January 2023

# Statement on the Transparency of Adverse Sustainability Impacts at Entity Level

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**Statement on the transparency of adverse sustainability impacts at entity level**

**(the "Statement")**

**Carne Global Fund Managers (Ireland) Limited,**

**Carne Global Fund Managers (Luxembourg) S.A**

**(the "Companies")**

## Introduction

The Companies are authorised by the Central Bank of Ireland and the Commission de Surveillance du Secteur Financier respectively to provide UCITS Management Company/AIFM services to a range of collective investment schemes domiciled in, but not limited to, Ireland and Luxembourg (the "**Schemes**").

As per Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended ("**SFDR**"), the Companies are defined as a "financial market participant".

**Article 4(1), point (b), of SFDR**, requires that, where a "financial market participant" does not consider adverse impacts of investment decisions on sustainability factors, it shall publish and maintain on its website clear reasons for why it does not do so, including, where relevant, information as to whether and when it intends to consider such adverse impacts.

Chapter II of the Commission Delegated Regulation (EU) 2022/1288 supplementing SFDR (the "**SFDR Delegated Regulation**"), which applies from 1st January 2023, requires further transparency about adverse impacts on sustainability factors.

On 25th May 2022, it was **clarified by the European Commission in a SFDR Q&A** that a "financial market participant" that (i) is below the thresholds laid down in Article 4, paragraph 3 or 4, of SFDR, (ii) does **not** consider adverse impacts of investment decisions on sustainability factors at entity level and (iii) publishes and maintains on its website clear reasons for why it does not consider such adverse impacts, in accordance with Article 4(1), point (b), of SFDR, **may**, notwithstanding the criteria set out in Article 7(1), first subparagraph, of SFDR, manufacture a financial product that pursues a reduction of negative externalities caused by the investments underlying that product.

On 18th July 2022, the European Supervisory Authorities' Joint Committee ("**ESAs' JC**") published it first annual report on the extent of voluntary disclosure of principal adverse impact under SFDR (JC 2022 35).

In a letter dated 26th October 2022 addressed to the European Commission (JC 2022 64), the Chair of the ESAs' JC notified a **delay** of up to six months (i.e., the original deadline of 28 April 2023 will not be met) for the delivery of the mandate to **review**, *inter alia*, the principal adverse impact ("**PAI**") indicators in the SFDR Delegated Regulation.

## Delegation model

Generally, the Companies delegate the portfolio management function to a suitably qualified third-party investment manager (the "**Delegated Manager**"). The Companies may retain the portfolio management function in certain instances and appoint a third-party investment advisor where it has been retained. In most cases, "investment decisions" as defined under SFDR are delegated to the Delegated Managers, subject to the Companies' ongoing oversight.

## No consideration of adverse impacts of investment decisions on sustainability factors

Having regard to the above elements, the Companies have determined it prudent **not to consider** any adverse impacts of their investment decisions on sustainability factors, due to the following reasons:

- Technically demanding and uncertain SFDR Delegated Regulation requirements on PAI indicators (under delayed review by the ESAs' JC).
- The Schemes, to which the Companies act as UCITS Management Company/AIFM, follow different investment strategies with varying/divergent approaches towards disclosures of environmental, social and governance ("ESG") and sustainability factors.
- Lack of information and clear methodology on how to obtain PAI data from issuers and more broadly lack of publicly available data.
- The application of proportionality criteria to the Companies, including size, internal organisation and the nature, scope, and complexity of the activities in question.

This Statement is subject to annual review.

The Companies reserve the right to consider PAI of their investment decisions on sustainability factors in the future.

For further queries relating to the Companies, please contact: EuropeanCompliance@carnegroup.com.

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