



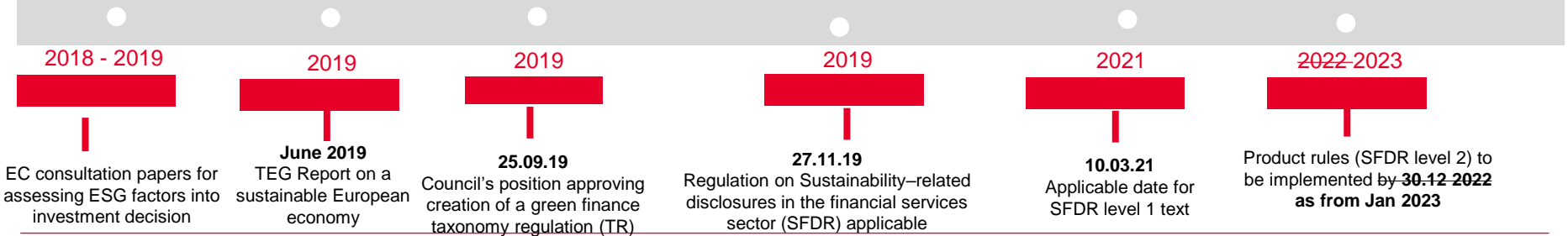
FOCUS

SFDR : Sustainable Finance Disclosures Regulation

Version 5 – Updated in December 2022

BUILDING TEAM SPIRIT TOGETHER

REGULATORY INITIATIVE	FOCAL POINTS
<p>Q4 2018 / Q1 2019, EC launched several consultations to assess how asset managers should include ESG factors in their investment strategies in connection with MiFID II, UCITS and AIFMD. One of the 3 consultations aimed 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 is 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>Under SFDR, financial products <u>must be classified</u> under art. 6, 8 and 9 meaning respectively not considering ESG criteria, considering ESG criteria or having a sustainable investment objective.</p> <p>SFDR needs to be read and aligned with the six objectives of the taxonomy or framework regulation (EU) 2020/852 as of 18 June 2020.</p> <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> . Delegated acts have been included with RTS of the taxonomy regulation. Final draft version of SFDR RTS published on 22nd October 2021.</p> <p>31 May 2022 - ESMA published a supervisory briefing on sustainability risks and disclosures in investment management area</p> <p>Publication of SFDR RTS in the Official Journal of the EU on 25 July 2022. RTS apply from 1 January 2023 with Periodic Reporting.</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. ✓ Alignment to the framework regulation for products art. 8 or 9. 0% accepted ?



Updated on 15 December 2022

STATEMENT

- ❑ Publication of SFDR in the Official Journal of the EU on 9.12.19 in order to apply on **10 March 2021**.
- ❑ 20 October 2020 - EC confirmed to ESAs 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 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.
- ❑ 22 October 2021 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 and submitted to the European Parliament and the Council. Final text was approved,.
- ❑ SFDR RTS final text was published in the Official Journal of the European Union on 25 July 2022.
- ❑ 30 Sept. 2022 - ESAs submitted to the EC a complementary Delegated Act amending SFDR RTS published in July 2022. Objective of this amendment is to align SFDR RTS with last Taxonomy developments on inclusion of gas and nuclear activities into the Taxonomy referential.
- ❑ **17 Nov 2022** – ESAs publish Q&As on SFDR Delegated Regulation (Current value of all investments in PAI and Taxonomy-aligned disclosures, PAI and financial product disclosures, multi-option products, Taxonomy-aligned investment disclosures and Financial advisers and execution-only FMPs).

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.
- ❑ 13 March 2020, AMF published a first policy on investor information.
- ❑ April 2020, EC published a CP on RENEWED SUSTAINABLE FINANCE STRATEGY. Replies were expected until 15 July 2020. **Financial market participants/advisers can now move forward when implementing various disclosure requirements under the RTS for 1st January 2023.**

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To know more please refer to:
Fiche ESG Climate action taxonomy -
To KnowMore

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