

The Sustainable Finance Disclosure Regulation @ MeDirect

The EU Sustainable Finance Disclosure Regulation (SFDR - Regulation (EU) 2019/2088) is a set of EU rules which aim to make the sustainability profile of financial instruments more comparable and better understood by end-investors.

MeDirect Bank S.A. / MeDirect Bank (Malta) plc (individually, “the Bank”) fall within scope of this Regulation, which came into force on the 10th March, 2021 requiring financial market participants, including the Bank, to make certain sustainability-related disclosures to end investors.

Presently, the Bank is not taking into account the principle adverse impacts on environment, social and governance factors when taking investment decisions in respect of its Portfolio Management service / Investment Advice propositions. The Bank is currently working on revamping its Investment Suite which it aims to launch in 2022, in particular:

- I. A new Portfolio Management offer, in partnership with a major external player, that will come through article 8 mutual funds;
- II. Investment Advice services that will consider client’s ESG preferences.

By the time the newly revamped products/services have been launched, the Bank will have reviewed its processes to incorporate sustainability factors and principal adverse impacts in its investment decisions / personal investment recommendations.

In the meantime, the Bank will continue to invest / recommend all types of investment funds without any preference:

- ✓ Article 6 funds - covers funds which do not integrate any kind of sustainability into the investment process and could include stocks currently excluded by ESG funds such as tobacco companies or thermal coal producers. While these will be allowed to continue to be sold in the EU, provided they are clearly labelled as non-sustainable, they may face considerable marketing difficulties when matched against more sustainable funds.
- ✓ Article 8 funds - also known as ‘environmental and socially promoting’, applies “... where a financial product promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.”
- ✓ Article 9 funds - also known as ‘products targeting sustainable investments’, covers products targeting bespoke sustainable investments and applies “... where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark.”

More information regarding the regulation on sustainability-related disclosure in the financial services sector can be obtained from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector_en