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 Sustainable Finance Disclosure Regulation (SFDR) is a new regulation from the European Union (EU) that will require financial services firms to disclose how they address the following key factors:

- **Sustainability Risks** – Environmental, social, or governance 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.

### 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).

### When is it happening?

**SFDR Timeline – Key Dates**

**March 10:** Entry into force of the SFDR. The earliest date on which FMPs and FAs can start considering PAIs at an entity level. The first reporting statement must contain non-reference period information.

**2021**

**June 30:** Latest date by which FMPs and FAs with more than 500 employees must start considering PAIs. Both must explain how main adverse impacts on environmental and social matters are considered.

**2022**

**July 1 - December 31:** First reference period starts. First period for mandated PAI disclosure. The first reportings are based on historical data (i.e., non-reference period information) with no specific “reference period.”

**2023**

**January 1:** Second reference period starts.

**2024**

**December 31:** End of third reference period.

**June 30:** Final date by which FMPs and FAs need to report on principal adverse sustainability impacts for the first reference period using PAIs.

**June 30:** Final date by which FMPs and FAs need to report on historical, year-on-year comparisons for the second reference period.

* 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 July 1, 2022, and December 31, 2022, but specific information and metrics need to be captured frequently throughout the period.

Asset managers must disclose their policies at both the product and firm level.

### 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:

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