



Key takeaways from Central Bank Report on CSA on Sustainability Risks and SFDR Disclosures

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What has the Central Bank published?

On 23 October 2025, the Central Bank of Ireland (**Central Bank**) published its **feedback report** on the 2024 common supervisory action (**CSA**) carried out by ESMA, the Central Bank and other EU competent authorities on sustainability risks and SFDR disclosures (**Feedback Report**).

The Feedback Report details the Central Bank's findings and observations arising from its work on the CSA. Importantly, it also sets down the Central Bank's supervisory expectations for Irish UCITS management companies and AIFMs to action (**Irish Management Companies**).

It is worth highlighting at the outset that the Feedback Report is relevant to all Irish Management Companies (and not only those managing Article 8 funds or Article 9 funds) given that the CSA assessed compliance with all SFDR disclosure obligations as well as the manner in which sustainability risk has been integrated into those firms' operations and organisational structure.

What are some key takeaways from the Feedback Report for Irish Management Companies?

Consideration of Feedback Report by Board of Directors

The Central Bank has made clear that it expects the Feedback Report to be considered at board level and by relevant personnel within each Irish Management Company.

An assessment should be carried out to determine whether existing controls and processes align with the supervisory expectations outlined in the Feedback Report. This should include considering the good, below average and non-compliant practices identified in the related ESMA CSA report published in June 2025.

The Central Bank has not imposed a specific deadline by which this assessment must be carried out. However it has made clear that compliance with the key findings set out in the Feedback Report will be incorporated into its ongoing supervision of Irish Management Companies.

Robust frameworks must be in place to ensure SFDR disclosures are clear and not misleading

Unsurprisingly, the Central Bank expects that disclosures made in respect of Article 8 funds and Article 9 funds should allow investors to fully understand how the investment strategy described in the fund documentation aligns with the portfolio of assets held by the relevant fund.

Vague or ambiguous language must be avoided and disclosures should provide specific metrics, thresholds or key terms that can be quantifiably assessed.

In this regard, it is worth noting that the Central Bank used a proprietary ESG dashboard tool when performing the CSA which assessed whether pre-contractual disclosures aligned with, or were substantiated by, the underlying portfolio of the relevant fund. This will be used as a supervisory tool by the Central Bank on an ongoing basis.

Periodic documented review of SFDR disclosures is expected

It expects Irish Management Companies to regularly review and approve SFDR disclosures in pre-contractual, website and periodic disclosures to ensure that they are aligned and meet the requirements of the SFDR. These reviews should be documented and conducted on a periodic basis.

Irish Management Companies may therefore want to consider incorporating an SFDR Disclosures Review as part of their annual review processes.

Delegate Oversight

The Central Bank has identified certain instances where inadequate delegate oversight and control frameworks have been implemented by Irish Management Companies which placed an overreliance on delegate attestations.

Where a delegate is appointed by an Irish Management Company to manage a fund's portfolio, it must ensure that it has adequate independent oversight of the framework implemented by that delegate to allow the Irish Management Company to assess compliance with the requirements of the SFDR and to monitor

sustainability risks within each portfolio on an ongoing basis. This includes ensuring that it has access to sufficient information and underlying data to “proactively and independently assess fund compliance”.

Data Governance Framework

Recognising the key role that data plays in being able to substantiate ESG claims, the Central Bank expects that any data limitations or constraints should be identified and considered by Irish Management Companies “at the earliest stage of strategic planning and fund onboarding” so that they can satisfy themselves that they will be able to monitor fund compliance notwithstanding any such limitations or constraints.

Due diligence should be performed on the data itself and the data providers not only on the establishment of a fund but on an ongoing basis during the life of the fund. This is to ensure that data used to substantiate ESG-related claims is accurate, reliable and up to date.

It also noted that when challenged on potential misalignment of certain investments held by a fund with its disclosed investment strategies, certain firms were able to provide justifiable and credible rationales which were substantiated by other data sources.

Sustainability risk integration and monitoring

Irish Management Companies are expected to implement control frameworks which “support proactive and consistent sustainability risk monitoring across all the funds under management”.

Approaches to sustainability risk integration and monitoring identified by the Central Bank include:

- quarterly and ad-hoc sustainability risk reporting to the board and relevant sub-committees;
- the production of sustainability risk dashboards;
- inclusion of sustainability risk as an item in management frameworks; and
- integrating sustainability risk into the three lines of defence.

Resourcing requirements

The Central Bank expects that Irish Management Companies monitor their level of resourcing, skills, knowledge and expertise on an ongoing basis, taking into account the nature, scale and complexity of funds under management.

Upcoming reform of SFDR is no excuse for non-compliance

While the Central Bank acknowledges the European Commission's plans to overhaul the SFDR framework, it notes that such reforms will take time to develop and implement.

Pending any such reforms, Irish Management Companies must be as clear and transparent as possible in applying the SFDR, including considering how their disclosures will be understood by the end investor.

They must also continue to monitor SFDR developments and to the extent that updates to the SFDR are implemented or additional guidelines are published, these should be considered appropriately and without delay.

What next?

Irish Management Companies should assess existing control frameworks and SFDR disclosures against the supervisory expectations of the Central Bank as outlined in its Feedback Report to identify any action that may need to be taken to ensure alignment with those expectations.

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