td>This company shows poor commitment to environmental sustainability, with negligible efforts to reduce carbon emissions and no use of renewable energy. It lacks sustainable procurement practices, with a supply chain that has</td></tr>
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| | | exposure to deforestation and other harmful activities. Waste management is minimal, with little to no focus on reducing, reusing, or recycling. The company does not set or report on environmental goals, demonstrating a lack of accountability. In addition, companies that score on the "Do No Significant Harm criteria" also receive 0. |
| 5.3.3R (5)<br><br>4.2.4R (2a/c)<br><br>4.2.4R (3)<br><br>4.2.9R (5)<br><br>5.3.3R (6) | Details of the manager's policies and procedures to monitor the performance of the sustainability product in achieving its sustainability objective;<br><br>At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability objective, except where:<br>where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that | The proprietary model runs on an ongoing basis and is updated with data as reporting is received. Examples of KPIs used in the model include:<br><br>• Percentage of revenue from sustainable activities.<br>• Greenhouse gas emissions (tons of $CO_2$ equivalent).<br>• Energy Consumption (megawatt-hours).<br>• Total water withdrawal (cubic meters).<br>• Total waste generated (metric tons).<br>• Percentage of materials recycled.<br>• Number and severity of accidents.<br><br>The manager will publish the following metrics:<br><br>• % gross value of the portfolio meeting the sustainability objective for each theme.<br>• Median score of assets in the portfolio. |

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| | conflict with that objective<br><br>A manager must, in addition to ensuring that a sustainability product meets the requirements set out: identify the KPIs that the manager will use that can demonstrate the product's progress towards meeting its sustainability objective.<br><br>Details of the KPIs that the manager will use and/or other metrics a retail client may reasonably find useful in understanding the manager's investment policy and strategy for the product | |

# Table 2 – Sustainability Improver label

| Rule | Requirement | Example 1 | Example 2 | Example 3 |
|---|---|---|---|---|
| 4.2.4 R (1)(b) | Have an explicit sustainability objective as part of its investment objectives that is clear, specific and measurable; | To invest in assets that reduce the carbon emissions caused by human activities, to support the mitigation of climate change.<br><br>Mitigating carbon emissions results in cleaner air, which can reduce respiratory illnesses and healthcare costs. It can help to preserve biodiversity, ensuring ecosystems remain balanced and resilient. Additionally, it may help to minimise the physical risks of climate change, such as extreme weather events, protecting communities from disasters and reducing economic losses. | The Fund aims to support sustainability by investing in assets that reduce their carbon emissions in accordance with the Paris Agreement.<br><br>Environmentally, this can help to mitigate the impacts of climate change, improve air quality, and protect ecosystems. Socially, it enhances public health, creates economic opportunities through green jobs, boosts corporate reputation, and supports regulatory compliance and risk management. | To invest in companies that mitigate climate change, by reducing GHG emissions associated with their operations.<br><br>Achieving net zero helps prevent the buildup of greenhouse gases, which in turn reduces the risk of both acute and chronic climate events such as extreme weather, sea-level rise, and disruptions to ecosystems. |
| 5.3.3 R (2)(b) | a manager must include the link between the sustainability product's sustainability objective and a positive environmental and/or social outcome; and | | | |
| 5.3.3R (3a)<br><br>5.3.3R (bi) | How the manager determines the assets the product invests in, including the criteria it applies in determining the sustainability | Standard - Green financing bonds purchased in the primary or secondary market. Where use of proceeds is for new projects that are independently evaluated to align with the objective of restricting global temperature rise to | Standard – assets are required to have made a commitment to net zero and be decarbonising at a rate of at least 7% on average per annum (scope 1 and 2 emissions). | Standard - Assets aligning or aligned to a Net Zero by 2050 trajectory.<br><br>Assets that have:<br>• an SBTi* validated net zero target and are |

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| | characteristics of those assets;<br><br>The standard which the manager relies upon including: the basis on which that standard is considered to be appropriate for the purposes of determining the assets the product invests in (in accordance with its sustainability objective) | 1.5°C above pre-industrial levels.<br><br>The Intergovernmental Panel on Climate Change (IPCC) has identified 1.5°C as an essential limit to curb global warming. The IPCC is a body consisting of governments from the United Nations or World Meteorological Organization (WMO) members, offering ongoing assessments of the scientific foundation of climate change.<br><br>Research has shown that decreases in company emissions are more pronounced when green bonds are for new financing and/or go through an external assessment. | The Intergovernmental Panel on Climate Change (IPCC) Special Report outlines pathways to limit global temperature rise to 1.5°C above pre-industrial levels. To achieve this, global carbon dioxide emissions need to decrease by about 45% from 2010 levels by 2030, reaching net zero around 2050. To meet these targets, an average annual reduction of approximately 7% in carbon intensity is required.<br><br>The IPCC is comprised of government representatives from United Nations members or World Meteorological Organization (WMO), providing continuous evaluations of the scientific basis for climate change. | meeting the reduction requirements.<br>• or have publicly committed to having an SBTi target within 24 months<br><br>Rationale:<br>SBTi ensures that corporate targets are in line with the latest climate science to meet the goals of the Paris Agreement, specifically limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C<br><br>* Or independent third parties with equivalent validation requirements |
| 5.3.6 R (1a/1b) | (a) the period of time by which the product and/or the assets in which the product invests is expected to meet the robust, | KPIs are set in relation to carbon reduction, in terms of scope 1, 2 and 3 (S1, S2 and S3), resulting from the activities supported by the proceeds of the bond issued. Short, medium and long-term targets are set | • Short term target: A 7% annual reduction in Scope 1 and 2 emissions.<br>• Medium term Target: A 50%* reduction in Scope 1 and 2 emissions by 2030. | KPIs are set in relation to each company's scope 1, 2 and 3 (S1, S2 and S3) emissions reduction pathway towards net zero 2050, relative to a given base year.<br><br>Company A: |

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| | evidence-based standard and the short and medium-term targets[1] for improvements in the sustainability of the product and/or the assets in which the product invests, commensurate with the investment horizon of the product); and (b) a summary of the types of evidence the manager has relied upon to satisfy itself that the assets in which the product invests have the potential to meet the robust, | relative to the outcomes of the funding / project.<br><br>Bond A: Green bond issued in 2022 with 2030 maturity.<br>S-T target 2025: S1 and S2 of -34% and S3 of -12%.<br>M-T target 2027: S1 and S2 of -42% and S3 of -18%.<br>L-T target 2030: S1 and S2 of -50% and S3 of -22%.<br><br>Bond B: Green bond issued in 2023 with 2033 maturity.<br>S-T target 2025: S1 and S2 of -44% and S3 of -20%.<br>M-T target 2028: S1 and S2 of -55% and S3 of -30%.<br>L-T target 2030: S1 and S2 of -80% and S3 of -50%.<br><br>Bond C: Green bond issued in 2019 with 2028 maturity.<br>S-T target 2024: S1 and S2 of -38% and S3 of -16%.<br>M-T target 2026: S1 and S2 of -48% and S3 of -28%.<br>L-T target 2028: S1 and S2 of -75% and S3 of -42%.<br><br>Bond D: xxx | • Long term Target: A 100%* reduction in Scope 1 and 2 by 2050.<br><br>*Compared to 2019 values<br><br>We have not included Scope 3 emissions due to insufficient data for the assets in our portfolio. Omitting Scope 3 emissions from reporting can result in an incomplete or inaccurate evaluation of a company's overall carbon footprint. We will continue to analyse the availability of such data with an aim to incorporate this measure when viable. | Base year 2020<br>S-T target 2025: S1 and S2 of -32% and S3 of -14%.<br>M-T target 2030: S1 and S2 of -60% and S3 of -25%.<br>L-T target 2050: S1 and S2 of -90% and S3 of -90%.<br>Evidence - Targets are based upon SBTi validated target (2022) and progress.<br><br>Company B:<br>Base year 2021<br>S-T target 2025: S1, S2 and S3 of -20%.<br>M-T target 2030: S1, S2 and S3 of -45%.<br>L-T target 2040: S1, S2 and S3 of -90%.<br>Evidence - Targets are based upon SBTi Validated target (2024).<br><br>Company C:<br>S-T target 2025: develop targets. |

[1] Where there are a large number of targets, details can be provided via a linked document rather than including them in the prospectus.

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| | evidence-based standard. | Bond E: xxx<br><br>Evidence for target – details of use proceeds and targets are identified from the independent assurance report. | | M-T target 2026: obtain SBTi validation.<br>L-T target 2027: Implement target.<br>Evidence - Targets based upon an SBTi commitment made.<br><br>Company D: xxx<br><br>Company E: xxx |
| 5.3.3R (5)<br><br>4.2.4R (2a/c)<br><br>4.2.4 (3)<br><br>4.2.9 (5)<br><br>5.3.3R (6) | Details of the manager's policies and procedures to monitor the performance of the sustainability product in achieving its sustainability objective;<br><br>At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability | The manager monitors post issuance reporting to identify whether the proceeds were used as intended. Typical KPIs include:<br><br>• Utilisation of funds as specified.<br>• Greenhouse Gas (GHG) emissions avoided in (carbon dioxide equivalent ($CO_2e$)).<br>• Energy Savings (megawatt-hours (MWh)<br>• Renewable Energy Generated in MWh<br>• Carbon Intensity $CO_2e$ emissions per mWh. | The manager reviews company reporting to monitor whether emissions reductions align with reduction targets.<br><br>• Absolute Greenhouse Gas (GHG) emissions (in carbon dioxide equivalent or $CO_2e$)<br><br>The manager will publish the following metrics:<br><br>• % gross value of the portfolio meeting the sustainability objective.<br>• % gross value of the portfolio on target. | SBTI Commitment - the manager engages with portfolio firms to monitor and support progress on achieving validation.<br><br>SBTI Validated – the manager reviews company reporting to monitor whether reductions align with targets.<br><br>The manager will publish the following metrics:<br><br>• % gross value of the portfolio meeting the sustainability objective. |

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| | objective, except where:<br>where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that conflict with that objective<br><br>A manager must, in addition to ensuring that a sustainability product meets the requirements set out: identify the KPIs that the manager will use that can demonstrate the product's progress towards meeting its sustainability objective.<br><br>Details of the KPIs that the | The manager will publish the following metrics:<br><br>• % gross value of the portfolio meeting the sustainability objective.<br>• % gross value of the portfolio on target. | | • % gross value of the portfolio on target.<br>• % gross value of the portfolio with commitments.<br>• % gross value of the portfolio with validated net zero targets.<br>• Annual scope 1,2 and 3 reduction. |

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| | manager will use and/or other metrics a retail client may reasonably find useful in understanding the manager’s investment policy and strategy for the product | | | |

## Table 3.1 – Sustainability Impact label

| Rule | Requirement | Example 1 (Property Authorised Investment Fund) |
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| 4.2.4 R (1)(b) | Have an explicit sustainability objective as part of its investment objectives that is clear, specific and measurable | The fund invests directly into Property Assets across the Emerging Markets with a specific objective to deliver a positive social impact through the increased provision of socially positive services. The assets held will only target areas of education and health where there is an identified lack of services relative to the underlying demand. By increasing the amount of social infrastructure in these areas, essential services can be expanded upon to help meet demand.<br><br>In the area of education, improved services are supported through the provision of more educational centres and associated spaces - meeting the needs of those in both part-time and full-time education. The fund will target areas where the Investment Manager has identified an underserved market, as measured by waitlists for education as reported by reputable local statistics.<br><br>In the area of healthcare, improved services are supported through the provision of increased floor space utilised for additional health related activities, from clinics to consultation rooms and bed space. The fund will target geographic areas where there are significant waiting lists, assessed by being above the county's average wait times as reported by official national statistics or other reputable indicators. |
| 4.2.16 R | The product's sustainability objective is consistent with the aim of achieving a pre-defined, positive, measurable impact in relation to an environmental and/or social outcome | |
| 5.3.3 R (2)(b) | A manager must include the link between the sustainability product's sustainability objective and a positive environmental and/or social outcome | |

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| 5.3.6R (2a)<br><br>5.3.3R (2b) | The manager must detail a theory of change, with clear examples that emphasise how the manager expects its manager expects its investment activities and<br>the product's assets to contribute to achieving a positive environmental and/or social impact | The fund's approach to deliver positive impact is based upon a theory of change underpinned by 3 key concepts. The Challenge, the Activities (that address the challenge) and the Impact Outcome.<br><br>The Challenge:<br>Within emerging markets, access to both Health and Education can be impacted by:<br><br>• a lack of Government funding, reflecting the weaker state of a country's national accounts.<br>• urban sprawl and a greater proportion of the population living in rural locations that are distanced from quality social infrastructure assets.<br>• social barriers/biases that restrict access to high quality Health and Educational services.<br><br>This can often lead to a deficiency in local infrastructure assets despite there being an unmet demand.<br><br>The Activities:<br>To overcome the challenges identified, a number of investment activities are undertaken:<br><br>• Providing capital from the Fund to invest into existing property assets seeking to deliver improved services in the area of healthcare and education, through development and regeneration.<br>• Partnering with local health and education service providers to manage and deliver the services to meet unmet local demand.<br>• Ongoing support in managing the asset to optimise the number of appointments, school places etc. available.<br>• Partnering with local service providers to identify new sites for expansion and providing capital (in part of full) towards the development. |

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| | | Impact Outcome:<br><br>Education<br>In many emerging markets, the percentage of populations living below the poverty line exceeds that more commonly found in more developed markets. Education is a key enabler which can lead to improved employment opportunities and a route to a higher income level. Education provides the necessary building blocks to learn, develop and contribute in a meaningful way to society which can help improve the overall future prospects of a country.<br><br>The fund's provision of property assets alongside the partnering with local education providers results in increased educational opportunities.<br><br>Healthcare<br>Life expectancy in many emerging markets is below levels seen in more developed countries, where access to healthcare services is more readily available. Through increasing the availability of essential healthcare services an improvement in an individual's longer-term health can be achieved, in particular through earlier diagnosis and access to medical treatments.<br><br>The fund's provision of property assets in the specific area of healthcare results in increased bed capacity, availability of appointments and new clinical space. Overall, this supports the delivery of a range of healthcare services that currently are less accessible. |
| 5.3.6 R (2b)<br><br>5.3.3R (5)<br><br>4.2.4R (2a/c)<br><br>4.2.4R (2a)<br><br>4.2.4 (3) | A summary of the method used to measure and demonstrate that the manager's investment activities and the sustainability | At an asset level, the following key performance indicators (KPIs) are used to track the impact delivered:<br><br>Healthcare:<br>• Increase in usable area of existing floor space for the provision of medical services in underserved locations that would not have otherwise been delivered.<br>• Increase in number of medical appointments made available for underserved communities. |

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| 4.2.9 (5)<br><br>5.3.3R (6) | product's assets are achieving a positive environmental and/or social impact<br><br>Details of the manager's policies and procedures to monitor the performance of the sustainability product in achieving its sustainability objective;<br><br>At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability objective<br><br>Where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that | • Additional clinic capacity and/or new clinic types added in underserved locations.<br><br>Education:<br>• Total number of education places provided for underserved communities that would not have otherwise been delivered.<br>• Split of education places between primary, secondary and tertiary education.<br>• Proportion of class hours allocated to adult further education.<br><br>The Investment Manager will publish the percentage of the gross value of the portfolio meeting the sustainability objective.<br><br>The following KPIs are used to demonstrate the manager activities that support the impact outcome sought:<br><br>Healthcare:<br>• Area of newly developed floor space in underserved locations funded by direct investment by the Investment Manager.<br>• Year-on-year change in medical appointments and/or clinics linked to rezoning of existing floor space in underserved locations.<br>• Increase in medical appointments associated with improvements in the operational practices employed in existing assets in underserved locations.<br><br>Education:<br>• Total number of additional education places created in underserved locations from direct investment by the Investment Manager.<br>• Year on year increase in total class time taught as a result of improved timetabling and operational practices in existing assets in underserved locations. |

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| | conflict with that objective<br><br>A manager must, in addition to ensuring that a sustainability product meets the requirements set out: identify the KPIs that the manager will use that can demonstrate the product's progress towards meeting its sustainability objective<br><br>Details of the KPIs that the manager will use and/or other metrics a retail client may reasonably find useful in understanding the manager's investment policy and strategy for the product | |

## Table 3.2 – Sustainability Impact label

| Rule | Requirement | Example 2 (Diversified Equity) |
|---|---|---|
| 4.2.4 R (1)(b) | Have an explicit sustainability objective as part of its investment objectives that is clear, specific and measurable | To invest in and engage with companies that seek to address the environmental challenge of climate change. This involves investing in companies that are providing solutions to reduce greenhouse gas (GHG) emissions, develop alternative energy sources and to grow the provision of those solutions (products and/or services).<br><br>By growing the provision of decarbonisation products and/or services, the positive environmental outcomes associated with reduced carbon emissions can be realised more quickly than would have been possible otherwise.<br><br>Climate change is endangering the living world and threatening the land upon which we live. Reducing GHGs through the impact of alternative energy solutions and more efficient processes is key to safeguarding the future of the planet. |
| 4.2.16 R | The product's sustainability objective is consistent with the aim of achieving a pre-defined, positive, measurable impact in relation to an environmental and/or social outcome | |
| 5.3.3 R (2)(b) | A manager must include the link between the sustainability product's sustainability objective and a positive environmental and/or social outcome | |
| 5.3.6R (2a)<br><br>5.3.3R (2b) | The manager must detail a theory of change, with clear examples that emphasise how the manager expects its | The Impact Management Project (a collection of industry practitioners that have developed a standardised framework on how sustainability impacts can be calculated, developed and disclosed) has been used to underpin the Theory of Change for the fund. |

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| | investment activities and<br>the product's assets to contribute to achieving a positive environmental and/or social impact | The What:<br>The environmental challenge the Investment Manager is seeking to address relates to GHG emissions and the negative impact these have on climate change. Uncontrolled GHG emissions can lead to an increase in global temperatures. If emissions continue at the current rate, the world could see a temperature rise of up to 3 degrees Celsius compared to pre-industrial levels. This would result in more frequent and severe heatwaves, making some regions uninhabitable. The fund actively seeks to reduce the amount of GHGs impacting the planet.<br><br>The Who:<br>By delivering the intended impact, the planet as a whole benefits from a reduction in GHGs that are increasing the intensity of global warming. Some of the most exposed to the impact of rising temperatures are those in low lying countries that may be overcome by rising sea levels and extreme weather events.<br><br>The Asset impact:<br>The companies into which the Fund invests provide products and/or services that reduce GHG emissions which help limit the impact of global warming.<br>The main types of companies held are:<br>• Renewable energy producers (producing energy with a significantly lower level of GHG emissions). Examples include, wind, solar and other alternative energy sources.<br>• Energy efficiency providers (improving processes such that related energy demand is less). These range from company's delivering improved manufacturing processes through to those producing more efficient heating, insulation and other technologies that improve energy efficiency.<br><br>The Investment Manager impact:<br>The key outcome sought from the activities of the Investment Manager is an increase in the products and/or services that reduce GHG emissions. This is achieved through targeted engagement with company management. Growth in products and/or services that enable decarbonisation are measured over a minimum 4-year period. |

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| | | Engagement can occur in multiple forms, but primarily through one-to-one meetings and targeted written guidance. These typically focus on supporting and accelerating company management's:<br>• growth plans in relation to the products and services related to the reduction in GHG emissions.<br>• capital expenditure, including new capital raising and/or debt issuance, to support growth plans in impact areas.<br>• low carbon product development – new technologies both in manufacturing techniques and in end-solutions.<br><br>Through the actions of the Investment Manager, the intention is for an uplift in the production and sales of products and/or services that facilitate the reduction in GHG emissions than otherwise would have occurred. |
| 5.3.6 R (2b)<br><br>5.3.3R (5)<br><br>4.2.4R (2a/c)<br><br>4.2.4R (2a)<br><br>4.2.4 (3)<br><br>4.2.9 (5)<br><br>5.3.3R (6) | A summary of the method used to measure and demonstrate that the manager's investment activities and the sustainability product's assets are achieving a positive environmental and/or social impact<br><br>Details of the manager's policies and procedures to monitor the performance of the sustainability product in achieving its sustainability objective | The key metric used to assess the impact of the assets held in the fund is the GHG emissions avoided through the products and/or services sold by a company. The preferred measure is tonnes of $CO_2$e avoided, adjusted for the proportion of GBP invested versus the market capitalisation of a given company. This is measured annually, but the expectation is that there is growth over a 4-year cycle.<br><br>The contribution from the activities of the Investment Manager is assessed against predefined engagement milestones. These milestones are related to an acceleration in the delivery of products and/or services increasing the amount of GHG avoided. For example, the investment manager identifies a target market that to date has not been a focus of company management. These milestones are published annually (*link included*) alongside a summary of progress towards achieving these.<br><br>Typical milestones set include company management:<br>1. recognising an engagement topic as a priority<br>2. operationalising a plan to deliver on a particular priority<br>3. providing detailed assessment of progress towards delivery of a particular priority |

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| | At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability objective<br><br>Where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that conflict with that objective<br><br>A manager must, in addition to ensuring that a sustainability product meets the requirements set out: identify the KPIs that the manager will use that can demonstrate the product's progress towards meeting its sustainability objective<br><br>Details of the KPIs that the manager will use and/or other metrics a retail client may | 4. delivering the end outcome associated with that priority<br><br>These milestones in themselves do not ensure that a company will meet the anticipated impact outcome, but they indicate where a company is potentially at risk of failing to deliver an expected impact outcome. In such situations, additional engagement is employed and potential escalation will occur according to our established policies.<br><br>The Investment Manager will publish the percentage of the gross value of the portfolio meeting the sustainability objective. |

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| | reasonably find useful in understanding the manager's investment policy and strategy for the product | |

## Table 3.3 – Sustainability Impact label

| Rule | Requirement | Example 3 (Diversified Equity) |
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| 4.2.4 R (1)(b) | Have an explicit sustainability objective as part of its investment objectives that is clear, specific and measurable | The Fund aims to deliver impact through investing in companies whose products and/or services address the environmental challenges associated with resource depletion. Notably, by supporting the move away from fossil fuels to more sustainable energy production and the adoption of more resource efficient manufacturing processes.<br><br>It is widely accepted that humanity cannot keep extracting ever more finite resources from the environment, especially when the associated waste products contribute to an increase in pollutants that can cause global warming and harm biodiversity. Reducing these negative environmental impacts can contribute to the quality of life that comes from living in a healthy, sustainable environment. |
| 4.2.16 R | The product's sustainability objective is consistent with the aim of achieving a pre-defined, positive, measurable impact in relation to an environmental and/or social outcome | |
| 5.3.3 R (2)(b) | A manager must include the link between the sustainability product's sustainability objective and a positive environmental and/or social outcome | |
| 5.3.6R (2a)<br><br>5.3.3R (2b) | The manager must detail a theory of change, with clear examples that emphasise how the manager expects its investment activities and | The Investment Manager believes that the assets held, alongside their associated investor activities, support a Theory of Change to deliver impact. The Theory of Change first considers the *Challenges* faced and then the potential *Solutions* that can lead to the impact outcome. |

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| | the product’s assets to contribute to achieving a positive environmental and/or social impact | Challenges:<br>The activity and consumption of the global population has increasingly strained the Earth’s flora and fauna, leading to increased levels of greenhouse gas (GHG) emissions contributing to climate change and a reduction in biodiversity.<br>As a result, there is an urgent need to reduce the negative environmental impact within certain areas of the economy, such as resource intensive manufacturing, farming and fossil fuel driven electricity generation. This can be achieved by the adoption of more sustainable practices, such as renewable electricity generation, organic farming, more efficient manufacturing processes or through technology which enables these solutions.<br><br>Solutions:<br>In order to reduce the GHG emissions released from the above areas of the economy and their impact on biodiversity, the Investment Manager aims to:<br>• invest in and support companies whose products and services are supporting or delivering on the transition from fossil fuel dependency to alternative energy sources for electricity production.<br>• invest in and support companies whose products and services are supporting or delivering a reduction in natural resource exploitation, water use and waste production for a given activity.<br>• invest in and support companies whose products and services are supporting or delivering more sustainable agricultural practices (notably through the reduction in potentially harmful environmental run-off from fertilisers and pesticides)<br><br>The Investment Manager has a two-pronged approach to impact investing.<br><br>The first considers the asset contribution and is based on that asset’s expected future contribution to the sustainability objective. Notably this will establish the investment rationale and how this will contribute to the impact objective. These investment rationales are published annually in the Impact Management Report. |

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| | | The second considers the manager activity from the perspective of both financial impact and engagement impact. Financial impact can be delivered through the participation in initial public offerings (IPOs) or additional public equity or debt issuance, where the proceeds are used to accelerate the deployment of products and services which are contributing to the impact objective. Participation by the Investment Manager in any capital raise is dependent on sufficient comfort that the intended use of capital raised contributes to the impact objective.<br><br>Engagement impact seeks to promote growth in a company's products and/or services to enhance its contribution to the sustainability impact delivered. The Investment Manager may seek to influence a specific aspect of company strategy or operations through direct discussions with key company personnel. Typical engagements in this category include:<br><br>- Providing introductions to other companies and organisations (ranging from alternative suppliers to new end markets) which, in the Investment Manager's opinion, can accelerate the delivery of the products and services.<br><br>- Focused engagements around operational efficiency improvements which the Investment Manager has identified as aiding an acceleration in production.<br><br>- Supporting company management in key matters which, in the Investment Manager's opinion, will help the company deliver an outcome which supports the sustainability impact of the fund. This may relate to investment in new research and development, or expansion in head count to accelerate the delivery of relevant products and services. This is particularly important when there may be dissenting voices in the shareholder base that are more focused on nearer term financial outcomes. As longer-term shareholders, management will typically consider the views shared, alongside that of others. |
| 5.3.6 R (2b)<br><br>5.3.3R (5) | A summary of the method used to | The asset contribution to delivering the sustainability impact can be measured by various performance indicators, examples of which include: |

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| 4.2.4R (2a/c)<br><br>4.2.4R (2a)<br><br>4.2.4 (3)<br><br>4.2.9 (5)<br><br>5.3.3R (6) | measure and demonstrate that the manager's investment activities and the sustainability product's assets are achieving a positive environmental and/or social impact<br><br>Details of the manager's policies and procedures to monitor the performance of the sustainability product in achieving its sustainability objective<br><br>At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability objective<br><br>Where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that conflict with that objective | • Carbon avoided as a result of the products and services sold. Carbon avoided will typically be measured in tonnes of $CO_2e$.<br>• Acres of farmland managed more sustainably.<br>• Year-on-year increase in electricity generated through renewable sources.<br>• Percentage reduction in resource input required per unit of output.<br>• Annual savings in water use.<br><br>The performance of each company against these or additional indicators will be monitored annually and published in the Impact Management Report.<br><br>The Investment Manager will also publish the percentage of the gross value of the portfolio meeting the sustainability objective.<br><br>The impact from manager activities may be measured and recorded by:<br><br>*Financial Impact* – where the use of proceeds clearly relates to the accelerated deployment of products and services, the Investment Manager will record the ex-post growth that has resulted. This will be referenced back to the projected (ex-ante) impact to determine the success of the financial contribution, or not. This measure will depend on the availability of relevant capital raising opportunities and related measurability of the impact outcome.<br><br>*Engagement Impact* – As engagement for each company will have its own specific focus and objective, the Investment Manager will detail in the Impact Management Report the proposed engagement objectives for the year to come for each company, alongside the success of the engagement objectives set for the prior year. For example, if engagement is in relation to a company increasing the use of hydroponic farming, then success of the engagement can be measured through the year-on-year increase in tonnes of crop harvested this way.<br><br>One of the key outcomes sought through engagement is an increase in the deployment of the relevant impactful products and services. Therefore, |

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| | A manager must, in addition to ensuring that a sustainability product meets the requirements set out: identify the KPIs that the manager will use that can demonstrate the product's progress towards meeting its sustainability objective<br><br>Details of the KPIs that the manager will use and/or other metrics a retail client may reasonably find useful in understanding the manager's investment policy and strategy for the product | specifically measuring this growth can indicate a level of success in the manager activities. For example, where a new distribution channel has been introduced, new sales growth to that channel can be recorded. |

## Table 4.1 – Sustainability Mixed Goals label

| Rule | Requirement | Example 1 (directly held assets) |
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| 4.2.18 R | A Manager must disclose that the product intends to invest in accordance with 2 or more of the sustainability objectives of an Improver, Focus or Impact label | The Fund has a Sustainability Mixed Goals label and is a product that invests in a mix of companies that qualify under the standard for either a Sustainability Focus or Sustainability Improver label.<br><br>In calculating the Fund's exposure, each company held will be counted once under either the Sustainability Focus or Sustainability Improver label. The Fund will invest between 30-70% of its assets under the Sustainability Focus label and between 10-40% under the Sustainability Improver label.<br><br>For diversification purposes, up to 20% of the fund may be invested in assets that do not qualify for either a Focus or Improver label, although none will be held in conflict with the sustainability objective of the fund. |
| 4.2.19 R (1)<br>5.3.6 R (3a) | The Manager must disclose the proportion of assets which will be invested in accordance with the 2 or more labels disclosed | |
| 4.2.4 R (1)(b) | Have an explicit sustainability objective as part of its investment objectives that is clear, specific and measurable; | The Fund invests in companies that are aligned (Sustainability Focus) or are in the process of aligning (Sustainability Improver) with net zero carbon dioxide equivalent (CO2e) emissions ('Net Zero') by 2050. For those assets that were initially aligning, the intention is to retain them as investments once aligned.<br><br>Achieving net zero emissions helps prevent the buildup of greenhouse gases in the environment. In turn this reduces the risk of both acute and chronic climate events such as extreme weather, sea-level rise, and disruptions to ecosystems. |
| 5.3.3 R (2)(b) | A manager must include the link between the sustainability product's sustainability objective and a positive environmental and/or social outcome | |
| 5.3.3R (3)(a)<br><br>5.3.3R (b)(i) | How the manager determines the assets the product invests in, including the criteria it applies in | The Investment Manager uses the Net Zero Investment Framework (NZIF) which was developed by the Institutional Investors Group on Climate Change (IIGCC) to assess whether a company has achieved net zero or has the potential to achieve that outcome. |

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| | determining the sustainability characteristics of those assets.<br>The standard which the manager relies upon including:<br>the basis on which that standard is considered to be appropriate for the purposes of determining the assets the product invests in (in accordance with its sustainability objective) | In summary, the NZIF categorises a company as:<br>1. Not aligned – Companies with no net zero goal.<br>2. Committed to align – Companies that have set a net zero 2050 goal but have not disclosed a Paris aligned transition strategy.<br>3. Aligning towards a net zero pathway – Companies that have set a net zero goal and disclosed climate targets but do not have a fully developed Paris aligned transition plan.<br>4. Aligned to a net zero pathway – Companies that have a net zero goal, disclosed climate targets and a detailed Paris aligned transition plan. These companies are executing their plans but have not yet reached net zero.<br>5. Achieving net zero – Companies with an emissions performance at net zero.<br><br>The manager will use a combination of publicly available data, from both independent sources as well as the companies themselves, alongside their own fundamental analysis to determine the category alignment of a given investment.<br><br>Those companies categorised as 5, achieving net zero, may be held within the Sustainability Focus allocation, whilst those categorised as 2-4 may be held within the Sustainability Improver allocation. |
| 5.3.6 R (1a/1b) | (a) the period of time by which the product and/or the assets in which the product invests is expected to meet the robust, evidence-based standard and the short and medium-term targets for improvements in the sustainability of the product and/or the assets in which the product | For those assets held as Sustainability Improvers a short-term target is set for each asset such that it will deliver upward progression of at least one category within the NZIF within a maximum of three years. Once a category move has occurred, the short-term target to move to the next is reset.<br><br>The medium-term target is that each investment has reached category 5 within a maximum of nine years following initial purchase.<br><br>The manager will rely upon the following evidence to determine positioning and progress through the NZIF: |

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| | invests, commensurate with the investment horizon of the product); and<br>(b) a summary of the types of evidence the manager has relied upon to satisfy itself that the assets in which the product invests have the potential to meet the robust, evidence-based standard. | • Category 2: Public Commitment to achieve net zero by 2050 or earlier (i.e. including a specific date by which actions will be undertaken to move away from a mere intention to achieve).<br>• Category 3: In addition to Category 2, disclosure of operational scope 1 and 2 emissions (and any material scope 3 emissions) and short and medium-term science-based targets to reduce emissions.<br>• Category 4: In addition to Category 2 and 3, an absolute emissions (or absolute emissions intensity) equal to a net zero pathway.<br><br>Any asset that progresses to category 5 will move from the Improver to the Focus allocation at the point in time that reclassification occurs. |
| 5.3.3 R (5)<br><br>4.2.4R (2a/c)<br><br>4.2.4 (3)<br><br>4.2.9 (5)<br><br>5.3.3R (6) | Details of the manager's policies and procedures to monitor the performance of the sustainability product in achieving its sustainability objective;<br><br>At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability objective<br><br>Where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that | Alongside the short and-medium term targets within the NZIF framework, the following KPIs will also be measured:<br><br>i) Gross value of assets per NZIF category, and the sum total of all assets meeting the sustainability objective of the Fund (category 2-5 assets).<br>ii) Absolute Greenhouse Gas (GHG) emissions (in carbon dioxide equivalent or $CO_2e$) of each individual holding.<br>iii) Absolute Greenhouse Gas (GHG) emissions (in carbon dioxide equivalent or $CO_2e$) of the overall portfolio.<br>iv) Year-on-year percentage change of (ii) and (iii) above. |

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| | conflict with that objective<br><br>A manager must, in addition to ensuring that a sustainability product meets the requirements set out: identify the KPIs that the manager will use that can demonstrate the product’s progress towards meeting its sustainability objective.<br><br>Details of the KPIs that the manager will use and/or other metrics a retail client may reasonably find useful in understanding the manager’s investment policy and strategy for the product | |

## Table 4.2 – Sustainability Mixed Goals label

<table>
<tr><th>Rule</th><th>Requirement</th><th>Example 1 (in-house fund of funds approach)</th></tr>
<tr><td>4.2.18 R</td><td>A Manager must disclose that the product intends to invest in accordance with 2 or more of the sustainability objectives of an Improver, Focus or Impact label</td><td rowspan="2">The product operates as a fund of funds, investing solely in other funds managed by the Firm, and applies a Sustainability Mixed Goals label. Within the product, investments will be made into funds that either have a Sustainability Focus or Sustainability Improver SDR investment label themselves or, where no sustainability label is used, the individual assets of the relevant fund held are assessed as meeting the sustainability standard set for these two labels by the Investment Manager.<br><br>When calculating exposure to a given Sustainability label[2], for those funds held that use a sustainability label, only the proportion of assets that meet the underlying fund’s sustainability standard will be recorded against the product’s exposure to that label. For unlabelled funds, only those underlying assets that meet the sustainability objective of the product and other criteria relevant to Focus or Improver will be recorded against a given label.<br><br>The product will hold between 40-80% of its assets under the Sustainability Focus label and between 20-60% under the Sustainability Improver label. At all times, the combined total under these two labels will exceed a minimum level of 70%. Therefore, the sum total of all assets held in underlying funds that are not invested in line with the sustainability objective will not exceed 30%.<br><br>No assets held in any underlying fund may conflict with the sustainability objective of the product.</td></tr>
<tr><td>4.2.19 R (1)<br>5.3.6 R (3a)</td><td>The Manager must disclose the proportion of assets which will be invested in accordance with the 2 or more labels disclosed</td></tr>
<tr><td>4.2.4 R (1)(b)</td><td>Have an explicit sustainability objective as part of its investment</td><td>The product’s overall sustainability objective is to undertake investments that are contributing to the advancement of one or more of the United Nations Sustainable Development Goals (UN SDGs) in the areas of:</td></tr>
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[2] As investments are made via in-house funds (whether in funds that use sustainability labels or funds that do not), the manager has opted to apply a due diligence approach that reflects the full transparency into the underlying positions that is readily available to it.

<table>
<tr><td></td><td>objectives that is clear, specific and measurable;</td><td rowspan="2">i) financial inclusion (the provision of basic financial services to the unbanked creates access to other economic opportunities and social welfare).<br>ii) health and wellbeing (the promotion of which reduces strain on public health services and can lead to more prosperous and sustainable societies).<br>iii) climate change (reducing the amount of GHG emitted into the atmosphere can help underpin the need to restrict the increase in the global temperature to below 2°C as per the Paris climate agreement).<br><br>For labelled funds, the sustainability objective/s of a given fund must satisfy one or more of the above criteria (“Sustainability Outcomes”). For unlabelled funds, the underlying assets to be held as part of the sustainability objective must satisfy one or more of the Sustainability Outcomes.<br><br>The investments made will either be contributing already to the Sustainability Outcomes (Sustainability Focus) or are in the process of increasing their contribution to them (Sustainability Improver).</td></tr>
<tr><td>5.3.3 R (2)(b)</td><td>A manager must include the link between the sustainability product’s sustainability objective and a positive environmental and/or social outcome</td></tr>
<tr><td>5.3.3R (3)(a)<br><br>5.3.3R (b)(i)</td><td>How the manager determines the assets the product invests in, including the criteria it applies in determining the sustainability characteristics of those assets.<br>The standard which the manager relies upon including:<br>the basis on which that</td><td>For funds using a sustainability label, the Investment Manager will be reliant upon the standard of sustainability that the specific underlying fund has chosen in their asset selection process.<br><br>When evaluating the sustainability characteristics of the assets held in an unlabelled underlying fund the Investment Manager applies their in-house developed standard of sustainability.<br><br>Specifically, the investment manager, through back-testing of roughly 1,000 companies over the past 15 years and alongside the investments team average experience in sustainable investing of over 10 years, have determined that 50% (or more) of revenue related to one or more of the Sustainability Outcomes is the appropriate standard to qualify as Sustainability Focus and deliver against</td></tr>
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| | standard is considered to be appropriate for the purposes of determining the assets the product invests in (in accordance with its sustainability objective) | the objective. They have further determined that for revenue related to the Sustainability Outcomes of between 20-50%, an asset qualifies as a Sustainability Improver. |
| 5.3.6 R (1a/1b) | (a) the period of time by which the product and/or the assets in which the product invests is expected to meet the robust, evidence-based standard and the short and medium-term targets for improvements in the sustainability of the product and/or the assets in which the product invests, commensurate with the investment horizon of the product); and<br>(b) a summary of the types of evidence the manager has relied upon to satisfy itself that the assets in which the product invests have the potential to meet the robust, evidence-based standard. | For those funds held that are labelled as Sustainability Improver, the underlying time horizons and associated targets of those funds are adopted by the product.<br><br>For those assets in unlabelled funds that are held as Sustainability Improvers, the expectation is that they can progress to Sustainability Focus (as determined by revenue greater than 50% associated with one of more of the Sustainability Outcomes) within 15 years post the point of investment by the product.<br><br>A short-term target is set for the sustainability revenue to increase by at least 30% of its initial value or to 30% of total (whichever is the greater) within the first 5 years of investment.<br><br>A medium-term target is set for the sustainability revenue to increase by at least 60% of its initial value or to 40% of total (whichever is the greater) within the first 10 years of investment. |

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| 5.3.3 R (5)<br><br>4.2.4R (2a/c)<br><br>4.2.4 (3)<br><br>4.2.9 (5)<br><br>5.3.3R (6) | Details of the manager's policies and procedures to monitor the performance of the sustainability product in achieving its sustainability objective;<br><br>At least 70% of the gross value of the product's assets must be invested in accordance with its sustainability objective, except where:<br><br>Where the product invests in assets that are not in accordance with its sustainability objective, those assets must not have attributes that conflict with that objective<br><br>A manager must, in addition to ensuring that a sustainability product meets the requirements set out: identify the KPIs that the manager will use that can demonstrate the product's progress towards meeting its sustainability objective. | For labelled funds, the KPIs of those held will be adopted by the product. Where possible, similar KPIs across funds will be aggregated to show a weighted average product level KPI.<br><br>For unlabelled funds, the following KPIs will be monitored for each underlying fund, and where possible, will also be aggregated to show a weighted average product level KPI.<br><br>• % of assets held under each of the fund's Sustainability Outcomes.<br>• Weighted average revenue by Sustainability Outcome, split by Focus and Improver labels.<br>• For those assets held under financial inclusion, the year-on-year increase in banked clients from territories noted as underpenetrated.<br>• For those assets held under Health and Wellbeing, the year-on-year increase in individuals with affordable access to health and wellbeing.<br>• For those assets held under Climate Change, the carbon intensity reduction over the past 12 months.<br><br>In addition to the above, the following KPIs will also be presented:<br><br>• % gross value of the portfolio meeting the sustainability objective.<br>• % of assets held in labelled funds.<br>• % of assets in unlabelled funds.<br>• % of assets held as Sustainability Focus and Sustainability Improver. |

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| | Details of the KPIs that the manager will use and/or other metrics a retail client may reasonably find useful in understanding the manager's investment policy and strategy for the product | |

## Examples of poor disclosure practices that do not meet the SDR requirements:

- Disclosure of an asset selection process that does not link to the specified sustainability objective and aim of a product.
- The disclosed approach to asset selection does not include an explanation and evidence as to why the scoring or threshold is appropriate for defining sustainability.
- Failure to disclose a manager override for asset selection where it exists.
- For a Sustainability Improvers label:
    - Failure to disclose the types of evidence the manager relies upon to satisfy itself that assets have the potential to meet the robust, evidence-based standard.
    - Short-term and medium-term targets missing or inconsistent with the long-term horizon over which the assets are expected to meet the standard of sustainability.