ESG Regulations Quarterly

ESG Rules 2024: Play by the book

Investment Strategy

15 February 2024

Equity and Quant Strategy
Global
Environmental, Social and Governance

Menka Bajaj >>
EMEA ESG Strategist
MLI (UK)
+44 20 7995 5800
menka.bajaj@bofa.com

Panos Seretis >>
Global ESG Strategist
MLI (UK)
panos.seretis@bofa.com

Xavier Le Mené >>
Research Analyst
MLI (UK)
xavier.le_mene@bofa.com

Stakeholders embrace ESG rules for a net-zero transition

Globally, ESG regulations have increased by 155% in the last ten years (ESG Book). The sustainable finance frameworks though complex is helping different stakeholders to transition to net zero. About 60% of EU assets (€5.3tn AUM) are labelled SFDR Article 8 or 9 and €116bn AUMs track climate benchmarks. 80% of listed SMEs obtained a green or sustainability-linked loan over the last two years. And more than a third of companies referenced Taxonomy KPIs in their financial and transition plans. Our analysis (see Who's holding what?) indicate a positive correlation of fund holdings to green revenue/capex.

ESG labels to become the gold standard

Flows across products show demand for ESG labels, which could become the gold standard. More than half of FMPs who recently consulted on EU SFDR want new labels. The proposed fund categories have a big overlap with UK SDR (retail-focused, July'24) – *sustainability improvers, impact, focus, mixed goals* – and some overlap with proposed US SEC fund rules (Exhibit 5). SFDR 2.0 application seems unlikely before 2026/27, as any changes will be revealed by the new EU Commission post-election. Australia's proposed Sustainable Finance Strategy includes labelling for investment products.

What's in a Name? 80% of investments

The proposed ESMA (expected 2Q24) and current US SEC naming rules, require at least 80% of fund's assets must be allocated to investments suggested by its name. In addition, EU fund names with "environmental" only or "sustainability"-related terms also need to apply certain fossil fuel exclusions. Our analysis indicate c.17% of EU ESG funds we track that hold Energy assets may be impacted. In the UK, products with labels need to apply a 70% threshold (from July'24) along with other restrictions. Naming rules are also in force across Asia - Singapore (66%), Hong Kong (70%) and Japan.

Careful what you claim – anti-greenwashing rules in 2024

Over half of greenwashing controversies were in three sectors: oil & gas, financials, and food/beverage (ESMA). EU is set to adopt the Green Claims Directive this year – rules include checks, approvals, and penalties for environmental claims about products. For financial products, the marketing and fund naming accompany the anti-greenwashing rules, and they work together to test for *fair, clear, not misleading* claims. As these rules are still evolving, risks are mostly litigation and reputational, rather than regulatory, unless the breach is egregious, as per the legal expert from Sidley we recently hosted. Anti-greenwashing recommendations in the EU & rules apply in the UK from May'24.

Corporate disclosures, Ratings &Transition guidance

Corporate reporting on EU CSRD rules and taxonomy from Jan 2024. The EU ESG rating

FMPs: Financial market participants
SFDR: Sustainable Finance Disclosure Regulation
SDR: Sustainability Disclosure Requirements
CSRD: Corporate sustainability reporting Directive
ESMA: The European Securities and Markets Authority

Exhibit 1: ESG fund requirements across jurisdictions
Green = In force now or in 2024, Yellow = Proposed and Grey = Guidance

Regions	Disclosures	Name Rule	Labels*
European Union			
United Kingdom			
United States			
Canada			
Australia			
Hong Kong			
Japan			
Singapore			

Source: BofA Global Research
*Product Classifications
BofA GLOBAL RESEARCH

European ESG Overview: Who's holding what? Social and Transition Enablers gain in popularity 26 January 2024 regulation (vote in April) will introduce more disclosures for those FMPs with ESG ratings in their marketing materials (SFDR). Transition guidance from EU, see Redefining Sustainable Investments: from ambition to transition, for more updates see Exhibit 2.

Contents

Sustainable Finance Regulations

We have discussed ESG regulations comprehensively in our series of regulatory updates over the past two years. In this report, we provide key updates over the past few months and highlight what's coming next. We also have added Takeaways from our call with legal expert Leonard Ng from Sidley on ESG rules in Europe and the UK.

BofA Global Research Reports

Title: Subtitle	Primary Author	Date Published
ESG Regulations Quarterly: Redefining Sustainable Investments: from ambition to transition	Menka Bajaj	03 October 2023
ESG Matters - Europe: SFDR update: more funds can (re)classify as Article 9	Menka Bajaj	26 April 2023
ESG Matters - Global: ESG regulations toughen up! 10-point action plan in motion	Menka Bajaj	06 March 2023
ESG Matters - Global: Morningstar's view on what qualifies as a Sustainable Fund	Menka Bajaj	24 January 2023
ESG Matters - Global: Careful what you claim – greenwashing risk amid tightening regulations	Menka Bajaj	19 October 2022
ESG Matters - Global: Greenwashing – new rules from ESMA, SEC	Menka Bajaj	13 June 2022
ESG Matters - Global: EU's Social Taxonomy – 'S' is the new 'E', the next frontier in ESG investing	Menka Bajaj	10 March 2022
ESG Matters - Global: ESG rules (the world): more regulations in 2022-23	Menka Bajaj	08 February 2022

Keeping up to date with relevant regulations

Exhibit 2 highlights key updates in the EU and UK since October 2023 and what to expect in 1H 2024 and Exhibit 3 highlights ESG fund requirements across jurisdictions. Please note that this is a selective list of initiatives and timelines, which is indicative and may be subject to change.

Exhibit 2: EU and UK Sustainable Finance initiatives

4Q23 and 1H24 initiatives – published and expected

2024	Expected	Delayed	UK Government to consult on the delivery of a UK Green Taxonomy
		H1	European Commission to publish report on the review of the Disclosures Delegated Act
		H1	FCA to consult on mandatory reporting on UK-endorsed ISSB Standards and expectations for transition plan disclosures
		H1	UK Government to consult on requirements for the UK's largest companies to disclose their transition plans
		H1	UK Government to issue legislative proposal on ESG Ratings
		H1	UK Government to consult on voluntary carbon markets
		May	ESAs to publish final greenwashing reports and final recommendations
		April	Final negotiations on the EU ESG Ratings Regulation and provisional agreement expected
		March	ESMA to consult on RTS under EU Green Bond Standard and work on RTS under EU ESG Ratings Regulation
	Published	February	European Parliament and EU Council adopt their respective positions on the EU ESG Ratings Regulation
		January	EFRAG to consult on draft Reporting Standards for listed SMEs and continue work on sector-specific ESRS
		January	EU Platform on Sustainable Finance to report on usability of the EU Sustainable Finance Framework
		January	EFRAG to consult on implementation guidance accompanying the ESRS
Q4 2023		December	UK Government to launch Transition Finance Market Review
		December	Political agreement on CSDDD
		December	European Commission to adopt guidance focusing on Taxonomy alignment reporting obligations for financial undertakings
		December	ESAs publish their final joint Report on draft Regulatory Technical Standards under the SFDR
		December	Platform on Sustainable Finance launches EU Taxonomy stakeholder request mechanism
		December	UK Data and Ratings Working Group to publish final Code of Conduct for ESG data and rating providers
		December	IOSCO publishes consultation report on good practices to promote Voluntary Carbon Markets
		November	EU Green Bond Standard Regulation published in the EU Official Journal
		November	Amended EU Taxonomy Delegated Acts (Climate objectives and 'Taxo 4') published in the EU Official Journal
		November	FCA publishes final Policy Statement on Sustainability Disclosure Requirements and investment labels, and consults on draft guidance on the anti-greenwashing rule
		November	Basel Committee consults on Pillar 3 framework for climate risk
		October	European Commission adopts decision to postpone adoption of sector-specific ESRS and ESRS for certain non-EU companies
		October	UK Transition Plan Taskforce publishes final Disclosure Framework and consults on sector-specific transition plan guidance

Source: BofA Global Research, AFME ESG Finance Report Q3 2023. Please note that the above is a selective list of initiatives and timelines are indicative and may be subject to change

BofA GLOBAL RESEARCH

Exhibit 3: ESG fund requirements across different jurisdictions

Green = In force or expected to be in 2024, Yellow = Proposed and Grey = Guidance

Regions	Disclosures	Naming Rules	Classification/Labels
European Union			
United Kingdom			
United States			
Canada			
Australia			
Hong Kong			
Japan			
Singapore			

Source: BofA Global Research. Please note that the above is a selective list of regions and not an exhaustive list

BofA GLOBAL RESEARCH

The EU framework: market adoption by stakeholders

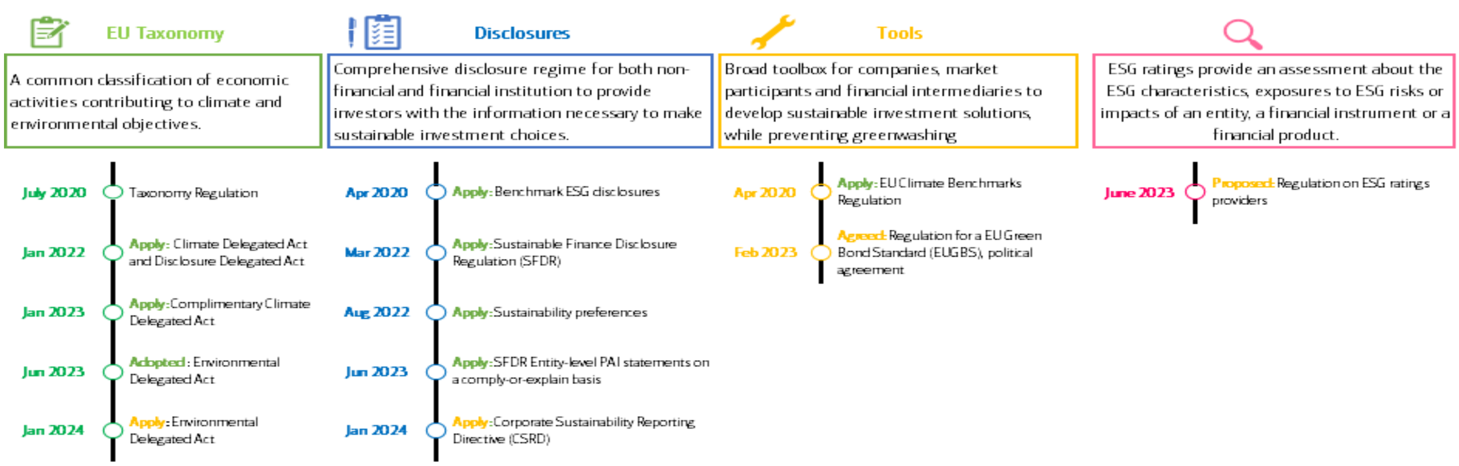
The recent report from the Platform on Sustainable Finance highlights the market practices across different stakeholder groups and the early stages of adoption along with peer-to-peer recommendations for further improvements. For example, the EU Taxonomy Regulation is emerging as a strategic driver for EU companies in shaping sustainable business models and strategies. The energy sector is particularly active in setting EU Taxonomy-aligned targets. Here are some findings on the use of the framework by different stakeholders:

- ✓ **600 out of 1,700** companies referenced Taxonomy KPIs in their financial planning and transition plans (*CDP and Clarity AI)
- ✓ **711** companies reported an average capex alignment of 18% (*Morningstar)
- ✓ **60%** of total EU assets disclose under SFDR Articles 8 or 9 (Morningstar)
- ✓ **US$120bn** in investment funds track EU climate benchmarks (*Morningstar)
- ✓ **6.5%** of total corporate bond issuances in 2023 were green (*Bloomberg)
- ✓ Public actors issued over **40%** of green bonds with assurance in the EU; **90%** of them referenced the EU Taxonomy (*Bloomberg)
- ✓ Around **10%** of SMEs (and **80%** of listed SMEs) obtained a green/ sustainability-linked loan from a bank (*Oxford Research, Synthesia and Trinomics)

**Please refer Platform on Sustainable Finance report on a compendium of market practices, January 2024*

Exhibit 4: The pillars of the EU sustainable finance framework

Timeline for EU sustainable finance framework



Source: BofA Global Research, EU Commission

BofA GLOBAL RESEARCH

ESG labels: based on strategies

European SFDR disclosure-based to labelling regime

Two years into the EU's SFDR

Since the Sustainable Finance Disclosure Regulation (SFDR) came into force in March 2021, asset managers have been required to provide detailed information on the sustainability risks and impact of their financial products sold in the EU. The managers now have a general understanding of how the SFDR operates, including the scoping issues, which financial products can be labelled Article 8 or Article 9, what investors are looking for and then the reporting, which must match the disclosures.

- Today, 6 in 10 funds claim to have some ESG characteristics and are labelled SFDR Article 8 or 9 with EUR5.3tn in AUMs.
- More than 8 in 10 Article 8 and Article 9 funds reported a minimum % of sustainable investments and 63% disclosed a minimum % of Taxonomy-aligned investments.
- Within Article 8 products, investors favor strategies with a commitment to sustainable investments over those with no commitment – the latter accounted for a third of Article 8 and posted EUR41bn outflows in 2023, as per Morningstar.

SFDR 1.5 – changes to technical standards but no significant impact

The key changes for most fund managers subject to SFDR include considering the extended PAIs as part of the Do No Significant Harm (DNSH) assessment, disclosing how DNSH is assessed in website disclosure and working on the updated templates.

- **Extension of social PAI indicators**: The draft regulatory technical standards (RTS) adds three new Social indicators: "exposure to companies involved in tobacco production", "employees earning below a fair wage" and "accumulated earnings in non-cooperative tax jurisdictions".
- **Modifications to existing PAI indicators** in line with the European Sustainability Reporting Standards (ESRS) and other regulations, for example, deforestation.
- **Amendments to the PAI framework,** eg, clarification on including value chains and estimations in calculations.
- **Article 9 funds with greenhouse gas emission (GHG) reduction targets as their investment objective:** This will involve setting out the financed GHG emissions for a baseline year with the percentage reduction by the final year, and for any intermediate targets.
- **Updates to the pre-contractual and periodic disclosure templates**, including a new "dashboard" highlighting whether a product has a sustainable investment objective or promotes environmental/social characteristics. Four essential elements: Sustainable investments, Taxonomy-aligned investments, Principal Adverse Impacts consideration, and GHG emission reduction targets.
- **Calculation of "sustainable investments":** It is possible to calculate this at the economic activity or investment level but the way in which it is calculated needs to be disclosed.
- **Do no Significant Harm (DNSH) principle:** Website disclosures will now need to include information on the thresholds or criteria used to determine that

a sustainable investment does not significantly harm any environmental or social objectives. The DNSH framework is subject to the wider EU Commission review on the SFDR, so there may yet be changes.

- **Timing:** The draft RTS will undergo a three-month assessment (Jan-Mar'24) by the Commission for potential endorsement before these changes are implemented. SFDR 2.0 will contain more substantive changes to the regime.

What is next? SFDR 2.0

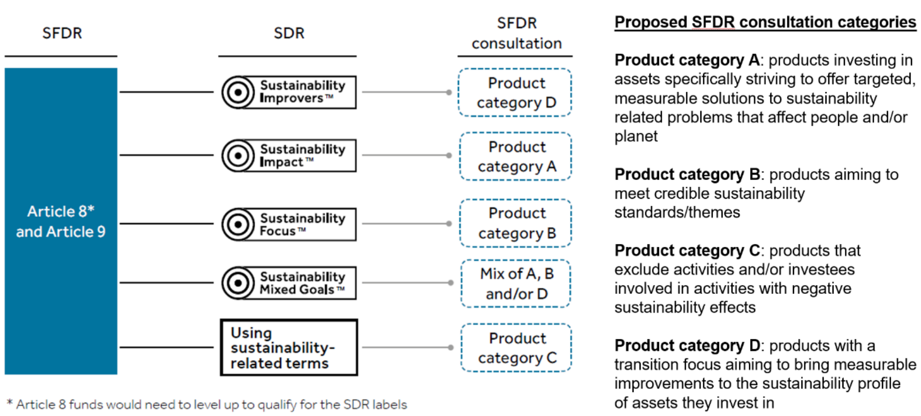
The European Commission consulted on the SFDR in 4Q23, seeking information on:

- issues with implementation of the SFDR,
- whether the SFDR is helping to mitigate greenwashing; and
- whether a new product categorisation system should be established.

The proposed product categories have considerable overlap with UK SDR – not a hierarchy, only for retail-focused funds (Exhibit 5). So, if the asset manager primarily markets in the UK and EU, they might be able to use something which is as close as possible to being interoperable between the UK and the EU.

Timeline: The SFDR review will be published by the upcoming commission and assuming it is published in June 2024 (straight after the elections), it will likely be applicable by 2026-27.

Exhibit 5: Comparison of Current EU SFDR, UK SDR, and Proposed (Future) EU SFDR
UK's regime is retail only and the EU regime is primarily institutional professional



Source: Financial Conduct Authority Policy Statement PS23/16, Sustainability Disclosure Requirements (SDR) and investment labels

BofA GLOBAL RESEARCH

UK SDR – not a hierarchy, only for retail-focused funds

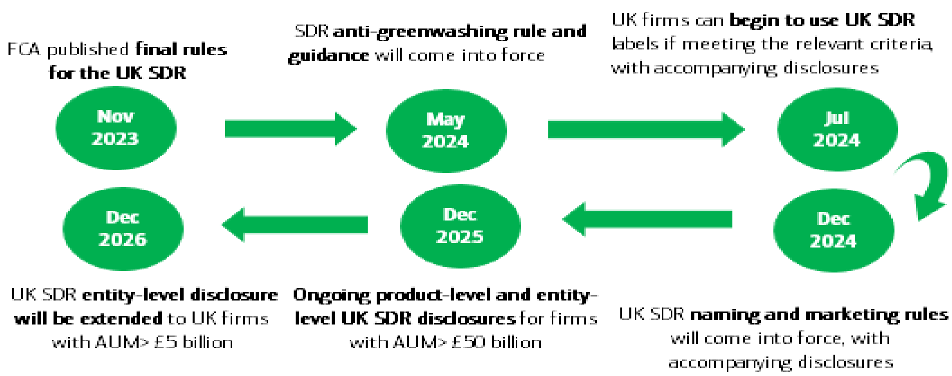
The FCA estimates at least 630 UK-based funds would be affected by the labelling and naming and marketing rules

In November 2023, the FCA published a policy statement with its final rules on UK Sustainability Disclosure Requirements (SDR) and investment labels, including the following elements:

- names of the labels (Exhibit 5),
- the 70% minimum threshold to all labels,
- guidance consultation on the anti-greenwashing rule (applies to all FCA-authorised firms),
- the naming and marketing rules for funds not using labels.

Scope: The UK rules only apply to UK funds. Portfolio management products and services are not included in the scope of the SDR (for now) nor are the non-UK alternative investment funds (AIFs).

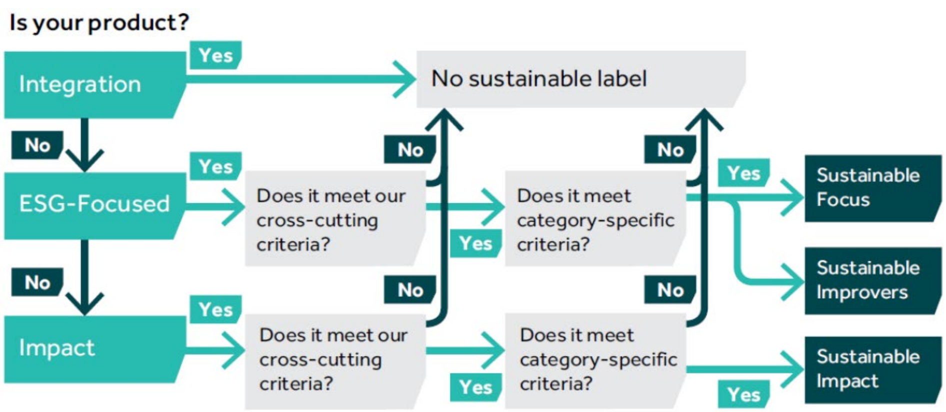
Exhibit 6: Timeline: UK Sustainability Disclosure Requirements (SDR) and investment labels
Summary of implementation timeline



Source: BofA Global Research, FCA Policy Statement

BofA GLOBAL RESEARCH

Exhibit 7: Comparison of UK SDR* and Proposed US SEC Adviser ESG Rules
Mapping to SDR requirements and SEC proposal



Source: Financial Conduct Authority CP22/20. *Note: From FCA Consultation CP22/20 (October 2022), contemplating only three labels. Final rules have four labels as in Exhibit 5

BofA GLOBAL RESEARCH

SEC's proposed fund disclosures on ESG investment practices

As ESG regulations tighten in the EU and UK, the US faces a growing divide with states heading in different directions. We believe ESG could become a political battleground at the federal level, creating a challenging scenario for companies and investment managers as they navigate business and politics, aiming to safeguard their interests. In the US, much of the ESG activity relies on private initiatives, with companies responding to investor and stakeholder demands rather than strict regulatory mandates. However, a slew of new or revised ESG regulations have been tabled over the past 18 months, see ESG Matters - Global: Deciphering the US ESG regulatory climate 27 November 2023. These state and federal regulations carry significant implications, both for corporates and investors.

The SEC has proposed amendments to fund disclosures of ESG funds. The proposal requires funds to disclose more specific information regarding their ESG strategies, with requirements tailored to the type of ESG fund (Exhibit 8). Although the final version of this rule was expected in October 2023 (as per the SEC's 2023 Regulatory Agenda), it has not yet been finalized.

Exhibit 8: More specific ESG disclosures would be required by funds with certain types of ESG strategies
ESG disclosures that would be required under the SEC's proposed fund disclosure rule

Type of disclosure	Type of fund	Information the fund would need to disclose
ESG Strategy Disclosure	Integration funds (funds that integrate ESG factors alongside non-ESG factors in investment decisions)	Describe how ESG factors are incorporated into their investment process
	ESG-focused funds (funds for which ESG factors are a significant or main consideration)	How the fund considers ESG factors in a standardized ESG strategy overview table
	Impact funds (funds claiming to achieve a specific ESG impact)	Description of the specific impact(s) they seek to achieve and summary of their progress on achieving those impacts in both qualitative and quantitative terms
GHG Emissions Reporting	Funds that consider environmental factors in their investment strategies	Greenhouse gas emissions associated with their portfolio investments
	Integration funds that consider GHG emissions	How the fund considers GHG emissions, including the methodology and data sources the fund may use as part of its consideration of GHG emissions
Additional Disclosure Regarding Proxy Voting or Engagements	Funds that use proxy voting or other engagement with issuers as a significant means of implementing their ESG strategy	Information regarding their ESG engagement meetings and their voting of proxies

Source: US Securities and Exchange Commission (SEC), BofA Global Research

BofA GLOBAL RESEARCH

US Department of Labor Ruling on ESG Investment Factors

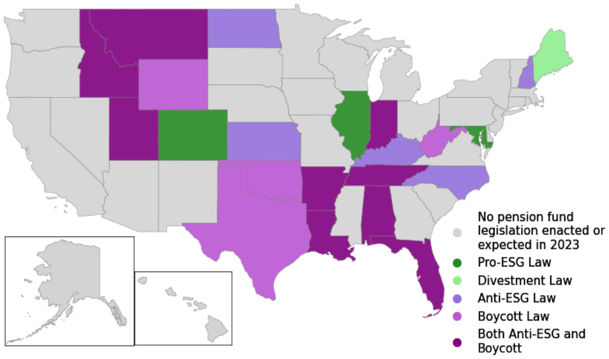
On March 20, 2023, President Joe Biden vetoed a congressional resolution aimed at overturning the Department of Labor's rule on incorporating ESG factors in US corporate retirement plans/401(k)s. This rule, known as the ESG Rule, outlines guidelines for fiduciaries regarding the consideration of ESG factors when investing and exercising shareholder rights in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). The ESG Rule provides greater flexibility for fiduciaries, explicitly allowing consideration of relevant ESG factors in investment risk-return analysis. It clarifies that fiduciaries may consider factors like climate change and choose investments based on economic or social benefits when serving the financial interests of the plan over time. Regardless of differing interpretations across administrations, all have emphasized that fiduciaries must adhere to the ERISA's duties of loyalty and prudence when making investment decisions.

It is important to note that "anti-ESG" laws adopted by states do not ban the use of ESG factors in making investments but rather impose conditions or limitations on how these factors may be considered. For example, some state pension funds may choose divestment as a strategy, opting to withdraw funds from companies that fail ESG criteria, such as those associated with fossil fuels. Alternatively, boycotting rules may demand assurances from financial service providers that they refrain from negative screening in industries like fossil fuels, firearms, tobacco or mining. In other cases, prudent investor standards often guide investments, with some legislation explicitly excluding non-pecuniary factors, such as ESG considerations, from the decision-making process.

Many state governments are now starting to articulate their own standards, particularly with respect to the consideration of ESG factors. As of 2023, 22 states had laws related to the use of ESG factors in public pension funds, while elected officials in 49 of the 50 US states have engaged in multi-state coalitions to demonstrate their support for or against the use of ESG factors in public pension funds (Exhibit 9, source: Ropes & Gray). For example, certain states have restricted ESG considerations – such as addressing climate change – in a range of state and corporate actions, while others require additional disclosures on climate-related investment risks and other ESG factors.

The momentum behind ESG-focused laws and regulations is likely to persist, especially as the upcoming US presidential election calendar fuels a growing divide among representatives, organizations and the public on this subject.

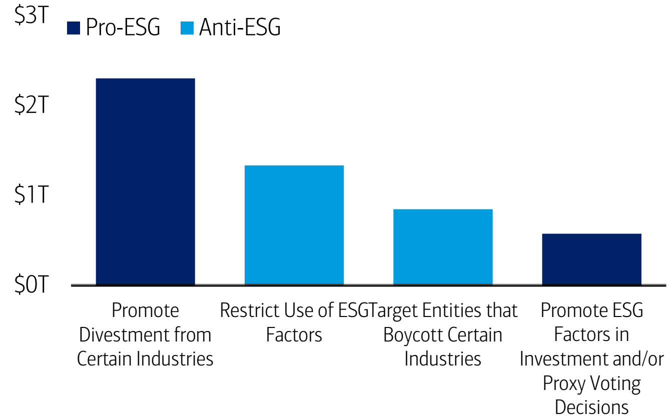
Exhibit 9: 22 states have enacted laws related to the use of ESG factors in pension funds
US states that have laws in effect or expected to take effect



Source: Ropes & Gray "ESG and Public Pension Investing in 2023: A Year-to-Date Recap and Analysis". Pro-ESG Law refers to a law that promotes ESG factors in investment and/or proxy voting decisions. Divestment Law refers to a law that promotes divestment from certain industries. Anti-ESG Law refers to a law that restricts the use of ESG factors (promotes a focus on pecuniary characteristics). Boycott Law refers to a law that targets entities that boycott certain industries.

BofA GLOBAL RESEARCH

Exhibit 10: Divestment strategies have the most state pension assets ($2.3tn)
Total state pension assets (in tn USD) by overall posture* on ESG and public pension investment debate



Source: BofA Global Research, Ropes & Gray, National Association of State Retirement Administrators (as of FY 2022). *State's overall posture as per Ropes & Gray's classifications, which are based on enacted/pending legislation, enforcement activities, statements/initiatives by elected officials, and multi-state coalition activity.

BofA GLOBAL RESEARCH

Fund names: different thresholds across regions

Europe: 80% min threshold, fossil-fuel exclusions for some

17% of European ESG portfolios that hold Energy may be impacted
The final fund-naming rule, once adopted, will force funds with "Environment-related" or "Sustainable" in their name to exclude certain exposure to fossil-fuel activities. Our analysis of 1,600+ European ESG funds we track indicates c.17% of portfolios that hold Energy may be impacted. And the revised French ISR label may force c.45% ISR-labeled funds to divest from companies with new oil, gas or coal projects (Morningstar)

In December 2023, the European Securities and Markets Authority (ESMA) published its revised draft guidelines on ESG and sustainability-related terms in fund names.

A quantitative threshold (80%) for the use of ESG-related words in fund names, and

- **"environmental"** terms in the name – also apply the Paris-aligned Benchmark (PAB) exclusions
- **"sustainability"-related terms** in the name – also apply the PAB exclusions; and invest meaningfully in "sustainable investments" (as defined in SFDR).
- "**transition"-**related terms – apply Climate Transition Benchmark (CTB) exclusions.
- **Combination of "environmental" with "transition"** terms in the name of a fund, the CTB exclusions should apply.
- **Encourage separation of "E" from "S" and "G" terms**: The CTB exclusions should apply to funds with social or governance terms in their names promoting social characteristics or objectives (or focusing on governance).

➢ **Impact and transition terms:** Funds should also ensure that investments under the minimum proportion of investments are made with the intention to generate a positive, measurable social or environmental impact alongside a financial return or are on a clear and measurable path to social or environmental transition.

Timeline: The guidelines are expected to be approved and published in Q2 2024, subject to the publication of the AIFMD and UCITS Directive revised texts. For new funds, the guidelines would apply three months after the date of their publication while for existing funds, six months from the application date.

UK: 70% for products with labels

For products that use a label: a 70% minimum threshold applies

For products that do not use a label:

- the terms “sustainable”, “sustainability” and “impact” (or variations) cannot be used in the fund name;
- a product’s name must accurately reflect its sustainability characteristics; and
- there should be master-feeder fund naming consistency.

US: 80% minimum threshold for registered funds

Interestingly, over 60% of the US ESG funds we track have names that include broad ESG-related terms[1] like “ESG” and “sustainable”.

The SEC has also focused on ESG fund names to reduce greenwashing. On September 20, 2023, the SEC amended the “Names Rule” to expand the types of names that could be considered materially deceptive or misleading if a fund does not adopt a policy to invest, under normal circumstances, at least 80% of the value of its assets in the investment focus that the name suggests.

The amendments to the 2001 rule broaden its scope to names suggesting specific characteristics, like sustainability or growth. The challenge lies in the requirement that these definitions must align with the "plain English meaning or established industry use" of such terms. Determining what constitutes the plain English meaning or established industry use of terms like "sustainable," "green," "socially responsible," "growth," and "value" could become a subject of debate. This uncertainty poses risks for fund advisors and boards, increasing the potential for legal disputes and enforcement actions by the SEC.

[1] Terms we checked for: ESG, SRI, sustainable, sustainability, responsible, responsibility, impact, green

Anti-greenwashing: fair, clear and not misleading

What is greenwashing?

UK FCA anti-greenwashing rule: "… requires that a firm must ensure that any reference to the sustainability characteristics of a product or service is consistent with the sustainability characteristics of the product or service, and fair, clear and not misleading." (November 2023)

European Supervisory Authorities (ESA) common understanding of greenwashing: a practice where sustainability-related statements, declarations, actions, or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product, or financial services. This practice may be misleading to consumers, investors, or other market participants." (June 2023)

Tightening ESG regulations mean all financial products that make ESG claims need to be alert to the risk of breaches or accusations of greenwashing. Asset managers are regulated in their home jurisdictions but given the number of products being pushed in the ESG arena, the regulators felt the need to provide some guidance and a framework. Moreover, net zero policies and the use of carbon offsets present challenges, as there is a lack of transparency and integrity of the benefits claimed.

The ESMA's latest report highlighted an increase in the number of greenwashing controversies involving large European firms between 2020 and 2021 with over half concentrated in three sectors – oil and gas, financials and food and beverage.

The increasing allegations of greenwashing for following reasons:

- Increased public scrutiny
- Increased number of public statements
- Inconsistent definitions
- Unavailability of ESG expertise
- Increased routes for regulatory action and litigation
- ESG data not available, reliable, or comparable

The best defence lies in the existing principles of good practice in corporate governance, disclosure, and due diligence, as well as a thorough understanding of the sustainability profile of a product, service or activity.

The fund naming and marketing framework accompanies the anti-greenwashing, and they work hand in hand. Historically, investors have tended not to sue unless something was a very egregious misrepresentation but now the real risk from an operational perspective is not just from investors but also from government or NGOs. The NGOs that defend the earth have been bringing actions against corporates. And the legal expert Leonard Ng from Sidley believes if some of these bodies are investors then they have a direct contractual claim with asset managers. So, it's mostly a litigation and reputational risk, less so regulatory, unless the breach is egregious.

European Supervisory Authorities are expected to publish final greenwashing reports and recommendations in **May 2024.**

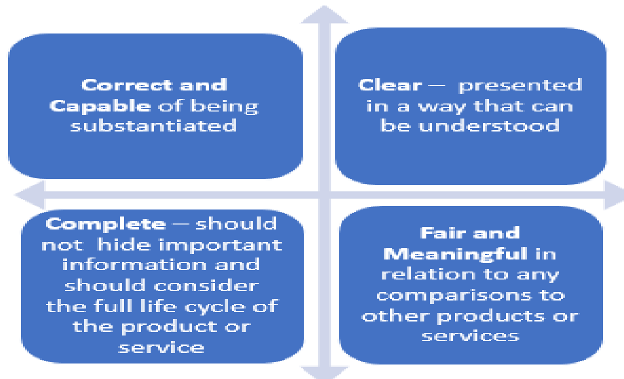
In addition, EU commission is set to adopt this year "Green Claims Directive" - new rules for companies to comply with EU ban on greenwashing of products,

- ➢ Companies to submit environmental marketing claims for verification before using them
- ➢ Simpler and common types of claims to benefit from easier or faster verification
- ➢ Penalties include exclusion from procurements, confiscation of revenues and a fine of 4% of the annual turnover

In the UK, FCA's anti-greenwashing guidance is expected to come into force on **31 May 2024**. The guidance will be of interest to the whole financial services sector and other interested stakeholders, including industry groups and trade bodies, consumer groups and consumers, policymakers and other regulatory bodies, industry experts and commentators, academics and think-tanks and stakeholder advocacy groups.

According to the legal expert Leonard Ng from Sidley, the guidance won't contain anything particularly new or alarming but will be very practical with fair, clear, not misleading being the test. Mangers should not expect any practical enforcement action from the FCA or new regulator at this point (unless the breach is egregious) because it's a constantly changing environment.

Exhibit 11: Firms should ensure their sustainability-related claims pass the four tests
FCA guidance consultation on the Anti-Greenwashing rule



Source: https://www.fca.org.uk/publication/guidance-consultation/gc23-3.pdf
BofA GLOBAL RESEARCH

Supervisory Action on MiFID II Sustainability Requirements in 2024

The ESMA's guidelines on suitability and product governance entered into application in October 2023. The ESMA also announced it will launch a Common Supervisory Action on MiFID II Sustainability Requirements in 2024, covering:

- ✓ How firms collect information on their clients' sustainability preferences
- ✓ Arrangements to understand and correctly categorise investment products with sustainability factors for the purpose of the suitability assessment
- ✓ How firms ensure the suitability of an investment with respect to sustainability
- ✓ How firms specify that any sustainability-related objective of a product is compatible with the target market assessment.

Exhibit 12: ESG Requirements for MiFID II, AIFMD and the UCITS Directive
Effective since Aug/Nov 2022

Requirement	AIFMs/UCITS	MiFID Firms
ESG due diligence – take into account sustainability risks, principal adverse impacts of investment decisions on sustainability factors	**Yes**	**Yes** (*understand nature of investments)
Suitability – obtain information about client's sustainability preferences	No	**Yes**
Product governance – include sustainability preferences and sustainability factors into target market analysis	No	**Yes**
Resources – retain the necessary resources and expertise for the effective integration of sustainability risks	**Yes**	No
Conflicts – conflicts that may arise as a result of the integration of sustainability risks in processes, systems and internal controls / conflicts that may arise from client's sustainability preferences	**Yes** (integration of sustainability risks)	**Yes** (sustainability preferences)
Risk management – assess and manage the exposure of funds to sustainability risks	**Yes**	**Yes**
Organisational systems and controls – must take into account sustainability risks	**Yes**	**Yes**
Senior management responsibilities – senior management responsible for the integration of sustainability risks	**Yes**	No

Source: Sidley Austin

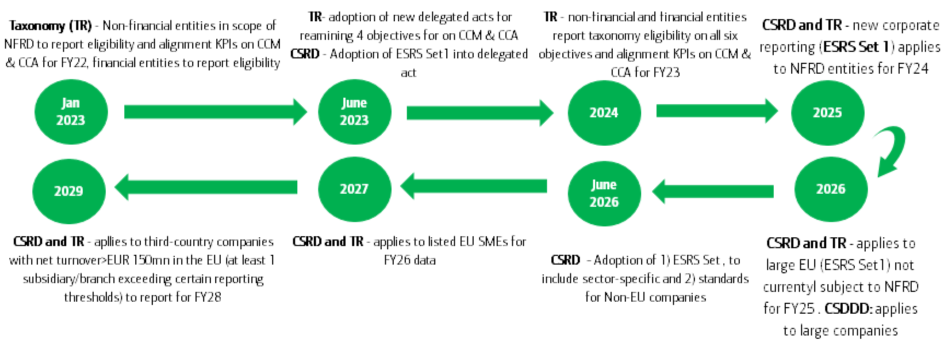
BofA GLOBAL RESEARCH

What to expect from corporates – 2024 onwards

Europe: Taxonomy, CSRD and CSDDD

On 1 January 2024, the first set of ESRS came into force. The ESRS are a set of mandatory concepts, requirements, and principles for companies in scope of the EU Corporate Sustainability Reporting Directive (CSRD) to follow for non-financial reporting. We see an influx of taxonomy data in 2024 as more sectors become taxonomy-eligible with the final four objectives (circular economy, biodiversity, water use, pollution control) – and will start initial reporting on it (so far, 60% Stoxx 600 companies have reported on the two climate objectives).

Exhibit 13: Implementation timeline for corporate reporting
Phased implementation of Taxonomy, CSRD and CSDDD



Source: BofA Global Research. Note: Timeline is indicative and may be subject to change

BofA GLOBAL RESEARCH

UK: IFRS S1 and IFRS S2 for listed companies in 2026

The FCA expects to consult in the first half of 2024 on proposals to implement disclosure rules referencing UK-endorsed IFRS S1 and IFRS S2 for listed companies and aims to finalise its policy position by the end of 2024, with new requirements into force for FY 2025 to be reported in 2026.

US: newly instated & proposed rules

1. Climate change disclosure (proposed in March 2022, compliance timeframe TBD)

2. California climate disclosure laws (effective 2026 onwards)

3. Federal Supplier Climate Risk & Reliance Rule (proposed 11/2022, compliance timeframe TBD)

4. Cyber security risk governance (effective 09/2023)

5. Human capital management disclosure rules (proposed 09/2023, compliance timeframe TBD)

6. Corporate Board Diversity (proposed 09/2023, compliance timeframe TBD)

Takeaways from our call with legal expert from Sidley

We recently hosted Leonard Ng, Partner at Sidley Austin, to discuss the latest updates and what is next for ESG regulations in Europe and the UK. Ng heads the UK/EU Financial Services Regulatory group and advises global financial institutions on complex regulatory issues, including sustainable finance and ESG regulations. Here we summarize the key takeaways from that call. It should be noted that the views expressed herein attributed to any third-party speaker are not and should not be construed to be indicative of the views of the Bank of America or the BofA Global Research Department

Labels will become the gold standard for financial products

Since the UK SDR is a retail-focused regime, it'll be very tempting for it to become a gold standard on the retail side because consumers like labels. In fact, a consumer might get confused with funds that have disclosures but no label versus those that have both. It'll be easier to identify funds and what they are investing in, by labels. Separately, some of the rules that are purely for retail might end up being adopted on the institutional asset class as demand for consistent labels across products might attract more AUMs. In the same way that on the EU side a lot of investors have decided to allocate more to the Article 8 and 9 frameworks than the Article 6.

Immediate focus should be on getting the disclosures right

The EU SFDR consultation is closed, while we wait for the commission to publish the review and any changes, Ng recommends investors focus on getting their SFDR disclosures consistent. And on the UK side, to focus on the greenwashing standards because they apply to funds and every regulated firm, including banks, insurance companies, asset managers, MiFID II firms, even for those that don’t plan to use ESG labels.

FAQs from investors

Would you say that the UK is making it easier to differentiate between green credentials than the EU?

For now, yes, because Article 8 is such a broad church where firms that do a lot of ‘Article 8+’ i.e., heavily in sustainable investments but not a 100% like Article 9. And then there are those firms who barely sneak in, for example, where 10% of assets are in green assets and then 90% are in oil and gas. It becomes very confusing, particularly for retail-focused investors. And even from a legal perspective, it’s not incorrect as SFDR does not, in fact, apply a threshold for Article 8. It is just about disclosure.

Is it fair to say that the market is more moving towards Article 8+ category which is also not an official category versus Article 8?

Yes, because there's a general fear after last year when the commission asked Article 9 products to be 100% sustainable investments. The concern for Article 8 product is, if the commission will put a minimum sustainability criterion that that has been discussed for 18 months. This is followed with reclassifications again and by investor complaints, misrepresentation, and potential regulatory action, which, of course, is in no one's interest.

The UK's original transition finance label had strong engagement and stewardship. This seems to not be the case anymore. Why?

To demonstrate a link between stewardship and improvements is challenging. Stewardship can take different forms and many stewardship strategies are developed at the firm level rather than the product level. So, trying to simply create a framework that recognizes stewardship was going to be challenging.

Therefore, FCA rules are now no longer prescriptive of stewardship form at a firm or product level. The firms are not required to demonstrate a causal link between stewardship and asset improvements. The FCA is going to be consulting quite significantly on the **stewardship code** this year, a separate body of law. The approach under the stewardship code could take care of some of the issues in the labels instead of trying to mix the two up.

Can UK 'Sustainability Mixed Goals' products invest in non-FCA labeled funds? Or must they invest in improvers focus or impact only?

The products across all the investment labels may invest in other assets for liquidity and risk management purposes so long as 70% of the gross value of the product's assets is invested in line with the sustainability objective. And the 70% needs to be invested mainly in a mix of assets that focuses on the three or any combination of that mix. Bur the remaining 30% has some flexibility to go beyond that, in his view.

Policy Statement states firms using sustainability-related terms in product names and marketing for products without a label must produce the same types of disclosures as for labeled products. Is your interpretation that product names and marketing is 'and' rather than 'or' statement?

Firms will be able to continue to use sustainability-related terms in product names and marketing for products that either (i) use a label or (ii) do not use a label but comply with certain product name and marketing conditions. The product name and marketing conditions include that the product has sustainability characteristics that are accurately reflected in the name, the specific terms "sustainable," "sustainability," "impact," and any variation of those terms are not used, and that a prominent statement is published in the product-level disclosures to clarify that it does not have a label and the reasons why.

Disclosures

Important Disclosures

Due to the nature of strategic analysis, the issuers or securities recommended or discussed in this report are not continuously followed. Accordingly, investors must regard this report as providing stand-alone analysis and should not expect continuing analysis or additional reports relating to such issuers and/or securities.
BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.
Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.
The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities or other financial instruments that may not be offered or sold in one or more states or jurisdictions, or to certain categories of investors, including retail investors. Readers of this report are advised that any discussion, recommendation or other mention of such instruments is not a solicitation or offer to transact in such instruments. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor for information relating to such instruments.
Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.
Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.
Refer to BofA Global Research policies relating to conflicts of interest.
"BofA Securities" includes BofA Securities, Inc. ("BofAS") and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BofA Securities" is a global brand for BofA Global Research.
Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:
BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofaml.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSFC); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.
This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSFC; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the Electronic Communications Disclaimers for further information.
This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.