

MIFID II ESG – Integration of sustainability preferences and features of financial products

CACIB has:

- **As a distributor of financial products: introduced clients’ “sustainability preferences” questions in order to be compliant with** Delegated Regulation (EU) 2021/1253 of the Commission dated 21 April 2021 amending MiFID II as regards the integration of sustainability factors, risks and preferences (“**MiFID II ESG Amendment**”). Before providing investment services to clients, CACIB is required to ask its clients to provide information on their sustainability preferences, if any (see section 2.3 of the Suitability Questionnaire).
- **As a manufacturer of financial products: put in place methodologies to determine the sustainability features of financial products by reference to the three categories below, as set out in the MIFID II ESG Amendment:**
 - (1) a financial instrument for which the client determines that a minimum proportion shall be invested in environmentally sustainable investments as defined in Article 2, point (1), of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (“**EU Taxonomy Regulation**”); hereafter an “**Environmental investment**”;
 - (2) a financial instrument for which the client determines that a minimum proportion shall be invested in sustainable investments as defined in Article 2, point (17), of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (“**SFDR**”); hereafter a “**Sustainable investment**”; and
 - (3) a financial instrument that considers principal adverse impacts (“**PAI**”) on sustainability factors where qualitative or quantitative elements demonstrating that consideration are determined by the client; hereafter a “**Financial instrument considering PAI**”.
- In respect of determining the minimum proportion of the Environmental investments and Sustainable investments and qualitative or quantitative elements of Financial instruments considering PAI as described above, CACIB uses its own proprietary methodologies which incorporate assessment, as applicable, of the degree to which an investment corresponds to the three categories set out above.
- To assess those three elements, CACIB will consider, amongst other things, the issuer of the relevant financial product, and, where relevant, any underlying. To assess (i) alignment with the environmental sustainability framework set out under the EU Taxonomy Regulation and related Delegated Acts, CACIB will consider alignment of financial product and/or, where relevant, any use of proceeds against the EU Taxonomy Regulation; (ii) the SFDR alignment, CACIB will consider contribution to sustainable development goals and/or, where relevant, including considering the extent to which any use of proceeds wording is aligned with certain sustainability objectives; and (iii) PAI indicators, CACIB will use relevant qualitative and quantitative information for each PAI (having regard to Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing SFDR) to assess the extent to which each relevant PAI has been considered.
- Please ask your usual CACIB contact if you need more information.
- *Please note that the above represents the approach of CACIB (and not necessarily that of any other bank or financial institution) as of [insert date of publication online] and may be subject to change in the future in particular in response to changes in applicable law and regulation or its*

interpretation. The environmental, social and governance (“ESG”) information used to determine sustainability features may be provided by third-party sources and based on backward-looking analysis. The subjective nature of non-financial ESG criteria means a wide variety of outcomes are possible. The data may not adequately address material ESG and sustainability features. Any analysis is also dependent on companies and other organisations disclosing relevant data and the availability of this data can be limited.