

ARENDT IS BY YOUR SIDE

Sustainability-related fund names

Arendt's comprehensive service offering helps you comply with the ESMA guidelines on funds' names.

Why do you need to assess?

On 14 May 2024, ESMA released its Final Report on Guidelines on funds' names using ESG or sustainability-related terms (Guidelines) with the aim of ensuring that these names are "fair, clear and not misleading".

The Guidelines apply to UCITS management companies, AIFMs and MMF managers, among others, irrespective of the fund's SFDR classification and whether it is open- or closed-ended.

In-scope funds with ESG/sustainability-related terms are impacted by the Guidelines and are left to choose from two options, namely to either (i) comply with the requirements set in the Guidelines on an ongoing basis or (ii) change their name.



What are the requirements?

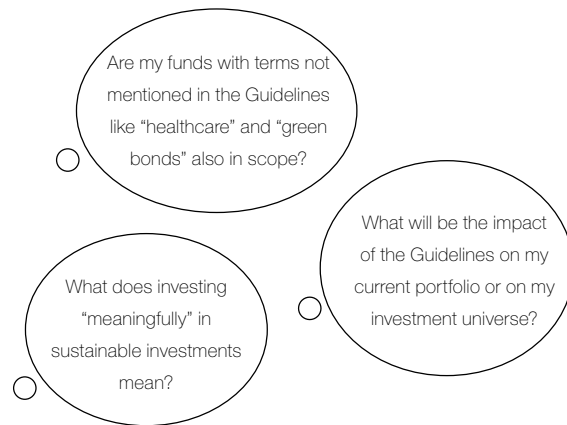
The Guidelines distinguish between different categories of ESG/sustainability-related terms that trigger various requirements in order for their use to be permitted, from the minimum quantitative investment threshold required for all categories of terms to mandatory exclusions and other additional requirements triggered by specific categories of terms.

When terms are combined, the requirements apply cumulatively, with one exception for transition-related terms.

	Categories of terms				
	Sustainable	Environmental	Impact	Social/Governance	Transition
Examples of terms provided in the Guidelines	"Sustainable" "Sustainably" "Sustainability"	"Green" "Environmental" "Climate" "ESG" "SRI"	"Impact" "Impacting" "Impactful"	"Social" "Governance" "Equality" "Controversies"	"Transitioning" "Transitional" "Progress" "Evolution" "Improve" "Net-zero"
Minimum requirement	At least 80% of investments used to meet E/S characteristics or sustainable investment objective(s) in accordance with the binding elements of the investment strategy				
Exclusion requirement	PAB ¹	PAB	PAB	CTB ²	CTB
Additional requirement	To invest "meaningfully" in sustainable investments		To generate a positive and measurable social or environmental impact alongside financial return		To be on a clear and measurable path to social or environmental transition

¹ PAB exclusion stands for the Paris Aligned Benchmark exclusion list referred to in Article 12(1)(a) to (g) of CDR (EU) 2020/1818

² CTB exclusion stands for the Climate Transition Benchmark exclusion list referred to in Article 12(1)(a) to (c) of CDR (EU) 2020/1818



How can Arendt help?

1. Gap Analysis

- We identify impacted funds that have ESG/sustainability-related terms in their names.
- We assist with deciding on the best treatment for ambiguous terms based on our market intel and extensive experience with national regulators.
- We assess the current strategy/commitments in funds' SFDR disclosures, and any supporting ESG-related documents to assess the funds' alignment with the requirements of the Guidelines.
- We propose remedial action(s) in the event of misalignment/discrepancy.

2. Portfolio Screening

We examine the current portfolio of your impacted funds using a third-party tool to verify its compliance with the applicable exclusions (PABs or CTBs). Irrespective of the results of the gap analysis step, the screening can be used for:

- Compliant impacted funds to confirm the results of the gap analysis,
- Non-compliant impacted funds to analyse the impact on the current portfolio (or investment universe) and the feasibility of the proposed remedial action(s).

3. Implementation of changes

Based on the selected remedial action(s), we implement the necessary changes in the impacted funds' disclosures, ensuring, among others, that:

- Any changes are correctly reflected across the relevant sections

of the SFDR Annex and/or the pre-contractual document; and,
- Any changes in the exclusion lists do not create overlaps and are consistent with any other existing exclusions.

4. Fund naming Policy

We design a fund naming policy in accordance with the Guidelines, setting the basis for firm-wide criteria to be applied. We help you design a policy that matches your internal processes, as well as the regulator's and European Authorities' expectations and market practice.

³ Please note that this service is only available for investments in listed companies and subject to data availability from third parties.

Why Arendt?

Local – Arendt's roots make it well versed in Luxembourg market and regulatory expectations.

Multilingual – In keeping line with its roots, Arendt is able to can operate in many different languages.

Experienced – Arendt has extensive knowledge of fund strategies in every asset class and has supported more than 2,250 Luxembourg-domiciled Article 8/9 products since SFDR entered into force.

Knowledgeable – Building on its expertise, Arendt works continuously to stay up to date on the latest SFDR-related developments and to provide in-depth market insights and knowledge on ESG practices.

Innovative – Arendt offers a full suite of in-house digital tools that aim to help you in a wide array of burdensome tasks, from the timely management and monitoring of ESG-related requirements to producing heavily formatted documents and assessing ESG risks and performance.

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Contact us

If you would like more information, please contact us at esg@arendt.com



Read more about our expertise