



# Disclosure on the implementation of the requirements of Article 4 (1) of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector regarding the transparency of adverse sustainability impacts at entity level

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## **1. Legal framework**

Preval S.A. (hereinafter „Company“) is a management company authorised by the Luxembourg supervisory authority "Commission de Surveillance du Secteur Financier" pursuant to Chapter 15 of the Luxembourg law of 17 December 2010 on undertakings for collective investment (hereinafter "UCI Law") and is also authorised as an alternative investment fund manager pursuant to the Luxembourg law of 12 July 2013 on alternative investment fund managers (hereinafter "AIFM Law").

Within the scope of its regulatory authorisation, the Company manages funds that qualify as undertakings for collective investment in transferable securities ("UCITS") or alternative investment funds ("AIF") (hereinafter "investment funds").

### **Sustainability-related disclosures in the financial services sector**

On 27 November 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector (hereinafter "SFDR") was published and entered into force on 10 March 2021.

The main objective of the SFDR is to create transparency on:

- how sustainability risks are considered in the management of investment funds; and
- if principal adverse impacts of investment decisions on sustainability factors ("comply or explain") are considered in the management of investment funds.

These transparency requirements apply in principle to both the Company and the managed investment funds.

## **2. Purpose of the policy**

This policy describes the Company's decision with respect to the requirements of article 4 (1) SFDR regarding the consideration of principal adverse impacts of investment decisions on sustainability factors.

### **3. Principal adverse impacts – Regulatory framework & context**

#### **Principal adverse impacts – Context of the SFDR**

Principal adverse impacts are to be understood as those impacts of investment decisions that result in negative effects on sustainability factors (recital 20 of the SFDR). The SFDR is requiring both, the Company as well as the managed investment funds, in article 4 (1) respectively 7 of the SFDR to decide if PAIs are to be considered.

There are no further clarifications or definitions to be found in the SFDR with respect to the concept of principal adverse impacts.<sup>1</sup>

#### **Principal adverse impacts – Link with sustainability factors and sustainability indicators**

According to article 2 (24) SFDR sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. For each sustainability factor different underlying sustainability indicators can in principle be identified (e.g. carbon footprint, wage equality, compliance with the requirements of the General Data Protection Regulation, Regulation (EU) 2016/679).

The SFDR neither defines a mandatory list of sustainability indicators to be considered nor for which sustainability indicators principal adverse impacts are applicable.

### **4. Decision regarding PAI consideration at entity level**

The Company has chosen for the time being not to consider principal adverse impacts of investment decisions on sustainability factors, after having taken into consideration the managed investment funds (i.e. nature of the invested assets, classification with respect to the SFDR and non-sustainable investment strategies) as well as the inherent limitations with respect to information and data regarding principal adverse impacts of investment decisions on sustainability factors.

### **5. Policy review**

The Company expects to conclude its first reassessment regarding the future consideration of principal adverse impacts of investment decisions on sustainability factors, before the Regulatory Technical Standards with regard to the content, methodologies and presentation of disclosures pursuant to article 2a (3), article 4 (6) and (7), article 8 (3), article 9 (5), article 10 (2) and article 11 (4) of the SFDR shall be applied.

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<sup>1</sup> Further clarifications will be provided by the Regulatory Technical Standards with regard to the content, methodologies and presentation of disclosures pursuant to article 2a (3), article 4 (6) and (7), article 8 (3), article 9 (5), article 10 (2) and article 11 (4) of the SFDR. These Regulatory Technical Standards are expected to be applied as from 1 January 2022.