



# SFDR

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Updated in October 2023

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## REGULATORY EVOLUTION

In 2018 and 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 is the first green regulation. It 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:

- ✓ specific environmental: green cars and finance
- ✓ general social: health and safety, working conditions and non-discriminations, local communities and human rights.
- ✓ specific social: access to medicines, product safety and responsible marketing (pharmacy, chemistry, banking and financial services)

**SFDR applies directly to financial market participants and financial advisers!!!**

**31 May 2022 - ESMA published a supervisory briefing on sustainability risks and disclosures in investment management area.**

RTS (Regulatory Technical Standards) were amended/published several times to apply as from **1 January 2023** with Periodic Reporting. A new version was published in February 2023.

## FOCAL POINTS

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.

Under SFDR, financial products must be classified under art. **6, 8 and 9** meaning respectively not considering ESG criteria, considering ESG criteria or having a sustainable investment objective.

**SFDR needs to be read with six objectives** of the framework regulation (**EU**) **2020/852** as of 18 June 2020 (the Taxonomy).

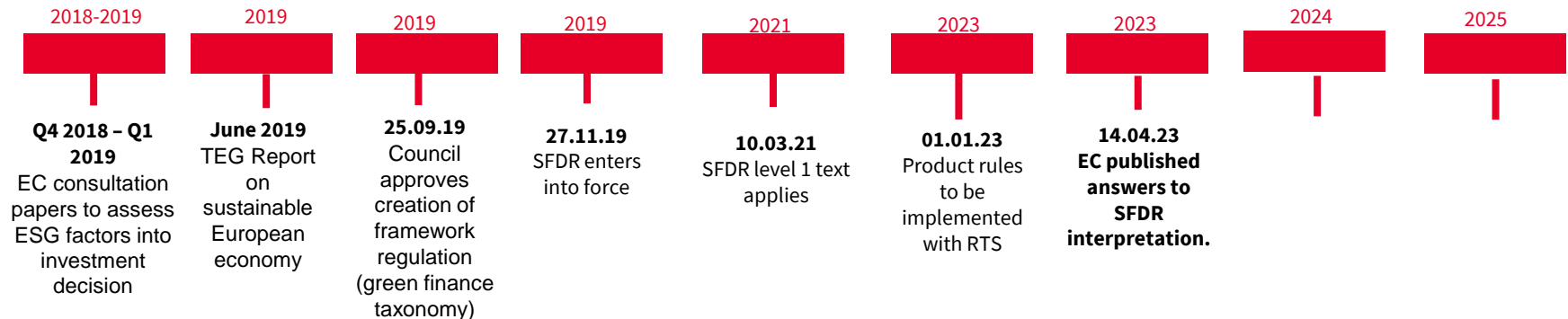
**ESG and SRI (Socially Responsible Investment) are two faces of the same coin.**

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**.

Since 2019 main issue concerns ESG definition both wide and complex.

Once agreed on a clear and precise definition or methodologies, challenge is to find appropriate data/information, particularly in emerging countries where sustainability valuable index remains critical. Sometimes E and S are not compatible. There is no sustainability definition. Is **0% alignment** to the framework regulation **accepted** for products **art. 8 or 9** ?

European Commission launched a consultation closing 15 December 2023 to review SFDR including potential establishment of a categorisation system to replace art. 8 and art. 9 classification and/or to reinforce reuse of labels.



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STATEMENT

- ❑ Publication of SFDR in the Official Journal of the EU on 9.12.19 in order to apply on **10 March 2021**.
- ❑ 20 Oct. 2020 - EC confirmed to ESAs that **SFDR** level 1 applies even if 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 EC published final level 2 measures regarding the integration of sustainability into AIFMD, UCITS and MiFID.
- ❑ 22 Oct. 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 ).
- ❑ Sept-Dec 2022 EC included nuclear and gas activities as new economic activities eligible to *green taxonomy*.
- ❑ Following on their publication in the OJEU on 17 Feb 2023, amended SFDR RTS have entered into force on **20 Feb 2023**.
- ❑ **12 April 2023** ESAs published a consultation paper on a proposed review of SFDR RTS regarding PAI and financial products disclosures. Comments until 4 July 2023.
- ❑ **14 April 2023** EC published answers to ESAs' questions related to interpretation of SFDR that were issued in September 2022.

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 1<sup>st</sup> January 2023.**
- ❑ There is no official definition of what sustainability is.

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 If you want to know more, refer to  
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