



SUSTAINABLE FINANCE DISCLOSURES REGULATION (SFDR)

eToro Disclosures

1. General background

The Sustainable Finance Disclosure Regulation ("SFDR") introduces disclosure obligations for manufacturers of financial products toward end-investors. The SFDR requires relevant firms to disclose how it integrates sustainability into investment processes and how it considers the adverse impacts of investments on sustainability factors.

SFDR applies to financial market participants who provide portfolio management.

eToro Europe Ltd provides CopyPortfolio and CopyTrading services which amount to portfolio management under MiFID and therefore eToro is required under SFDR to make certain disclosures which are set out in this document.

However in each of the following disclosures eToro makes it clear how the SFDR obligations apply, if at all, to both the CopyTrading and CopyPortfolio services.

2. Entity level disclosures

- A) **As per SFDR Article 3:** Financial market participants shall publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process.

Disclosure: eToro considers the impact of sustainability on the markets it operates in, as well as the products and services it offers. However eToro does not have its own policy on the integration of sustainability risks into investment decision making processes. "Sustainability risk" under SFDR means, "an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment".

For the purpose of **CopyTrading services** eToro does not have discretion over the investment decisions made by Copy Accounts and therefore does not integrate sustainability risk into investment decisions.

For the purpose of **CopyPortfolio services** eToro does not integrate sustainability risk into its decisions regarding the composition of its copy portfolios although it will monitor this position in light of any increase in demand for green or sustainable portfolios.



- B) **As per SFDR Article 4:** Financial market participants shall publish and maintain on their websites:
- (a) where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available;
 - or
 - (b) where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.

Disclosure: Whilst eToro supports the objectives of SFDR with respect to transparency of reporting against relevant quantitative metrics in respect of portfolio investments, we do not currently consider principal adverse impacts of any investment decisions on the environment and society, as defined by SFDR.

For the purpose of **CopyTrading services** eToro does not have discretion over the investment decisions made by Copy Accounts and therefore does not consider principal adverse impacts.

For the purpose of **CopyPortfolio services** we do not consider principal adverse impacts regarding the composition of any portfolio. This position is based on our assessment that many of the required metrics in the draft legislation are not readily available and are not relevant to investors.

Nevertheless, eToro does consider the general impact that our investment activities have on the environment and society (as explained further below and in our disclosure on the integration of sustainability risk above) and our position with respect to SFDR disclosure will be kept under review.

- C) **As per SFDR Article 5:** Financial market participants and financial advisers shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks, and shall publish that information on their websites.

Disclosure: eToro's remuneration policy is consistent with, and promotes, sound and effective risk management. It does not promote risk taking which is inconsistent with the risk profile of the products or services that eToro provides. The remuneration policy does not explicitly take into account sustainability risks. However, the policy applies the principle of effective risk management to sustainability risk in the same way that it does to other forms of risk.





3. Product level disclosures

A) **As per SFDR Article 6:** Financial market participants shall include descriptions of the following in pre-contractual disclosures:

- (a) the manner in which sustainability risks are integrated into their investment decisions; and
- (b) the results of the assessment of the likely impacts of sustainability risks on the returns of the financial products they make available. Where financial market participants deem sustainability risks not to be relevant, the descriptions referred to in the first subparagraph shall include a clear and concise explanation of the reasons therefore.

Disclosure:

For **CopyTrader products** eToro does not have discretion over the investment decisions made by Copy Accounts and therefore does not integrate sustainability risks into investment decisions. eToro therefore cannot make an assessment as to the likely impacts of sustainability risks on the returns of the product because it does not have discretion over the investment decisions of the Copy Accounts.

For **CopyPortfolio products** eToro does not integrate sustainability risks into its decisions regarding the composition of any portfolio and a description of the results of a risk assessment into the likely impacts of sustainability risks on the returns of the copy portfolio.

B) **For SFDR Article 8:** 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, the information to be disclosed pursuant to Article 6(1) and (3) shall include the following:

- (a) information on how those characteristics are met;
- (b) if an index has been designated as a reference benchmark, information on whether and how this index is consistent with those characteristics.

Disclosure: N/A – we do not consider that eToro's CopyTrader or CopyPortfolio products will be classified as in-scope of Article 8 at this time.

C) **For SFDR Article 9:** Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark, the information to be disclosed pursuant to Article 6(1) and (3) shall be accompanied by the following:

- (a) information on how the designated index is aligned with that objective;
- (b) an explanation as to why and how the designated index aligned with that objective differs from a broad market index.



Disclosure: N/A – we do not consider that eToro's CopyTrader or CopyPortfolio products will be classified as in-scope of Article 9 at this time.