



Asset Management & Investment Funds Update

May 2022

SFDR Level 2 set to be revised in 2023

On 8 April 2022, ESMA published a request received from the Commission for advice on amending the (yet to be finalised and enter into effect) SFDR Level 2 measures. Draft SFDR Level 2 measures were adopted by the Commission on 6 April 2022 and are scheduled to take effect on 1 January 2023. However, the Commission has already asked the European Supervisory Authorities (the **ESA**) to recommend amendments to the draft SFDR Level 2 measures to take account of:

1. the inclusion of nuclear and fossil fuel gas activities in the Taxonomy technical screening criteria for climate-related activities.

On 9 March 2022, the Commission adopted a Taxonomy Complementary Climate Delegated Act on climate change mitigation and adaptation covering gas and nuclear activities. As a result, the Commission intends amending SFDR Level 2 to require funds in scope of Articles 8 or 9 to make disclosures about their investments in fossil gas and nuclear energy activities

2. a review of the principal adverse impact indicators (the **PAIs**) and product-level SFDR disclosures which the Commission has invited the ESA to undertake.

In this regard, the Commission has requested the ESA to:

- a. *'streamline and develop further the regulatory framework*
- b. *consider extending the lists of universal indicators for PAIs*
- c. *refine the content of all the indicators for adverse impacts and their respective definitions, applicable methodologies, metrics and presentation*
- d. *propose amendments regarding decarbonisation targets and consider whether products making Taxonomy-aligned investments sufficiently address the disclosure and information on Taxonomy-aligned activities.'*

Next Steps

The ESA are requested to submit advice in respect of (1) above by 30 September 2022 and in respect of (2) above by 28 April 2023. On receipt of the ESA's advice, the Commission intends to make amendments to the currently drafted SFDR Level 2 measures. While no specific timeline for such amendments has been published, the Commission's request to the ESA confirms the *'particular urgency'* of such amendments and requests the ESA to use expedited processes to provide the requested advice. As such, it can be anticipated

that the amendments will be progressed promptly on receipt by the Commission of the ESA advice and in all likelihood in the course of 2023.

WILLIAM FRY

DUBLIN | CORK | LONDON | NEW YORK | SAN FRANCISCO | SILICON VALLEY

William Fry LLP | T: +353 1 639 5000 | E: info@williamfry.com

[williamfry.com](http://www.williamfry.com)

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