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Joint ICMA response to the European Commission's targeted consultation on the SFDR

ICMA is a membership association, headquartered in Switzerland, committed to serving the needs of its wide range of members. These include private and public sector issuers, financial intermediaries, asset managers and other investors, capital market infrastructure providers, central banks, law firms and others worldwide. ICMA currently has over 620 members located in 67 jurisdictions. See www.icmagroup.org.

The feedback to the European Commission's targeted consultation on the implementation of the Sustainable Finance Disclosure Regulation (SFDR) is given behalf of ICMA and its constituents, especially by the Asset Management & Investors Council (AMIC) and the Executive Committee of the Principles. Our detailed comments are presented in the response form to the Commission's questionnaire. This letter summarises our key responses to and positions on the various questions raised by the European Commission. In a nutshell:

- **Current requirements of the SFDR**: While the SFDR's adoption has been positive, it currently fails to fulfil its primary objective of investor protection and helping sufficiently channel capital towards sustainability for various reasons including use of disclosures as labelling, complexity and overload of disclosure requirements, data unavailability, lack of clarity and minimum standards in key regulatory concepts, etc. All these can lead to legal uncertainty, potential greenwashing, and reputational risks.
- **Interaction with other sustainable finance legislation**: While the Commission and the ESAs have recently provided various guidance on addressing inconsistencies between different pieces of legislation, there is still a need for further improvement and clarity.
- **Potential changes to disclosures**: Going forward, the disclosure requirements and templates should be shortened, streamlined, clarified, made proportionate and focused on most material issues. Within these parameters, there is support for uniform disclosures across all products, regardless of the presence of sustainability claims. Where possible, disclosures should leverage expected data from the application of international standards (e.g., ISSB) and recognise other existing taxonomies.
- **Potential establishment of a categorisation system**: Our members clearly and strongly support an EU official categorisation system, however there are divergent views on how to achieve this. In any case, introduction of labels based on investment objectives and intentions should, to the extent possible, leverage the existing requirements and processes that have been resource intensive to implement. We note strong support for a transition-focused Category D. There is also support for Category A and B, but international fragmentation should be avoided in labels' design. We do not however support the exclusion-focused Category C. Also, while we do not propose any specific criteria for labels at this stage, we present some high-level recommendations and principles to guide the process.

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Deputy Chief Executive and Head of Sustainable Finance	Senior Director ICMA AMIC	Associate Director Sustainable Finance

I. Current requirements of the SFDR

The SFDR's broad objective to support the EU's shift to a sustainable future through transparency and investor protection and help capital flows towards sustainability is even more relevant as sustainability challenges are intensifying in the EU and across the world. The SFDR's adoption has been a positive development as it provides a common framework for disclosure and requires substantiation of sustainability claims where they exist.

Nevertheless, the framework has so far not fulfilled its objectives for a variety of reasons: (i) misuse of disclosures as labels; (ii) overload and complexity of disclosure requirements coupled with their divergent interpretation and application; (iii) current and potential future widespread data unavailability; (iv) lack of definitions and regulatory clarity on key concepts and requirements; and (v) inconsistency between different sustainable finance regulations, etc. The framework also does not sufficiently accommodate transition-themed investments.

Some specific challenges have been raised regarding the current Art.8/9 based regime. In some cases, the principle-based approach on "Sustainable Investments" with no minimum criteria creates an unlevelled playing field for FMPs who apply stricter definitions and conservative methodologies. The PAI disclosures are mainly designed for large cap DM issuers and structurally disadvantages EMs, High Yield etc. For fixed income products, the investable universe is generally considerably reduced for Art.9 classification including due to the 100% Sustainable Investment requirement. The latter does not allow any margin for efficient portfolio management techniques to be applied while creating uncertainty in case of disqualification of a sustainable bond as per FMPs' own standards. Conversely, Art.8 is very broad and currently lacks minimum quality conditions to serve as a reliable classification.

All these issues lead to legal uncertainty, as well as greenwashing r and reputational risks while hindering capital allocation towards sustainability. There is therefore a consensus regarding the need to address these. However, due consideration should be given to past efforts and costs already invested to implement the current regime. A repeat of these costs and efforts needs to be avoided or minimised while the detailed and technical improvements should be addressed at Level 2 legislation.

II. Interaction with other sustainable finance legislation

We welcome the Commission's and the ESAs' efforts to ensure consistency between different EU sustainable finance legislations and rules.

Nevertheless, in a number of areas there is room to further ensure consistency and enhance interactions between different sustainable finance regulations. For example, the consideration of taxonomy aligned investments as Sustainable Investment provides a practical relief mostly for green use-of-proceeds instruments as these are relatively easier to be in full alignment with the EU taxonomy aligned compared with vanilla instruments of investees. The expanded materiality analysis under the CSRD/ESRS as well as the fact that not all investees will be in scope mean that some data gaps are likely to persist over time. Most FMPs noted also that the consideration of EU climate benchmarks aligned funds as Sustainable Investments has not led to a re-qualification wave towards Art.9 due to the remaining uncertainties and inconsistencies between the two legislations.

III. Potential changes to the disclosure requirements

As a general comment, for the SFDR to fulfil its objectives, we believe **the priority should be to rationalise, streamline, and clarify the disclosure requirements** to avoid complexity, data overload, and divergent interpretations and applications. Disclosures should also generally focus on the most material issues. There is also a need to simplify disclosure templates accordingly while some FMPs also proposed the introduction of a simple ESG template for all products (e.g., 3 pages max).

Entity-level PAI disclosures currently provide little or no value given that asset owners invest in products but not in asset managers. Asset managers also have diverse business focus and product offerings, and as such, entity-level PAIs fail to achieve the intended comparability. At a minimum, they should be streamlined, shortened, focus on material issues, by also considering specifics of different asset classes, investment focus, and strategies.

We also reiterate our earlier view (see our SFDR Level 2 response) that the **EU should consider making at least some disclosures subject to FMPs' materiality assessment** given the expanded materiality assessment scope on the investee side CSRD/ESRS. Moreover, regarding FMPs' entity-level disclosures, the relationship between the application of the CSRD/ESRS and the SFDR should be clarified, and duplicative obligations should be avoided.

Future disclosure requirements should consider international data availability since many portfolios are global. This can be achieved by leveraging expected data availability and metrics from international standards such as the ISSB IFRS S1 and S2 and recognising other taxonomies around the world as equivalent disclosures where appropriate.

We are supportive of uniform disclosures provided these are of limited number (e.g., 1 to 3), meaningful, practical, proportionate in light of the fact that there may not be any sustainability claim at all. Conversely, such uniform disclosures should be made highly visible.

The specific content of uniform disclosures should be determined at Level 2 legislation. They should be based on indicators that are likely to be most material across different types of investments, leveraging also some existing PAIs and processes implemented by FMPs. A positive tilt disclosure, such as funds' exposures to companies with transition plans aligned with ESRS, ISSB, and/or ICMA CTFH could create incentives for companies to voluntarily adopt transition plans and help advance the decarbonisation momentum across the economy including throughout the value chains.

There are diverging views on whether different uniform disclosures should apply depending on the nature of investments (e.g., EMs, SMEs, etc.). In any case, where disclosures are quantitative in nature, qualitative assessments and contextual information should be allowed to accommodate different situations and circumstances and avoid creating investment biases penalising some type of investees (dark green vs. transitional) or geographies over others (e.g., DM vs. EM investments). It may also be possible to distinguish how a same specific disclosure embeds and caters to different situations without fragmenting the uniform disclosure requirements depending on the nature of investments. For example, a uniform disclosure on the exposure level to companies with transition plans could also be inclusive of SMEs and EM with science-based transition targets (instead of plans) to accommodate proportionality in line with the Commission's transition finance definition of June 2023.

IV. Potential establishment of a categorisation system

There is a strong support for a clear categorisation system regulated at EU level as this would facilitate investor understanding of sustainability strategies and objectives, help address greenwashing, avoid fragmentation in the EU, and help with efficient distribution systems.

However, stakeholders' views diverge significantly on which Approach to take to achieve this. Building on the current de-facto classification system (i.e., based on Art.6/Art.8/Art.9) and supporting it with minimum criteria under Approach 2 would help minimise new substantial implementation efforts and costs and avoid further confusion in the market as existing regime would be further cemented by the time a Level 1 change is implemented. Conversely, creating a new categorisation system could bring additional clarity for the benefit of investors since labels would be based on investment objectives and intentions. The latter could also ensure a better international alignment with other jurisdictions, such as the recently finalised UK fund labelling rules.

We therefore support a blended approach that introduces clear labels based on investment objectives and intentions while building on the existing processes have been difficult and costly to implement as much as possible (e.g., by using a shortened list of existing PAIs focused on most material issues).

Regardless of which Approach to take, these are our high-level principles and recommendations for the way forward:

- When introducing common and objective minimum criteria for each category, avoid very stringent labelling criteria that could restrict sustainable investing into a niche market and hinder innovation while potentially creating asset concentration and financial stability risks.
- Avoid or at least minimise international fragmentation and divergence in labels' design, names, underlying criteria by considering other jurisdictions' initiatives, to the extent possible.
- Bearing in mind portfolios are global, avoid Eurocentric design, data requirements and criteria by also leveraging the implementation of international standards (e.g., ISSB, other taxonomies) to the full extent possible.
- Consider targeted measures in labels and labelling criteria in order not to disadvantage other jurisdictions (e.g., EMs) or smaller entities (e.g., SMEs).
- Adopt an asset-neutral stance as much as possible as an overarching approach while leaving the underlying criteria flexible for FMPs to accommodate different asset classes through their methodologies and asset selection criteria.

Regarding the product category examples provided by the Commission, we note the following points:

- We strongly support a transition-focused label (Category D) in all cases, which is partly explained by the fact that the current SFDR regime is not perceived as incorporating transition sufficiently. However, such label should be supported with clear minimum criteria and standards to maintain credibility and avoid controversy.
- We also support Category A (products aiming at targeted, measurable sustainability solutions) and Category B (products meeting credible sustainability standards or adhering to a specific theme). However, we reiterate our earlier point regarding the need to avoid international fragmentation in labels' design, names, and underlying criteria.
- We do not support an "exclusion" focused label (Category C) given that exclusion is rather an investment strategy that could apply across the board and serve as a minimum criterion for other product categories.

The use of product categories should also be mutually exclusive, i.e., a fund should only be able to qualify only for one label. We recommend considering creating a general product category that can include assets and investments qualifying for other labels in a similar fashion to the Dutch Regulator AFM's proposal and the label "Mixed Goals" recently introduced by the FCA. Among other things, such approach would help avoid an overly restricted sustainable investing framework, asset concentration, and liquidity and financial stability risks while being inclusive of different asset classes and investment strategies that may not easily fit in a single label at a time.

There should also be no "de jure" or "de facto" hierarchy, bias, prioritisation between different labels. However, transparency on the level of sustainability ambition, either resulting from the current performance or committed future improvements vias plans or targets, could still benefit end-investors and help them make informed choices.

We support additional disclosures for products that make sustainability claims or fit within the product labels provided by the EU. What such disclosures would ultimately be depends on the nature of sustainability claims or labels and their underlying criteria. We reiterate our view on the general need for disclosures to be rationalised, streamlined, clarified, and made materially focused, practical, and proportionate.

We also agree that product categories should be accompanied by specific rules on marketing communications and naming restrictions in line with existing rules on misleading marketing communications. There is however a need for enhanced coordination between different EU policymakers as ESMA recently consulted on some sustainability-related terminology restrictions. Also, if uniform sustainability disclosures are adopted across all products as discussed above, the scope of naming restrictions may need to be narrower (e.g., limited to "sustainable" and "impact").

Most FMPs are however against a mandatory external verification requirement at this stage as funds are already subject to authorisation and review by competent authorities.

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Date: 13/12/2023 10:46:14

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

OZGUR

* Surname

ALTUN

* Email (this won't be published)

ozgur.altun@icmagroup.org

* Organisation name

255 character(s) maximum

International Capital Market 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.

0223480577-59

* 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
- [ ] Other
- [x] Not applicable

* 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	N/A
*Products disclosing under Article 8	N/A
*Products disclosing under Article 9	N/A

* 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		X				
Increasing transparency towards end investor with regard to the consideration of adverse sustainability impacts			X			
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		X				
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)		X				

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					X	
Some legal requirements and concepts in the SFDR, such as ‘sustainable investment’, are not sufficiently clear				X		
The SFDR is not used as a disclosure framework as intended, but as a labelling and marketing tool (in particular Articles 8 and 9)				X		
Data gaps make it challenging for market participants to disclose fully in line with the legal requirements under the SFDR					X	
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			X			
There are other deficiencies with the SFDR rules (please in text box following question 1.7)					X	

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				X		
The issues raised in question 1.6 create reputational risks for financial market participants and financial advisers				X		
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				X		
The issues raised in question 1.6 create a risk of greenwashing and mis-selling				X		
The issues raised in question 1.6 prevent capital from being allocated to sustainable investments as effectively as it could be				X		
The current framework does not effectively capture investments in transition assets				X		
The current framework does not effectively support a robust enough use of shareholder engagement as a means to support the transition			X			

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 SFDR's broad objective to support the EU's shift to a sustainable future through transparency and investor protection and help capital flows towards sustainability is even more relevant as various sustainability crises are intensifying in the EU and across the world. The SFDR's adoption has been a positive development as it provides a common framework for disclosure and requires substantiation of sustainability claims where they exist.

Nevertheless, the SFDR currently does not fulfil its objectives of enhancing comparability and investor protection as well as sufficiently channelling more capital towards sustainability. The main issues include: (i) use of disclosures as labels; (ii) disclosure overload, complexity, lack of usefulness and proportionality for some disclosures (e.g. entity-level PAIs statements); (iii) current and potential future data unavailability (including due to the CSRD's phased-in application and expanded materiality analysis scope); (iv) lack of definitions, interpretation clarity, consistency, and minimum standards for key concepts and requirements in the rules themselves, as well as between FMPs, and NCAs separately; and, (v) inconsistencies between various SF regulations, etc. The current SFDR framework does not sufficiently accommodate transition.

Some specific challenges have been raised regarding the current Art.8/9 based regime. In some cases, the principle-based approach on "SI" with no minimum criteria creates an unlevelled playing field for FMPs with stricter definitions and conservative methodologies. The PAI disclosures are mainly designed for large cap DM issuers and structurally disadvantages EMs, High Yield etc. For fixed income products, the investable universe is generally considerably reduced for Art.9 classification including due to the 100% SI requirement. This does not allow any margin for efficient portfolio management techniques while creating uncertainty in case of a disqualification of a use-of-proceeds bonds as per FMPs' own standards. Conversely, Art.8 is very broad and currently lacks minimum quality conditions to serve as a reliable classification.

Eventually, improvements to the SFDR should alleviate uncertainties and consequent greenwashing risks while increasing the available capital towards sustainability when supported with right incentives. Detailed and technical aspects of the SFDR improvements should however be left to Level 2 legislation.

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)	○	○	○	●	○	○
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	○	●	○	○	○	○
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	○	○	○	●	○	○

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.

Entity-level PAI statements currently provide little/no value for end investors given investors invest in products but not the asset managers. Also, asset managers have diverse business and financial products focus, and as such, entity-level PAIs may be irrelevant depending on such or not lead to a meaningful comparison. At a minimum, entity-level PAIs should be streamlined, shortened, focused on material issues, by also considering specifics of different asset classes and investment focus.

On the data issues, we highlight the need for full alignment between the SFDR data points and CSRD/ESRS requirements. In any case, however, given the phased-in application of the CSRD/ESRS, the expanded scope of the materiality analysis thereunder, and the fact that not all investees will be subject to the CSRD /ESRS, it is likely that some data gaps for PAIs will persist over time. We therefore believe that it should be considered to make, at least some of the PAIs subject to a materiality analysis with relevant supporting guidance from the regulators. Regarding Taxonomy reporting, a common estimation methodology should be determined to address taxonomy data gaps. Due consideration should also be given to what data is expected to be internationally available under the application of standards such as the ISSB. See further details in our response to Q36 in the SFDR Level 2 consultation: https://www.icmagroup.org/assets /documents/Sustainable-finance/Responses/ICMA-Response-to-SFDR-DR-consultation-030723.pdf.

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		

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				

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)	○	○	◉	○	○	○
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)	○	○	○	◉	○	○
The good governance practices of investee companies (product level)	○	◉	○	○	○	○
Other	○	○	○	○	○	○

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

- 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
- 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.

Many asset managers rely significantly on external data providers to satisfy various SFDR requirements including for reporting on taxonomy and PAIs. The comparability between different data providers’ input however remain low to date, which highlights the importance of direct investee-side data availability.

On the data issues, we highlight the need for full alignment between the SFDR data points and CSRD/ESRS requirements. In any case, however, given the phased-in application of the CSRD/ESRS, the expanded scope of the materiality analysis thereunder, and the fact that not all investees will be subject to the CSRD /ESRS, it is likely that some data gaps for PAIs will persist over time. We therefore believe that it should be considered to make, at least some of the PAIs subject to a materiality analysis with relevant supporting guidance from the regulators. Regarding Taxonomy reporting, a common estimation methodology should be determined to address taxonomy data gaps. Due consideration should also be given to what data is expected to be internationally available under the application of standards such as the ISSB. See further details in our response to Q36 in the SFDR Level 2 consultation: https://www.icmagroup.org/assets /documents/Sustainable-finance/Responses/ICMA-Response-to-SFDR-DR-consultation-030723.pdf.

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
- 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.

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
- ○ 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	○	◉	○	○	○	○
The approach to DNSH and good governance in the SFDR is consistent with the environmental, social and governance exclusions under the PAB/CTB	○	◉	○	○	○	○
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	◉	○	○	○	○	○

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
- 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	○	○	○	○	○	○
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.

On the Q.2.1 on the consideration of Taxonomy aligned investments as Sustainable Investment under the SFDR, while the guidance itself is clear in its position, it is more relevant to and helpful for use-of-proceeds instruments which could be 100% Taxonomy aligned relatively easier. Otherwise, general purpose instruments usually speak to a partial Taxonomy alignment on the side of an investee as the Taxonomy assessment is made at a granular, activity-level before being aggregated at the entity-level as a percentage. Therefore, the guidance itself does not generally facilitate the qualification of entities' shares and vanilla bonds as "SI" as entities would very rarely have activities all of which are 100% Taxonomy aligned. So, the SFDR's DNSH test based on PAIs test would still apply to the remaining non-Taxonomy aligned part.

Regarding the Q.2.2, we note that the guidance on the consideration of EU climate benchmarks aligned funds as SI has not really addressed the uncertainties and not led to an increased (re-)qualification of those towards the Art.9 category. Among other things there are inconsistencies between the SFDR Art.9 and SI concepts and the requirements applicable to PAB/CTB under the Level 1-texts and believe the expected disclosures of such passive funds tracking CTB and PAB are not clear. PAB/CTB exclusions are generally less comprehensive than the SI DNSH test done through PAIs. For instance, CTBs may contain exposure to coal and oil while also including companies unscreened for water and waste emissions. Moreover, there should be alignment or at least consistency between the SFDR disclosures and the BMR disclosures for index administrators.

On the Q.2.3 on the CSRD/ESRS and the SFDR alignment, ICMA strongly recommends full alignment between the SFDR data points and the CSRD/ESRS requirements. In any case, however, given the phased-in application of the CSRD/ESRS, the expanded scope of the materiality analysis on the ESRS disclosure requirements, and the fact that not all investees will be subject to the CSRD/ESRS, it is likely that some data gaps for PAIs will persist for some time. ICMA therefore also argued that it should be considered to make, at least some of the PAIs subject to a materiality analysis with relevant supporting guidance from the regulators and that a common estimation methodology should be determined to address taxonomy data gaps. Otherwise due consideration should be given to what data is expected to be internationally available under the application of standards such as the ISSB. See further details in our response to Q36 in the SFDR Level 2 consultation: https://www.icmagroup.org/assets/documents/Sustainable-finance/Responses/ICMA-Response-to-SFDR-DR-consultation-030723.pdf

Regarding Q.2.4 on the link between the SFDR requirements and MiFID/IDD, we highlight that suitability test is one of the major issues in the current regulatory framework as it relies on absolute percentages or binary conclusion (yes/no), and in the absence of common criteria for Sustainable Investments, FMPs with more stringent and conservative methodologies may be disadvantaged in some cases as explained earlier.

Regarding Q.2.6, the requirements on distributors to consider sustainability preferences have further boosted the importance of classifications of products and investments under the SFDR. However, for end investors to make informed choices based on the disclosures, the latter should be shorter, simpler, understandable, and reliable while focusing on most material issues leading to meaningful results.

Regarding Q.2.6.1, We support key SFDR disclosures in the KID provided that simplicity and consistency with the more extensive SFDR disclosures are balanced. If a categorisation system is eventually introduced, it would be helpful to disclose the labelling in the Key Information Document.

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

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 knc No opinic Not applicat
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.

We refer to our response for 1.8, 1.8.1, and 1.9 above regarding the entity-level PAIs.

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.

Entity-level PAIs currently provide little/no value for end investors given investors invest in products but not the asset managers. Also, asset managers have diverse business and financial products focus, and as such, entity-level PAIs may be irrelevant depending on such or not lead to a meaningful comparison. At a minimum, they should be streamlined, shortened, focus on material issues, by also considering specifics of different asset classes and investment focus.

More generally, the usefulness of and the data availability for PAIs vary greatly. While some PAIs such as GHG emissions, carbon footprint, exposure to fossil fuels, controversial weapons are more likely to be material for a broad range of investment products, approaches, and strategies, others may be less, or their materiality may be limited to a specific industry sector.

Regulatory definitions for some PAIs are also not clear while their interpretation vary between FMPs and data providers.

Generally, disclosures for many PAIs suffer from a widespread data unavailability which may not even be fully solved due to the phased application of the CSRD, the broadened materiality assessments thereunder, and the fact that not all entities will be subject to the CSRD reporting. Due consideration should be given to which data is expected to be internationally available under the application of standards such as the ISSB.

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 (selected)
- 5 - To a very large extent
- 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.

Regarding FMPs’ entity-level disclosures, the relationship between the application of the CSRD/ESRS and the SFDR should be clarified, and duplicative obligations should be avoided.

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 are supportive of uniform disclosures provided these are of limited number (e.g. 1 to 3), meaningful, practical, proportionate vis-à-vis the fact that there may not be any sustainability claim at all. Conversely, such uniform disclosures should be made highly visible.

The specific content of uniform disclosures should be determined at Level 2. Such uniform disclosures should be based on indicators that are likely to be most material across the board, leveraging also some existing PAIs and processes implemented by FMPs.

Where the nature of a disclosure disclosures is quantitative, qualitative assessments and contextual information should be allowed to accommodate different situations and circumstances and avoid creating investment biases penalising some type of investees (dark green vs. transitional) or geographies over others (e.g., DM vs. EM investments).

To enhance data availability in these uniform disclosures, due consideration should be given to what data is expected to be internationally available under the application of standards such as the ISSB.

They could also be a requirement to include a link to the methodology and data sourced used of the relevant FMP.

Some FMPs also support the development of a single ESG template for all products (e.g., max 3 pages).

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 specify what other information should be required about all financial products:

5000 character(s) maximum

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

The specific content of uniform disclosures should be determined at Level 2. Such uniform disclosures should be based on indicators that are likely to be most material across the board, leveraging also some existing PAIs and processes implemented by FMPs.

Regarding introducing a Taxonomy disclosure, there are concerns on the current state of the EU Taxonomy as its implementation suffers from a variety of challenges (lack of data, lack of coverage of TSC of broader economic activities spectrum, usability challenges including the international applicability of SC and DNSH TSC, narrowness of the criteria not accommodating transition etc.). Some FMPs believe that by the time SFDR review is implemented, these may be fixed. In any case, we believe a Taxonomy disclosure, if eventually adopted, should also be open to other official sector/country and market-based taxonomies.

Positive tilts are also important to create incentives towards sustainability transformation. As an example, it could be considered to provide an understanding the extent to which (%) a portfolio contains companies that have a science-based transition plan (e.g., compliant with ISSB, ESRS framework, and/or ICMA CTFH), where climate change is material for companies in the portfolio. However, such consideration should be subject to whether transition plan reporting standards will have reached sufficient maturity by then. Such uniform disclosure could initiate a race to the top due to asset owner demand, result in pressure on companies to adopt credible plans, and mobilise decarbonisation across the economy including throughout the value chains of investees.

In all cases, bearing in mind that portfolios are global, due consideration should be given to what data is expected to be internationally available under the application of standards such as the ISSB.

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.

See our response to 3.2.1 a).

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.

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?

- [ ] 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 specify what other information should be required about the financial products that would be subject to disclosure obligations:

5000 character(s) maximum

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

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.

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.

While most FMPs support additional disclosures substantiating a sustainability claim, where it exists, some FMPs also expressed concern that the current requirements are already quite extensive and challenging to implement. Therefore, we support such additional disclosures if these are short, simple, focused.

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?

- 1 - Not at all
- 2 - To a limited extent
- (x) 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?

- 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

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.

Website disclosures are found to be of limited value by many FMPs, in particular for professional investors.

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.

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.

While we understand the underlying intention to enhance comparability, requiring the same level of information across the board would not be fit for purpose. Instead, the disclosures should be adjusted to the main objective and audience of each documentation based on the principles of materiality of data points as well as consistency between more detailed and less detailed information disclosures on the very same topic.

We note also that some FMPs proposed the introduction of a simple ESG template for all products (e.g., 3 pages max). If such standardised approach is adopted, same information would need to be included in the pre-contractual document (hence our 3 scoring for the first option above).

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)?

- (x) 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.

Entity-level PAIs currently provide little/no value for end investors given investors invest in products but not the asset managers. Also, asset managers have diverse business focus, and as such, entity-level PAIs may be irrelevant depending on such or not lead to a meaningful comparison. More generally, there are comparability challenges due to lack of reliable data and diverging calculation methodologies. At a minimum, they should be streamlined, shortened, focus on material issues, by also considering specifics of different asset classes and investment focus.

As we also noted earlier, regarding FMPs’ entity-level disclosures, the relationship between the application of the CSRD/ESRS and the SFDR should be clarified, and duplicative obligations should be avoided.

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 (selected)
- 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.

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	◯	◯	◯	◯	◯	◯
It would be useful for all product information disclosed under the SFDR to be machine-readable, searchable and ready for digital use	◯	◯	◯	◯	◯	◯
It would be useful for some of the product information disclosed under the SFDR to be machine-readable and ready for digital use	◯	◯	◯	◯	◯	◯
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)	◯	◯	◯	◯	◯	◯
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	◯	◯	◯	◯	◯	◯
Entity and product disclosures on websites should be interactive and offer a layered approach enabling investors to access additional information easily on demand	◯	◯	◯	◯	◯	◯

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
- 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.

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 views are divergent on whether what disclosures apply should depend on the nature of investments. In any case, we note that the detailed disclosure requirements should be determined at Level 2.

In any case, where disclosures are quantitative in nature, qualitative assessments and contextual information should be allowed to accommodate different situations and circumstances and avoid creating investment biases penalising some type of investees (dark green vs. transitional) or geographies over others (e.g., DM vs. EM investments).
It may also be possible to distinguish how a same specific disclosure embeds and caters to different situations without fragmenting the uniform disclosure requirements depending on the nature of investments. For example, if a Taxonomy disclosure is eventually adopted, it can also be inclusive of other jurisdictions' taxonomies and market-based taxonomies. Also, to accommodate proportionality for SMEs and EM issuers, in alignment with the EC's own definition of transition finance (June 2023), a disclosure on exposure to companies with science-based transition plans can also be inclusive of companies with science-based transition targets.

As highlighted before, disclosures should generally leverage the international data availability (e.g., through ISSB) as much as possible and recognise the multiplicity of taxonomies (beyond the EU Taxonomy).

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 strong support for a clear categorisation system officialised at EU level as this would facilitate investor understanding of sustainability strategies and objectives, help address greenwashing, avoid fragmentation in the EU, and help with efficient distribution systems.

However, stakeholders' views diverge significantly on which Approach to take to achieve it. Building on the current de-facto classification system (i.e., based on Art.6/Art.8/Art.9) and supporting it with minimum criteria under Approach 2 would help minimise new substantial implementation efforts and costs and avoid further confusion in the market as existing concepts would be further cemented by the time a Level 1 change is implemented. Conversely, creating a new categorisation system could bring additional clarity for the benefit of investors given labels would be based on investment objectives and intentions. The latter could also ensure a better international alignment with other jurisdictions, such as the recently finalised UK fund labelling rules.

We therefore support a blended approach that introduces clear labels based on investment objective and intentions while leveraging at maximum existing processes have been difficult and costly to implement (e.g., by using a shortened list of existing PAIs focused on most material issues).

Regardless of which Approach to take, we provide below our high-level principles and recommendations for the way forward:

- When introducing common and objective minimum criteria for each category, avoid very stringent labelling criteria that could restrict sustainable investing into a niche market and hinder the innovation while potentially creating asset concentration and financial stability risks, while introducing common and objective minimum criteria for each category.
- Avoid or at least minimise international fragmentation and divergence in labels' design, names, underlying criteria by considering other jurisdictions' initiatives, to the extent possible.
- Bearing in mind portfolios are global, avoid only Eurocentric design and data requirements and criteria by also leveraging the implementation of international standards (e.g., ISSB, other taxonomies) to the extent possible.
- Consider targeted measures in labels and labelling criteria in order not to disadvantage other jurisdictions (e.g., EMs) or smaller entities (e.g., SMEs).
- Adopt an asset-neutral stance as much as possible as an overarching approach while leaving the underlying criteria flexible for FMPs to accommodate different asset classes through their methodologies and asset selection criteria.

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.

There is strong support for a transition-dedicated label as proposed under the Category D, in all cases. However, there should be clear minimum criteria and standards for this Category for it to maintain credibility and avoid controversy.

We also support for Category A (products aiming at targeted, measurable sustainability solutions) and Category B (products meeting credible sustainability standards or adhering to a specific theme). However, we reiterate our earlier point on the need to avoid international fragmentation in labels' design, names, and underlying criteria.

We do not support an "exclusion" focused label (Category C) given that exclusion is rather an investment strategy that could apply across the board and serve as a minimum criterion for other product categories.

We recommend considering a general product category that can include assets and investments qualifying for other labels in a similar fashion to the Dutch Regulator AFM's proposal and the label "Mixed Goals" recently introduced by the FCA. Among other things, such approach would help avoid an overly restricted sustainable investing framework, asset concentration, and liquidity and financial stability risks while being inclusive of different asset classes and investment strategies that may not easily fit in a single label at a time.

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
- [x] 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?

- [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 4.1.7 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)?

- [x] Yes
- [ ] No
- [ ] There is another possible approach
- [ ] Don't know / no opinion / not applicable

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.

The use of product categories should also be mutually exclusive, i.e., a fund should only be able to qualify only for one label. We recommend however considering a general product category that can include assets and investments qualifying for other labels in a similar fashion to the Dutch Regulator AFM's proposal and the label "Mixed Goals" recently introduced by the FCA. Among other things, such approach would help avoid an overly restricted sustainable investing framework, asset concentration, while being inclusive of different asset classes and investment strategies that may not easily fit in a single label at a time.

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
- ○ 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	◯	◯	◯	◯	◯	◯
Engagement strategies	◯	◯	◯	◯	◯	◯
Exclusions	◯	◯	◯	◯	◯	◯
Pre-defined, measurable, positive environmental, social or governance-related outcome	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

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.

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.

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.

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.

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 op N appl
Category A of question 4.1.4						
Category B of question 4.1.4						
Category C of question 4.1.4						
Category D of question 4.1.4						

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.

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	
'do no significant harm', element of the sustainable investment concept	
'investee companies' good governance practices', element of the sustainable investment concept	

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

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

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

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

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.

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 4.1.15 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.

- ◯ 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	○	○	○	○	○	◉
Engagement strategies	○	○	○	○	○	◉
Exclusions	○	○	○	○	○	◉
Information about how the criteria required to fall within a specific sustainability product category have been met	○	○	○	○	◉	○
Other information	○	○	○	○	◉	○

Please specify to what other information you refer in your answer to question 4.2.1 a):

5000 character(s) maximum

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

Which additional disclosures are relevant depends on the nature of labels sought and underlying criteria including for asset selection. However, there is support for a disclosure on how the criteria have been satisfied since this is a matter of transparency.

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.

Most FMPs do not support a third-party verification process since funds are already subject to review and authorisation processes by National Competent Authorities.

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 recommend targeted measures in labels and labelling criteria in order not to disadvantage other jurisdictions (e.g., EMs) or smaller entities (e.g., SMEs). We also recommend adopting an asset-neutral approach as much as possible as an overarching approach while leaving the underlying criteria flexible for FMPs to accommodate different asset classes.

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.

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	○	○	○	●	○	○
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	○	○	●	○	○	○
Certain terms should be linked to a specific product category and should be reserved for the respective category	○	○	○	●	○	○

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.

We also agree that product categories should be accompanied by specific rules on marketing communications and naming restrictions. There is however need for enhanced coordination between different EU policymakers as ESMA recently consulted on some sustainability-related terminology restrictions. Also, if uniform sustainability disclosures are adopted across all products as discussed above, the scope of naming restrictions may need to be narrower (e.g., limited to “sustainable” and “impact”).

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

b262dde8-ffbc-4603-a5a5-e598be0d9edf/Joint_ICMA_AMIC_-_ExCom_of_the_Principles_response_to_the_SFDR_-_cover_letter_13122023.pdf

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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