

AFME Recommended ESG Disclosure and Diligence Practices for the European High Yield Market



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Introduction

AFME and its members acknowledge that ESG factors are an increasingly urgent focus of investors in the context of capital markets offerings, including with respect to high yield bond and other leveraged finance transactions. In addition, policymakers have given strong indications that ESG considerations will be increasingly important in regulatory analysis and decision making. To date, the approach to ESG factors has largely been driven by the requirements of individual investors, often at the stage when the deal is being marketed, which may mean that issuers are either dealing with conflicting requests for ESG-related information or are unable to answer some of the investors' questions in a timely manner or at all.

The EU has also been actively focused on promulgating ESG focused regulation, including particularly its newly-published Taxonomy for Sustainable Activities (the "EU Taxonomy") and its public consultation on the revision of the EU non-financial reporting directive (NFRD). We acknowledge the work that has been, and is being, undertaken with respect to ESG matters by numerous other trade and international organisations, ranging from the Loan Market Association (LMA), the (U.S.) Loan Syndications and Trading Association (LSTA), the International Capital Market Association (ICMA), and the International Swaps and Derivatives Association (ISDA) to the working groups at the UN-supported Principles for Responsible Investing and the European Leveraged Finance Association (ELFA). AFME currently reviews ESG matters at a number of committees and working groups across products and policy response initiatives.

In addition, the European Investment Bank (EIB) has partnered with Amundi to encourage development of a European green debt market outside of investment grade green bonds. The "Green Credit Continuum" programme(see link below), will involve the creation of a fund that invests in high-yield corporate green bonds, green private debt and green securitised credit. The group will form a scientific committee composed of climate finance experts, which will define and promote guidelines for the three markets, and will establish a network to source deals and projects.

(<https://www.ipe.com/amundi-and-eib-partner-to-develop-european-green-credit-market/10032222.article>)

We believe that AFME, through the European HY Committee, can play a key role in helping to establish a set of market practices and considerations that take into account the broader sub-investment grade and leveraged finance markets that work for all market stakeholders including issuers, buy-side investors, financial sponsors and shareholders..

At present, there are a few approaches for ESG-related financings:

- (a) a project "use of proceeds" based approach (e.g. Green/Social/Sustainability Bonds),
- (b) a company operating model based approach (e.g. Sustainability-Linked Bonds), and
- (c) other bonds that are not directly based on the two approaches above, but that incorporate any relevant ESG-related issues into disclosure and other processes.

We intend to address the broader universe of European high yield in these recommendations , as well as specifically in the context of use of proceeds bonds and sustainability-linked bonds, as appropriate. The market is fast evolving and these recommendations are focussed on the current market practice and regulation. The intention is to update these recommendations as the market further develops.

Overview

Disclosure of ESG factors depends on the circumstances of the issuer and other stakeholders (e.g., financial sponsors/shareholders) and on the nature of the high yield bond being issued. This paper provides a framework for assessing relevance and materiality, including:

Impact of ESG factors upon an issuer's strategy and business model;

Exposure of an issuer to ESG risks, to be considered at an issuer¹ level and a wider stakeholder level including sponsors/shareholders; and

Whether the high yield bond is being "labelled", e.g., as green / social / blue / sustainability/ transition.

Key to the discussion is the ability to provide clear, transparent disclosure that would be material to an investment decision. A pre-requisite for a company to disclose ESG data is that it needs to be defined, measurable, collectible, evidence-based and reliable. This, in turn, requires the information to be subject to appropriate governance and internal procedures and controls, and in some instances third-party verification (see "Assurance" below).

As the market evolves and develops, there will be an ongoing balancing of the interests of investors in seeking detailed information and issuers' practical ability to disclose such information. Market participants should be sensitive to the fact that a pragmatic, balanced and proportional approach is required.

¹ References to "Issuer" herein, where the context allows, include the "restricted group" of the issuer and its subsidiaries, and disclosure of ESG factors will generally be done at a consolidated level reflecting such group.

ESG Factors

1 Environmental

Environmental factors include the contribution a company or government makes to reducing climate change through minimising greenhouse gas emissions, along with issues related to waste management and energy efficiency. Given renewed efforts to combat global warming, cutting emissions and decarbonizing is becoming more important.

Specific factors considered in this area may include:

- Analysis of the overall environmental policy;
- Environmental risk and opportunity assessment, including details of the key risks/opportunities, control measures and improvements;
- Analysis of risks related to climate change;
- Compliance with relevant environmental laws, regulations, licenses/permits;
- Any fines, sanctions or other legal or regulatory action related to environmental issues;
- Sources of energy (and methods of obtaining such energy);
- Presence and/or removal of waste or hazardous materials; and
- Levels of monitoring/reporting carbon and/or greenhouse gas emissions.

Other factors, such as biodiversity and ecological impacts, may be material for certain business sectors/industries.

2 Social

Social factors include human rights, labour standards in the supply chain, any exposure to illegal child labour, and more routine issues such as adherence to workplace health and safety. A social score also rises if a company is well integrated with its local community and therefore has a 'social license' to operate with consent.

Specific social factors may include:

- Formal policies related to Health and Safety, Anti-Discrimination, Diversity, and Human Rights;
- Data privacy and security policies and related issues;
- Supply chain standards;
- Policies related to workplace incidents (including record keeping /statistics);
- Social related complaints/claims/enforcement actions associated with employees or key stakeholders;
- Material complaints and/or any litigation regarding how the company conducts its business;

- Assessment of any community relations projects, education and/or social awareness relating to the company's services/products;
- Policies and procedures related to customer welfare, product safety and exposure to social impacts; and
- Adherence to local minimum wage standards.

3 Governance

Governance refers to a set of rules or principles defining rights, responsibilities and expectations between different stakeholders in the governance of corporations. It generally covers the structure and conduct of a company's Board of Directors and management, particularly their conduct towards other stakeholders (such as investors and employees), as well as compliance with applicable laws and regulations. It also relates to the responsibility of the Board and management to design and maintain adequate procedures to ensure that the company does not engage in illegal or unethical conduct, and to ensure that such behaviour is identified and remedied. A well-defined corporate governance system can be used to balance or align interests between stakeholders and can work as a tool to support a company's long-term strategy.

ESG aspects of the governance framework and existing procedures, processes and controls should be integrated into, and not considered apart from, the existing governance framework procedures, processes and controls.

ESG reporting and disclosure of information, including KPIs, (with appropriate adjustments) should apply equivalent procedures, processes and controls, with respect to the identification, management, reporting and disclosure of financial information, as those generally applied by the issuer, particularly for metrics and targets.

ESG risks should be considered within the issuer's existing enterprise risk management frameworks, alongside other risks. Material ESG risks should be documented in an issuer's risk register.

Specific governance considerations may include:

- Composition of the Board of Directors (i.e. number of women, independent and minority directors);
- ESG budget, training programs, evaluation and oversight procedures;
- Standards related to minority shareholder informational and voting rights;
- Level of direct Board responsibilities for ESG matters;
- Adequate policies to safeguard against illegal practices (including, but not limited to, corruption and fraud) and any history related to such incidents;
- Corporate governance and/or ethical related enforcement/litigation or employee claims or breaches related to issues such as anti-bribery, corruption, unfair labour practices, human rights abuses, and other malpractices; and
- Relevant information on the company's auditor, including any material disputes between the company and its auditor, and/or any material restatement of the company's financial statements.

Diligence

This summary is not meant to be comprehensive, nor to cover all ESG considerations. It is intended to complement, rather than replace, existing due diligence processes and to suggest relevant considerations that should be considered in this context. We acknowledge that ESG factors and practices will vary depending on the company's business sector, geography and other factors, and that parties will require flexibility in approach to these or any other such considerations.

The diligence exercise should be driven by materiality considerations, and should be designed to verify disclosure. Diligence of ESG factors should, generally, be subject to the same types of procedures and considerations as other factors, and parties should carefully consider which of the diligence considerations below are material for the particular company and its industry.

Parties are encouraged to consider the following recommendations:

- Ensure that relevant ESG factors are addressed in financial statements, management commentary (i.e. MD&A), critical accounting judgments, and working capital. For example, relevant ESG considerations should be taken into account with respect to asset impairment, changes in useful life (depreciation / amortisation) or fair valuation of assets, and provisions (contingent liabilities, transitional costs).
- General ESG factors are already considered in management and documentary diligence practices.
 - The scope and depth of these questions will be subject to materiality considerations relevant to the specific company or industry segment and will be an evolving landscape as more precise measurement and greater expectation of disclosure evolves
 - A model form of ESG due diligence questions to facilitate consistency and guide market participants in their due diligence efforts for high yield and leveraged finance transactions is attached hereto. See Annex A
 - It is anticipated that these questions will be updated on an ongoing basis to reflect market developments / revised expectations.
- Stakeholder due diligence: Stakeholder due diligence has historically been *ad hoc* (e.g. customer due diligence). As the focus on, and market for, ESG products increase, AFME recommends the development of broader, more structured stakeholder due diligence practices.
 - Stakeholders include customers and suppliers, workers, communities and regulatory bodies.

In October 2019, the Organisation for Economic Co-operation and Development (OECD) published a report on **“Due Diligence for Responsible Corporate Lending and Securities Underwriting”²**, which is intended to **provide** a common global framework for financial institutions to identify, respond to and publically communicate on environmental and social risks associated with their clients. Parties may wish to consult the diligence guidelines in the report for reference.

² <https://mneguidelines.oecd.org/rbc-financial-sector.html>

Disclosure

Issuers of ESG-related securities should provide clear, transparent disclosure of relevant information that would be material to an investment decision. Parties should, where possible, ensure that ESG data is disclosed in a manner that is defined, measurable, collectible, evidence-based and reliable. This, in turn, requires the information to be subject to appropriate governance and internal procedures and controls, and in some instances third-party verification (see "Assurance" below).

The EU is conducting a public consultation on the revision of its NFRD, which may include an expansion of the directive's applicability to also include large non-listed entities, which make up much of the European high yield universe.

Absent a single standard, issuers and underwriters must focus on transparency and clear disclosure. As the market evolves and develops, there will be an ongoing balancing of the interests of investors in seeking detailed information and issuers' practical ability to disclose such information. A pragmatic, balanced and proportional approach is required. Unduly burdening issuers risks undermining ESG goals. Market participants should be sensitive to this.

A decision on what ESG information is material for issuer disclosure in a high yield transaction is subject to the same discussions and considerations as those related to what ESG information is generally material for disclosure to investors in annual and other periodic reports to the extent relevant to the credit-worthiness of the obligors. Therefore, in order to ensure consistency, ESG disclosure in offering documents should generally be aligned with disclosure in annual and other periodic disclosures. For a discussion of disclosure considerations related to bonds issued under the Green Bond Framework, see the "Green Bond" section below.

The Sustainability Accounting Standards Board ("SASB") has developed a chart that maps the materiality of different ESG-related factors for specific industry sectors³.

The Issuer should also consider the following factors related to ESG reporting and disclosure:

- Relevant listing rules and anti-fraud regulation (e.g. Rule 10b-5) already require the disclosure of material ESG information.
 - For example, it may be appropriate to describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
- Issuers should reflect any material ESG-related risks in the risk factors, and also consider the impact of ESG-related issues on the use of proceeds, business and MD&A sections in particular and should expand disclosure in those sections as appropriate.
- Risk Factors
 - For ESG-related bonds, issuers should include a risk factor that its bonds may not be suitable for all investors seeking exposure to sustainable assets, and may also not meet all ESG-related objectives of such investors.
 - Issuers may also elect to include a general risk factor about the lack of market consensus on sustainability.
 - Issuers could consider impact of any failure around a green project, impact of failure to meet KPIs including margin impact, etc.

³ materiality.susb.com

- Use of Proceeds – This is most important for Green/Social/Sustainability bonds, which are issued to fund projects that meet the issuer's criteria for sustainability. These may adhere to a particular "Green Bond Framework" or constitute "Eligible Green Projects," as defined and identified by the issuer.
 - If applicable, issuers should provide any relevant definitions (e.g. for "Eligible Green Projects").
 - Sustainability-Linked Bonds do not include restrictions regarding use of proceeds and the ESG considerations of the bond are generally considered either by way of KPIs or, if not, by a "green" or other certification from a third party.
- Business - To the extent relevant taking into the account the specific company or industry, issuers should consider the impact of ESG factors on the strategy of the group and/or specific disclosure around the impact of ESG factors upon an issuer's strategy and business model.
- MD&A – MD&A discussions should continue for eligible green projects as appropriate and should include any particular criteria that will affect KPIs, e.g., what line items may be affected through strategy to reduce emissions.
- Reporting – Issuers of ESG products will need to comply with the reporting requirements under the EU Taxonomy, while also complying with general legal and contractual reporting requirements related to such issuances. This will apply both to reporting made in connection with the offering and to any related periodic and ongoing reporting. While it is important that there are no inconsistencies between these disclosure regimes, it is unclear what effect this will have going forward. Parties may need to determine whether information provided under one reporting regime is appropriate for inclusion under the other regime. This is particularly important when considering materiality, selective disclosure and the obligation to provide all relevant information to investors.
- References to the ESG aspects of the bond should be clear and understandable.
- Rating agency (Fitch, S&P and/or Moody's) analysis on ESG factors relevant to credit ratings (such as, for example, Fitch's ESG Relevance Scores⁴) may be based on sector-specific templates for the assessment of each entity and are observational analyses of how much an ESG element affects a rating, while clearly identifying and displaying which ESG risk elements played a part in the rating decision. Although the criteria and basis for the ESG analysis undertaken by rating agencies may not be identical to that of ESG reporting and disclosure in the sub-investment grade context, such reports and analysis may provide guidance on ESG reporting and disclosure.

In addition to the issuer considerations mentioned above, the EU Disclosure Regulation will require asset managers and institutional investors to disclose adverse impacts of their investment decisions on sustainability factors. European Supervisory Authorities are currently consulting on the relevant Regulatory technical Standards (<https://www.esma.europa.eu/press-news/esma-news/esas-consult-environmental-social-and-governance-disclosure-rules>).

⁴ For more information see <https://www.fitchratings.com/research/corporate-finance/introducing-esg-relevance-scores-for-corporates-07-01-2019>

Green Bonds

Green/Social/Sustainability bonds are issued to fund projects that meet the issuer's criteria for sustainability. For example, these may adhere to a particular "Green Bond Framework" or constitute "Eligible Green Projects," as defined and identified by the issuer and, when promulgated in final form, standards conforming to the EU Taxonomy Regulation.

Most European bonds are issued under the Green Bond Principles formulated by the International Capital Markets Association ("ICMA")⁵. Issuers may also seek certification from the Climate Bond Initiative ("CBI"), in which case the bonds must adhere to the CBI Principles.⁶

In addition, the EU is in the process of promulgating an EU Green Bond Standard, which is expected to track the Green Bond Principles⁷ recommendations made by the Technical Expert Group on Sustainable Finance (TEG) set up by the European Commission to help develop a comprehensive strategy and to incorporate the recently published and evolving EU Taxonomy.

- If applicable, issuers should provide any relevant definitions (e.g. for "Eligible Green Projects") in the Use of Proceeds section and elsewhere.
- Bonds can include "green" in the title of the bonds (e.g. "Senior Secured Green Notes due 2025") or other relevant ESG criteria.
- An issuer may also include a statement on the front cover (e.g. "The Notes are being issued as green bonds in accordance with our green bond framework" or other relevant standards).
- Rather than explicitly labelling bonds as green, some issuers have adopted an indirect approach, relying on the implied use of proceeds such as use for eligible green projects.

A separate "Green Bond Framework" is usually included in the offering memorandum for bonds complying with the Green Bond Principles or the CBI certification requirements, and include reference to:

- Use of Proceeds: including any applicable definitions (e.g. for "Eligible Green Projects").
- Project Evaluation and Selection: how the issuer identifies and selects appropriate green projects.
- Management of Proceeds: how proceeds are allocated and monitored by the issuer, and any details on substitution should a particular project become ineligible for funding under the framework.
- Reporting: any details regarding the issuer's ongoing impact or environmental reporting.
- Verification: details on any third party opinion obtained to verify the issuance is green. Any details on parties providing verification for any post-issuance reporting should also be included where applicable.

⁵ While ICMA covers investment grade bonds, the Green Bond Principles (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>) are used for most bond issuances, including issuances of high yield bonds.

⁶ CBI verification entails (i) provision of a second party opinion that the bond framework follows the Green Bond Principles and (ii) post-issuance auditor assurance.

⁷ https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en

Transition Bonds

Transition bonds are intended for industries with high greenhouse gas (GHG) emissions, which may be referred to as "brown" industries, in order to incentivise those industries to become more sustainable.

The idea is that these companies are working towards becoming "green" and that issuing the transition bonds, to some extent, embodies principles that will assist the company in reaching that goal.

These bonds are intended for companies which currently do not (and for the foreseeable future may not) have sufficient green assets available to finance, but that do have financing needs to reduce the greenhouse gas footprint of their business activities, as well as of their products and services. The proceeds from transition bonds are generally used to finance projects within pre-defined climate transition-related activities.

Relevant industry sectors include:

- Mining – especially of minerals critical for the low-carbon economy, such as lithium and cobalt;
- Heavy industry (e.g. cement, aluminium, iron, steel, chemicals);
- Utilities (e.g. electricity, gas, water, cable, telecoms); and
- Transport & mobility.

Transition bonds may also be issued by a company which lacks sufficiently green assets to issue a green bond.

Companies that issue transition bonds are expected to demonstrate either (a) the positive sustainable impact of the use of proceeds or (b) a strategic shift to a low carbon model (i.e., climate key performance indicator (KPI) linked bonds).

In this context, there is a heightened focus on the industries that would be expected to issue transition bonds, and therefore parties may apply a heightened scrutiny to such industries, particularly with respect to diligence and transparency.

Business model

- Material ESG opportunities and risks will need to be reflected in business plans, models, and in enterprise risk management.
 - Risks can be categorized as transitional (including policy, legal, technological, market and population) risks or physical risks.
 - Particular risks may include the risk of "stranded assets" – assets that have suffered from unanticipated or premature write-downs, devaluations or conversion to liabilities and whose value may decline due to regulatory or social pressure against using the assets due to the negative environmental impact, e.g., oil or coal reserves
 - Other risks could include issues related to internal controls or accountability standards, boycotts or public backlash against a company's products or treatment of its employees, and political or other stances taken by the company (or its employees).
 - Opportunities highlighted by the Task-Force on Climate-related Financial Disclosures include resource efficiency, resilience, and novel energy sources, products, services and markets.
- Consider which, if any, ESG Key Performance Indicators (KPIs) are to be included. These will be dependent on the specific company, industry and operating model. For example, KPIs for green financings have been focused on carbon emissions, water usage, energy usage, while for social financings

they have been focused on diversity statistics for senior management.

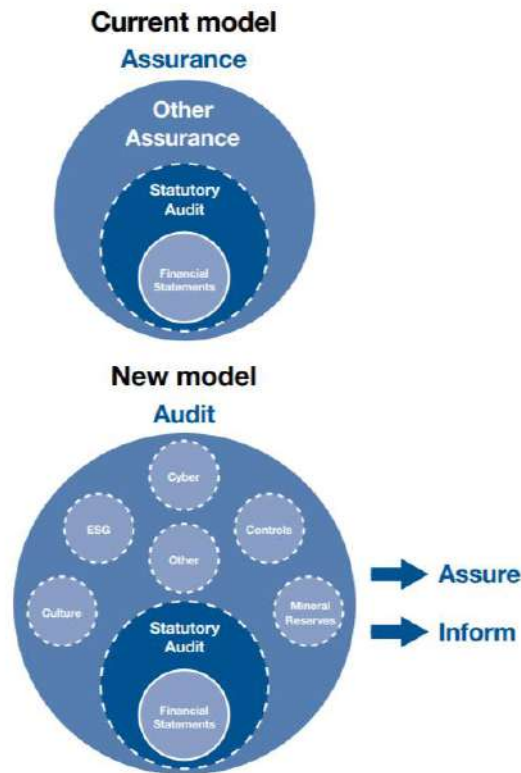
The NFRD, as currently in force, requires companies in scope to disclose information about four non-financial matters: environment, social and employee issues, human rights, and bribery and corruption. The evolution of the EU Taxonomy, the EU Low-Carbon Benchmark Regulation and the NFRD may further evolve areas of focus for KPIs and measurement possibilities for KPIs. It should be noted that to the extent KPIs are disclosed upon issuance, investor expectations will likely be that these be disclosed on an ongoing basis. Therefore, issuers and sponsors should be mindful of which KPIs they wish to disclose from a cost and management time perspective, and other market participants such as investors should be sensitive to this.

Assurance

Although policymakers have indicated that they may be mandated in the future, at present, ESG-related verification and assurance procedures have been market driven and are not yet mandatory under any disclosure regime. However, many of the standards in the industry (Climate Bond Initiative (CBI), Green Bond Principles, Green Loan Principles, Social Bond Principles and Sustainability Bond Principles) recommend the use of a third party certification or assurance.

To the extent that an issuer is looking to issue a Sustainability-Linked Bond, it is recommended that it engages with a relevant third party to either (a) develop individual KPIs that are then certified by such third party or (b) satisfy a third-party ranking system that allows it to secure a “green” or other certification from such third party.

- Issuers are recommended to obtain a third-party assurance reports for the benefit of investors. Several non-governmental organisations have developed certification standards for green bonds, and the opinions they provide can vary depending on the issue and the organisation involved.
- Issuers should consider limited assurance standards, such as the ISAE 3000 assurance framework with respect to quantitative data. ISAE 3000, promulgated by the IAASB, deals with assurance engagements other than audits or reviews of historical financial information and is generally the assurance standard for compliance, sustainability and outsourcing audits.
- The 2019 Brydon report (which set out a set of recommendations on the quality and effectiveness of audit to the UK Secretary of State) recommends changes to the audit process to be a more effective process. The following figure (extracted from the 2019 Brydon report) illustrates the new audit model proposed and how it compares with the current model.



Link to the full report:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852960/brydon-review-final-report.pdf

- Assurance reports may cover compliance with accepted Green/Social/Sustainability bonds processes, the issuer's ESG compliance generally or be based on the organisation's in-house criteria for what qualifies as a Green/Social/Sustainability bond.
- A qualitative review of internal policies, processes and/or commitments would currently be viewed as disproportionate and beyond current market practice.
- Issuers should also consider to what extent their future annual sustainability reports are to be subject to assurance, as investors may expect a similar level of assurance to what is used in the offering document.

ANNEX A : High Yield ESG Due Diligence Questionnaire

1 Introduction

This questionnaire is intended to provide a suggested framework for market participants' ESG due diligence with respect to high yield and leveraged finance transactions. It is not meant to be mandatory or comprehensive, nor to cover all ESG considerations. It is intended to complement, rather than replace, existing due diligence processes and to suggest relevant considerations, where appropriate, that should be taken into account in this context. We acknowledge that ESG factors and practices will vary depending on the company's sector, business practices, geographical location, output and other factors, and that parties will require some level of flexibility in following or applying these or any other such considerations. Parties should carefully consider which of the items below are material for the particular company or industry, as some of them may not be relevant for certain transactions.

We note that the below questions in each topic area may include certain questions (or cover certain topics) that already form part of questionnaires prepared by underwriters and other participants for use in existing due diligence processes; we have repeated them here only for ease, so that each topic can stand alone as a complete set.

2 Environment

1. Does the company have an environmental policy which sets out commitments and targets to improve the company's environmental footprint?
2. Has the company performed an environmental or climate change risk and opportunity assessment? If yes, please provide comment on the relevant key risks/opportunities, control measures and improvements and whether third parties are engaged for verification.
3. Is the company fully compliant with all relevant environmental permits/licenses/consents? In the time period covered by the due diligence exercise, has the company been under review by, been sanctioned by, or been fined by any regulatory body regarding the company's environmental impact? If yes, please provide details.
4. Does the company assess, monitor and report its carbon and/or other greenhouse gas emissions? Does the company benchmark versus peers and/or industry standards? If yes, can you provide the result of the company's latest analyses.
5. What are the company's primary energy and water sources?
6. Provide details of key waste streams generated and how these are managed and disposed of.
7. Describe any soil or groundwater contamination, or chemicals/hazardous substances used or present on site, including with respect to leaks, spills or any related legal or regulatory actions. How does the company manage the containment and disposal of the subject substances?
8. In the time period covered by the due diligence exercise, has the company been the subject of any litigation (closed or on-going) with respect to its environmental impact? If yes, please provide details.
9. Does the company provide environmental training or other instruction for its employees? If so, please provide details.

10. Does the Company currently use (or plan to use) alternative sources of energy or power (e.g., solar, wind, hydro) in its facilities? If so, please provide details.

3 Social

1. Does the company have formal Health and Safety, Anti-Discrimination, Diversity, and Data Privacy, and Human Rights policies in place? Please add details.
2. Who in your organisation is responsible for overseeing data privacy and security? Please provide insight into your data privacy and data security policies, how often they are reviewed and whether an external body has reviewed the policies? Do you provide training to all employees on this topics? Have you had any recent breaches of customer data?
3. Do you have formal supply chain standard requirements in place? If so, please discuss and/provide further details?
4. Does the company monitor incidents/accidents in the workplace? If so, please provide a breakdown of statistics for the time period covered by the due diligence exercise.
5. Have you had any social related legal, regulatory complaints, claims or enforcement actions over the time period covered by the due diligence exercise, associated with employees or key stakeholders?
6. Over the time period covered by the due diligence exercise, has the company been the subject of any employee related class-action lawsuits (whether a closed or on-going)?
7. Please outline any community relations projects, education and/or social awareness relating to the company's services/products.
8. (If relevant, please outline your policy and procedures covering product safety (or any other social, health or other impact that your product or service may have on your customers or the general public?)).
9. Please provide confirmation that the company adheres to local minimum wage standards.
10. Does the company's health and safety policy include workplace risk assessments? If so, please provide details, including how often are they reviewed and updated.
11. Does the company have a policy designed to deal with human rights and other labour standards? Please provide details.
12. Is there a formal procedure for employees' general questions/views/concerns/grievances? If so, please provide details. If not, how are such matters addressed at the company?
13. Are employees represented on (or otherwise able to interact with) the company's Board, or with its governance and other committees?
14. Are workers permitted to join a union or otherwise engage in collective bargaining?
15. Does the company have a formal procedure for employee grievances? Please provide details.

4 Governance

1. Integration Infrastructure - Does the company have a specific ESG budget? Are there ESG training programs? Is there an evaluation system or oversight mechanism (KPI's) related to ESG concerns?
2. Please provide the composition of the Board of Directors: Total #, # of independent members, # of women, # of minorities. Are anti-discrimination and diversity considered in determining the composition of the company's Board?
3. Board of Directors Turnover: What % of the current board of directors have been on the board for at least three years?
4. Does the company convene a shareholder meeting at least annually? Do the shareholders vote on the Board of Director composition? What is the term of each Board of Directors member?
5. What safeguards are in place to ensure that minority shareholder rights (with respect to access to information and voting rights) are fair and transparent?
6. Is a member of the board assigned responsibility for ESG/sustainability/CSR matters within the company? If so, what is their qualification? Who oversees ESG monitoring/planning?
7. Please provide details of the company policies regarding anti-bribery and anti-corruption, including any employee training or education.
8. Please describe any corporate governance and/or ethical related employee claims/breaches/enforcement/litigation action relating to issues such as anti-bribery, fraud, corruption, unfair labour practices, human rights abuses, and other malpractices. Please provide details of any third party (regulatory or otherwise) investigations, litigation, or prosecution.
9. Does the company have an audit committee? Please provide details, including composition and policies.
10. Who is the firm's auditor? How long has the auditor been in place? Within the time period covered by the due diligence exercise has the company had a material dispute over accounting practices with its auditor? Within the time period covered by the due diligence exercise has the company been required to restate, in any material manner, its financial statements?
11. How are ESG-related matters brought to the Board's attention? Is there any specific Board member (or committee) that is specifically tasked with ESG-related matters?
12. Does the company have a code of conduct? If so, how is it communicated to employees, and how is it monitored/maintained?
13. Does the company have a whistle-blower policy? Please provide details, including any complaint procedures, remediation processes and protections against retaliation.

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