

# The Briefing Report

ESG's impact on the fund industry

## UK to diverge from the SFDR

The UK is going its own way on sustainable finance disclosure. It will be implementing the recommendations of its Taskforce on Climate-related Financial Disclosures (TCFD). It seems that it will ignore the EU's SFDR which it looked like implementing until this announcement was made, in early November.

One of the most significant ways in which the UK will diverge from the EU is in its timetable for sustainable disclosure. The UK's aim – in line with the government's 2019 Green Finance Strategy – is not to make TCFD-aligned disclosures mandatory across the UK until 2025. However, a number of requirements will be brought in before then, but not until 2023.

Meanwhile the EU's Sustainable Finance Disclosure Regulation (SFDR) imposes mandatory ESG disclosure obligations for asset managers, private banks and other financial markets participants next March, 2021. The much-discussed Level 2 of the SFDR, the onerous part of it, has been put back to early 2022, as the Briefing Report covered last month. But that is still a year before the UK brings in its first, early requirements, which may not be mandatory at that stage. And it is three years before the last of the UK's sustainable finance disclosure deadlines (which will be mandatory).

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## ESMA's dangerous ESG strategy

ESMA's Executive Director, Verena Ross, has set out the authority's twin track strategy to enhance ESG investor protection in the EU and promote sustainability. What ESMA is doing is exceptionally complex and perhaps beyond its capabilities.

It appears that ESMA is planning to take on responsibilities normally reserved for experienced experts in sustainability. It is also wading into waters where there isn't always a simple right and wrong answer.

Before looking at why what ESMA is doing might be beyond its capabilities it is important to focus on what the authority wishes to do with regard to ESG. Following are extended highlights of Verena Ross's address to the AIMA Global Policy & Regulatory Forum on 19 November.

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