

## Central Bank Announces New Filing Process for SFDR Update

The Central Bank of Ireland (the “Central Bank”) has announced a new process to comply with the new Commission Delegated Regulation (EU)2023/363 (the “Updated Regs”). This regulation was created to correct and amend the regulatory technical standards outlined in Commission Delegated Regulation (EU) 2022/1288. It alters the standards regarding disclosures in pre-contractual documents and periodic reports for financial products investing in green economic activities.

### Background

The European Parliament and European Council’s Regulation (EU) 2019/2088, known as the Sustainable Finance Disclosure Regulation (“SFDR”) requires financial advisers and market participants to make precontractual and continual disclosures about sustainability risks, adverse sustainability impacts, and the promotion of environmental or social characteristics to end investors. This is relevant to Alternative Investment Fund Managers (AIFMs) and UCITS management companies.

### Defining SFDR Level 1 and 2

On March 10, 2021, the SFDR Level 1 requirements became effective. These disclosures are entity level disclosures – they require information about Financial Market Participants (FMP) policies and prioritise negative sustainability impacts. Firms and companies must report on the portfolio companies as well as the sectors they are investing in. More recently, on January 1, 2023, the SFDR Level 2 requirements came into effect. This required asset managers to disclose or otherwise address key Principle Adverse Impacts (PAIs), which is composed of a list of sustainability factors including human rights, biodiversity, greenhouse gas emissions, etc.

### The updated Regs

The Updated Regs supplemented the SFDR and Commission Delegated Regulation (EU) 2022/1288. This supplementary regulation specified further details pertaining to the concept of “do no significant harm” which was a prevalent

principle in the original regulation. To expand, the “do no significant harm” principle means that not only does the investment positively contribute to an environmental or social objective, but also it must prove it does no significant harm to any of the environmental or social objectives.

### Central Bank’s Response

To facilitate compliance with the Updated Regs, the Central Bank has created an efficient filing process for pre-contractual document updates. It will be the responsibility of relevant managers to UCITS and fund AIFMs to ensure compliance with these requirements. With the streamlined system that the Central Bank is implementing, the quality of the disclosures will not be compromised as when updated documentation is filed with the Central Bank, firms will need to ensure and attest that the amendments fall in line with the Updated Regs as well as SFDR Level 1, SFDR Level 2 and the Taxonomy Regulation. In addition, any amendments made to the investment strategy/policy must be consistent with the disclosure changes highlighted above.

### Timeline

This Regulation was published on February 17, 2023, and will come into force on February 20, 2023. It is accordingly important that filings are submitted to the Central Bank as soon as possible.

### How Clerkin Lynch Can Help

Clerkin Lynch’s asset management team can advise and guide clients on the evolving SFDR requirements and new regulations to help ensure related compliance regarding financial products.



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