SASB STANDARDS

Now part of IFRS Foundation

Asset Management & Custody Activities

Sustainability Accounting Standard

FINANCIALS SECTOR

Sustainable Industry Classification System® (SICS®) FN-AC

Under Stewardship of the International Sustainability Standards Board

INDUSTRY STANDARD | VERSION 2023-12

IFRS® Sustainability

sasb.org

About the SASB Standards

As of August 2022, the International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to maintain, enhance and evolve the SASB Standards and encourages preparers and investors to continue to use the SASB Standards.

IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) requires entities to refer to and consider the applicability of disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects. Similarly, IFRS S1 requires entities to refer to and consider the applicability of metrics in the SASB Standards when determining what information to disclose regarding sustainability-related risks and opportunities.

In June 2023, the ISSB amended climate-related topics and metrics in the SASB Standards to align them with the industry-based guidance accompanying IFRS S2 *Climate-related Disclosures*. In December 2023, the ISSB amended the non-climate-related topics and metrics in connection with the International Applicability of SASB Standards project.

Effective Date

This version 2023-12 of the Standard is effective for all entities for annual periods beginning or after January 1, 2025. Early adoption is permitted for all entities.

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INTRODUCTION

Overview of SASB Standards

The SASB Standards are a set of 77 industry-specific sustainability accounting standards ("SASB Standards" or "Industry Standards"), categorised pursuant to the Sustainable Industry Classification System® (SICS®).

SASB Standards include:

1. **Industry descriptions** – which are intended to help entities identify applicable industry guidance by describing the business models, associated activities and other common features that characterise participation in the industry.

2. **Disclosure topics** – which describe specific sustainability-related risks or opportunities associated with the activities conducted by entities within a particular industry.

3. **Metrics** – which accompany disclosure topics and are designed to, either individually or as part of a set, provide useful information regarding an entity's performance for a specific disclosure topic.

4. **Technical protocols** – which provide guidance on definitions, scope, implementation and presentation of associated metrics.

5. **Activity metrics** – which quantify the scale of specific activities or operations by an entity and are intended for use in conjunction with the metrics referred to in point 3 to normalise data and facilitate comparison.

Entities using the SASB Standards as part of their implementation of ISSB Standards should consider the relevant ISSB application guidance.

For entities using the SASB Standards independently from ISSB Standards, the *SASB Standards Application Guidance* establishes guidance applicable to the use of all Industry Standards and is considered part of the Standards. Unless otherwise specified in the technical protocols contained in the Industry Standards, the guidance in the SASB Standards Application Guidance applies to the definitions, scope, implementation, compilation and presentation of the metrics in the Industry Standards.

Historically, the *SASB Conceptual Framework* set out the basic concepts, principles, definitions and objectives that guided the SASB Standards Board in its approach to setting standards for sustainability accounting.

Use of the Standards

SASB Standards are intended to aid entities in disclosing information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. An entity determines which Industry Standard(s) and which disclosure topics are relevant to its business, and which associated metrics to report. In general, an entity should use the SASB Standard specific to its primary industry as identified in SICS® . However, companies with substantial business in multiple SICS® industries should refer to and consider the applicability of the disclosure topics and associated metrics in additional SASB Standards.

The disclosure topics and associated metrics contained in this Standard have been identified as those that are likely to be useful to investors. However, the responsibility for making materiality judgements and determinations rests with the reporting entity.

Industry Description

Asset Management & Custody Activities industry entities manage investment portfolios on a commission or fee basis for institutional, retail and high net-worth investors. In addition, entities in this industry provide wealth management, private banking, financial planning, and investment advisory and retail securities brokerage services. Investment portfolios and strategies may be diversified across multiple asset classes, which may include equities, fixed income and hedge fund investments. Specific entities are engaged in venture capital and private equity investments. The industry provides essential services to a range of customers from individual retail investors to large, institutional asset owners to meet specified investment goals. Entities in the industry range from large multi-jurisdictional asset managers with a wide range of investable products, strategies and asset classes to small boutique entities providing services to specific market niches. While large entities generally compete based on management fees charged for their services as well as their potential to generate superior investment performance, the smaller entities generally compete on their ability to provide products and services customised to satisfy the diversification needs of individual clients. The global 2008 financial crisis and subsequent regulatory regime developments highlight the industry's importance in providing fair advice to customers and managing risks at the entity, portfolio and macroeconomic levels.

SUSTAINABILITY DISCLOSURE TOPICS & METRICS

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Transparent Information & Fair Advice for Customers	(1) Number and (2) percentage of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings [1]	Quantitative	Number, Percentage (%)	FN-AC-270a.1
	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers [2]	Quantitative	Presentation currency	FN-AC-270a.2
	Description of approach to informing customers about products and services	Discussion and Analysis	n/a	FN-AC-270a.3
Employee Diversity & Inclusion	Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, (c) professionals, and (d) all other employees [3]	Quantitative	Percentage (%)	FN-AC-330a.1
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing and (3) screening	Quantitative	Presentation currency	FN-AC-410a.1
	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment or wealth management processes and strategies	Discussion and Analysis	n/a	FN-AC-410a.2
	Description of proxy voting and investee engagement policies and procedures	Discussion and Analysis	n/a	FN-AC-410a.3

continued...

[1] Note to **FN-AC-270a.1** – The entity shall describe how it ensures that licensed employees and identified decision-makers file and update applicable jurisdictional legal or regulatory documentation in a timely manner.

[2] Note to **FN-AC-270a.2** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

[3] Note to **FN-AC-330a.1** – The entity shall describe its policies and programmes for fostering equitable employee representation across its global operations.

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TOPIC	METRIC	CATEGORY	UNIT OF MEASURE	CODE
Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	Quantitative	Metric tons (t) CO_2-e	FN-AC-410b.1
	Total amount of assets under management (AUM) included in the financed emissions disclosure	Quantitative	Presentation currency	FN-AC-410b.2
	Percentage of total assets under management (AUM) included in the financed emissions calculation	Quantitative	Percentage (%)	FN-AC-410b.3
	Description of the methodology used to calculate financed emissions	Discussion and Analysis	n/a	FN-AC-410b.4
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations [4]	Quantitative	Presentation currency	FN-AC-510a.1
	Description of whistleblower policies and procedures	Discussion and Analysis	n/a	FN-AC-510a.2

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
Total assets under management (AUM)	Quantitative	Presentation currency	FN-AC-000.A
Total assets under custody and supervision	Quantitative	Presentation currency	FN-AC-000.B

[4] Note to **FN-AC-510a.1** – The entity shall briefly describe the nature, context and any corrective actions taken because of monetary losses.

Transparent Information & Fair Advice for Customers

Topic Summary

Asset managers have legal obligations and fiduciary duties related to record keeping, operating and marketing, disclosure requirements and prevention of fraudulent activities. Regulations regarding Asset Management & Custody Activities are intended to align the interests of entities and their clients, limiting conflicts of interest. This alignment, along with the prevalence of asset managers earning fees based on the amount of assets under management, encourages entities to provide clients with investment strategies that match clients' risk-return profiles. Entities also face significant challenges in ensuring clients understand the nature of investment strategy risks. Failure to provide services that satisfy customer expectations may result in lengthy and costly litigation, diminished trust with clients and lower sales. Enhanced disclosure on procedures or programmes that provide adequate, clear and transparent information about products and services, employees' regulatory violation records and the amount of fines and settlements associated with professional integrity will provide investors with an advanced understanding of how well entities manage risks associated with this issue and whether they are able to preserve long-term value for shareholders.

Metrics

FN-AC-270a.1. (1) Number and (2) percentage of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings

1 The entity shall disclose (1) the total number of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings.

2 Licensed employees are defined as employees subject to registering with, or obtaining a licence from, applicable jurisdictional legal or regulatory authorities for employment in securities or investment businesses.

3 Identified decision-makers are defined as senior managers, directors or other persons identified by applicable jurisdictional authorities as holding individual accountability related to securities or investment businesses.

4 The entity shall include all licensed employees and identified decision-makers employed by the entity at any time during the reporting period in the calculation.

5 The entity shall disclose (2) the percentage of licensed employees and identified decision-makers with a record of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings.

5.1 The numerator of the percentage is defined as the number of licensed employees and identified decision-makers with any record of investment-related investigations, consumer-initiated complaints, private civil litigations or other regulatory proceedings employed by the entity at any time during the reporting period.

5.2 The denominator of the percentage is defined as the total number of licensed employees and identified decision-makers employed by the entity at any time during the reporting period.

Note to **FN-AC-270a.1**

1 The entity shall describe how it ensures that licensed employees and identified decision-makers file and update applicable jurisdictional legal or regulatory documentation in a timely manner.

2 The entity shall describe how it ensures that licensed employees and identified decision-makers file and update in a timely manner any related forms that are required by jurisdictional laws or regulations.

FN-AC-270a.2. Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with lack of information transparency, including those related to false advertising, transparency of small print, marketing to vulnerable groups (for example, small investors), transparency of fees, mis-selling products, overcharging clients, and legal responsibility of the entity with respect to transparent information and fair advice.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

5 The scope of the disclosure shall exclude the amount of any monetary losses disclosed in metric FN-AC-510a.1.

Note to **FN-AC-270a.2**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud, disclosure to clients or employee compensation) of all monetary losses resulting from these legal proceedings.

2 The entity shall describe any corrective actions implemented in response to these legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

FN-AC-270a.3. Description of approach to informing customers about products and services

1 The entity shall describe how it informs customers about its products and services, including the transparency of content, method of communication, frequency of communication and responsibility for communication.

2 Relevant content may include topics such as risk, suitability, investment alternatives and the disclosure of conflicts of interest.

   2.1 Relevant risks include those related to complex or high-yield products that may be subject to volatility, credit risk exposure, interest rate sensitivity, liquidity concerns or otherwise may be misaligned with client risk tolerance.

   2.2 Relevant aspects of suitability are those for which the entity must have a reasonable basis to believe that a transaction or investment strategy involving securities recommended are suitable for the customer. This reasonable belief must be based on the information obtained through the reasonable due diligence of the entity to ascertain the customer's investment profile.

   2.3 Relevant conflicts of interest include those related to services (for example, research) paid for by clients' commissions, the allocation of trades among clients and rules for the entity's employees' personal accounts (PAs).

3 The entity shall describe compliance with industry best practices in relation to transparent information and fair advice to customers, including relevant codes of conduct and codes of ethics.

4 The entity shall describe how its representatives' compensation structures are linked to incentives for specific product sales.

   4.1 The discussion shall include any direct linkages between employee compensation and incentives for specific product sales, which may include changes in fixed salaries, bonuses and other awards, and sales volume or quantity targets for specific products or services.

5 The entity may disclose the percentage of total compensation that is variable and directly linked to sales targets for the relevant pool of employees.

6 The entity shall describe communication methods used to provide information about its products and services to current and prospective clients.

   6.1 Communication methods may include client statements, supplementary brochures, product prospectuses, website listings or verbal communications.

7 The entity may disclose the style of communication it uses, such as the use of legal disclaimers in plain language.

8 If necessary, the entity shall describe differences in communication strategies, content or method between retail customers and institutional clients.

9 The entity shall describe how its communication strategy is developed and executed, which may include internal controls the entity has in place to ensure compliance with its communication strategy.

Employee Diversity & Inclusion

Topic Summary

Entities in the Asset Management & Custody Activities industry face significant competition for skilled employees. As the industry continues to undergo rapid innovation through the introduction of more complex financial products and computerised algorithmic and high-frequency trading, the ability of entities to attract and retain skilled employees may increase in importance. By ensuring gender and racial diversity throughout the organisation, entities may expand their candidate pools, which may reduce hiring costs and improve operational efficiency. Evidence also suggests that entities with more diverse groups of employees may enhance the risk-return characteristics of investment portfolios.

Metrics

FN-AC-330a.1. Percentage of (1) gender and (2) diversity group representation for (a) executive management, (b) non-executive management, (c) professionals, and (d) all other employees

1 The entity shall disclose (1) the percentage of gender representation among its employees for (a) executive management, (b) non-executive management, (c) professionals and (d) all other employees.

1.1 The entity shall categorise the gender of its employees as women, men or not disclosed.

1.1.1 The entity may disclose additional categories of gender identity or expression.

1.2 The entity shall use these employee categories: (a) executive management, (b) non-executive management, (c) professionals and (d) all other employees.

1.3 Executive management is defined as chief executives and senior officials who formulate and review the entity's policies, and plan, direct, coordinate and evaluate the overall activities of the entity with the support of other managers.

1.3.1 The entity may refer to the International Standard Classification of Occupations (ISCO) Sub-Major Group 11 or an applicable jurisdictional occupation classification system for a definition of executive management. In such cases, the entity shall disclose the occupation classification standard used to classify executive management.

1.4 Non-executive management is defined as those who plan, direct, coordinate and evaluate the activities of the entity, or of organisational units within it, and formulate and review its policies, rules and regulations, other than executive management.

1.4.1 The entity may refer to the ISCO Major Group 1 (excluding Sub-Major Group 11) or an applicable jurisdictional occupational classification system for a definition of non-executive management. In such cases, the entity shall disclose the occupation classification standard used to classify non-executive management.

1.5 Professionals are defined as employees who perform highly skilled or highly qualified work generally categorised in the business administration, finance, legal, sales, marketing, public relations, and information and communications technology occupations.

1.5.1 The entity may refer to the ISCO Major Group 2 or an applicable jurisdictional occupation classification system for a definition of professionals. In such cases, the entity shall disclose the occupation classification system used to classify professionals.

1.6 All other employees are defined as those employees who are not classified as executive management, non-executive management or professionals.

1.7 The entity shall calculate the percentage of gender representation for each employee category as the number of employees in each gender category divided by the total number of employees in the respective employee category.

2 The entity shall disclose (2) the percentage of diversity group representation among its employees for (a) executive management, (b) non-executive management, (c) professionals and (d) all other employees.

2.1 The entity shall identify diversity groups in its workforce.

2.1.1 Diversity is defined as the presence of people from populations who have been underrepresented in a particular field or are otherwise historically marginalised in a particular society.

2.1.2 Diversity groups may be defined by dimensions such as race, ethnicity, disability status, region of origin, migrant status, indigenous background, age, socioeconomic background, religious affiliation, sexual orientation or gender identity.

2.1.3 Diversity groups may be defined by applicable jurisdictional laws or regulations or third-party frameworks.

2.1.4 The entity may omit diversity groups if collecting data on that group would be prohibited by applicable jurisdictional laws or regulations or would pose a risk of harm to members of the group.

2.2 The entity shall calculate the percentage of diversity group representation for each employee category as the number of employees in each diversity group, divided by the total number of employees in the respective employee category.

3 The entity may provide disclosures on gender or diversity group representation disaggregated by jurisdiction.

4 The entity may provide supplementary contextual disclosures on factors that significantly influence gender or diversity group representation, such as the jurisdiction in which employees are located.

5 The entity may disclose gender or diversity group representation by employee category in these table formats:

Table 3. Gender Representation of Global Employees (%)

	WOMEN	MEN	...	N/D*
Executive Management				
Non-Executive Management				
Professionals				
All Other Employees				

N/D = not disclosed

Table 4. Diversity Group Representation of Global Employees (%)

	GROUP A	GROUP B	GROUP C	...	N/A*
Executive Management					
Non-Executive Management					
Professionals					
All Other Employees					

N/A = not available or not disclosed

Note to **FN-AC-330a.1**

1 The entity shall describe its policies and programmes for fostering equitable employee representation in its global operations.

1.1 Relevant policies may include maintaining transparency of hiring, promotion and wage practices, ensuring equal employment opportunities, developing and disseminating diversity policies and ensuring management accountability for equitable representation.

1.2 Relevant programmes may include training on diversity, mentorship and sponsorship programmes, partnership with employee resource and advisory groups and provision of flexible work schedules to accommodate the varying needs of employees.

Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory

Topic Summary

Asset Management & Custody Activities entities maintain a fiduciary responsibility to their clients. These entities must consider and incorporate an analysis of all material information into investment decisions, including environmental, social and governance (ESG) factors. The process of ESG investment involves consideration of ESG factors in valuation, modelling, portfolio construction, proxy voting and engagement with investees and, as a result, in investment decision-making by asset and wealth managers. As the management and use of non-financial forms of capital increasingly contribute to market value, incorporation of ESG factors in the analysis of investees has become more relevant. Research has established that an entity's management of some ESG factors may impact materially both its accounting and market returns. Therefore, deep understanding of investees' ESG performance, integration of ESG factors in valuation and modelling, as well as engagement with investees on sustainability issues allows asset managers to generate superior returns. On the other hand, asset management and custody activities industry entities that fail to consider these risks and opportunities in their investment management activities may witness diminished investment portfolio returns that may result in reduced performance fees. Over the long term, these failures could result in an outflow of assets under management (AUM), the loss of market share and lower management fees.

Metrics

FN-AC-410a.1. Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing and (3) screening

1 The entity shall disclose the amount of assets under management (AUM) that employ (1) integration of environmental, social and governance (ESG) issues, (2) sustainability themed investing, and (3) screening.

1.1 AUM shall be defined broadly as the total market value, expressed in the entity's presentation currency, of the assets managed by a financial institution on behalf of clients.

1.2 Integration of ESG issues is defined as the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions, as aligned with the *PRI Reporting Framework – Main definitions 2018*.

1.3 Sustainability themed investing is defined as investment in themes or assets specifically related to sustainability (for example, clean energy, green technology or sustainable agriculture), as aligned with the *PRI Reporting Framework—Main definitions 2018*.

1.4 Screening, including (a) negative/exclusionary, (b) positive/best-in-class and (c) norms-based, is defined by the *PRI Reporting Framework—Main definitions 2018*.

1.5 The scope of disclosure includes both passive and active strategies.

2 The entity shall disaggregate its disclosure by asset class: (a) equities, (b) fixed income, (c) cash equivalents/money market instruments and (d) other (for example, real estate and commodities).

3 The entity shall identify and disclose the amount of any AUM managed using more than one ESG integration strategy (for example, screening and integration).

FN-AC-410a.2. Description of approach to incorporation of environmental, social and governance (ESG) factors in investment or wealth management processes and strategies

1 The entity shall describe its approach to the incorporation of environmental, social and governance (ESG) factors in its investment or wealth management processes and strategies.

1.1 The definition of incorporation of ESG factors is aligned with that of the Global Sustainable Investment Alliance (GSIA) and includes the use of ESG information in investment decision-making processes.

1.2 Examples of ESG factors and issues are provided in the *PRI Reporting Framework—Main definitions 2018*, section 'ESG issues'.

1.3 Incorporation of ESG factors includes the following approaches, consistent with the *PRI Reporting Framework—Main definitions 2018*:

1.3.1 Screening, including (a) negative/exclusionary, (b) positive/best-in-class and (c) norms-based

1.3.2 Sustainability themed investment, defined as investment in themes or assets specifically related to sustainability (for example, clean energy, green technology or sustainable agriculture)

1.3.3 Integration of ESG, defined as the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions

1.3.4 A combination of the above

2 The entity shall describe the policies that determine its approach to the incorporation of ESG factors in its investment or wealth management processes and strategies.

3 The scope of disclosure shall exclude discussion of the entity's proxy voting and investee engagement policies and procedures, which is included in metric FN-AC-410a.3, 'Description of proxy voting and investee engagement policies and procedures'.

4 The entity shall describe its approach to implementation of the aspects of the entity's ESG incorporation practices.

4.1 The discussion shall include, but is not limited to:

4.1.1 Parties responsible for the day-to-day incorporation of ESG factors

4.1.2 Roles and responsibilities of employees involved

4.1.3 Approach to conducting ESG-related research

4.1.4 Approach to incorporating ESG factors into investment strategies

5 The entity shall describe its oversight/accountability approach to the incorporation of ESG factors.

5.1 The discussion shall include:

5.1.1 Formal oversight individuals or bodies involved

5.1.2 Roles and responsibilities of employees involved

5.1.3 Criteria used in assessing the quality of ESG incorporation

6 The entity shall discuss whether it conducts scenario analysis or modelling in which the risk profile of future ESG trends is calculated at the portfolio level.

6.1 ESG trends may include climate change, natural resource constraints, human capital risks and opportunities, and cybersecurity risks.

6.2 The entity shall describe the types of portfolios or strategies in which it executes scenario analysis or modelling.

6.2.1 The entity is not required to provide such disclosure at the individual portfolio or strategy level.

7 The entity shall discuss ESG trends it considers apply broadly in terms of their effect on sectors and industries, as well as the trends it deems as sector- or industry-specific.

8 The entity shall describe whether it incorporates ESG factors in strategic asset allocation or allocation of assets between sectors or geographical markets.

8.1 The entity shall describe the types of portfolios or strategies in which it incorporates ESG factors in strategic asset allocation or allocation of assets between sectors or geographical markets.

8.1.1 The entity is not required to provide such disclosure at the individual portfolio or strategy level.

9 The entity shall describe how ESG factors are incorporated in the assessment of and how it influences the entity's views on:

9.1 Time horizon of investments

9.2 Risk and return profiles of investments

9.3 Traditional fundamental factors such as economic conditions, central bank policy, industry trends and geopolitical risks

10 When relevant, the entity shall discuss its approach to incorporation of ESG factors in selecting external fund managers and fiduciary managers.

10.1 The entity shall describe its oversight/accountability approach to assessing the quality of incorporation of ESG factors by external fund managers and fiduciary managers, which may include:

10.1.1 Formal oversight individuals or bodies involved

10.1.2 Roles and responsibilities of employees involved

10.1.3 Criteria used in assessing the quality of ESG incorporation

11 The scope of disclosure shall include investment or wealth management services in which the entity maintains decision-making power, regardless of strategy and asset class.

12 The scope of disclosure shall exclude execution or advisory services in which investment decision-making power remains with clients.

13 When relevant, the description of the entity's approach to incorporation of ESG factors in its investment or wealth management activities shall be broken down by asset class or by style employed.

13.1 The discussion shall include the differences in the entity's approaches to incorporation of ESG factors in:

13.1.1 Public equity, fixed income, private equity or alternative asset classes

13.1.2 Passive versus active investment strategies

13.1.3 Fundamental, quantitative and technical analyses of investments

FN-AC-410a.3. Description of proxy voting and investee engagement policies and procedures

1 The entity shall describe its approach to proxy voting, which may include its process for making proxy voting decisions, including its approach to defining materiality.

1.1 The discussion shall include, but is not limited to, elements highlighted in *PRI Reporting Framework 2019 Direct—Listed Equity Active Ownership*:

1.1.1 The scope of the entity's voting activities

1.1.2 The objectives of the entity's voting activities

1.1.3 How, if at all, the entity's voting approach differs among markets

1.1.4 Whether the entity has a default position of voting in favour of management in particular markets or on particular issues

1.1.5 Whether and how local regulatory or other requirements influence the entity's approach to voting

1.1.6 Whether the entity votes by proxy or in person by attending annual general meetings (AGMs) (or a combination of both)

1.2 The entity shall describe its approach to determining support for proposals, including its approach to defining materiality.

1.2.1 The scope of disclosure includes proposals addressing environmental and social (ES) issues.

1.3 The entity shall describe how it communicates its proxy voting policy to clients and to the public.

1.3.1 The entity may provide the link to its formal proxy voting policy.

2 The entity shall describe its process of making proxy voting decisions.

2.1 The discussion shall include the elements highlighted in *PRI Reporting Framework 2019 Direct—Listed Equity Active Ownership*, which include:

2.1.1 Use of internal research team or third-party service providers

2.1.2 Review and monitoring process for service provider recommendations

3 The entity shall describe its approach to communicating voting decisions to entity management, including the rationale for voting for/against management's recommendations.

4 The entity shall describe its approach to engagement on ES issues.

4.1 The discussion shall include:

4.1.1 The entity's objectives for undertaking engagement activities

4.1.2 Whether the entity's engagements related to ES issues are primarily proactive to ensure that ES issues are well-managed in a preventive manner or reactive to address issues that may have already occurred

4.1.3 The outcomes the entity seeks from engaging with entities on ES issues (for example, influencing corporate practice; improving the quality of ES disclosure)

4.1.4 The entity's staff that carries out the engagement (for example, specialised in-house engagement teams, fund managers or equity/credit analysts, more senior-level roles)

4.1.5 The roles of individuals at the portfolio entities the entity seeks to engage with (for example, board members, board chair, CEO, corporate secretary, investor relations managers)

4.2 The entity shall describe how it communicates its engagement policy to clients and to the public.

4.2.1 The entity may provide the link to its formal engagement policy.

4.3 The scope of disclosure includes all asset classes, portfolios or strategies in which the entity engages on ES issues.

5 The entity shall describe how the outcomes of its proxy voting and engagement activities inform its investment decision-making process.

5.1 The discussion shall include:

5.1.1 How the entity decides what information to pass on to investment decision-makers

5.1.2 How the entity monitors the use of the information passed on in investment decision-making

6 The entity shall describe its escalation process for engagements when entity dialogue is failing.

6.1 The escalation process may include tactics highlighted in the *International Corporate Governance Network (ICGN) Global Stewardship Principles*:

6.1.1 Expressing concerns to corporate representatives or non-executive directors, either directly or in a shareholder meeting

6.1.2 Expressing the entity's concerns collectively with other investors

6.1.3 Making a public statement

6.1.4 Submitting shareholder resolutions

6.1.5 Speaking at general meetings

6.1.6 Submitting one or more nominations for election to the board as appropriate and convening a shareholder meeting

6.1.7 Seeking governance improvements or damages through legal remedies or arbitration

6.1.8 Exit or threat to exit from the investment

7 The entity shall describe how its ES engagement strategy fits into its overall engagement strategy.

8 The entity may disclose additional quantitative measures related to its proxy voting and engagement activities, such as:

8.1 Number of engagements and percentage of those in-person

8.2 Number of staff involved in proxy voting and engagement activities

Financed Emissions

Topic Summary

Entities participating in asset management activities face risks and opportunities related to the greenhouse gas emissions associated with those activities. Counterparties, borrowers or investees with higher emissions might be more susceptible to risks associated with technological changes, shifts in supply and demand and policy change which in turn can impact the prospects of a financial institution that is providing financial services to these entities. These risks and opportunities can arise in the form of credit risk, market risk, reputational risk and other financial and operational risks. For example, credit risk might arise in relation to financing clients affected by increasingly stringent carbon taxes, fuel efficiency regulations or other policies; credit risk might also arise through related technological shifts. Reputational risk might arise from financing fossil-fuel projects. Entities participating in asset management activities are increasingly monitoring and managing such risks by measuring their financed emissions. This measurement serves as an indicator of an entity's exposure to climate-related risks and opportunities and how it might need to adapt its investment strategies over time.

Metrics

FN-AC-410b.1. Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3

1 The entity shall disclose its absolute gross financed emissions, disaggregated by Scope 1, Scope 2, and Scope 3 greenhouse gas emissions.

1.1 In preparing this disclosure, the entity shall apply the requirements for measuring greenhouse gas emissions in accordance with paragraph 29(a) of IFRS S2 *Climate-related Disclosures* (S2) and the corresponding requirements in paragraph B61 for entities with asset management activities.

1.2 In applying paragraph B61 of S2*,* the entity shall apply the principles of aggregation and disaggregation from paragraphs B29 and B30 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information.*

FN-AC-410b.2. Total amount of assets under management (AUM) included in the financed emissions disclosure

1 For each of the disaggregated items in FN-AC-410b.1, the entity shall disclose the total amount of assets under management (AUM) that is included in the financed emissions disclosure, expressed in the presentation currency of the entity's financial statements.

1.1 In preparing this disclosure, the entity shall apply the requirements in paragraph B61 of IFRS S2 *Climate-related Disclosures* for entities with asset management activities.

FN-AC-410b.3. Percentage of total assets under management (AUM) included in the financed emissions calculation

1 The entity will disclose the percentage of its total assets under management (AUM) included in the financed emissions calculation.

1.1 In preparing this disclosure, the entity shall apply the requirements in paragraph B61 of IFRS S2 *Climate-related Disclosures* (S2) for entities with asset management activities.

1.2 In applying paragraph B61 of S2*,* the entity shall apply the principles of aggregation and disaggregation from paragraphs B29 and B30 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

2 If the percentage is less than 100%, the entity shall disclose information that explains the exclusions, including the type of assets and associated amount of AUM.

FN-AC-410b.4. Description of the methodology used to calculate financed emissions

1 The entity shall disclose the methodology used to calculate the financed emissions, including the method of allocation the entity used to attribute its share of emissions in relation to the size of investments.

1.1 In preparing this disclosure, the entity shall apply the requirements for measuring greenhouse gas emissions in accordance with paragraph 29(a) of IFRS S2 *Climate-related Disclosures* (S2) and the corresponding requirements in paragraph B61 for entities with asset management activities.

1.2 In applying paragraph B61 of S2*,* the entity shall apply the principle of estimation from paragraph 78 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

Business Ethics

Topic Summary

The regulatory environment surrounding the Asset Management & Custody Activities industry continues to evolve internationally. Entities must adhere to a complex and often inconsistent set of rules relating to performance and conduct, as well as provide disclosure on issues including insider trading, tax evasion and clearing requirements in over-the-counter derivatives markets. Entities are subject to strict legal requirements as fiduciaries or custodians of their clients. In some jurisdictions, enhanced rewards for whistle-blowers may increase the number of complaints brought to regulators. Entities that ensure regulatory compliance through robust internal controls may build trust with clients, increase revenue and protect shareholder value by minimising losses incurred because of legal proceedings.

Metrics

FN-AC-510a.1. Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations

1 The entity shall disclose the total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice or other related financial industry laws or regulations.

2 The legal proceedings shall include any adjudicative proceeding involving the entity, whether before a court, a regulator, an arbitrator or otherwise.

3 The losses shall include all monetary liabilities to the opposing party or to others (whether as the result of settlement, verdict after trial or otherwise), including fines and other monetary liabilities incurred during the reporting period as a result of civil actions (for example, civil judgements or settlements), regulatory proceedings (for example, penalties, disgorgement or restitution) and criminal actions (for example, criminal judgements, penalties or restitution) brought by any entity (for example, governmental, business or individual).

4 The scope of monetary losses shall exclude legal and other fees and expenses incurred by the entity in its defence.

5 The scope of the disclosure shall include legal proceedings associated with the enforcement of applicable jurisdictional laws or regulations.

6 The scope of the disclosure shall exclude the amount of any monetary losses disclosed in metric FN-AC-270a.2.

7 The disclosure shall also include enforcements related to activities adjudicated by applicable jurisdictional legal or regulatory authorities with mandates broader than the financial industry.

8 The entity shall disclose the applicable jurisdictional legal or regulatory authorities involved.

Note to **FN-AC-510a.1**

1 The entity shall briefly describe the nature (for example, judgement or order issued after trial, settlement, guilty plea, deferred prosecution agreement or non-prosecution agreement) and context (for example, fraud, antitrust or market manipulation) of all monetary losses resulting from legal proceedings.

2 The entity shall describe any corrective actions implemented in response to the legal proceedings. This may include specific changes in operations, management, processes, products, business partners, training or technology.

FN-AC-510a.2. Description of whistleblower policies and procedures

1 The entity shall describe the processes and policies set out in its whistleblower programme, which may include internal compliance programmes; whistleblower hotline details (for example, whether it is managed by an independent third party); reference to, and publication of, the hotline number (for example, within corporate compliance manuals or codes of ethics); whistleblower incentives for reporting violations; and methods for submitting tips.

2 The disclosure shall identify the applicable jurisdictional whistleblower laws or regulations with which the entity must comply.

3 The disclosure shall include a discussion of any violations of whistleblower regulations and any corrective actions the entity has implemented because of violations.

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