



## Investor Alert

A concise treatment of an emergent topic of special interest to our institutional investor clients.

### SFDR RTS: Proposed Changes

February 2024

## More than Two Years in: Are There Any Amendments on the Horizon?

Over two years ago, the European Commission (EC) introduced the Sustainable Finance Disclosure Regulation (SFDR or the Regulation) to enhance transparency regarding sustainability risks and impacts and their adequate consideration in investment decisions, advice and management. This Regulation is continuously evolving, with ongoing feedback and consultations aimed at improving its effectiveness, as well as an increasing number of related EU-clarifications, Q&As and disclosure review reports.

In response to a mandate from the EC, the European Supervisory Authorities (ESAs) on December 4, 2023 [proposed](#) changes to the Regulatory Technical Standards (RTS) on the content and presentation of disclosures. The amendments would extend the Social Principal Adverse Impact (PAI) indicators, change the PAI disclosure framework and introduce new disclosure of greenhouse gas (GHG) emission reduction targets for financial products.

After considering feedback and consultations from various stakeholders and national authorities, the ESAs proposed additional changes, including the incorporation of a new 'dashboard' into disclosures, offering a summary of key information in financial product templates. Other proposed changes involve enhanced disclosure on how sustainable investments align with the 'do not significantly harm' principle, revisions to provisions for products with investment options and technical adjustments such as harmonized calculation of sustainable investments and a requirement for disclosures to be produced in machine-readable format.

Given the high likelihood of approval of these proposed changes, we think it is important for investors to prepare for their implementation to these suggested amendments. In the following section, we provide a concise presentation of two important and likely changes of particular importance.

- 1. Changes to PAI Disclosures: New Indicators, Refined Existing Indicators and Changes to Underlying Descriptions, Metrics and Calculations**
- 2. Simplification of Financial Product SFDR Disclosures: New 'Dashboard'**

# 1. Changes to PAI Disclosures: New Indicators, Refined Existing Indicators and Changes to Underlying Descriptions, Metrics and Calculations

The existing PAI indicators predominantly focus on environmental rather than social aspects. Recognizing this imbalance, the EC explicitly urged the ESAs to expand the list of social indicators for PAI.

The ESAs' modifications expand the indicators list and refine some of the existing indicators. The refinement is not limited to wording changes, but also extends to alterations in the definitions, descriptions, scopes and the metrics employed. The following diagram illustrates the most salient proposed changes:

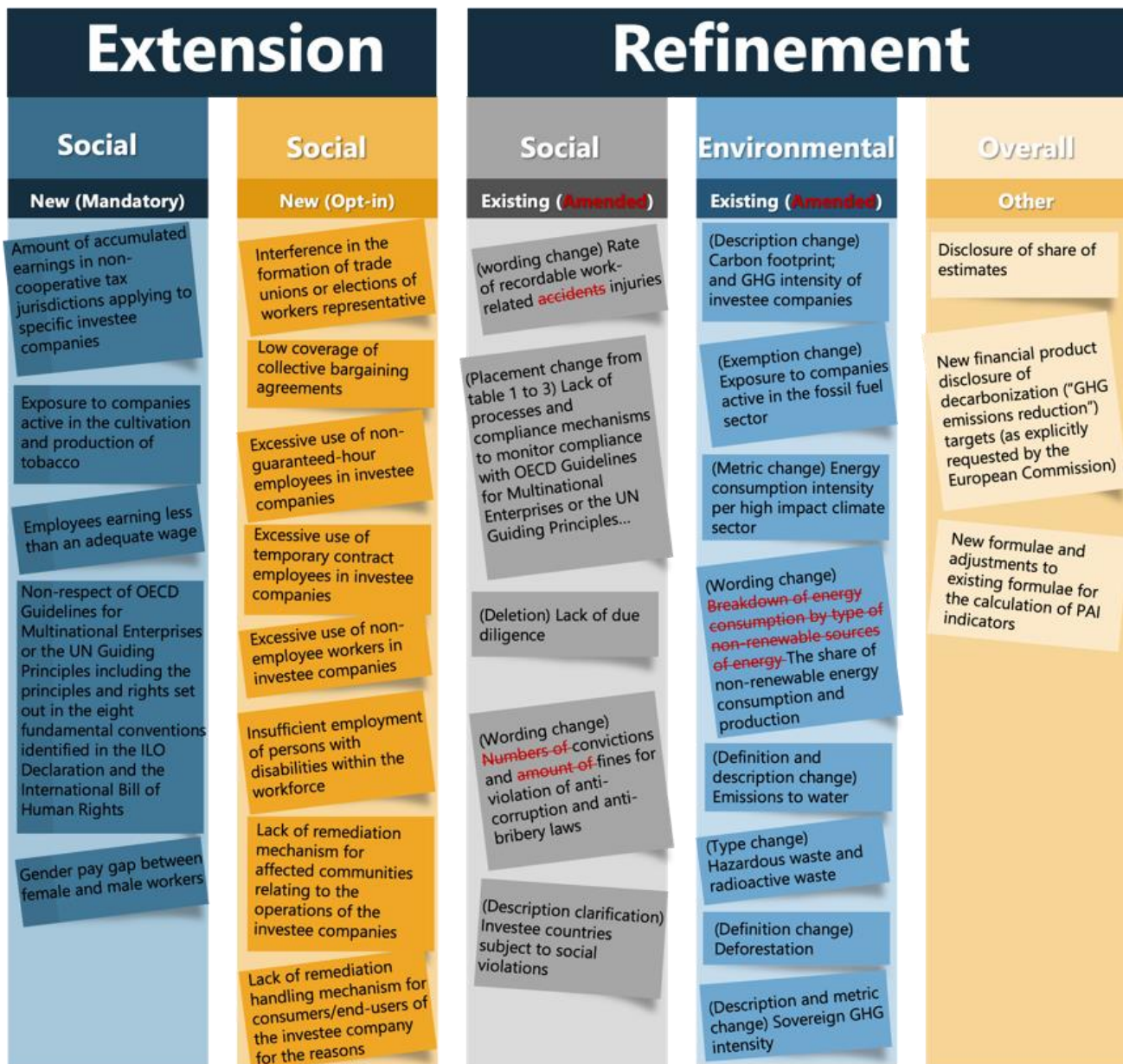


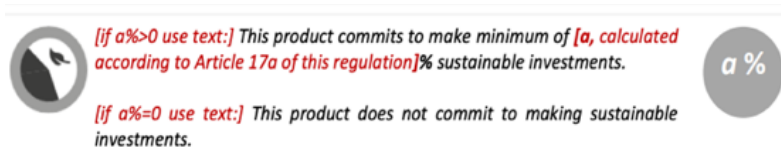
Figure 1: Key changes to PAI indicators

## 2. Simplification of Financial Product SFDR Disclosures: New 'Dashboard'

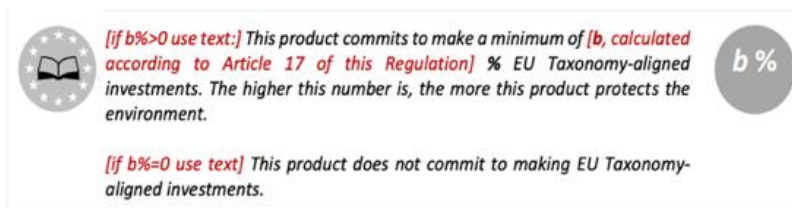
In an effort to further simplify and increase the comprehensibility of SFDR disclosures, the ESAs proposed some improvements to the financial product templates (specifically Annexes II-VII). Most notably, the ESAs added a requirement to include a 'dashboard' in the first page of the documents, providing key information with the use of visual icons about the detailed disclosures in the following pages. This 'dashboard' would highlight the following:

- a. The sustainable investment objective or promotion of environmental/social characteristics;
- b. A statement about the product's nature; and
- c. Specific elements, including:

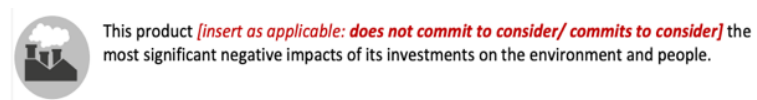
- Sustainable investments



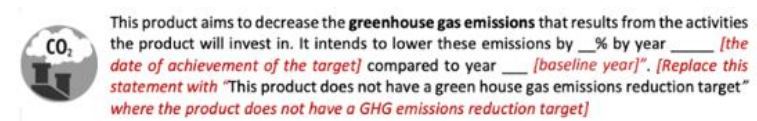
- Taxonomy-aligned investments



- PAI consideration



- GHG emissions reduction targets.



The proposed visual layout of the dashboard for specific pre-contractual, periodic and website disclosure templates is presented below. Please note that the ESAs have not provided enough clarity on the specifics of how and when this will apply. Thus, the incorporation of this new dashboard will either happen imminently, resulting in changes to current disclosures, or it will be implemented gradually as part of an ongoing process to update disclosures.



### Annex II

## Template Pre-contractual disclosure for Article 8 financial products

ANNEX II  
Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 3a, of Regulation (EU) 2019/2088 and Article 4, first paragraph, of Regulation (EU) 2020/852

Product name: [example] Legal entity identifier: [example]

#### Pre-contractual information: Is this product sustainable?

This product has limited sustainability characteristics, certain investments could be harmful for the environment or people. On this page, you can read about the key sustainability attributes that financial products can have, and assess which of them this product has and which ones it does not have.

[Specify the product's sustainable investment objective - 500-character limit with space]

[If applicable use text] This product makes [X] sustainable investments according to Article 17b of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product does not commit to making sustainable investments.

[If applicable use text] This product commits to make a minimum of [X] sustainable investments according to Article 17 of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product does not commit to making EU Taxonomy-aligned investments, ensuring that such investments protect the environment.

This product [insert as applicable] does not commit to consider/commit to consider the most significant negative impacts of its investments on the environment and people.

When a product considers the most significant negative impacts, it means that for example it could seek to reduce the negative impact of the fossil companies, for example to make them more eco-friendly.

This product aims to decrease the greenhouse gas emissions that result from the activities in which it invests. It intends to lower those emissions by [X] % by year [Y]. [The goal of achievement of the target] compared to year [baseline year]. [Specify this statement with "This product does not have a greenhouse gas emissions reduction target" where the product does not have a GHG emissions reduction target]

The following pages provide more details about the way this product promotes sustainability characteristics. You might be able to access them by clicking on the boxes below. Additional information is also available here [link]

### Annex III

## Template Pre-contractual disclosure for Article 9 financial products

ANNEX III  
Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: [example] Legal entity identifier: [example]

#### Pre-contractual information: How sustainable is this product?

This product has sustainable investment as its objective. On this page, you can read about the key sustainability attributes that financial products can have, and assess which of them this product has and which ones it does not have.

[Specify the product's sustainable investment objective - 500-character limit with space]

[If applicable use text] This product makes [X] sustainable investments according to Article 17b of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product commits to make a minimum of [X] sustainable investments according to Article 17 of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product does not commit to making EU Taxonomy-aligned investments, ensuring that such investments protect the environment.

This product [insert as applicable] does not commit to consider/commit to consider the most significant negative impacts of its investments on the environment and people.

When a product considers the most significant negative impacts, it means that for example it could seek to reduce the negative impact of the fossil companies, for example to make them more eco-friendly.

This product aims to decrease the greenhouse gas emissions that result from the activities in which it invests. It intends to lower those emissions by [X] % by year [Y]. [The goal of achievement of the target] compared to year [baseline year]. [Specify this statement with "This product does not have a greenhouse gas emissions reduction target" where the product does not have a GHG emissions reduction target]

The following pages provide more details about how this product achieves its sustainable investment objective. You might be able to access them by clicking on the boxes below. Additional information is also available here [link]

### Annex IV

## Template Periodic disclosure for Article 8 financial products

ANNEX IV  
Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 3a, of Regulation (EU) 2019/2088 and Article 4, first paragraph, of Regulation (EU) 2020/852

Product name: [example] Legal entity identifier: [example]

#### Periodic information: Is this product sustainable?

This product has limited sustainability characteristics, certain investments could be harmful for the environment or people. On this page, you can read about the key sustainability attributes that financial products can have, and assess which of them this product had during the reporting period and which ones it did not have.

[Specify the environmental and/or social characteristics promoted by the product and the percentage of the product's investments that promote those characteristics - 500-character limit with space]

[If applicable use text] This product made [X] sustainable investments according to Article 17b of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product did not make sustainable investments.

[If applicable use text] This product made [X] sustainable investments according to Article 17 of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product did not make EU Taxonomy-aligned investments, ensuring that such investments protect the environment.

This product [insert as applicable] considered/ did not consider the most significant negative impacts of its investments on the environment and people.

When a product considers the most significant negative impacts, it means that for example it could seek to reduce the negative impact of the fossil companies, for example to make them more eco-friendly.

This product aims at decreasing the greenhouse gas emissions resulting from the activities in which it invests. By year [Y], [inserting year] the product emissions were reduced by [X] % compared to year [baseline year]. [Specify this statement with "This product does not have a greenhouse gas emissions reduction target" where the product does not have a GHG emissions reduction target]

The following pages provide more details about the way this product promoted sustainability characteristics. You might be able to access them by clicking on the boxes below. Additional information is also available here [link]

### Annex V

## Template Periodic disclosure for Article 9 financial products

ANNEX V  
Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: [example] Legal entity identifier: [example]

#### Periodic information: How sustainable is this product?

This product has sustainable investment as its objective. On this page, you can read about the key sustainability attributes that financial products can have, and assess which of them this product had during the reporting period and which ones it did not have.

[Specify the product's sustainable investment objective - 500-character limit with space]

[If applicable use text] This product made [X] sustainable investments according to Article 17b of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product committed to make a minimum of [X] sustainable investments according to Article 17 of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product did not make EU Taxonomy-aligned investments, ensuring that such investments protect the environment.

This product [insert as applicable] considered/ did not consider the most significant negative impacts of its investments on the environment and people.

When a product considers the most significant negative impacts, it means that for example it could seek to reduce the negative impact of the fossil companies, for example to make them more eco-friendly.

This product aims at decreasing the greenhouse gas emissions resulting from the activities in which it invests. By year [Y], [inserting year] the product emissions were reduced by [X] % compared to year [baseline year]. [Specify this statement with "This product does not have a greenhouse gas emissions reduction target" where the product does not have a GHG emissions reduction target]

The following pages provide more details about how this product achieves its sustainable investment objective. You might be able to access them by clicking on the boxes below. Additional information is also available here [link]

### Annex VI

## Template Pre-contractual disclosure and website disclosure for financial products with underlying investment options promoting E and/or S characteristics

ANNEX VI  
Template pre-contractual and website disclosure for financial products with underlying investment options that promote environmental and/or social characteristics

Product name: [example] Legal entity identifier: [example]

#### Is this product sustainable?

This product has limited sustainability characteristics, certain investments could be harmful for the environment or people. On this page, you can read about the key sustainability attributes that financial products can have, and assess which of them this product had during the reporting period and which ones it did not have.

[Specify the product's sustainable investment objective - 500-character limit with space]

[If applicable use text] This product makes [X] sustainable investments according to Article 17b of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product does not commit to making sustainable investments.

[If applicable use text] This product commits to make a minimum of [X] sustainable investments according to Article 17 of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product does not commit to making EU Taxonomy-aligned investments, ensuring that such investments protect the environment.

This product [insert as applicable] does not commit to consider/commit to consider the most significant negative impacts of its investments on the environment and people.

When a product considers the most significant negative impacts, it means that for example it could seek to reduce the negative impact of the fossil companies, for example to make them more eco-friendly.

This product aims to decrease the greenhouse gas emissions that result from the activities in which it invests. It intends to lower those emissions by [X] % by year [Y]. [The goal of achievement of the target] compared to year [baseline year]. [Specify this statement with "This product does not have a greenhouse gas emissions reduction target" where the product does not have a GHG emissions reduction target]

The following pages provide more details about how this product achieves its sustainable investment objective. You might be able to access them by clicking on the boxes below. Additional information is also available here [link]

### Annex VII

## Template Pre-contractual disclosure and website disclosure for financial products with underlying investment options that all have sustainable investment as their objective

ANNEX VII  
Template pre-contractual and website disclosure for financial products with underlying investment options that all have sustainable investment as their objective

Product name: [example] Legal entity identifier: [example]

#### How sustainable is this product?

This product has sustainable investment as its objective. On this page, you can read about the key sustainability attributes that financial products can have, and assess which of them this product has and which ones it does not have.

[Specify the product's sustainable investment objective - 500-character limit with space]

[If applicable use text] This product makes [X] sustainable investments according to Article 17b of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product does not commit to making sustainable investments.

[If applicable use text] This product commits to make a minimum of [X] sustainable investments according to Article 17 of this Regulation. The higher this number is, the more this product protects the environment.

[If applicable use text] This product does not commit to making EU Taxonomy-aligned investments, ensuring that such investments protect the environment.

This product [insert as applicable] considered/ did not consider the most significant negative impacts of its investments on the environment and people.

When a product considers the most significant negative impacts, it means that for example it could seek to reduce the negative impact of the fossil companies, for example to make them more eco-friendly.

This product aims to decrease the greenhouse gas emissions that result from the activities in which it invests. It intends to lower those emissions by [X] % by year [Y]. [The goal of achievement of the target] compared to year [baseline year]. [Specify this statement with "This product does not have a greenhouse gas emissions reduction target" where the product does not have a GHG emissions reduction target]

The following pages provide more details about how this product achieves its sustainable investment objective. You might be able to access them by clicking on the boxes below. Additional information is also available here [link]

Figure 2: Proposed additional dashboard to certain templates

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## Contact Us

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