

# EU SFDR AND THE PRINCIPAL ADVERSE IMPACTS: What You Need to Know

## Who is affected by the EU SFDR?

All EU-based financial market participants (FMPs) (i.e., asset managers or firms creating investment products) as well as financial advisors (FAs) (i.e., individuals providing investment advice). FMPs and FAs who are based outside of the EU and sell products to clients in the EU are also affected.

## What is the EU SFDR?

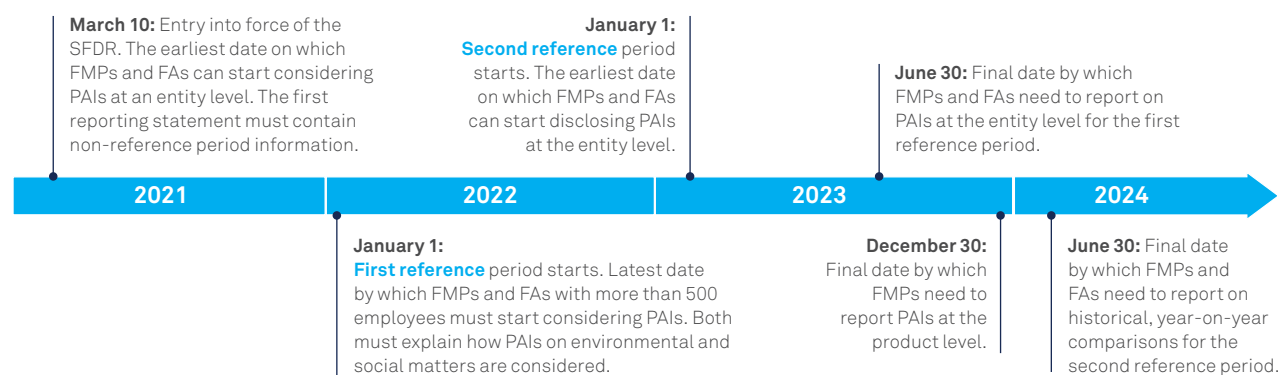
The Sustainable Finance Disclosure Regulation (SFDR) is a regulation from the European Union's (EU's) environmental, social, and governance (ESG) arsenal that requires financial services firms to disclose pre-contractual and contractual information on how they address the following key factors:

- Sustainability Risks – ESG events or conditions, which cause a material negative impact on the value of the investment. Examples include climate change and resource scarcity.
- Principal Adverse Impacts (PAIs) – Negative, material, or potentially material effects on sustainability factors that result from, worsen, or are directly related to investment choices or advice performed by a legal entity. Examples include greenhouse gas (GHG) emissions and carbon footprint.
- Pre-contractual and periodic sustainable investment disclosures for Article 8 and Article 9 investment products.

## Why is it important?

The EU hopes to channel more investments toward sustainable investing while also mitigating greenwashing (i.e., when firms make themselves appear more environmentally responsible than they actually are). The goal is to make the sustainable factors of funds easily understandable and comparable by investors.

## When is it happening? Key Dates for PAI Disclosures\*



\* All dates are subject to change and dependent on the approval of the Regulatory Technical Standards.

## What do I need to do?

Assuming there are no additional delays or changes from the EU, your organization needs to disclose its first report between January 1, 2023, and June 30, 2023, but specific information and metrics need to be captured frequently throughout the period.

Asset managers must disclose their PAIs at both the entity and product level (i.e., simultaneously or separately).

## How is FactSet helping clients?

FactSet's SFDR solutions are designed to simplify your compliance and improve efficiency across all stages of the investment process. We bring together industry expertise, reliably connected data, portfolio analytics, client reporting, and strategic partnerships to help you address ESG regulations and standards as they evolve.

Talk to a FactSet Specialist about your SFDR requirements and we'll help you figure out the most effective solution:

[sales@factset.com](mailto:sales@factset.com).