



The Disclosure Regulation

Investor Briefing & Product Roadmap

March 2021

1. SFDR Overview

The Sustainable Finance Disclosure Regulation

The Regulation:

- » Aims to limit the risk of greenwashing by imposing disclosure requirements on Financial Market Participants (FMPs) and Financial Market Advisors (FAs)
- » Includes disclosure elements related to the integration of **Sustainability Risks** in investments at entity level
- » And includes disclosure elements related to **Principle Adverse Impacts** (PAIs) at entity and product level
- » The different disclosure provisions of the regulation are staggered in their roll out and come into force progressively

2. Scope

Who and what products are in scope?

The regulation applies to:

- » Financial Market Participants (henceforth FMPs)
- » Financial Advisors (FAs)
- » These have been broadly defined by the regulation and include most types of asset manager and financial adviser

The regulation defines three categories of **product**:

- » **Article 9 Products:** that have sustainable investment as their objective
- » **Article 8 Products:** that promote an environmental or social characteristic
- » **Out of Scope Products:** (that do not fall into the article 8 and 9 categories above)
- » Article 8 and 9 Products have a higher burden of disclosure compared to those that are 'Out of Scope'

3. Entity Level Reporting Requirements

Two key disclosure elements to be aware of

Sustainability Risks Disclosures

- » FMPs and FAs should disclose how **sustainability risks** are integrated within investment decision/investment advice and remuneration policies

For FMPs of less than 500 employees, the approach is a '*comply or explain*' approach

For FMPs larger than 500 employees, they must comply from June 30th 2021

Principle Adverse Impact Disclosures

- » The regulations require asset managers to disclose their policies with regards to the consideration of the **Principle Adverse Impacts** of their investment decisions by making PAI Statements. These statements should describe due diligence policies and processes, provide summaries of engagement policies and explain how they execute their stewardship responsibilities.

4. Upcoming Entity Level Disclosure Requirements

Kicking in for large FMPs in 2021

10th of March 2021

- » Is the effective date of the SFDR Regulation
- » This is earliest date that firms can consider principle adverse impacts (PAIs)

30th June 2021

- » For large FMPs, this is the latest date for starting to consider PAIs at entity level
- » From this date, large FMPs must publish a statement describing the policies put in place and any actions taken to address PAIs

5. Overview of the Disclosures

Entity Level		Art 8 & 9 Product Level
Financial Market Participants (FMPs)	Financial Advisors (FAs)	Financial Market Participants (FMPs)
<ul style="list-style-type: none"> • Website Disclosures • Pre-Contractual Disclosures 	<ul style="list-style-type: none"> • Website Disclosures • Pre-Contractual Disclosures 	<ul style="list-style-type: none"> • Website Disclosures • Pre-Contractual Disclosures • Periodic Reports
<ul style="list-style-type: none"> • Integration of Sustainability Risks within investment decision-making processes and remuneration policies • Statement on Due-diligence policies when Principle Adverse Impacts are considered • Likely impact of sustainability risks on returns of financial products 	<ul style="list-style-type: none"> • Integration of Sustainability Risks within investment or insurance advisory services • Statement on Due-diligence policies when Principle Adverse Impacts are considered • Likely impact of sustainability risks on returns of financial products 	<ul style="list-style-type: none"> • Article 8 & 9 Products have a higher standard of disclosures required (see next slide)

6. Article 8 & 9 Product Level Reporting



Disclosures for products from articles 8 & 9

- » **Precontractual documentation:** description of investment strategies and processes in place to ensure that the characteristics (environmental or social) and sustainable objectives of these products are met ; asset allocation plan ; indicators that illustrates the characteristics / objectives chosen ; alignment to international standards (e.g. OECD, UN, IL) and Do no significant harm for article 9 products
- » **Periodic reports:** investments descriptions, to which extent environmental & social characteristics / sustainable objectives are met using indicators, asset allocation, top investments, alignment to international standards (e.g. OECD, UN, IL), historical comparisons, Do no significant harm for article 9 products
- » **Websites:** in addition to the above, disclosures related to monitoring, data sources, methodology in place and limits of the methodology, due diligences

7. PAI Indicator Disclosures

Mastering the granular disclosure provisions

- » A challenge for market participants will be disclosures on the Principle Adverse Impact Indicators (PAIs)
- » The final list of these were published in February 2021 by the European Supervisory Authorities
- » These indicators cover ESG issues
- » They include 18 mandatory indicators
- » There are 14 PAIs for corporates, 2 for sovereigns, 2 for real estate assets

8. Timelines for PAI Indicator disclosures

Disclosures on a multiyear time horizon

- » The disclosure provisions related to PAI indicators will apply from the 1st of January 2022
- » This means that for a market participant, PAI data would need to be first disclosed in 2023
- » The 2023 disclosure would cover the reference period of 2022 (*Jan 1st 2022 to December 31st 2022*)
- » The 2024 disclosure would cover the reference period of 2023 (*Jan 1st 2023 to December 31st 2023*)
- » The 2024 disclosure would also be the first time to disclose a historical comparison of PAI data (*year on year comparison*)

9. Our Solutions for PAI Indicator Reporting

How can we support you

Our teams are developing:

- » A dataset covering 10,000 entities
- » Covering the mandatory PAI indicators that were published in February 2021
- » And with tools to support reporting at portfolio or product level

Our Roadmap:

- » March 2021: a set of mandatory PAI indicators will be made available upon request
- » Q2 2021: a dataset covering 2000+ entities on a first set of mandatory indicators
- » Q4 2021: a final dataset covering 10,000+ entities on 18 mandatory indicators





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