



HELLENIC REPUBLIC
CAPITAL MARKET COMMISSION

Athens, April 4, 2023

TO:

- a) MFMC regarding the UCITS they manage
- b) AIFM regarding the AIFs they manage
- c) UCITS and AIF depositories

ANNOUNCEMENT

The European Securities and Markets Authority (ESMA) issued a special Supervisory Briefing with the title: *Supervisory briefing: sustainability risks and disclosures in the area of investment management*, which is addressed to national supervisors and supervised companies, and concerns:

- a) the integration of sustainability risks in the internal processes and the governance structure of management companies and
- b) the disclosures of information related to sustainability in the area of investment management.

The briefing was issued with the aim of effectively monitoring the compliance of the obliged companies with the rules for the integration of sustainability risks in the organizational structure and the investment process as well as with the rules for disclosing to investors the sustainability-related information provided for in Regulation (EU) 2019/2088 (SFDR), in Regulation (EU) 2022/1288 which specifies the provisions of the SFDR and in Regulation (EU) 2020/852 (Taxonomy - TR).

The Hellenic Capital Market Commission on the occasion of the issuance of the supervisory briefing by ESMA and in the context of prudential supervision, recommends to managers of Undertakings for Collective Investment (UCITS and AIFs) to implement ESMA's recommendations contained in this update and integrate all the points into their practices pertaining to the manner of implementation and proper drawing up of sustainability-related disclosures as well as in integrating sustainability risks into organizational framework and investment decision-making process.

Particular emphasis must be placed on compliance with ESMA's recommendations and directives regarding:

- 1) The requirement of Articles 8(3) and 9(5) of the SFDR that the information provided to investors on the Undertaking for Collective Investment's pre-contractual documents (UCITS prospectus/AIF information document) to be accurate, clear non-misleading, simple and concise.
- 2) The observance of all disclosure requirements in the pre-contractual documentation.

The pre-contractual information for the Undertakings for Collective Investment (UCIs) disclosing under Articles 8 or 9 SFDR (and Articles 5 or 6 TR) are provided in an annex to the UCITS prospectus or AIF information document in accordance with the templates in Annex II and III of Regulation 2022/1288. Regarding the disclosure of investment selection criteria by the management companies, these criteria can only be disclosed if they are binding on the managers in the investment decision-making process. It is pointed out that the management company should ensure continuous compliance with all the rules set out in the prospectus regarding the strategy in sustainable investments, and the depositary is responsible for the independent monitoring of the investment restrictions as part of its supervisory duties in accordance with the applicable provisions. The supervisory briefing includes specific criteria against which the pre-contractual sustainability disclosures of UCIs disclosing under Articles 8 or 9 SFDR are assessed as complying with the requirements of the legislation. Management companies should take these criteria into account when preparing disclosures.

3) In the consistency and accuracy of the information contained in pre-contractual documentation, marketing material, KIID/KID and Regulation of UCIs. Particular attention should be paid to:

a) In the way sustainability-related disclosures are presented of the UCIs they disclose under Articles 8 or 9 of the SFDR in order for investors to evaluate the proposed UCIs. Information provided to investors must be communicated in an accessible way, accurate, clear, non-misleading, simple and concise. Sustainability disclosures should not include complex legal disclaimers, nor technical jargon that may not be understood by the average investor. The investor should not be required to search for the relevant information in the volume of general information provided. The technical information should be tailored to the case of each UCI. Where references and hyperlinks are used, they must always be kept active and included in the "Where can I find more specific product information online?" section of Annex II and III of Regulation 2022/1288. UCI documentation must include a reference to the SFDR article under which the disclosures are made.

b) In the names of UCIs: Names should not be misleading in relation to the actual investment objectives and strategy of the UCI, and the disclosure of sustainability features should be consistent with the effective implementation of these features in practice. The use of terms such as "ESG", "green", "sustainable", "social", "ethical", "impact" or any other terms related to sustainability should only be used when supported in a meaningful way by sustainability evidence where are fairly and consistently reflected in the fund's investment objectives and policy and strategy as described in the relevant fund documentation. The supervisory briefing includes some basic principles to be taken into account when assessing the name of the UCI for its relevance to its actual investment policy, as well as illustrative examples of acceptable and unacceptable names. Management companies should consider these criteria and examples when choosing a name for a managed UCI.

c) In the sustainable investment policy and objectives: The objectives of sustainable development and investment policy should be included in the regulation of the fund, which should be managed in accordance with it. Sustainable development objectives should be clearly identified and avoid general and vague expressions such as "the fund pursues ESG *objectives* in general" without further specifying the investment policy.

In case of environmental objectives, a way to clearly identify those objectives is if they are referred to in Article 9 TR.

d) In the Investment Strategy: The investment strategy should be clearly identified in the UCI documentation. It should also clearly state how the strategy is linked to the formulated sustainable objectives or characteristics and how it helps to achieve this. For a strategy to be clearly identified at least some of the following non- exhaustive key elements should be disclosed:

- i. the investment universe (including the limits set)
- ii. the investment evaluation criteria established by the management company
- iii. the intended specific ESG characteristics or non-financial impacts
- iv. the use of benchmarks and the relative tracking error if applicable
- v. the approach followed by the management company for the supervision (stewardship) of the companies in which assets of the mutual funds under management have been invested.

The exclusion strategies disclosed in accordance with Articles 8 and 9 of the SFDR should be sufficient. In particular, for an exclusion strategy to be considered sufficient it should a) according to Article 8 allow investors to understand that the environmental and/or social characteristics of the UCI are met and b) according to Article 9, in addition, it should include a selection strategy investments that meet the conditions of article 2 par.17 of the SFDR.

4) In the disclosures published on the company's website (website disclosure) which must include a clear reference to each UCI of articles 8 or 9 of the SFDR which the company manages. This information must be published in a separate section of the website. The information that must be made public is defined in articles 24 and 37 SFDR and is specified in articles 25-36 and 39-49 of Regulation 2022/1288.

5) In the disclosures that are required to be included in the annual financial statements (periodic report disclosures) of UCIs that disclose under articles 8 or 9 of the SFDR. Article 11 SFDR refers to the periodic disclosure obligations and Articles 50 and 58 of the SFDR Delegated Regulation refer to the presentation and content requirements for periodic reports. This information is to be provided in an annex to the annual report in accordance with the templates set out in Annex IV and V of the Regulation 2022/1288. Companies should ensure that:

- a) A prominent statement referring to the information to be found in the annex has been included in the main body of the annual report.
- b) All the information required under Regulation 2022/1288 (Chapter V) has been included in the annual report. Indicatively, to what extent the environmental and/or social characteristics promoted by funds disclosing under Article 8 SFDR and the sustainable investment objectives pursued by funds disclosing under Article 9 SFDR were met. A list of the top investments of the UCI must also be included, as well as the proportion of the sustainability-related investments to the total investments.

6) In integrating sustainability risks into management processes portfolio and risk as well as the overall governance structure of the licensed management companies. This

obligation applies from 1.8.2022 and applies to all companies, even those that do not manage UCIs with an orientation to investments linked to sustainability. The manner in which sustainability risks are integrated in their investment decisions should be disclosed in pre-contractual documentation as referred to in Article 6 SFDR

The fields that should be covered by companies' policy and procedures in order to integrate sustainability risks are: investment due diligence, risk management, remuneration policy, recruitment policy and Human Resources (including regular trainings for professional development with respect to sustainability-related matters), organizational structure and decision-making processes, internal reporting and record-keeping, delegation monitoring, accounting and valuation, costs and fees, reporting to supervisory authorities, internal control functions and regular controls by senior management and the Board of Directors of the management company.

Duties of Depositaries

ESMA's supervisory briefing also provides that the appointed depositaries should include in their supervisory duties all investment restrictions in the monitoring and auditing compliance with sustainability in the field of investment management. All relevant information and data must be provided by the management companies to the depositaries so that the latter can effectively fulfill their supervisory duties (overview functions).

For the convenience of supervised companies, the relevant link is provided with the text of the supervisory briefing «[Supervisory briefing: sustainability risks and disclosures in the area of investment management](#)».

Finally, it is reminded that ESG legislation is constantly evolving, such as with the issuance of new Guidelines by ESMA (a consultation text was recently issued on the funds' names entitled "[Consultation on Guidelines on funds' names using ESG or sustainability-related terms](#)»).

Detailed information on topics of Sustainable Finance can be found on the website of the Hellenic Capital Market Commission in the "[Sustainability-ESG](#)" section.