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Targeted consultation on the implementation of the Sustainable Finance Disclosures Regulation (SFDR)

Fields marked with * are mandatory.

Introduction

The Sustainable Finance Disclosures Regulation (SFDR) started applying in March 2021 and requires financial market participants and financial advisers to disclose at entity and product levels how they integrate sustainability risks and principal adverse impacts in their processes at both entity and product levels. It also introduces additional product disclosures for sustainable financial products making sustainability claims.

This targeted consultation aims at gathering information from a wide range of stakeholders, including financial practitioners, non-governmental organisations, national competent authorities, as well as professional and retail investors, on their experiences with the implementation of the SFDR. The Commission is interested in understanding how the SFDR has been implemented and any potential shortcomings, including in its interaction with the other parts of the European framework for sustainable finance, and in exploring possible options to improve the framework.

The main topics to be covered in this questionnaire are:

1. current requirements of the SFDR
2. interaction with other sustainable finance legislation
3. potential changes to the disclosure requirements for financial market participants
4. potential establishment of a categorisation system for financial products

Sections 1 and 2 cover the SFDR as it is today, exploring how the regulation is working in practice and the potential issues stakeholders might be facing in implementing it. Sections 3 and 4 look to the future, assessing possible options to address any potential shortcomings. As there are crosslinks between aspects covered in the different sections, respondents are encouraged to look at the questionnaire in its entirety and adjust their replies accordingly.

Please note that::

- we advise you to **save your draft reply regularly** by clicking on the "**Save as draft**" button on the right side of the screen
- some questions of this online questionnaire are displayed only when a specific response is given to a previous question
- in order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-sfdr@ec.europa.eu

More information on

- this consultation
- the consultation document
- the related public consultation
- sustainability-related disclosure in the financial services sector
- the protection of personal data regime for this consultation

About you

* Language of my contribution

- ○ Bulgarian
- ○ Croatian
- ○ Czech
- ○ Danish
- ○ Dutch
- ● English
- ○ Estonian
- ○ Finnish
- ○ French
- ○ German
- ○ Greek
- ○ Hungarian
- ○ Irish
- ○ Italian
- ○ Latvian
- ○

- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

Angelica

* Surname

Thornquist Lavicka

* Email (this won't be published)

angelica.thornquist.lavicka@fondbolagen.se

* Organisation name

255 character(s) maximum

Swedish Investment Fund Association

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](). It's a voluntary database for organisations seeking to influence EU decision-making.

* Country of origin

Please add your country of origin, or that of your organisation.

Afghanistan	Djibouti	Libya	Saint Martin
Åland Islands	Dominica	Liechtenstein	Saint Pierre and Miquelon
Albania	Dominican Republic	Lithuania	Saint Vincent and the Grenadines
Algeria	Ecuador	Luxembourg	Samoa
American Samoa	Egypt	Macau	San Marino
Andorra	El Salvador	Madagascar	São Tomé and Príncipe
Angola	Equatorial Guinea	Malawi	Saudi Arabia
Anguilla	Eritrea	Malaysia	Senegal
Antarctica	Estonia	Maldives	Serbia
Antigua and Barbuda	Eswatini	Mali	Seychelles
Argentina	Ethiopia	Malta	Sierra Leone
Armenia	Falkland Islands	Marshall Islands	Singapore
Aruba	Faroe Islands	Martinique	Sint Maarten
Australia	Fiji	Mauritania	Slovakia
Austria	Finland	Mauritius	Slovenia
Azerbaijan	France	Mayotte	Solomon Islands

Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Benin
Bermuda
Bhutan
Bolivia
Bonaire Saint Eustatius and Saba
Bosnia and Herzegovina
Botswana
Bouvet Island
Brazil
British Indian Ocean Territory
British Virgin Islands
Brunei
Bulgaria
Burkina Faso
Burundi
Cambodia

French Guiana
French Polynesia
French Southern and Antarctic Lands
Gabon
Georgia
Germany
Ghana
Gibraltar
Greece
Greenland
Grenada
Guadeloupe
Guam
Guatemala
Guernsey
Guinea
Guinea-Bissau
Guyana
Haiti
Heard Island and McDonald Islands
Honduras
Hong Kong
Hungary

Mexico
Micronesia
Moldova
Monaco
Mongolia
Montenegro
Montserrat
Morocco
Mozambique
Myanmar/Burma
Namibia
Nauru
Nepal
Netherlands
New Caledonia
New Zealand
Nicaragua
Niger
Nigeria
Niue
Norfolk Island
Northern Mariana Islands
North Korea

Somalia
South Africa
South Georgia and the South Sandwich Islands
South Korea
South Sudan
Spain
Sri Lanka
Sudan
Suriname
Svalbard and Jan Mayen
Sweden
Switzerland
Syria
Taiwan
Tajikistan
Tanzania
Thailand
The Gambia
Timor-Leste
Togo
Tokelau
Tonga
Trinidad and Tobago

- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d’Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark

- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia

- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia

- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Field of activity or sector

- [ ] Accounting
- [ ] Auditing
- [ ] Banking
- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pension provision
- [ ] Investing
- [ ] Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- [ ] Financial advice
- [ ] Administration of benchmarks
- [ ] Providing of ESG data and/or ratings
- [ ] Structuring/issuance of securities
- [ ] Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Social entrepreneurship
- [x] Other
- [ ] Not applicable

*Please specify your activity field(s) or sector(s)

Investment funds (UCITS and AIFs).

*To which category do you mainly belong or do you mainly represent:

- ○ I am a financial market participant as defined in Article 2(1) of the Sustainable Finance Disclosure Regulation (SFDR)
- ○ I am a financial adviser as defined in Article 2(11) of SFDR
- ○ I am both a financial market participant as defined in Article 2(1) of the SFDR and a financial adviser as defined in Article 2(11) of SFDR
- ○ I am another type of financial undertaking that does not fall under th definition of financial market participant of the SFDR
- ○ I am a non-financial undertaking
- ○ I am a non-professional investor
- ○ I am a professional investor
- ○ I am a national authority or supervisor
- ○ I am an NGO
- ○ I am an ESG data and/or ratings provider

- ○ I am a benchmark administrator
- ○ I am an academic
- ◉ My organisation is none of the above

Where applicable, please indicate your assets under management (in million EUR):
(If not applicable, please indicate N/A)

	Your assets under management (in million EUR)
* Overall	-
* Products disclosing under Article 8	-
* Products disclosing under Article 9	-

* Your business is oriented:

- [x] predominantly towards professional investors
- [ ] predominantly towards retail investors
- [ ] equally to professional and retail investors

Please indicate your revenues, if applicable as published in your most recent financial statement (in million EUR):

-

Please indicate your balance sheet size, if applicable as published in your most recent financial statement (in million EUR):

-

* Do you have more than 500 employees on average during the financial year?

- [ ] Yes
- [x] No

* Will your organisation be subject to the reporting requirements under the Corporate Sustainability Reporting Directive (CSRD)?

(The CSRD requirements will apply to all large and all listed undertakings with limited liability (except listed micro-enterprises) according to categories defined in Article 3 of Directive 2013/34/EU (the Accounting Directive). Credit institutions and insurance undertakings with unlimited liability are also in scope subject to the same size criteria. Non-EU undertakings listed on the EU regulated markets and non-EU undertakings with a net turnover above EUR 150 million that carry out business in the EU will also have to publish certain sustainability-related information through their EU subsidiaries that are subject to CSRD (or - in the absence of such EU subsidiaries – through their EU branches with net turnover above EUR 40 million).

- [ ] Yes
- [x] No
- [ ] Don’t know / no opinion / not applicable

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, ‘business association, ‘consumer association’, ‘EU citizen’) country of origin, organisation name and size, and its**

transparency register number, are always published. Your e-mail address will never be published. Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- ○ **Anonymous**
  Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.
- ◉ **Public**
  Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

☑ I agree with the personal data protection provisions

Would you be available for follow-up questions under the contact information you provided above?

- ◉ Yes
- ○ No

Section 1. Current requirements of the SFDR

The EU's sustainable finance policy is designed to attract private investment to support the transition to a sustainable, climate-neutral economy. The SFDR is designed to contribute to this objective by providing transparency to investors about the sustainability risks that can affect the value of and return on their investments ('outside-in' effect) and the adverse impacts that such investments have on the environment and society ('inside-out'). This is known as double materiality. This section of the questionnaire seeks to assess to what extent respondents consider that the SFDR is meeting its objectives in an effective and efficient manner and to identify their views about potential issues in the implementation of the regulation.

We are seeking the views of respondents on how the SFDR works in practice. In particular, we would like to know more about potential issues stakeholders might have encountered regarding the concepts it establishes and the disclosures it requires.

Question 1.1 The SFDR seeks to strengthen transparency through sustainability-related disclosures in the financial services sector to support the EU's shift to a sustainable, climate neutral economy.

In your view, is this broad objective of the regulation still relevant?

- ○ 1 - Not at all
- ○ 2 - To a limited extent
- ○ 3 - To some extent
- ○ 4 - To a large extent
- ◉ 5 - To a very large extent
- ○ Don't know / no opinion / not applicable

Question 1.2 Do you think the SFDR disclosure framework is effective in achieving the following specific objectives (included in its Explanatory Memorandum and mentioned in its recitals):

Note: In this questionnaire we refer to the term ‘end investor’ (retail or professional) to designate the ultimate beneficiary of the investments in financial products (as defined under the SFDR) made by a person for their own account.

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Increasing transparency towards end investor with regard to the integration of sustainability risks	○	●	○	○	○	○
Increasing transparency towards end investor with regard to the consideration of adverse sustainability impacts	○	○	●	○	○	○
Strengthening protection of end investors and making it easier for them to benefit from and compare among a wide range of financial products and services, including those with sustainability claims	●	○	○	○	○	○
Channelling capital towards investments considered sustainable, including transitional investments (‘investments considered sustainable’ should be understood in a broad sense, not limited to the definition of sustainable investment set out in Article 2(17) of SFDR)	○	●	○	○	○	○

Ensuring that ESG considerations are integrated into the investment and advisory process in a consistent manner across the different financial services sectors	○	◉	○	○	○	○
Ensuring that remuneration policies of financial market participants and financial advisors are consistent with the integration of sustainability risks and, where relevant, sustainable investment targets and designed to contribute to long-term sustainable growth	○	○	○	◉	○	○

Question 1.3 Do you agree that opting for a disclosure framework at EU level was more effective and efficient in seeking to achieve the objectives mentioned in Question 1.2 than if national measures had been taken at Member State level?

- ○ 1 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree
- ○ 4 - Mostly agree
- ● 5 - Totally agree
- ○ Don’t know / no opinion / not applicable

Question 1.4 Do you agree that the costs of disclosure under the SFDR framework are proportionate to the benefits it generates (informing end investors, channelling capital towards sustainable investments)?

- ● 1 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree
- ○ 4 - Mostly agree
- ○ 5 - Totally agree
- ○ Don’t know / no opinion / not applicable

We are seeking the views of respondents on how the SFDR works in practice and the impact it has had.

Question 1.5 To what extent do you agree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The SFDR has raised awareness in the financial services sector of the potential negative impacts that investment decisions can have on the environment and/or people	○	○	○	◉	○	○
Financial market participants have changed the way they make investment decisions and design products since they have been required to disclose sustainability risks and adverse impacts at entity and product level under the SFDR	○	◉	○	○	○	○
The SFDR has had indirect positive effects by increasing pressure on investee companies to act in a more sustainable manner	○	○	○	○	◉	○

We would also like to know more about potential issues stakeholders might have encountered regarding the concepts that the SFDR establishes and the disclosures it requires.

Question 1.6 To what extent do you agree or disagree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Some disclosures required by the SFDR are not sufficiently useful to investors	○	○	○	○	●	○
Some legal requirements and concepts in the SFDR, such as 'sustainable investment', are not sufficiently clear	○	○	○	○	●	○
The SFDR is not used as a disclosure framework as intended, but as a labelling and marketing tool (in particular Articles 8 and 9)	○	○	○	○	●	○
Data gaps make it challenging for market participants to disclose fully in line with the legal requirements under the SFDR	○	○	○	○	●	○
Re-use of data for disclosures is hampered by a lack of a common machine-readable format that presents data in a way that makes them easy to extract	○	○	○	○	●	○
There are other deficiencies with the SFDR rules (please in text box following question 1.7)	○	○	○	○	○	○

Question 1.7 To what extent do you agree or disagree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The issues raised in question 1.6 create legal uncertainty for financial market participants and financial advisers	○	○	○	○	●	○
The issues raised in question 1.6 create reputational risks for financial market participants and financial advisers	○	○	○	○	●	○
The issues raised in question 1.6 do not allow distributors to have a sufficient or robust enough knowledge of the sustainability profile of the products they distribute	○	○	○	○	○	●
The issues raised in question 1.6 create a risk of greenwashing and mis-selling	○	○	○	●	○	○
The issues raised in question 1.6 prevent capital from being allocated to sustainable investments as effectively as it could be	○	○	○	●	○	○
The current framework does not effectively capture investments in transition assets	○	○	○	○	●	○
The current framework does not effectively support a robust enough use of shareholder engagement as a means to support the transition	○	○	○	●	○	○

Others	○	○	○	○	○	○

Please provide any additional explanations as necessary for questions 1.5, 1.6 and 1.7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The Swedish fund industry has a long tradition of considering various sustainability aspects in its investments. In the 1960s, fund management companies moved from excluding certain types of activities, using ethical exclusion strategies such as weapons and tobacco, to integrating environmental, social, and governance factors (ESG-factors) into their investment decisions in the 2020s. The focus has long been on environmental issues, but awareness has increased regarding social sustainability goals. In the past, this was seen as more of a hygiene factor, while now it is aimed at having a greater impact. Over time, there has been increased awareness and demand for sustainable financial products among Swedish investors. The awareness of investors and the fund industry's work on sustainability-related issues at the time of the SFDR's entry into force was a contributing factor to the fact that most Swedish funds started reporting under Article 8 without taking any action. We, therefore, believe that SFDR has had a limited direct impact on the Swedish fund industry's sustainability work.

The SFDR has led to an increased and more open debate about what is sustainable and what is not. We, therefore, believe that SFDR has had indirect positive effects on the fund industry, for example, by forcing investors to evaluate their sustainability preferences and choose financial products that suit these preferences. However, we believe that the definition of "sustainability preferences" under the regulatory framework is too difficult to understand for most investors. The requirement to obtain investors' sustainability preferences may still be considered to have contributed to a certain increase in demand for sustainable products that investors may not have been aware of before meeting with an advisor, which, in turn, has contributed to increased pressure to develop more sustainable products.

The information requirements of the SFDR are too complex and extensive. The complexity consists, among other things, in the difficulty of understanding what is needed to meet the information requirements and in significant ambiguities that exist regarding key concepts such as "sustainable investments." Additionally, the regulatory framework does not sufficiently consider who the intended recipient and user of the information are. Most retail investors find it challenging to understand and absorb the information that fund management companies are required to provide under the SFDR. Furthermore, the amount of information that investors must obtain to assess whether the fund corresponds to their "actual" sustainability preferences is overwhelming. Too much information is not always to the investor's advantage and can have a negative impact (information overload) and can increase the risk of false greenwashing claims.

The SFDR does not consider the size of a fund manager. Requirements for extensive disclosure of information can have a greater negative impact on smaller fund managers' ability to establish themselves and operate in the fund market. This can lead to a negative impact on competition, which is detrimental to investors as it reduces their chances of finding a fund that suits their sustainability preferences.

Entity-level disclosure requirements should be reviewed and limited to information that investors can understand and benefit from. Such information should include how the fund management company works with sustainability, what processes are used, what tools and strategies are applied to achieve set sustainability goals, and when the goals will be achieved. It's more about providing qualitative information rather than just data. The quantitative reporting that is now required at the entity level under the SFDR may be more appropriate at the product level. Sustainability is largely contextual, implying that boundaries and context can be more easily defined at the product level. For example, with a geographical or sectoral focus, clarity in definition becomes achievable.

Disclosures of principal adverse impacts (PAIs)

There are several disclosures concerning PAIs in the SFDR. As a general rule, the SFDR requires financial market participants who consider PAIs to disclose them at entity level on their website. It also includes a mandatory requirement for financial market participants to provide such disclosures when they have more than 500 employees (Article 4). The Delegated Regulation of the SFDR includes a list of these PAI indicators. These entity level PAI indicators are divided into three tables in the Delegated Regulation. Indicators listed in table 1 are mandatory for all participants, and indicators in tables 2 and 3 are subject to a materiality assessment by the financial market participant (at least one indicator from table 2 and one from table 3 must be included in every PAI statement).

Second, the SFDR requires financial market participants who consider PAIs at entity level to indicate in the pre-contractual documentation whether their financial products consider PAIs (Article 7) and to report the impacts in the corresponding periodic disclosures (Article 11). When reporting these impacts, financial market participants may rely on the PAI indicators defined at entity level in the Delegated Regulation.

Finally, in accordance with the empowerment given in Article 2a of SFDR, the Delegated Regulation requires that the do no significant harm (DNSH) assessment of the sustainable investment definition is carried out by taking into account the PAI indicators defined at entity level in Annex I of the Delegated Regulation.

In this context:

Question 1.8 To what extent do you agree with the following statements about entity level disclosures?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
I find it appropriate that certain indicators are always considered material (i.e. “principal”) to the financial market participant for its entity level disclosures, while having other indicators subject to a materiality assessment by the financial market participant (approach taken in Annex I of the SFDR Delegated Regulation)					X	
I would find it appropriate that all indicators are always considered material (i.e. “principal”) to the financial market participant for its entity level disclosures						X
I would find it appropriate that all indicators are always subject to a materiality assessment by the financial market participant for its entity level disclosures	X					

Question 1.8.1 When following the approach described in the first statement of question 1.8 above, do you agree that the areas covered by the current indicators listed in table 1 of the Delegated Regulation are the right ones to be considered material in all cases?

- ○ 1 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree
- ◉ 4 - Mostly agree
- ○ 5 - Totally agree
- ○ Don’t know / no opinion / not applicable

Question 1.9 To what extent do you agree with the following statements about product level disclosures?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The requirement to ‘take account of’ PAI indicators listed in Annex I of the Delegated Regulation for the DNSH assessment, does not create methodological challenges	○	●	○	○	○	○
In the context of product disclosures for the do no significant harm (DNSH) assessment, it is clear how materiality of principal adverse impact (PAI) indicators listed in Annex I of the Delegated Regulation should be applied	●	○	○	○	○	○
The possibility to consider the PAI indicators listed in Annex I of the Delegated Regulation for product level disclosures of Article 7 do not create methodological challenges	●	○	○	○	○	○
It is clear how the disclosure requirements of Article 7 as regards principal adverse impacts interact with the requirement to disclose information according to Article 8 when the product promotes environmental and/or social characteristics and with the requirement to disclose information according to Article 9 when the product has sustainable investment as its objective	●	○	○	○	○	○

Please provide any additional explanations as necessary for questions 1.8, 1.8.1 and 1.9:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that all financial market participants, regardless of their commitment to environmental and social sustainability principles, should be required to report on PAIs at product level. On the other hand, we find it less necessary to require PAI reporting at entity level, since from a customer perspective, it is generally less interesting how the aggregated PAI reporting is done at the fund management company. However, information about PAI at entity level can have a function because the information enables investors to assess the fund management company. On the other hand, it is questionable whether the benefits of this information are proportionate to the costs.

The PAIs required for reporting should be consistent and designed in a way that makes them accessible and understandable, especially for retail investors. To avoid overwhelming investors with too much information, the number of PAIs should be limited. An appropriate reference framework could be the PAIs specified in Annex I, Table 1 of the SFDR Delegated Regulation.

Concepts such as "take account of" and "do no significant harm" (DNSH) have created problems since the SFDR came into force. Although the European Commission has attempted to clarify these concepts through Q&A's, such guidance is not legally binding. To reduce the risk of misunderstandings and prevent ambiguities that increase the risk of greenwashing, it is necessary to introduce legally binding clarifications of the key concepts directly in the SFDR. This would provide clarity and certainty for investors and financial market participants to understand and comply with sustainability criteria under the SFDR.

The cost of disclosures under the SFDR today

Questions 1.10, 1.10.1 and 1.11 are intended for financial market participants and financial advisors subject to the SFDR.

The following two questions aim to assess the costs of the SFDR disclosure requirements distinguishing between one-off and recurring costs. One-off costs are incurred only once to implement a new reporting requirement, e.g. getting familiarised with the legal act and the associated regulatory or implementing technical standards, setting-up data collection processes or adjusting IT-systems. Recurring costs occur repeatedly every year once the new reporting is in place, e.g. costs of annual data collection and report preparation. In the specific case of precontractual disclosures for example, there are one-off costs to set up the process of publishing precontractual disclosures when a new product is launched, and recurring annual costs to repeat the process of publishing pre-contractual disclosures each time a new product is launched (depends on the number of products launched on average each year). These two questions apply both to entity and product level disclosures.

Question 1.10 Could you provide estimates of the one-off and recurring annual costs associated with complying with the SFDR disclosure requirements (EUR)?

Please split these estimates between internal costs incurred by the financial market participant and any external services contracted to assist in complying with the requirements (services from third-party data providers, advisory services, etc.).

If such a breakdown is not possible, please provide the total figures.

Please leave the cell blank for the data you are not able to provide.

	Estimated one off costs (in euros)	Estimated recurring annual costs (in euros)
Total internal costs		
Internal costs for personnel		
Internal costs for IT		
Total external costs		
External costs for data providers		
External costs for advisory services		

Total costs of SFDR disclosure requirements		

Question 1.10.1: Could you split the total costs between product level and entity level disclosures?

Please leave the cell blank for the data you are not able to provide.

	Product-level disclosures (in %)	**Entity-level disclosures (in %)**
Estimated percentage of costs	Approximately 80	Approximately 20

If you wish, please provide additional details:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 1.11 In order to have a better understanding of internal costs, could you provide an estimate of how many full-time-equivalents (FTEs - 1 FTE corresponds to 1 employee working full-time the whole year) are involved in preparing SFDR disclosures?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 1.11.1 Could you please provide a split between:

Please leave the cell blank for the data you are not able to provide.

	Retrieving the data (in %)	Analysing the data (in %)	Reporting SFDR disclosures (in %)	Other (in %)
Estimated percentage	Approximately 20	Approximately 20	Approximately 60	

Please specify what corresponds to “other” costs:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Data and estimates

Financial market participants' and financial advisers’ ability to fulfil their ESG transparency requirements depends in part on other disclosure requirements under the EU framework. In particular, they will rely to a significant extent on the Corporate Sustainability Reporting Directive (CSRD). However, entities are not reporting yet under those new disclosure requirements, or they may not be within the scope of the CSRD. Besides, even when data is already available today, it may not always be of good quality.

Question 1.12 Are you facing difficulties in obtaining good-quality data?

- (x) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Question 1.12.1 If so, do you struggle to find information about the following elements?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
The entity level principal adverse impacts	( )	( )	( )	(x)	( )	( )
The proportion of taxonomy-aligned investments (product level)	( )	( )	( )	( )	(x)	( )
The contribution to an						

environmental or social objective, element of the definition of ‘sustainable investment’ (product level)		X				
The product’s principal adverse impacts, including when assessed in the context of the ‘do no significant harm’ test which requires the consideration of PAI entity level indicators listed in Annex I of the Delegated Regulation and is an element of the definition of ‘sustainable investment’ (product level)		X				
The good governance practices of investee companies (product level)					X	
Other						

Question 1.12.2 Is the SFDR sufficiently flexible to allow for the use of estimates?

- [x] 1 - Not at all
- [ ] 2 - To a limited extent
- [ ] 3 - To some extent
- [ ] 4 - To a large extent
- [ ] 5 - To a very large extent
- [ ] Don’t know / no opinion / not applicable

Question 1.12.3 Is it clear what kind of estimates are allowed by the SFDR?

- [ ] 1 - Not at all
- [x] 2 - To a limited extent
- [ ] 3 - To some extent
- [ ] 4 - To a large extent
- [ ] 5 - To a very large extent
- [ ] Don’t know / no opinion / not applicable

Question 1.12.4 If you use estimates, what kind of estimates do you use to fill the data gap?

a) For entity level principal adverse impacts:

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers, based on data coming from the investee companies	○	○	○	○	○	○
Estimates from data providers, based on data coming from other sources	○	○	○	○	○	○

In-house estimates	◯	◯	◯	◯	◯	◯
Internal ESG score models	◯	◯	◯	◯	◯	◯
External ESG score models	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

b) For taxonomy aligned investments (product level):

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers, based on data coming from the investee companies	◯	◯	◯	◯	◯	◯
Estimates from data providers, based on data coming from other sources	◯	◯	◯	◯	◯	◯
In-house estimates	◯	◯	◯	◯	◯	◯
Internal ESG score models	◯	◯	◯	◯	◯	◯
External ESG score models	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

c) For sustainable investments (product level):

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers, based on data coming from the investee companies	◎	◎	◎	◎	◎	◎
Estimates from data providers, based on data coming from other sources	◎	◎	◎	◎	◎	◎
In-house estimates	◎	◎	◎	◎	◎	◎
Internal ESG score models	◎	◎	◎	◎	◎	◎
External ESG score models	◎	◎	◎	◎	◎	◎
Other	◎	◎	◎	◎	◎	◎

d) Other data points:

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers,						

based on data coming from the investee companies	◯	◯	◯	◯	◯	◯
Estimates from data providers, based on data coming from other sources	◯	◯	◯	◯	◯	◯
In-house estimates	◯	◯	◯	◯	◯	◯
Internal ESG score models	◯	◯	◯	◯	◯	◯
External ESG score models	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

Question 1.12.5 Do you engage with investee companies to encourage reporting of the missing data?

- ◯ 1 - Not at all
- ◯ 2 - To a limited extent
- ◯ 3 - To some extent
- ◯ 4 - To a large extent
- ◉ 5 - To a very large extent
- ◯ Don’t know / no opinion / not applicable

Please provide further explanations to your replies to questions 1.12 to 1.12.5:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A key aspect of the SFDR is the requirement for financial market participants to report on principal adverse impacts (PAIs) of their investment decisions. The purpose of the reporting is to increase transparency. However, significant difficulties have arisen for financial market participants to comply with the requirements to report PAI due to a lack of adequate data and poor data quality. Below is an account of the shortcomings we have identified.

1. Data quality and availability: The overarching challenge has been, and still is, the lack of reliable and high-quality data on environmental and societal factors. The shortage has resulted in difficulties for companies to quantify and report on principle adverse impacts. One of the fundamental problems is the absence of uniform standards for data collection and reporting. This disagreement in methodologies and metrics leads to uncertainty and variability in the reported results, reducing the possibility for investors to compare the information.

2. Data fragmentation: PAI information is often fragmented and scattered across different sources. This fragmentation makes it difficult to aggregate and use data in a meaningful way. It also complicates the ability to analyze and report on PAI in a coherent context.

3. Timeframes: The SFDR establishes specific timeframes for reporting PAI. The lack of readily available data can make it challenging for financial market participants to meet these deadlines. This can result in delayed or incomplete reports and create a lack of transparency in the industry.

4. Assessment methods: Properly assessing PAI often requires the use of advanced methods and models. The lack of data and expertise in this area complicates this process and can lead to inaccurate or inadequate assessments.

5. Quality control: As the requirement to disclose PAI has been mandatory since June 30 of this year, industry standards and guidelines for data quality and reporting are often lacking. This results in a challenge in terms of ensuring that the reports are accurate and whether they comply with SFDR.

To tackle the challenge of acquiring sufficient and precise data, we deem it essential to bring attention to the issue with the European Commission and the European Supervisory Authorities. In addition, the regulatory framework governing the data that financial market participants are required to report under the SFDR should be in place to ensure that the relevant information is available. To establish a coherent set of rules supporting more consistent reporting of sustainability data, we propose considering integration and coordination with other frameworks such as CSRD and ESRS in the revision of SFDR. Overall, this would benefit the entire financial sector and enhance transparency.

As mentioned above, obtaining reliable data has been and continues to be a significant challenge for all financial market participants. However, this issue poses a particularly difficult situation for smaller financial market participants, who lack the same resources and influence as their larger counterparts. For these smaller participants, convincing companies to share necessary data is often problematic. They frequently lack the economic strength and institutional weight to persuade companies to be more cooperative. In contrast, larger financial market participants are sometimes better positioned to make demands on companies in their portfolios and exert pressure for the delivery of relevant and reliable data. This imbalance can result in smaller financial market participants facing challenges in making informed investment decisions and meeting reporting requirements under regulations such as the SFDR. Additionally, it can create an unfair competitive situation where larger financial market participants have an advantage in collecting and using sustainability data in their investment strategies.

Question 1.13 Have you increased your offer of financial products that make sustainability claims since the disclosure requirements of Articles 8 and 9 of the SFDR began to apply (i.e. since 2021, have you been offering more products that you categorise as Articles 8 and 9 than those you offered before the regulation was in place and for which you also claimed a certain sustainability performance)?

- ( ) 1 - Not at all
- (x) 2 - To a limited extent
- ( ) 3 - To some extent
- ( ) 4 - To a large extent
- ( ) 5 - To a very large extent
- ( ) Don’t know / no opinion / not applicable

Question 1.13.1 Please specify how the share of financial products making sustainability claims has evolved in the past years

(Please express it as a percentage of the total financial products you offered each year)

	Percentage of the total financial products
2020	
2021	
2022	
2023	

Question 1.13.2 If you have increased your offering of financial products making sustainability claims, in your view, has any of the following factors influenced this increase?

	1 (not at all)	2 (not really)	3 (partially)	4 (mostly)	5 (totally)	Don't know - No opinion - Not applicable
SFDR requirements	○	◉	○	○	○	○
Retail investor interest	○	◉	○	○	○	○
Professional investor interest	○	○	◉	○	○	○
Market competitiveness	○	○	○	○	◉	○
Other factors	○	○	○	○	○	○

Please provide further explanations to your replies to questions 1.13, 1.13 1 and 1.13.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

At the time of the entry into force of the SFDR, financial market participants faced a challenge in understanding the specific requirements that apply to funds required to disclose information under Articles 6, 8, and 9. The European Commission has successively tried to clarify these requirements through, among other things, Q&A (Questions and Answers). However, uncertainty about what information should be provided and how fund management companies should correctly describe the fund's sustainability work has continued to be a challenge. Many fund management companies have, therefore, chosen to apply a precautionary principle when deciding which SFDR article their funds should disclose information under. This caution is based on the uncertainty surrounding the legal landscape and the real risk that a classification may be considered incorrect shortly after it has been made.
In the worst-case scenario, this can lead to supervisory measures and baseless accusations of greenwashing.

The uncertainty surrounding the requirements of the Articles 6, 8, and 9 in SFDR is problematic as it can lead to excessive caution and, in the worst case, give a misleading picture of a fund's actual level of sustainability. There is, therefore, an evident need to clarify and simplify the regulatory framework to reduce uncertainty and increase confidence in the sector.

Despite the initial challenges in interpreting the requirements of the SFDR, we believe that growing awareness within the fund industry, coupled with increasing investor interest, has contributed to an increase in the number of funds disclosing under Article 9 of the SFDR. This may indicate an improvement in the understanding of the regulatory framework. Nevertheless, we maintain that it is essential for the European Commission to persist in developing a consistent and comprehensible regulatory framework for sustainable funds. This approach can help avoid “green bleaching” and mitigate the risk of greenwashing.

Section 2. Interaction with other sustainable finance legislation

The SFDR interacts with other parts of the EU’s sustainable finance framework. Questions in this section will therefore seek respondents’ views about the current interactions, as well as potential inconsistencies or misalignments that might exist between the SFDR and other sustainable finance legislation. There is a need to assess the potential implications for other sustainable finance legal acts if the SFDR legal framework was changed in the future. Questions as regards these potential implications are included in section 4 of this questionnaire, when consulting on the potential establishment of a categorisation system for products, and they do not prejudge future positions that might be taken by the Commission.

The SFDR mainly interacts with the following legislation and their related delegated and implementing acts:

- the Taxonomy Regulation
- the Benchmarks Regulation
- the Corporate Sustainability Reporting Directive (CSRD)
- the Markets in Financial Instruments Directive (MiFID 2) and the Insurance Distribution Directive (IDD)
- the Regulation on Packaged Retail Investment and Insurance Products (PRIIPs)

Other legal acts that are currently being negotiated may also interact with the SFDR in the future. They are not covered in this questionnaire as the detailed requirements of these legal acts have not yet been agreed. At this stage, it would be speculative to seek to assess how their interaction with SFDR would function.

Both the SFDR and the Taxonomy Regulation introduce key concepts to the sustainable finance framework. Notably, they introduce definitions of ‘sustainable investment’ (SFDR) and ‘environmentally sustainable’ economic activities (taxonomy). Both definitions require, inter alia, a contribution to a sustainable objective and a do no significant harm (DNSH) test. But while these definitions are similar, there are differences between them which could create practical challenges for market participants.

Question 2.1 The Commission recently adopted a FAQ clarifying that investments in taxonomy-aligned ‘environmentally sustainable’ economic activities can automatically qualify as ‘sustainable investments’ in those activities under the SFDR.

To what extent do you agree that this FAQ offers sufficient clarity to market participants on how to treat taxonomy-aligned investment in the SFDR product level disclosures?

- 1 - Totally disagree
- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- 4 - Mostly agree
- (selected) 5 - Totally agree
- Don’t know / no opinion / not applicable

The Benchmarks Regulation introduces two categories of climate benchmarks – the EU climate transition benchmark (EU CTB) and the EU Paris-aligned benchmark (EU PAB) - and requires benchmark administrators to disclose on ESG related matters for all benchmarks (except interest rate and foreign exchange benchmarks). The SFDR makes reference to the CTB and PAB in connection with financial products that have the reduction of carbon emissions as their objective. Both legal frameworks are closely linked as products disclosing under the SFDR can for example passively track a CTB or a PAB or use one of them as a reference benchmark in an active investment strategy. More broadly, passive products rely on the design choices made by the benchmark administrators.

Question 2.2 To what extent do you agree or disagree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The questions & answers published by the Commission in April 2023 specifying that the SFDR deems products passively tracking CTB and PAB to be making 'sustainable investments' as defined in the SFDR provide sufficient clarity to market participants					X	
The approach to DNSH and good governance in the SFDR is consistent with the environmental, social and governance exclusions under the PAB/CTB		X				
The ESG information provided by benchmark administrators is sufficient and is aligned with the information required by the SFDR for products tracking or referencing these benchmarks		X				

Both the SFDR and the Corporate Sustainability Reporting Directive (CSRD) introduce entity level disclosure requirements with a double-materiality approach[1]. The CSRD sets out sustainability reporting requirements mainly for all large and all listed undertakings with limited liability (except listed micro-enterprises)[2], while the SFDR introduces sustainability disclosure requirements at entity level for financial market participants and financial advisers as regards the consideration of sustainability related factors in their investment decision-making process. Moreover, in order for financial market participants and financial advisers to meet their product and entity level disclosure obligations under the SFDR, they will rely to a significant extent, on the information reported according to the CSRD and its European Sustainability Reporting Standards (ESRS) (provided positive scrutiny of co-legislators of the ESRS delegated act).

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[1] Transparency requirements relate to the sustainability risks that can affect the value of investments (SFDR) or companies (CSRD) ('outside-in' effect) and the adverse impacts that such investments or companies have on the environment and society ('inside-out').

[2] Credit institutions and insurance undertakings with unlimited liability are also in scope subject to the same size criteria. Non-EU undertakings listed on the EU regulated markets and non-EU undertakings with a net turnover above EUR 150 million that carry out business in the EU will also have to publish certain sustainability-related information through their EU subsidiaries that are subject to CSRD (or - in the absence of such EU subsidiaries – through their EU branches with net turnover above EUR 40 million).

Question 2.3 To what extent do you agree or disagree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The SFDR disclosures are consistent with the CSRD requirements, in particular with the European Sustainability Reporting Standards	○	○	○	○	◉	○
There is room to streamline the entity level disclosure requirements of the SFDR and the CSRD	○	○	○	◉	○	○

Financial advisors (under MiFID 2) and distributors of insurance-based investment products (under IDD) have to conduct suitability assessments based on the sustainability preferences of customers. These assessments rely in part on sustainability-related information made available by market participants reporting under the SFDR.

Question 2.4 To what extent do you agree that the product disclosures required in the SFDR and its Delegated Regulation (e.g. the proportion of sustainable investments or taxonomy aligned investments, or information about principal adverse impacts) are sufficiently useful and comparable to allow distributors to determine whether a product can fit investors' sustainability preferences under MiFID 2 and the IDD?

- 1 - Totally disagree
- 2 - Mostly disagree (selected)
- 3 - Partially disagree and partially agree
- 4 - Mostly agree
- 5 - Totally agree
- Don't know / no opinion / not applicable

Question 2.5 MIFID and IDD require financial advisors to take into account sustainability preferences of clients when providing certain services to them.

Do you believe that, on top of this behavioural obligation, the following disclosure requirements for financial advisors of the SFDR are useful?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Article 3, entity level disclosures about the integration of sustainability risks policies in investment or insurance advice	(selected)					
Article 4, entity level disclosures						

about consideration of principal adverse impacts	○	●	○	○	○	○
Article 5, entity level disclosures about remuneration policies in relation to the integration of sustainability risks	○	○	○	●	○	○
Article 6, product level pre-contractual disclosures about the integration of sustainability risks in investment or insurance advice	●	○	○	○	○	○
Article 12, requirement to keep information disclosed according to Articles 3 and 5 up to date	○	○	○	●	○	○

Question 2.6 Have the requirements on distributors to consider sustainability preferences of clients impacted the quality and consistency of disclosures made under SFDR?

- ○ Yes
- ● No
- ○ Don’t know / no opinion / not applicable

PRIIPs requires market participants to provide retail investors with key information documents (KIDs). As part of the retail investment strategy, the Commission has recently proposed to include a new sustainability section in the KID to make sustainability-related information of investment products more visible, comparable and understandable for retail investors. Section 4 of this questionnaire includes questions related to PRIIPs, to seek stakeholders' views as regards potential impacts on the content of the KID if a product categorisation system was established.

Please clarify your replies to questions in section 2 as necessary:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Some clarifications in Q&A documents from the European Commission are crucial for meeting the information requirements of the SFDR and the Taxonomy Regulation. However, it's important to note that clarifications in Q&A documents, whether issued by the European Commission or ESMA, do not possess legally binding status. Instead, these clarifications function as interpretative aids and benchmarks, aiming to facilitate the comprehension and application of the provisions outlined in the SFDR and the Taxonomy Regulation. Given the legal status of the Q&A documents, we believe it is reasonable for important clarifications to be integrated into the SFDR. This facilitates the application of the regulatory framework and reduces the risk of greenwashing.

Regarding the information to be supplied when providing investment advice (advice under MIFID and IDD), we believe that the elements are present in the SFDR, but the question is how much of the information is comparable. If, on the other hand, the information at the unit level were converted into dynamic measures, i.e., continuously updated to reflect changes over time, then the information might have been useful to some extent in investment advice.

The information to be provided during investment advice under Articles 3, 4 and 6 of the SFDR is of limited use. Regarding PAI information at the unit level, it should currently be of little to no interest to a retail investor. Consequently, we question the necessity of providing such information. Too much information in the context of investment advice can lead to "information overload" and risks complicating the choice of investments for retail investors.

Section 3. Potential changes to disclosure requirements for financial market participants

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3.1 Entity level disclosures

The SFDR contains entity level disclosure requirements for financial market participants and financial advisers. They shall disclose on their website their policies on the integration of sustainability risks in their investment decision-making process or their investment or insurance advice (Article 3). In addition, they shall disclose whether, and if so, how, they consider the principal adverse impacts of their investment decisions on sustainability factors. For financial market participants with 500 or more employees, the disclosure of a due diligence statement, including information of adverse impacts, is mandatory (Article 4). In addition, financial market participants and financial advisers shall disclose how their remuneration policies are consistent with the integration of sustainability risks (Article 5).

Question 3.1.1 Are these disclosures useful?

	1 (not at all)	2 (not really)	3 (partially)	4 (mostly)	5 (totally)	Don't kno No opinio Not applicab
Article 3	○	◉	○	○	○	○
Article 4	○	○	○	◉	○	○
Article 5	○	○	○	◉	○	○

Please explain your replies to question 3.1.1 as necessary:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The information to be provided under Article 4 of the SFDR (entity-level PAI statements) does not have a high informative value for an investor. Therefore, it should be clarified what the purpose of providing this type of information is. There is a balance here that must be maintained. Too little information can lead to ill-considered investment decisions, while too much information is more likely to create confusion and complicate investment decisions, especially for retail investors.

It is necessary to consider how the disclosure requirements outlined in Articles 3 and 5 of the SFDR can be adjusted and streamlined to enhance their usefulness and relevance for various investor profiles and situations. In the context of investment advice, limiting information can help ensure that investors' needs are addressed in a more meaningful manner. The goal is to strike a balance where investors receive sufficient information to make informed decisions without being overwhelmed by unnecessary details that do not directly impact their decision-making process.

In this context, it is also important to acknowledge that investors have diverse needs and expectations regarding information. Therefore, there may be advantages in providing an opportunity for advisors to tailor information to specific target groups. Professional investors typically exhibit a higher tolerance for detailed data, whereas retail investors generally prefer information that is more transparent and easier to understand.

Thus, when recasting the SFDR, the Commission should strike a balance between the need to provide sufficient relevant information and the need to avoid overloading with unnecessary details. To achieve this balance, the disclosure requirements set out in Articles 3 to 5 of the SFDR should be evaluated and adjusted according to investors' needs and ability to handle the information. Such an adjustment would, in our view, help to make the flow of information in the investment advice situation more meaningful and useful.

Complementing the consultation by the European Supervisory Authorities (ESAs) on the revision of the regulatory technical standards of the SFDR, the Commission is interested in respondents' views as regards the principal adverse impact indicators required by the current Delegated Regulation.

Question 3.1.2 Among the specific entity level principal adverse impact indicators required by the Delegated Regulation of the SFDR adopted pursuant to Article 4 (tables 1, 2 and 3 of Annex I), which indicators do you find the most (and least) useful?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We are mainly in favor of the use of product-level PAI indicators as a means of informing about the potential negative impacts of financial products on sustainable development. However, the number of PAI indicators should be kept at a reasonable level and carefully selected to be as dynamic, comparable, and relevant as possible.

Dynamic PAI indicators, such as avoiding zero values in weighted sections, are crucial for accurately reflecting changing sustainability conditions over time. Through the use of these indicators, financial market participants and investors can enhance their ability to align assessments of investment firms' performance with various sustainability objectives.

Comparability is also of great importance, as it allows investors to compare and evaluate the sustainability performance of different funds more easily. Therefore, PAI indicators should follow uniform standards and guidelines.

Furthermore, relevance is key to ensuring that the PAI indicators used really give investors insight into the potential negative impact of the fund. It is, therefore, necessary to carefully consider which indicators are most relevant to the specific business and areas in which the fund invests.

The selection of mandatory PAI indicators should undergo a balanced and careful assessment to ensure that these indicators can be fully utilized as effective tools for measuring and reporting the potential adverse sustainability impacts of financial products.

Several pieces of EU legislation require entity level disclosures, whether through transparency requirements on sustainability for businesses (for example the CSRD) or disclosure requirements regarding own ESG exposures (such as the Capital Requirements Regulation (CRR) and its Delegated Regulation).

Question 3.1.3 In this context, is the SFDR the right place to include entity level disclosures?

- ○ 1 - Not at all
- ○ 2 - Not really
- ○ 3 - Partially
- ○ 4 - Mostly
- ◉ 5 - Totally
- ○ Don’t know / no opinion / not applicable

Question 3.1.4 To what extent is there room for streamlining sustainability-related entity level requirements across different pieces of legislation?

- 1 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- (selected) Don’t know / no opinion / not applicable

Please explain your replies to questions in section 3.1 as necessary:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is unclear what is meant by 'Room for streamlining' in question 3.1.4. To increase clarity and avoid misunderstandings, it should have been explained what the purpose or goal of the question is. That would have made it easier to answer the question. We have, therefore, chosen to answer the question based on a general interpretation of how we view "streamlining" in the recast of the SFDR.

"Room for streamlining" generally refers to the ability to streamline or simplify processes or regulations. This possibility may be relevant for both financial market participants and the European Commission.

For financial market participants, "streamlining" would mean that they can identify and implement more efficient working methods or processes to meet the information requirements imposed on them by the SFDR. This may mean finding ways to comply with the rules more cost-effectively or with reduced administrative burdens.

For the European Commission, "streamlining" could refer to the evaluation and, if possible, simplification of the regulatory framework itself. This may include identifying unnecessarily complex or duplicate provisions and removing or simplifying them to make the regulatory framework more user-friendly and effective.

In our view, 'streamlining' does not necessarily entail cutting into the regulatory framework by reducing its scope or impact. Instead, it involves a meticulous review and enhancement of how the regulatory framework operates and is implemented. We believe that the SFDR requires a process of “streamlining”, interpreted as a simplification, clarification, and overall improvement of the regulatory framework.

3.2 Product level disclosures

The SFDR includes product level disclosure requirements (Articles 6, 7, 8, 9, 10 and 11) that mainly concern risk and adverse impact related information, as well as information about the sustainability performance of a given financial product. The regulation determines which information should be included in precontractual and periodic documentation and on websites.

The SFDR was designed as a disclosure regime, but is being used as a labelling scheme, suggesting that there might be a demand for establishing sustainability product categories. Before assessing whether there might be merit in setting up such product categories in Section 4, Section 3 includes questions analysing the need for possible changes to disclosures, as well as any potential link between product categories and disclosures. The need to ask about potential links between disclosures and sustainability product categories is the reason why this section contains some references to ‘products making sustainability claims’. However, this does not pre-empt in any way a decision about how a potential categorisation system and an updated disclosure regime would interact if these were established. The Commission services are openly consulting on all these issues to further assess potential ways forward as regards the SFDR.

The Commission services would therefore like to collect feedback on what transparency requirements stakeholders consider useful and necessary. We would also like to know respondents’ views on whether and how these transparency requirements should link to different potential categories of products.

The general principle of the SFDR is that products that make sustainability claims need to disclose information to back up those claims and combat greenwashing. This could be viewed as placing additional burden on products that factor in sustainability considerations. This is why, in the following questions Commission services ask respondents about the usefulness of uniform disclosure requirements for products across the board, regardless of related sustainability claims, departing from the general philosophy of the SFDR as regards product disclosures. Providing proportionate information on the sustainability profile of a product which does not make sustainability claims could make it easier for some investors to understand products’ sustainability performance, as they would get information also about products that are not designed to achieve any sustainability-related outcome. This section also contains questions exploring whether it could be useful to require financial market participants who make sustainability claims about certain products to disclose additional information (i.e. in case a categorisation system is introduced in the EU framework, the need to require additional information about products that would fall under a category).

Question 3.2.1 Standardised product disclosures - Should the EU impose uniform disclosure requirements for **all** financial products offered in the EU, regardless of their sustainability-related claims or any other consideration?

- ○ 1 - Not at all
- ○ 2 - To a limited extent
- ○ 3 - To some extent
- ○ 4 - To a large extent
- ◉ 5 - To a very large extent
- ○ Don’t know / no opinion / not applicable

Question 3.2.1 a) If the EU was to impose uniform disclosure requirements for **all** financial products offered in the EU, should disclosures on a limited number of principal adverse impact indicators be required for all financial products offered in the EU?

- ○ 1 - Not at all
- ○ 2 - To a limited extent
- ○ 3 - To some extent
- ○ 4 - To a large extent
- ◉ 5 - To a very large extent
- ○ Don’t know / no opinion / not applicable

Please specify which principal adverse impact indicators should be required for all financial products offered in the EU:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the requirement to disclose sustainability-related information under the SFDR should apply to all funds, regardless of whether the fund invests in a sustainable way or not. Broadening the reporting requirement is necessary to increase overall transparency and provide clarity on how funds engage with, or choose not to engage with, sustainability issues.

As mentioned in our response to question 3.1.2, it is important that the number of PAI indicators reported by financial market participants be limited to a reasonable number to avoid the reporting becoming overly extensive and costly. Comparability of the PAI indicators is also crucial, as it enables investors to make a fair and meaningful comparison of the sustainability efforts of different funds. Therefore, it is necessary to establish a standardized method for assessing and reporting PAIs, providing investors with the opportunity to make well-informed decisions based on equivalent and reliable information. Clear and consistent criteria for the selection and assessment of PAI indicators within the framework of SFDR are required to achieve comparability. This enhances investors' understanding and usability of the information.

Question 3.2.1 b) Please see a list of examples of disclosures that could also be required about all financial products for transparency purposes.

In your view, should these disclosures be mandatory, and/or should any other information be required about all financial products for transparency purposes?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Taxonomy-related disclosures	○	○	○	○	●	○
Engagement strategies	○	○	○	○	●	○
Exclusions	○	○	○	○	●	○
Information about how ESG-related information is used in the	○	○	○	○	●	○

investment process						
Other information	○	○	○	○	○	○

Please explain as necessary your replies to questions 3.2.1 and its sub-questions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As previously mentioned, we support the idea that all financial market participants falling within the scope of the SFDR should be obligated to provide information on their investments, regardless of their sustainability status. This approach ensures a fundamental level of transparency and openness in the fund industry.

To streamline the reporting process for fund managers and enhance investors' understanding of the information, a simplified and standardized template for SFDR disclosures should be implemented. The template should be user-friendly and adaptable to various fund structures and strategies. Introducing such a reporting template can simplify the disclosure process for financial market participants and, at the same time, improve the accessibility of information for investors, enabling easier fund comparisons.

The template should cater to the specific requirements and needs of the SFDR, ensuring that relevant information about a fund's investments and the impact of these investments on sustainability matters is presented in a clear, simple, and structured manner. This approach will promote more consistent and transparent reporting within the fund market, assisting investors in making informed decisions based on their sustainability preferences.

Question 3.2.2 Standardised product disclosures - Would uniform disclosure requirements for some financial products be a more appropriate approach, regardless of their sustainability-related claims (e.g. products whose assets under management, or equivalent, would exceed a certain threshold to be defined, products intended solely for retail investors, etc.)?

(Please note that next question 3.2.3 asks specifically about the need for disclosures in cases of products making sustainability claims.)

- [x] 1 - Not at all
- [ ] 2 - To a limited extent
- [ ] 3 - To some extent
- [ ] 4 - To a large extent
- [ ] 5 - To a very large extent
- [ ] Don’t know / no opinion / not applicable

Question 3.2.2 a) If the EU was to impose uniform disclosure requirements for some financial products, what would be the criterion/criteria that would trigger the reporting obligations?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not support such a proposal.

However, it might be relevant to differentiate between professional and retail investors, considering their distinct needs and expectations regarding sustainability information. While this separation introduces complexity into the regulatory framework, it could be mitigated by implementing an "opt-in/opt-out" procedure for products exclusively targeting professional investors. This approach would grant financial market participants flexibility in tailoring their reporting to different investor types, avoiding unnecessary bureaucracy and complexity.

Question 3.2.2 b) If the EU was to impose uniform disclosure requirements for some financial products, should a limited number of principal adverse impact indicators be required?

- [x] 1 - Not at all
- [ ] 2 - To a limited extent
- [ ] 3 - To some extent
- [ ] 4 - To a large extent
- [ ] 5 - To a very large extent
- [ ] Don't know / no opinion / not applicable

Question 3.2.2 c) Please see a list of examples of disclosures that could also be required about the group of financial products that would be subject to standardised disclosure obligations for transparency purposes (in line with your answer to Q 3.2.2 above).

In your view, should these disclosures be mandatory, and/or should any other information be required about that group of financial products?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Taxonomy-related disclosures	○	○	○	○	○	●

Engagement strategies	○	○	○	○	○	●
Exclusions	○	○	○	○	○	●
Information about how ESG-related information is used in the investment process	○	○	○	○	○	●
Other information	○	○	○	○	○	●

Please explain as necessary your replies to questions 3.2.2 and its sub-questions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We do not support such a proposal.

The following and last section of this questionnaire (section 4) includes questions about the potential establishment of a sustainability product categorisation system at EU level based on certain criteria that products would have to meet. It presents questions about different ways of setting up such system, including whether additional category specific disclosure requirements should be envisaged. There are therefore certain links between questions in this section (section 3) and questions in the last section of the questionnaire (section 4).

Question 3.2.3 If requirements were imposed as per question 3.2.1 and/or 3.2.2, should there be some additional disclosure requirements when a product makes a sustainability claim?

- ● 1 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree

- 4 - Mostly agree
- 5 - Totally agree
- Don’t know / no opinion / not applicable

Please explain as necessary your replies to question 3.2.3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As previously emphasized, we strongly advocate for all funds, regardless of their focus, to disclose their approach to sustainability. This fosters transparency, allowing investors to understand the environmental and social impacts of the funds.

Additionally, it is paramount that funds substantiate any sustainability claims they make. Financial market participants should furnish comprehensive and verifiable details about their investments, elucidating their approach to various sustainability issues. Sustainability claims should be firmly rooted in the fund's strategy and decisions, and they must be quantifiable and verifiable.

Mandating well-founded and documented sustainability claims serves to mitigate the risk of greenwashing. This is crucial for establishing investor trust in the veracity of claims and ensuring the realization of sustainability objectives. It also contributes to the advancement of responsible investment practices and aids in building a more sustainable financial sector.

Sustainability product information disclosed according to the current requirements of the SFDR can be found in precontractual and periodic documentation and on financial market participants’ websites, as required by Articles 6, 7, 8, 9, 10 and 11.

Question 3.2.4 In general, is it appropriate to have product related information spread across these three places, i.e. in precontractual disclosures, in periodic documentation and on websites?

- [x] 1 - Not at all
- [ ] 2 - To a limited extent
- [ ] 3 - To some extent
- [ ] 4 - To a large extent
- [ ] 5 - To a very large extent
- [ ] Don’t know / no opinion / not applicable

Question 3.2.5 More specifically, is the current breakdown of information between precontractual, periodic documentation and websites disclosures appropriate and user friendly?

- [x] 1 - Not at all
- [ ] 2 - To a limited extent
- [ ]

3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don’t know / no opinion / not applicable

Please explain as necessary your replies to questions 3.2.4 and 3.2.5:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Finding sustainability information on a financial product becomes a challenge for investors when the information is scattered across various sections of financial market participants' websites. This scattered approach impedes investors from forming a comprehensive and clear understanding of the product, leading to unnecessary confusion.

Determining the type and quantity of information that financial market participants should provide on their websites requires a delicate balance. While having easily accessible information is beneficial, it is equally important to avoid unnecessary redundancy and information duplication.

To streamline the process and prevent superfluous repetition, we propose introducing the option in the SFDR for financial market participants to refer to relevant documents where comprehensive sustainability information is available. This approach offers several advantages. It reduces the initial information load encountered by investors visiting the websites. Simultaneously, it facilitates investors who seek more detailed information to select the specific details they wish to explore. This strikes a balance between information availability and usability.

In implementing this approach, the Commission should thoughtfully consider the relevance of information and establish a minimum requirement to meet investors' informational needs. From our perspective, having a concise set of mandatory documents, consolidated in one location on the financial market participant's website, would enhance transparency and clarity for investors. The information within these documents should be presented in a manner that is easily comprehensible for retail investors, aiding them in making informed investment decisions.

Current website disclosures make it mandatory for product sustainability information to be publicly available. This includes portfolios managed under a portfolio management mandate, which can mean a large number of disclosures, as each of the managed portfolios is considered a financial product under the SFDR. A Q&A published by the Commission in July 2021 (see question 3 of section V of the consolidated questions and answers (Q&A) on the SFDR and its Delegated Regulation published on the ESAs websites) clarified that where a financial market participant makes use of standard portfolio management strategies replicated for clients with similar investment profiles, transparency at the level of those standard strategies can be considered a way of complying with requirements on websites disclosures. This approach facilitates the compliance with Union and national law governing the data protection, and where relevant, it also ensures confidentiality owed to clients.

Question 3.2.6 To what extent do you agree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
It is useful that product disclosures under SFDR are publicly available, (e.g. because they have the potential to bring wider societal benefits)	○	○	○	○	◉	○
Confidentiality aspects need to be taken into account when specifying the information that should be made available to the public under the SFDR	○	○	○	○	◉	○
Sustainability information about financial products should be made available to potential investors, investors or the public according to rules in sectoral legislation (e.g.: UCITS, AIFM, IORPs directives); the SFDR should not impose rules in this regard	○	○	○	○	◉	○

Please explain as necessary your replies to question 3.2.6:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

When it comes to the matter of confidentiality, we believe it is of utmost importance and should always be considered in information disclosure, especially concerning the management of discretionary mandates. However, it should not be permissible for a financial market participant to assert that certain information is confidential to evade obligations to disclose essential sustainability information. To prevent potential abuses, any claim of confidentiality should be legitimate and clearly justified. Rules and guidelines should elucidate the circumstances under which confidentiality can be invoked and the specific requirements associated with it. For instance, customer confidentiality must remain inviolable, meaning that certain information cannot be externally disclosed, in line with SFDR requirements.

This approach ensures a balance between the imperative to safeguard sensitive data and the equally crucial need to provide investors with access to the sustainability information necessary for making well-informed investment decisions.

Current product-level disclosures have been designed to allow for comparability between financial products. The SFDR requires pre-contractual disclosures to be made in various documents for the different financial products in scope of the regulation. The disclosure requirements are the same, even though these documents have widely varying levels of detail or complexity, i.e. a UCITS prospectus can be several hundred pages long, while the Pan-European Pension Product Key Information Document (PEPP KID) comprises a few pages.

Question 3.2.7 To what extent do you agree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The same sustainability disclosure topics and the exact same level of granularity of sustainability information (i.e. same number of datapoints) should be required in all types of precontractual documentation to allow for comparability	○	○	○	○	◉	○
The same sustainability disclosure topics should be required in all types of precontractual documentation to allow for comparability	○	○	○	○	◉	○

Please explain as necessary your replies to question 3.2.7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 3.2.8 Do you believe that sustainability related disclosure requirements at product level should be independent from any entity level disclosure requirements, (i.e. product disclosures should not be conditional on entity disclosures, and vice-versa)?

- (selected) Yes
- No
- Don't know / no opinion / not applicable

Please explain as necessary your replies to question 3.2.8:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The SFDR is intended to facilitate comparisons between financial products based on their sustainability considerations. In practice, investors, and especially retail investors, may not always have the necessary expertise and knowledge to interpret SFDR product-level disclosures, whether it is about comparing these disclosures to industry averages or credible transition trajectories.

Question 3.2.9 Do you think that some product-level disclosures should be expressed on a scale (e.g. if the disclosure results for similar products were put on a scale, in which decile would the product fall)?

- ○ Yes
- ◉ No
- ○ Don't know / no opinion / not applicable

Question 3.2.10 If you are a professional investor, where do you obtain the sustainability information you find relevant?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
From direct enquiries to market participants	○	○	○	○	○	◉
Via SFDR disclosures provided by market participants	○	○	○	○	○	◉

Question 3.2.11 If you are a professional investor, do you find the SFDR requirements have improved the quality of information and transparency provided by financial market participants about the sustainability features of the products they offer?

- ○ 1 - Not at all
- ○ 2 - Not really
- ○ 3 - Partially
- ○ 4 - Mostly
- ○ 5 - Totally
- ◉ Don't know / no opinion / not applicable

Please explain as necessary your replies to questions 3.2.10 to 3.2.11:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The matter does not concern us as we are not to be regarded as professional investors in this context.

For disclosures to be effective, they need to be accessible and useable to end investors. We are seeking respondents' views about the need to further improve the accessibility and usability of this information, in particular in a digital context.

These questions are intended to complement question 42 in the ESAs' joint consultation paper on the review of the SFDR Delegated Regulation (JC 2023 09) which asks for criteria for machine readability of the SFDR Delegated Regulation disclosures.

Question 3.2.12 To what extent do you agree or disagree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Article 2(2) of the SFDR Delegated Regulation already requires financial market participants to make disclosures under the SFDR in a searchable electronic format, unless otherwise required by sectoral legislation. This is sufficient to ensure accessibility and usability of the disclosed information			X			
It would be useful for all product information disclosed under the SFDR to be machine-readable, searchable and ready for digital use			X			
It would be useful for some of the product information disclosed under the SFDR to be machine-readable and ready for digital use			X			
It would be useful to prescribe a specific machine-readable format for all (or some parts) of the reporting under the SFDR (e.g. iXBRL)					X	
It would be useful to make **all product information** disclosed under the SFDR available in the upcoming European Single Access Point as soon as possible					X	
Entity and product disclosures on websites should be interactive and offer a layered approach enabling investors to access additional information easily on demand						X

It would be useful that a potential regulatory attempt to digitalise sustainability disclosures by financial market participants building on the European ESG Template (EET) which has been developed by the financial industry to facilitate the exchange of data between financial market participants and stakeholders regarding sustainability disclosures	○	○	○	○	◉	○

Question 3.2.13 Do you think the costs of introducing a machine-readable format for the disclosed information would be proportionate to the benefits it would entail?

- 1 - Not at all
- 2 - Not really
- 3 - Partially
- 4 - Mostly
- (selected) 5 - Totally
- Don't know / no opinion / not applicable

Please provide any comments or explanations to explain your answers to questions 3.2.12 and 3.2.13:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We welcome proposals aimed at digitizing the management of sustainability information, although it is currently difficult to provide an accurate cost estimate as we lack details on the specific requirements and solutions for the information. However, there are challenges that need to be addressed to ensure a smooth and efficient digital transition.

Currently, individual information may be searchable on individual websites. What may be missing is the ability to easily search and compare information from several different financial market participants simultaneously, which would be beneficial to investors. To make the information more useful, there should be a more standardized way to provide and aggregate sustainability information in an interoperable way.

When considering machine-readability, it is crucial to conduct a thorough cost-benefit analysis, especially if the format is expected to be developed and funded by financial market participants. We would prefer the EU to play a central role in developing a common format for machine-readability that can be utilized by all financial market participants. To enhance the interactivity and user-friendliness of device and product information on websites, the EU should contemplate taking responsibility for developing such functionalities, as mandating these functionalities could impose a significant cost burden on individual financial market participants.

We agree that the regulation of digitized sustainability information at the EU level would be appropriate. Such digitization could facilitate the exchange of sustainability-related data between different financial market participants. Responsibility for such a compilation and the tools used should mainly lie with the EU, rather than leaving it to private actors.

It is essential to consider that if each individual financial market participant is required to bear the costs associated with producing machine-readable formats, interactive websites, and engaging external actors for compiling sustainability information, the expenses could be substantial. For financial market participants, these costs might outweigh the benefits and added value that digitalization can provide. Additionally, there is a risk that this approach could result in inequality within the sector, disadvantaging smaller financial market participants. Therefore, careful consideration of the costs and benefits is crucial when developing a proposal for digitalization measures in sustainability.

Current product-level disclosures have been designed to allow for comparability between financial products. These financial products and the types of investments they pursue can present differences.

Question 3.2.14 To what extent do you agree with the following statement?

"When determining what disclosures should be required at product level it should be taken into account: ..."

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Whether the product is a wrapper offering choices between underlying investment options like a Multi-Option Product	○	○	○	○	●	○
Whether some of the underlying investments are outside the EU	●	○	○	○	○	○
Whether some of the underlying investments are in an emerging economy	●	○	○	○	○	○
Whether some of the underlying investments are in SMEs	●	○	○	○	○	○
Whether the underlying investments are in certain economic activities or in companies active in certain sectors	○	○	○	○	○	●
Other considerations as regards the type of product or underlying investments	○	○	○	○	○	○

Please explain your reply to question 3.2.14:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The reporting of sustainability information should be tailored to the type of assets, such as real estate, in which the company invests. It is crucial that reporting requirements reflect the specific nature of the business and the sustainability challenges associated with different asset classes. Here are some key aspects we believe the European Commission should consider when customizing the reporting:

1. Asset-specific requirements: Reporting should include relevant indicators and data specific to the type of assets the company manages. For example, if the company invests in real estate, it may be important to report on energy consumption, water usage, and other factors relevant to the real estate sector.

2. Sustainability challenges: Each asset class can have its own specific sustainability challenges. Reporting should, therefore, focus on addressing these challenges and showing how the company is working to address them. For example, if the company owns forest land, the reporting may include information on the sustainability of forestry and forest protection measures.

3. Transparency and accountability: Custom reporting allows for more transparency and accountability to investors and stakeholders. By offering relevant information about the fund's investments, financial market participants can build trust and demonstrate their commitment to sustainability.

4. Comparability: At the same time, it is important to ensure that even custom reporting is comparable over time and with other players in the same industry. This may require certain industry standards or guidelines to be followed.

By aligning reporting with the specific business and assets, financial market participants can better communicate their sustainability efforts and progress, while addressing the unique challenges associated with the investments. This strengthens the sustainability work of financial market participants and helps investors make informed decisions.

4. Potential establishment of a categorisation system for financial products

4.1 Potential options

The fact that Articles 8 and 9 of the SFDR are being used as de facto product labels, together with the proliferation of national ESG/sustainability labels, suggests that there is a market demand for such tools in order to communicate the ESG/sustainability performance of financial products. However, there are persistent concerns that the current market use of the SFDR as a labelling scheme might lead to risks of greenwashing (the Commission services seek respondents' views on this in section 1). This is partly because the existing concepts and definitions in the regulation were not conceived for that purpose. Instead, the intention behind them was to encompass as wide a range of products as possible, so that any sustainability claims had to be substantiated. In addition, a proliferation of national labels risks fragmenting the European market and thereby undermining the development of the capital markets union.

The Commission services therefore seek views on the merits of developing a more precise EU-level product categorisation system based on precise criteria. This section of the questionnaire asks for stakeholders' views about both the advantages of establishing sustainability product categories and about how these categories should work.

When asking about sustainability product categories, the Commission is referring to a possible distinction between products depending on their sustainability objectives or sustainability performances.

Replies to questions in this section will help assess which type of investor would find product categories useful. Some questions relate to different possibilities as to how the system could be set-up, including whether disclosure requirements about products making sustainability claims should play a role. There are therefore certain links between questions in this section and section 3 on disclosures. Accordingly, respondents are invited to reply to questions in both sections, so that the Commission services can get insights into how they view disclosures and product categories separately, but also how they see the interlinkages between the two.

Given the high demand for sustainability products, questions in this section assume that any potential categorisation system would be voluntary. This is because financial market participants would likely have an interest in offering products with a sustainability claim. The questions in this section presume that only products that claim to fall under a given sustainability product category would be required to meet the corresponding requirements. However, this should not be seen as the Commission's preferred policy approach, as the Commission is only consulting on these topics at this stage.

If the Commission was to propose the development of a more precise product categorisation system, two broad strategies could be envisaged. On the one hand, the product categorisation system could build on and develop the distinction between Articles 8 and 9 and the existing concepts embedded in them (such as environmental/social characteristics, sustainable investment or do no significant harm), complemented by additional (minimum) criteria that more clearly define the products falling within the scope of each article. On the other hand, the product categorisation system could be based on a different approach, for instance focused on the type of investment strategy (promise of positive contribution to certain sustainability objectives, transition focus, etc.), based on criteria that do not necessarily relate to those existing concepts. In such a scenario, concepts such as environmental/social characteristics or sustainable investment and the distinction between current Articles 8 and 9 of SFDR may disappear altogether from the transparency framework.

Question 4.1.1 To what extent do you agree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Sustainability product categories regulated at EU level would facilitate retail investor understanding of products' sustainability-related strategies and objectives	○	○	○	○	●	○
Sustainability product categories regulated at EU level would facilitate professional investor understanding of products' sustainability-related strategies and objectives	○	○	○	○	●	○
Sustainability product categories regulated at EU level are necessary to combat greenwashing	○	○	●	○	○	○
Sustainability product categories regulated at EU level are necessary to avoid fragmenting the capital markets union	○	○	○	○	○	●
Sustainability product categories regulated at EU level are necessary to have efficient distribution systems based on investors' sustainability preferences	○	○	○	●	○	○
There is no need for product categories. Pure disclosure requirements of sustainability information are sufficient	○	○	○	○	○	●

Question 4.1.2 If a categorisation system was established, how do you think categories should be designed?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Approach 1: Splitting categories in a different way than according to existing concepts used in Articles 8 and 9, for example, focusing on the type of investment strategy of the product (promise of positive contribution to certain sustainability objectives, transition, etc.) based on criteria that do not necessarily relate to those existing concepts						
Approach 2: Converting Articles 8 and 9 into formal product categories, and clarifying and adding criteria to underpin the existing concepts of environmental/social characteristics, sustainable investment, do no significant harm, etc.						

Please explain as necessary your replies to questions 4.1.1 and 4.1.2.

Please keep in mind that there are further questions in this section that elaborate on these first two questions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

There is a need for a product categorization system as investors demand such a system. However, the development of a categorization system must lead to a substantial reduction in the current mandatory information requirements under the SFDR. Therefore, creating a distinct categorization system with additional information requirements should not be appended to the existing disclosure requirements in the SFDR. Striking a balance in disclosure requirements is crucial for clarity while minimizing complex information provision to investors.

Regulating sustainability product categories at the EU level can establish effective distribution mechanisms based on investors' sustainability preferences, especially for retail investors. The number of categories must be carefully considered; too few can force funds into an unsuitable framework, while too many can lead to overly narrow and specialized funds. Exploring a hybrid form covering a wider spectrum is an idea, although we have no specific proposal.

The appeal of Approach 1 or Approach 2 hinges entirely on the design of the categories, making it challenging to determine a clear preference between the two. Given this uncertainty and the inability to anticipate specific categories for each approach, we have chosen the “partially disagree and partially agree” option for both Approach 1 and Approach 2. The advantages and disadvantages identified for each approach are detailed in the respective free-text answers below.

We support the further investigation of Approach 1. Developing a structured, separate categorization system in sustainability may be an appropriate step, but it requires careful development. The success of this work is highly dependent on how the categorization is carried out and its level of flexibility. It also requires making well-informed choices and acknowledging that what is beneficial for one party may not necessarily be advantageous for another. It is crucial that the developed categories are easily understandable for all types of investors, enabling them to form a clear understanding.

Unlike Approach 1, Approach 2 builds on the existing Articles 8 and 9 of the SFDR. An advantage of this approach is that it leverages something already in existence, which could facilitate the transition and adaptation to a categorization system. The disadvantage of this method is that there is a risk that today's problems linked to Articles 8 and 9 of the SFDR will persist and negatively affect the new categorization system. A careful evaluation and adaptation of Articles 8 and 9 of the SFDR can be crucial to maximizing the benefits and minimizing the risks of this approach.

Concerning question 4.2.2., we believe the categorization system should be based on a separate declaration by financial market participants. Compliance with this system should be monitored and reviewed by national supervisory authorities, ensuring commitment for consistent and reliable category application.

Involving national supervisory authorities in system monitoring ensures compliance with the regulatory framework and prevents misclassification. This strengthens investor confidence and reduces the risk of abuse and misleading claims.

If a categorisation system was established according to **approach 1** of question 4.1.2

Question 4.1.3 To what extent do you agree that, under approach 1, if a sustainability disclosure framework is maintained in parallel to a categorisation system, the current distinction between Articles 8 and 9 should disappear from that disclosure framework?

- ○ 1 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree
- ○ 4 - Mostly agree
- ◉ 5 - Totally agree
- ○ Don’t know / no opinion / not applicable

Question 4.1.4 To what extent would you find the following categories of sustainability products useful?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
A - Products investing in assets that specifically strive to offer targeted, measurable solutions to sustainability related problems that affect people and/or the planet, e.g. investments in firms generating and distributing renewable energy, or in companies building social	○	○	○	○	◉	○

housing or regenerating urban areas.						
B - Products aiming to meet credible sustainability standards or adhering to a specific sustainability-related theme, e.g. investments in companies with evidence of solid waste and water management, or strong representation of women in decision-making.	○	○	○	○	○	●
C - Products that exclude investees involved in activities with negative effects on people and/or the planet	○	○	○	○	●	○
D - Products with a transition focus aiming to bring measurable improvements to the sustainability profile of the assets they invest in, e.g. investments in economic activities						

becoming taxonomy-aligned or in transitional economic activities that are taxonomy aligned, investments in companies, economic activities or portfolios with credible targets and/or plans to decarbonise, improve workers' rights, reduce environmental impacts.	○	○	○	○	◉	○

If you think there are other possible useful categories, please specify:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We don't have any suggestions for additional categories. However, we believe it is important that it is possible for a fund to invest sustainably without being classified in any of the above-mentioned categories (A–D). Such an approach would provide more flexibility to the regulatory framework and include specific situations where a financial market participant's fund does not necessarily fit into any existing category. This also ensures that the regulatory framework is as clear and inclusive as possible.

Question 4.1.5 To what extent do you think it is useful to distinguish between sustainability product category A and B described above?

- ○ 1 - Not at all
- ○ 2 - To a limited extent
- ○ 3 - To some extent
- ○ 4 - To a large extent
- ◉ 5 - To a very large extent
- ○ Don’t know / no opinion / not applicable

Question 4.1.6 Do you see merits in distinguishing between products with a social and environmental focus?

- ◉ 1 - Totally disagree

- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- 4 - Mostly agree
- 5 - Totally agree
- Don’t know / no opinion / not applicable

Question 4.1.7 How many sustainability product categories in total do you think there should be?

- 1 category
- 2 categories
- 3 categories
- 4 categories
- 5 categories
- More than 5 categories
- Don’t know / no opinion / not applicable

Question 4.1.8 Do you think product categories should be mutually exclusive, i.e. financial market participants should choose only one category to which the product belongs to in cases where the product meets the criteria of several categories (independently from subsequent potential verification or supervision of the claim)?

- Yes
- No
- There is another possible approach
- Don’t know / no opinion / not applicable

Please explain what that other possible approach could be:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A fund should be able to be included in several categories; in other words, from a customer perspective, the categories should function as ”tags” or ”search filters” based on the sustainability strategies employed and requested by the customer. This approach seems reasonable and easy to understand from a customer standpoint and could facilitate differentiation. For instance, a client searching for an "actively managed” ” equity fund” focused on ”Asian” ”small caps, ” with sustainability analysis that ”excludes XXX” and ”focuses on solution companies/impact” within ”theme XXX, YYY, ” should be able to use these “tags” to correspond to relevant categories within the categorization system. However, it is acknowledged that such a system may pose challenges when transitioning from a conceptual idea to a legally operational framework.

Please explain your replies to questions 4.1.5, 4.1.6, 4.1.7 and 4.1.8:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It is important to establish a clear distinction between categories A and B. However, we acknowledge that maintaining this distinction may pose challenges, leading to questions about the contributions of category B to the real economy.

Currently, there is no conflict between products with a social respective environmental focus, and any new classification framework should avoid introducing such conflicts.

Regarding the number of product categories, we believe that there can be more than five if they are clearly defined, but the total should not exceed 10. Having too few categories increases the risk of attempting to force diverse products into a predetermined template. However, maintaining transparency requirements in the SFDR might favor a smaller number of categories. The narrow categories outlined in Article 9 of the SFDR have caused issues in the market, emphasizing that the classification system should not oversimplify complex issues at the expense of effectively communicating information to investors.

Determining whether product categories should be mutually exclusive is not straightforward and could depend on the total number of categories chosen. If there are clear segmentations within a fund, it might be reasonable to allow the fund to be placed in several relevant categories. One approach to achieving this, as mentioned in our response to question 4.1.8, is to consider different categories as distinct "tags" or "search filters" based on the sustainability strategies employed in the fund.

Question 4.1.9 If a categorisation system was established that builds on new criteria and not on the existing concepts embedded in Articles 8 and 9, is there is a need for measures to support the transition to this new regime?

- 1 - Totally disagree
- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- 4 - Mostly agree
- 5 - Totally agree
- [x] Don’t know / no opinion / not applicable

Please explain your reply to question 4.1.9 as necessary:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 4.1.10 What should be the minimum criteria to be met in order for a financial product to fall under the different product categories?

Could these minimum criteria consist of:

For product category A of question 4.1.4:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment					X	
Engagement strategies					X	
Exclusions				X		
Pre-defined, measurable, positive environmental, social or governance-related outcome					X	
Other				X		

Please explain your answers for product category A:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that Taxonomy alignment provides a good foundation for this category. The degree of alignment can then be gradually increased.

It's also relevant to consider how engagement strategies work, particularly for passive funds. However, such a criterion may be more reasonable and applicable in the active fund segment, where managers have a greater possibility to influence.

Exclusion should be regarded as a basic minimum requirement for this category. The focus should be on determining the extent to which exclusion should be possible and how comprehensive it needs to be.

It is also essential to include social aspects in product category A to achieve a more comprehensive sustainability assessment.

For product category B of question 4.1.4:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment	○	○	○	○	◉	○
Engagement strategies	○	○	○	◉	○	○
Exclusions	○	○	○	◉	○	○
Pre-defined, measurable, positive environmental, social or governance-related outcome	○	◉	○	○	○	○
Other	○	○	○	○	○	◉

Please explain your answers for product category B:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Products in product category B are designed to adhere to credible sustainability standards or target specific sustainability-related themes, such as investments in companies demonstrating effective solid waste management and water treatment or having a strong representation of women in decision-making positions. Given this focus, we consider the requirement of a "Pre-defined, measurable, positive environmental, social, or governance-related outcome" to be less relevant for product category B.

Rather than measuring specific outcomes that can be challenging to pinpoint, product category B typically revolves around following a sustainability strategy or theme. It involves adhering to established guidelines and standards rather than achieving measurable results. Requirements better suited to this category may include following ethical guidelines or mandating that the companies in the portfolio have specific sustainability certifications or meet certain exclusion criteria.

Aligning the requirements with the specific nature of product category B will enhance its purpose and usefulness for investors seeking sustainable alternatives without imposing unrealistic measurable outcomes. Striking a balance between encouraging sustainability efforts and establishing realistic and practical requirements is essential.

For product category C of question 4.1.4:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment	●	○	○	○	○	○
Engagement strategies	●	○	○	○	○	○
Exclusions	○	○	○	○	●	○
Pre-defined, measurable, positive environmental, social or governance-related outcome	●	○	○	○	○	○
Other	○	○	○	○	○	●

Please explain your answers for product category C:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Products in product category C aim to primarily use exclusion strategies to avoid investments in companies and activities that have negative impacts on people and the planet. In this context, we therefore consider that the other criteria for category A and B products may not be as relevant for category C products.

Category C products seek to reduce negative impacts by avoiding investments in undesirable activities. Therefore, it would make more sense to design criteria that emphasize exclusions and how the accuracy of the exclusion process can be ensured. It is about creating a clear and structured method for defining which activities are to be excluded and how these assessments are made. Aligning the requirements with the specific strategy of product category C can promote its purpose and usefulness for investors prioritizing sustainability issues through exclusion strategies.

For product category D of question 4.1.4:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment	○	○	●	○	○	○
Engagement strategies	○	○	○	○	●	○
Exclusions	●	○	○	○	○	○
Pre-defined, measurable, positive environmental, social or governance-related outcome	○	○	○	○	●	○
Other	○	○	○	○	●	○

Please explain your answers for product category D:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Products in product category D include those with a transition focus, aiming to achieve measurable improvements in the sustainability profile of assets. Therefore, we believe that the criteria related to Taxonomy alignment and exclusion are not particularly relevant for this product category. Minimum thresholds could be considered for this category as a step towards aligning with the taxonomy.

Question 4.1.11 Should criteria focus to any extent on the processes implemented by the product manufacturer to demonstrate how sustainability considerations can constrain investment choices (for instance, a minimum year-on-year improvement of chosen Key Performance Indicators (KPIs), or a minimum exclusion rate of the investable universe)?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't No o N appl
Category A of question 4.1.4				X		
Category B of question 4.1.4	X					
Category C of question 4.1.4	X					
Category D of question 4.1.4					X	

Question 4.1.11 a) If the criteria should focus on he processes implemented by the product manufacturer, what process criteria would you deem most relevant to demonstrate the stringency of the strategy implemented?

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that measuring Key Performance Indicators (KPIs) may be necessary for product categories A and D but may not be as crucial for other categories. However, this raises the question of whether such selective measurement is likely to create ambiguity and, if so, what consequences that lack of clarity may entail.

If a categorisation system was established according to **approach 2** of question 4.1.2

Question 4.1.12 If a categorisation system was established based on existing Articles 8 and 9, are the following concepts of the SFDR fit for that purpose?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
The current concept of ‘environmental and/or social characteristics’	◯	◯	◉	◯	◯	◯
The current concept of ‘sustainable investment’	◯	◯	◉	◯	◯	◯
The current element of ‘contribution to an environmental or social objective’ of the sustainable investment concept	◯	◯	◉	◯	◯	◯
The current element ‘do no significant harm’ of the sustainable						

investment concept, and its link with the entity level principal adverse impact indicators listed in tables 1, 2 and 3 of Annex I of the Delegated Regulation	○	○	◉	○	○	○
The current element of ‘investee companies’ good governance practices’ of the sustainable investment concept	○	○	◉	○	○	○

Question 4.1.12 a) If you consider that the elements listed in question 4.1.12 are not fit for purpose, how would you further specify the different elements of the 'sustainable investment' concept, what should be the minimum criteria required for each of them?

	Your answer
'contribution to an environmental or social objective', element of the sustainable investment concept	This should be measurable and apply equally to all funds. Clear thresholds/measurement points must be established in advance, for example, a minimum percentage of revenue, opex/capex, and taxonomy alignment.
'do no significant harm', element of the sustainable investment concept	The DNSH assessment can be useful as a starting point.
'investee companies' good governance practices', element of the sustainable investment concept	The principle of good governance can be useful as a starting point.

Question 4.1.12 b) Should the good governance concept be adapted to include investments in government bonds?

- (x) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

If the good governance concept should be adapted to include investments in government bonds, what should be the minimum criteria required for this element?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that there is no reason to exempt government bonds. On the other hand, we do not propose any minimum criteria that should be used when assessing the sustainability of bonds. However, the following should be the basis for transparency: climate considerations, democratic principles, and the prevention of corruption.

Question 4.1.12 c) Should the good governance concept be adapted to include investments in real estate investments?

- (x) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

If the good governance concept should be adapted to include investments in real estate investments, what should be the minimum criteria required for this element?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 4.1.13 How would you further specify what promotion of ‘environmental/social characteristics’ means, what should be the minimum criteria required for such characteristics and what should be the trigger for a product to be considered as promoting those characteristics?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If this concept is to be maintained, the threshold should be to provide sustainability-related information about the product when claiming that the fund complies with certain sustainability criteria. It is crucial to note that this requirement should not merely represent an absolute minimum under the regulatory framework, such as solely considering sustainability risks in the investment decision-making process.

Question 4.1.14 Do you think that a minimum proportion of investments in taxonomy aligned activities shall be required as a criterion to:

	Yes	No	Don't know - No opinion - Not applicable
…fall under the potential new product category of Article 8?	●	○	○
…fall under the potential new product category of Article 9?	●	○	○

Question 4.1.14 a) What should be this minimum proportion for **Article 8**?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that a possible way forward could be to start from "Taxonomy eligible," sustainable investments, and social sustainability.

Question 4.1.14 b) What should be this minimum proportion for **Article 9**?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the minimum proportion should be complemented by social sustainability. Once implemented, the taxonomy should replace the concept of “sustainable investments”, in which case the percentage referred to in Article 9 of the SFDR should align with the taxonomy. However, it is complicated to determine an exact figure for this because the pace of implementation and the outcome are difficult to predict. It is, therefore, risky to define in advance how the minimum requirement is to be gradually raised, but this needs to be reviewed by the legislator. This adaptation needs to be tailored to the relevant asset classes. Furthermore, this cannot be introduced until the CSRD (Corporate Sustainability Reporting

Directive) and ESRS (European Sustainability Reporting Standards) have been fully implemented, which is expected to happen around 2029.

Question 4.1.15 Apart from the need to promote environmental/social characteristics and to invest in companies that follow good governance practices for Article 8 products and the need to have sustainable investments as an objective for Article 9 products, should any other criterion be considered for a product to fall under one of the categories?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

4.2 General questions about the potential establishment of sustainability products categories

If a sustainability products categorisation system was established, products will need to be distinguished according to a set of pre-established criteria.

Question 4.2.1 In addition to these criteria, and to other possible cross-cutting /horizontal disclosure requirements on financial products, should there be some additional disclosure requirements when a product falls within a specific sustainability product category? This question presents clear links with question 3.2.3 in section 3.

- (x) 1 - Totally disagree
- ( ) 2 - Mostly disagree
- ( ) 3 - Partially disagree and partially agree
- ( ) 4 - Mostly agree
- ( ) 5 - Totally agree
- ( ) Don’t know / no opinion / not applicable

Question 4.2.1 a) Please see a list of examples of disclosures that could be required when a product falls within a specific sustainability product category.

Should this information be required when a product falls within a specific sustainability product category, and/or should any other information be required about those products?

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Taxonomy-related disclosures					X	
Engagement strategies					X	
Exclusions					X	
Information about how the criteria required to fall within a specific sustainability product category have been met					X	
Other information						

Question 4.2.2 If a product categorisation system was set up, what governance system should be created?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Third-party verification of categories should be mandatory (i.e. assurance engagements to verify the alignment of candidate products with a sustainability product category and assurance engagements to monitor on-going compliance with the product category criteria)	●	○	○	○	○	○
Market participants should be able to use this categorisation system based on a self-declaration by the product manufacturer supervised by national competent authorities	○	○	○	○	●	○
Other	○	○	○	○	○	○

Please explain your answer to Question 4.2.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that national regulators should monitor this, but we do not think that a specific approval process should be required. Refer to our response under question 4.1.2.

Question 4.2.3 If a categorisation system was established, to what extent do you agree with the following statement?

"When determining the criteria for product categories it should be taken into account..."

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
whether the product is a wrapper offering choices between underlying investment options like a Multi-Option Product	○	○	○	○	◉	○
whether the underlying investments are outside the EU	◉	○	○	○	○	○
whether the underlying investments are in an emerging economy	◉	○	○	○	○	○
whether the underlying investments are in SMEs	◉	○	○	○	○	○
whether the underlying investments are in certain economic activities	◉	○	○	○	○	○
other considerations as regards the type of product or underlying investments	◉	○	○	○	○	○

Please explain your answer to question 4.2.3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We consider that the following criterion should not be considered in the creation of a product categorization system: "Whether the product is a wrapper offering choices between underlying investment options like a Multi-Option Product." On the other hand, that criterion may be taken into account when drawing up thresholds.

4.3 Consequences of the establishment of a sustainability products categorisation system

As highlighted in section 2, any potential changes to the current disclosure regime and the creation of a categorisation system would need to take into account the interactions between the SFDR and other sustainable finance legislation. The following questions address these interactions for different legal acts, in such a scenario of regulatory changes in the arena of financial product disclosures and categorisation.

Question 4.3.1 The objective of the PRIIPs KID is to provide short and simple information to retail investors.

Do you think that if a product categorisation system was established under the SFDR, the category that a particular product falls in should be included in the PRIIPS KID?

- (x) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 4.3.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that the Packaged Retail and Insurance-Based Investment Products Key Information Document (PRIIP KID) should include sustainability information. However, this information should be concise and as clear as possible. It can be limited to a single sentence indicating whether sustainability aspects are considered in the fund, along with information on the fund's category classification.

Question 4.3.2 If new ESG Benchmarks were developed at EU level (in addition to the existing Paris-aligned benchmarks (PAB) and climate transition benchmarks (CTB), how should their criteria interact with a new product categorisation system?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The criteria set for the ESG benchmarks and the criteria defined for sustainability product categories should be closely aligned	○	○	○	○	●	○
Other	○	○	○	○	○	○

Question 4.3.3 Do you think that products passively tracking a PAB or a CTB should automatically be deemed to satisfy the criteria of a future sustainability product category?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Question 4.3.4 To what extent do you agree that, if a categorisation system is established, sustainability preferences under MiFID 2/IDD should refer to those possible sustainability product categories?

- ( ) 1 - Totally disagree
- ( ) 2 - Mostly disagree
- ( ) 3 - Partially disagree and partially agree
- ( ) 4 - Mostly agree
- (x) 5 - Totally agree
- ( ) Don't know / no opinion / not applicable

4.4 Marketing communications and product names

Market participants are increasingly informing their clients about sustainability, both in the context of the SFDR and voluntarily in marketing communications and names. Potentially, any expression related to sustainability provided by market participants to describe and promote the entity or its products and services could mislead clients and other stakeholders if it does not appropriately consider the reasonable expectations.

The SFDR does address the issue of marketing communications in Article 13, prohibiting contradictions between such marketing communications and disclosures under the regulation. Article 13 also includes an empowerment for the European Supervisory Authorities to draft implementing technical standards on how marketing communication should be presented. This empowerment has not been used up to now.

Question 4.4.1 Do you agree that the SFDR is the appropriate legal instrument to deal with the accuracy and fairness of marketing communications and the use of sustainability related names for financial products?

- (x) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Question 4.4.2 To what extent do you agree with the following statements?

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The introduction of product categories should be accompanied by specific rules on how market participants must label and communicate on their products				X		
The use of terms such as ‘sustainable’, ‘ESG’, ‘SDG’, ‘green’, ‘responsible’, ‘net zero’ should be prohibited for products that do not fall under at least one of the product categories defined above, as appropriate					X	
Certain terms should be linked to a specific product category and should be reserved for the respective category				X		

Question 4.4.3 Would naming and marketing communication rules be sufficient to avoid misleading communications from products that do not fall under a product sustainability category?

- 1 - Totally disagree
- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- ✔ 4 - Mostly agree
- 5 - Totally agree
- Don't know / no opinion / not applicable

Please explain your replies to questions 4.4.1, 4.4.2 and 4.4.3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If the name of the fund is linked to a categorization system, the name itself may contain significant information about the fund. However, it is important to remember that while this may give a clear indication, there is still room for the classification not to fully reflect the characteristics of the fund, which can be misleading.

While the name can be a useful guide, it may be necessary to supplement this information with additional details to provide investors with a full understanding of the fund's content and sustainability profile. This could be beneficial for investors and make it easier for them to make informed decisions.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous**.

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

More on this consultation (https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfd implementation_en)

Consultation document (https://finance.ec.europa.eu/document/download/99bc25fe-4dd8-4b57-ab37-212b5ab05c41_en?2023-sfdr-implementation-targeted-consultation-document_en.pdf)

More on sustainability-related disclosure in the financial services sector (https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en)

Specific privacy statement (https://finance.ec.europa.eu/document/download/a08edb89-59d8-44f8-873f-7a0f08b2f4c1_en?2022-sfdr-implementation-specific-privacy-statement_en.pdf)

Related targeted consultation (https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/public-consultation-implementation-sustainable-finance-disclosures-regulation-sfdr_en)

Contact

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