



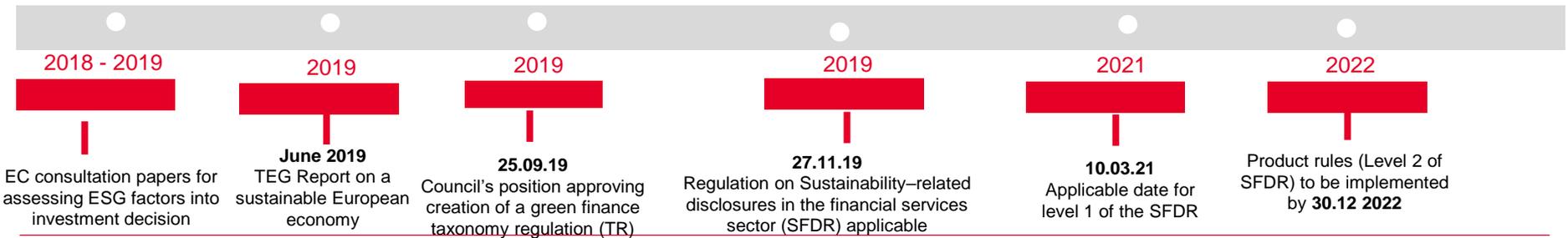
SFDR :

Sustainable Finance Disclosures Regulation

Version 2 – Updated in May 2022

BUILDING TEAM SPIRIT TOGETHER

REGULATORY INITIATIVE	FOCAL POINTS
<p>End of 2018 / beginning of 2019, the EC launched several consultations to assess how asset managers could include ESG factors in their investment strategies in connection with MiFID II, UCITS and AIFMD looking for a technical advice. One of the 3 consultations aims at guidelines to be followed by rating agencies. EU Regulation 2019/2088 as of 27 Nov. 2019 refers to sustainability-related disclosures in the financial services sector (SFDR). Sustainable investment in short: An investment approach by considering and incorporating ESG factors into investment decision with the following criteria examples:</p> <ul style="list-style-type: none"> ✓ <u>specific environmental</u> : green cars and finance ✓ <u>general social</u> : health and safety, working conditions and non-discriminations, local communities and human rights. ✓ <u>specific social</u> : access to medicines, product safety and responsible marketing (pharmacy, chemistry, banking and financial services) 	<p>Sustainable investment is an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions, to better manage risk and generate sustainable, long-term returns.</p> <p>SFDR needs to be read with the six objectives of the taxonomy or framework regulation (EU) 2020/852 as of 18 June 2020 :</p> <ol style="list-style-type: none"> 1. climate change mitigation 2. climate change adaptation 3. sustainable use and protection of water and marine resources 4. transition to a circular economy, including waste prevention and recycling 5. pollution prevention and control 6. and prevention and restoration of biodiversity and ecosystems <p>It is important to note that ESG and SRI (Socially Responsible Investment) are the two faces of the same coin, but the two should not be confused. ESG consists in bringing investment policies and products in compliance. SRI consists in bringing companies in compliance with SRI criteria.</p>
<p><u>SFDR applies directly to financial market participants and financial advisers!!!</u></p> <p>Delegated acts have been included with RTS of the taxonomy regulation. Final version of SFDR RTS published on 22nd October 2021.</p>	<p><u>Current issue:</u></p> <ul style="list-style-type: none"> ✓ ESG definition is wide and complex. ✓ Once agreed on a clear and precise definition with methodologies, the biggest challenge is to find appropriate data/information and particularly in emerging countries where sustainability valuable index remains critical. ✓ Sometimes E and S are not compatible.



Updated on 11 May 2022

STATEMENT

- ❑ Publication of SFDR in the Official Journal of the EU on 9.12.19 in order to apply on **10 March 2021**
- ❑ 7 Feb. 2020, EU Council published a legislative proposal on the establishment of a framework to facilitate sustainable investment ('Taxonomy or Framework Regulation'). 22 June 2020 - Publication of [Regulation \(EU\) 2020/852](#) (the taxonomy) in the OJ of the EU. It enters into force on 12 July 2020.
- ❑ 20 October 2020 - EC confirmed to ESA that **SFDR level 1** applies even though level 2 (RTS measures) will be communicated at a later stage. **Jan 2022** ?
- ❑ 16 Dec 2020 - CSSF published a fast-track procedure to update funds prospectus before 28 Feb 2021 in order to comply with first measures of SFDR level 1. And 20 Jan 2021- AMF confirmed that AMF DOC-2020-03 remains applicable.
- ❑ 4 Feb 2021, ESAs published final draft of RTS. But on 17 March 2021, ESAs launched a new CP on **SFDR RTS** – deadline to answer 15 May 2021.
- ❑ 21 April 2021, EC published delegated acts of MiFID, UCITS and AIFM in order to insert sustainability risk for financial products and funds.
- ❑ 2 August 2021, the EC published final level 2 measures regarding the integration of sustainability into AIFMD, UCITS and MiFID.
- ❑ On 22 Oct ESAs published new RTS to apply in ~~July 2022~~ **Jan 2023** instead of Jan 2022. First Reporting by June 2023.
- ❑ 6 April 2022, EC adopted SFDR RTS. RTS will now be submitted to the European Parliament and the Council. Once the final text is approved, the RTS will be published in the Official Journal of the European Union.

FOR YOUR
CONSIDERATION

- ❑ As of today, there is no common classification system in the EU in order to define precisely environmentally sustainable and/or green finance.
- ❑ Feb 2020, 2 interesting documents, one [published](#) by AFME “State of Play: Status of European Regulatory developments on Sustainable Finance”, summarizing developments in ESG and one [published](#) by EFRAG on “ How to improve climate-related reporting”.
- ❑ 9 March 2020, the Technical Expert Group (TEG) on financing a sustainable European economy published its final report.
- ❑ 13 March 2020, the AMF published a first policy on investor information.
- ❑ April 2020, EC published a CP on THE RENEWED SUSTAINABLE FINANCE STRATEGY. Replies were expected until 15 July 2020.
- ❑ **Financial market participants/advisers must use their best judgements when implementing various disclosure requirements contained in SFDR level 1.**

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Fiche ESG Climate action taxonomy -
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