

# Top ten things asset managers need to know about the Level 2 proposals under the Sustainable Finance Disclosure Regulation

# Introduction

On 22 April 2020, the European Supervisory Authorities (ESAs) published a consultation on their proposed regulatory technical standards (RTS) under the **Sustainable Finance Disclosure Regulation (SFDR)** (the Consultation Paper). The draft RTS proposes detailed requirements that are significantly more onerous than had been expected by the industry and would represent a very significant undertaking for in-scope firms. This note provides a summary of the draft RTS in the Consultation Paper.

The UK Government has indicated that the finalised RTS will not be automatically onshored into UK law, but has provided no indication whether the UK Level 2 provisions may diverge or will be an effective copy-out.

The SFDR, and the RTS, applies to the defined concept of **financial market participant**, or **FMP**. The definition of FMP includes:

- MiFID firms providing the service of portfolio management
- AIFMs and
- UCITS Managers.

In this note, we refer to such firms as **asset managers**.

In addition, a sub-set of the rules applies to financial advisers (including MiFID firms, AIFMs, and UCITS Managers which provide standalone investment advice). The SFDR also applies more broadly to other FMPs including, for example, in the insurance and pensions sector, which are beyond the scope of this note.

This note summarises the Top 10 issues which asset managers need to know about the RTS:

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Please refer to our separate briefing notes on the **EU ESG initiative** and the **SFDR** for further background information, including information on defined terms and scoping matters, which we do not replicate in this note. Where a word or phrase is defined in another note we have indicated in bold, the first time that phrase is used.

# 01

## What is the consultation and how does it fit into the EU ESG initiative?

The SFDR sets out the general outline of the sustainability-related disclosure obligations for asset managers, focussing in particular on: (1) disclosure relating to how **sustainability risks** are incorporated within the asset manager's investment decision making; (2) disclosure relating to the principal adverse impacts of the investments made by the asset manager on external **sustainability factors**; and (3) technical disclosures for those financial products which promote environmental or social characteristics or have sustainability as an objective.

As is often the case with EU law, the Level 1 SFDR does not set out the technical detail on what must be disclosed, but instead mandates the ESAs to develop draft RTS providing more granular specifics with regard to the content, methodologies and presentation of certain of

the disclosures. The joint Consultation Paper published by the ESAs includes the draft RTS (albeit with placeholders for four of the five annexes) and seeks stakeholder feedback on the proposed measures.

The closing date for feedback on the consultation is **1 September 2020**. The deadline for the ESAs to finalise all but one of the RTS is **30 December 2020**. The remaining RTS, in relation to sustainability indicators in relation to adverse impacts in the field of social and employee matters, respect for human rights, anti-corruption and anti-bribery matters ( SFDR Article 4(7)), must be submitted by **31 December 2021**.

Most of the obligations in the SFDR, including the detailed rules under the RTS, are due to come into force in the EU on 10 March 2021.

# 02

## What is the impact of Brexit for UK firms?

The UK left the EU on 31 January 2020, with the transitional period under the Withdrawal Agreement due to end on 31 December 2020, unless extended. The SFDR will therefore come into force after the end of the transitional period (and so after EU law ceases to have effect in the UK).

On 6 May 2020, the UK Government re-published a revised draft of the Financial Services (Miscellaneous Amendments) (EU Exit) Regulations 2020, Regulation 22 of which provides that certain articles of the SFDR "are omitted". These are the articles that require the RTS and implementing technical standards (ITS) to be drafted and adopted.

Although the UK Government has not yet made a legislative provision for the onshoring of the Level 1 SFDR, which comes into effect after exit day, Regulation 22 strongly supports the current industry expectation that it is just a matter of time.

However, this provision also means that the RTS will not actually apply to UK firms when it comes into force in the EU on 10 March 2021 (unless the transition period is extended beyond that date). This introduces the theoretical possibility of the UK diverging from the EU's Level 2 requirements. However, there remains a considerable likelihood that the UK Government will introduce Level 2 measures that align with the RTS. Any material divergence would not only create dual-compliance requirements for many UK asset managers marketing into Europe, but could impede the negotiation of mutual EU-UK "equivalence" determinations.

Accordingly, we recommend that UK asset managers should, for the moment, assume that the RTS will apply to them in the same manner as it applies to EU-27 firms.

# 03

## In overview, what areas are covered by the RTS?

The draft RTS sets out granular specifications for the content, methodology and presentation of certain disclosures. The Annexes to the RTS provide templates for the disclosures, however only one of five templates has been developed at this stage. The RTS covers:

### Entity-level “adverse impact” website disclosure

– details of the asset manager’s policy for assessing the adverse impacts of its investment decisions/recommendations on sustainability factors, at the level of the asset manager as an entity (adverse sustainability impacts statement)

### Product-level disclosures for ESG focussed products

– pre-contractual, website and periodic disclosures in respect of products which promote environmental or social characteristics (Article 8 of the SFDR) and products with sustainable investment or a reduction in carbon emissions as their objective (Article 9 of the SFDR).

# 04

## What’s required for an adverse sustainability impacts statement?

Article 4 of the SFDR requires (on a “comply or explain” basis) for an asset manager’s websites to communicate its policies for diligencing the adverse impacts of its investment decisions on **sustainability factors**.

Article 4 of the draft RTS prescribes a template format for this entity-level “Adverse sustainability impacts statement”. The SFDR provides that the disclosure must include a “description” of the adverse impacts of the asset manager’s investment decisions on sustainability. However, the draft RTS proposes that this “description”, would entail a KPI grid comprising up to 50 separate quantitative disclosures on complex ESG metrics (32 mandatory data items, and a further 18 optional data items) – see **What are the quantitative disclosures required to measure adverse sustainability impacts?**, for more information.

The 50 sustainability metrics required as part of an asset manager’s website disclosures are set out in full in the Appendix below.

In addition to the quantitative disclosures, asset managers would be required to include four detailed narrative (qualitative) disclosures on prescribed areas – see **What are the narrative / qualitative disclosures required for an adverse sustainability impacts statement?**, for more information. Asset managers would also be required to provide an overarching summary of the qualitative and quantitative disclosures which must be no more than two sides of A4-sized paper when printed.

Asset managers may “comply or explain”. Those that choose not to comply must publish a website disclosure headed “No consideration of sustainability adverse impacts”, including a prominent statement that the firm does not consider the adverse impacts of its investment decisions on sustainability factors and why it does not do so.

From 30 June 2021, the “comply or explain” obligation would become a simple “comply” obligation for asset managers that have more than 500 employees (or asset managers which are the parent undertaking of a group with more than 500 employees). In other words, it will then be mandatory for asset managers with more than 500 employees to implement the due diligence policy and provide the quantitative and qualitative disclosures on their website. There is still no clarity on how the 500 employees test works in groups headed by an entity which is not a financial market participant but which has an aggregate of more than 500 employees.

As may be apparent, complying with these draft RTS requirements will be a significant undertaking for firms. We recommend that firms should decide soon whether they wish to comply (or whether they are in scope as a mandatory matter) and, if complying, begin the process of determining how to disclose and where to obtain the relevant data. In practice, it may be that some firms will be put-off from choosing to comply by how onerous the disclosure requirements are.



# 05

## What are the quantitative disclosures required to measure adverse sustainability impacts?

The RTS Annex I template for the “Adverse sustainability impacts statement” provides a set of “indicators” and metrics for assessing adverse impact across a range of ESG issues. Annex I is 19 pages long and includes 50 quantitative disclosures. (The Appendix below sets out the 50 sustainability metrics included in Annex I in full.)

The purpose of the quantitative disclosures is to provide a comparable measure of the adverse impacts of a disclosing asset manager’s investments. What constitutes a “principal adverse impact” of a particular asset manager’s investments is largely determined by reference to Annex I, which provides:

- a core set of mandatory ESG indicators (Table 1 of Annex I) that are deemed to always constitute “principal adverse impacts” of investments, regardless of an asset manager’s performance under the metric; and
- additional indicators/metrics for environmental (Table 2 of Annex I) and social factors (Table 3 of Annex I), to assist in identifying additional principal adverse impacts.

By way of example, two of the mandatory indicators are set out below.

### Example 1: ‘Carbon footprint’

(calculated in accordance with the following formula, the components of which are defined):

$$\frac{\sum_i \left( \frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 carbon emissions}_i \right)}{\text{current value of all investments (€M)}}$$

### Example 2: ‘Natural species and protected areas’:

Share of investments invested in investee companies whose operations affect IUCN Red List species and/or national conservation list species.

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.

Article 6(1) of the draft RTS requires asset managers to include in their quantitative website disclosure:

- all 32 mandatory indicators/metrics (Table 1 of Annex I);
- at least one of the 11 additional indicators/metrics on adverse climate/environment impacts (Table 2 of Annex I) that qualifies as principal;
- at least one of the seven additional indicators/metrics on a social/employee/human rights/anti-corruption/anti-bribery adverse impacts (Table 3 of Annex I) that qualify as principal; and
- any other adverse impact on a sustainability factor that qualifies as principal.

The draft RTS does not specify how an asset manager should determine whether an adverse impact qualifies as a “principal” adverse impact for the purposes of the second, third and fourth bullet points above, and/or how to select from the 18 non-mandatory indicators.

Asset managers will recognise that there may be a (potentially significant) challenge to obtain

all relevant data across all portfolio holdings to make the required disclosures. For those querying how they will obtain the underlying data for the disclosures (e.g. calculating the carbon footprint across the firm’s investments) the draft RTS suggests that, in addition to direct engagement with investee companies, methods may include internal financial analysts and specialists in the area of sustainable investments, external market research providers, specifically commissioned studies, publicly available information or shared information from peer networks or collaborative initiatives.

Once published, the quantitative data from each annual disclosure must remain on the website for ten years to provide comparison for subsequent annual disclosures.

We have noted that there has been a significant adverse reaction in the industry to the draft RTS, as the quantitative disclosures are significantly more detailed and onerous to prepare than firms had anticipated. As such, during the consultation period, asset managers may wish to provide feedback to the proposals, including through trade bodies or industry working groups.

# 06

## What are the narrative / qualitative disclosures required for an adverse sustainability impacts statement?

The mandatory narrative disclosures in the statement are as follows:

- **Description of policies to identify and prioritise principal adverse sustainability impacts (Article 7 of the draft RTS)** – covering organisational arrangements, as well as the methodologies used to identify and monitor principal adverse impacts (including where data is not readily available).
- **Description of actions to address principal adverse sustainability impacts (Article 8 of the draft RTS)** – both actions taken (including efficacy) and actions planned, such as exercising voting rights, engaging management of investee companies, setting up documented and time-bound objectives, and planning escalation measures in case those objectives are not achieved (e.g. reductions of investments or exclusion decisions).
- **Engagement policies (Article 9 of the draft RTS)** – describing the asset manager’s engagement policies, including in accordance with the Shareholder Rights Directive, as well as the efficacy of the actions taken thereunder.
- **References to international standards (Article 10 of the draft RTS)** – describing adherence to responsible business conduct codes and international standards and the methodology for assessing adherence, by reference to the “adverse indicator” metrics provided at Annex I for the quantitative disclosures.

While it is not immediately apparent that these narrative disclosures will cause significant practical difficulties, the devil is in the detail. Firms will need to balance transparency considerations in terms of their adverse impact methodology and their shareholder activism. Firms will also need to consider what exactly is required in the description of adherence to international standards and how best to approach this.

As noted, asset managers would also be required to provide an overarching narrative summary of the qualitative and quantitative disclosures.

# 07

## What product level disclosures are required for ESG focussed products?

The SFDR requires an asset manager to disclose additional specified information on its website, in the pre-contractual information for a financial product, and in the periodic information provided to investors in respect of financial products which promote environmental or social characteristics and products with sustainable investment or a reduction in carbon emissions as their objective.

Articles 8 and 9 of the SFDR describe the categories of financial product that have an ESG focus and therefore are subject to additional disclosure obligations, and specify additional pre-contractual content required for those financial products.

### Article 8

Article 8 of the SFDR applies to financial products that **promote** among other characteristics, environmental or social characteristics (provided the investee companies follow good governance practices).

### Article 9

Article 9 of the SFDR applies to financial products that have sustainable investment as their **objective**, and includes a further category for financial products that have a reduction in carbon emissions as an objective.

Asset managers must therefore determine whether a financial product is in or out of scope of Articles 8 and 9 of the SFDR. This categorisation exercise, looking across all of an asset manager’s in-scope products and services, should take place at an early stage in a firm’s implementation project. The SFDR does not provide much colour on how these categories should be interpreted, which in itself presents an initial scoping challenge for asset managers. However, the draft RTS includes some helpful guidance, for example that a financial product can be considered as “promoting environmental or social characteristics” for the purposes of Article 8, where information provided to clients, in marketing communications or in mandatory investor disclosures, references sustainability factors that are taken in consideration when allocating the capital invested of the product.

## 7.1 Pre-contractual disclosures

The overarching aim of **pre-contractual disclosures** is to provide information reflecting the characteristics of the product that will not mislead investors, thus preventing “greenwashing”.

For example, the draft RTS indicates that there should not be excessive disclosure on sustainability if it is not commensurate with the way in which sustainability is given effect in the investment policy. Further, the disclosure of criteria for the selection of underlying assets should be limited to binding criteria – asset managers should not mislead investors by disclosing criteria which they may disapply or override at their discretion.

The draft RTS makes a distinction between financial products specifically targeting sustainable investments, and financial products which claim to take into account sustainability factors in investment decisions.

The draft RTS recognises that financial products promoting social or environmental characteristics can invest in a wide range

of underlying assets which can broadly be split into: (1) those assets that qualify as sustainable investments, or contribute to the specific environmental or social characteristics promoted by the product; and (2) all other assets (the draft RTS identifies by way of example hedging instruments, unscreened investments for diversification purposes or investments for which data is lacking, or money market instruments). Asset managers should be fully transparent as regards the allocation of capital to each category of asset.

### What pre-contractual information must be disclosed?

The draft RTS specifies the details of the presentation and content of the information to be disclosed pursuant to Articles 8 and 9 of the SFDR. The draft RTS envisages that information will be presented in accordance with mandatory reporting templates, to be included as annexes to the draft RTS. Although the templates are not included in the draft, the draft RTS does specify that the information should be provided in summary format in the order of, and made up of, the following sections:

Section	Article 8	Article 9
Environmental or social characteristics promoted by the financial product	✓	X
Sustainable investment objective of the financial product	X	✓
No sustainable investment objective	✓	X
No significant harm to the sustainable investment objectives	X	✓
Investment strategy	✓	✓
Sustainability indicators	✓	✓
Use of derivatives	✓	✓
Website reference	✓	✓
Reference benchmark (only if an index has been designated for the financial product as a reference benchmark)	✓	X
Sustainable investment objective attainment with a designated index (if relevant)	X	✓
Objective of a reduction in carbon emissions (if relevant)	X	✓

Further details required for each section are set out in the draft RTS. Each section seeks to draw out how the particular financial product demonstrates environmental, social or sustainable characteristics. This takes the form of descriptions of underlying investments (for example, including narratives and graphical representations of the planned proportions of investments that are sustainable investments, or otherwise contribute to the attainment of the relevant environmental or social characteristics), descriptions of investment strategies, identifying how adverse impact indicators are taken into account, and listing sustainability indicators.

While some content requirements will be easily met many will require more in-depth analysis to be carried out on the product and its underlying investments (for example:

(1) requirements for products making sustainable investments regarding how the product complies with the “do not significantly harm” principle from Article 2(17) of the SFDR in relation to the principal adverse impact indicators; and

(2) where derivatives are used, a disclosure of how the use of derivatives meets each of the environmental or social characteristics promoted by the financial product).

### 7.2 Website disclosures

As a result of Article 10 of the SFDR, asset managers of financial products in scope of Article 8 or 9 are required to publish and maintain sustainability disclosures information on a website. The draft RTS provides more detail to supplement the SFDR.

#### Website disclosures

The draft RTS:

- sets out where and how the asset managers must publish the information on the website, including the need to publish a summary no longer than two sides of A4 paper when printed;
- includes a list of items to be included in the disclosure, focussing on the methodology employed, the data sources used, and any screening criteria employed; and
- includes requirements for products making sustainable investments regarding how the product complies with the “do not significantly harm” principle from the SFDR in relation to the principal adverse impact indicators in Annex I of the draft RTS.

Although 12 sections are required to be included in a specified order, the website disclosures requirements are not as prescriptive as those for the provision of pre-contractual disclosures, most obviously demonstrated by the fact that such disclosures are not expected to follow a prescribed template. This is consistent with the requirement under the draft RTS that website disclosures should incorporate information

included as part of the pre-contractual disclosures and also be an opportunity to expand on such information. The purpose of the website disclosures is to provide further information to help investors better understand the investment strategies offered.

### 7.3 Periodic disclosures

Article 11 of the SFDR requires asset managers of financial products in scope of Article 8 or 9 to include certain sustainability disclosures in the periodic reports for the product.

#### Key themes

The provisions concerning **periodic disclosures** apply from 1 January 2022 while pre-contractual and website disclosures will apply from 10 March 2021.

The periodic disclosure should disclose a minimum set of standardised and comparable relevant quantitative and qualitative indicators to show how the financial product meets its characteristics or objectives. The indicators should be relevant to the design and investment strategy of the financial product, as described in the pre-contractual information.

As with the information to be contained within the website disclosures, it is important that periodic disclosures are consistent with pre-contractual disclosures. Periodic disclosures as to the attainment of environmental, social or sustainability characteristics should use the same sustainability indicators specified in the pre-contractual disclosures. Asset managers that choose to report on new sustainability indicators, will need to explain or justify that choice and provide a historic comparison of the performance for those new indicators in subsequent reports.

#### Periodic disclosures

The draft RTS includes:

- a requirement to use a mandatory reporting template for the presentation of the periodic disclosure;
- a granular list of items to be included in the reporting, focussing on the success of the product in attaining its environmental or social characteristic (or combination thereof) or sustainable investment objective; and
- requirements for products making sustainable investments regarding how the product has successfully complied with the “do not significantly harm” principle from the SFDR in relation to the principal adverse impact indicators in Annex I of the draft RTS.

The periodic disclosures require the inclusion of historical comparisons of the extent to which the environmental, social or sustainable investment objective was attained, including the performance of sustainability indicators used, however, this only applies where at least one previous periodic report has been provided in accordance with the RTS.



# 08

## What should firms be doing now?

The consultation includes 26 questions addressed to stakeholders. Firms wishing to provide feedback should submit responses through the ESMA website using the form provided. The deadline for responses is 1 September 2020.

For EU firms, the draft RTS, albeit still in consultation, indicates just how onerous the SFDR requirements are likely to be. With less than a year until most of the rules come into force, firms that have not already done so should:

- make the necessary policy decisions that will shape compliance with the SFDR, such as “comply or explain” with regards implementing an adverse impacts policy;
- assess the products in (and out of) scope of Articles 8 and 9 of the SFDR;
- determine what data will be required to comply with the disclosure requirements;
- identify data sources; and
- organise internal processes, including responsibilities, required to meet the disclosure requirements.

The effect of Regulation 22 of the draft of the Financial Services (Miscellaneous Amendments) (EU Exit) Regulations 2020 is that the RTS will not actually apply to UK firms when it comes into force in the EU on 10 March 2021 (unless the transition period is extended beyond that date). However, there remains a considerable likelihood that the UK Government will introduce Level 2 measures that align with the RTS; please see [What is the impact of Brexit?](#) for more details.

# 09

## Is it too early to start drafting disclosures?

The draft RTS remains subject to change. In addition, the templates for the pre-contractual disclosures (to be included as Annexes II and III of the RTS) and the periodic reports (to be included as Annexes IV and V of the RTS) are not yet available. The ESAs explain that, given the uncertainty regarding the granularity of disclosures required in the RTS, they have delayed drafting these templates until there is greater certainty about what should be disclosed. The ESAs envisage launching a separate process to develop the templates. As noted above, there is no template for the website disclosures; however, the RTS emphasises that such disclosures must be consistent with the pre-contractual disclosures.

Nevertheless, the draft RTS is helpful in setting out the expectations for the type of information, and the level of detail, to be included in disclosures. Given the timeline for

implementation (the consultation closes on 1 September 2020 and the ESAs are required to submit all but one of the RTS to the Commission by 30 December 2020, with the final RTS due by 31 December 2021; the SFDR generally will apply from 10 March 2021), there is unlikely to be a widespread change to those provisions relevant to disclosures.

Considering the tight timeline and the ongoing uncertainty of the application of the ESG legislation coming out of the EU to UK firms, it would be advantageous for asset managers to start developing language for use in their disclosures now, which can then be incorporated into the RTS templates (or the UK equivalent) once they become available. Furthermore, drafting can begin on those of the Level 1 obligations in the SFDR that are not going to be supplemented by Level 2 RTS.

## How can Simmons & Simmons help?

Simmons & Simmons would be pleased to assist with scoping, advising on decision-making, advising on application, project plans, preparing policies, and drafting disclosures. We are preparing templates for our clients to use.

We can support asset managers and investors seeking to draw on Simmons' ESG expertise in a number of ways. Please contact us to discuss your needs. The types of services that we can offer include:

- analysis of financial products for the purpose of determining the relevance and application of Article 8 or 9 of the SFDR;
- advising on the content of any necessary disclosures including providing the necessary drafting;
- analysis of a particular financial product as against an investor's requirements; and
- providing legal support to investors negotiating investment terms.

### The data challenge

The SFDR poses a distinct challenge for asset managers given the breadth of information requirements demanded. Collating the data required to meet the disclosure obligations summarised above is likely to be time consuming, resource intensive and may be difficult to perform with necessary accuracy.

Simmons Wavelength (SWL) has world leading data science capability, blended with design thinking methodologies and policy insights. Coupled with the legal and regulatory expertise of Simmons we have created a uniquely powerful approach to helping clients to navigate their regulatory obligations, to be proactive in managing their businesses, using data insights to empower decision making.

The joint approach of Simmons & Simmons and SWL ensures smarter solutions for challenges faced by asset managers with the ESG related disclosures that draw on a diverse blend of legal, data, design and engineering skills from in, and outside, the legal profession.

Our unique offering focusses on three tenets:

#### Data scoping and strategy

- What ESG data is relevant to my business?

#### Data extraction and modelling

- How do I find the relevant ESG data?

#### Data analysis, visualisation and reporting

- How do I report ESG data internally and externally?

Please [visit our microsite](#) for more information or contact one of the Simmons team.

# Appendix

This Appendix sets out the 50 separate sustainability metrics which are required as part of the website disclosures for an asset manager's principal adverse impact statement (PAIS), as referenced in sections 4 and 5 of this document.

In the list below:

- **numbers 1 to 32** are all mandatory – in other words, an asset manager which is providing a PAIS on its website must include all 32 metrics for all the positions in its portfolios. (These have been extracted from Table 1 of Annex I of the RTS.)
- **numbers 33 to 43** are all optional – in other words, an asset manager can elect whether to disclose against these metrics in its PAIS, although it is mandatory to include at least one of these metrics. (These have been extracted from Table 2 of Annex I of the RTS.)
- **numbers 44 to 50** are similarly all optional – in other words an asset manager can elect whether to disclose against these metrics in its PAIS, although it is mandatory to include at least one of these metrics. (These have been extracted from Table 3 of Annex I of the RTS.)

Disclosure must be provided for the reference year and the previous year, along with a narrative explanation.

Annex I includes certain further defined terms and concepts which are not included below.

The text below is presented without amendment by Simmons & Simmons (other than formatting changes).

## CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

### Greenhouse gas emissions

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)

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 carbon emissions}_i \right)$$

2. Carbon footprint

$$\frac{\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 carbon emissions}_i \right)}{\text{current value of all investments (€M)}}$$

3. Weighted average carbon intensity

$$\sum_n^i \left( \frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 carbon emissions}_i}{\text{investee company's €M revenue}_i} \right)$$

4. Solid fossil fuel sector exposure

Share of investments in solid fossil fuel sectors

### Energy performance

5. Total energy consumption from non-renewable sources and share of non-renewable energy consumption

(i) Total energy consumption of investee companies from non-renewable energy sources (in GWh), expressed as a weighted average

(ii) Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage

6. Breakdown of energy consumption by type of non-renewable sources of energy

Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source

7. Energy consumption intensity

Energy consumption of investee companies per million EUR of revenue of those companies (in GWh), expressed as a weighted average

8. Energy consumption intensity per sector

Energy consumption intensity per million EUR of revenue of investee companies, per NACE sector (in GWh), expressed as a weighted average

## **Biodiversity**

### **9. Biodiversity and ecosystem preservation practices**

- (i) 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
- (ii) 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

### **10. Natural species and protected areas**

- (i) Share of investments invested in investee companies whose operations affect IUCN Red List species and/or national conservation list species
- (ii) 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**

- (i) Share of investments in entities without a deforestation policy
- (ii) 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**

- (i) Share of investments in investee companies with sites located in areas of high water stress
- (ii) Share of investee companies with sites located in areas of high water stress

### **14. Untreated discharged waste water**

Total amount in cubic meters of untreated waste water discharged by the investee companies expressed as a weighted average

## **Waste**

### **15. Hazardous waste ratio**

Weight in tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average

### **16. Non-recycled waste ratio**

Weight in tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average

## **SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

### **Social and employee matters**

### **17. Implementation of fundamental ILO Conventions**

- (i) Share of investments in entities without due diligence policies on issues addressed by the fundamental ILO Conventions 1 to 8
- (ii) Share of investee companies without due diligence policies on issues addressed by the fundamental ILO Conventions 1 to 8

### **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 all employees (excluding the highest-compensated individual)

### **20. Board gender diversity**

Average ratio of female to male board members in investee companies

### **21. Insufficient whistleblower protection**

- (i) Share of investments in entities without policies on the protection of whistleblowers
- (ii) Share of investee companies without policies on the protection of whistleblowers

### **22. Investment in investee companies without workplace accident prevention policies**

- (i) Share of investments in investee companies without a workplace accident prevention policy
- (ii) Share of investee companies without a workplace accident prevention policy

## Human rights

### 23. Human rights policy

- (i) Share of investments in entities without a human rights policy
- (ii) Share of investee companies without a human rights policy

### 24. Due diligence

- (i) Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
- (ii) Share of investee companies without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts

### 25. Processes and measures for preventing trafficking in human beings

- (i) Share of investments in investee companies without policies against trafficking in human beings
- (ii) Share of all investments exposed to entities without international framework agreements combating trafficking in human beings

### 26. Operations and suppliers at significant risk of incidents of child labour

- (i) 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
- (ii) 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

### 27. Operations and suppliers at significant risk of incidents of forced or compulsory labour

- (i) Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation
- (ii) Share of investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms of geographic areas and/or the type of operation

### 28. Number and nature of identified cases of severe human rights issues and incidents

Number and nature of cases of severe human rights issues and incidents connected to investee companies

### 29. Exposure to controversial weapons (land mines and cluster bombs)

Any investment in entities involved in the manufacture or selling of controversial weapons (land mines and cluster bombs)

## Anti-corruption and anti-bribery

### 30. Anti-corruption and anti-bribery policies

- (i) Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption
- (ii) 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

- (i) 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
- (ii) Share of investee companies with insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery

### 32. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws

Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies

## CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

### Emissions

#### 33. Emissions of inorganic pollutants

tonnes of inorganic pollutants equivalent per million EUR invested

#### 34. Emissions of air pollutants

tonnes of air pollutants equivalent per million EUR invested

#### 35. Emissions of ozone depletion substances

tonnes of ozone depletion substances equivalent per million EUR invested

#### 36. Investing in companies without carbon emission reduction initiatives

- (i) Share of investments in investee companies without carbon emission reduction initiatives
- (ii) Share of investee companies without carbon emission reduction initiatives



## Water, waste and material

37. **Water usage: Total amount of water consumed and reclaimed, broken down per sector where relevant**  
Average amount of water consumed and reclaimed by the investee companies (in cubic meter) per million EUR of revenue of investee companies
38. **Water recycled and reused**  
Weighted average percentage of water recycled and reused by investee companies
39. **Investing in companies without water management initiatives**  
(i) Share of investments in investee companies with no water management initiatives  
(ii) Share of investee companies with no water management initiatives
40. **Land degradation, desertification, soil sealing**  
Land degradation, desertification and soil sealing as a percentage of land by the investee companies FMP invests in
41. **Investing in companies without sustainable land/forestry/agriculture practices**  
(i) Share of investments in investee companies without sustainable land/forestry/agriculture practices policies  
(ii) Share of investee companies without sustainable land/forestry/agriculture practices policies
42. **Investing in companies without sustainable oceans/seas practices**  
(i) Share of investments in investee companies without sustainable oceans/seas practices policies  
(ii) Share of investee companies without sustainable oceans/seas practices policies

## Green securities

43. **Share of securities not certified as green**  
Share of securities in investments not certified as green

## SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

### Social and employee matters

44. **Number/rate of accidents, injuries, fatalities, frequency**  
Number/rate of accidents, injuries, fatalities frequency in investee companies
45. **Number of days lost for injuries, accidents, fatalities, illness**  
Number of workdays lost to injuries, accidents, fatalities, illness of investee companies
46. **Supplier code of conduct**  
(i) Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)  
(ii) Percentage of specific control and/or certified compliance for this code of conduct among suppliers of investee companies
47. **Grievance/complaints handling mechanism**  
(i) Share of investments in investee companies without any grievance/complaints handling mechanism  
(ii) Share of investee companies without any grievance/complaints handling mechanism
48. **Incidents of discrimination**  
(i) Number of incidents of discrimination reported in investee companies  
(ii) Number of incidents of discrimination leading to sanctions in investee companies
49. **Lack of separation of CEO and Chair functions on the boards of investee companies**  
(i) Share of investments in investee companies without separate CEO and Chair functions  
(ii) Share of investee companies without separate CEO and Chair functions

### Social securities

50. **Share of securities not certified as social**  
Share of securities in investments not certified as social

# Contacts



**Nick Colston**

Partner

T +44 20 7825 4147

E [nicholas.colston@simmons-simmons.com](mailto:nicholas.colston@simmons-simmons.com)



**Louise Tudor-Edwards**

Managing Associate

T +44 20 7825 4539

E [louise.tudor-edwards@simmons-simmons.com](mailto:louise.tudor-edwards@simmons-simmons.com)



**Dr Harald Glander**

Partner

T +49 69 907454 44

E [harald.glander@simmons-simmons.com](mailto:harald.glander@simmons-simmons.com)



**Niamh Ryan**

Partner

T +353 1266 2115

E [niamh.ryan@simmons-simmons.com](mailto:niamh.ryan@simmons-simmons.com)



**Daniel Lühmann**

Supervising Associate, Rechtsanwalt

T +49 69 907454 25

E [daniel.luehmann@simmons-simmons.com](mailto:daniel.luehmann@simmons-simmons.com)



**Catherine Weeks**

Partner

T +44 20 7825 3940

E [catherine.weeks@simmons-simmons.com](mailto:catherine.weeks@simmons-simmons.com)



**Lisa Dinwiddy**

Partner

T +44 20 7825 4158

E [lisa.dinwiddy@simmons-simmons.com](mailto:lisa.dinwiddy@simmons-simmons.com)



**Marieke Driessen**

Partner

T +31 20 722 2308

E [marieke.driessen@simmons-simmons.com](mailto:marieke.driessen@simmons-simmons.com)



**Derek Lawlor**

Managing Associate

T +353 1266 2158

E [derek.lawlor@simmons-simmons.com](mailto:derek.lawlor@simmons-simmons.com)



**Grace Chong**

Of Counsel

T +65 6831 5 626

E [grace.chong@simmons-simmons.com](mailto:grace.chong@simmons-simmons.com)



**Ursula Goniszewska**

Supervising Associate

T +44 20 7825 3108

E [ursula.goniszewska@simmons-simmons.com](mailto:ursula.goniszewska@simmons-simmons.com)



**Lucian Firth**

Partner

T +44 20 7825 4155

E [lucian.firth@simmons-simmons.com](mailto:lucian.firth@simmons-simmons.com)



**Sarah Crabb**

Managing Associate

T +44 20 7825 3597

E [sarah.crabb@simmons-simmons.com](mailto:sarah.crabb@simmons-simmons.com)



**Devarshi Saksena**

Partner

T +44 20 7825 3255

E [devarshi.saksena@simmons-simmons.com](mailto:devarshi.saksena@simmons-simmons.com)



**Richard Perry**

Partner

T +44 20 7825 4310

E [richard.perry@simmons-simmons.com](mailto:richard.perry@simmons-simmons.com)



**Matthew Pitman**

Partner

T +44 20 7825 4629

E [matthew.pitman@simmons-simmons.com](mailto:matthew.pitman@simmons-simmons.com)



**Neil Simmonds**

Partner

T +44 20 7825 3151

E [neil.simmonds@simmons-simmons.com](mailto:neil.simmonds@simmons-simmons.com)



**Dale Gabbert**

Partner

T +44 20 7825 3201

E [dale.gabbert@simmons-simmons.com](mailto:dale.gabbert@simmons-simmons.com)



**David Williams**

Partner

T +44 20 7825 4150

E [david.williams@simmons-simmons.com](mailto:david.williams@simmons-simmons.com)



**Thierry Somma**

Partner

T +352 26 21 16 00

E [thierry.somma@simmons-simmons.com](mailto:thierry.somma@simmons-simmons.com)



**Andrea Chao**

Managing Associate

T +31 20 722 2315

E [andrea.chao@simmons-simmons.com](mailto:andrea.chao@simmons-simmons.com)



**James Wallace**

Supervising Associate

T +44 20 7825 4249

E [james.wallace@simmons-simmons.com](mailto:james.wallace@simmons-simmons.com)

For additional information on our firm, please visit our website at [simmons-simmons.com](https://simmons-simmons.com).

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