

Introducing the European ESG Template

The European ESG Template, or EET, is the investment industry's effort to deliver a common process for presenting environmental, social and governance metrics for use with end-clients. It is being developed by distributors, insurers and fund manufacturers under the coordination of FinDatEx¹ – the industry organisation that previously managed the creation of the European MiFID Template.

Major new sustainability regulations in the European Union have been the driving force behind the project as the European Commission seeks to support money flows towards sustainable investments.

The EET's goal is to ease the exchange of data between market participants as they implement those rules. It is essentially a technical document that gathers essential information on the ESG characteristics of a fund or financial instrument, with a focus on how they align with the [Sustainable Finance Disclosure Regulation](#) (SFDR) and the [EU Taxonomy](#). It will enable the integration of new ESG requirements under MiFID II and the Insurance Distribution Directive (IDD).

As of August 2022, the sustainability preferences of end-clients will become a mandatory feature of MiFID II and IDD. Those 'sustainability preferences' will be assessed against three criteria which draw on the SFDR and Taxonomy regulations. Should the client express an appetite for sustainability, he will be asked to choose any combination of the below criteria:

- The minimum proportion of EU Taxonomy-compliant sustainable investment²
- The minimum proportion of SFDR-compliant sustainable investment³
- The consideration of principal adverse impacts (PAIs) on sustainability factors

Insurers and distributors will therefore need convenient access to relevant information for each of the products they offer. The EET is designed to make this possible.

The EET will include a range of ESG indicators. These will include environmental factors such as greenhouse gas emissions and non-renewable energy use, as well as identifying social factors such as the gender pay gap, or a lack of policies around child labour and human trafficking.

FinDatEx has recommended the first EETs be compiled by 1 June, 2022 to prepare for that August deadline for open-ended funds domiciled in the EU. This will necessarily be of an initially limited scope, with the EET then updated on a monthly basis to build progressively towards January 2023 when the full scope of EET data will be reported (SFDR Level 2 will enter into force).

¹ Findatex (Financial Data Exchange Templates) which is a joint structure established by representatives of the European financial services sector with the view to facilitate the exchange of data between stakeholders in application of European Financial markets legislation, such as MiFID II, PRIIPs and Solvency 2.

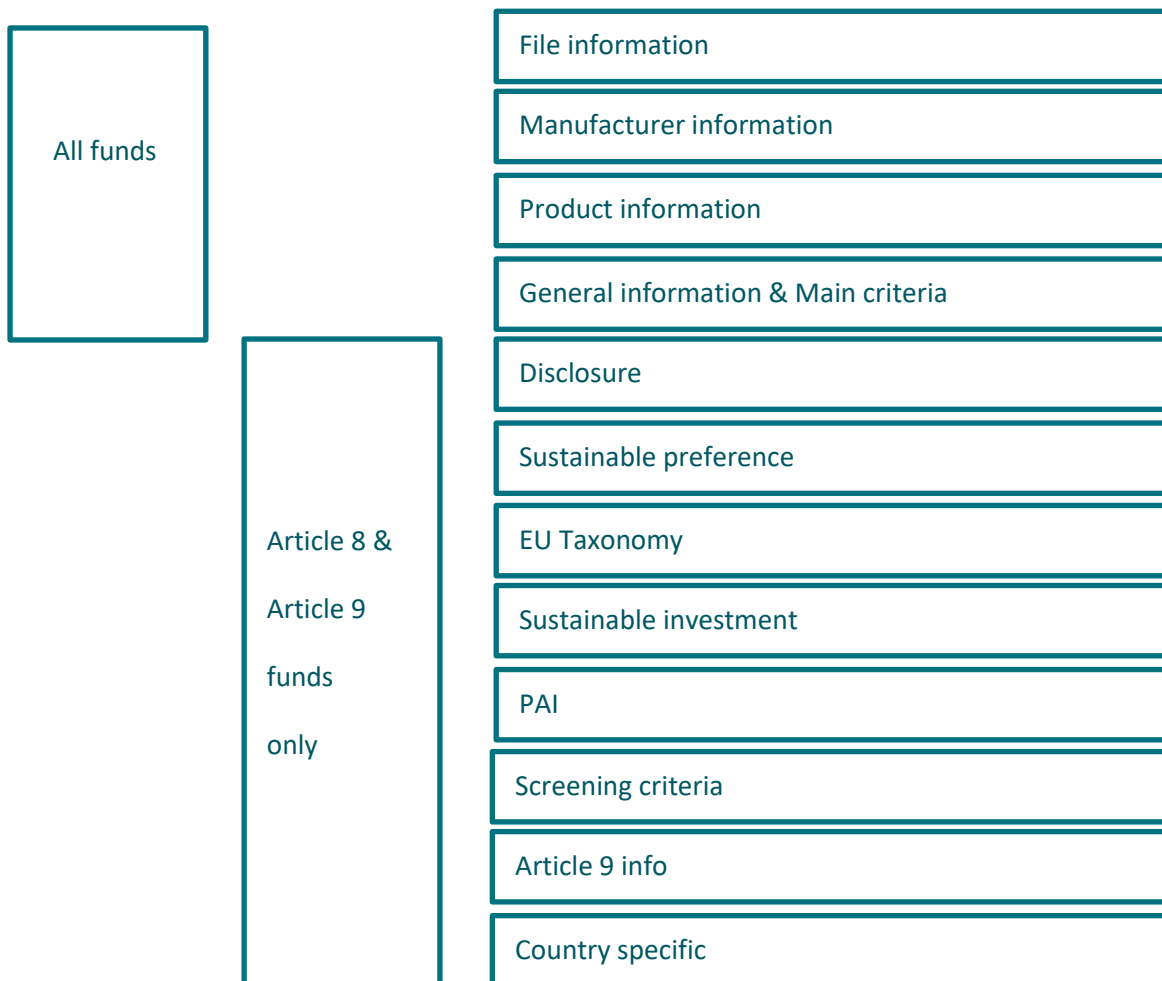
² As defined by the EU Taxonomy regulation. It is the minimum proportion that we commit to achieve in the prospectus.

³ As defined by the Article 2.17 of the EU SFDR. It is the minimum proportion that we commit to achieve in the prospectus.

In the interim period between June 2022 and January 2023, information reported in the EET reflects SFDR Level 2 classification and profile (minimum sustainable investment, minimum alignment to EU Taxonomy and PAI indicators considered in the investment strategy) despite prospectus or precontractual documentation and SFDR annex have not yet been updated or finalized. Due to this regulatory timeline misalignment, EET is reporting intentional firm commitments but not binding commitments.

AXA IM will disseminate the EET through the databases with which we are used to working. If a client wants to have an EET on a database that is not part of our dissemination list, they can send a request to our client service teams and we will add the requested database.

Snapshot of the data expected as part of the EET



Source: AXA IM