The Sustainable Finance Disclosure Regulation (SFDR) introduces environmental, social and governance (ESG) disclosure standards for financial market participants, advisors and products.
These standards have been developed under the EU regulation on sustainability-related disclosures in the financial services sector and aim to:

- Strengthen protection for end investors
- Improve disclosures to investors from a broad range of financial market participants and financial advisors
- Improve disclosures to investors regarding financial products
- Ensure transparency and easy comparability of products

The SFDR empowers the European supervisory authorities to develop regulatory technical standards (RTS) governing the content, methodology and presentation of ESG disclosures at both an entity (firm) level and a product level.

At entity level, principal adverse impacts (PAIs) that investment decisions have on sustainability factors should be disclosed on the entity's website. At product level, sustainability characteristics or objectives of financial products, as well as how a product based on sustainable investments complies with the do no significant harm (DNSH) principle, should be disclosed.

SFDR effectively implements a tiered categorisation of financial products:

- Article 6 – financial products without ESG or sustainable investment preferences
- Article 8 – financial products promoting environmental or social characteristics
- Article 9 – financial products with the objective of "sustainable investments" (including the specific subset with a reduction in carbon emissions as an objective)
- Others – other financial products which do not fall under Articles 6, 8 or 9

**Who is affected**

SFDR applies to financial market participants and financial advisors with disclosure requirements at both entity and product levels. It is intended to apply to most financial products marketed to the EU, including those managed by non-EU firms.

**What are the implications**

Institutional investors and asset managers in the EU now have disclosure obligations around ESG factors.

Market participants must disclose:

- Sustainability risk policies on investment strategies
- Adverse sustainability impacts
- Remuneration policies consistent with sustainability risk integration
How can Refinitiv help?

The data
Based on the draft RTS published in February 2021, Refinitiv has solid coverage across the PAI indicators in the three tables. We have consulted the guidelines provided in Annex 1 to ensure we align with how we capture our own data points; anything that doesn’t match the required definition is either classed as a partial match or no match.

<table>
<thead>
<tr>
<th>Total indicators</th>
<th>Direct match</th>
<th>Partial match</th>
<th>No match</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1 (Mandatory): Principal adverse sustainability impacts statement</td>
<td>18</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>Table 2 (Opt-in): Additional climate and other environment-related indicators</td>
<td>22</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Table 3 (Opt-in): Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters</td>
<td>24</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Grand total</td>
<td>64</td>
<td>41</td>
<td>15</td>
</tr>
</tbody>
</table>

*Subject to change based on Refinitiv data coverage.

Based on the final regulatory text and requirements, Refinitiv will cover any data gaps for the mandatory indicators first and evaluate coverage requirements for the remaining opt-in tables.

Find full details in the SFDR – principal adverse impact indicator coverage.

Funds
We provide SFDR metrics within the Lipper funds database to determine which funds are classed as meeting SFDR criteria.

This functionality is available within Refinitiv Lipper for Investment Management in both Eikon and Workspace and allows you to run reports, compare specific data points across funds and benchmark performance and attributes against competitors, based on SFDR flags across Articles 6, 8 and 9.

Within the Refinitiv suite of products you can retrieve fund data, filter down to the universe you are interested in (including SFDR article criteria) and view which article the fund relates to.
Solutions

Desktop

Company profiles

Within a company profile you can view details about your chosen company on SFDR tables 1, 2 and 3, allowing you to perform audits at the company SFDR indicator level. The SFDR view provides details on the four closest peers by market capitalisation across country or industry, giving you a better view on a company’s performance and allowing you to click through to the original source for each data point.

![Image of SFDR view in Company Profile app]

Portfolio analytics

The SFDR template in the Portfolio Analytics app in Refinitiv Eikon® and Refinitiv Workspace provides portfolio-level aggregation of the RTS Level 2 metrics based on the Annex 1 guidelines for both the current and previous year.

Since company reporting on the given indicators varies in availability, we offer two options for missing data to help with best effort. The first uses calculated estimates by providing The Refinitiv Business Classifications (TRBC) industry group level medians for securities in the portfolio that do not have disclosed data. Statistics will be provided to help explain what percentage of each metric was based on reported versus estimated.

The second option allows customers to request information from a company that has not disclosed certain metrics and allows the company to provide this data via the Refinitiv contributions tool.

![Image of SFDR template in Portfolio Analytics app]
Feed
Additionally, Refinitiv offers a feed solution consisting of company-level data such as ESG, financial fundamentals and business sector information (TRBC). Sovereign-level information covers greenhouse gas (GHG) emissions and many other metrics, as well as fixed income data. The feed is available via Datastream Data Loader and includes all raw data needed to perform the calculations for each metric.

The feed comes with redistribution rights to disclose the outcomes of the metrics calculations on websites and in compliance with the periodic and pre-contractual disclosure requirements.

The SFDR article flags are also available via the Lipper Global Data Feed and via API, allowing you to ingest SFDR fund data into your investment decisions, analysis and models.

Regulation and reporting
We have partnered with Clarity AI to create an SFDR reporting tool for investors which enables you to create ready-to-use SFDR reports for compliance purposes at scale via API.

SFDR Reporting Professional powered by Clarity AI – combines Refinitiv® ESG, Fundamentals and Sovereigns data with Clarity AI modelled and controversies data to provide unmatched coverage.

The tool covers both mandatory and optional SFDR PAIs for over 50,000 companies, and creates an easy path to accurate reporting on funds, portfolios and constituents.

The solution, created in partnership with Clarity AI, could help you meet your reporting requirements.