2021 Brings Significant New ESG Disclosure Obligations for Financial Services Firms

January 5, 2021

Over a year ago, on December 29, 2019, Regulation (EU) 2019/2088 on sustainability-related disclosures for the financial services sector (the “Sustainable Finance Disclosure Regulation”, or “SFDR”) entered into force. Just a few months remain before key provisions begin to apply and asset/fund managers and other financial services firms should not delay in preparing for new disclosure requirements.

The SFDR requires European financial firms to consider how sustainability risks are incorporated into their investment decision-making processes, and the extent to which their financial sector remuneration practices are consistent with sustainability concerns. In short, manufacturers of financial products and financial advisers need to consider and adapt how they operate their business before they can make the disclosures required under the SFDR.

The initiative falls under Action 7 of the European Union’s 2018 Action Plan on sustainable finance, aiming to clarify institutional investors’ and asset managers’ duties in relation to sustainability considerations.

This alert memorandum provides an overview of the SFDR (including as to status, scope and conceptual and technical framework), explores the upcoming regulatory implications of this initiative for European financial sector firms, and provides a comparative analysis of similar regulatory developments in other jurisdictions.¹

¹ The authors are grateful to Jiamo Hu and Aadishi Agarwal for their assistance in the preparation of this memorandum.
I. In a nutshell

The SFDR stems from the premise that disclosures to end-investors on the integration of sustainability risks, adverse sustainability impacts, sustainable investment objectives, and the promotion of environmental or social characteristics in investment decision-making and advisory processes are insufficiently developed – in part, because they are not yet subject to harmonised requirements.

On that basis, the SFDR introduces a set of new ESG transparency and disclosure requirements for certain financial services firms – including, in particular, asset managers and fund managers, with respect to:

- website disclosures;
- pre-contractual disclosures (such as fund prospectuses); and
- periodic reporting to investors.

In addition, the SFDR defines the concept of a “sustainable investment”, which requires that investee companies engage in activities that contribute to an environmental or social objective, provided that (a) the investment does not significantly harm (“DNSH”) any such objectives, and that (b) the investee follows good governance practices. Such disclosures are to be prepared with reference to the criteria for determining whether an economic activity can be considered “environmentally sustainable,” as set forth in the Taxonomy Regulation.²

Many important aspects of the SFDR will apply to all asset or fund managers, even those that do not have an express ESG-related objective (although some will only apply to financial products with a specific ESG focus).

The extensive disclosure requirements are expected to drive firms to review how sustainability risks are incorporated into their investment decision-making processes and, potentially, make internal strategic changes as to how they operate their business, both for purposes of achieving compliance with the SFDR and (re-)positioning themselves on the financial market. This will in turn require significant engagement with investee companies (as well as with investors or other intermediaries who may themselves be subject to the requirements) and ongoing due diligence and portfolio monitoring.

II. Status

The SFDR entered into force on December 29, 2019. Most of the Regulation’s substantive framework requirements and general principles will, however, apply starting on March 10, 2021. Others (relating mostly to periodic reporting obligations) will apply as from January 1, 2022.

As for the more detailed (so-called, “Level 2”) technical standards (currently being developed by the three European Supervisory Authorities, i.e., ESMA, the EBA and EIOPA), the Commission confirmed in October 2020 that these will no longer become applicable from March 2021 but rather, instead, “at a later date” (likely not until 2022).

III. Scope

The entities that fall within the scope of application of the SFDR are, broadly speaking:

- Financial market participants who manufacture or provide to the market certain “financial products” (i.e., portfolio managers, fund managers, pensions providers); and
- Financial advisers (i.e., providers of investment or insurance advice).

Of the above – financial market participants include:

- alternative investment fund managers (AIFMs);
- units in collective investment schemes (UCITS);
- management companies;
- investment firms that provide portfolio management;
- credit institutions that provide portfolio management;
- managers of qualifying venture capital funds;
- managers of qualifying social entrepreneurship funds;
- insurance undertakings that make available insurance-based investment products (IBIPs);
- institutions for occupational retirement provision;
- manufacturers of pension products; and
- pan-European personal pension products (PEPPs).

Financial advisers include:

- AIFMs that provide investment advice;
- UCITS management companies that provide investment advice;
- credit institutions that provide investment advice;
- investment firms that provide investment advice;
- insurance intermediaries that provide insurance advice relating to IBIPs; and
- insurance undertakings that provide insurance advice relating to IBIPs.

The financial products administered by financial market participants are:

- alternative investment funds (AIFs);
- IBIPs;
- pension products;
- pension schemes;
- UCITS;
- PEPPs; and
- portfolios managed under MiFID II.

The territorial scope of the SFDR is somewhat uncertain – in particular, the extent to which non-EU AIFMs will be subject to the requirements at the entity level (as opposed to merely the product level).

The UK Financial Markets Law Committee is looking to raise this issue with the EU.

IV. Key provisions

Disclosures to be made under the SFDR include:

(a) at the entity level:

  (FINANCIAL MARKET PARTICIPANTS and FINANCIAL ADVISERS: website disclosures)

  - a requirement to provide information on their policies on the integration of sustainability risks in their investment decision-making process or advice;

  - a requirement to include in their remuneration policies, and disclose, information on how those policies are consistent with the integration of sustainability risks;

  - a comply or explain requirement with respect to consideration and due diligence of principal adverse impacts on sustainability (“PAIs”) of investment decisions and investment advice;
(b) at the product level:
- a requirement to explain how ESG risks are likely to impact investment returns;
  (FINANCIAL MARKET PARTICIPANTS and FINANCIAL ADVISERS: pre-contractual disclosures)
- a comply or explain requirement with respect to PAIs;
  (for FINANCIAL MARKET PARTICIPANTS and FINANCIAL ADVISERS: pre-contractual disclosures)
- a requirement to disclose the ESG performance of:
  o any products which promote environmental or social characteristics (a.k.a. “Article 8”, or “light-green”); and
  o any sustainable investments (i.e., products which have sustainability as their outright investment objective – a.k.a. “Article 9”, or “dark-green”); all throughout the life of the product
  (for FINANCIAL MARKET PARTICIPANTS: pre-contractual disclosures, websites and periodic reports).

V. Technical implementing provisions

In April 2020, the three European Supervisory Authorities (ESAs) launched a joint consultation (ended on September 1, 2020) on the draft regulatory technical standards (“RTSs”) to be issued by the Commission under the SFDR. The SFDR’s RTSs include, in particular:

i. a set of indicators and mandatory reporting templates applicable to the disclosure of PAIs and the firm’s policies for identifying, prioritising and addressing PAIs (as well as the mandatory contents of the alternative “statement of no consideration”);

ii. details on the content and presentation of product-level disclosures through pre-contractual, website and periodic reporting statements (also with regards to “Article 8” and “Article 9” products); and

iii. requirements for disclosing the way in which products comply with the DNSH principle.

The Annex to this alert memorandum presents the structure and template that will apply to the disclosure of PAIs (mentioned under (i), above), pursuant to the current draft RTSs.

As commented by several participants to the consultation, obtaining data for many of the 32 mandatory PAI indicators currently listed under the RTSs will likely be a challenge for firms, notwithstanding any leeway afforded by materiality and proportionality criteria. Under the current draft RTSs, for any mandatory PAI indicators for which data is not readily available, firms shall use best efforts to (a) obtain the information from investee companies and (b) assess the adverse impacts (including a description of assumptions used, additional research carried out, cooperation with third parties and use of external experts).

Under Article 4 of the SFDR, firms that do not consider the adverse impacts of their investment decisions on sustainability factors must provide the reasons for not doing so, including when and whether they intend to do so in the future. Under the current draft RTSs, such information must be published in a separate section on the firms’ websites entitled “No consideration of sustainability adverse impacts.” This means that firms that are in the process of obtaining data and making the assessments will be required to include this “no consideration” statement until the analysis is complete.

For item (ii) above, disclosure templates applicable to the pre-contractual and periodic reporting to be made in relation to “Article 8” and “Article 9” product level disclosures are under development by the ESAs.

For item (iii), the ESAs shall submit a separate set of RTSs by December 30, 2020. As said, it is expected that such standards will address the DNSH principle from both an SFDR and a Taxonomy Regulation
standpoint.

VI. Parallel developments outside the EU

United Kingdom

Given that the operative provisions of the SFDR affecting firms will not start to apply until March 2021 (that is, after termination of the UK withdrawal’s “transition period” on December 31, 2020), they were not subject to the UK’s default “on-shoring” mechanism. Neither HM Treasury nor the FCA has announced plans to adopt the SFDR in UK legislation post-Brexit and we do not anticipate that the UK will adopt SFDR wholesale. Nonetheless, sustainable finance is a clear priority for the UK authorities and, as indicated below, climate-related disclosure requirements (at a minimum) are expected to be introduced for both financial sector and non-financial sector entities in the UK.³

On November 9, 2020, the UK Joint Government-Regulator TCFD Taskforce (comprising, inter alia, HM Treasury, the FCA and the PRA) announced that the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) will be implemented across the UK economy, publishing an interim report⁴ and a roadmap towards mandatory climate-related disclosures for seven categories of organisation – listed commercial companies, UK-registered large private companies, banks and building societies, insurance companies, asset managers, life insurers and FCA-regulated pension schemes, and occupational pension schemes – by 2025.⁵ In particular, the roadmap envisages that the UK will introduce new disclosure requirements for FCA-authorised asset managers⁶ based on the TCFD recommendations, which will apply from 2022 for the largest managers (which may be defined as those with assets under management in excess of £50 billion) and life insurers and pension providers (with a possible policy asset value threshold of £25 billion) and from 2023 for other asset managers, life insurers and pension providers. The FCA has announced plans to consult on potential client-focussed disclosure requirements, aligned to the TCFD recommendations, for UK-authorised asset managers, life insurers and FCA-regulated pension schemes in early 2021.

It is worth noting that, in line with the report and roadmap, the FCA, through its policy statement of December 21, 2020 (PS20/17),⁷ adopted a new Listing Rule⁸ applicable to premium listed commercial companies in the UK from January 1, 2021, which will require such companies to include TCFD-recommended disclosure statements in their annual financial report, or else a statement explaining their reasons for non-disclosure, the steps they plan to take to ensure future compliance and relevant timeframes to achieve disclosure. The FCA plans to consult in the first half of 2021 on extending the rule to a wider scope of listed issuers.

The FCA has also provided guidance on how companies can determine whether their disclosures are consistent with TCFD recommendations by evaluating whether their disclosures provide sufficient detail to enable users to assess a company’s exposure and approach to addressing climate-related issues.

The FCA has also observed that issuers may already be required to make disclosures on climate-related and other ESG matters under other regulations, including the Market Abuse Regulation and the Prospectus.

³ UK firms seeking to market relevant products into the EEA may also be subject to the EUSFDR (or subject, in any event, from a degree of “peer pressure” (or investor pressure) to meet SFDR standards).
⁶ Investment firms who provide portfolio management services, alternative investment fund managers and UCITS management companies.
⁸ In LR 9.8 with consequential amendments to LR 15.4 and LR 16.4.
Regulation. As a result, PS20/17 also includes a finalised technical note titled “Disclosures in relation to ESG matters, including climate change” which aims to clarify such existing requirements.

**United States**

The United States does not have a federal framework for consideration of sustainability in disclosure, risk analysis or remuneration. While legal authority to regulate financial advisors and financial products exists through several government departments and agencies, there has not yet been coordinated consideration of a financial regulatory initiative related to sustainable finance. A September 2020 report by the Commodity Futures Trading Commission on managing climate risk in the U.S. financial system outlined the existing authority and made recommendations to financial regulators, which may be considered in the future. Furthermore, in October 2020, the New York Department of Financial Services issued guidance to banking and insurance institutions under its jurisdiction, requiring these institutions to (i) integrate climate change financial risks into their governance frameworks, risk management processes, and business strategies, (ii) appoint a board member, committee of the board or senior management team to be accountable for assessment and management of financial risks from climate change, (iii) develop an approach to climate-related financial risk disclosure, and (iv) conduct a risk assessment of direct and indirect impacts from climate change. The guidance is generally principles-based, but may serve as a template for future federal guidance. The incoming Biden Administration is expected to focus on sustainability, but it is not yet clear what regulatory or legislative initiatives may follow.

The umbrella framework of the U.S. federal securities laws disclosure regime, which creates liability for offerings with material misstatements or omissions in disclosure and imposes a due diligence obligation on financial institutions underwriting securities offerings, applies and pushes issuers to have clear disclosure of sustainable goals and metrics used to measure progress. Given the general principles-based approach of the U.S. securities laws, however, it is unlikely that even if new prescriptive requirements around disclosure are adopted and there is convergence around mandated reporting frameworks, there will be any short-term development toward a systemic definition and regulation of sustainable activities similar to the SFDR.

**MENA**

In the MENA region, the increased focus on ESG reporting has largely centred around the importance of strengthening sustainability disclosures by issuers, rather than the disclosure/transparency duties of financial advisors and other financial services providers. By way of example, a number of stock exchanges have recently introduced voluntary ESG reporting guidance for listed companies, including the Abu Dhabi Securities Exchange (ADX) in July 2019, Dubai Financial Market (DFM) in November 2019 and Bahrain Bourse in June 2020.

**UAE**

However, the first and third of the three voluntary “Guiding Principles on Sustainable Finance” (published in January 2020 by the leading regulatory authorities in the UAE, including the Central Bank of the UAE, the Abu Dhabi Global Market’s FSRA and the Dubai International Financial Centre’s DFSA) are expressly applicable to “intermediaries” (such as banks and exchanges) and “investors” (such as asset managers and sovereign wealth funds), rather than solely issuers. The first of these principles – the integration of ESG factors into governance, strategy and risk management – encourages intermediaries and investors to integrate ESG considerations into their investment processes and product development.

The third principle – the promotion of appropriate ESG-related reporting and disclosures – focuses on the disclosure/transparency duties of intermediaries and investors by encouraging periodic reporting that allows stakeholders to understand the reporter’s general exposure to ESG-related issues and progress in managing and adapting to such issues.
Asia

Hong Kong

As part of its strategy framework on developing green finance, the Securities and Futures Commission (“SFC”) conducted a survey on integrating ESG and climate risks in asset management from March to September 2019. The results of the survey, published in December 2019, suggested that while most asset managers considered ESG factors (including risks arising from climate change) in their investment and risk management processes, they did not adopt a consistent approach to disclosing this information and integrating climate-related risks into their investment decisions. As such, in October 2020, the SFC issued a consultation paper introducing proposed requirements on governance, investment management, risk management and disclosures for asset management firms with a focus on climate-related risks and considerations. The proposals will be subject to public consultation until January 2021.

China

While ESG has become a focus of the Chinese government, and we expect relevant rules to be promulgated and implemented in the near future, currently there are no mandatory requirements in China for financial advisors and other financial services providers to disclose sustainable finance information.

Conclusion

The EU is again leading the way globally in regulation of sustainable finance disclosures by financial sector participants, as for regulation of ESG criteria and definitions through the Taxonomy Regulation and, generally, through other aspects of its 2018 Action Plan on sustainable finance. While other regions and individual countries may follow suit in their own time, financial advisory firms, fund managers, asset managers and others with a global footprint will need to follow the EU rules in any event, especially given the current uncertainty regarding the broad geographical scope of the SFDR.

Firms should waste no time in 2021 getting ready for these new disclosure obligations. Even though the detailed Level 2 technical standards have been delayed, the SFDR is already in force today, the framework requirements and general principles will apply from March and periodic reporting must commence from January 1, 2022. For fund managers and others whose disclosures will depend on input from third parties such as portfolio companies and LPs, the time to start the necessary conversations to obtain this input is now.

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DRAFT RTSs APPLICABLE TO DISCLOSURE OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

Below is the ESAs’ current draft proposal concerning the RTSs that will be applicable to PAIs under the SFDR.

Overall, firms’ disclosure of principal adverse sustainability impacts (PAIs) shall include:
- disclosures concerning each of the 32 mandatory PAIs on sustainability factors, as set out in Table 1 below;
- at least 1 additional PAI on a climate or other environment-related sustainability factor that qualifies as principal, as set out in Table 2;
- at least 1 additional PAI on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor that qualifies as principal, as set out in Table 3; plus
- any other identified adverse impacts on a sustainability factor that qualifies as principal.

* TABLE 1

| PRINCIPAL ADVERSE IMPACTS STATEMENT TEMPLATE |
| and MANDATORY* SUSTAINABILITY INDICATORS |

(* The 32 indicators under this Table 1 always lead to PAIs, irrespective of the value of the metrics, therefore requiring consistent disclosure)

TEMPLATE SECTION 1: Summary

[Name and, where available, LEI] considers PAIs of its investment decisions on sustainability factors.
This PAIs statement covers the period from 1 January to 31 December [year N].
[A summary of the PAIs statement (max. 2 pages)]
## Details of the assessment of principal adverse sustainability impacts

[Analysis of PAIs to be provided in the below format]

<table>
<thead>
<tr>
<th>MANDATORY ADVERSE SUSTAINABILITY INDICATOR</th>
<th>METRIC (market value)</th>
<th>IMPACT [year N]</th>
<th>IMPACT [year N-1]</th>
<th>EXPLANATION</th>
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<tbody>
<tr>
<td><strong>ENVIRONMENTAL INDICATORS</strong></td>
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<td>GREENHOUSE GAS EMISSIONS</td>
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<tr>
<td>1. Carbon emissions (broken down by scope 1, 2 and 3 carbon emissions - including agriculture, forestry and other land use (AFOLU) emissions - and in total)</td>
<td>(as defined/calculated in accordance with the definition laid out under the RTSs)</td>
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<td>2. Carbon footprint</td>
<td>(as defined/calculated in accordance with the definition laid out under the RTSs)</td>
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<td>3. Weighted average carbon intensity</td>
<td>(as defined/calculated in accordance with the definition laid out under the RTSs)</td>
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<tr>
<td>4. Solid fossil fuel sector exposure</td>
<td>Share of investments in solid fossil fuel sectors</td>
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<tr>
<td>ENERGY PERFORMANCE</td>
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<tr>
<td>5. Total energy consumption from non-renewable sources and share of non-renewable energy consumption</td>
<td>1. Total energy consumption of investee companies from non-renewable energy sources (in GWh), expressed as a weighted average</td>
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<td></td>
<td>2. Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage</td>
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<tr>
<td>6. Breakdown of energy consumption by type of non-renewable sources of energy</td>
<td>Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source</td>
<td></td>
<td></td>
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<tr>
<td>7. Energy consumption intensity</td>
<td>Energy consumption of investee companies per million EUR of revenue of those companies (in GWh), expressed as a weighted average</td>
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<tr>
<td>8. Energy consumption intensity per sector</td>
<td>Energy consumption intensity per million EUR of revenue of investee companies, per NACE sector (in GWh), expressed as a weighted average</td>
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<tr>
<td><strong>Biodiversity</strong></td>
<td>9. Biodiversity and ecosystem preservation practices</td>
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<tr>
<td></td>
<td>1. Share of all investments in investee companies that do not assess, monitor or control the pressures corresponding to the indirect and direct drivers of biodiversity and ecosystem change</td>
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<tr>
<td></td>
<td>2. Share of all investee companies that do not assess, monitor or control the pressures corresponding to the indirect and direct drivers of biodiversity and ecosystem change</td>
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</tbody>
</table>
| 10. Natural species and protected areas | 1. Share of investments invested in investee companies whose operations affect IUCN Red List species and/or national conservation list species  
2. Share of investments in investee companies with operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas |

| 11. Deforestation | 1. Share of investments in entities without a deforestation policy  
2. Share of investee companies without a deforestation policy |

| WATER | 12. Water emissions | Weight in tonnes of water emissions generated by investee companies per million EUR invested, expressed as a weighted average |

| 13. Exposure to areas of high water stress | 1. Share of investments in investee companies with sites located in areas of high water stress  
2. Share of investee companies with sites located in areas of high water stress |

<p>| 14. Untreated discharged waste water | Total amount in cubic meters of untreated waste water discharged by the |</p>
<table>
<thead>
<tr>
<th><strong>WASTE</strong></th>
<th>15. Hazardous waste ratio</th>
<th>Weight in tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16. Non-recycled waste ratio</td>
<td>Weight in tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>SOCIAL &amp; EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</strong></th>
</tr>
</thead>
</table>
| **SOCIAL & EMPLOYEE MATTERS** | 17. Implementation of fundamental ILO Conventions | 1. Share of investments in entities without due diligence policies on issues addressed by the fundamental ILO Conventions 1 to 8  
2. Share of investee companies without due diligence policies on issues addressed by the fundamental ILO Conventions 1 to 8 |
<p>| | 18. Gender pay gap | Average gender pay gap of investee companies |
| | 19. Excessive CEO pay ratio | Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for |</p>
<table>
<thead>
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<tbody>
<tr>
<td>20. Board gender diversity</td>
<td><strong>all employees (excluding the highest-compensated individual)</strong></td>
<td></td>
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<tr>
<td>21. Insufficient whistle-blower protection</td>
<td><strong>Average ratio of female to male board members in investee companies</strong></td>
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</tbody>
</table>
| 21. Insufficient whistle-blower protection | **1. Share of investments in entities without policies on the protection of whistle-blowers**
|   | **2. Share of investee companies without policies on the protection of whistle-blowers** |   |
| 22. Investment in investee companies without workplace accident prevention policies | **1. Share of investments in investee companies without a workplace accident prevention policy**
|   | **2. Share of investee companies without a workplace accident prevention policy** |   |
| **HUMAN RIGHTS** |   |   |
| 23. Human rights policy | **1. Share of investments in entities without a human rights policy**
|   | **2. Share of investee companies without a human rights policy** |   |
| 24. Due diligence | **1. Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts**
<p>|   | <strong>2. Share of investee companies without a due diligence process to identify,</strong> |   |</p>
<table>
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<tr>
<th></th>
<th>prevent, mitigate and address adverse human rights impacts</th>
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<tbody>
<tr>
<td>25. Processes and measures for preventing trafficking in human beings</td>
<td>1. Share of investments in investee companies without policies against trafficking in human beings 2. Share of all investments exposed to entities without international framework agreements combating trafficking in human beings</td>
<td></td>
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<tr>
<td>26. Operations and suppliers at significant risk of incidents of child labour</td>
<td>1. Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation 2. Share of investee companies exposed to operations and suppliers at significant risk for incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation</td>
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<tr>
<td>27. Operations and suppliers at significant risk of incidents of forced or compulsory labour</td>
<td>1. Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation 2. Share of investee companies exposed to operations and suppliers at significant</td>
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<td><strong>risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation</strong></td>
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<tr>
<td>28.</td>
<td>Number and nature of identified cases of severe human rights issues and incidents</td>
<td>Number and nature of cases of severe human rights issues and incidents connected to investee companies</td>
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</tr>
<tr>
<td>29.</td>
<td>Exposure to controversial weapons (land mines and cluster bombs)</td>
<td>Any investment in entities involved in the manufacture or selling of controversial weapons (land mines and cluster bombs)</td>
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<tr>
<td><strong>ANTI-CORRUPTION AND ANTI-BRIBERY</strong></td>
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</tbody>
</table>
| 30. | Anti-corruption and anti-bribery policies | 1. Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption  
2. Share of investee companies without policies on anti-corruption and bribery consistent with the United Nations Convention against Corruption |
| 31. | Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery | 1. Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery  
2. Share of investee companies with insufficiencies in actions taken to address breaches in procedures and... |
<table>
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<tr>
<th></th>
<th>standards of anti-corruption and anti-bribery</th>
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<tr>
<td>32. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws</td>
<td>Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies</td>
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<tr>
<td>[1 PAI indicator from Table 2]</td>
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<tr>
<td>[1 PAI indicator from Table 3]</td>
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<tr>
<td>[Other identified PAIs]</td>
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</table>
TEMPLATE SECTION 3: **Description of policies to assess principal adverse sustainability impacts**

[Description of policies in place to identify and prioritise PAIs]

TEMPLATE SECTION 4: **Description of actions to address principal adverse sustainability impacts**

[Description of actions taken/planned and engagement policies in place to address identified PAI, and any results already achieved]

TEMPLATE SECTION 5: **Engagement policies**

[Summaries of engagement policies in accordance with the EU Shareholders’ Rights Directive, any other relevant engagement policies and an explanation if the reduction in PAIs achieved of the actions taken during the reference period]

TEMPLATE SECTION 6: **Adherence to international standards**

[References to responsible business conduct codes and international standards used for due diligence and reporting]

TEMPLATE SECTION 7: **Historical comparison**

[Where the financial market participant has provided a description of adverse impacts on sustainability factors for at least one previous reference period, the statement shall contain a historical comparison of the current reference period with the previous reference periods, covering at least the shortest of the following: (a) the previous 10 years, (b) from the date on which the financial market participant first considered PAIs of its investment decisions on sustainability factors or (c) from 10 March 2021]

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**TABLE 2**

**ADDITIONAL (OPT-IN) ENVIRONMENTAL SUSTAINABILITY INDICATORS**

<table>
<thead>
<tr>
<th>ADVERSE SUSTAINABILITY INDICATOR</th>
<th>ADVERSE SUSTAINABILITY IMPACT (qualitative / quantitative)</th>
<th>METRIC (market value)</th>
</tr>
</thead>
</table>

---
# CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

<table>
<thead>
<tr>
<th>EMISSIONS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Emissions of inorganic pollutants</td>
<td>Tonnes of inorganic pollutants equivalent per million EUR invested</td>
</tr>
<tr>
<td>2. Emissions of air pollutants</td>
<td>Tonnes of air pollutants equivalent per million EUR invested</td>
</tr>
<tr>
<td>3. Emissions of ozone depletion substances</td>
<td>Tonnes of ozone depletion substances equivalent per million EUR invested</td>
</tr>
</tbody>
</table>
| 4. Investing in companies without carbon emission reduction initiatives | 1. Share of investments in investee companies without carbon emission reduction initiatives  
2. Share of investee companies without carbon emission reduction initiatives |

<table>
<thead>
<tr>
<th>WATER, WASTE AND MATERIAL</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Water usage: Total amount of water consumed and reclaimed, broken down per sector where relevant</td>
<td>Average amount of water consumed and reclaimed by the investee companies (in cubic meter) per million EUR of revenue of investee companies</td>
</tr>
<tr>
<td>6. Water recycled and reused</td>
<td>Weighted average percentage of water recycled and reused by investee companies</td>
</tr>
</tbody>
</table>
| 7. Investing in companies without water management initiatives | 1. Share of investments in investee companies with no water management initiatives  
2. Share of investee companies with no water management initiatives |
<p>| 8. Land degradation, desertification, soil sealing | Land degradation, desertification and soil sealing as a percentage of land by the investee companies FMP invests in |</p>
<table>
<thead>
<tr>
<th>9.</th>
<th>Investing in companies without sustainable land/forestry/agriculture practices</th>
<th>1. Share of investments in investee companies without sustainable land/forestry/agriculture practices policies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2. Share of investee companies without sustainable land/forestry/agriculture practices policies</td>
</tr>
<tr>
<td>10.</td>
<td>Investing in companies without sustainable oceans/seas practices</td>
<td>1. Share of investments in investee companies without sustainable oceans/seas practices policies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Share of investee companies without sustainable oceans/seas practices policies</td>
</tr>
<tr>
<td></td>
<td>GREEN SECURITIES</td>
<td>Share of securities in investments not certified as green</td>
</tr>
<tr>
<td>11.</td>
<td>Share of securities not certified as green</td>
<td>Share of securities in investments not certified as green</td>
</tr>
</tbody>
</table>

**TABLE 3**

ADDITIONAL (OPT-IN) SOCIAL SUSTAINABILITY INDICATORS

<table>
<thead>
<tr>
<th>ADVERSE SUSTAINABILITY INDICATOR</th>
<th>ADVERSE SUSTAINABILITY IMPACT (qualitative / quantitative)</th>
<th>METRIC (market value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOCIAL &amp; EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOCIAL &amp; EMPLOYEE MATTERS</td>
<td>1. Number/rate of accidents, injuries, fatalities, frequency</td>
<td>Number/rate of accidents, injuries, fatalities frequency in investee companies</td>
</tr>
<tr>
<td></td>
<td>2. Number of days lost for injuries, accidents, fatalities, illness</td>
<td>Number of workdays lost to injuries, accidents, fatalities, illness of investee companies</td>
</tr>
</tbody>
</table>
### Supplier code of conduct

1. Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
2. Percentage of specific control and/or certified compliance for this code of conduct among suppliers of investee companies

### Grievance/complaints handling mechanism

1. Share of investments in investee companies without any grievance/complaints handling mechanism
2. Share of investee companies without any grievance/complaints handling mechanism

### Incidents of discrimination

1. Number of incidents of discrimination reported in investee companies
2. Number of incidents of discrimination leading to sanctions in investee companies

### Lack of separation of CEO and Chair functions on the boards of investee companies

1. Share of investments in investee companies without separate CEO and Chair functions
2. Share of investee companies without separate CEO and Chair functions

### Share of securities not certified as social

Share of securities in investments not certified as social