

CBI updates Fund ESG Name Changes

The Central Bank of Ireland (the “CBI”) has issued a process clarification document (the “Clarification”) with details of amendments to its proposed streamlined approach to facilitate compliance with the Guidelines from the European Securities and Markets Authority (“ESMA) on funds’ names using ESG or sustainability-related terms (the “Final Report”). Essentially this will permit additional minor changes to offering documentation made solely for the purpose of compliance with the Final Report. This follows the publication by the CBI on 21st October 2024 of its notice of intention outlining its expectations regarding the Final Report and industry feedback.

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, new fund products established 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 criteria to determine when 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 and Process Clarification

The CBI has clarified that it expects full compliance with the Final Report from 21 November 2024. The Clarification includes a Q&A explaining the supporting documents required (e.g. manager or board attestations) and the process to be followed.

How Clerkin Lynch Can Help

The Clerkin Lynch team have a keen focus on ESG related topics for funds and advise on related compliance, including in relation to the Final Report. Contact us for more information.



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