

Asset Management & Investment Funds Update

October 2022



Revised SFDR L2 Disclosure Templates

On 30 September 2022, the European Supervisory Authorities (**ESAs**) published regulatory technical standards (**RTS**) amending SFDR Level 2, including the pre-contractual and periodic disclosure templates for Article 8 and 9 funds annexed to Level 2.

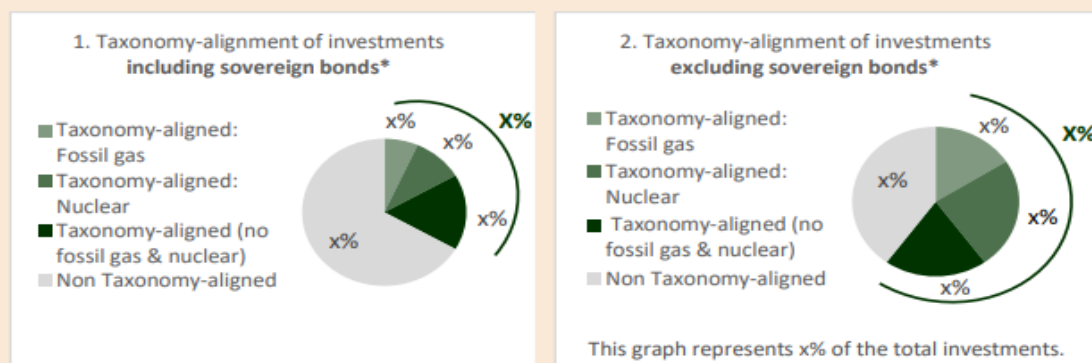
Key changes

The RTS amend Level 2 to require pre-contractual, website and periodic disclosures of the portion of any Taxonomy-aligned investments in fossil gas and nuclear activities by those funds subject to the Taxonomy disclosure rules (i.e., Article 8 funds with environmental characteristics and Article 9 funds with environmentally sustainable investments). Such amendments, which were [requested by the Commission](#), were deemed necessary following the inclusion of these activities in the Taxonomy and to ensure investor awareness of the extent of funds' exposure to these activities.

As depicted in the extract below from the revised pre-contractual disclosure template for Article 8 funds, the RTS require a breakdown of any Taxonomy-aligned commitment highlighting any commitment to invest in environmentally sustainable fossil gas or nuclear activities.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

[only include in the graphs the figures for Taxonomy aligned fossil gas and/or nuclear energy as well as the corresponding legend and the explanatory text in the left hand margin if the financial product makes investments in fossil gas and/or nuclear energy]



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

The same pre-contractual disclosures are required for Article 9 funds with environmentally sustainable investments. Similar disclosures are required in the periodic templates to highlight the portion of any Taxonomy-aligned investment holdings in environmentally sustainable fossil gas and nuclear activities.

Other changes

The ESA RTS include a 'technical change' to the Level 2 rules for Article 8 funds' periodic disclosure of the level of Taxonomy-aligned holdings, to clarify that the such disclosures are not contingent on the disclosure of a pre-contractual commitment to invest in Taxonomy-aligned activities. This change follows the clarification in the [Commission's May 2022 SFDR Q&A](#) that the Taxonomy requires periodic disclosures by Article 8 funds with environmental characteristics 'irrespective of commitments made in the pre-contractual disclosure'. Notably, however, the Commission also clarified that where such funds' investments change over time to include Taxonomy-aligned investments, that change should be reflected in the pre-contractual document.

Further typographical errors and inaccurate cross-references have also been corrected by the ESAs draft RTS.

Timing

The ESAs have not included an effective date for the draft RTS, which they note is a matter for the Commission to determine. However, as 1 January 2023 has been fixed as the effective date of the changes to the Taxonomy to include fossil gas and nuclear activities there is every possibility that the Commission will seek to adopt and apply the draft RTS as a matter of urgency.

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