SERVICE 08

ESG Regulatory Compliance Advisory

■ Illustrative Scenario

CLIENT PROFILE

Client Type	Multi-Strategy Hedge Fund — Dubai-domiciled with U.S. and European institutional LP base
AUM	$1.4 billion
Location	Dubai, UAE
Situation	European LPs requiring SFDR compliance documentation; SEC climate disclosure rules imminent; fund had no ESG reporting infrastructure
Urgency	LP agreements required SFDR-compliant reporting within 90 days
Engagement	ESG Regulatory Compliance Advisory | $55,000 project + $8,000/month monitoring

THE CHALLENGE

A $1.4 billion Dubai-domiciled multi-strategy hedge fund faced an urgent compliance challenge: three European institutional LPs — representing approximately $340 million of the fund's capital — had updated their LP agreement requirements to mandate SFDR (Sustainable Finance Disclosure Regulation) Article 8 compliance reporting within 90 days. Simultaneously, the SEC's climate disclosure rules were creating new reporting obligations for the fund's domestic operations.

The fund had no ESG reporting infrastructure, no established data collection process across its manager universe, and no internal expertise in European ESG regulation. The risk of LP redemptions from the European investors — combined with potential SEC enforcement risk — required immediate, professional action.

VERDE ADVISORS APPROACH

Verde Advisors conducted a rapid-response ESG regulatory compliance engagement, beginning with a gap analysis that mapped the fund's current state against SFDR Article 8 requirements and the SEC's proposed climate disclosure rules simultaneously.

For the SFDR compliance workstream, Verde designed a data collection framework aligned to the principal adverse impact (PAI) indicators required under Article 8, coordinated data requests across the fund's 15 underlying strategy managers, and developed the disclosure documentation required for each European LP — including a Principal Adverse Impact Statement, an ESG integration policy, and periodic sustainability reporting templates.

For the SEC climate disclosure workstream, Verde developed a Scope 1, 2, and 3 emissions inventory methodology appropriate for the fund's asset types, designed the governance and oversight framework required under proposed rules, and built a monitoring system to track material climate-related risks across the portfolio on an ongoing basis.

KEY DELIVERABLES

- Regulatory gap analysis — SFDR Article 8 and SEC climate disclosure requirements vs. current state
- SFDR Principal Adverse Impact Statement — LP-ready disclosure documentation
- ESG data collection framework — PAI indicators across all 15 strategy managers
- Periodic ESG reporting templates for European LP reporting requirements

- Scope 1, 2, and 3 emissions inventory methodology and baseline calculation
- Climate risk governance framework aligned to SEC proposed disclosure rules
- Ongoing quarterly regulatory monitoring — tracking SFDR, ISSB, and SEC developments

OUTCOMES & RESULTS

90-Day	$340M	15
Compliance Timeline Met	LP Capital Retained	Managers Data-Integrated

This is an illustrative scenario based on the types of engagements Verde Advisors is equipped to deliver. Client details are hypothetical. Regulatory requirements vary by jurisdiction and are subject to change.