

Novatus Advisory Launches SFDR Implementation Report, Finds Lack Of Understanding As Major Threat To The Market

ENGLAND, UNITED KINGDOM, May 16, 2023 /EINPresswire.com/ -- Novatus Advisory launches study 'Is the SFDR causing confusion or clarity?', identifying serious disconnect between the perceived understanding of the SFDR and practical implementation and compliance.

- Identifies serious disconnect between the perceived understanding of the SFDR and practical implementation and compliance, indicating unintended greenwashing could occur.
- Found only 21% of firms have a team mobilised and requirements fully in place for the SFDR implementation and compliance with an additional 77% needing further actions to be put in place to be compliant.
- Loss of investor flows and reputational risk of potential greenwashing identified as the single biggest concerns for participants externally, whilst a lack of internal resource and knowledge means 72% of firms require third-party support.

Novatus Advisory (Novatus), the risk, regulation and ESG consultancy and technology solution provider, today launched the findings of its research study investigating the implementation of the SFDR within Asset Managers.

The research assesses the concerns firms had regarding the implementation of the regulations, the specific challenges they faced and how these have been addressed.

Disconnect between understanding and implementation may lead to unintended greenwashing:

16% of respondents said they have read the requirements but are confused by a lack of regulatory clarification in certain areas.

The study further identifies nearly 64% of asset managers who advertise Article 9 funds have at least one product with sustainable investment allocations of less than 90%, or have failed to definitively disclose their planned allocation for sustainable investments for their Article 9 product(s). This is contrary to the European Commission's repeated clarifications that Article 9 products should only make sustainable investments (with exception only for hedging and

liquidity purposes).

These results indicate that it is likely that many firms are unintentionally greenwashing.

Many firms are yet to act on implementation, creating numerous risks externally and internally and the need for third-party support:

Only 21% of firms have a team mobilised and requirements fully in place for the SFDR implementation and compliance, with an additional 77% needing further actions to be put in place. Whilst it may be the case that firms are waiting for clarity on some of the rules, this puts them in potential breach of the rules already in force.

Respondents recognise the risks associated with this, with the risk of losing investor flows (32%) and reputational risk of potential greenwashing (25%) identified as the single biggest concerns externally.

This, compounded with 64% of respondents indicating the regulation had had a high or severe impact on resourcing, 35% identifying the lack of an internal resource to deliver on the SFDR, and 24% also highlighting a lack of in-house knowledge or expertise as key challenges internally, resulting in 72% needed some sort of additional third-party support.

Ongoing regulatory change adds to complexity and compliance burden:

80% of respondents expect to be subject to dual disclosures under the SFDR and the SDR, further increasing the compliance burden on affected firms. At the time of the survey 71% of firms were still facing remediation of the SFDR rules, whilst awaiting the release of SDR rules.

Andrew Hedley, Partner and co-founder of Novatus Advisory comments:

“The outcomes of our study are clear: there is a disparity between understanding the rules and practical application. Based on the findings, no firm should have complete confidence in their SFDR programmes. We believe the market-wide confusion is reflected further within firms – where senior leaders and Boards believe there is no action needed, but the evidence points to the contrary, with many companies failing to understand the full requirements of the regulation”.

Coralie Nelson, Head of ESG Advisory comments:

“The need for external support and guidance regarding the implementation of the SFDR is clear. Our research also demonstrates that many firms do not have the necessary expertise or headcount to deliver the changes brought about by the regulation, which significantly increases the risk of greenwashing”.

[CLICK HERE TO READ THE REPORT](#)

Research methodology:

Research was undertaken during Q1 2023, after the implementation deadline of the SFDR Level 2 on 1 January 2023. The dual research study comprised survey of 75 asset managers with some involvement in decision-making around the SFDR and the EU Taxonomy Regulation and in-depth research and analysis of 25 asset managers with specific regard to PAIs and entity/product level disclosures.

About Novatus Advisory

Founded in 2019, Novatus Advisory combines market-leading [RegTech tools](#) with expert advisors to provide tailored and effective solutions for financial services firms. Its unique approach to the regulatory environment enables the firm to drive impact through action and innovation. Via consultancy experts, risk and regulation specialists, and subject matter experts Novatus creates unique solutions for clients across the financial services industry.

Emily Rash - Head of Marketing

Novatus Advisory

erash@novatusadvisory.com

This press release can be viewed online at: <https://www.einpresswire.com/article/634024095>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2023 Newsmatics Inc. All Right Reserved.