

GREAT FUND INSIGHTS

# 10 March 2021 – SFDR

## Time to act now

On 10 March 2020, the ESG – Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR) will start to apply. SFDR disclosures will be applicable both to financial products (eg, alternative investment funds (AIFs), undertakings for collective investments in transferable securities (UCITS), etc.) and financial market participants (eg, alternative investment fund manager, UCITS management companies and MiFID investment firms). By 10 March 2021<sup>1</sup>, financial products and financial market participants need to comply with the following key SFDR requirements:

Financial market participant (FMP) or product level	Article of the SFDR	Action to be undertaken	Where documented?
FMP	3	Developing a sustainability risk policy ( <b>SRP</b> ) or review risk management process to integrate sustainability risks ( <b>RMP</b> ) Information on how sustainability risks are integrated into investment decisions	SRP or RMP Website
FMP	4	Information on how principal adverse impacts of investment decisions on sustainable factors ( <b>PASI</b> ) are considered in investment decisions <sup>2</sup> – <b>comply or explain</b>	Website
FMP	5	Update remuneration policies to include information on how remuneration policies are consistent with the integration of sustainability risks Information on how remuneration policies are consistent with the integration of sustainability risks	Remuneration policy Website
Product	6	Description in the pre-contractual documents <sup>3</sup> on: (i) how sustainability risks are integrated when making investment decisions; and (ii) the results of the assessment of the likely impacts of sustainability risks on the returns of the financial product – <b>comply or explain</b>	Pre-contractual documents
Product	8 <sup>4</sup>	If the product is to be an Article 8 product, description in the pre-contractual documents <sup>2</sup> on how ESG characteristics that are promoted are met (and information on the benchmark index if used) – <b>Optional</b>	Pre-contractual documents
Product	9 <sup>4</sup>	If the product is to be an Article 9 product, description in the pre-contractual documents <sup>2</sup> on: (i) how the sustainable investment objective is to be obtained (and information on the benchmark index if used) or (ii) the objective of low carbon emission exposure in the view of achieving the long-term global warming objective of the Paris Agreement; and (iii) on information on how remuneration policies are consistent with the integration of sustainability risks – <b>Optional</b>	Pre-contractual documents

For further information on the topic or in case of questions, do make sure to reach out to your usual A&O contact, or any of the below relevant contacts.



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## References

- 1 For regulated Luxembourg products, the deadline to use the fast-track procedure of the Commission de Surveillance du Secteur Financier is 28 February 2021.
- 2 Large financial market participants and financial market participants that are parent undertakings of large groups need to comply starting from 30 June 2021. Please refer to article 4(3) and (4) of SFDR.
- 3 For AIFs, in the disclosures to investors referred to in Article 23(1) of the AIFM directive 2011/61/EU (eg, private placement memorandum or ad hoc article 23 disclosure documents, etc.) and for UCITS in the prospectus.

- 4 On 4 February 2021, the ESAs published their final report on draft Regulatory Technical Standards (RTS) [https://www.eba.europa.eu/sites/default/documents/files/document\\_library/Publications/Draft%20Technical%20Standards/2021/962778/JC%202021%20003%20-%20Joint%20ESAs%20Final%20Report%20on%20RTS%20under%20SFDR.pdf](https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2021/962778/JC%202021%20003%20-%20Joint%20ESAs%20Final%20Report%20on%20RTS%20under%20SFDR.pdf). You may have a look into the RTS which include specific obligations in relation to information to be included in pre-contractual documents to anticipate potential changes to be made to the pre-contractual documents once the RTS will apply. Planned date for the RTS to apply is 1 January 2022.