
High Yield ESG Due Diligence Questionnaire

Introduction

This questionnaire¹ is intended to provide a suggested framework for market participants' ESG due diligence with respect to high yield and leveraged finance transactions. However, the scope of the questionnaire is not limited to such areas, and the underlying guidance should be helpful in any capital markets transaction.

The questionnaire is not meant to be mandatory or comprehensive, nor to cover all ESG considerations. In addition, we note that there is currently no one generally accepted standard or guidance (legal, regulatory or otherwise) related to ESG and the field is evolving. As such, market participants should closely follow and implement any regulatory developments to ensure that all operations comply with relevant legislation, and adjust the questions and relevant references in this questionnaire accordingly.

We further note that the below 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. As such, this questionnaire 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 also 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 may not be relevant for certain transactions.

How to use this questionnaire:

- *[General ESG questions]* Part 1 is intended to cover general ESG compliance-related diligence questions. This can be used as a standalone section or supplemented, as applicable, by questions from Parts 2-4 and/or Part 5.
- *[Detailed ESG questions by topic]* Parts 2-4 are intended to provide additional detailed questions per topic. If required by parties, these questions can be used as a supplement to Part 1 and/or Part 5.
- *[Offering-related ESG questions]* Part 5 is intended to provide themed samples of questions which can be used in connection with an offering of green "use-of-proceeds" bonds ("**UoP Bonds**") or offering of sustainability linked bonds ("**SLBs**"). Part 5 may also be used for any other bond offerings that are not UoP Bonds or SLBs, but that nevertheless incorporate relevant ESG-related issues into disclosure and other processes.

1 Nothing in this questionnaire constitutes legal advice, nor should this questionnaire be considered a summary of all issues to consider when undertaking ESG due diligence. Market participants conducting such due diligence should consult with their legal counsel as appropriate.

Part 1 General ESG compliance-related diligence questions

1. What environmental, social and governance (“ESG”) concerns and opportunities has the company² identified in relation to its operations and supply chain?
2. Please describe any ESG policies which the company has in place currently and any ESG-related business contracts and/or third party reports, including details of how the company’s ESG-related plans and strategy are covered in the company’s business plans.
3. Please provide details about the company’s ESG organizational structure (e.g., the size of the team, responsibilities, reporting lines and board level involvement with environmental and social issues).
4. Is ESG a factor in management’s, including CEO and CFO, compensation and performance evaluation (including linkage, if any, to ESG-related key performance indicators (“KPIs”))?
5. Please give a brief overview of the regulatory framework, including environmental, sustainable or social legislation, in which the company operates. Please provide information on the major ESG regulatory risks arising from existing and potential new legislation and regulations affecting the current and future business model of the company.
6. Has the company had any material complaints, claims, litigation or enforcement actions related to ESG issues over the time period covered by the due diligence exercise? Please also detail any current, threatened or pending claims, litigation or enforcement actions related to ESG. This could be from employees or other key stakeholders such as customers, suppliers or local communities.
7. Has the company obtained, or is it in the process of obtaining, an ESG rating or, if not, had any other discussions or correspondence with any ESG rating agency? If so, please provide details. Please discuss the main points or concerns raised by such agencies.
8. Is there anything related to ESG initiatives, commitments and auditing practices that we did not ask about that we should know or that might be considered to be material to a prospective investor in the company?

Part 2 Environment

1. Does the company have an environmental policy which sets out commitments and targets to improve the company’s environmental footprint? If so, please provide details of the policy, with particular focus on commitments and targets in relation to waste, water, energy, carbon and/or greenhouse gas emissions. Please also comment on the company’s progress in achieving such targets.
2. Has the company performed an environmental or climate change risk and adverse impact and opportunity assessment? If yes, please comment on the relevant key risks/opportunities, control measures, improvements and corrective action plans put in place in response to any adverse impacts identified that cannot immediately be brought to an end and whether third parties are engaged for verification.
3. Does the company currently have a net zero or low-carbon transition plan in place, or have any intention to put such a plan in place? If so, is it science aligned³ or does it include the Science Based

² In this questionnaire, “company” refers to a holding company, its restricted subsidiaries and/or guarantors as the case may be. Questions may also be extended to unrestricted subsidiaries, where appropriate.

³ A plan is considered ‘science-aligned’ if it is in line with the latest climate science to meet the goals of the Paris Agreement (limiting global warming to below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit global warming to 1.5 degrees Celsius).

Targets initiative⁴ and have they been verified or assured? Is such a plan required in the company's jurisdiction of incorporation or operations or has such jurisdiction published any recommended or required transition pathways for the company's industry? If the company does have such a plan, how much capital expenditure/budget has been allocated to its implementation?

4. Is the company fully compliant with all relevant environmental legislation and regulations? In the time period covered by the due diligence exercise, has the company been reviewed, sanctioned, or fined by any regulatory body and/or subject to investigation, litigation or legal proceedings (whether outstanding or closed), claims, complaints or allegations regarding the company's environmental impact? If yes, please provide details.
5. Does the company assess and monitor its carbon and/or other greenhouse gas emissions? If yes, please elaborate on how the data is collected. Does the company report its carbon and/or other greenhouse gas emissions? Describe, if applicable, the use of independent verification, benchmarking procedures, (interim) climate transition goals and/or mitigation hierarchies, including versus peers and/or industry standards. If applicable, please also provide the result of the company's latest analyses and its progress in achieving any (interim) goals.
6. Please provide the company's scope 1, 2 and 3 greenhouse gas emissions for the last 3 years if known, and explain how they are calculated, assured and reported. To the extent that the company has decided not to calculate its scope 1, 2 or 3 greenhouse gas emissions or has determined that its scope 1, 2 or 3 greenhouse gas emissions are not material for disclosure purposes, describe on what basis such decision or determination has been made.
7. Does the company include any environmental obligations in its supply chain or contracts such as emissions-measuring protocols? If so, please provide details. Is any support provided or are business incentives offered by the company to entities in its supply chain to meet such obligations?
8. What are the company's primary energy and water sources? 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.
9. Please provide details of key waste streams generated and how these are managed and disposed of
10. 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?
11. Does the company provide environmental training or other instruction for its employees, including its subsidiaries' and its supply chains' employees? If so, please provide details.
12. Describe any financial statement line items which include climate-change related accounting metrics. Describe any internal controls over financial reporting created to support climate change accounting.

⁴ The "Science Based Targets initiative" means the partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature; available at <https://sciencebasedtargets.org/>

Part 3 Social

1. Does the company and the entities in its supply chain have formal Health and Safety, Anti-Discrimination, Diversity, Data Privacy, and Human Rights⁵ policies in place? Please provide details of such policies, including how often any workplace risk assessments are reviewed/updated within the company's supply chain. Does the company provide training to all employees on these policies?
2. Who in the company is responsible for overseeing data privacy and security? Please provide an overview of the company's data privacy and data security policies, including how often they are reviewed and whether they are reviewed by an external body. Does the company provide training to all employees on this topic? Has the company had any recent breaches of customer data?
3. Does the company have formal supply chain and supply chain standard requirements in place? If so, please provide details. Is any support provided or are business incentives offered by the company to entities in its supply chain, with a view to bringing them up to standard?
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. Is the company fully compliant with all relevant social legislation and regulations? In the time period covered by the due diligence exercise, has the company been reviewed, sanctioned, or fined by any regulatory body and/or subject to investigation, litigation or legal proceedings (whether outstanding or closed), claims, complaints or allegations regarding the company's social impact? If yes, please provide details.
6. Please outline any community relations projects, education and/or social awareness activities relating to the company's services/products.
7. If relevant, please outline any policy and procedures covering product safety (or any other social, health or other impact that the company's product or service may have on its customers or the general public).
8. Please provide confirmation that the company adheres to local minimum wage standards.
9. 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?
10. Are employees represented on the company's Board of Directors, governance and other committees? If so, please provide details. If not, are employees otherwise able to interact with the Board and committees of the company?
11. Are workers permitted to join a union or otherwise engage in collective bargaining? If so, how many employees are currently represented by a union or subject to a collective bargaining agreement? Is the company's relationship with labour unions, and its workforce more generally, positive? Please provide details of any material labour disputes during the time period covered by the due diligence exercise.

⁵ Consider whether it is appropriate to extend the enquiries to expressly cover slavery, human trafficking, servitude, forced labour and child labour issues. What is appropriate will vary depending on an assessment of whether there are substantive risk issues in this area based on the relevant facts.

Part 4 Governance

1. Please outline any specific ESG budget or ESG training programs in place at the company, or provided by the company to any entities within its supply chain.
2. Does the company currently engage in any ESG reporting, either as a part of or separate from its periodic reporting to investors? Is the company subject to mandatory disclosure requirements, such as the Task Force on Climate-Related Disclosures (the “TCFD”)? Please provide a copy of any sustainability report, TCFD report, whether mandatory or voluntary, or similar public statements or commitments.
3. Does the company have formal supply chain governance standards in place? If so, please provide details. Is any support provided or are business incentives offered by the company to entities in its supply chain with respect to such standards?
4. Please provide the composition of the Board of Directors by total number of directors, number of independent directors, number of women and number of minorities. Are anti-discrimination and diversity considerations taken into account when determining the composition of the company’s Board of Directors?
5. What percentage of the current Board of Directors have been on the Board of Directors for at least three years?
6. Does the company convene a shareholder meeting at least annually? Do the shareholders vote on the composition of the Board of Directors? What is the term of each Board member’s service contract?
7. What safeguards are in place to ensure that minority shareholder rights (including with respect to access to information and voting rights) are fair and transparent?
8. Is a member or committee of the Board of Directors assigned responsibility for ESG, sustainability and/or Corporate Social Responsibility matters within the company? If so, what is their qualification? Please provide details of the committee’s responsibilities, including how often it meets. How are ESG-related matters brought to the Board’s attention? Who oversees ESG monitoring/planning?
9. Please provide details of the company policies regarding anti-bribery and anti-corruption, including any employee training or education.
10. Is the company fully compliant with all relevant corporate governance and/or ethics-related legislation and regulations (including related to anti-bribery, fraud, corruption, unfair labour practices, human rights abuses, and other malpractices)? In the time period covered by the due diligence exercise, has the company been reviewed, sanctioned, or fined by any regulatory body and/or subject to litigation or legal proceedings (whether outstanding or closed), claims, complaints or allegations related to corporate governance? If yes, please provide details.
11. Does the company have an audit committee? If so, please provide details, including composition and policies.
12. 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?

13. Does the company have a code of conduct? If so, how is it communicated to employees, and how is it monitored/maintained?
14. Does the company have a whistle-blower policy? Please provide details, including any complaint procedures, remediation processes and protections against retaliation.
15. Does the company respond to any industry ESG questionnaires or supply chain questionnaires (such as, for example, Ecovadis or the Carbon Disclosure Project)? If so, please provide details, including responses and scores, where appropriate.

Part 5 Offering-related questions

Framework

1. Is the company's framework (the "**Framework**") aligned with the [ICMA Green Bond Principles]/[ICMA Sustainability-Linked Bond Principles]/[EU Taxonomy]/[other] (the "**Guidance**")? If so, please provide details. If not, please explain the rationale for not following the Guidance and please confirm whether any comparative audits / assessments / gap analysis with the Guidance have been undertaken.
2. Is the company's Framework final? If not, please confirm the expected timetable for finalizing the Framework.
3. How often and in what manner will the Framework be updated?

Key Performance Indicators/Sustainability Performance Targets [mainly SLB offerings]

4. Please confirm that the KPIs and/or the Sustainability Performance Targets ("**SPTs**") described in the description of the notes section of the draft offering memorandum (the "**DoN**") reflect accurately and are consistent with the baseline, indicators and sustainability performance targets described in the Framework.
5. Please explain how the KPIs and/or SPTs are (re-)calculated and how they are of strategic significance to the company's current and future operations. To what extent will the SPTs require the company to go above and beyond its current ESG trajectory?
6. Please describe briefly how the company expects to achieve the KPIs and/or SPTs based on current corporate strategy and planning.
7. As at the date hereof, is the company aware of any amendment to, or change in, any applicable laws, regulations, rules or guidelines, or any change in the business or structure of the group, that may have a material impact on the KPIs and/or SPTs specified in the DoN?
8. Are the KPIs and/or SPTs reflected in any incentive arrangements or otherwise in assessment of divisional performance?

Eligible Projects [mainly UoP Bond offering]

9. Please discuss the eligibility criteria for the projects financed or refinanced to be deemed 'green' projects. Who determines the eligibility criteria and who will decide if the eligibility criteria is amended?
10. Is the eligibility criteria aligned with any Guidance? Please provide details.

11. How will the company monitor that the projects financed or refinanced are eligible green projects? What will happen if a project no longer meets the eligibility criteria of the Framework? Please discuss the process in case of any controversy in respect of a particular project.
12. Is the company aware of any countervailing risks that may result in the projects that have been designated as eligible green projects causing environmental harm or otherwise being deemed inconsistent with ESG principles?

*Monitoring and management of proceeds [**mainly UoP Bond offering**]*

13. What is the proposed use of proceeds from the offering? Please distinguish between the application of the actual cash proceeds as compared to any “allocation” of the proceeds for the purposes of compliance with the Framework.
14. Will the proceeds from the issuance be used for new or existing projects? What percentage of the use of proceeds does the company estimate will be used to finance new projects and what percentage to refinance existing projects? With respect to refinancing, what will be the permitted look-back period, and how was this determined?
15. By when does the company expect to allocate all the bond proceeds to eligible projects?
16. Please outline how the net proceeds of issuances will be held. Will the net proceeds be earmarked for allocation and/or legally segregated? Does the company anticipate any issues with the approach taken?
17. Please explain how unallocated proceeds will be dealt with. Are there any short-term instruments the company proposes to use until the bond proceeds are fully deployed?
18. Are there any exclusions to the use of proceeds?

Verification and Second Opinion Provider

19. Please provide details of the entity conducting the external review process of the Framework (the second opinion provider, or “SOP”), and their expertise and independence.
20. Please explain whether any issues were raised by the SOP as part of their external review of the Framework. Has the SOP expressed any specific comments or criticism on the Framework which have not been taken into account?
21. When will the SOP’s opinion be issued? How often will it be updated going forward?
22. Will the Framework and the SOP’s opinion be published on the company’s website prior to launch of any bond offering?
23. [**mainly for SLB offerings**] Please confirm that an SOP has assessed the materiality of the KPIs and the ambition of the SPTs. Has the SOP expressed any specific comments or criticism on the KPIs and/or SPTs which have not been taken into account in the Framework? If so, please explain why.

Reporting

24. [**mainly UoP Bond offering**] Please explain how the company will report on the use of proceeds after the closing date of the offering.

25. **[mainly UoP Bond offering]** Please clarify how frequently, following the closing of the offering, the company will report and whether it will report until proceeds are fully allocated or for the lifetime of the bond. Please also provide details of where the post-issue reporting will be published.
26. Will the company provide its impact reporting methodology?
27. Please discuss whether the company will appoint an SOP to produce a verification report [on the allocation of proceeds](*in the UoP Bond context*)[on the performance of KPIs](*in the SLB context*). If yes, which entity(ies) are likely to be appointed and when? How frequently will they report and for how long?
28. Please describe how the SOP will be elected and any potential conflict of interest that may arise with the expected independent verifier or assurance provider.
29. Please clarify how the company intends to manage the administrative costs of issuing and reporting related to the bonds.