

MEMO# 32806

October 5, 2020

EU ESG: European Commission Confirms Delay of SFDR Level 2 Requirements

[32806]

October 5, 2020 TO: ICI Global Members

ESG Task Force (Global)

EU ESG Disclosure Regulation Working Group SUBJECTS: Disclosure

ESG

International/Global

Investment Advisers

MiFID, EMIR, AIFMD, UCITS V RE: EU ESG: European Commission Confirms Delay of SFDR Level 2 Requirements

The European Commission has confirmed in the attached letter that the level 2 requirements for the EU's Sustainable Finance Disclosure Regulation (SFDR)[\[1\]](#) 'will become applicable at a later stage.' We understand the Commission is still determining the revised compliance date (likely to be January 2022).

This delay applies only to the level 2 Regulatory Technical Standards (RTS) that the SFDR level 1 text directs the European Supervisory Authorities (ESAs) to draft for certain SFDR provisions.[\[2\]](#) The RTS will add extensive detail to the level 1 legislative requirements. The ESAs intend to submit the final RTS to the Commission in January 2021. Although the Commission is delaying the application of the RTS, the [level 1 legislative requirements](#) will still apply as of the existing application dates in the SFDR (beginning on 10 March 2021).

The Commission's letter notes that financial market participants will need to comply with SFDR 'Level 1 general principles of sustainability-related disclosures in three distinct areas' as follows:

- **Website and prospectus disclosure of integration of sustainability risks** (Arts. 3, 5, 6): The Commission states that 'financial market participants, in accordance with applicable sectoral legislation, have to consider already now sustainability risks in their internal processes. The Regulation requires transparency in this respect, with no further details in regulatory technical standards.' The compliance date is **10 March 2021**.
- **Website and prospectus disclosure for ESG funds** (Arts. 8 and 9): The Commission notes that product manufacturers 'have to already now describe in product documentations how the bespoke levels of sustainability are achieved. Therefore, the manufactures should already now comply with the disclosure principles

set out in Articles 8 and 9 of the Regulation, respectively.’ The compliance date is **10 March 2021**.

- **Website disclosure of entity-level adverse sustainability impacts** (Art. 4): The Commission states that ‘numerous financial market participants already now comply with the non-financial reporting requirements under Directive 2013/34/EU [the Accounting Directive] or adhere to international standards and might consider using that information.’ The initial ‘comply-or-explain’ compliance date is **10 March 2021**. Asset managers subject to the mandatory disclosure provision (Art. 4(3)) must disclose from **30 June 2021**.

We will keep you apprised of any further developments.

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[Attachment](#)

endnotes

[1] REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector, *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088&from=EN#d1e40-1-1>. A ‘Regulation’ is legislation that has binding legal force throughout every EU Member State and enters into force on a set date in all the Member States.

[2] The ESAs released a consultation in April 2020 with proposed RTS. A summary of the consultation is available at https://www.ici.org/my_ici/memorandum/memo32441. ICI Global’s response is available at https://www.ici.org/my_ici/memorandum/memo32734.