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# Joint Committee of ESAs statement on application of SFDR

**March 3, 2021**

On 25 February 2021, the Joint Committee of the European Supervisory Authorities ("**ESAs**") published a joint supervisory statement ("**Joint Statement**") on the application of the Sustainable Finance Disclosure Regulation ((EU) 2019/2088) ("**SFDR**" or "**Disclosure Regulation**"). The overall objective of the Joint Statement is to achieve an effective and consistent application and national supervision of the SFDR that promotes a level playing field and investor protection.

While the majority of the SFDR requirements will start to apply from 10 March 2021, the application of the supporting regulatory technical standards ("**RTS**" or "**Level 2**"), which provide content, methodologies and presentation of disclosures pursuant to the Disclosure Regulation, have not been adopted yet and are currently expected to apply from 1 January 2022.

The Joint Statement encourages firms in scope of the SFDR and regulators in the EEA-Member States to refer to the draft RTS requirements in the interim period from 10 March 2021 to 1 January 2022, even though the draft RTS may be subject to change in the legislative adoption process.

The Joint Statement also provides guidance on the application of timelines of some specific provisions of the SFDR, including the application timeline for entity-level principal adverse impact disclosures and for financial products' periodic reporting. In addition, it includes a summary table of the relevant application dates of the SFDR, its related RTS and the Regulation on the establishment of a framework to facilitate sustainable investment ((EU) 2020/852) ("**Taxonomy Regulation**").

The recommendation to consider the draft Level 2 requirements as a reference point before its application is a novel approach which could lead to uncertainty and additional issues for firms to consider, that so far only focused on the high-level requirements as contemplated under the SFDR becoming effective from 10 March 2021. While the Joint Statement does not set a strict requirement to conform to the draft Level 2 requirements at this stage, firms should be taking the necessary steps to start complying with these requirements sooner rather than later, on the basis that regulators may expect firms to be implementing where possible, the relevant measures before 1 January 2022.

**Related Professionals**


- **John Verwey**
  Partner
- **Michael Singh**
  Associate