EXECUTIVE SUMMARY

Eurosif's response to the European Commission targeted consultation on the implementation of the SFDR

Eurosif's detailed response to the consultation can be found in Annex of this document.

Key messages

- Overall, the Sustainable Finance Disclosure Regulation (SFDR) has improved transparency on the integration of sustainability risks and consideration of adverse sustainability impacts in investment decisions and financial advice. It effectively embedded the double materiality principle in EU law by putting sustainability risks and impacts at the centre of investment decisions.
- However, the current SFDR is insufficiently clear in the definition of some key terms. Additionally, despite being a disclosure-based regulation, the framework has been used by market participants as a product classification system. This leaves room for interpretation by market participants and supervisors, leads to market fragmentation and raises investor protection concerns.
- The SFDR framework needs to be reviewed to build on its achievements and ensure it is fit for purpose to further deliver on its objectives: to enhance transparency on sustainability-related considerations in investments and help channel capital to investments contributing towards the transition to a sustainable economy.
- These improvements should include clarifying definitions, establishing mandatory disclosure requirements for all financial products, and creating formal product categories based on the products' demonstration of sustainability objectives, underpinned by minimum criteria and with specific disclosure requirements.
- Eurosif proposes to establish three categories of products, reflecting their main objective: "sustainable investments", "transition investments", and "binding environmental and/or social factors".
- Products that do not comply with the criteria of any of these categories should clearly state so in precontractual documentations. Such products should be prohibited from making sustainability, transition, or other ESG-related claims.
- To ensure comparability of information and a level playing field, minimum disclosures should apply to all financial products. These should include how ESG factors, including sustainability risks, are integrated in the investment process, and the consideration of a set of Principal Adverse Impacts (PAI) indicators.
- Consistency with other EU sustainable finance rules including the Taxonomy Regulation, the Corporate Sustainability Reporting Directive (CSRD)/European Sustainability Reporting Standards (ESRS) and the Benchmarks Regulation, should be assessed. Moreover, eventual changes to the SFDR framework should be reflected in a consistent

manner in other regulations, including in the MiFID2/IDD sustainability preferences advisory process and PRIIPs Key Information Document.

Summary of Eurosif's response to the consultation

Categorisation of products

As an overarching goal, we believe the SFDR framework should be reviewed to enable it to deliver on its objectives, i.e. incentivising capital flows towards investments contributing to the transition to a sustainable economy, increasing transparency on integration of sustainability risks and consideration of sustainability impacts in investment decisions and financial advice.

The current use of SFDR as a product classification system by financial market participants reflects a need for such a framework. Eurosif believes a formal product classification should be established within SFDR, which should be adjusted accordingly.

To achieve this, a clearer delineation between product categories is required to ensure that Financial Market Participants (FMPs) can classify their investment products appropriately and in a manner that clearly conveys the sustainability objectives and characteristics of the product.

Product categories should be defined based upon their ability to demonstrate sustainability objectives of the products, which could be reached using a variety of investment strategies. The product categories should be underpinned by a set of clear criteria.

Products falling within SFDR categories would have to comply with horizontal disclosures, including the percentage of their portfolio aligning with the Taxonomy. They will also have specific disclosures depending on their investment strategy and in relation with their sustainability objectives. **Products would also have to measure and disclose their sustainability performance against these objectives**.

The names of these categories should be established following a consumer survey to ensure they are meaningful for retail investors.

Eurosif proposes to adopt a hybrid approach building on the foundations of the current SFDR framework to establish three product categories:

1. **Products with a "sustainable investments" objective** should demonstrate an alignment with positive impacts on the environment/society and/or financing already sustainable activities.

   The rationale for this category is to incentivise investments in sustainable companies with a positive impact on sustainability matters. It should build on the "sustainable investments" concept under SFDR, while clarifying and complementing its key underlying notions:

   - "Environmental and/or social objective" would mean e.g. complying with a minimum threshold of alignment with the Taxonomy or targeting measurable sustainability projects/outcomes based on reliable and broadly recognised frameworks, methodologies, or standards.

- "Do No Significant Harm" would be translated as mandatory exclusions (based on exclusions already implemented by Paris-Aligned Benchmarks), demonstrating binding positive screening for assets with positive impact and that all mandatory PAI indicators are taken into account in the investment process.

- Invest in companies with "good governance" practices should be linked to minimum safeguards such as investee company compliance with OECD guidelines / UN Guiding Principles. Referring to minimum social and governance safeguards would be practical and help with regulatory consistency.

2. **Products with a "transition investments" objective** should demonstrate a measurable contribution to positive real-world impacts. Minimum exclusions of non-transformable activities would be required.

   The rationale of this category is to define minimum safeguards to ensure transition claims are substantiated and measured:

   - Establishment, implementation and reporting of a formalised sustainability-oriented engagement/voting strategy with measurable, time bound specific sustainability objectives and targets and a sustainability-focused action plan to achieve those including escalation measures and eventual divestment strategy.

   - Investments in companies implementing a credible transition plan, with a link to transition plans under the Corporate Sustainability Reporting Directive (CSRD) and as reflected in the Corporate Sustainability Due Diligence Directive (CSDDD). Subject to appropriate safeguards, proxies such as Article 8 Taxonomy CapEx disclosures or other relevant international transition plan frameworks for companies from outside the EU could be considered.

   - Specific indicators should be established to assess over time the performance against the transition objective.

3. **Products with a "binding Environmental and/or Social factors" objective** should demonstrate the integration of binding environmental and/or social factors at the heart of the investment process.

   The rationale of this category is to reflect sustainability approaches going significantly beyond regulatory requirements, such as the integration of sustainability risks in the investment process. Criteria to consider are:

   - Systematic analysis of ESG factors and their incorporation based on the combination of mandatory exclusions (based on Paris-Aligned Benchmarks exclusions) and binding positive screening.

   - Consideration of specific KPIs, such as PAI indicators and relevant benchmarks, to assess performance over time against the objective.

   - A threshold of investment universe left after the application of the exclusion & positive screening should be established as a criterion for this category.

Products that do not comply with any of the minimum criteria defined in the categories of the reviewed SFDR framework should clearly state this fact in their precontractual documentation. **Such products should not be allowed to make sustainability, transition or other ESG-related claims.** This should be consistent across product-level documentation, websites, and marketing communications.

The categorisation framework should also cater for specific types of investment funds, such as fund-of-funds or multi-assets/blended approaches that could qualify for several categories and propose clear rules for their classification.

Entity-level and product-level disclosures

Overall, Eurosif supports maintaining robust disclosure requirements within the SFDR framework. However, product-level and entity-level disclosure requirements may need to be recalibrated to make sure they are fit for purpose and consistent with eventual changes to the framework.

Entity-level disclosures should be revised and improved: Eurosif believes entity-level disclosure regarding PAI should focus on the specific sustainability due diligence policies that are established by FMPs with regards to environmental and social adverse impacts across the range of all their financial products, in accordance with sectoral legislation.

Eurosif acknowledges that the current SFDR Article 4 disclosures are not meaningful to compare entity-level PAI indicators between financial market participants. However, at the level of the individual FMP, there is still merit in calculating an aggregated entity-level metric to assess the evolution of adverse impacts over time. Requirements for undertakings to disclose their integration of sustainability risks (Article 3 SFDR) and their remuneration policies with regards to this integration (Article 5 SFDR) should also be maintained.

Product-level PAI disclosures should be strengthened: principal adverse impact disclosures are especially meaningful at product-level, where relevant PAI indicators can be selected depending on the product's objective and investment strategy/type of assets. In addition, Financial Market Participants are already required to know their product-level footprint when calculating their entity-level PAIs.

Eurosif supports introducing minimum disclosure requirements for all financial products: all financial products should be required to disclose how they integrate ESG factors, including sustainability risks in the investment process, and their consideration of a given set of PAI indicators. Given the improvements expected in the coming years regarding availability of the sustainability data due to the application of the ESRS, all mandatory PAI indicators included in Table 1 of Annex I of the SFDR Delegated Regulation could eventually be considered by all financial products. However, a phase-in approach may need to be considered, first starting with climate, diversity and human rights indicators.

Additional disclosures should be required on a comply or explain basis: whether and how the product integrates exclusions or positive screening policies, aligns a percentage of its portfolio with the Taxonomy, or benefits from a specific sustainability-related engagement strategy. As mentioned above, products falling within SFDR categories would have to comply with these disclosures.

Precontractual documentation templates should be reviewed to ensure this information is presented as a simple and clear overview of the product's sustainability objective and features. More granular information such as these disclosures should be made easily accessible to end investors if they wish so.

Eurosif does not oppose in principle the presentation of the sustainability characteristics of products on a scale to facilitate comparisons, especially for retail investors. However, such comparison should be limited to products with similar and comparable investment strategies.

Consistency of the EU sustainable finance framework

Coherence with other EU sustainable finance rules, including the Taxonomy, CSRD/European Sustainability Reporting Standards (ESRS), and Benchmarks Regulation (BMR), should be assessed.

Moreover, potential forthcoming modifications to the SFDR framework must be consistently reflected across other EU sustainable finance regulations. For example:

- Eurosif reiterates its support for the European Commission to leverage on the proposals of the Platform on Sustainable Finance to further extend the Taxonomy framework to cover social objectives and harmful and intermediate activities.
- It will be particularly relevant to prevent duplication, inconsistencies or overlaps between SFDR entity-level disclosures and the future sectoral ESRS that may be developed for the financial institutions within the scope of the CSRD. It may be useful to consider SFDR as a de facto sectoral standard for asset management under CSRD while considering whether some disclosures would need to be adjusted or added during the SFDR review.
- The categorisation of products in the reviewed SFDR framework should be reflected in the MiFID2/IDD sustainability preferences advisory process, with questions that could be based on the product categories/objectives and their underlying criteria.
- The PRIIPs KID should present the sustainability characteristics of products in a more specific, user-friendly way and consistently with its eventual category/objective.

Contact details

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Eurosif, the European Sustainable Investment Forum, AISBL

EU Transparency Register n°: 480715239269-75

www.eurosif.org / LinkedIn / @Eurosif

Annex I – Eurosif's detailed response to the targeted consultation on the implementation of the SFDR

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 (selected)

*First name

Pierre

*Surname

Garrault

*Email (this won't be published)

pierre.garrault@eurosif.org

*Organisation name

255 character(s) maximum

Eurosif, the European Sustainable Investment Forum

* 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.

480715239269-75

* Country of origin

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

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

Bahamas	French Guiana	Mexico	Somalia
Bahrain	French Polynesia	Micronesia	South Africa
Bangladesh	French Southern and Antarctic Lands	Moldova	South Georgia and the South Sandwich Islands
Barbados	Gabon	Monaco	South Korea
Belarus	Georgia	Mongolia	South Sudan
Belgium	Germany	Montenegro	Spain
Belize	Ghana	Montserrat	Sri Lanka
Benin	Gibraltar	Morocco	Sudan
Bermuda	Greece	Mozambique	Suriname
Bhutan	Greenland	Myanmar/Burma	Svalbard and Jan Mayen
Bolivia	Grenada	Namibia	Sweden
Bonaire Saint Eustatius and Saba	Guadeloupe	Nauru	Switzerland
Bosnia and Herzegovina	Guam	Nepal	Syria
Botswana	Guatemala	Netherlands	Taiwan
Bouvet Island	Guernsey	New Caledonia	Tajikistan
Brazil	Guinea	New Zealand	Tanzania
British Indian Ocean Territory	Guinea-Bissau	Nicaragua	Thailand
British Virgin Islands	Guyana	Niger	The Gambia
Brunei	Haiti	Nigeria	Timor-Leste
Bulgaria	Heard Island and McDonald Islands	Niue	Togo
Burkina Faso	Honduras	Norfolk Island	Tokelau
Burundi	Hong Kong	Northern Mariana Islands	Tonga
Cambodia	Hungary	North Korea	Trinidad and Tobago

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

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

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

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

* Field of activity or sector

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

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

Sustainable investments

* 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:

- ( ) predominantly towards professional investors
- ( ) predominantly towards retail investors
- (x) 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. **Fo r the purpose of transparency, the type of respondent (for example, ‘business association, ‘consumer association’, ‘EU citizen’) country of origin, organisation name and size, and its**

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

* Contribution publication privacy settings

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

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

☑ I agree with the personal data protection provisions

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

- ◉ Yes
- ○ No

Section 1. Current requirements of the SFDR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Others	○	○	○	○	○	◉

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

5000 character(s) maximum

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

Eurosif is a longstanding supporter of the SFDR framework and of its underlying objectives, in particular increasing transparency in the integration of sustainability risks and consideration of sustainability impacts in investment decisions and financial advice, and incentivising capital flows towards investments contributing to the transition to a sustainable economy.

Overall, SFDR has improved transparency on integration of sustainability risks and consideration of adverse sustainability impacts in investment decisions and financial advice and contributed to raising awareness among market participants regarding how sustainability risks and impacts are integrated in the investment process.

However, the framework does not provide sufficient clarity of certain definitions and concepts (e.g. “promoting E/S characteristics”, “sustainable investments”) which make it difficult to market participants to implement the rules and leads to market fragmentation as some national regulators and market supervisors have been trying to fill the gaps via diverging interpretations, implementation rules, and sometimes gold-plating.

Moreover, despite being a disclosure framework, the SFDR has been used by market participants as a product classification system. While this clearly demonstrates a market demand for such a framework, SFDR needs a clearer delineation between product categories to ensure that Financial Market Participants (FMPs) can classify their investment products in a manner that clearly conveys their sustainability objectives and characteristics. Product categories must be defined by clear sustainability objectives, underpinned by a set of minimum criteria and specific disclosures requirements.

Finally, SFDR was one of the first regulations of the EU Sustainable Finance Action Plan to be introduced. Many other EU sustainable finance rules have developed in the meantime, and there is a need to how all these rules fit together and make the necessary adjustments to ensure their consistency, including to the Taxonomy Regulation, climate benchmarks, corporate sustainability-related disclosures (CSRD and ESRS), integration of sustainability in financial advice and distribution (MiFID/IDD) and Key Information Document (KID) under PRIIPs.

These different issues create a risk of greenwashing and/or mis-selling towards end investors and especially retail investors, as well as increased compliance/reputational risks for market participants. This also hinders capital allocation to sustainable outcomes. This is especially the case for transition or impact investments, as the current framework does not recognise their specificities.

Additionally, concerns remain over availability of sustainability-related disclosures from investee companies, which are necessary to comply with SFDR. It is hoped that the implementation of corporate sustainability-related disclosures (CSRD and ESRS) will address this challenge. However, it would be interesting to consider whether adjustments of certain disclosures and indicators may be useful to ensure alignment between SFDR and CSRD/ESRS disclosures.

For these reasons, while the SFDR framework has had a positive effect on financial markets overall, we believe a review is needed. Therefore, we very much welcome and support the Commission’s comprehensive assessment of SFDR. Our key recommendations to help deliver on the SFDR’s initial objectives are:

-Building on the existing SFDR key concepts such as “sustainable investments”, to clarify definitions and ensure they are fit for purpose. This includes reshaping the “E & S characteristics” concept in a meaningful way and introducing a clearly defined concept of transition investments via a dedicated product category.
-Use these revised concepts to define clear categories based on the objective that products making sustainability claims can demonstrate achieving, underpinned by clear and specific minimum criteria for each category.
-Require minimum disclosure requirements for all financial products, including mandatory reporting against PAI indicators.
-Require tailored specific disclosure requirements for categories of products defined in the reviewed SFDR framework.
-Adjust the Principal Adverse Impacts disclosures by improving corresponding entity-level disclosures, adjusting certain indicators so they are fit for purpose and strengthening the disclosure and use of PAI indicators at product-level.
-Prevent products that do not comply with the minimum criteria defined for any of the future categories of the SFDR framework from marketing products as sustainable or promoting ESG-related features. This should be consistent across product-level documentation, websites, and marketing communications. These products should also include a disclaimer in precontractual disclosures that they do not integrate any sustainability, transition or ESG-related features

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.

Eurosif believes that Principal Adverse Impacts (PAI) disclosure is one of the cornerstones of the SFDR framework. Information on the consideration of the potential environmental and social negative impacts of investments is one of the key essential pieces of information to be made available to end investors and the general public.
As such it is essential to maintain the current list of PAI indicators in Tables 1, 2 and 3 of Annex I of the SFDR Delegated Regulation and the consideration of a number of these indicators as always material, while improving their usability and comparability in the reviewed SFDR framework. Eurosif overall supports the extension of the list of PAI to specific social indicators as suggested by the ESAs in their final report amending the RTS laid down in the SFDR Delegated Regulation.

Product-level PAI disclosures should be strengthened: PAI disclosures are especially meaningful at product-level, where relevant PAI indicators can be selected depending on the product's objective and investment strategy/type of assets.
Currently, SFDR requires only financial market participants (FMPs) who consider PAIs at entity-level to indicate in the pre-contractual documentation whether their financial products consider PAIs. In light of the above, Eurosif believes that the SFDR framework should require FMPs to disclose whether their financial products consider PAIs regardless of whether or not they consider PAI at entity-level. In addition, FMPs are already required to know their product-level footprint when calculating their entity-level PAIs.
In particular, disclosure of some PAI indicators should be mandatory for all financial products (see responses to Q3.2.1 and sub-questions). Ultimately, this should cover all the PAI indicators that are listed in Table 1 of Annex I of the SFDR Delegated Regulation.
Additional mandatory disclosure of relevant PAI indicators should also be required at product-level to illustrate sustainability claims of products falling within the categories of the reviewed SFDR framework. As an example, disclosure of PAIs could be further used to underpin binding exclusions/negative screening strategies or to illustrate the evolution of a portfolio's negative impact over time for products with transition strategies. These uses of PAI indicators should form part of the minimum criteria for future categories in a reviewed SFDR framework (see Eurosif proposals on this point in section 4 below).
In line with the above, some PAI indicators correspond to the exclusions required under the Benchmark Regulation for Paris-Aligned (e.g. PAI 4 Exposure to companies active in the fossil fuel sector). As such, the list of exclusions used for Paris-Aligned/Climate transition Benchmarks could be replicated in SFDR using these PAI indicators.

Entity-level PAI disclosures: Eurosif believes this entity-level PAI indicators disclosure should focus on the specific due diligence policies that are established by FMPs with regards to environmental and social adverse impacts across the range of all their financial products, in accordance with sectoral legislation. As an illustration of these policies, product-level PAI should be aggregated and disclosed at entity-level as part of the annual PAI statement, disclosing the relative evolution of these PAIs on a year-on-year basis for the FMP in question. This aggregation of PAIs at entity-level could be separated between the categories of products established under the reviewed SFDR framework and be accompanied by narrative descriptions.
Eurosif acknowledges that the current SFDR Article 4 disclosures are not meaningful to compare entity-level PAI indicators between FMPs. However, at the level of the individual FMP, there is still merit in disclosing an aggregated entity-level PAIs on some key metrics to assess the evolution of its adverse impacts over time.

Data availability issues: availability of investee companies' data is still challenging for many PAI indicators. Based on the final ESRS, disclosure of all data points under CSRD will be subject to materiality assessment.

In consequence, this challenge will still persist to some extent in the coming years, even after the rolling out of CSRD and ESRS. This will also likely maintain reliance on the use of proxy data and data estimates that has further impeded the comparability of data in the market. The European Commission should provide clear guidelines regarding how to deal with data required under SFDR, but unavailable due to being considered as non-material by investee companies. This guidance should in particular focus on how to use estimates and how to calculate relevant PAI indicators on these occasions. Eurosif underlines that an absence of sustainability disclosures by investee companies should not be interpreted in PAI calculations as an absence of investee company adverse impact.

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?

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

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.

Current access to sustainability-related information from investee companies causes challenges for investors in complying with SFDR disclosure requirements. Investors often need to use third-party service providers and estimates are often relied upon by most actors.

High quality disclosures by companies are important for investors to inform their decision-making processes and to comply with SFDR disclosure requirements. Investors need to have access to sustainability data from companies including on key social & environmental indicators (including scope 1, 2, and 3 GHG emissions, climate targets, net zero transition plans) and other sustainability metrics.

Datapoints necessary for investors to report under the SFDR are included in the European Sustainability Reporting Standards (ESRS), which are to apply starting 1 January 2024. However, ESRS indicators are subject to materiality assessment. Investors will expect companies to perform robust materiality assessments that integrate the double materiality principle.

Eurosif welcomes the alignment of the wording in some PAI indicators with the wording used in ESRS proposed by the ESAs in their final report on reviewed RTS as laid down under the SFDR Delegated Regulation.

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.

Question 2.1: Eurosif believes there is merit in trying to improve the consistency between the investee company-level assessment of a "sustainable investment" under SFDR and the activity-level assessment of an "environmentally sustainable" activity under the Taxonomy Regulation, which are complementary.

However, Eurosif believes the identification of investments' adverse impacts should be conducted at investee company -level and consider the entirety of investee companies' activities. In consequence, this FAQ's interpretation could mean that investments in companies with a given percentage of Taxonomy-alignment would bypass the SFDR DNSH assessment even though the remainder of the investee company's activities could be considered causing significant harm to an environmental or social objective under the SFDR framework.

The Commission FAQ should be complemented by stressing that investments in activities satisfying the Taxonomy TSC could be considered as sustainable investments under SFDR only if: i. these investments are tied to strict use of proceeds requirements towards activities that are Taxonomy-aligned and ii. credible guarantees that the remainder of the investee company's activities do not cause significant harm to environmental or social objectives under SFDR can be provided.

Additionally, Eurosif reiterates its support for the Commission to pick up the proposals of the Platform on Sustainable finance regarding to further extend the Taxonomy framework to cover for social objectives and harmful and intermediate activities.

Question 2.2: As Eurosif supports the ESAs proposals to extend the list of mandatory PAI indicators in the RTS to the SFDR Delegated Regulation. This would ensure, inter alia, further streamlining with comparable requirements from other regulations such as the BMR PAB lists of exclusions. Additional disclosure obligations of index providers under the BMR could also be reflected in the SFDR framework to improve consistency.

Question 2.3: The interaction between SFDR and CSRD is extremely important. High quality disclosures by companies are important for investors to inform their decision-making processes and to comply with SFDR disclosure requirements. Investors need to have access to sustainability data from companies including on key social & environmental indicators (including scope 1, 2, and 3 GHG emissions, climate targets, net zero transition plans) and other sustainability metrics.

The datapoints necessary for investors to report under the SFDR are included in the European Sustainability Reporting Standards (ESRS), which are to apply starting 1 January 2024. However, ESRS indicators are subject to materiality assessment. Investors will expect companies to perform robust materiality assessments that integrate the double materiality principle.

CSRD and SFDR can be further streamlined in the sense that investee companies could be further incentivised to disclose the data necessary for investors to make informed sustainability investment decisions and comply with SFDR disclosure requirements.

Eurosif supports maintaining investor-specific entity-level disclosures applicable under SFDR. It will be particularly relevant to ensure consistency and avoiding duplication or overlaps with ESRS sectoral standards applicable to the financial sector for entities that are within the scope of both SFDR and CSRD. It may be useful to consider SFDR as a de facto sectoral standard for asset management under CSRD while considering whether some disclosures would need to be adjusted or added during the SFDR review.

Question 2.4 / Question 2.5: MiFID/IDD sustainability preferences categories are currently too complex to understand for end investors and inconsistent with the current de facto market categorisation of products using SFDR Articles 6, 8 and 9 as proxies. A categorisation of products with clear sustainability objectives underpinned by specific criteria and disclosures in the reviewed SFDR framework should be reflected in the MiFID/IDD sustainability preferences advisory process, with questions that could be based on the product categories and their underlying criteria (e.g., whether the investor seeks a set % of alignment with the Taxonomy) to guide clients towards the products that would be the most suitable.

Additionally, Eurosif believes that entity-level general information pertaining to SFDR Articles 3, 4, 5, 6 and 12 should be included in the advisory process. As explained in Q1.8 to 1.9 above, the aggregate product-level PAI disclosures at entity-level, as well as related disclosures of the due diligence policies and approach with regards to principal adverse impacts by the FMP should be maintained and would be relevant for advisors to include in the process to determine clients' sustainability preferences.

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 kno No opinio Not applicab
Article 3	○	○	○	○	●	○
Article 4	○	○	●	○	○	○

Article 5	○	○	○	○	●	○

Please explain your replies to question 3.1.1 as necessary:

5000 character(s) maximum

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

As stated in the explanations to responses to Q1.8 to 1.9 above, Eurosif acknowledges that the current SFDR Article 4 disclosures are not meaningful to compare entity-level PAI indicators between FMPs. However, at the level of the individual FMP, there is still merit in calculating an aggregated entity-level metric to assess the evolution of its adverse impacts over time.

Eurosif believes this entity-level PAI indicators disclosure should focus on the specific due diligence policies that are established by FMPs with regards to environmental and social adverse impacts across the range of all their financial products, in accordance with sectoral legislation. As an illustration of these policies, product-level PAI should be aggregated and disclosed at entity-level as part of the annual PAI statement, which should focus on disclosing the relative evolution of these PAIs on a year-on-year basis for the FMP in question. As some financial products (e.g. focusing on transition investments) would have a de facto poorer PAI performance, this aggregation of PAIs at entity-level could be separated between the categories of products established under the reviewed SFDR framework and be accompanied by narrative descriptions.

Requirements for undertakings to disclose their integration of sustainability risks and their remuneration policies with regards to this integration should be also maintained. This information is useful for both end investors and the general public to support the credibility of financial market participants' entity-level commitments to sustainability.

As mentioned in explanations to responses to Q2.3 above, with regards to entity-level disclosures applicable under SFDR, it will be particularly relevant to ensure these are not duplicative or overlapping with potential CSRD/ESRS sectoral disclosure requirements applicable to the financial sector for entities that are under the scope of both regulations.

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.

As mentioned in the explanations to Q1.8 to 1.9 above, assessing PAIs at product-level is more relevant and meaningful. In addition, FMPs are already required to know their product-level footprint to calculate their entity-level PAIs. In consequence, PAI Indicators as laid out in tables 1, 2 and 3 of Annex I of the SFDR Delegated Regulations can all be considered as useful, depending on the financial product's objective and investment strategy. Their wording and calculation methods should be adapted to reflect this product-level focus.

Overall, Eurosif welcomes the ESAs proposals to extend the list of mandatory and opt-in PAIs as part of their final report amending the RTS laid down under the SFDR Delegated Regulation. However, Eurosif regrets that PAI 11 on Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines was shifted from Table 1 to Table 2 as an opt-in indicator. This indicator should be maintained as mandatory and be reworded along the following lines: "Share of investments in investee companies without policies processes, including sustainability due diligence process supported by internal control mechanism, to monitor compliance with the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises".”

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

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

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

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

- ○ 1 - Not at all
- ○ 2 - To a limited extent
- ○ 3 - To some extent
- ● 4 - To a large extent
- ○ 5 - To a very large extent
- ○ 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.

As mentioned in responses above, granular entity-level Principal Adverse Impact disclosures (Article 4 SFDR) are currently not meaningful enough to allow comparisons between financial markets participants.

However, there is still merit in calculating an aggregated entity-level metric to assess the evolution of an individual FMP’s adverse impacts over time. Related disclosures of the due diligence policies and approach to these principal adverse impacts by the FMP should also be maintained.

Additionally, requirements for undertakings to disclose their integration of sustainability risks and their remuneration policies with regards to this integration should be also maintained, as this is relevant information for end investors.

As mentioned in explanations to responses to Q2.3 above, Eurosif supports maintaining investors-specific entity-level disclosures under SFDR. It will be particularly relevant to ensure these are not duplicative or overlapping with potential ESRS sectoral standards applicable to the financial sector for entities that are under the scope of both SFDR and CSRD.

It may be useful to consider SFDR as a de facto sectoral standard for asset management under CSRD while considering whether some disclosures would need to be adjusted or added.

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
- (x) 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
- (x) 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.

With regards to PAI Indicators, all financial products should be required to disclose against their impact on topics widely acknowledged to be material for all FMP/financial products and that allow a meaningful comparison between financial products.

A reviewed SFDR framework would apply at the earliest 3 to 5 years after the introduction of the relevant European Commission proposal. Given the significant improvements expected in the coming years regarding sustainability data availability due to the application of the ESRS, all mandatory PAIs indicators included in Table 1 of Annex I of the SFDR Delegated Regulation should be disclosed by all financial products when the reviewed SFDR framework applies.

This however comes with the caveats that:

- Some of these PAI indicators need to be improved before the reviewed SFDR framework applies, both in terms of their formulation and comparability of metrics across financial products. This includes for example PAI 7 on biodiversity or PAI 11 on lack of processes and compliance mechanisms, the latter of which should be reclassified as mandatory.
- Data availability is effectively improved by the application of the ESRS.

Depending on the above, a phased-in approach could be considered, for example starting with PAI indicators covering climate change, diversity issues and human rights violations:

- PAI indicators related to climate change: GHG emissions, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, share of non-renewable energy consumption & production, energy consumption intensity per high impact climate sector.

- PAI indicators related to human rights violations (including e.g. UNGCs – which should be replaced by UN Guiding Principles - /OECD Guidelines violations, lack of processes and compliance mechanisms), diversity (unadjusted gender pay gap, board gender diversity) as well as exposure to controversial weapons and exposure to tobacco.

This list of mandatory PAI indicators for all financial products should then be regularly reviewed to add PAI indicators depending on the improvements to relevant data availability.

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

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.

Other information: Eurosif suggests that all products should also disclose whether they incorporate sustainability-related norm-based screenings, i.e. whether investees are screened for their compliance with international norms or widely recognised frameworks of minimum business standards (e.g.. Paris Agreement, UN treaties, Security Council sanctions, UN Global Compact (UNGC)/Guiding Principles, Universal Declaration of Human Rights and OECD guidelines).

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.

Eurosif very much supports applying minimum disclosure requirements to all financial products to improve comparability across all products within EU markets, as well as to level the playing field between products making sustainability claims and products that do not.

SFDR templates should be reviewed to ensure this information is first presented as a simple and clear overview of the product’s sustainability objective (or lack thereof) and SFDR category – especially for documents targeting retail investors such as the KID PRIIPs. In this regard, we welcome the ESAs proposals as part of their final report on draft RTS under the SFDR Delegated Regulation to include a dashboard at the beginning of precontractual and periodic documents summarising the key sustainability characteristics of the product. End investors should then be able to easily access more granular information on the product including these specific disclosures.

Products integrating sustainability features would have to disclose the relevant information and the extent to which they are integrated. These disclosures will then be used as a justification of sustainability claims of products and as proof of them meeting the criteria establishing products categories under the reviewed SFDR framework. Whether the product falls within a SFDR category should also be clearly stated in the simple and clear overview mentioned above.

Products that do not satisfy any of the criteria for categories of products under the reviewed SFDR framework should clearly flag so in the simple overview proposed above. Such products should be prohibited from making sustainability, transition, or other ESG-related claims. This should be consistent across product-level documentation, websites, and marketing communications.

PAI indicators:
As mentioned above, all financial products should be required to disclose against their impact on topics widely acknowledged to be material for all FMP/financial products. Given the significant improvements expected in the coming years regarding sustainability data availability due to the application of the ESRS, all mandatory PAIs indicators included in Table 1 of Annex I of the SFDR Delegated Regulation should be disclosed by all financial products when the reviewed SFDR framework applies.

ESG-related information used in the investment process: Eurosif believes that taking as a basis the current SFDR Article 6, all products should disclose how they integrate sustainability risks and how other ESG factors are incorporated in investment decisions.

The following product-level disclosures should be applied on a “comply or explain” basis. Products falling within SFDR categories should have specific mandatory disclosures (see response to Q4.2.1 below).

Taxonomy-related disclosures: Taxonomy alignment of financial products is widely acknowledged as one of the most understandable metrics for end investors. As such, all products should disclose whether they aim to align their portfolio assets with Taxonomy-aligned activities. If so, a percentage of alignment should be disclosed. A potential minimum threshold for Taxonomy-alignment, could constitute a criteria for the “sustainable investment” products category with an environmental objective (see section 4).

Exclusion strategy: exclusion strategies are widely acknowledged as one of the most understandable metrics for end investors. All products should have to disclose whether and if so to which extent they incorporate sustainability-related exclusions. Indeed, while various types of financial products incorporate such strategies (including products that do not make sustainability claims), the ambition of these strategies in terms of relevance regarding sustainability factors.

Eurosif suggests that all products should also disclose whether they incorporate sustainability-related norm-based screenings, i.e. whether investees are screened for their compliance with international norms or widely recognised frameworks of minimum business standards (e.g.. Paris Agreement, UN treaties, Security Council sanctions, UN Global Compact (UNGC)/Guiding Principles, Universal Declaration of Human Rights and OECD guidelines).

The demonstration of an exclusion strategy and binding positive screening could constitute one of the criteria to fall within a product category under the reviewed SFDR framework.

Sustainability-oriented engagement strategies: engagement strategies are usually applied at the level of the FMP and cover a wide range of offered products. However, all products should disclose whether they benefit from a relevant sustainability-related engagement strategy. The demonstration of a relevant and binding sustainability-related engagement strategy could constitute one of the criteria for a product to fall within a category under the reviewed SFDR framework (see section 4 for Eurosif proposals in that respect).

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.

As explained in response to Question 3.2.1 and following, the main interest of applying disclosure requirements to all financial products is to level the playing field and ensure comparability between products. Applying disclosure requirements to only a subset of products would run counter to this and further improve complexity and confusion in markets, hampering comparability.

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
- (x) 5 - Totally agree
- Don’t know / no opinion / not applicable

Please explain as necessary your replies to question 3.2.3:

5000 character(s) maximum

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

As explain in the response to Q3.2.1, Eurosif believes that all financial products should report on the same baseline disclosures.

Products making sustainability claims should have to disclose the relevant information to back their claims, e.g. their % of alignment with the Taxonomy, presence of an engagement strategy, exclusion and positive /negative screening…On this basis, it could be assessed whether the product meets the criteria for products categories as established under the reviewed SFDR framework (see section 4 for Eurosif proposals in this regard).

Additionally, specific disclosure requirements should be applied to the products falling within the categories of the reviewed SFDR framework, including in relation to the product’s investment strategy and its alignment with the objective of the category (see responses to Q4.2.1 below).

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
- 3 - To some extent
- 4 - To a large extent
- (x) 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
- 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.

Regarding Q3.2.5: User-friendliness of the current breakdown of information should be strengthened across precontractual disclosures, periodic disclosures and websites. The information presented should be simplified and made more modular especially on websites. Eurosif supports a simplification and rationalisation of the information shared with end-investors across different types of documents, in particular for retail clients. Generally speaking, different users use different approaches, so information breakdown needs to be harmonised and streamlined.

Eurosif welcomes the inclusion of a dashboard at the top of Annexes II-V of the SFDR Delegated Regulation to summarise the key information of the pre-contractual and periodic disclosure, as suggested by the ESAs in their final report amending the RTS laid down in the SFDR Delegated Regulation.

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.

SFDR disclosures both at product and entity level are useful to end investors but also to the general public to assess investors' policies in relation with considering the sustainability risks and impacts of their investments. As such, they bring wider societal benefits and public access to this information should be facilitated. In that sense, Eurosif welcomes that the SFDR disclosures are to be made publicly available under the European Single Access Point (ESAP).

The SFDR framework is especially relevant as it brings common rules for the format of disclosure of sustainability-related information. This contributes to the comparability of information across products. Following specific sectoral legislation rules in that regard would be detrimental to this comparability and to the level playing field between different types of products. A possible exception would be following regulations targeting retail investors (eg KID PRIIPs) where information could be presented in a more specific, user-friendly way.

Some confidentiality aspects should however be taken into account for specific products, e.g. individual mandates.

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.

See response to Q 3.2.6.

The SFDR framework is especially relevant as it brings common rules for the format of disclosure of sustainability-related information. This contributes to the comparability of information across products. Following specific sectoral legislation rules in that regard would be detrimental to this comparability and to the level playing field between different types of products. A possible exception would be following regulations targeting retail investors (eg KID PRIIPs) where information could be presented in a more user-friendly way. However, granular information on the products' characteristics and disclosures should be made easily available for all end investors.

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.

As mentioned in responses to previous questions, Eurosif believes that SFDR disclosures – especially related to Principal Adverse Impacts – should be focused on product-level.

Currently, SFDR requires only financial market participants (FMPs) who consider PAIs at entity-level to indicate in the pre-contractual documentation whether their financial products consider PAIs. Eurosif believes that the SFDR framework should require FMPs to disclose whether their financial products consider PAIs regardless of whether or not they consider PAI at entity-level. In addition, FMPs are already required to know their product-level footprint when calculating their entity-level PAIs.

On this basis, entity-level disclosures should present a consistent and fair picture of how sustainability risks and PAI are integrated in processes across the range of products offered by the FMP and of the due diligence policies with regards to their principal adverse impacts on sustainability factors. This includes an aggregated metric allowing year-on-year comparison of an individual FMPs adverse impacts across their offering of financial products.

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						X
It would be useful for all product information disclosed under the SFDR to be machine-readable, searchable and ready for digital use					X	
It would be useful for some of the product information disclosed under the SFDR to be machine-readable and ready for digital use		X				
It would be useful to prescribe a specific machine-readable format for all (or some parts) of the reporting under the SFDR (e.g. iXBRL)						X
It would be useful to make **all product information** disclosed under the SFDR available in the upcoming European Single Access Point as soon as possible					X	
Entity and product disclosures on websites should be interactive and offer a layered approach enabling investors to access additional information easily on demand					X	

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

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

- 1 - Not at all
- 2 - Not really
- 3 - Partially
- (selected) 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.

Eurosif believes that digitalisation of product-level information would improve its access, user-friendliness and comparability. We suggest to conduct a cost-benefit analysis to assess the relevance of this digitalisation.

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						X
Whether some of the underlying investments are outside the EU				X		
Whether some of the underlying investments are in an emerging economy				X		
Whether some of the underlying investments are in SMEs		X				
Whether the underlying investments are in certain economic activities or in companies active in certain sectors				X		
Other considerations as regards the type of product or underlying investments				X		

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.

Eurosif believes that all financial products should be required to disclose a minimum set of information (see response to Q3.2.1 above).

Some of the disclosure requirements could relate to requirements applied within EU jurisdictions (e.g % of alignment with the Taxonomy) or towards companies above a certain size. This could have an impact on the underlying data used to demonstrate compliance with the product disclosures and as such the possibility to use relevant, high quality proxy data should be considered subject to appropriate safeguards.

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					X	
Sustainability product categories regulated at EU level would facilitate professional investor understanding of products' sustainability-related strategies and objectives					X	
Sustainability product categories regulated at EU level are necessary to combat greenwashing					X	
Sustainability product categories regulated at EU level are necessary to avoid fragmenting the capital markets union					X	
Sustainability product categories regulated at EU level are necessary to have efficient distribution systems based on investors' sustainability preferences					X	
There is no need for product categories. Pure disclosure requirements of sustainability information are sufficient	X					

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.

Eurosif welcomes the European Commission's willingness to clarify certain provisions including developing robust and fit for purpose categorisation of financial products pursuing different sustainability-related investment strategies.

Indeed, if SFDR is used by market participants as a product classification system, it reflects a need for such a framework. Eurosif believes this classification should be established within SFDR, which should be adjusted accordingly to fulfil this need. This classification should be mandatory and shouldn't consist of voluntary labels.

Ideally, the reviewed SFDR categorisation will present a hybrid solution between the 2 approaches suggested by the Commission in the public consultation, by:

- Building on key concepts such as "sustainable investments" and underlining notions, reshaping the "promoting E & S characteristics" concept in a meaningful way, and clearly define the concept of "transition investments" within the SFDR framework via a dedicated product category.
- Using these updated concepts to define clear and specific minimum criteria underpinning sustainable product categories based on the objective that sustainable products can demonstrate achieving in accordance with the goals of the SFDR.
- Requiring products falling within SFDR categories to comply with horizontal disclosures, including the percentage of their portfolio aligning with the Taxonomy. They will also have specific disclosures depending on their investment strategy and in relation with their sustainability objectives.
- Requiring products in each category to measure their sustainability performance against their objectives and claims.

Eurosif sees merits in building on the current SFDR framework and its key concepts including "sustainable investments" and its underlying notions. This would ensure continuity in market practices, more simplicity in the transition to a new regime, and leverage the investments that were engaged to comply with the current framework. However, building on existing SFDR key concepts does not mean that policymakers should be constrained to maintaining the existing de facto labelling of "Article 8" or "Article 9". Indeed, these terms are market constructs and are accompanied with specific assumptions as to the sustainability features of products. They are not meaningful for retail investors and lack clarity for professional investors. Therefore, Eurosif believes that these de facto "labels" are not fit for purpose and should be discarded going ahead.

Eurosif believes the categorisation of products within a reviewed SFDR framework should be focusing on the sustainability objectives of products, and their ability to demonstrate sustainability features via clear minimum requirements and specific disclosure requirements. Such a distinction would also offer a more flexible framework enabling innovation and the ability for various relevant investment strategies to be developed within each category.

These categories should be easily understandable for investors. Their names should be set following an EU-wide consumer testing, to identify which denominations convey their underlying objective in the most transparent way. This would be especially important to benefit a retail audience. The names used below are placeholders.

Furthermore, the reviewed SFDR framework should ensure consistency between sustainability claims of products, their categorisation, the information disclosed to investors in precontractual/periodic documentation and websites, as well as their marketing communications.

Eurosif sees the need for 3 categories of products in a reviewed SFDR framework, based on the demonstration of their sustainability objective and performance measurement against these objectives (see detailed explanation in response to Q4.1.4 below).

- Products with “sustainable investment” objectives: these should be able to demonstrate an alignment with positive impacts on the environment/society and/or financing already sustainable activities
- Products with “transition investment” objectives: these should be able to demonstrate a measurable contribution to positive real-world impacts
- Products with “binding Environmental and/or Social factors” objectives: these should be able to demonstrate the presence of Binding Environmental and/or Social Factors going significantly beyond regulatory requirements such as integration of sustainability risks, applicable to the entire investment portfolio.

Products that do not satisfy the criteria to fall within any category should not be allowed to make sustainability claims or to promote sustainability, transition, ESG (or related terms) features. This should be consistent across product-level documentation, websites, and marketing communications. They also should have a dedicated disclaimer at the beginning of their precontractual disclosures that they do not integrate any of these features.

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
- (x) 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	2	3	4	5	Don't know -

	(not at all)	(to a limited extent)	(to some extent)	(to a large extent)	(to a very large extent)	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.

Eurosif believes the categorisation of products with sustainability features under the reviewed SFDR framework should comprise 3 product categories based on their objectives. This categorisation should be mandatory and , underpinned by minimum criteria and specific disclosure requirements. Products within each category would have to measure their sustainability performance based on their sustainability claims and investment strategies. Each product within these categories should have to clearly define its sustainability objective in accordance with its category and reporting of sustainability performance should be done against this objective.

These categories should be easily understandable for investors. Their names should be set following an EU-wide consumer testing, to identify denominations clearly conveying their underlying objective especially to benefit a retail audience. The names used below are placeholders.

Products with a “sustainable investments” objective: able to demonstrate an alignment with positive impacts on the environment/society and/or financing already sustainable activities. This category should clarify the underlying key notions of the current existing concept of “sustainable investments”:

- Having a clear environmental and/or social objective, e.g. with a minimum threshold on a percentage of alignment with the Taxonomy (which could be increased over time to consider market evolutions and potential extensions of the Taxonomy) or targeting measurable sustainability projects/outcomes based on recognised and widely accepted methodologies/standards
- Satisfying the DNSH criteria, inter alia with binding exclusions (that could draw from the list established for Paris-Aligned Benchmarks (PAB)) & binding positive screening for assets with positive impact and invest in companies following good governance practices, with a clear link to minimum safeguards such as investee company compliance with OECD guidelines / UN Guiding Principles. It could be useful to apply minimum social and governance safeguards concept from the Taxonomy Regulation.
- Demonstrate that all mandatory PAI indicators are taken into account in the investment process.

Products with a “transition investments” objective: able to demonstrate a measurable contribution to positive real-world impacts (excluding non-transformable activities via minimum exclusions which could build on the list of exclusions for Climate-Transition benchmarks):

- Establishment, implementation of a formalised sustainability-oriented engagement/voting strategy with measurable, time bound sustainability objectives and targets and a sustainability-focused action plan to achieve those including escalation measures and divestment strategy. This should be complemented with reporting on whether the objectives are achieved and if not, steps taken to address this.
- Investment in companies implementing CSRD/ESRS-aligned credible transition plans and science-based targets. Subject to meeting appropriate safeguards, Subject to appropriate safeguards, proxies such as Article 8 Taxonomy CapEx disclosures or other relevant international transition plan frameworks for companies from outside the EU could be considered.
- Relevant indicators should be established to assess the sustainability performance of assets over time.

Products with a “Binding Environmental and/or Social Factors” objective: able to demonstrate the integration of binding environmental and/or social factors at the heart of the investment process, applicable to the whole investment portfolio. This should go significantly beyond ESG risks integration via a systematic analysis of ESG factors and their incorporation based on the combination of minimum exclusions (which could draw from the list established for PABs), minimum safeguards and binding positive screening. A minimum exclusion rate of investment universe after the application of the exclusion & positive screening should be established to qualify to this category. These products should also consider specific binding KPIs such as relevant benchmarks and PAI indicators to assess the ESG performance of the portfolio against its objective.

In communications to end investors and especially for retail investors during the advisory process under the MiFID2/IDD sustainability preferences assessment, it should be clearly mentioned that this category shows a lesser level of commitment to enabling a sustainable transition of the economy than the 2 categories mentioned above.

Products that do not satisfy the criteria to fall within any category should not be allowed to make sustainability claims or to promote sustainability, transition, ESG (or related terms) features. This should be consistent across product-level documentation, websites, and marketing communications. They also should have a dedicated disclaimer at the beginning of their precontractual disclosures that they do not integrate any of these features.

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

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

- 1 - Totally disagree
- 2 - Mostly disagree
- (selected) 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
- (selected) 3 categories
- 4 categories
- 5 categories
- More than 5 categories
- Don’t know / no opinion / not applicable

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

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

Please explain what that other possible approach could be:

5000 character(s) maximum

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

In general, product categories under the reviewed SFDR framework should be mutually exclusive to ensure end-investors (in particular retail) can easily understand the sustainability objective and features of a product.

However, specific cases such as fund-of-funds or multi-assets/blended investment approaches may require tailored measures to ensure they are treated adequately in a reviewed SFDR framework, both in terms of product categories and disclosure requirements. This is especially important to ensure retail investors understand the characteristics and actual sustainability features of these specific products.

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.

See response to Q4.1.4 above.

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
- (x) 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.

Given established market practices, there may be a need for additional guidance to map out how FMPs need to reclassify their products from the current de facto categorisation to the formal categorisation of the reviewed SFDR framework.

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.

Eurosif believes these products could fall within its proposal for a category of products with a “sustainable investments” objective: able to demonstrate an alignment with positive impacts on the environment/society and/or financing already sustainable activities. This category should clarify the underlying key notions of the current existing concept of “sustainable investments”:

- Having a clear environmental and/or social objective, e.g. with a minimum threshold on a percentage of alignment with the Taxonomy (which could be increased over time to consider market evolutions and potential extensions of the Taxonomy) or targeting measurable sustainability projects/outcomes based on recognised and widely accepted methodologies/standards
- Satisfying the DNSH criteria, inter alia with binding exclusions (that could draw from the list established for Paris-Aligned Benchmarks (PAB)) & binding positive screening for assets with positive impact and invest in companies following good governance practices, with a clear link to minimum safeguards such as investee company compliance with OECD guidelines / UN Guiding Principles. It could be useful to apply minimum social and governance safeguards concept from the Taxonomy Regulation.
- Demonstrate that all mandatory PAI indicators are taken into account in the investment process.

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.

Eurosif believes these products could fall within its proposal for a category of products with a “sustainable investments” objective: able to demonstrate an alignment with positive impacts on the environment/society and/or financing already sustainable activities. This category should clarify the underlying key notions of the current existing concept of “sustainable investments”:

- Having a clear environmental and/or social objective, e.g. with a minimum threshold on a percentage of alignment with the Taxonomy (which could be increased over time to consider market evolutions and potential extensions of the Taxonomy) or targeting measurable sustainability projects/outcomes based on recognised and widely accepted methodologies/standards
- Satisfying the DNSH criteria, inter alia with binding exclusions (that could draw from the list established for Paris-Aligned Benchmarks (PAB)) & binding positive screening for assets with positive impact and invest in companies following good governance practices, with a clear link to minimum safeguards such as investee company compliance with OECD guidelines / UN Guiding Principles. It could be useful to apply minimum social and governance safeguards concept from the Taxonomy Regulation.
- Demonstrate that all mandatory PAI indicators are taken into account in the investment process.

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.

Eurosif does not believes that products exclusively applying exclusions strategies should constitute a specific category under the reviewed SFDR framework.

This proposal should be replaced by the following Eurosif proposal for a category of products with a “Binding Environmental and/or Social Factors” objective: able to demonstrate the integration of binding environmental and/or social factors at the heart of the investment process, applicable to the whole investment portfolio. This should go significantly beyond ESG risks integration via a systematic analysis of ESG factors and their incorporation based on the combination of minimum exclusions (which could draw from the list established for PABs), minimum safeguards and binding positive screening. A minimum exclusion rate of investment universe after the application of the exclusion & positive screening should be established to qualify to this category. These products should also consider specific binding KPIs such as relevant benchmarks and PAI indicators to assess the ESG performance of the portfolio against its objective. In communications to end investors and especially for retail investors during the advisory process under the MiFID2/IDD sustainability preferences assessment, it should be clearly mentioned that this category shows a lesser level of commitment to enabling a sustainable transition of the economy than the 2 other categories

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.

Eurosif believes these products could fall within its proposal for a category of products with a “transition investments” objective: able to demonstrate a measurable contribution to positive real-world impacts (excluding non-transformable activities via minimum exclusions which could build on the list of exclusions for Climate-Transition benchmarks):

- Establishment, implementation of a formalised sustainability-oriented engagement/voting strategy with measurable, time bound sustainability objectives and targets and a sustainability-focused action plan to achieve those including escalation measures and divestment strategy. This should be complemented with reporting on whether the objectives are achieved and if not, steps taken to address this.
- Investment in companies implementing CSRD/ESRS-aligned credible transition plans and science-based targets. Subject to meeting appropriate safeguards, Subject to appropriate safeguards, proxies such as Article 8 Taxonomy CapEx disclosures or other relevant international transition plan frameworks for companies from outside the EU could be considered.
- Relevant indicators should be established to assess the sustainability performance of assets over time.

Improvement of Taxonomy alignment over time should be used as one of the disclosures allowing end-investors to assess the performance of the product against its objective. However, given this category of product would also target assets that are not Taxonomy-aligned but still improving, this shouldn’t constitute a criterion for this category.

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

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

Category C of question 4.1.4	○	○	○	○	◉	○
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.

See Q4.1.4 above. Eurosif believes the categorisation of products with sustainability features under the reviewed SFDR framework should comprise 3 product categories based on their objectives. This categorisation should be mandatory and , underpinned by minimum criteria and specific disclosure requirements. Products within each category would have to measure their sustainability performance based on their sustainability claims and investment strategies. Each product within these categories should have to clearly define its sustainability objective in accordance with its category and reporting of sustainability performance should be done against this objective.

These categories should be easily understandable for investors. Their names should be set following an EU-wide consumer testing, to identify denominations clearly conveying their underlying objective especially to benefit a retail audience. The names used below are placeholders.

Products with a “sustainable investments” objective: able to demonstrate an alignment with positive impacts on the environment/society and/or financing already sustainable activities. This category should clarify the underlying key notions of the current existing concept of “sustainable investments”:
-Having a clear environmental and/or social objective, e.g. with a minimum threshold on a percentage of alignment with the Taxonomy (which could be increased over time to consider market evolutions and potential extensions of the Taxonomy) or targeting measurable sustainability projects/outcomes based on recognised and widely accepted methodologies/standards
-Satisfying the DNSH criteria, inter alia with binding exclusions (that could draw from the list established for Paris-Aligned Benchmarks (PAB)) & binding positive screening for assets with positive impact and invest in companies following good governance practices, with a clear link to minimum safeguards such as investee company compliance with OECD guidelines / UN Guiding Principles. It could be useful to apply minimum social and governance safeguards concept from the Taxonomy Regulation.
-Demonstrate that all mandatory PAI indicators are taken into account in the investment process.

Products with a “transition investments” objective: able to demonstrate a measurable contribution to positive real-world impacts (excluding non-transformable activities via minimum exclusions which could build on the list of exclusions for Climate-Transition benchmarks):
-Establishment, implementation of a formalised sustainability-oriented engagement/voting strategy with measurable, time bound sustainability objectives and targets and a sustainability-focused action plan to achieve those including escalation measures and divestment strategy. This should be complemented with reporting on whether the objectives are achieved and if not, steps taken to address this.

-Investment in companies implementing CSRD/ESRS-aligned credible transition plans and science-based targets. Subject to meeting appropriate safeguards, Subject to appropriate safeguards, proxies such as Article 8 Taxonomy CapEx disclosures or other relevant international transition plan frameworks for companies from outside the EU could be considered.
-Relevant indicators should be established to assess the sustainability performance of assets over time.

Products with a “Binding Environmental and/or Social Factors” objective: able to demonstrate the integration of binding environmental and/or social factors at the heart of the investment process, applicable to the whole investment portfolio. This should go significantly beyond ESG risks integration via a systematic analysis of ESG factors and their incorporation based on the combination of minimum exclusions (which could draw from the list established for PABs), minimum safeguards and binding positive screening. A minimum exclusion rate of investment universe after the application of the exclusion & positive screening should be established to qualify to this category. These products should also consider specific binding KPIs such as relevant benchmarks and PAI indicators to assess the ESG performance of the portfolio against its objective. In communications to end investors and especially for retail investors during the advisory process under the MiFID2/IDD sustainability preferences assessment, it should be clearly mentioned that this category shows a lesser level of commitment to enabling a sustainable transition of the economy than the 2 categories mentioned above.

Products that do not satisfy the criteria to fall within any category should not be allowed to make sustainability claims or to promote sustainability, transition, ESG (or related terms) features. This should be consistent across product-level documentation, websites, and marketing communications. They also should have a dedicated disclaimer at the beginning of their precontractual disclosures that they do not integrate any of these features.

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			X			
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		X				
The current element of ‘investee companies’ good governance practices’ of the sustainable investment concept			X			

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	Contribution to an environmental or social objective should be backed by minimum criteria. To that end, we suggest considering a minimum percentage of Taxonomy-alignment in the portfolio. This threshold would be first set taking into account the currently low state of Taxonomy alignment in markets and be revised over time to account for market developments and potential Taxonomy extension. Contribution to an environmental or social objective could also be backed a targeted contribution to a specific sustainability project /outcome. This should however be based on a reliable and broadly recognized methodology / standard / framework. Eurosif underlines the critical need for finalising a social Taxonomy and extend the Taxonomy to always harmful/transition activities, as they will play a pivotal role in providing a comprehensive framework that can guide and inform investment decisions in a complete and ambitious SFDR framework. For social objectives, and pending a potential extension of the Taxonomy to social activities, it could be relevant for policymakers jointly with relevant stakeholders to establish a simple list of eligible social objectives.
'do no significant harm', element of the sustainable investment concept	The do no significant harm criteria should be strengthened with mandatory exclusions for products with "sustainable investments" objectives, (e.g. exposure to the fossil fuel industry) & binding positive screening, backed by a selected number of mandatory PAIs. For products with "sustainable investments" and "binding environmental or social factors" objective (see response to Q4.1.4 above), mandatory exclusions could be based on the list of exclusions defined under BMR for Paris-aligned Benchmarks. This could be used in conjunction with binding positive screening for assets with positive impact. For products with a "transition objective" (see above), mandatory exclusions would focus on non-transformable activities/sectors and could build on the list of exclusions under BMR for Climate-transition Benchmarks – with the possibility to add other exclusions.

‘investee companies’ good governance practices’, element of the sustainable investment concept	The good governance principle should be further specified to refer to give examples of “sound management structures, employee relations, remuneration of staff and tax compliance” and further link with minimum safeguards mentioned in other pieces of EU regulation, in particular regarding the requirement that investee companies respect the UN Guiding Principles or OECD Guidelines for multinational companies. It could be useful to leverage on minimum social and governance safeguards in the Taxonomy Regulation. Guidelines clarifying how to assess compliance with UN Guiding Principles and OECD guidelines should be established to this end.

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.

As mentioned in the responses above, the concept of “promoting environmental and/or social characteristics” should evolve under the reviewed SFDR framework.

Firstly, the mention of “promoting” should be replaced by the ability to “demonstrate” these sustainability features. Indeed, the establishment of product categories in a reviewed SFDR should be based on objective minimum criteria rather than the intention to promote any sustainability feature.

Secondly, the notion of “environmental and/or social characteristics” should be clarified (see proposals on categories of product in responses to Q4.1.4 and Q4.1.11a) above):

Products with a “Binding Environmental and/or Social Factors” objective: able to demonstrate the integration of binding environmental and/or social factors at the heart of the investment process, applicable to the whole investment portfolio. This should go significantly beyond ESG risks integration via a systematic analysis of ESG factors and their incorporation based on the combination of minimum exclusions (which could draw from the list established for PABs), minimum safeguards and binding positive screening. A minimum exclusion rate of investment universe after the application of the exclusion & positive screening should be established to qualify to this category. These products should also consider specific binding KPIs such as relevant benchmarks and PAI indicators to assess the ESG performance of the portfolio against its objective. In communications to end investors and especially for retail investors during the advisory process under the MiFID2/IDD sustainability preferences assessment, it should be clearly mentioned that this category shows a lesser level of commitment to enabling a sustainable transition of the economy than the 2 categories mentioned above.

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

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

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

5000 character(s) maximum

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

Eurosif believes that the notion of “Article 8”/”Article 9” products should be discarded going forward, as they currently come with some assumptions that are not fit for purpose considering the objectives of the SFDR framework. They also refer to the articles prescribing the disclosure requirements rather than referring to products with E&S characteristics or sustainable investments themselves.

If “Article 8” is understood as products “promoting E&S characteristics”, or as a basis to establish a formal “ESG integration” product category in a reviewed SFDR framework (see Eurosif proposals above), then we do not consider that requiring a minimum proportion of investments in taxonomy-aligned activities would be relevant as a criterion. However as mentioned in response to 4.2.1.a below we suggest having a Taxonomy-related disclosure requirement for these products

If “Article 9” in this question is understood as “sustainable investments”, or as a basis to establish a formal “sustainable investments” product category in a reviewed SFDR framework (see Eurosif proposals above), then we do agree that requiring a minimum proportion of investments in taxonomy-aligned activities would be relevant as a criterion. However, the threshold would have to be set taking due consideration of the current relatively low percentage of taxonomy aligned activities and be reviewed regularly to consider market developments and potential Taxonomy extensions to social objectives and harmful/intermediate activities in this regard.

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.

As mentioned in Q4.1.13, the concept of “promoting E/S characteristics” should be reshaped to establish a category of products with a “Binding Environmental and/or Social Factors” objective:

Products with a “Binding Environmental and/or Social Factors” objective: able to demonstrate the integration of binding environmental and/or social factors at the heart of the investment process, applicable to the whole investment portfolio. This should go significantly beyond ESG risks integration via a systematic analysis of ESG factors and their incorporation based on the combination of minimum exclusions (which could draw from the list established for PABs), minimum safeguards and binding positive screening. A minimum exclusion rate of investment universe after the application of the exclusion & positive screening should be established to qualify to this category. These products should also consider specific binding KPIs such as relevant benchmarks and PAI indicators to assess the ESG performance of the portfolio against its objective. In communications to end investors and especially for retail investors during the advisory process under the MiFID2/IDD sustainability preferences assessment, it should be clearly mentioned that this category shows a lesser level of commitment to enabling a sustainable transition of the economy than the 2 categories mentioned above.

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?

						Don't know -

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	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.

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.

This explanation relates to Eurosif's response to Q4.2.1.a), given the dedicated box to specify which "Other information" should also be required when a product falls within a specific sustainability product category does not seem to appear on this webpage.

As mentioned in the response to Q3.2.1 and following, a set of minimum disclosures should be required for all financial products, including how they integrate ESG factors including sustainability risks in investment processes and how they consider all mandatory Principal Adverse Impact indicators.

All disclosures mentioned in Q4.2.1.a) above should be required for products falling within any sustainability product category under the reviewed SFDR framework. Eurosif suggests that these products should also disclose their incorporation of sustainability-related norm-based screenings, i.e. whether investees are screened for their compliance with international norms or widely recognised frameworks of minimum business standards (e.g.. Paris Agreement, UN treaties, Security Council sanctions, UN Global Compact (UNGC)/Guiding Principles, Universal Declaration of Human Rights and OECD guidelines). If necessary these disclosures should be accompanied by narrative explanations, e.g. in relation with a low % of Taxonomy alignment for products with a social objective given social activities are not currently covered by the Taxonomy.

Products falling within products categories under the reviewed SFDR framework should disclose information about how the required criteria have been met, which will include some of the disclosures mentioned above e.g. on percentage of investment in Taxonomy-aligned activities, exclusions and binding positive screening, engagement / voting strategy etc.

Additionally, within the categories proposed in response to Q4.1.4, above, some products may present various investment strategies and sustainability claims. Tailored disclosure requirements should be implemented to substantiate these claims and to ensure end-investors understand the specific strategy of the product and how its performance is measured against its claims.

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.

Some of the criteria for categories could relate to requirements applied within EU jurisdictions or towards companies above a certain size (e.g % of alignment with the Taxonomy, CSRD climate transition plan requirements). This could have an impact on the underlying data used to demonstrate compliance with the product categories' criteria and as such the possibility to use relevant, high quality proxy data should be considered, subject to appropriate safeguards.

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.

As mentioned in earlier responses, the comparability across products and precontractual documents is essential for SFDR to deliver on its objectives.

Disclosure of the SFDR product category under PRIIPs KID should be accompanied by a succinct, high-level explanation of what this category means in terms of objectives and underlying criteria. For products not falling within a category, a clear disclaimer should be made at the top of the KID PRIIPs that this product does not present any sustainability, transition or ESG-related features. More granular information on the products' sustainability characteristics and disclosures (see responses to Q.3.2.1 above) should be made easily accessible to end investors.

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						X
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?

- ○ 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
- ◉ 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?

- ◉ 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 (selected)
- 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.

Products that do not satisfy the criteria to fall within any category should not be allowed to make sustainability claims or to promote sustainability, transition, ESG (or related terms) features. This should be consistent across product-level documentation, websites, and marketing communications. They also should have a dedicated disclaimer at the beginning of their precontractual disclosures that they do not integrate any of these features.

Eurosif would also like to highlight that marketing rules are to a significant extent left to the appreciation of national competent authorities, which can have different understandings of what constitutes marketing communications. In that regard, while the SFDR framework should cater to the specificities of national markets, there would be merit in developing additional guidance at ESMA level once the reviewed SFDR framework is settled to ensure consistency in the interpretation of these rules across jurisdictions.

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

104ed4b5-41c5-4101-948f-3888cb0857b3/2023.12.20_Eurosif_-_SFDR_consultation_response_-_Key_messages_and_Summary.pdf

Useful links

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