

ESG: A Case-Study

Preparing a Manager for compliance with SFDR by 10 March 2021

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Our Case Study For Today



Action Points for our Super Man Co

- 1 Classification of all funds under management as ESG funds/non-ESG funds
- 2 Engagement with key stakeholders in investment management and risk teams to consider how sustainability risks are currently incorporated into the investment decision making process
- 3 Consider how sustainability risk is incorporated into the remuneration structure of the Super Man Co and update remuneration policy to reflect this
- 4 Engagement with key stakeholders in investment management and risk teams to determine how they consider material adverse impacts of investment decisions on sustainability factors and prepare website disclosure on policies around same
- 5 Prepare prospectus and website disclosures for ESG funds
- 6 Conduct a consistency check between the prospectus/website ESG disclosures and the ESG related information contained in the marketing communications of the relevant fund

EU Sustainable Finance Framework: Reminder of Key Legislation

SFDR (Regulation (EU) 2019/2088)

To provide for consistent disclosure requirements in relation to sustainability

Application Date of SFDR:

10 March 2021

Application Date of Level 2 measures:

Not yet known

10 March 2021:
Compliance with SFDR's
“high level and principle based requirements”

Level 2 Measures under the Disclosures Regulation

Relevant Provision	Level 2 Measures
<u>Article 3</u> Sustainability Risk: Website Disclosures	No
<u>Article 4</u> Principal Adverse Impact Reporting – Website Disclosures (A) Compliance (B) Explanation for non-compliance	Yes No
<u>Article 5</u> Sustainability Risk: Remuneration Policy	No
<u>Article 6</u> Sustainability Risk: Prospectus	No
<u>Article 8</u> Article 8 Fund: Prospectus Disclosure	Yes
<u>Article 9</u> Article 9 Fund: Prospectus Disclosure	Yes
<u>Article 10</u> Website Disclosures for ESG Funds	Yes
<u>Article 13</u> Marketing Communications	No

What is an “ESG Fund”?

ESG Funds comprise of:

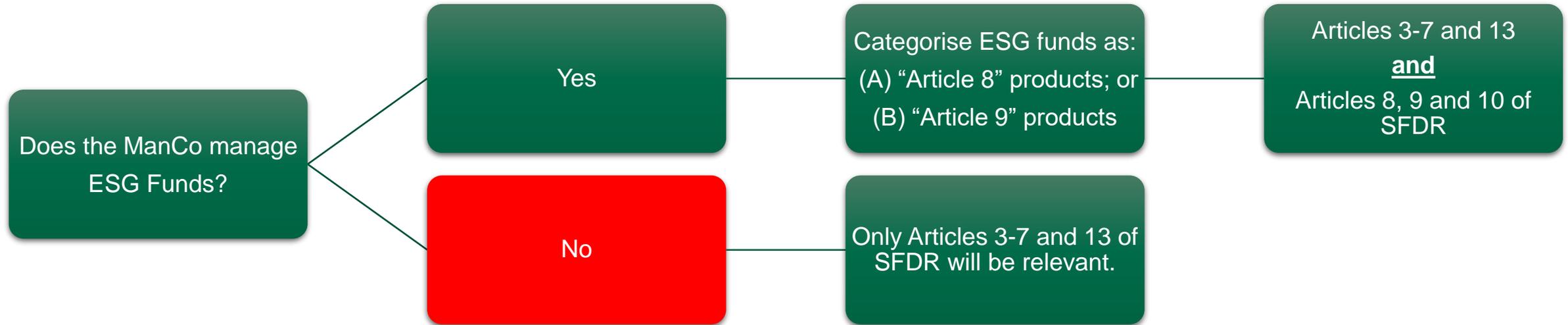
“Light-Green Funds”/ “Article 8 funds”

- Funds that *promote* environmental or social characteristics (although not exclusively) and which invest in companies that follow good governance factors

“Dark-Green Funds”/ “Article 9 funds”

- Funds which have an objective of (i) sustainable investments; or (ii) reducing carbon emissions.

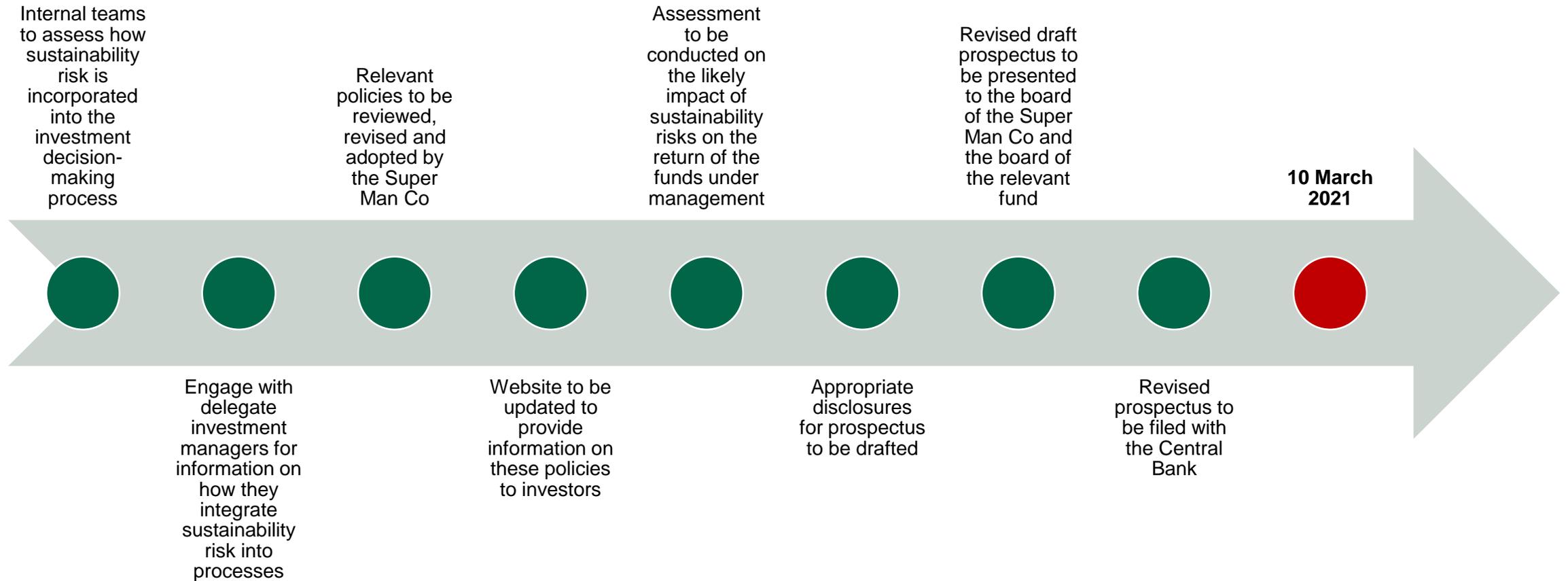
How to Navigate the ESG Framework: Classification Process



SFDR: Integration of Sustainability Risks



SFDR: Integration of Sustainability Risks: Step Plan



SFDR: Revision of Remuneration Policy

Deadline for Compliance



10 March 2021

Obligation



Revise remuneration policy of the Super Man Co to address integration of sustainability risk into remuneration structure

SFDR: Revision of Remuneration Policy: Step Plan



SFDR: Principal Adverse Impact Reporting

Article 4 of SFDR



No Level 2 Measures Available

**Comply with Article 4 on a
“best efforts basis”**

or

Explanation on why have chosen not to
comply and whether will comply in the
future

SFDR: Principal Adverse Impact Reporting: Level 1 Disclosures

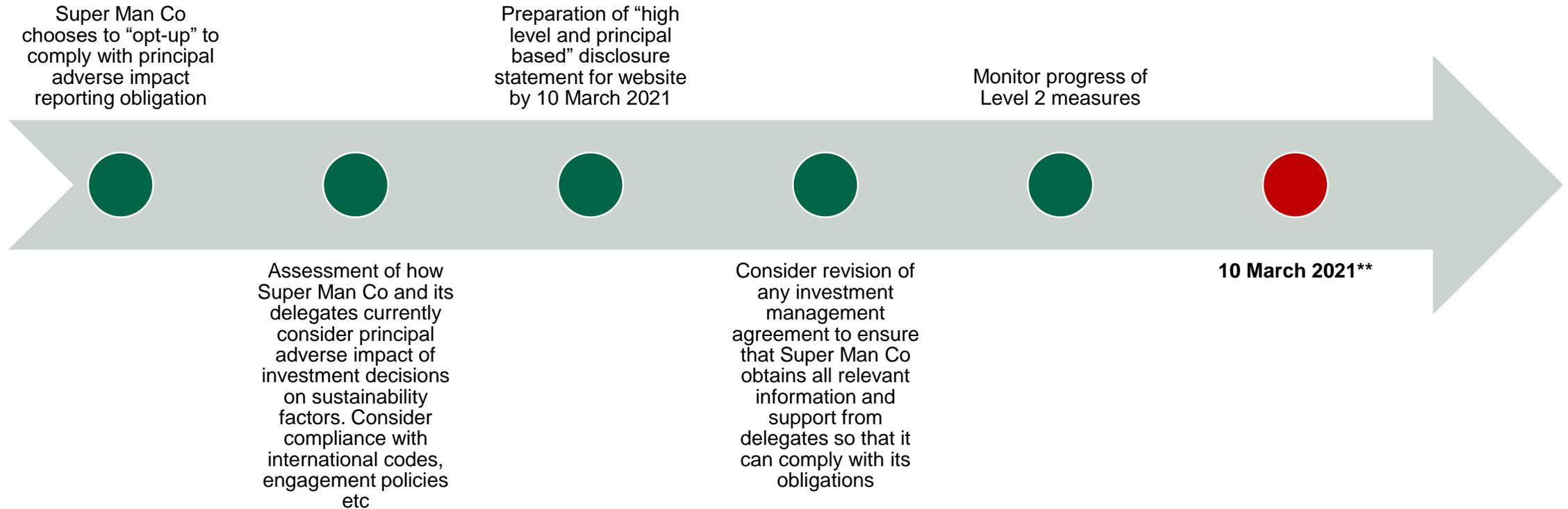
Policies on identification and prioritising of principal adverse sustainability impacts and indicators

Principal adverse impacts and any actions taken or planned

Brief summary of SRD II engagement policies

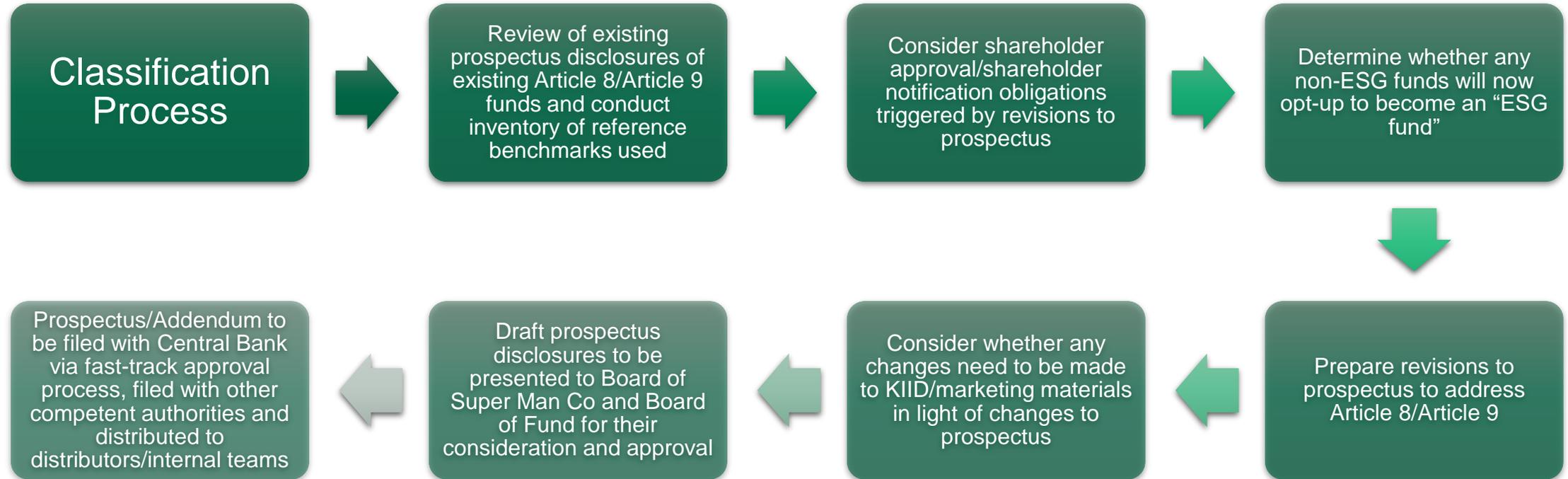
Adherence to responsible business conduct codes/internationally recognised standards

SFDR: Principal Adverse Impact Reporting



**Appropriate disclosures will also need to be included in the prospectus of each fund under management by 30 December 2022

SFDR: Prospectus Disclosures of ESG funds



SFDR: Website Disclosures for ESG Funds

Disclosures vary depending on whether Article 8 or Article 9 funds

Gather information from investment teams on the methodologies used to assess, measure and monitor ESG characteristics/impact of sustainable investments

- Data sources
- Screening criteria for underlying assets
- Relevant sustainability indicators

Leverage off prospectus disclosure to provide information the ESG characteristics being promoted (Article 8) or sustainable investment objective (Article 9)

Website disclosures to be approved by board of directors of Super Man Co and added to website by 10 March 2021

SFDR: Marketing Communications

Deadline for Compliance



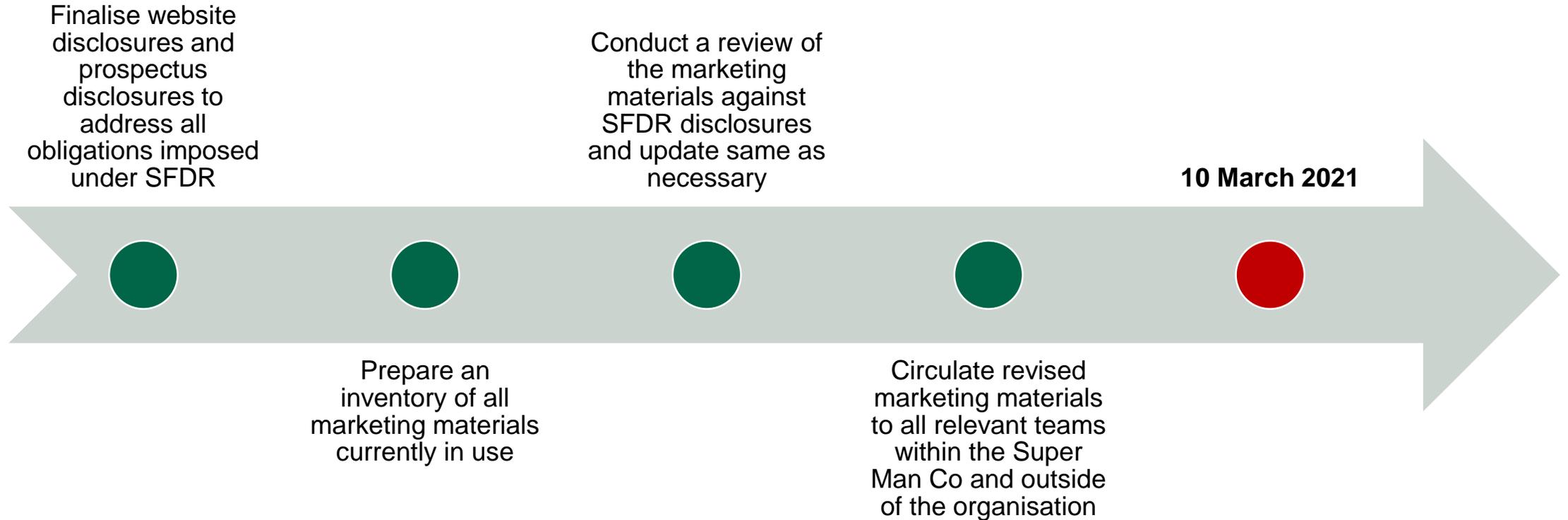
10 March 2021

Obligation

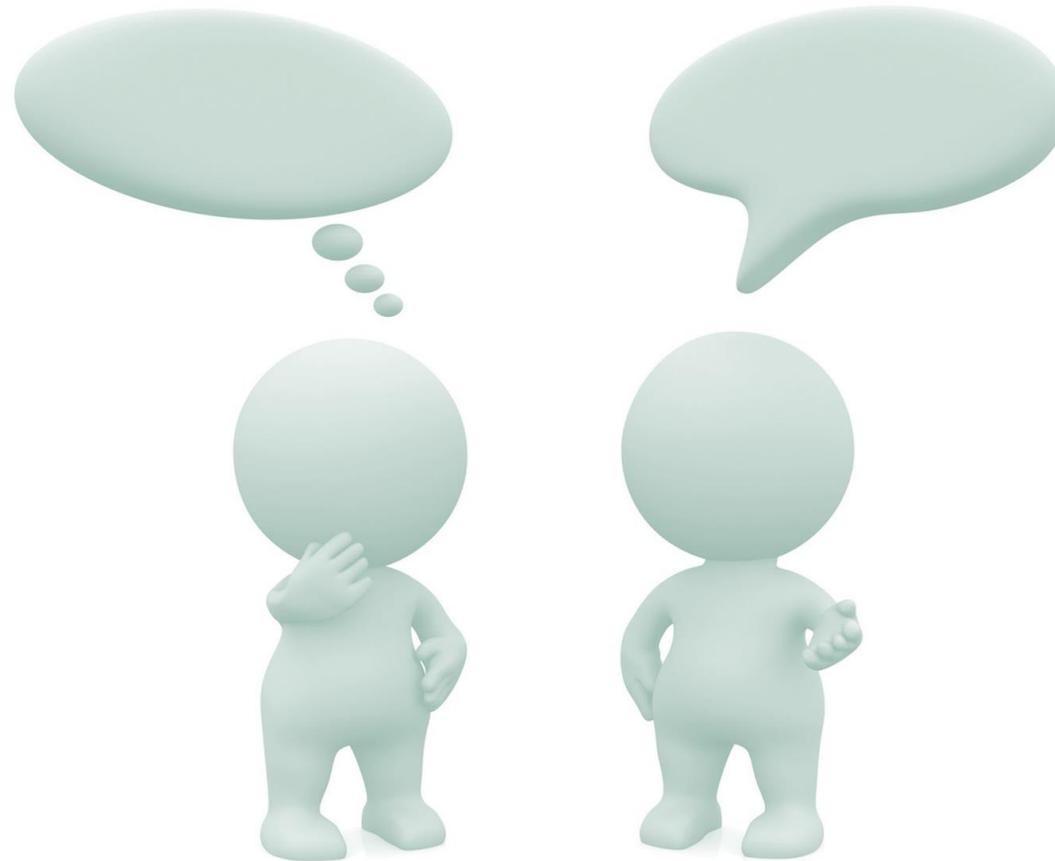


Ensure that marketing communications do not contradict the information disclosed under the SFDR

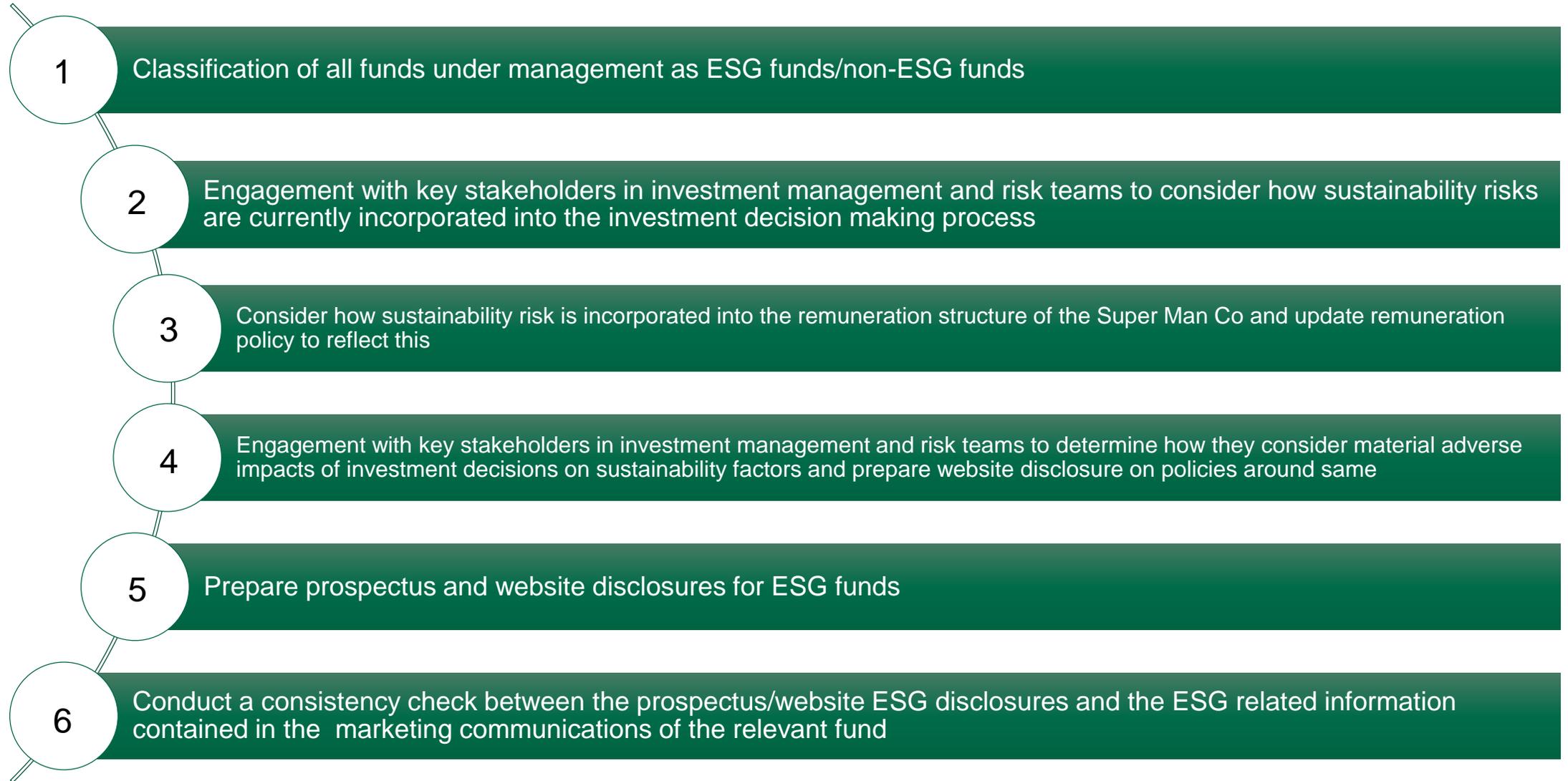
SFDR: Review of Marketing Materials



Relationship with the Board of the Externally Managed Fund



Action Points for our Super Man Co



Questions & Answers

Any questions?



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