



Legal Update

Consultation on Issues with SFDR Implementation

The Sustainable Finance Disclosures Regulation ("SFDR") has been applicable since March 2021 and requires financial market participants and financial advisers to make various disclosures at both entity and product level. However, this regime has not been without criticism and there is still some uncertainty in relation to compliance with various aspects of it. This consultation by the European Commission will accordingly run until 15 December 2023 to request feedback on key SFDR compliance issues.

Background

The SFDR, the sustainability reporting regime for the financial services industry, was the first of many important EU sustainable finance policy measures. The regime promotes transparency of sustainability risk and impact management practices as well as sustainable product features. Since the implementation of the SFDR in 2021, the SFDR has however generated various compliance issues. These include legal uncertainty, data gaps and greenwashing risks. There are also concerns about a lack of focus on transition based-investments strategies under the regime. As a result of these problems the European Commission is undertaking an assessment of the regime with the view of adopting amendments in 2024.

SFDR alterations under consideration

This consultation aims at gathering information from a wide range of stakeholders on their experiences with the implementation of the SFDR. The aim is to more fully understand how the SFDR has been implemented and any potential shortcomings as well as exploring possible options to improve the framework. Proposals to be taken

into consideration with industry feedback include a new EU sustainable product labelling regime, the streamlining of entity-level PAI disclosures within both the SFDR and across the EU sustainable finance measures, and the application of SFDR product level disclosures to all products.

Next Steps

Feedback from this SFDR consultation is requested by 15 December 2023 and the European Commission expects to adopt and implement acceptable proposals for amendments from stakeholders received in Quarter 2 of 2024.

How can Clerkin Lynch help?

The asset management team of Clerkin Lynch assist clients to ensure compliance with SFDR legislative requirements by preparing related disclosures as well as underlying policies and procedures. Clerkin Lynch can assist clients with responses to this consultation and keep them informed as to any new requirements that may emerge from this consultation or otherwise.



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