Sustainable Investment Policy

September 2022

The Sustainable Investment Policy is completed by Flexstone Corporate Sustainability Policy provided as a separate document.

CONTENTS

Principles & Values **3**
Sustainable Investment Framework **4**
Targeted Exclusion Policy **5**
Due Diligence & Risk assessment at GP level **7**
General GP ESG Integration 7
Environmental 7
Social 7
Governance 8
Sustainability assessment for co-investments 8
Contractual sustainability engagements **9**
Engagement policy **10**
Direct Engagement 10
Limited Partner Advisory Committees 10
Divestment 10
Monitoring, Reporting & Transparency **11**
Sustainability Risks **12**
Sustainable Finance Disclosure Regulation **13**
Principal Adverse Impact 13
Sustainable Finance Disclosure Regulation (SFDR) Remuneration Policy 13
Governance and Escalation Process **14**
Investment teams 14
Escalation process 14
Contacts **15**
Glossary of Terms **16**

PRINCIPLES & VALUES

Flexstone Partners ("Flexstone") is a global asset management and advisory firm offering investment solutions across all private markets. We are committed to integrating sustainability ("ESG": environmental, social and governance)[1] factors into our investment process and ownership, aligned with the financial and investment objectives of our clients.

By focusing on sustainability, the Firm believes it can build and manage investment portfolios which generate a superior, long-term, responsible performance by investing in ethically managed private assets.

The Firm also has appropriate governance structures in place to help ensure consistent implementation across the organization, and to help drive better risk-adjusted returns.

Given this view and the increased importance clients are placing on sustainability in their decision-making, Flexstone has sought to integrate core sustainability principles across its investment processes, in ongoing monitoring and reporting to key stakeholders, and across its corporate culture globally[2].

Flexstone's main **sustainable investment principles are the following**:

Deliver risk-adjusted returns: We seek to deliver superior, responsible performance by selecting investments with compelling track records and acceptable levels of risk, with a process that integrates sustainability across its three E, S and G dimensions.

Reduce exposure to material sustainability-related risks: We aim to reduce exposure to material sustainability-related risks ('material ESG risks') by integrating sustainability considerations into our investment process and assessing the sustainability practices and policies of General Partners (GPs), portfolio companies, and co-investments.

Raise awareness: We commit to raise awareness of responsible investing among our fund managers and to ensure that sustainability criteria are considered in all aspects of the investment process.

Help advance Fund Managers: We are committed to empowering fund managers to make responsible investment decisions; We designed a governance model to integrate sustainability considerations across all investments, including primary, secondary and co-investments.

Provide clients with portfolios that have strong sustainability credentials:

- Most of our clients have adopted sustainability principles as a part of their investment policies. On a client-by-client basis, we are committed to applying these principles in their private asset portfolios. We ensure that sectors excluded from their investment guidelines are excluded in the fund LPA or in Side Letters. Furthermore, the fund manager is committed to apply, on a best effort basis, the sustainability principles as stated in each client's investment policy.
- High quality fund managers and funds selected by Flexstone typically have strong sustainability credentials. As a result, even though they generally have limited resources to do so, fund managers selected by Flexstone tend to adhere to generally accepted sustainability principles even when they have not formally signed the UN PRI.

Transparency: We continually inform clients about their investments through a variety of means including periodic reporting and analytics about underlying portfolio companies' sustainability performance. We also commit to publishing an annual sustainability report on Flexstone's internal sustainability policies and practices, as well as the sustainability performance of our portfolios.

[1] 'Sustainability' and 'ESG' are used interchangeably

[2] Refer to Flexstone Corporate Sustainability Policy

SUSTAINABLE INVESTMENT FRAMEWORK

The objective of Flexstone's sustainable investment policy is to ensure that sustainability factors are integrated at each step of the investment process, and that all portfolio managers and underlying companies are well-placed to develop a sustainable business model.

Our framework is based on the following key pillars:

GP Sustainability Assessment Framework

Sector Agnostic – sustainable businesses can be developed in all Sectors (excl. prohibited)

Global Approach – same framework applied in all regions (Europe, US, Asia)

Active Advocacy to accompany GPs in their ESG improvement

ESG Risk Management System

Pragmatic, Clear Tracking and Reporting of ESG KPIs

Flexstone Sustainable Investment Process – Active Integration

Source: Flexstone Partners

TARGETED EXCLUSION POLICY

Flexstone does not exclude any sector on principle as we believe that sustainable businesses can be developed in all sectors. However, to ensure that all Flexstone's investments align with its core values, Flexstone has defined a targeted exclusion policy. The list of prohibited investments ('negative screening') complies with the current best practices in the financial sector and defines a set of business activities that Flexstone believes are unethical and unsustainable.

The exclusion policy is applied to all Flexstone's investments and are key to integrating sustainability into its pre-investment process.

Investments that meet the following criteria are excluded on a 'zero tolerance' basis:

(i) *Failure to comply with the Ten Principles of the UN Global Compact[3], which are derived from the Universal Declaration for Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption;*

(ii) *Activities involved in modern slavery of any kind (slavery, servitude, forced or compulsory labour, human trafficking);*

(iii) *Involvement in the production, sale, or distribution of controversial weapons, including cluster munitions, landmines[4], depleted uranium weapons, white phosphorus munitions, biological/chemical weapons, blinding lasers, non-detectable fragments, and incendiary weapons.*

Flexstone further excludes investments that meet the following criteria:

(i) *The operation of a gambling business or establishment;*

(ii) *The production or sale of tobacco;*

(iii) *The production or sale of narcotics;*

(iv) *The production sale, or distribution of conventional weapons[5], including but not limited to armoured combat vehicles, combat helicopters, combat aircraft, small arms and light weapons, landmines, cluster munitions, ammunition, and artillery;*

(v) *The financial speculation on food commodities;*

(vi) *The financing of research relating to human cloning or genetically modified organisms;*

(vii) *The production, distribution, or sale of pornography;*

(viii) *Deforestation activities (commercial logging operations, production, or trade of wood and other forest resources). This exclusion does not target the listed activities* ***when done through sustainable forest management[6]****;*

(ix) *Involvement in the extraction (thermal coal mining), refining, production, sale, or distribution of thermal coal;*

(x) *The extraction, refining, production, sale, or distribution of fossil fuels (including any involvement in Arctic onshore and offshore extraction);*

(xi) *The operation of nuclear power plants; and,*

(xii) *The production or sale of nuclear weapons.*

---

[3] https://www.unglobalcompact.org/what-is-gc/mission/principles
[4] Including both anti-personnel mines (prohibited under the Ottawa Treaty adopted in 1997) and anti-vehicle mines
[5] As defined by the United Nations Office for Disarmament Affairs
[6] Sustainable Forest Management is 'The stewardship and use of forests and forest lands in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfil, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems.' (UN FAO)

Flexstone also excludes co-investments in underlying companies having their registered office or conducting a major part of their business in countries that are “Not Cooperating” (as defined by Natixis AML-CTF Country classification) in tax or anti-money laundering related matters and in countries identified as at risk in terms Corruption by the Transparency International Corruption Perceptions Index (CPI)[7].

Flexstone systematically requests that these exclusions be specified in the side letters signed with the fund managers in whose funds it invests. All non-compliant investments are declined.

[7] The CPI ranks 180 countries and territories around the world by their perceived levels of public sector corruption on a scale of 0 (highly corrupt) to 100 (very clean). https://www.transparency.org/en/cpi/2021

DUE DILIGENCE & RISK ASSESSMENT AT GP LEVEL

Flexstone has developed an in-house sustainability assessment framework, the 'sustainability scoring matrix', which is used to evaluate the sustainability approaches of GPs and co-investments. The framework is systematically applied to all investments on a global basis (Europe, US, and Asia) as a part of Flexstone's pre-investment process.

The sustainability scoring matrix is systematically applied to each investment and guides all investment decisions. Results are presented in every Flexstone Investment Memorandum and discussed during all Investment Committees.

The sustainability assessment framework rates the sustainability practices of GPs across four parameters: General integration of sustainability across the management company (level of integration, sustainability policy, public engagements, sustainability reports, granularity, etc.), and GP consideration of specific environmental, social, and governance issues in their policies and investment processes.

General GP ESG Integration

The 'General Integration' section is dedicated to evaluating GPs on their sustainability practices during the investment process. Each GP is scored on a scale from 0 (no sustainability practices in place) to 6 (best practices applied systematically) on their sustainability integration at management company level. The criteria evaluated for this section include the GP's public sustainability commitment; as well as its level of integration in its investment process, including (but not limited to) its ability to conduct ESG due diligence on portfolio companies, help them build ESG roadmaps, as well as produce sustainability reports.

Environmental

The 'Environmental' dimension of the assessment framework examines GP's ability to manage and monitor portfolio companies direct and indirect environmental impact through actions such as limiting their energy consumption, reducing their greenhouse gas emissions, and protecting biodiversity.

The environmental score also assesses whether the GP provides the minimum environmental metrics for the portfolio company. Minimum standard metrics include:

- Carbon emissions
- Waste treatment

The final environmental score calculated for each GP is on a scale from 0 (involvement in significant environmental lawsuit, high environmental risk) to 4 (no involvement in environmental lawsuits, low environmental risk).

Social

The 'Social' dimension examines GP's ability to assess and monitor portfolio companies' strategy to develop its human capital, drawing on fundamental principles. The "S" in sustainability covers two distinct concepts: the social aspect linked to a company's human capital, and the one linked to human rights in general.

The social score also assesses whether the GP provides the minimum social metrics for the portfolio company. Minimum standard metrics include:

- Gender diversity quantitative metrics

The final social score calculated for each GP is on a scale from 0 (involvement in significant EH&S controversies, high social risk) to 4 (no involvement in EH&S controversy, low social risk).

Governance

The ‘Governance’ dimension is set to ensure a strong alignment of interests between the management, fund managers, other stakeholders as well as employees that guarantees it meets long-term objectives. The assessment provides an analysis of how a GP integrates all its stakeholders, LPs, and entrepreneurs in its development model. The scoring matrix for governance also assesses whether a GP has any involvement in lawsuits due to corruption or money laundering.

The final governance score calculated for each GP is on a scale from 0 (involvement in corruption/money laundering, high governance risk, low level of alignment of interests, etc.) to 4 (no involvement in governance controversies, low governance risk, strong alignment of interests etc.).

The GP is scored on a scale from 0% (weak integration of sustainability considerations) to 100% (strong, systematic integration of sustainability considerations) for each criterion across the four parameters. The ‘General Integration’ represents 60% of the GP’s final sustainability score. The rest of the score (40%) is determined by the GP’s approach to environmental, social, and governance issues.

The sustainability scoring matrix allows Flexstone to map each of its investment opportunities across three sustainability categories, based on the GP’s final sustainability score: weak (0 – 50%), average (50% - 80%), and strong (80% to 100%).

Flexstone Sustainability Assessment Framework (‘Sustainability Scoring Matrix’)

	Main practices of funds with best-in-class ESG approach	Weak Flexstone score: 0% to 50%	Average Flexstone score: 50% to 80%	Strong Flexstone score: 80% to 100%
INTEGRATION	**Integration:** Transparency & rigor, based on a framework showing their principles (e.g. UN-PRI) and their accounting standards (e.g. SASB)	Limited integration into investments and/or portfolio management process	Integrated mostly into investment process, limited integration at portfolio level, varying attention accross fund cycle	Advanced integration across possibly all funds activities and across entire fund cycle
MEASUREMENT	**Comprehensive measurement:** Harmonized set of quantitative metrics that are material for portfolio comanies ans measures ESG KPI at the fund level	No or very limited metrics, mostly qualitative	Metrics in place but used on case-by-case basis, no harmonization and limited quantification	Fully or at least partially harmonized and quantified metrics across entire portfolio
REPORTING	**Reporting:** Clear quantitative target both at portfolio and company level so performances can be tracked over time	No or very limited reporting	Regular reporting in line with industry standards, focusing mostly on high level data	On-demand, granular reporting possible, allowing to clearly track ESG performance of the fund

Source: Flexstone Partners

Sustainability assessment for co-investments

In the case of co-investments, both the individual portfolio company as well as our co-investing lead GP are considered.

- Lead GP’s level of sustainability assessment represents 1/3 of the co-investment sustainability score.
- Company’s specific ESG risks and practices accounts for 2/3 of the co-investment sustainability score.

Company’s specific risks and practices analysis are assessed through a deep review of the lead GP ESG due diligence reports; as well as the ability of the company to measure and report on its carbon footprint, social metrics, and governance indicators; and roadmap to improve its sustainability actions.

For each co-investment, Flexstone also applies a sector-based approach to assess specific Materiality Risks related to the three E, S and G components. Methodology is described in the “Sustainability Risks” session of this policy.

CONTRACTUAL SUSTAINABILITY ENGAGEMENTS

Flexstone seeks to integrate sustainability clauses in Side Letters and/or Limited Partnership Agreements (LPAs), on a best effort basis:

In the case of Side Letters, we request the addition of specific sustainability acknowledgments and requirements based on Flexstone's core sustainability principles and sustainable investment policy;

In the case of the LPAs, Flexstone negotiates the LPA with the Fund Managers to integrate the necessary sector exclusions and requests specific reporting provisions (e.g., reporting level, data granularity, reporting framework).

Furthermore, Flexstone seeks to have Fund Managers commit to applying the sustainability principles of Flexstone's clients, as stated in their investment policies.

ENGAGEMENT POLICY

Direct Engagement

Flexstone seeks to maintain a regular dialogue with fund managers on their sustainability commitment to abide to, on a best effort basis, the sustainability principles as stated in each investment policy of Flexstone's clients. Notably, Flexstone is committed to supporting fund managers to sign the PRI for those who are not yet a PRI signatory.

The sustainability dialogue establishes a permanent dialogue on the sustainability approach and main issues of financial performance and social responsibility, as well as their associated action plans.

Limited Partner Advisory Committees

Flexstone Partners' investment professionals hold over 100 Limited Partners Advisory Committee (LPAC) seats. This allows Flexstone to engage with GPs on their approach to identifying and managing material ESG risks and opportunities associated with underlying portfolio companies.

In order to ensure that sustainability is integrated as a part of Limited Partner Advisory Committees (LPACs) and Annual General Meetings (AGMs), Flexstone's Sustainability Analyst systematically reviews all agendas and requests for sustainability (or 'ESG) to be included. The objective is to gain a better understanding of how sustainability is integrated by GPs at management and portfolio company level, and to encourage discussion of key topics such as best practices for ESG due diligence, monitoring & reporting, and controversy risk management.

After the LPACs and AGMs, the investment team provides an overview of the key sustainability topics discussed during the meetings to the Sustainability Analyst who will review the materials to identify any significant ESG risks and monitor GP progress against set sustainability targets.

Divestment

Flexstone considers divestment of non-compliant investments as a last resort. By divesting, we would essentially give up any opportunity to influence fund managers, businesses, or sector's sustainability practices. To the contrary, staying invested in funds or companies that are committed to improving their sustainability practices allows to promote the best sustainable practices within the sector. Therefore, Flexstone has put in place an active engagement policy by promoting sustainability dialogue with GPs.

MONITORING, REPORTING & TRANSPARENCY

Flexstone actively monitors the right implementation of each GP sustainability process and updates its sustainability score on an annual basis. When it comes to co-investments, Flexstone monitors the implementation of the sustainability action plans communicated at the time of investment, when available.

Sustainability-related risks and opportunities are systematically assessed during our due diligence process on both GPs and co-investments, and we consider a GP's ability to monitor sustainability factors within companies as key to successful and responsible management, as well as value creation. Additionally, Flexstone systematically integrates in its monitoring a focus on sustainability risks[8] and necessary action plans to be implemented by fund managers, portfolio companies and co-investments.

As of 2022, the Firm implemented the Reporting 21 tool within its teams to annually collect and analyse sustainability data on internal, GP, and portfolio company practices and policies. The questionnaire is focused on social, environmental, and governance issues, and includes several standard sustainability metrics at company level such as quantitative measurements of gender equality, carbon emissions, and waste management practices. Flexstone will also measure and report on the contribution of each co-investment to the Sustainable Development Goals.

Flexstone will work in partnership with Sirsa, a consulting firm focused on sustainable transformation, to develop the questionnaire and distribute it to the GPs. Sirsa will also help Flexstone update the questionnaire annually to meet changing reporting requirements and align with industry best practices for monitoring of sustainability data. The annual questionnaire will allow the Firm to analyse the materiality of sustainability issues within its portfolios, identify priority areas for improvement, and to track progress in terms of its sustainability objectives and performance.

[8] defined as an environmental, social, or governance event or condition, that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. (Regulation (EU) 2019/2088, *Article 2 (22)*)

SUSTAINABILITY RISKS

From the deployment phase of the investment strategy to its final liquidation, the funds and mandates managed by Flexstone are exposed to sustainability risks. Sustainability ('ESG') risks[9] are environmental, social, or governance risk factors or issues that can expose an investment to unexpected changes in its current and future financial, economic, reputational, and legal prospects. The omission of ESG risks from the investment process would result in an incomplete understanding of current or future financial prospects.

Therefore, Flexstone takes sustainability risks into account throughout its investment process by using its GP Sustainability Assessment Framework, which evaluates the sustainability performance of GPs, portfolio companies, and co-investments, and through its targeted exclusion policy described above.

In the case of co-investments, the Firm uses the MSCI ESG Industry Materiality Map[10] to consider the most material ESG risks for each company. The MSCI ESG Industry Materiality Map provides an assessment of the long-term resilience of companies to sustainability issues. It is a representation of the current key sustainability issues for each GICS® sub-industry or sector, and their contribution to companies' sustainability ratings.

Flexstone is also engaged in an ongoing dialogue with GPs on the underlying vehicles that are used to mitigate sustainability risks and promotes the importance of sustainability analysis to them.

[9] Adapted from UN PRI Reporting Framework Glossary, https://www.unpri.org/reporting-and-assessment/reporting-framework-glossary/6937.article
[10] https://www.msci.com/our-solutions/esg-investing/esg-ratings/materiality-map

SUSTAINABLE FINANCE DISCLOSURE REGULATION

Starting from 2022, Flexstone commits to publishing an annual sustainability report which will include information on its sustainable investment process and the sustainability performance of its portfolios. Notably, Flexstone seeks to comply with the EU Sustainable Finance Disclosure Regulation (SFDR), which asks financial market participants to disclose on topics such as the principal adverse impact indicators on a ‘comply or explain’ basis.

Principal Adverse Impact

Article 4 of the SFDR (‘Transparency of adverse sustainability impacts at entity level’), Regulation (EU) 2019/2088[11], is related to the publication of sustainability information in the financial sector. Article 4 provides that financial market participants publish on their website information on where they do and do not consider principal adverse impacts of investment decisions on sustainability factors on a ‘comply or explain’ basis.

Flexstone Partners is not able to monitor and report on all the required principal adverse impact indicators yet. However, Flexstone Partners is committed to reinforcing the consideration of principal adverse impacts on sustainability in its investment decisions and its organizations and seeks to comply with Article 4 of the SFDR starting in 2022. The Firm is currently identifying and collecting data, notable through its ESG data collection campaign, which includes all the information and reports required by the SFDR at portfolio level.

In the case of portfolio companies, as a limited partner or a minority investor in co-investments, Flexstone does not have control over the data collection practices of its GPs. Therefore, it will choose to ‘explain’ until all its GPs are tracking the mandatory principal adverse impact indicators of the underlying portfolio companies as required by Article 4.

The governance of these subjects will be defined in procedures to clarify the roles and responsibilities of the different teams in integrating principle adverse sustainability impacts across Flexstone’s internal operations and investment processes.

Flexstone Partners will make every effort to be able to supply and produce them in a comprehensive manner and may modify its position accordingly.

Sustainable Finance Disclosure Regulation (SFDR) Remuneration Policy

Article 5 of the SFDR (‘Transparency of renumeration policies in relation to the integration of sustainability risks’), Regulation (EU) 2019/2088, provides for the publication of information on the integration of sustainability risks within the remuneration policy in the financial sector. The aim is to understand if firms encourage the integration of sustainability risks within investment decision or consulting processes.

Flexstone Partners commits to comply with Article 5 of the SFDR in 2022 by publishing the integration of sustainability criteria within its remuneration policy for investment teams. The latter contains information on criteria of achievement of sustainability objectives within the investment team’s annual bonus and carried interest.

[11] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088

GOVERNANCE AND ESCALATION PROCESS

Compliance with Flexstone's sustainability policy and applicable sustainable investment regulations is included in Flexstone's control plan.

Investment teams

Due diligence is carried out by the investment team as part of their investment process and monitoring.

Each investment professional at Flexstone has a responsibility towards sustainability and is committed to integrating sustainability factors at each step of the investment process.

Flexstone’s investment teams commit to the following actions:

Undertake a consistent approach towards sustainability issues during the due diligence phase of each potential investment;

Identify potential sustainability issues within the portfolio;

Monitor and understand the progress that portfolio companies have made with their own sustainability programs, notably through data collected from Flexstone’s annual ESG data collection campaign (starting in 2022); and,

Encourage general partners (fund managers) and/or portfolio companies (co-investments) to take a proactive approach to sustainability matters, including sharing best practices on sustainability.

Escalation process

First- level controls are carried out by the head of sustainability on a day-to-day basis; and second-level controls are carried out by the CCO on a half-yearly basis as follows:

Due diligence: Each investment professional at Flexstone has a responsibility towards sustainability integration and monitoring for the investments they oversee.

1st-level controls: Flexstone Head of sustainability is reviewing sustainability assessment for each investment before the investment is made. She also makes sure that sustainability roadmaps are properly monitored and reported to investors.

2nd-level controls: Flexstone compliance conduct regular controls on Flexstone sustainability compliance with the regulation and with our sustainability policy. These controls are formalized and communicated to Flexstone Board members.

Any sustainability issues flagged at 1st or 2nd level controls are communicated to the investment team, the Head of sustainability, Flexstone Compliance and Board members. Corrective actions are discussed and implemented by the relevant professionals.

CONTACTS

Annabel Väänänen
Sustainability Analyst
annabel.vaananen@flexstonepartners.com

Flexstone Partners ("Flexstone")[1] is a leading investment solutions provider in private assets with a global reach and local footprints in New York, Paris, Geneva, and Singapore. It specializes in the selection of private equity, private debt, real estate, and infrastructure fund managers for investment by Flexstone's clients. Flexstone manages primary and secondary investments as well as co-investments. Flexstone's expertise is distinguished by a high flexibility in building customized portfolios that are tailored to the unique needs and constraints of each investor whether institutional or private individual[2]. Flexstone offers a large range of services, from advising on private assets portfolio construction to the management of fully discretionary separate accounts and funds of funds. Flexstone, with more than 40 professionals, manages $10 billion[3]. It is a majority owned subsidiary of Natixis Investment Managers, one of the largest investment managers worldwide.

Further information: www.flexstonepartners.com

1 - Flexstone is the name that collectively identifies Flexstone and its underlying companies.
2 - Under certain conditions related to marketing and prospection regulatory requirements specific to each entity.
3 - Source: Flexstone Partners at 31/12/2021. Assets under management and advisory made up of commitments for closed-end private placement funds, and sum of Net Asset Value and unfunded commitments otherwise.

Glossary of Terms

Sustainable investment is defined as an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water, and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy; or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. (Regulation (EU) 2019/2088, *Article 2 (17)*)

Sustainability ('ESG') risk is defined as an environmental, social, or governance event or condition, that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. (Regulation (EU) 2019/2088, *Article 2 (22)*)

Sustainability ('ESG') factors are environmental, social, and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. (Regulation (EU) 2019/2088, *Article 2 (24)*)

Material ESG factors have a substantial impact on the current and future financial, economic, reputational, and legal prospects of an issuer, security, investment, or asset class. At a corporate or issuer level, the disclosure of a material ESG issue or factor would be reasonably expected by investors, as its omission would result in an incomplete understanding of current or future financial prospects. (UN PRI)

ESG Integration is the process of including ESG factors in investment analysis and decisions to better manage risks and improve returns. It is often used in combination with screening and thematic investing. (UN PRI)

EU Taxonomy for Sustainable Activities is a classification system, establishing a list of environmentally sustainable economic activities. The Taxonomy Regulation was published in the Official Journal of the European Union on 22 June 2020 and entered into force on 12 July 2020. It establishes the basis for the EU taxonomy by setting out 4 overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.

The Taxonomy Regulation also establishes the following six environmental objectives: climate change mitigation, climate change adaption, 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. (The EU Commission)

Sustainable Finance Disclosure Regulation (SFDR) was adopted by the European Commission in spring 2019 and published in the Official Journal on the 9th of December 2019. The regulation came into effect on the 10th of March 2021.

The disclosure regulation lays down sustainability disclosure obligations for manufacturers of financial products and financial advisors towards end-investors. In addition, the co-legislators added disclosure obligations for adverse impacts ('principle adverse impacts') on sustainability matters at entity and financial product levels, i.e., whether financial market participants and financial advisers consider negative externalities on environment and social justice of the investment decisions/advice and, if so, how this is reflected at the product level. (The EU Commission)

UN Sustainable Development Goals (SDGs) are at the heart of the 2030 Agenda for Sustainable Development adopted by all United Nations Member States in 2015. The SDGs are an urgent call for action by all countries – developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. (UN PRI)