

The European Union (EU) has set harmonised rules for the financial industry with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their processes and the provision of sustainability-related information with respect to financial products. This sets requirements for Funds based in the EU as well as those managing capital raised in the EU.

WHAT IS EU REGULATION 2019/2088

- ✓ Reg 2019/2088 is an EU regulation on the publication of information from financial market participants on the sustainability of their investment decisions.
- ✓ Financial market participants/financial advisors must disclose information on how they integrate sustainability risk in investments.
- ✓ Financial market participants/financial advisors must also disclose how decision-making and investment products consider adverse sustainability factor risks and impacts.
- ✓ Managers of ESG Funds are expected to meet more stringent ESG requirements.

KEY TERMS

- ✓ Sustainability risk – an ESG event or condition that could cause an actual or potential material negative impact on the value of the investment.
- ✓ Sustainability factors - environmental, employee and social matters, respect for human rights, anti-corruption and anti-bribery matters.
- ✓ ESG funds - funds promoting E&S characteristics, have a sustainable investment goal or aim to reduce carbon emissions.

Entities to which the Regs are applicable

Reg. 2019/2088 is applicable to all financial market participants based in the EU, or marketing in the EU. This includes a diverse set of entities but specifically includes:

- Alternative Investment Fund Managers
- Managers of Social Entrepreneurship Funds
- Insurance firms offering Insurance-based Investment Products
- Investment firms offering portfolio management
- Credit Institutions providing portfolio management

What does EU Regulation 2019/2088 mean for your entity?

• EU Reg 2019/2088 may apply to you if your company fulfills any of the following criteria:

- Funds and/or managers based in the EU
- Non-EU Funds and/or Managers with European investors, or private placement regimes in any EU jurisdictions
- Any Manager intending to raise investment in any EU jurisdiction

EU 2019/2088 REGULATIONS – KEY DATES FOR COMPLIANCE

Date	Requirement
10 March 2021	Website amendments: <ul style="list-style-type: none"> • How are sustainability risks included in DD reporting and IC decision-making. • Describe how adverse sustainability impacts of investment decisions are considered in the investment process. • ESG Aims must be clearly articulated. • ESG Funds must publish methodology used to assess ESG impacts of investments. • How remuneration policy is consistent with the integration of sustainability risk. Prospectus/PPM amendments: <ul style="list-style-type: none"> • How the fund factors sustainability risk into decision-making. • The document must state what the anticipated potential impact of the decision will be on the investment return. • For ESG Funds, how Fund Objectives will be met must be published, details of the benchmark used to measure success, and reasons for suitability of the benchmark.
1 January 2022	ESG Fund Managers must include progress on ESG Objectives in Annual Reports.
30 December 2022	Prospectuses, PPM's and pre-contractual investment information must explain how the fund considers adverse sustainability of investment decisions. Additional reporting requirements come into force on the aforementioned date depending on manager size and average employee numbers.

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- ✓ Gap analysis of Manager and Fund documentation affected by Regulations
- ✓ Amendment and/or compilation of web content, prospectus/private placement memoranda
- ✓ Defining ESG Due Diligence scope in line with Reg 2019/2088
- ✓ Amending Management Systems to ensure Reg 2019/2088 requirements are met in the investment process
- ✓ Articulating ESG aims of the Fund and/or Manager
- ✓ Defining Annual Reporting requirements aligned to Reg 2019/2088

HOW EBS CAN ASSIST