

Factors	Transition	ESG Basics	Sustainable
Definition	Products transitioning towards sustainability, or contributing to a measurable environmental or social (EoS) transition objective.	Products that don't pursue a sustainable-investment objective, but integrate sustainability factors into their investment strategy beyond risks.	Products that are already sustainable, or contribute positively to a measurable and clear EoS objective.
Eligibility routes	- Examples include, but are not limited to: EU Taxonomy alignment - Credible transition plans or science-based targets - Supportive credible sustainability engagement strategies	- ESG ratings or sustainability indicators outperforming the average rating of the relevant investment universe or reference benchmark (the EU Council has proposed at least two indicators). - Proven positive track record in sustainability processes, progress or outcomes (<i>EU Council removes this route</i>) - Integrate sustainability factors beyond risks	- Examples include, but are not limited to: EU Taxonomy alignment - Green Bonds (EuGBs) under EU Green Bond Standard - Benefiting from EU budgetary guarantees or financial products under Union programmes pursuing EoS objectives - Investments in EU Social Entrepreneurship Funds - Comparable sustainability standards or assets etc.
Exemptions for direct qualification	- Products with 15% Taxonomy-aligned investments to satisfy the 70% qualifying investment threshold - Products replicating or managed in reference to an EU Paris-Aligned Benchmark (PAB) and Climate Transition Benchmark (CTB) to be considered sufficient to qualify	N/A	- Products with 15% Taxonomy-aligned investments to satisfy the 70% qualifying investment threshold – <i>EU Parliament proposed to increase to 20%</i> - Products replicating or managed in reference to EU PAB considered sufficient to qualify.
Exclusions	- PAB exclusions – prohibited weapons, tobacco, OECD and United Nations Global Compact (UNGC)/ United Nations Guiding Principles on Business and Human Rights (UNGPs)violation, and 1% coal - Fossil fuel (new projects) – oil & gas (EU Parliament provides exceptions: the company has 20% EU Taxonomy-aligned capital expenditure, has a time-bound, measurable strategy for Scope 1 and Scope 2 emissions, for power gen using coal, has a phase-out plan, and allocates over three-year rolling period higher portion of capex to EUT activities)	PAB exclusions – prohibited weapons, tobacco, 1% coal revenues, OECD and UNGC/UNGP violation *Exceptions given to certain use of proceeds (UoP)instruments including Green Bonds under EU GBS (EU Parliament extends these exceptions to use of proceeds loan facilities)	- PAB exclusions – prohibited weapons, tobacco, OECD and UNGC/UNGP violation, 1% coal, 10% oil, 50% gas and 50% energy intensity-related revenue thresholds - Fossil fuel (new projects) – coal, oil & gas and power generation using coal
Principal Adverse Impact (PAI) indicators for fund disclosures	EU Parliament proposes mandatory fund disclosures including: - Exposure: fossil-fuel sector; - Greenhouse gas (GHG)emissions; - One more indicator relevant to transition objective. The Council instead proposes at least three indicators selected from a future Commission list, while the Commission provides greater flexibility.	EU Parliament proposes mandatory fund disclosures of exposure to companies active in the fossil-fuel sector and other PAIs relevant to the product's ESG strategy. The EU Commission and Council have no proposed requirements related to PAI indicators for this category.	EU Parliament proposes mandatory fund disclosures including: - Exposure in fossil fuel sector, - GHG emissions, - Activities negatively affecting biodiversity-sensitive areas, - Exposure to companies without processes and mechanisms to monitor compliance with the UNGPs and OECD Guidelines (weak due diligence processes)