

10 July 2023

ESMA Launches a Common Supervisory Action (“CSA”) on Sustainability-Related Disclosures and the Integration of Sustainability Risks

1.0 Background and Scope

On 06 July 2023, the European Securities and Markets Authority (**ESMA**) [announced](#) the launch of a Common Supervisory Action (**CSA**) with EU and EEA National Competent Authorities (**NCAs**) on the integration of sustainability risks and disclosures of UCITS and Alternative Investment Funds (**AIFs**) across the EU.

Ensuring convergence in the supervision of risks stemming from incorrect and misleading disclosures is key to the effort to foster transparency in the fast-growing area of sustainable investment management products. ESMA believes this initiative, and the related sharing of practices across NCAs, will help improve the comprehensibility of ESG disclosures by Fund Managers across key segments of the sustainable finance value chain.

To this end, NCAs will be adopting a common CSA methodology developed by ESMA and will share knowledge and experiences on how to foster convergence in how they supervise sustainability related disclosure. Among the main objectives, this CSA aims to gather information on greenwashing risks and assess the appropriate application of relevant sustainability-related provisions¹ of a sample of Managers of UCITS and AIFs, including self-managed structures (hereunder collectively referred as "**Fund Managers**") under their supervision.

The CSA will be conducted during Q3 2023 and Q3 2024 and will be held in two stages. In the first stage of the CSA, NCAs will gather information and report on risks emanating from identified greenwashing risks at the entity and product level from Fund Managers based in their respective Member State, with the objective of identifying additional necessary

¹ [i] Sustainability Financial Disclosure regulation (“SFDR”) [Regulation (EU) 2019/2088];

[ii] Taxonomy Regulation [Regulation (EU) 2020/852];

[iii] Commission Delegated Regulation (EU) 2022/1288 supplementing the SFDR;

[iv] The sustainability provisions introduced in the Commission Delegated Regulation (EU) 2021/1255 and Commission Delegated Directive (EU) 2021/1270.

supervisory and regulatory intervention to address the issue. In the second stage, NCAs will carry out an in-depth supervisory analysis on sustainability-related disclosures and sustainability risk integration emanating from a sample of Fund Managers.

2.0 Next Steps

The Investment Services Supervision function within the Malta Financial Services Authority (“MFSA”) will shortly be contacting the selected Fund Managers with the aim to gather information and obtain supporting documents with respect to their sustainability practises and controls, with the objective to analyse the level of compliance of the local Investment Fund Management industry with sustainability-related disclosures and sustainability risk integration.

3.0 Contacts

Any queries in relation to this Circular are to be addressed to funds@mfsa.mt.