

Sustainable finance update

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An extensive overview of regulatory developments in the first half of 2023 in the field of sustainable finance also relevant for credit institutions and MiFID firms is provided in the Asset management and investment funds section of this newsletter under this link.

The relevant instruments discussed include the EU Commission's Sustainable Finance Package published in June 2023, new regulatory guidance regarding the application of the Taxonomy Regulation and SFDR, and ESMA updates regarding MiFID suitability requirements and product governance rules.

In addition, the following developments are specifically worth mentioning:

- Publication of the CSSF's supervisory priorities in the area of sustainable finance in a Communiqué of 6 April 2023

As far as **credit institutions** are concerned, the CSSF indicates that its actions will focus on the supervision of relevant disclosures, the integration and mitigation of climate-related and environmental risks (see also the self-assessment exercise discussed below), and an understanding of where the industry stands as to the practical implementation of the MiFID rules relating to sustainability.

With respect to **MiFID firms**, priorities are similar: assessment of SFDR disclosures, supervision of ESG risks with a priority focus on their recognition in strategies and governance arrangements as well as implementation of MIFID ESG requirements.

Finally, for **issuers**, the CSSF refers to the European common enforcement priorities ("**ECEPs**") identified at EU level and, in particular, the fact that climate-related matters are a priority for both IFRS and non-IFRS reporting.

- CSSF self-assessment exercise 2022 related to Circular CSSF 21/773 on climate-related and environmental risks for Luxembourg credit institutions and third-country branches

In June 2023, the CSSF presented the outcome of the self-assessment exercise 2022 with respect to the application of Circular CSSF 21/773 on climate-related and environmental risks (see link to overview slides here). The CSSF notes, in particular, that although all banks have started to adapt

their practices, demonstrating a widespread awareness of climate-related and environmental ("CR&E") risk drivers, significant progress is still necessary to comply with CSSF expectations. An overview is given of identified best practices. A new self-assessment questionnaire was sent to 14 banks for completion by 30 September 2023.

- First draft of CSRD reporting standards published

On 5 January 2023, the Corporate Sustainability Reporting Directive ("CSRD") entered into force (read more here on the adoption of CSRD, its requirements and impact timeline). In-scope companies will have to report ESG data in accordance with European Sustainability Reporting Standards ("ESRS") to be adopted by the EU Commission by means of a delegated act. On 9 June 2023, the draft delegated regulation containing these ESRS was published. It is currently subject to public consultation.

For any further information please contact us or visit our website at www.elvingerhoss.lu.

The information contained herein is not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific legal advice concerning particular situations.

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