association française de la gestion financière

Deloitte.

PROFESSIONAL GUIDE

SUSTAINABLE FINANCE

REGULATIONS APPLICABLE TO ASSET MANAGEMENT COMPANIES ANALYSIS

December 2020

CONTENTS

INTRODUCTION

Since the Paris Agreement and the European Commission's resulting action plan, awareness of environmental, social and governance issues, as well as climate change issues, has accelerated change in the "traditional" approach to finance.

With its Sustainable Finance Action Plan, the Commission aims to:

- redirect capital flows towards sustainable investment in environmental, social and governance issues;
- incorporate sustainability into risk management;
- encourage transparency and a long-term approach.

The Commission's action plan is currently implemented through various regulations:

2014

1 **NFR Directive**

Directive 2014/95 defining the new Non-Financial Information Statement, which replaces the CSR report

2015

2 **Paris Agreement**

Goal to keep the increase in global warming to below 2 degrees Celsius

2018

3 **European Commission's Action Plan**

Three main recommendations comprising 10 actions targeting specific sectors of the financial system

2019

4 **Ecolabel**

First Ecolabel technical report aimed at proposing criteria for developing a European label for financial products

5 **Disclosure Regulation**

Regulation 2019/2088 requiring sustainability-related disclosure in the financial services sector

6 **Climate Transition Benchmark Regulation**

Regulation 2019/2089 introducing the "Climate Transition" and "Paris-Aligned" benchmarks

2020

7 **European Taxonomy**

Regulation 2020/852 establishing a framework to facilitate sustainable investment

8 **Proposals on changes to MiFID/IDD and UCITS/AIFMD**

Proposed integration of ESG criteria into these various regulations

Source: Deloitte France

This increasing level of regulation involves significant interrelation between the various regulations and the associated deadlines.

Fully understanding these regulations is made even more difficult by the fact that certain concepts (sustainability risks, adverse impacts, sustainability factors, etc.) still need to be clarified.[1] The purpose of this AFG Professional Guide is to **provide asset management companies with a tool to help them understand** and give some context to the various regulations. This guide does not prejudge compliance with the various applicable regulations and policies.

The guide focuses on the regulations that apply specifically to asset management companies. However, some regulations are included here for educational purposes, to provide asset management companies with the "toolbox" they need to fully understand and apply the regulations. Good practices related to these regulations will be published at a later stage.

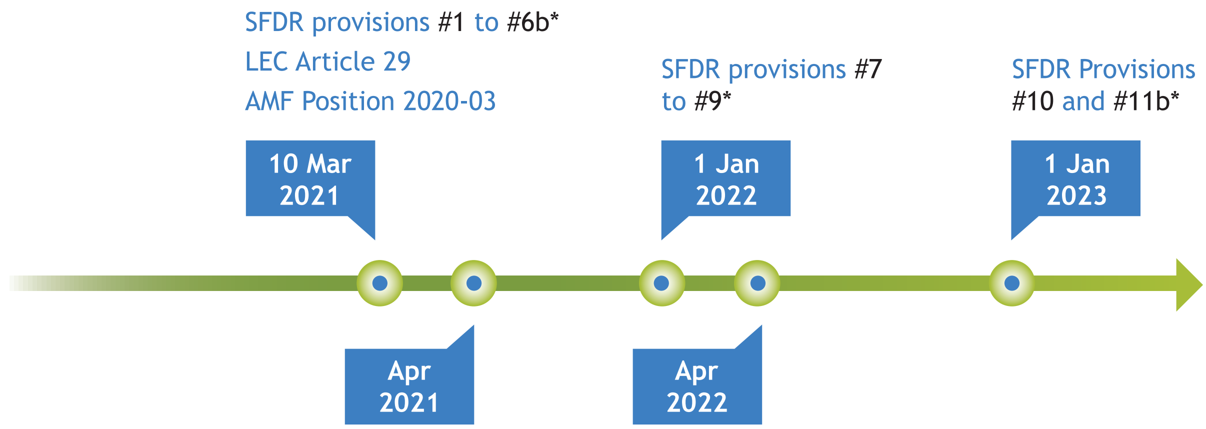
1) *European Level 2 regulations (RTS and Delegated Acts) are intended to provide certain clarifications with a view to harmonising European implementations.*

1. GENERAL OVERVIEW

1.1 SUMMARY TABLE OF SUSTAINABILITY REGULATIONS THAT APPLY SPECIFICALLY TO ASSET MANAGEMENT COMPANIES

Reference	Objectives	Associated texts	Applicable to	Implementation date
Regulation (EU) 2019/2088 - SFDR/ Disclosure	To establish harmonised transparency rules for financial market participants relating to sustainability	Awaiting RTS	AMs Funds Discretionary mandates	10 March 2021 for the first provisions, then 1 January 2022 and 1 January 2023
French Energy Transition for Green Growth Law - Article 173, amended by the French Energy and Climate Law - Article 29	To encourage the French economy to move towards carbon neutrality	Awaiting an implementing decree	AMs	10 March 2021
AMF Position 2020-03	To ensure consistency of information provided on funds and avoid *ESG washing*	N/A	AMs Funds	10 March 2020
MiFID Delegated Acts	To incorporate clients' sustainability preferences into product governance and conflict-of-interest management	Awaiting final texts	AMs	TBD
ESMA consultation on integrating sustainability risks and sustainability factors into the UCITS and AIFM Directives	To ensure that sustainability risks and factors are taken into account in the investment and risk management processes of UCITS and AIFs	Awaiting final texts	AMs Funds	TBD

Schedule for applying the various regulations



**Provisions detailed below.*
Source: Deloitte France

1.2 CONTEXT AND OBJECTIVES OF CURRENT REGULATIONS

1.2.1 Context

The emergence of all these regulations has led to the development of a system for integrating the concept of "sustainability" throughout the value chain. This is bringing radical changes to asset management.

The concept of "sustainability" is reflected in the financial regulations, particularly the SFDR, based on the principle of double materiality:

- sustainability risks, i.e. the impact that external sustainability factors may have on the performance of a financial product, and
- sustainability impacts, i.e. the impact that investments made may have on external sustainability factors.

Integrating sustainability risks into management processes is in keeping with existing risk management concepts, as evidenced by the current development of climate stress testing on portfolios. However, a more precise and standard definition of what sustainability risks cover is needed. Are we talking here about controversy risks, physical risks or transition risks, for example? The decree implementing Article 29 of the French Energy and Climate Law (new Article L. 533-22-1 of the COMOFI as of 10 March 2021) should clarify this question.

While the concept of impact in sustainability is intuitively easy to understand, it is more difficult to explain in practical terms. The forthcoming RTS[2] for the SFDR should provide more details on how the concept will be applied in practice.

In addition to the SFDR, the Taxonomy Regulation provides further details on identifying what constitutes, according to European criteria, a sustainable activity in environmental terms. The regulation defines six sustainable investment objectives that issuers and financial market participants should use as a basis for their investment decisions. In the longer term, the taxonomy should also cover social activities.

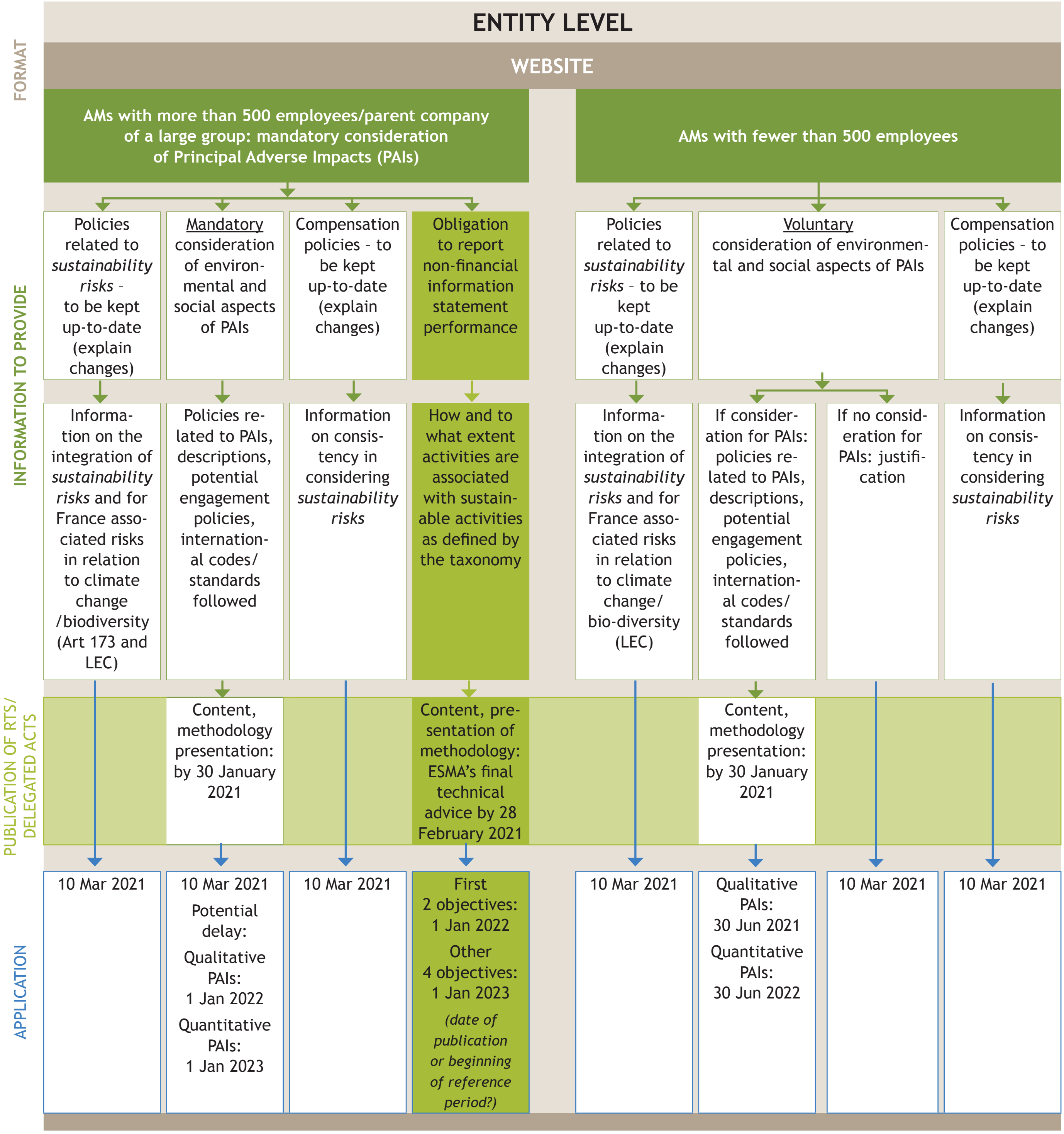
The whole challenge ahead for asset management companies will be to revisit their current level of transparency and integrate these two aspects into all their processes and along the entire value chain, particularly in investment processes for funds and management mandates. The way in which fund investment strategies integrate these concepts defines their approach to sustainable investing. This explains the wide variety of products available today. Regulators are trying to classify products so that end clients can understand them more easily. However, these various classifications also cause a degree of confusion.

2) RTS: Regulatory Technical Standards, which are the implementing measures for European regulations.

1.2.2 Primary objective of current regulations: increased transparency

The SFDR[3] is a European regulation that puts transparency on sustainability at the heart of its requirements, at entity and fund level. The figures below are decision trees linked to SFDR that provide a summary of all transparency requirements at entity and fund level.

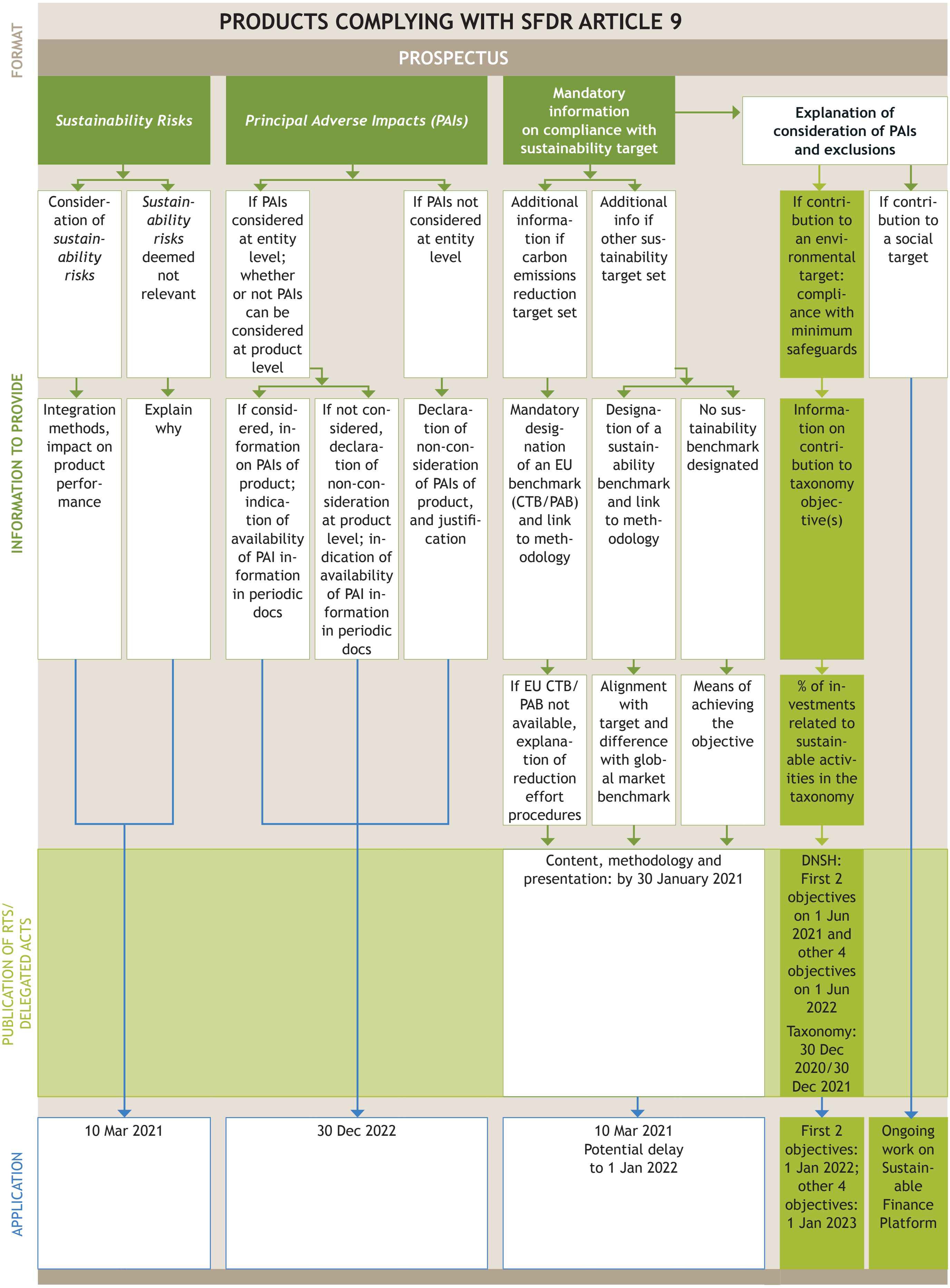
a) Consideration of sustainability criteria at AM level



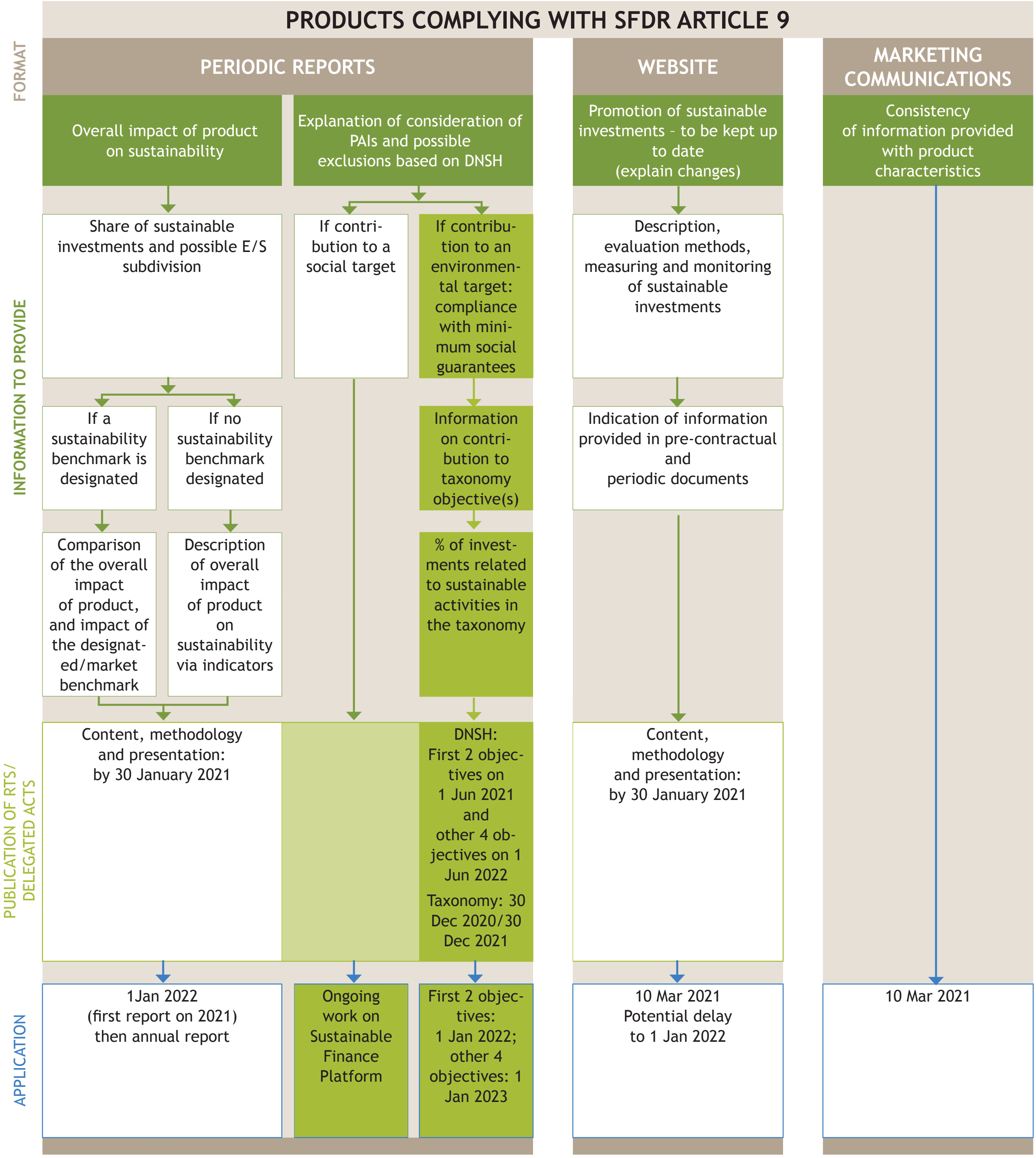
Source: AFG

3) *See 2.1.1.*

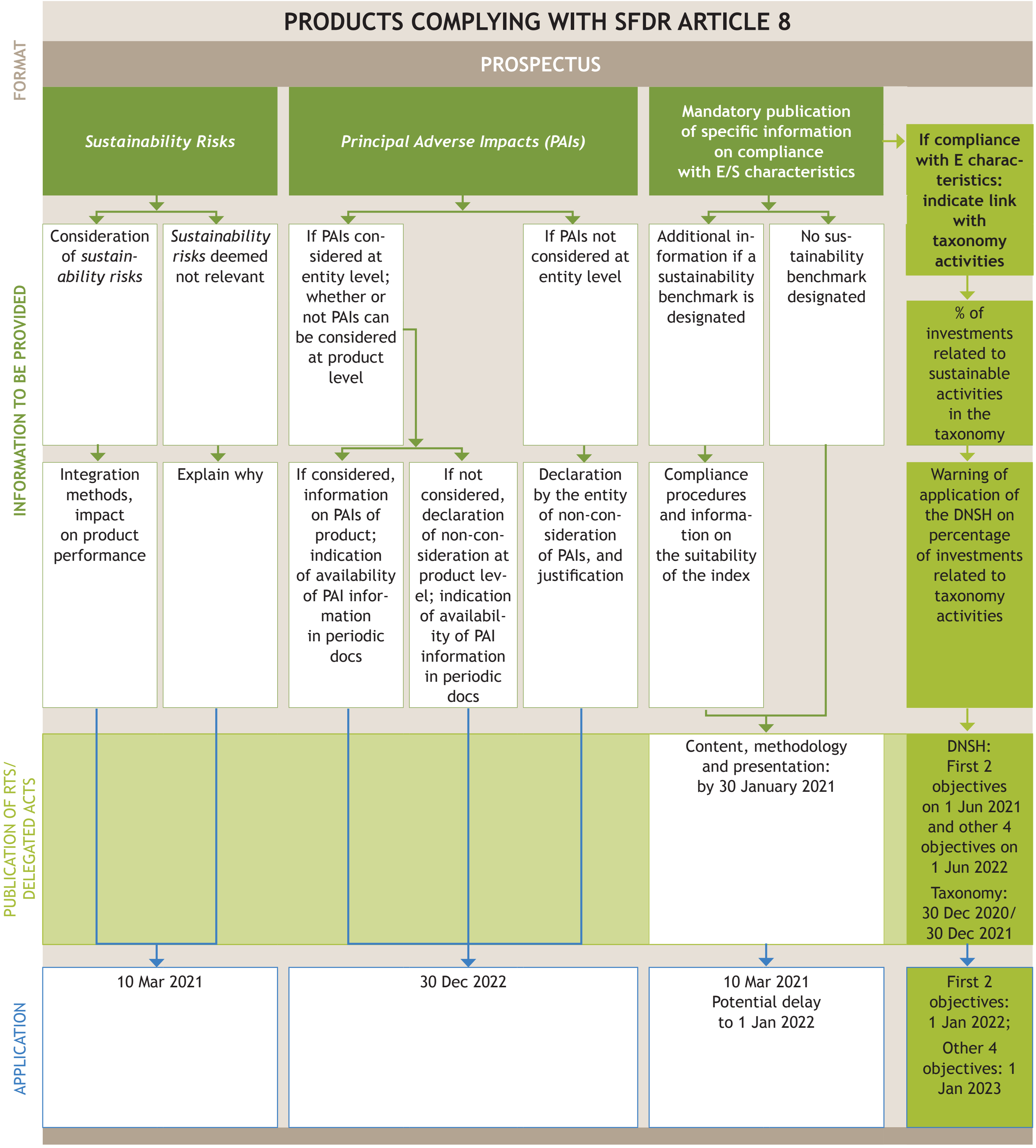
b) Consideration of sustainability criteria at the financial product level



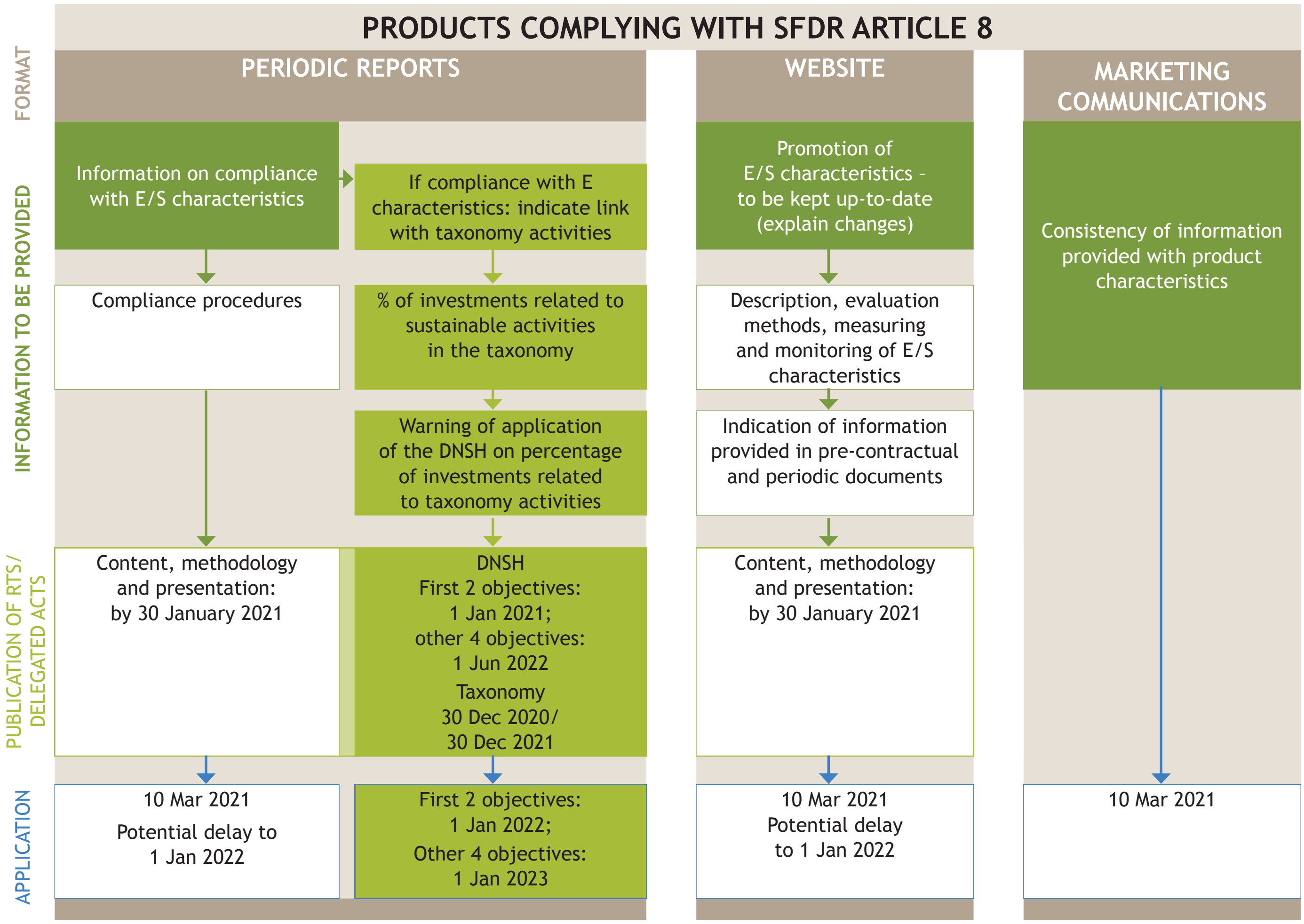
Source: AFG


PRODUCTS COMPLYING WITH SFDR ARTICLE 9
FORMAT
INFORMATION TO PROVIDE
PUBLICATION OF RTS/ DELEGATED ACTS
APPLICATION
PERIODIC REPORTS
WEBSITE
MARKETING COMMUNICATIONS
Overall impact of product on sustainability
Explanation of consideration of PAIs and possible exclusions based on DNSH
Promotion of sustainable investments - to be kept up to date (explain changes)
Consistency of information provided with product characteristics
Share of sustainable investments and possible E/S subdivision
If contri-bution to a social target
If contribu-tion to an environmen-tal target: compliance with mini-mum social guarantees
Description, evaluation methods, measuring and monitoring of sustainable investments
If a sustainability benchmark is designated
If no sustainability benchmark designated
Information on contri-bution to taxonomy objective(s)
Indication of information provided in pre-contractual and periodic documents
Comparison of the overall impact of product, and impact of the designat-ed/market benchmark
Description of overall impact of product on sustainability via indicators
% of invest-ments related to sustainable activities in the taxonomy
Content, methodology and presentation: by 30 January 2021
DNSH: First 2 objec-tives on 1 Jun 2021 and other 4 ob-jectives on 1 Jun 2022
Taxonomy: 30 Dec 2020/30 Dec 2021
Content, methodology and presentation: by 30 January 2021
1Jan 2022 (first report on 2021) then annual report
Ongoing work on Sustainable Finance Platform
First 2 objec-tives: 1 Jan 2022; other 4 objectives: 1 Jan 2023
10 Mar 2021 Potential delay to 1 Jan 2022
10 Mar 2021

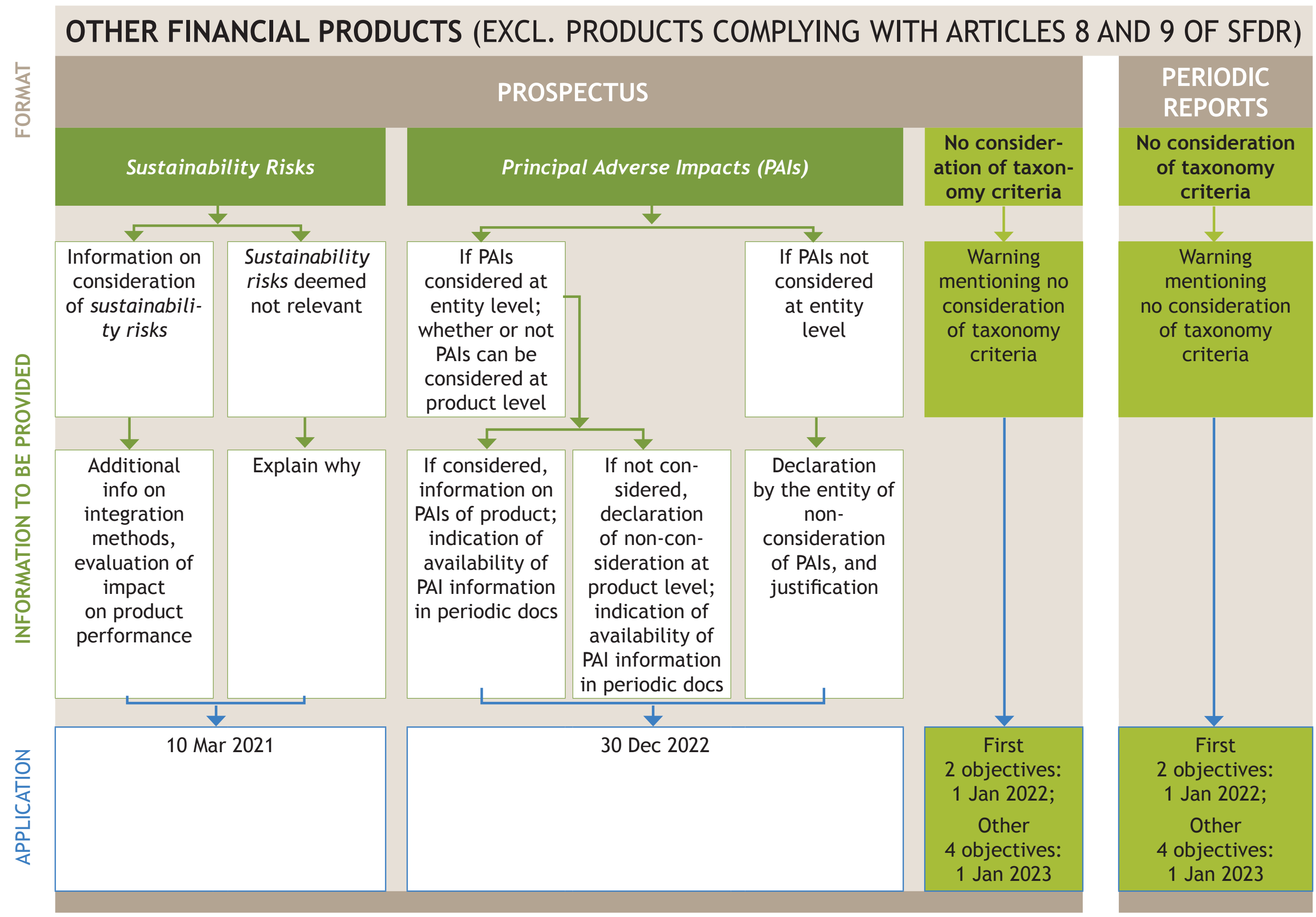
Source: AFG


PRODUCTS COMPLYING WITH SFDR ARTICLE 8
FORMAT
PROSPECTUS
INFORMATION TO BE PROVIDED
Sustainability Risks
Principal Adverse Impacts (PAIs)
Mandatory publication of specific information on compliance with E/S characteristics
If compliance with E charac-teristics: indicate link with taxonomy activities
Consideration of sustain-ability risks
Sustainability risks deemed not relevant
If PAIs con-sidered at entity level; whether or not PAIs can be considered at product level
If PAIs not considered at entity level
Additional in-formation if a sustainability benchmark is designated
No sus-tainability benchmark designated
% of investments related to sustainable activities in the taxonomy
Integration methods, impact on product performance
Explain why
If considered, information on PAIs of product; indication of availability of PAI infor-mation in periodic docs
If not considered, declaration of non-con-sideration at product lev-el; indication of availabil-ity of PAI information in periodic docs
Declaration by the entity of non-con-sideration of PAIs, and justification
Compliance procedures and informa-tion on the suitability of the index
Warning of application of the DNSH on percentage of investments related to taxonomy activities
PUBLICATION OF RTS/ DELEGATED ACTS
Content, methodology and presentation: by 30 January 2021
DNSH: First 2 objectives on 1 Jun 2021 and other 4 objectives on 1 Jun 2022
Taxonomy: 30 Dec 2020/ 30 Dec 2021
APPLICATION
10 Mar 2021
30 Dec 2022
10 Mar 2021 Potential delay to 1 Jan 2022
First 2 objectives: 1 Jan 2022;
Other 4 objectives: 1 Jan 2023

Source: AFG



Source: AFG



Source: AFG

2 ANALYSIS OF REGULATIONS

2.1 REGULATIONS THAT APPLY SPECIFICALLY TO MANAGEMENT COMPANIES

2.1.1 Regulation (EU) 2019/2088 (SFDR or Disclosure) on sustainability-related disclosure in the financial services sector

a) Regulatory context

At the time of writing this guide, only the SFDR *(Sustainable Finance Disclosure Regulation)* has been published by the European regulatory authorities. The *Regulatory Technical Standards* (RTS) are expected at the beginning of 2021 and their application date has been postponed. Their aim will be to clarify, harmonise and standardise regulatory expectations.

They should also make it easier to distinguish between financial products promoting environmental or social characteristics and products with a sustainable investment objective based on the expectations of the investment strategy.

However, the European Commission has pointed out that this regulation's level 1 provisions must be implemented by 10 March 2021.

b) Key concepts defined by the SFDR

Sustainability risk	An environmental, social or governance event or situation which, if it occurs, could have a significant adverse impact on the value of an investment.
Adverse impact on sustainability factors	Adverse impacts of investment decisions on sustainability factors (environmental, social and personnel issues, respect for human rights and the fight against corruption).
Financial product promoting E and/or S characteristics	A financial product (as defined by the SFDR) that promotes environmental and/or social characteristics, provided that the companies in which the investments are made follow good governance practices.
Sustainable investment	An investment in an economic activity that contributes to an environmental objective, or to a social objective, provided that such investments do not cause significant harm to one of these objectives and that the companies in which the investments are made follow good governance practices (in particular sound management, employee relations, wages and salaries, and compliance with tax obligations).

c) Objectives of the regulation

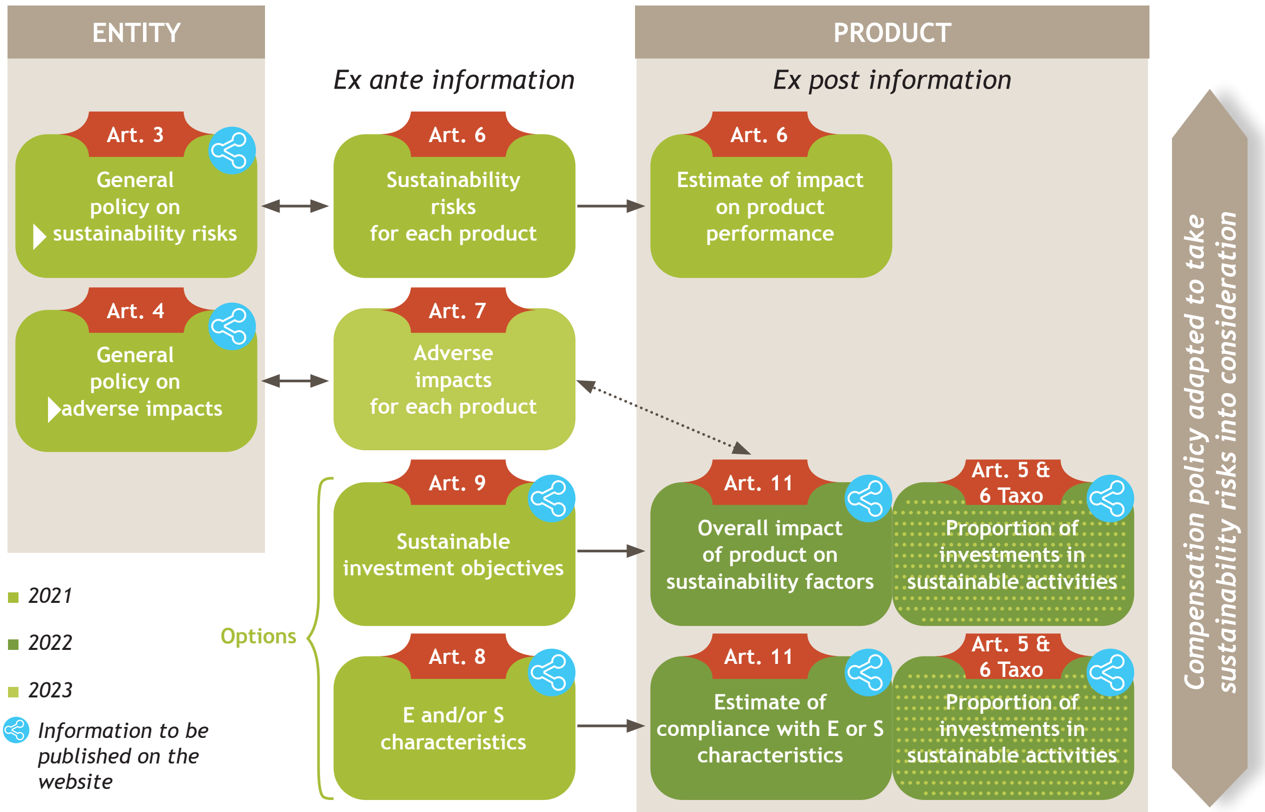
To establish harmonised transparency rules on integration for financial market participants and financial advisers:

- sustainability risks, and
- adverse impact on sustainability factors.

this applies to investment decisions, information on financial products and their compensation policy.

Asset management companies are affected by this regulation in several ways:

- as a producer of financial products covered by the regulation, including as a portfolio manager of discretionary mandates (individual portfolio management as defined by MiFID);
- but also, where applicable, as an adviser on financial instruments (as defined by MiFID) or as an insurance intermediary (as defined by the IDD).



Source: Deloitte France

d) Main provisions to be implemented by 10 March 2021

1. Transparency on compensation policy at the AM level (Art. 5)

Publish:	
On the AM's website. #1[4]	Information on how compensation policies (AIFM, UCITS, MiFID, IDD) have been adapted to take sustainability risks into consideration.

An indication should be given of how the compensation policies[5] in place at the AM encourage (or do not discourage) the consideration of sustainability risks in investment or advisory decision-making processes.

It is important, particularly with regard to advisory services, to pay close attention to this point to avoid creating conflicts of interest that could potentially harm the primary interests of clients.

4) *To help identify the provisions to be implemented, they have been numbered in the order in which they appear.*

5) *It should be noted that only the IDD (Insurance Distribution Directive) compensation policy includes the compensation of commercial partners and could, as such, lead to changes in the agreements between insurers/insurance intermediaries and their commercial partners.*

2. Transparency at the AM level on the consideration of sustainability risks (Art. 3)

Publish:	
On the AM's website. #2	Information on the policy of integrating sustainability risks into its investment decision-making process, including: • risks associated with climate change • risks related to biodiversity.
On the AM's website. #2A	Information on the policy for integrating sustainability risks into proposals for investment advice or insurance advice.

This will involve describing how the takes into consideration the sustainability risks for all the products it manages (including mandates), i.e. how the AM identifies and quantifies, where applicable, the impacts that an external environmental, social or governance event could have on the performance of the products managed. In other words, the AM must describe how its risk management process integrates sustainability risks.[6]

Note that as of 2021, Article 29 of the French Law No. 2019-1147 on Energy and the Climate requires that market participants include, in the sustainability risks to be considered in this policy, any risks associated with climate change and biodiversity.

3. Transparency at the AM level on the consideration of principal adverse impacts (PAIs) (Art. 4)

Publish:	
On the AM's website. #3	Whether or not the AM takes into consideration the principal adverse impacts (PAIs) on sustainability factors resulting from its investment decisions. **If yes** Obligation to publish a statement on the due diligence policies it has implemented (particularly in relation to identification, prioritisation, indicators, description, measures taken in this regard, summary of engagement policies, compliance with international codes and degree of alignment with the Paris Agreement, etc.). As of 30 June 2021, AMs with more than 500 employees and the parent companies of a large group will be required to take PAIs into consideration. **If no** Obligation to publish clear information on why it is not doing so and, where appropriate, when it intends to take these adverse impacts into consideration.
On the AM's website. #3A	Whether or not the AM takes into consideration the principal adverse impacts (PAIs) on sustainability factors when providing investment advice or insurance advice. And, where applicable, information indicating whether and when the AM intends to take these negative impacts into consideration.

6) In the context of providing investment or insurance advice, the aim will be to describe how the AM takes into consideration the sustainability risks that may have an impact on the products it recommends using asset allocation proposals, i.e. how the potential impacts of external environmental, social or governance events on the performance of the recommended products could influence the advisory proposals made to clients.

This will involve describing, from 10 March 2021 on a voluntary basis, or from 30 June 2021 for companies with more than 500 employees, how the AM identifies and measures the potential adverse impacts of its investments or investment/insurance advice on sustainability factors. This will include, for example, a description of the international codes respected by the AM, its engagement policy, etc.

In addition, the AM will be required to publish an annual report on the impact of its investments or investment/insurance advice on a number of criteria (to be defined by the RTS) and their trends from one year to the next. The first observation period will therefore start on 10 March 2021 and end on 31 December 2021, with an initial qualitative report being published in 2022.[7/8] The RTS must be fully implemented in the following year, accompanied by a quantitative report.

4 Transparency of financial products' consideration of sustainability risks (Art. 6)

Applies to all funds, discretionary management mandates or advisory services.

Publish:	
▪ In the fund's prospectus or the discretionary management mandate. #4	▪ How sustainability risks are integrated into the investment decisions of the fund or discretionary portfolio. ▪ Or, if applicable, a clear and concise explanation of why sustainability risks are not relevant. ▪ The results of the assessment of the likely impact of sustainability risks on the performance of the fund or mandate provided, if sustainability risks are integrated into the investment decisions of the fund or mandate.
▪ In the advisory agreement. #4A	▪ How sustainability risks are integrated into investment or insurance advice. ▪ Or, if applicable, a clear and concise explanation of why sustainability risks are not relevant. ▪ The results of the assessment of the likely impact of sustainability risks on the performance of the recommended financial products.

This will involve describing how the AM manages sustainability risks for the fund, mandate or advisory service concerned, i.e. how the AM integrates the impacts that an external environmental, social or governance event could have on the performance of a fund, mandate or recommended products.

The results of this estimate should also be stated. Although the impact of sustainability risks on the performance of funds or mandates implies, *a priori*, a quantitative analysis, a qualitative estimate of this impact should not be excluded.[9]

These provisions should be read in conjunction with provisions #2 and #2A listed above.

7) The exact publication date for this report will be specified in the RTS.

8) Since certain financial products covered by the regulation (life insurance policies, retirement savings plans or discretionary management mandates, for example) may have funds as underlying assets, these reports would provide the data for the required reporting on top-tier financial products. A process for the smooth flow of this data between the management company and its business partners should then be implemented.

9) Furthermore, since certain financial products covered by the regulation (life insurance policies, retirement savings plans, or discretionary management mandates, for example) may have funds as underlying assets, these estimates would provide the data for the required estimates on top-tier financial products, which would then link to the information provided by the AM on the funds in question.

5 Transparency of financial products' environmental and/or social characteristics (Art. 8 products)

Applies to all discretionary management funds or mandates *"promoting environmental or social characteristics or a combination of these characteristics, provided that the companies in which the investments are made follow good governance practices"*.

If these characteristics are environmental, they may be defined according to the six environmental criteria of the Taxonomy Regulation[10] (Art. 9).

Publish:	
■ In the fund's prospectus or the discretionary management mandate ; ■ On the AM's website (Art. 10). #5	■ Information on how environmental and/or social characteristics are being met. ■ If a benchmark index is identified, information on how this index is aligned with the environmental and/or social characteristics of the fund or mandate. ■ Information on where to find the methodology used to calculate the benchmark index, if applicable.
■ On the AM's website (Art. 10). #5A	■ A description of the environmental and/or social characteristics of the fund or mandate. ■ Information on the methods used to assess, measure and monitor the E or S characteristics of the fund or mandate, including the associated data sources, underlying asset valuation criteria and relevant sustainability indicat used.

This provision will apply in principle from 10 March 2021. The standardisation and harmonisation of the information provided will be reviewed in relation to the RTS.[11]

10) See the paragraph on Taxonomy.

11) Financial products covered by the regulation (life insurance policies, retirement savings plans, or discretionary management mandates, for example) that have funds as underlying assets could use this information to meet their regulatory requirements by linking to the information provided by the AM on the funds in question.

6 Transparency of financial products' sustainable investment objectives (Art. 9 products)

Applies to all funds or discretionary management mandates *"with a sustainable investment objective"*.

If this sustainable investment objective is environmental, it must be defined in accordance with the six environmental criteria of the Taxonomy Regulation[12] (Art. 9).

Publish:	
▪ In the fund's prospectus or the discretionary management mandate. ▪ On the AM's website. #6	▪ If a benchmark index is identified, information on how this index is aligned with the sustainable investment objective of the fund or mandate. ▪ Information on why and how this index differs from a broad market index. ▪ Information on where to find the methodology used to calculate the indices. ▪ Where no benchmark index is identified, information on how the sustainable investment objective of the fund or mandate is to be achieved.
▪ In the fund's prospectus or the discretionary management mandate. ▪ On the AM's website. #6A	▪ For funds whose objective is to reduce carbon emissions, obligation to use an EU Climate Transition or EU Paris-Aligned benchmark where possible. ▪ Where an EU Climate Transition or EU Paris-Aligned benchmark is identified, information on the low-carbon-exposure target for achieving the long-term global warming limitation objectives set out in the Paris Agreement. ▪ Information on where to find the methodology used to calculate the benchmark index. ▪ If no EU Climate Transition or EU Paris-Aligned benchmark is available, information on how continued efforts to ensure the carbon reduction target is achieved will be monitored.
▪ On the AM's website. #6B	▪ A description of the sustainable investment objective. ▪ Information on the methods used to assess, measure and monitor the impact of the sustainable investments selected, including the associated data sources, underlying asset valuation criteria and relevant sustainability indicators used.

This provision will apply in principle from 10 March 2021. The standardisation and harmonisation of the information provided will be reviewed in relation to the RTS.[13]

12) See the paragraph on Taxonomy.

13) Financial products covered by the regulation (life insurance policies, retirement savings plans, or discretionary management mandates, for example) that have funds as underlying assets could use this information to meet their regulatory requirements by linking to the information provided by the AM on the funds in question.

e) Main provisions to be implemented by 1 January 2022

1. Transparency of financial products' environmental or social characteristics (Art. 11)

Applies to funds or mandates that promote environmental or social characteristics.

Publish:	
▪ In the annual report of the fund or discretionary management mandate. ▪ On the AM's website. #7	▪ The extent to which the environmental or social characteristics of the fund or mandate are met.

To be read in conjunction with provision #5. While provision #5 describes the measures taken to comply with the environmental or social characteristics of the fund or mandate, this provision describes, qualitatively or quantitatively, how these characteristics were met over the preceding period.

2. Transparency of financial products' sustainable investment objectives (Art. 11)

Applies to funds or mandates with sustainable investment objectives.

Publish:	
▪ In the annual report of the fund or discretionary management mandate. ▪ On the AM's website. #8	▪ Information on the overall sustainability impact of the fund or mandate, using relevant sustainability indicators. ▪ OR, where an index has been designated as a benchmark index, a comparison of the overall sustainability impact of the fund or mandate with the impacts of the designated index and a broad market index, using sustainability indicators.

To be read in conjunction with provisions #6, #6A and #6B. While these provisions describe the measures taken to comply with the environmental or social characteristics of the fund or mandate, this provision describes, based on relevant indicators, how the sustainable investment objectives were met over the preceding period and what impact the fund or mandate had on sustainability factors.

3. Transparency of financial products' environmental objectives (Art. 5 and 6 of the Taxonomy Regulation - criteria 1 and 2)

Applies to funds or mandates that promote environmental characteristics or have an environmentally sustainable investment objective, provided that the Taxonomy is complete before the end of 2021.

Publish:	
■ In the fund's prospectus or the discretionary management mandate. ■ On the AM's website. ■ In the annual report of the fund or discretionary management mandate. #9	■ If a product promotes environmental "climate change mitigation" or "climate change adaptation" characteristics of the Taxonomy: • information on the environmental objective(s) sought; • information on how investments are made in economic activities (and, in particular, how much of the fund or mandate is invested in these activities) that are considered environmentally sustainable as defined by the Taxonomy Regulation 2019/852 (Art. 3);[14] • the following disclaimer: *"The 'do no significant harm' principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities."*
■ In the fund's prospectus or the discretionary management mandate. ■ On the AM's website. ■ In the annual report of the fund or discretionary management mandate. #9A	■ If a product has a sustainable investment objective and makes a sustainable investment in an economic activity that contributes to the achievement of an environmental "climate change mitigation" or "climate change adaptation" objective: • information on the environmental objective(s) sought; • information on how investments are made in economic activities (and, in particular, how much of the fund or mandate is invested in these activities) that are considered environmentally sustainable as defined by the Taxonomy Regulation 2019/852 (Art. 3).
■ In the fund's prospectus or the discretionary management mandate. ■ In the annual report of the fund or discretionary management mandate. #9B	■ For all products other than those referred to in provisions #9 and #9A: • the following disclaimer: *"The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities."*

To be read in conjunction with provisions #7 and #8.

At this time, no social objective has been defined by the European authorities; the focus here is therefore on environmental objectives.

14) *See the paragraph on Taxonomy.*

f) Main provisions to be implemented by 30 December 2022 (SFDR Art. 7)/by 1 January 2023 (Taxonomy Art. 5 and 6)

1. Transparency of financial products' environmental objectives (Art. 5 and 6 of the Taxonomy Regulation - criteria 3 and 6)

Publish:	
■ In the fund's prospectus or the discretionary management mandate. ■ On the AM's website. ■ In the annual report of the fund or discretionary management mandate. #10	■ If a product promotes the following environmental characteristics of the Taxonomy: "the sustainable use and protection of water and marine resources", "the transition to a circular economy", "pollution prevention and control" and "the protection and restoration of biodiversity and ecosystems": • information on the environmental objective(s) sought; • information on how investments are made in economic activities (and, in particular, how much of the fund or mandate is invested in these activities) that are considered environmentally sustainable as defined by the Taxonomy Regulation 2019/852 (Art. 3);[15] • the following disclaimer: *"The 'do no significant harm' principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities."*
■ In the fund's prospectus or the discretionary management mandate. ■ On the AM's website. ■ In the annual report of the fund or discretionary management mandate. #10A	■ If a product has a sustainable investment objective and makes a sustainable investment in an economic activity that contributes to the achievement of an environmental objective related to "the sustainable use and protection of water and marine resources", "the transition to a circular economy", "pollution prevention and control" and "the protection and restoration of biodiversity and ecosystems": • information on the environmental objective(s) sought; • information on how investments are made in economic activities (and, in particular, how much of the fund or mandate is invested in these activities) that are considered environmentally sustainable as defined by the Taxonomy Regulation 2019/852 (Art. 3).
■ In the fund's prospectus or the discretionary management mandate. ■ In the annual report of the fund or discretionary management mandate. #10B	■ For all products other than those referred to in provisions #9 and #9A: • the following disclaimer: *"The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities."*

To be read in conjunction with provisions #9, #9A and #9B, which are then extended to the last four environmental objectives defined by the Taxonomy Regulation.

To be read in conjunction with provisions #7 and #8.

15) *See the paragraph on Taxonomy.*

2. Transparency of financial products' consideration of principal adverse impacts (PAIs) (Art. 7)

Applies to all funds or mandates offered by the AM.

Publish:	
■ In the fund's prospectus or the discretionary management mandate. #11	■ If the AM takes principal adverse impacts into consideration (see #3 and #3A) for all the funds and/or mandates it offers: • information on whether and how a fund or mandate takes principal adverse impacts on sustainability factors into consideration and how the AM ensures that this information is available in the periodic product reports. ■ If the AM does not take principal adverse impacts into consideration (see #3 and #3A) for all the funds and/or mandates it offers: • a statement specifying that the AM does not take principal adverse impacts on sustainability factors into consideration and an explanation of the reasons why it does not.

To be read in conjunction with provisions #3 and #3A. If the AM takes PAIs into consideration in its investment or advisory decisions, it must specify, for all the funds and mandates it offers, how these products take these PAIs into consideration, i.e. the impact of the fund or mandate on sustainability factors.

g) How should the SFDR provisions be implemented in prospectuses?

If the AM changes its prospectuses to comply with SFDR, the AMF requires an amendment, but without AMF authorisation. This means that the AM must inform investors of the changes by any means.

If the AM wishes to change the fund management process, AMF authorisation is required.

2.1.2 Article 29 of the French Energy and Climate Law/Article 173 of the French Energy Transition for Green Growth Law

a) Objectives

The aim of Energy and Climate Law No. 2019-1147 of 8 November 2019 is to commit the French economy to the transition to carbon neutrality by 2050, thus responding to the ecological and climatic emergency.

Its Article 29 amends Article 173 of Law No. 2015-992 on the Energy Transition for Green Growth and requires that companies consider risks associated with climate change and linked to biodiversity in their sustainability risk management policy, as defined by Regulation (EU) 2019/2088 (SFDR or Disclosure). The French regulations therefore go further than the European requirements.

Article 29 will come into force on 10 March 2021. An implementing decree is expected in January 2021.

The AMF has published its third Sustainable Finance Report. This report sets out recommendations in this respect.

b) What provisions need to be implemented in 2021?

Publish:	
■ In the Art. 173 report. #12	■ The 2020 financial year report must meet the standards of Article 173 of Law No. 2015-992 on the Energy Transition for Green Growth of 17 August 2015.

Publish:	
In the policy on sustainability risks under EU Regulation 2019/2088 (SFDR). #13	Include: • risks associated with climate change • risks related to biodiversity.

The AFG has published a Professional Guide on the Application of Article 173 in Asset Management Companies. This contains all the recommendations and good practices for producing a meaningful Article 173 report. Some key information from this Guide is provided below.

1. 10 recommendations designed to help asset management companies prepare their "Article 173 reports"

(a) General

1 Clearly identify the information related to Article 173 in the funds' annual reports and on the AM's website.

2 Prepare separate reports for the asset management company and for the funds concerned.

3 Publish ESG information relating to the asset management company in a separate document that is easily accessible on the website.

(b) AM Reports

4 Present in a clear and structured manner the asset management company's approach to ESG and climate criteria along with recent developments in this area.

5 Ensure that ESG and Climate approaches are transparent in relation to the asset management company's overall strategy:
- display assets under management taking into account the relevant ESG criteria and their weighting in relation to overall assets under management
- list the main ESG indicators, including climate and energy indicators.

(c) Fund Reports

6 Focus each fund's report on those aspects of the ESG criteria being considered that are specific to that fund. Information on the asset management company's overall approach may be summarised in the report.

7 Separate the ESG analysis methods, the ways in which ESG criteria are taken into account in the investment process, and the monitoring of ESG indicators.

8 Group the main ESG criteria by major themes, provide a clear definition, and explain how they are used in relation to the management policy followed.

9 Display simple and easily measurable indicators on the risks associated with climate change.

10 Where ESG criteria are not explicitly taken into account in the investment strategy, present the general actions taken by the asset management company in relation to ESG criteria.

2. Standard structure of information to be reported in the Art 173 report

Information required under Decree No. 2015-1850
(see Art. D. 533-16-1 of the Monetary and Financial Code)

AM ESG Information (Investors)

Publish:	
On the AM's website. *Updated annually.*	General approach to the consideration of ESG criteria in investment policies and, where appropriate, risk management policy. Content, frequency and means used to inform clients (subscribers). List of funds relevant to the consideration of ESG criteria, and proportion of assets under management in these funds as a percentage of the AM's total assets under management. Commitment by the entity and/or the funds concerned to charters, codes, initiatives and labels relating to the integration of ESG criteria. Where applicable, description of ESG risks, the exposure of the business to these risks, and the internal procedures to identify and manage them.

Fund ESG Information (Investment)

Publish:	
Funds' annual reports. On the AM's website. *Updated annually.*	Description of the nature of the ESG criteria taken into account. Information used for the analysis carried out on ESG criteria. Methodology and results of this analysis. Description of how the results of the analysis are integrated into the fund's investment policy: • changes made to the portfolios as a result of the analysis of the results; • engagement strategy with issuers; • engagement strategy with asset management companies (mainly institutional investors).

Additional requirements are provided for asset management companies with balance sheets in excess of €500 million or funds with assets under management in excess of €500 million, including information on procedures for distinguishing by activity, asset class, investment portfolio, issuer, sector or by any other relevant breakdown (in particular details expected for a group of funds with similar characteristics), and the reasons for these distinctions.

In its report on the application of the provisions of Decree No. 2015-1850 of 29 December 2015 on investors' non-financial reporting, published in June 2019, the AMF reminds asset management companies that if they choose not to disclose anything about their consideration of ESG issues, they must explain why in accordance with the *"comply or explain"* principle.

The AMF also reiterates that the most relevant and understandable reports are those that follow the structure of Article D. 533-16-1, which is available in Annex 2 of the AMF's report. The vast majority are broadly understandable but need to be made more accessible to retail clients.

c) What provisions need to be implemented in 2022?

Publish:	
On the AM's website. #14	A policy on the consideration of environmental, social and governance criteria in the investment strategy including in particular: • a description of the actions taken that contribute to the energy and ecological transition (level of investment supporting the climate and contribution to compliance with the 2°C objective); • details on the criteria and methodologies used and how they are applied; • details on the exercise of voting rights attached to the financial instruments resulting from these choices; • a strategy for implementing this policy.

A decree defining the information to be provided and the procedures for updating it is expected to be issued in January 2021. Consequently, the report on financial year 2021 will be published in 2022.

Again, if the AM does not wish to disclose certain information, it must explain why in accordance with the *"comply or explain"* principle.

The "Article 173" report will no longer be required, as it will be replaced by this report.

2.1.3 AMF Position 2020-03 – Information to be provided by collective investment products incorporating non-financial approaches

a) Objectives

The aim of AMF Position 2020-03 is to ensure the consistency and quality of the information provided to investors to avoid *ESG-washing*.

- This regulation came into force for new products, changes to existing products or the marketing of foreign UCITS in France, and for products created or changed or UCITS incorporated under foreign law whose marketing in France was notified to the AMF between 12 March and 27 July 2020.
- It will apply to products that existed before 11 March 2020 as at **10 March 2021**, and investors must be informed of any changes made by any means.

b) Key concepts defined by AMF Position 2020-03

Approach based on significant engagement in asset management
▪ The approach requires that regulatory documents include measurable targets for the consideration of non-financial criteria. ▪ The commitment to consider non-financial criteria must be significant: • improvement of a rating: the average rating of the product must be higher than the average of the investment universe after elimination of at least 20% of the lowest values; • selectivity: minimum 20% reduction of the investment universe; • improvement of a non-financial indicator relative to the investable universe in terms of improvement or selectivity (20%); • other significant approaches (green obligations, reduction of gas emissions, etc.). ▪ The rate of analysis, non-financial rating or coverage of the non-financial indicator must be greater than 90%. ▪ Special case for SRI approaches: the non-financial analysis considers criteria relating to each of the Environmental, Social and Governance factors.

Approach with no significant engagement

- The approach requires that regulatory documents include measurable targets for the consideration of non-financial criteria.
- The average rating or indicator of the investment must be higher than the average rating or indicator of the investment universe.
- The non-financial analysis or rating rate must be higher than 90% for large "developed country", *investment grade* and sovereign debt capitalisations.
- The non-financial analysis or rating rate must be higher than 75% for "emerging markets" large capitalisation and sovereign debt, small and mid capitalisations, and high-yield bonds.

c) Main provisions

This policy applies to funds authorised for marketing in France to retail investors that incorporate non-financial management approaches.

The information provided must be proportionate to the objective and the effective impact of the consideration of non-financial criteria in the management of collective investments.

According to the AMF, these products can be grouped according to three approaches:

01 Approach based on significant engagement in asset management — Non-financial characteristics should be **a central aspect of communication**

02 Approach with no significant engagement — Non-financial characteristics should be **communicated in a reduced/concise way**

03 Approach failing to meet central or reduced communication standards — The investment **may not communicate** the consideration of non-financial characteristics **outside the prospectus**

Source: Deloitte France

d) Operational impacts

1. Summary of authorised communications by fund management approach

	Central communication	Reduced communication	In-prospectus communication only
Product name	✓	✗	✗
KIID	✓	✓ *	✗
Marketing materials	✓	✓ **	✗
Prospectus	✓	✓ ***	✓ ***
	Approach with significant engagement	Approach with no significant engagement	Other approach

*Concise statement in the "Other information" section. **Concise statement: neutral, max 10% of size. ***Proportionate communication.

Source: Deloitte France

2. Information that must be published

The AMF asks that the following information be included for all funds implementing a non-financial approach:

Type of information:	Publish:	Approach based on significant engagement in management	Approach with no significant engagement
▪ Statement that non-financial criteria are considered, mandatory presentation of the limits of the non-financial methodology if they are significant.	▪ KIID to be included in the prospectus, otherwise	✓	
▪ Minimum measurable targets set ▪ Minimum rate of non-financial analysis of the portfolio ▪ Presentation of the investment universe from which the non-financial analysis is carried out (except for approaches that do not use a comparison to their investment universe when considering non-financial criteria).	▪ To be specified in the prospectus as a minimum.	✓	✓
▪ Information already included in the regulatory documentation, except for the purpose of clarifying the information.	▪ Marketing materials.	✓	✓
▪ A collective investment using the term “SRI” without having the SRI label must state that the product is not SRI-labelled.	▪ To be included in its prospectus, ▪ in its KIID, ▪ and in its marketing materials.	✓	N/A
▪ For funds under foreign law that do not comply with Policy 2020-03.	▪ Insert to be added to the marketing materials.	✓	✓

2.1.4 Draft regulations currently under consultation: MiFID II and IDD, UCITS and AIFM

a) Integration of clients' sustainability preferences[16] into product governance and conflict-of-interest management (MiFID II and IDD)

The proposal is to integrate clients' sustainability preferences through conflict-of-interest management by ensuring that this includes, as part of the clients' interests, their sustainability preferences. This will involve checking that the actions/proposals of the AM do not create potential conflicts of interest with respect to the client's sustainability preferences. In concrete terms, if a client has indicated a preference for any of the "compatible" financial instruments, the investment services provided to the client (in particular, advice on financial instruments or discretionary portfolio management) must take these preferences into consideration and therefore propose to the client only products that are compatible with these preferences. The suitability report prepared after investment advice has been provided must therefore demonstrate that the investment proposals are suitable for the client based on their sustainability preferences.

These characteristics should therefore be automatically integrated into the governance process and the process for selecting the proposed products.

In addition to clients' sustainability preferences, the draft revision of Delegated Regulation 2017/565 (MiFID II) also proposes integrating the consideration of sustainability risks into the AM's organisational requirementsand risk management process.

The legislation is expected to come out in the coming weeks and should be consistent with the SFDR. However, it is possible that they will limit the eligibility of products.

b) Integration of risk and sustainability factors in fund investments and risk management (UCITS and AIFMD)

In December 2018, ESMA published a consultation aimed at introducing the concepts of sustainability risks and sustainability factors into UCITS Directive 2009/65 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, and AIFM Directive 2011/61 on alternative investment fund managers.

This integration would be achieved by incorporating major principles into existing regulations, in particular by:

- considering sustainability risks in the selection and monitoring of investments, and therefore in the relevant policies and procedures;
- the explicit integration of sustainability risks in risk management policies.

These points are consistent with the transparency obligations required by the SFDR on the consideration of sustainability risks in asset management companies' investment policies.

16) *Or ESG preferences in the context of the IDD.*

2.2 RELATED REGULATIONS FACILITATING THE UNDERSTANDING AND IMPLEMENTATION OF THE APPLICABLE REGULATIONS ("TOOLBOX")

2.2.1 Regulation (EU) 2020/852 (Taxonomy) on establishing a framework to facilitate sustainable investment

a) Objective

The Taxonomy Regulation 2020/852 requires that economic activities considered environmentally sustainable be defined and classified so that the degree of environmental sustainability of an investment can be determined. This Taxonomy thus provides investors with guidance on which activities are environmentally sustainable and which are not. It also creates a common standard across Europe to facilitate and accelerate the ecological transition by increasing investor confidence through greater transparency.

The RTS expected in 2021 should clarify the application of these regulations.

This European taxonomy is applicable in particular to:

- financial market participants who make financial products available to investors.
- to companies that are required to publish a non-financial information statement, whether consolidated or not. Their Non-Financial Information Statements must therefore include information on how and to what extent the company's activities are associated with economic activities that can be considered environmentally sustainable, as defined by the European taxonomy. This obligation should enable financial market participants regulated by the SFDR to meet their reporting obligations (see above).

b) Key concepts defined by the Taxonomy Regulation

The Taxonomy Regulation defines a common language for identifying economic activities considered to be environmentally sustainable. This evaluation grid is used as a basis for presenting information on environmental matters.

An economic activity may be eligible for the Taxonomy if:

- It is already environmentally sustainable, or
- It contributes to the ecological transition, or
- It facilitates this transition.

Economic activity considered as environmentally sustainable

a) It contributes substantially to one or more of the environmental objectives defined by the Taxonomy Regulation;

b) It does not cause significant harm to any of the other environmental objectives defined by the Taxonomy Regulation;[19]

c) It is carried out in compliance with the minimum guarantees in terms of respect for human and labour rights;

d) It complies with the technical examination criteria determined by the Commission.

Environmental objectives

a) Climate change mitigation;

b) Climate change adaptation;[17]

c) Sustainable use and protection of water and marine resources;

d) Transition to a circular economy;

e) Prevention and reduction of pollution;

f) Protection and restoration of biodiversity and ecosystems.[18]

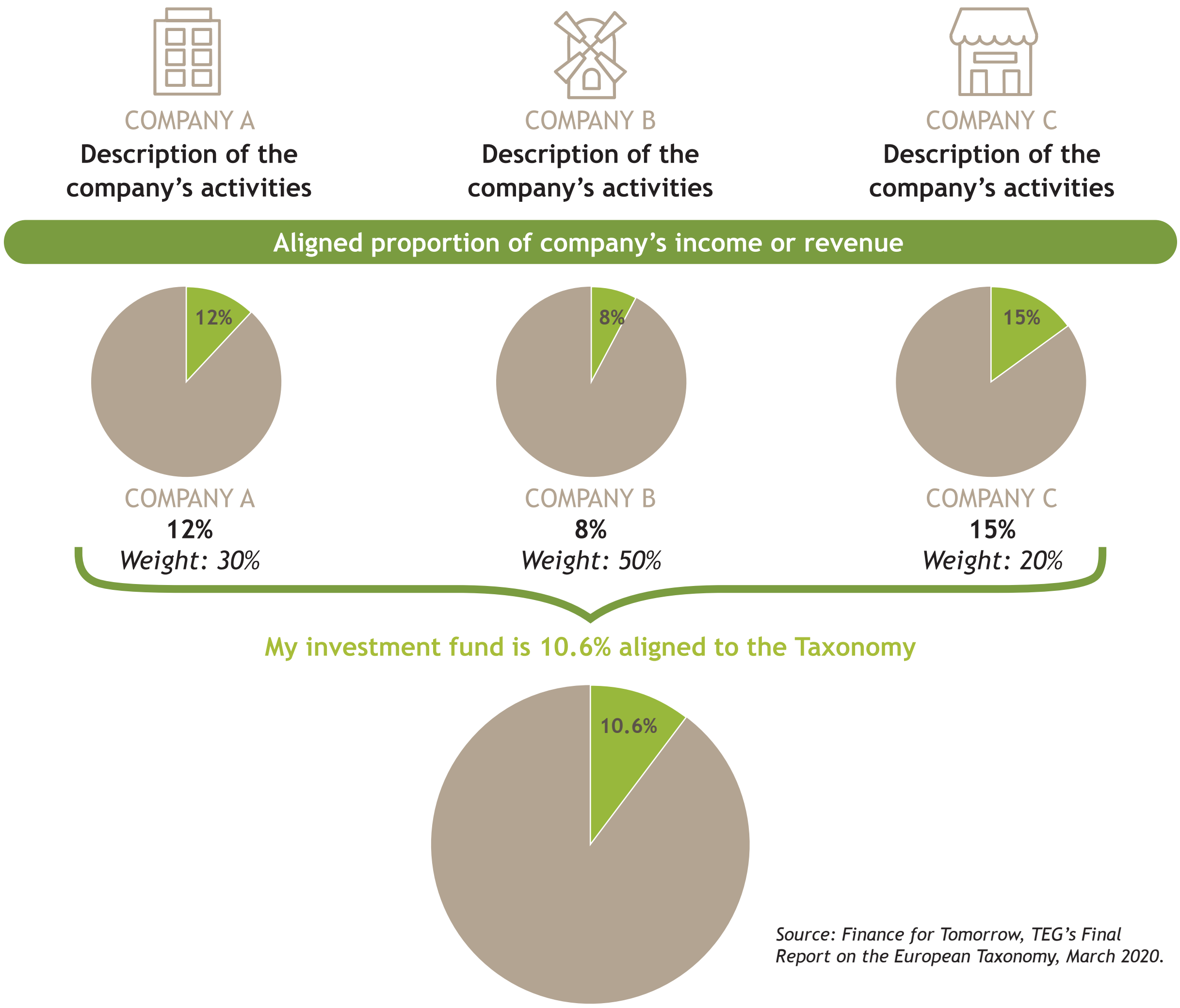
17) These first two objectives apply from January 2022.

18) These four subsequent objectives apply from January 2023.

19) For example, an economic activity causes significant harm to "climate change mitigation" if it generates significant greenhouse gas emissions.

c) Recommendations and good practices[20]

Example of how the taxonomy is applied to a portfolio



Source: Finance for Tomorrow, TEG's Final Report on the European Taxonomy, March 2020.

2.2.2 Regulation (EU) 2019/2089 (Climate Benchmark) on the EU's "Climate Transition" and "Paris-Aligned" benchmarks and the publication of sustainability information for benchmarks

a) Objectives

The aim of the amendment to European Regulation 2016/1011 (Benchmark) is to present a harmonised framework that guarantees the reliability of low-carbon benchmarks while at the same time encouraging companies to publish detailed and realistic targets for reducing their carbon emissions.

b) Important provisions

The Climate Benchmark regulation introduces two new types indices known as "low-carbon" indices:

- **"Climate Transition" indices**, in which the underlying assets are selected, weighted or excluded in such a way that the benchmark portfolio is on a decarbonisation pathway, without significantly compromising other ESG objectives;[21]
- **"Paris-Aligned" indices**, in which the underlying assets are selected, weighted or excluded in such a way that the carbon emissions of the benchmark portfolio are aligned with the objectives of the Paris Agreement without significantly compromising other ESG objectives.[22]

20) *The Taxonomy Regulation also amends and supplements the SFDR. The new provisions required by the Taxonomy Regulation are presented in this Guide in the paragraph relating to the SFDR.*
21) *It should be noted that these objectives should understandably refer to the environmental objectives defined by the Taxonomy Regulation.*
22) *It should be noted that these objectives should understandably refer to the environmental objectives defined by the Taxonomy Regulation.*

APPENDIX

Faced with the growth and multitude of ESG data published by companies, management companies wanted to have a list of non-financial indicators that serves a dual purpose: first, to define the non-financial information needed to assess a company and thus avoid the "too much information kills information" syndrome; and, second, to engage in dialogue with companies to build a framework for publications that complies with regulatory requirements.

In August 2020, the AFG therefore published a Professional Guide on this subject.

afg
association française de la gestion financière

ESSENTIAL EXTRA-FINANCIAL INDICATORS TO ASSESS A COMPANY

AUGUST 2020 UPDATE

PROFESSIONAL GUIDE

OBJECTIVES

Companies and investors need to sustain a stronger dialogue on extra-financial reporting. This is especially important, now that European regulations are increasingly tackling data issues: review of Directive 2014/95/EU (also known as the Non-Financial Reporting Directive), preparation of the new EU Taxonomy Regulation setting a framework to promote sustainable investment…

Asset management companies must currently wade through a wide array of extra-financial information which is neither standardised, comparable, stable over time nor audited. This hinders ESG[1] investments' development, as investors and companies are unable to rely on a common framework. Therefore, amid the increasing volume of company-reported ESG data, a reference list of extra-financial indicators is urgently needed. The objective is twofold: determining which extra-financial information is needed to assess a company, to avoid getting bogged down in an "information overload"; and forging a dialogue with companies, to build a reporting framework complying with regulatory requirements.

AFG was keen to contribute to these objectives, and set up a dedicated working group in March 2020.

Its initial objective was to **identify which essential cross-sector extra-financial indicators could be used to assess companies of all sizes.**

AFG set a goal to identify a maximum of 10 cross-sector indicators for each of the following pillars: Environment, Social / Human capital, Societal and Governance. In doing so, it defined a minimum set of corporate disclosures. However, the intention is absolutely not for companies to scale back on the information they already disclose, and which fosters trust with their partners. On the contrary, this list is intended as a starting point to open up a dialogue with companies. It is adaptative, and can be completed, if needed, with sets of sector-specific indicators. Furthermore, it is not exhaustive, and should not restrict the disclosure of information that a company deems paramount to understanding its business model and development.

Since the point of the exercise was not to normalize the indicators, the AFG working group did not seek to agree on universal definitions. This is not a task for asset management companies, but could be tackled in a second phase, as part of a dialogue with companies and auditors.

1) The acronym "ESG" refers to the Environmental, Social and Governance (ESG) criteria that combine the three pillars of analysis of a company's extra-financial disclosures and are taken into consideration in responsible investing and sustainable finance.

WORK METHOD

A preliminary survey of asset management companies pursuing responsible investment strategies focused on the indicators that they felt were essential for their company analysis from an extra-financial angle. These indicators were classified under the following fourpillars: Environment, Social / Human capital, Societal and Governance. 16 asset management companies took part in the survey in February 2020 and submitted around 450 indicators: around 140 environment indicators, 85 human capital indicators, 55 societal indicators and 160 governance indicators. These 450 indicators were gathered into approximately 100 themes and categorised into 26 sub-themes.

Two layers of information were ultimately selected: firstly, a maximum of 10 essential extra-financial indicators were defined for each pillar to help asset management companies make consistent company assessments *(list of "essential indicators")*. Secondly, other themes in which investors need transparency were then also identified, to be used to open up a dialogue with companies *(list of "transparency indicators")*.

AFG identified areas to be addressed jointly by companies and investors. Finally, a first version of the guide was presented to companies in July 2020. This dialogue led to a change in the essential and transparency indicators.

ESSENTIAL INDICATORS

The following is a list of non-financial indicators that are essential to assess companies of all sizes, irrespective of the sector.

PILLAR	THEME	ESSENTIAL ESG INDICATORS
ENVIRONMENT	Climate/Carbon Footprint	Carbon footprint scope 1, 2 and 3 (upstream and downstream)
	Climate/Green Share	Green share of revenue in the taxonomy
	Resources/Waste	Volume of waste produced (in tonnes)
		Volume recycled, waste recovery rate
	Resources/Water	Volume of water consumed
		Volume of water used or recycled
	Resources/Energy	Total energy consumption
		Consumption of decarbonated energy and consumption of renewable energy
	Resources/Biodiversity	*To be defined at a later date*
HUMAN CAPITAL	Internal Climate	Non-seasonal departure rate by average number of staff
		Absenteeism rate
	Skills Development	Total training budget by legal entity
		Rate of employees having taken/received training by legal entity
		Number of training hours per employee by legal entity
	Staff Management	Women's participation in business management: - number of members on the Management Board and number of women members on the Management Board - number of members of the management staff and number of women managers or equivalent - total number of staff and total number of women
		Average women's remuneration compared to men's: - within the Management Board - within senior and middle management - across all staff
		Employment rate of people with disabilities
	Health and Safety	Accident frequency rate
		Severity rate
		Number of fatal accidents
SOCIETAL	Clients	Number of disputes (in the sense of legal actions carried out by a group of clients)
	Companies and Territories	Amount of donations/grants/sponsorship for the benefit of civil society
	Taxation Policy	Overall taxation rate
	Sub-contractors and Suppliers	Do you require that your suppliers have minimum environmental and social policies?
		% of suppliers audited per year on their social and environmental policy
	Cybersecurity	Investment in cybersecurity
		Number of tests conducted and number of cybersecurity training courses per employee
	Digital Transformation	*Currently being defined*
GOVERNANCE	Board and Committees	Number and percentage of independent directors
		Number and percentage of women on the Management Board
	Business Ethics	Number of legal proceedings in progress relating to ethics as at 31/12/N-1
		Fines paid in connection with disputes
	Compensation Policy	Fairness: - Amount of compensation of executive members of the Management Board, in year N and N-1 - raw company performance data - median and average compensation of employees, in years N and N-1
		Achievement rate of objectives set and allocation rate of variable compensation
		Sharing of value creation between employees and shareholders

Source: AFG

TRANSPARENCY INDICATORS

A list of transparency indicators is presented below. These indicators complete the list of non-financial indicators that are essential and/or those difficult to standardise. This sometimes includes fulfilling an investor's expectation for more detailed information. Dialogue with companies is also important here.

PILLAR	THEME	ESG TRANSPARENCY INDICATORS
ENVIRONMENT	Climate/Carbon Footprint	Carbon reduction objectives
		Participation in the CDP (yes/no)
	Climate/2°C Pathway and associated risks	Commitment/Objectives on alignment towards carbon neutrality, 2°C or even 1.5°C (science-based targets)
		Measuring commitment
		Physical risk exposure and management/TCFD Reporting
		Transition risk exposure and management/TCFD Reporting
	Climate/Green Share	Transparency of green taxonomy classification
	Environmental impact	Existence of policies for managing and measuring environmental impacts
		Proportion of eco-designed products
	Resources/Energy	Energy consumption by type of energy
	Resources/Biodiversity	Biodiversity conservation: the company's impact
HUMAN CAPITAL	Internal Climate	Existence of annual survey (yes/no)
		Frequency of internal surveys
		Definition of value creation
	Skills Development	List of key training topics
	Health and Safety	Overview of social benefits (health insurance, pension, etc.)
	Employment	Age pyramid
		Net job creation and details
		% temporary employees/fixed-term contracts/contractors, for the group and by division
SOCIETAL	Companies and Territories	Revenue breakdown by SDG
		Proportion of sales of products for disadvantaged communities
		Proportion of revenue from activities related to tobacco, alcohol, arms, nucle-ar, coal, GMOs, pornography, etc.
	Taxation Policy	Do you have a code of conduct/principles related to tax matters?
		Do you operate in any states or territories non-cooperative in tax matters (ETNCs)?
	Cybersecurity	How are cybersecurity risks managed?
	Corporate Role	Existence of a corporate mission
GOVERNANCE	Business Ethics	Signatory to an international agreement such as the Global Compact
	Compensation Policy	Amount of fixed and variable compensation and other benefits for key senior managers
		Existence of a compensation policy linked to sustainability criteria (yes/no)
		Measuring the compensation policy linked to sustainability criteria: - Management Board - Managerial staff - All staff

Source: AFG

The French asset management association
(Association Française de la Gestion Financière – AFG)
represents and promotes the interests of third-party portfolio management professionals. It brings together all asset management players from the discretionary and collective portfolio management segments. These actors manage more than €4,000 billion worth of assets, i.e. a quarter of continental Europe's portfolio management market.

The AFG would like to thank all those at the AFG and Deloitte who were instrumental in preparing this Guide, in particular Servane PFISTER and Julien RIVALS. Alix FAURE, Head of Sustainable Investment (AFG), coordinated this work.

Published by the Asset Management division of the AFG
Alix Faure, Head of Sustainable Investment | T: +33 (0) 44 94 94 00 | a.faure@afg.asso.fr

41, rue de la Bienfaisance | 75008 Paris | T: +33 (0)1 44 94 94 00 | www.afg.asso.fr | @AFG_France
45, rue de Trèves | 1040 Bruxelles | T: +32 (0)2 486 02 90