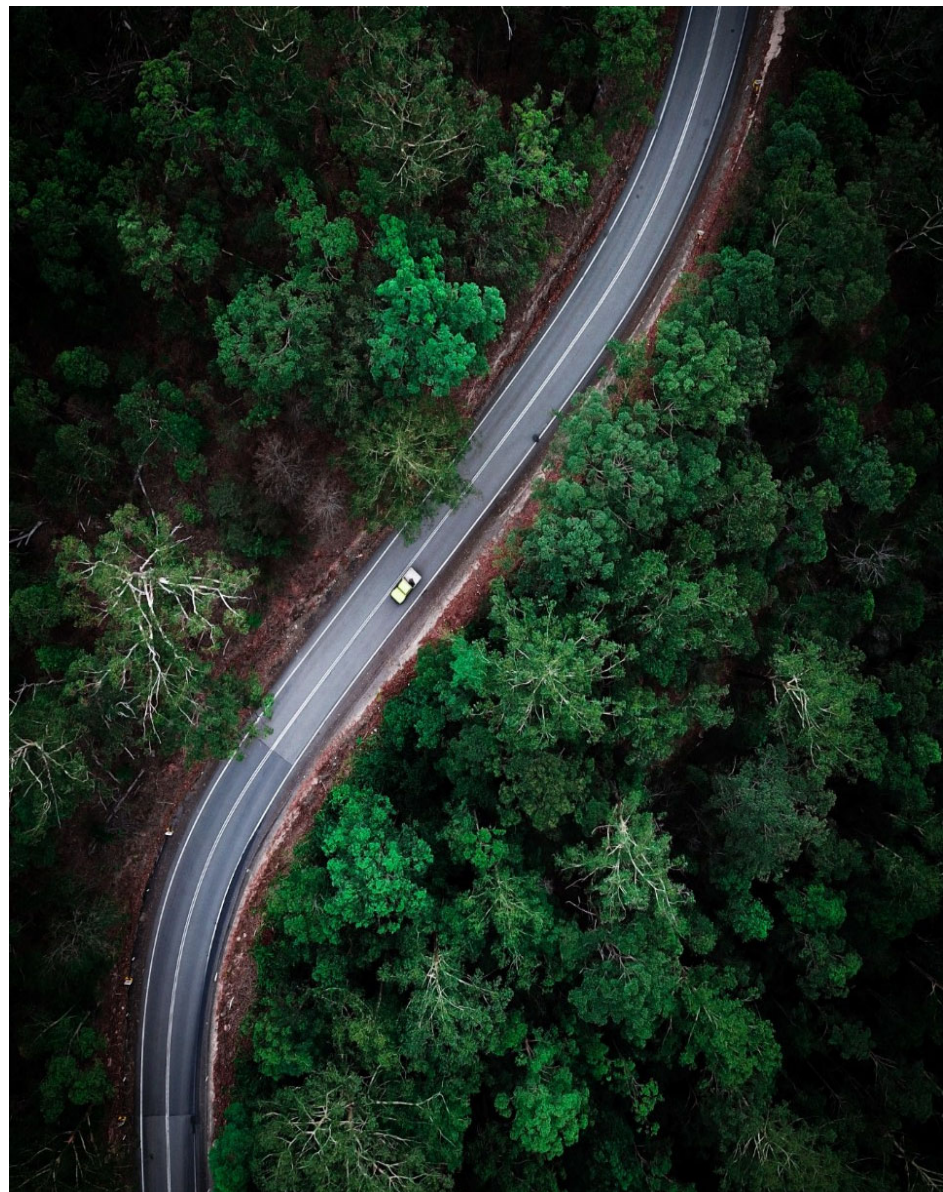
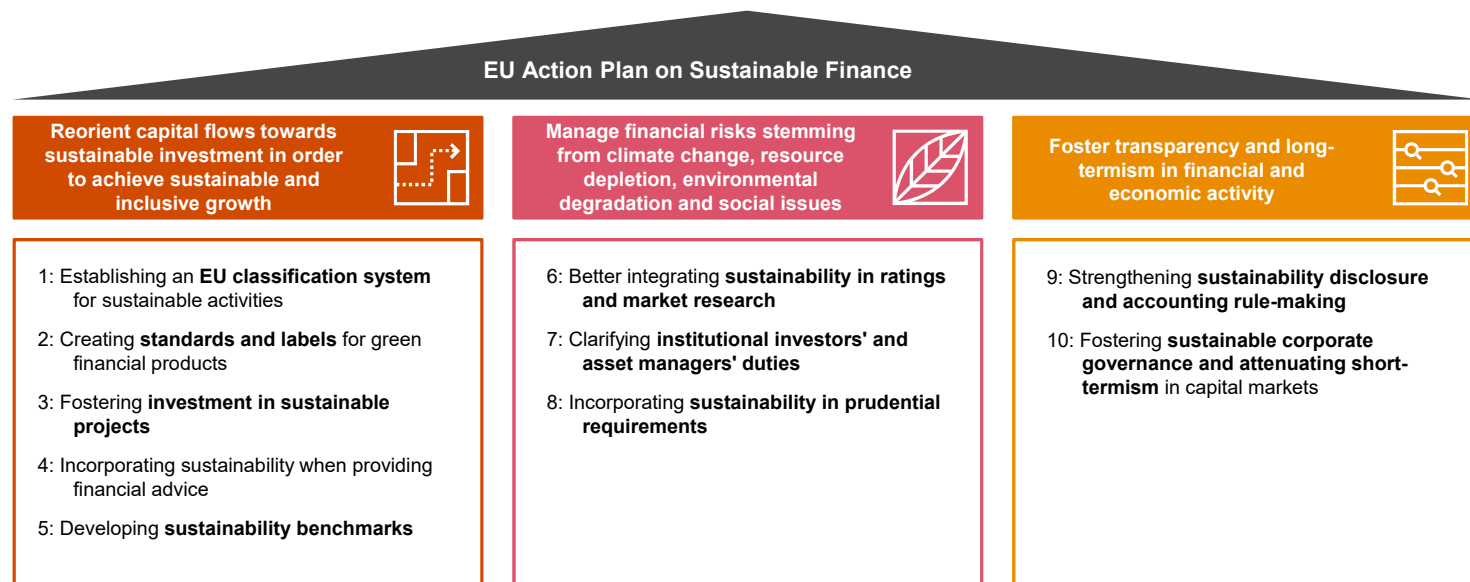


The SFAP and the SFDR's manager regulation

Nathalie Dogniez
June 2022



The ten actions of the EU initial Action Plan

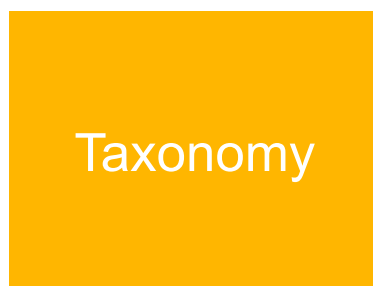


Source: EU Action Plan on Financing Sustainable Growth, 2018

Sustainable Finance, the four pillars ...



Disclosure - financial
products



Framework - define
environmentally
sustainable activities



Requirements -
distributors, managers



Disclosure - corporates

Key regulatory requirements

Disclosure “SFDR”

All financial products
Sustainability risks
Principal Adverse Impact
Products disclosure

10 March 2021
1 January 2023

Taxonomy

Environmental
products

Alignment disclosure

1 January 2022
1 January 2023

Changes to DA

MiFID, UCITS manco,
AIFM

Sustainability preferences
Sustainability risks
Principal adverse impact
2 August 2022

Moving forward ...



Ask investors
sustainability
preferences



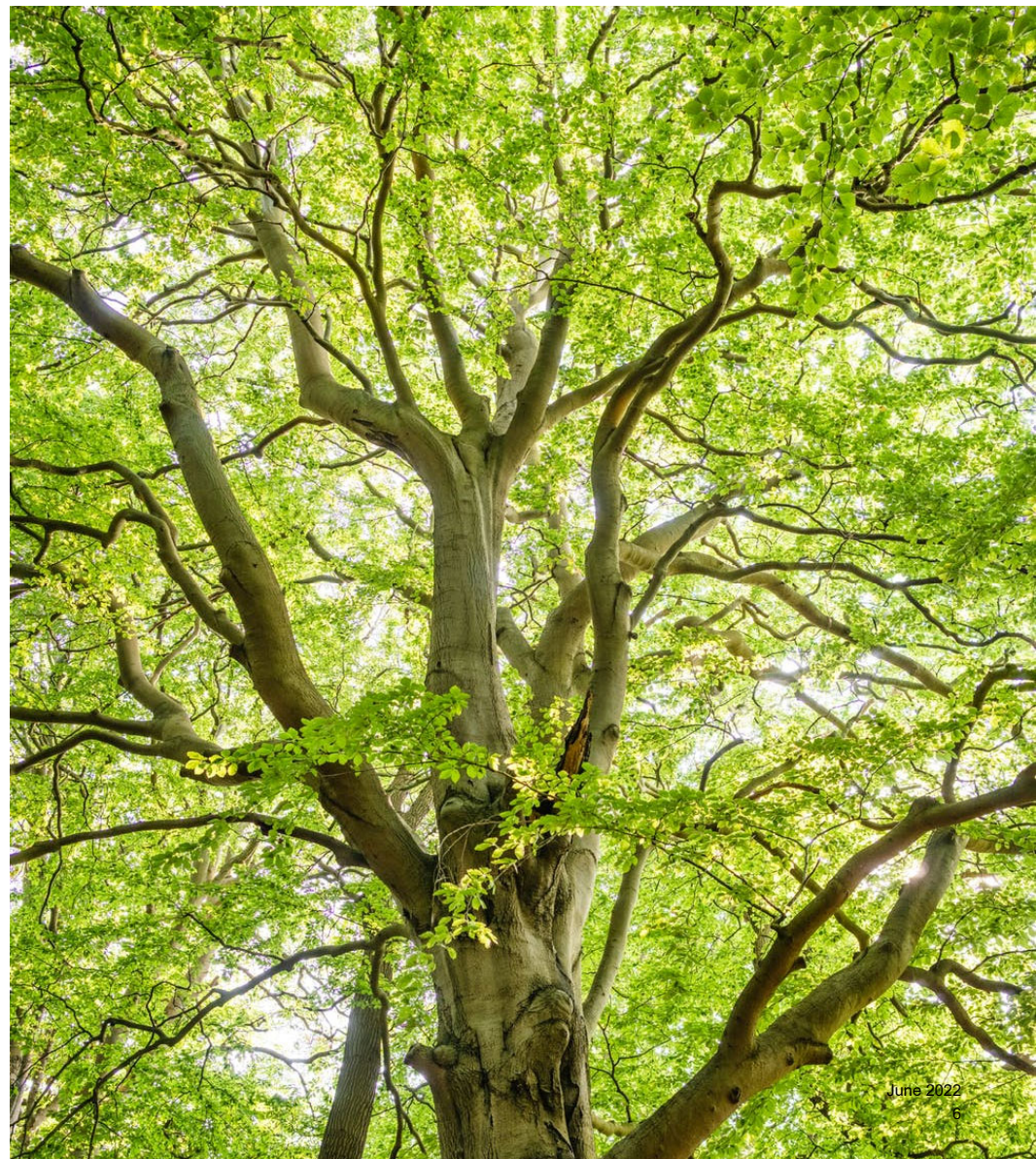
Product
governance



Sustainability
disclosures

SFDR, myths and realities

SFAP and SFDR
PwC



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The entity disclosures

Applicable to managers and advisers

	Sustainability risks	Remuneration pol.	Adverse impact
Less than 500 employees	10.03.21	10.03.21	Comply or explain
More than 500 employees	10.03.21	10.03.21	30.06.21

SFDR disclosure

“Neutral”

Sustainability risks (art.6)

How integrated in IM?
Assessment of likely impact

Article 6 apply to all funds

“Article 8”

“Promote, amongst other, environmental or social characteristics”

Disclosure in prospectus,
website + annual report

= ESG funds (binding)

“Article 9”

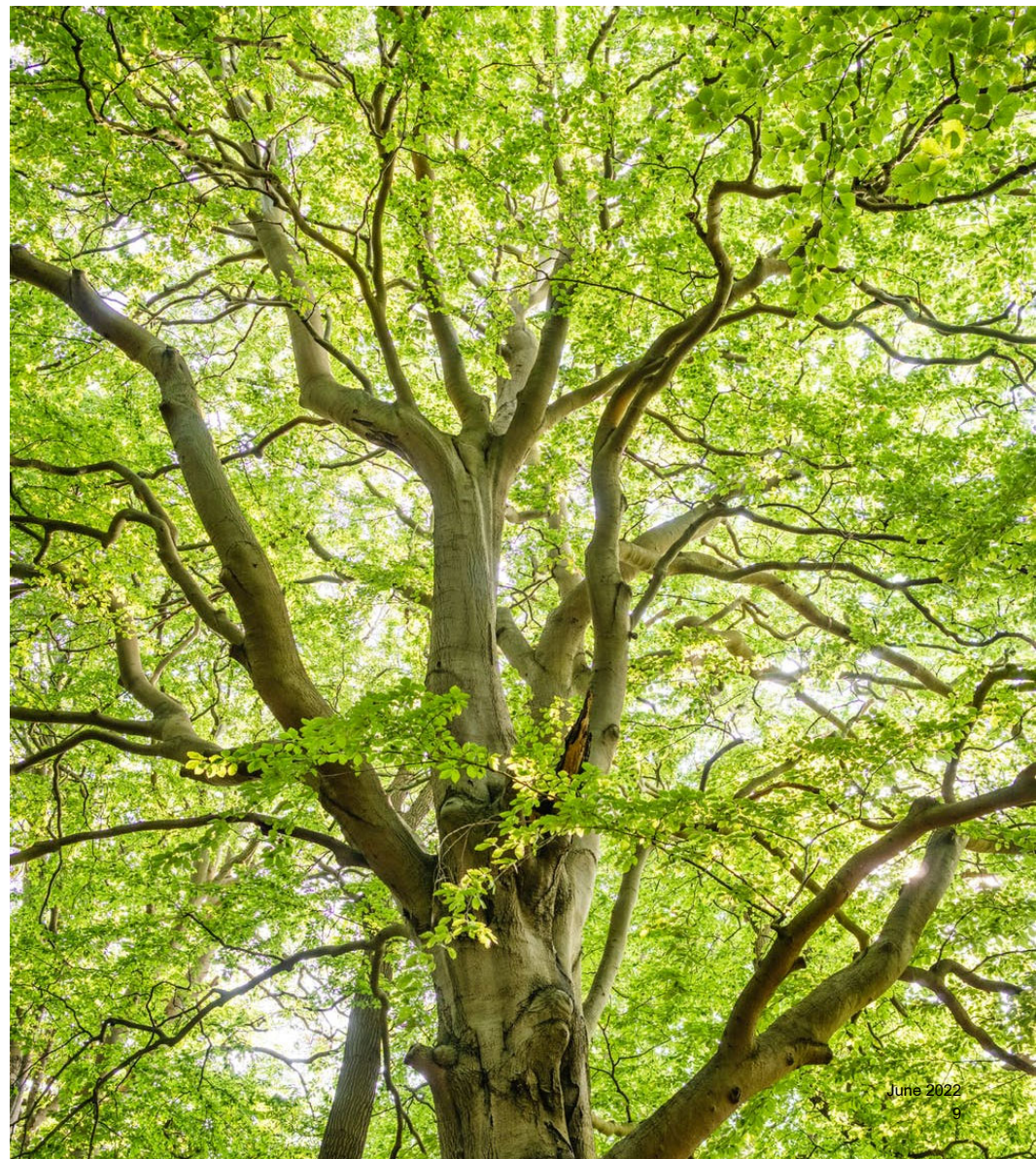
“Sustainable investments ”

Disclosure in prospectus,
website + annual report

**= contributes to
sustainability objective +
reports impact**

Sustainability preferences

SFAP and SFDR
PwC

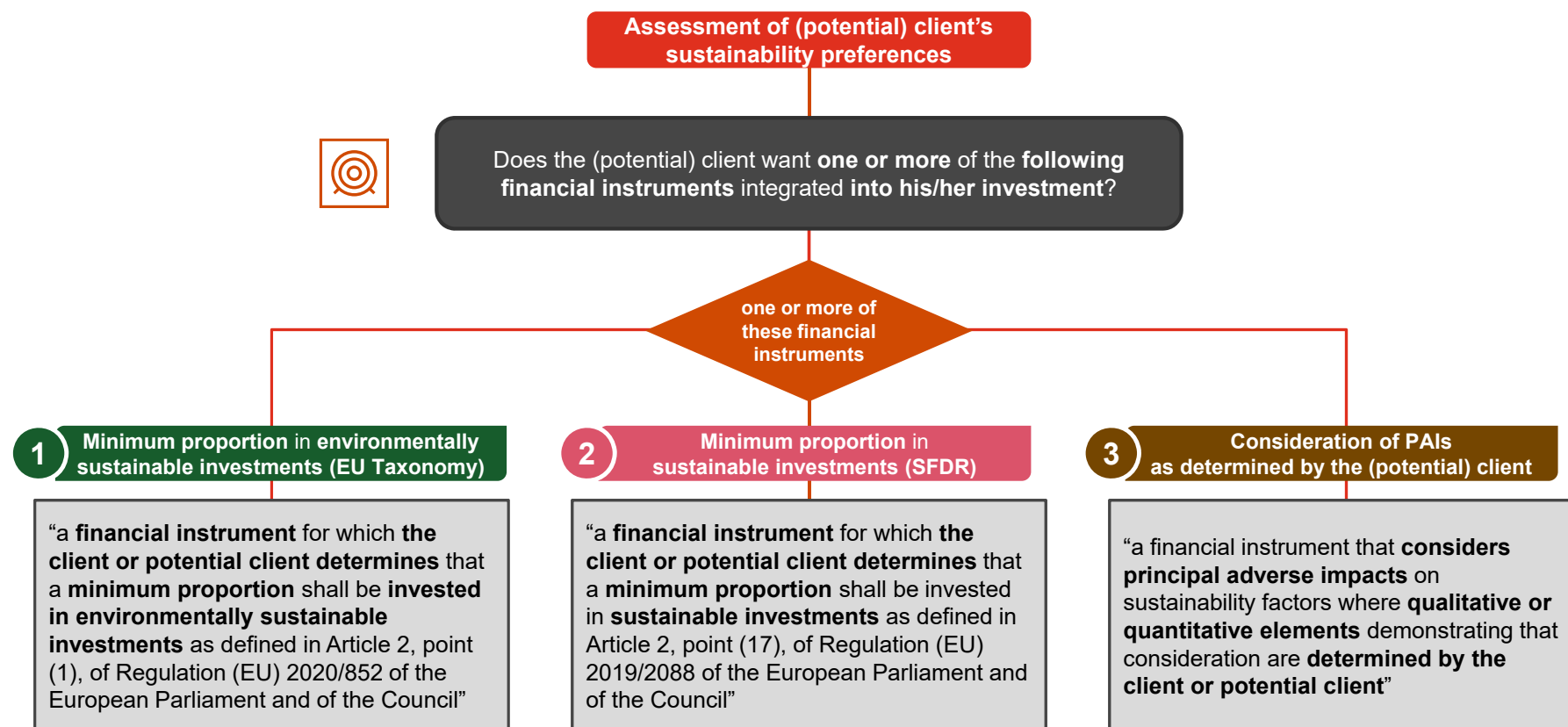


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MiFID II – Sustainability Preferences

Sustainability preferences will impact product design



Taxonomy alignment

SFAP and SFDR
PwC



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How to define a sustainable activity / asset?

4 conditions

For an economic activity to be considered sustainable, it has to comply with *four different conditions*:

1. **Make a substantive contribution to one of the 6 environmental objectives**
2. **Do not significantly harm** to the other 5
3. **Meet minimum safeguards** (OECD guidelines on multinational enterprises and the UN Guiding Principles)
4. **Comply with the technical screening criteria**

6 environmental objectives

Climate change mitigation



Climate change adaptation



Protection of water and marine resources



Transition to circular economy



Pollution prevention and control

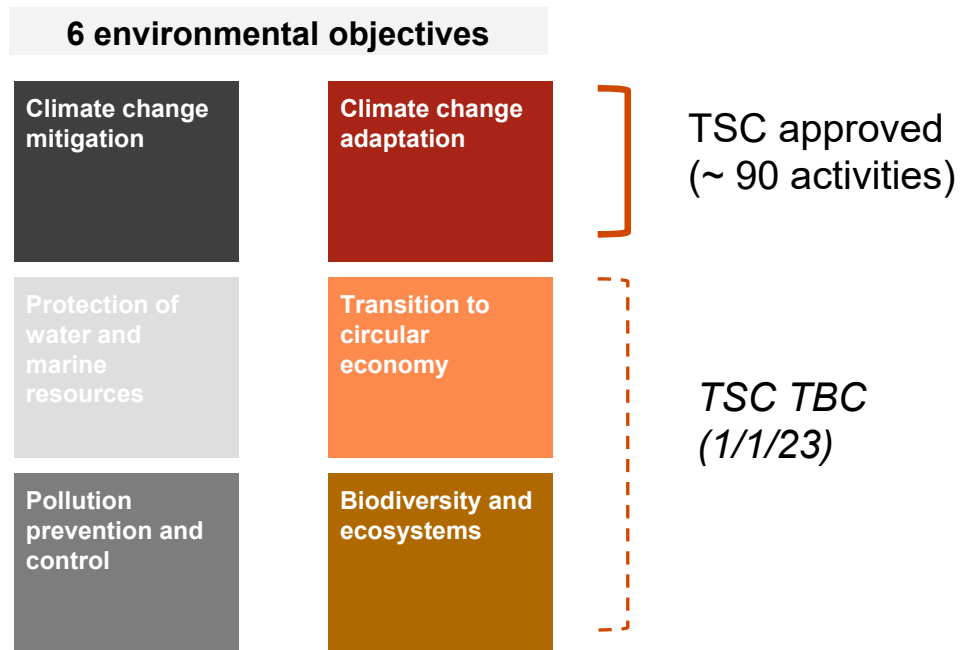


Biodiversity and ecosystems

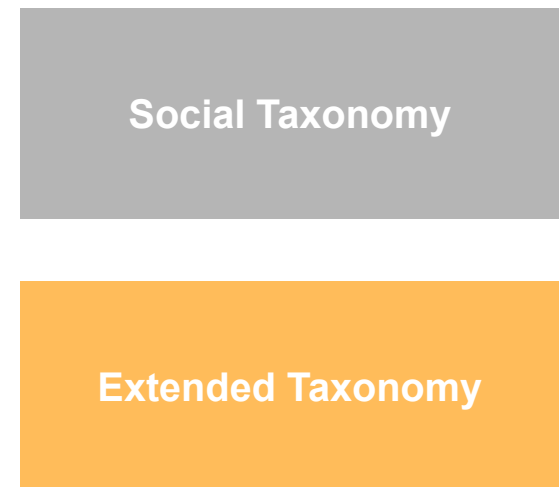


The Taxonomy framework is not yet complete...

Current regulation



Proposals...



Sustainable investments

SFAP and SFDR
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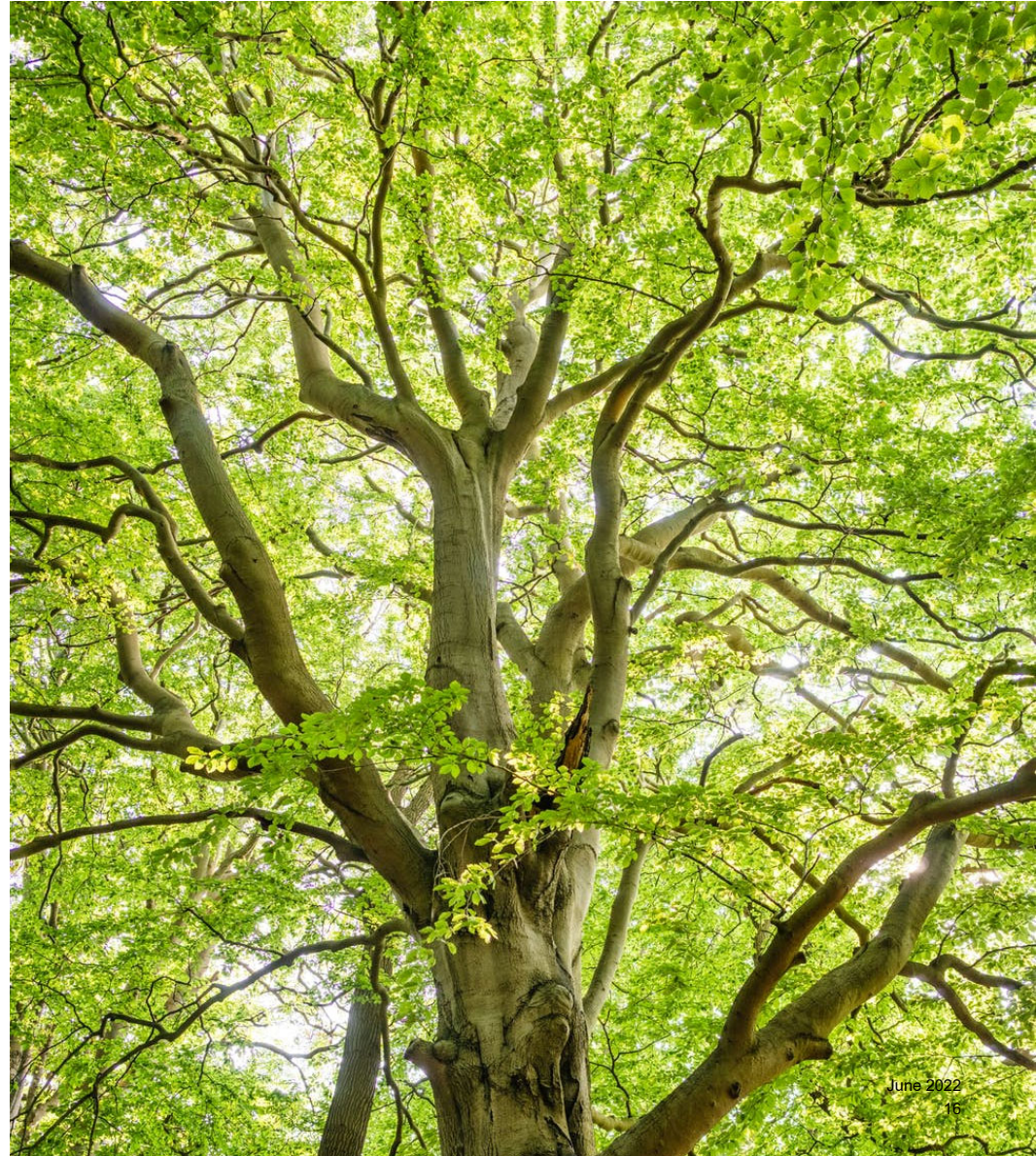
14

Sustainable investment (Based on SFDR)

	Environmental objective	Social objective
Investment in economic activity that contributes to one of environmental or social objective:	<p>Measured , for example, by:</p> <ul style="list-style-type: none"> • Key resource efficiency indicators on the use of energy, renewable energy, • Key resource efficiency indicators on the use of raw materials, • Key resource efficiency indicators on the use of water and land • Production of waste • Green house gas emissions • Impact on biodiversity and the circular economy 	<ul style="list-style-type: none"> • Contributes to tackling inequality • Fosters social cohesion, social integration and labour relations • Investment in human capital or economically or socially disadvantaged communities
DNSH	Provided such investment Do Not Significantly Harm any of the above objectives	
Governance	Provided that the investee company follow good governance practices, in particular with respect to sound management structure, employee relations, remuneration of staff and tax compliance.	

PAI consideration

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Key concepts



Principal Adverse Impact on sustainability factors

Principal Adverse Impact of investment decision on sustainability factors

Sustainability factors

- Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

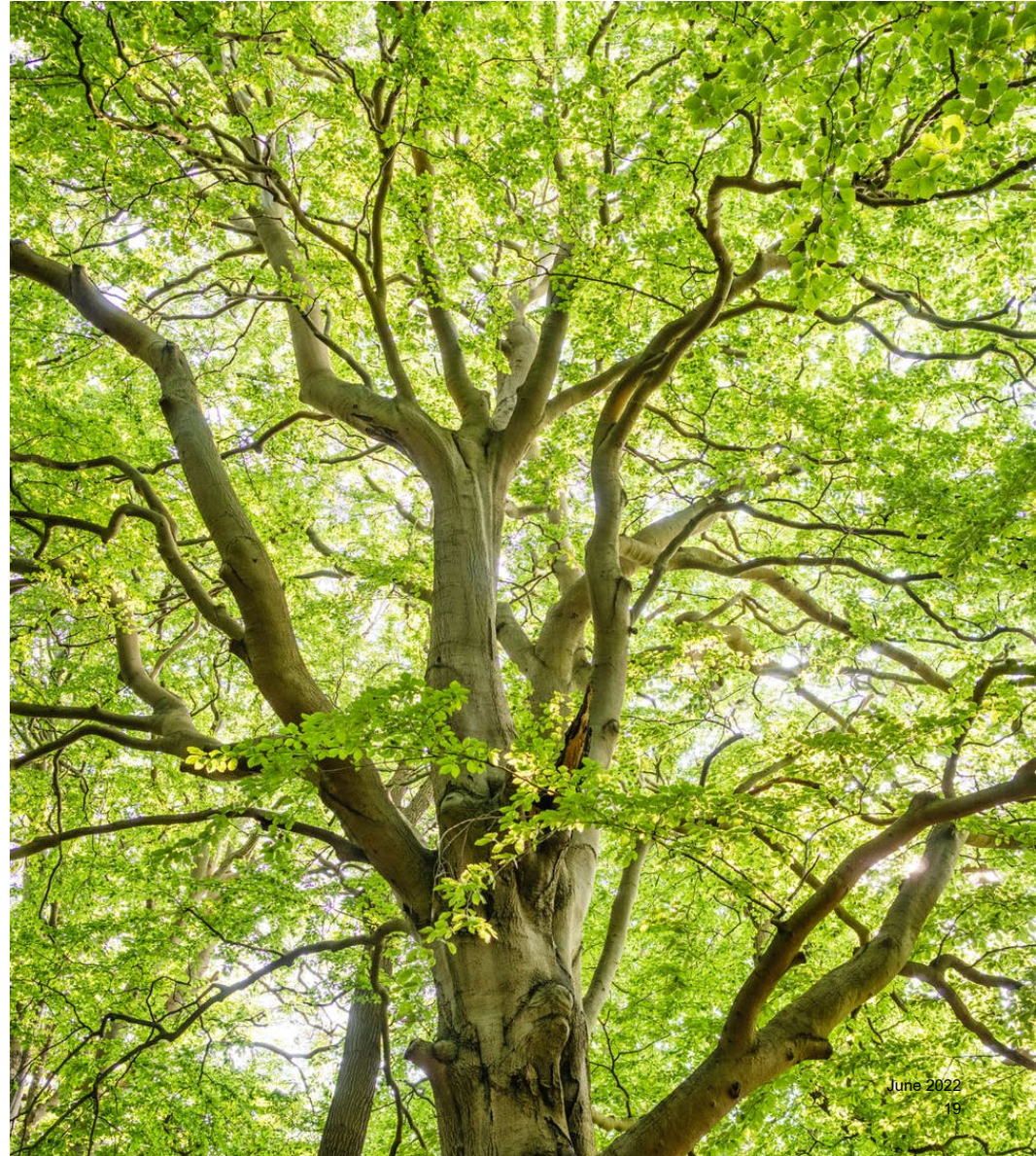
In practice

ESA draft RTS on disclosure
Some illustrations... Appendices on Adverse impacts statement

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions				
		Scope 2 GHG emissions				
		From 1 January 2023, Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				
	3. GHG intensity of investee companies	GHG intensity of investee companies				
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector				
	14 principal indicators + descriptive template + 2 additional indicators					

The timeline chaos

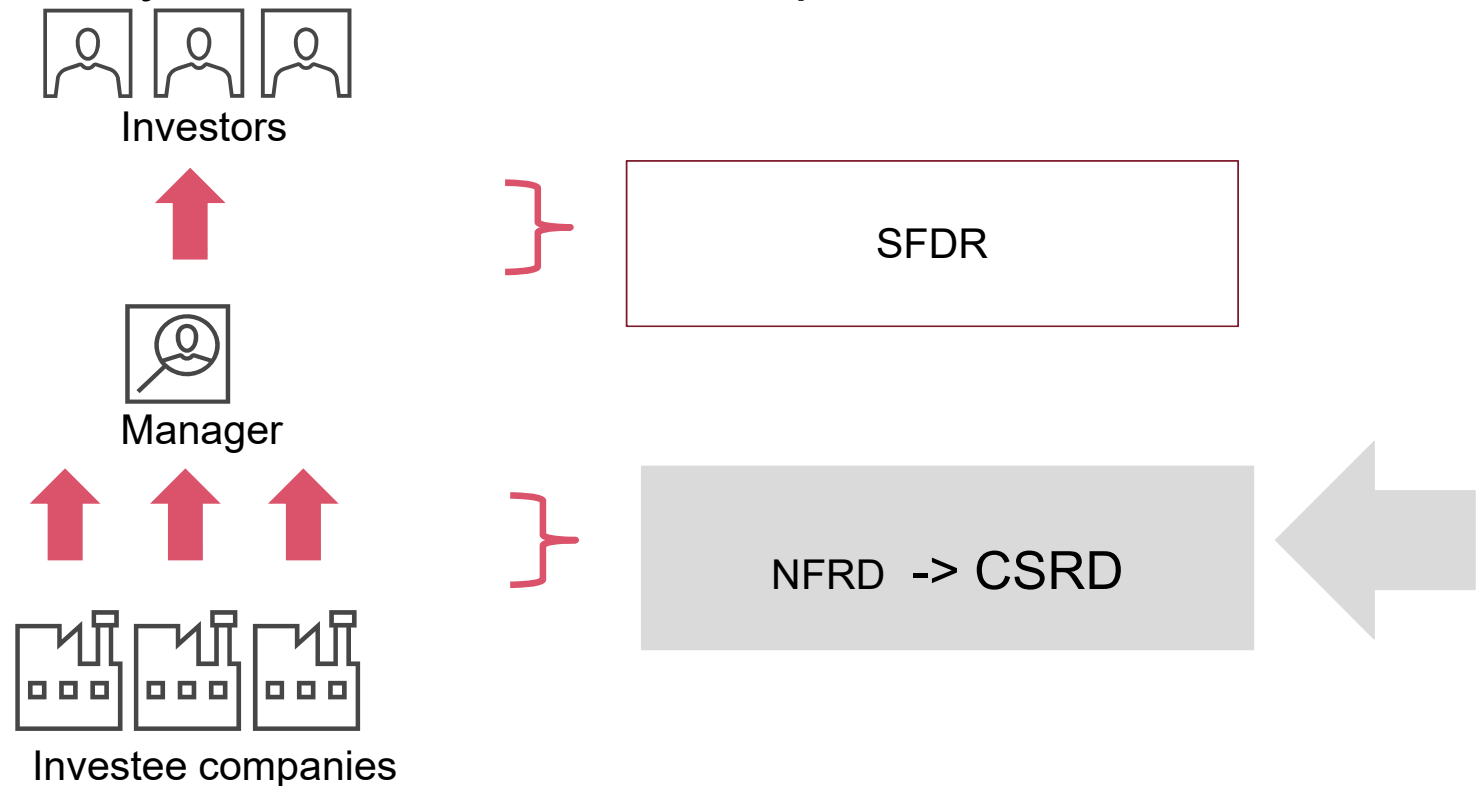
SFAP and SFDR
PwC



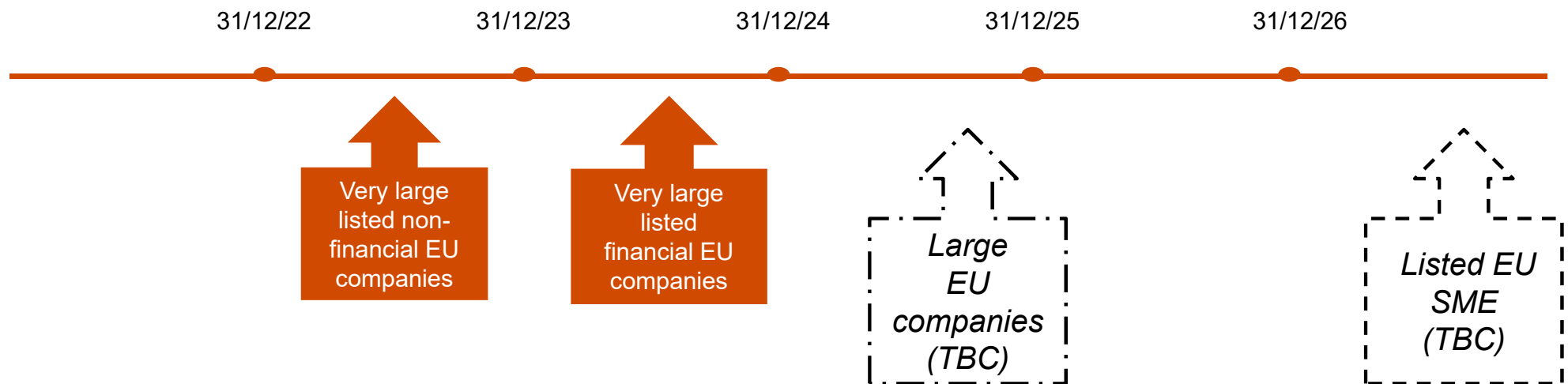
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Sustainable finance

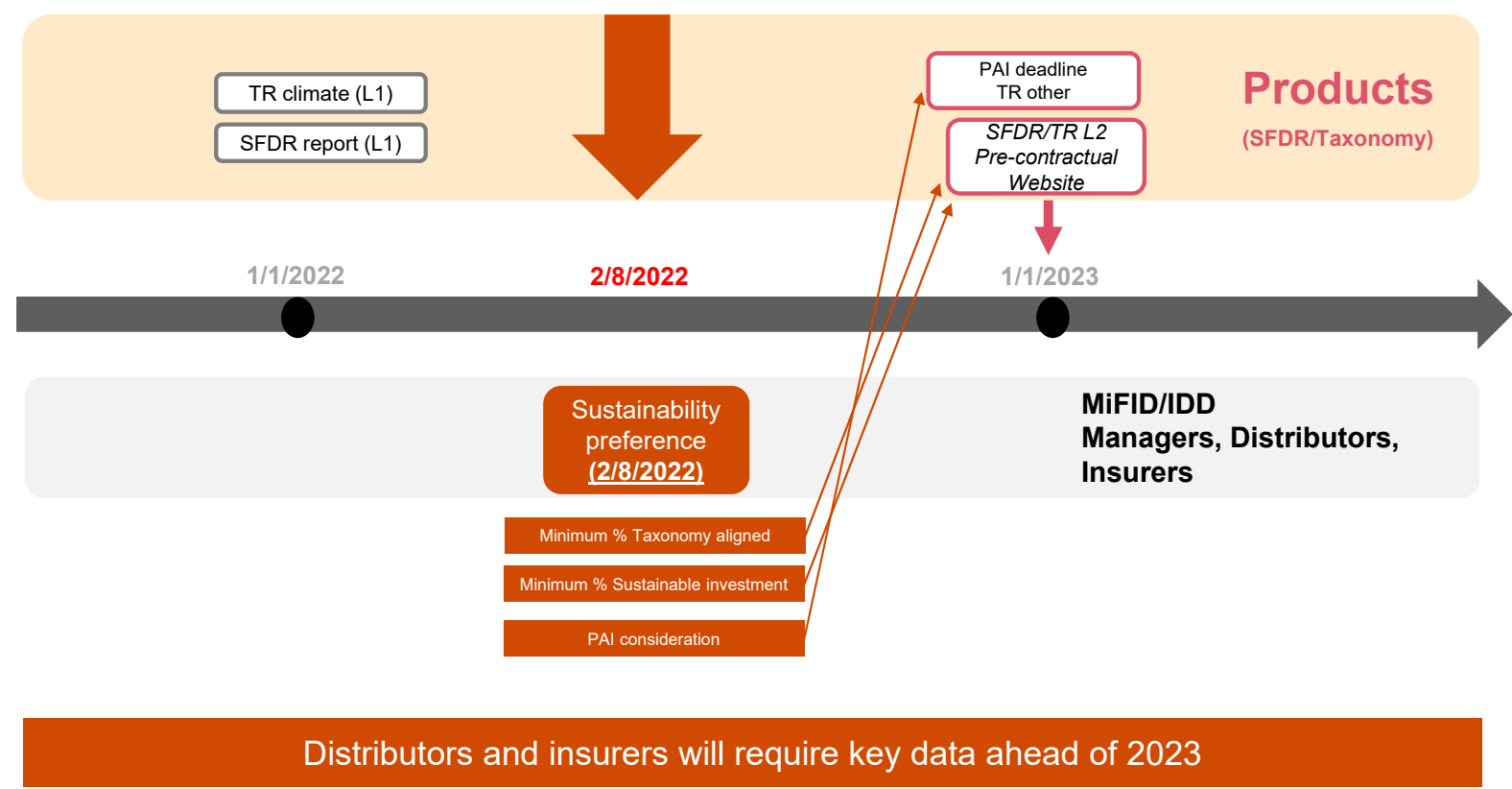
Financial sector cannot deliver on SF without sufficient, reliable and comparable sustainability data from investee companies



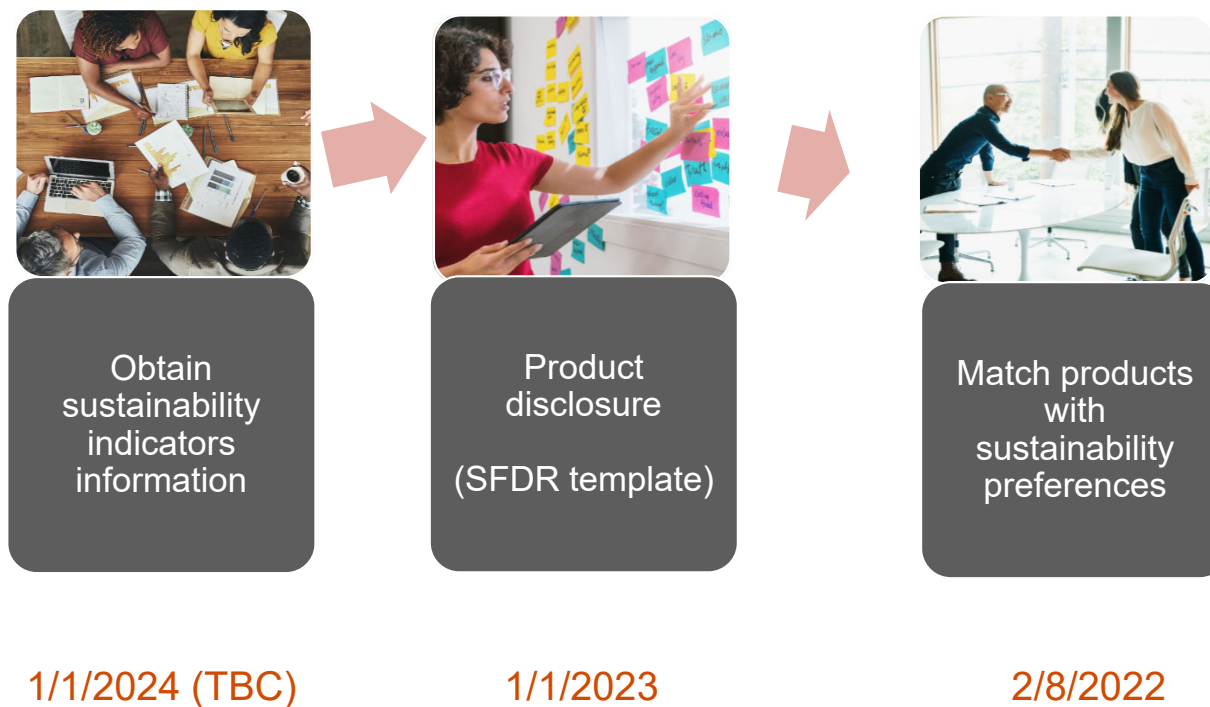
Companies are not yet required to report on Taxonomy alignment



The timeline Chaos



The timeline chaos ...



Questions?



Thank you

www.pwc.lu

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