

ESAs issue report on the extent of voluntary disclosure of principal adverse impact under the Sustainable Finance Disclosure Regulation



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Based on a survey of National Competent Authorities (NCAs), the ESAs have developed a preliminary, indicative and non-exhaustive overview of good examples of best practices, and less good examples of voluntary extent of compliance with voluntary disclosures varies significantly across respondents, but, overall, the first disclosures since the application of the SFDR are not very detailed - this is expected to change for the disclosures made for the 2022 reporting period once the SFDR Delegated Regulation applies;

there is an overall low level of disclosure on the degree of alignment with the objective of the Paris Agreement – when disclosure of alignment is made, it is often vague; and

there is a low level of compliance with the details required for explaining why financial market participants do not take into account the adverse impact of their investment decisions.

The report also includes a set of recommendations for NCAs to ensure appropriate supervision of financial market participants' practices, such as running regular surveys in their own market to determine whether supervisory entities comply with Article 4 SFDR disclosures.

Further information:

Dan Nacu-Manole

Communications Officer

☎ +33 (0)1 58 36

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