

# CBI update on ESG Names for Funds

The Central Bank of Ireland (the “CBI”) has today, 21<sup>st</sup> October 2024, published its notice of intention with regard to the application of the Guidelines from the European Securities and Markets Authority (“ESMA”), the lead regulatory authority in the European Union, on funds’ names using ESG or sustainability-related terms (the “Final Report”). The CBI has clarified in this that it expects full compliance with the Final Report from 21<sup>st</sup> November 2024.

### Background

ESG has been a key focus of ESMA in recent years in particular following the adoption of related legislation such as the Sustainable Finance Disclosures Regulation (“SFDR”). However, financial services firms creating new fund products to meet perceived investor demand for more environmentally conscious and sustainable investments raised concerns relating to “green washing”. Accordingly, on 18 November 2022 ESMA launched a consultation on fund names using ESG or sustainability terms and subsequently issued the Final Report. The objective of the Final Report was to ensure that investors are not misled by unsubstantiated or exaggerated sustainability claims in fund names. It provides asset managers with clear and measurable criteria to determine where it is appropriate to use ESG or sustainability-related terms in fund names.

### New Requirements

The Final Report provides that to be able to use certain key terms, a minimum threshold of 80% of investments must meet environmental, social

characteristics or sustainable investment objectives. The Final Report also provides for exclusion criteria based on relevant benchmarks for specific terms used in fund names, e.g.:

- “Environmental”, “Impact” and “sustainability”-related terms:
- “Transition, “Social” and “Governance”-related terms:

### Next Steps

The Central Bank of Ireland intends to consult on the incorporation of related provisions in the Central Bank UCITS Regulations and AIF Rulebook. However it has clarified that in the interim, it expects full compliance with the Guidelines from 21 November 2024.

### How Clerkin Lynch Can Help

Clerkin Lynch’s asset management team have a keen focus on ESG related topics pertaining to the funds industry and are well placed to advise on related compliance, including in relation to the Final Report. Contact us for more information.



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