

FSUG response to Sustainable Finance Disclosure Regulation (SFDR) consultations

Given the FSUG's role in advocating and defending the interests of European citizens as financial services users, we are pleased to share our views on the main topics covered in the consultations for the current and new SFDR. The FSUG views this as a timely initiative and remains available for further input in benefitting users of financial services across the EU. The main topics covered in both the public and targeted consultations of the SFDR, include:

- **Current requirements of the SFDR**
- **Potential changes to the disclosure requirements for financial market participants**
- **Potential establishment of an explicit categorisation system for financial products**

Current requirements of the SFDR

In simple terms, the Sustainable Finance Disclosure Regulation (SFDR), stipulates an obligation for asset managers to disclose their environmental, social and governance (ESG) investment approach and the level of sustainability characteristics, including risk and impact, of their funds and other investment products. Given that the SFDR's main objective is to bring clarity and transparency to the market on sustainable investment, the extent of the Regulation's contribution to the awareness of negative impacts is quite contested.

On the one hand, the market does not have a uniform interpretation, which risks being to the detriment of retail investor understanding of the financial products they are investing in, while on the other there is little support for retail investors to enable them to properly distinguish between the currently Article 8 and Article 9 financial products. This is why the current form of the Regulation has created further confusion - some deficiencies include, but are not limited to:

- SFDR does not provide workable standardised definitions of sustainable investments. This could allow firms to label investments as "sustainable" even if they do not meet commonly accepted environmental, social, and governance (ESG) criteria.
- SFDR relies on self-assessment and self-reporting by financial firms. This may

not always be reliable, either because of data quality or internal resource capacity. Some firms may be inclined to exaggerate or misrepresent their sustainability practices to attract investors or comply with the regulation.

- There are no strong enforcement mechanisms to ensure compliance included in SFDR. Firms that do not comply with the regulation may face reputational damage, but they may not face significant legal or financial penalties.

Potential changes to the disclosure requirements for financial market participants

The purpose of the templates is to inform end-users of the products' key sustainability features and advocating for disclosure of information and transparency is a key priority for the FSUG. However, the pre-disclosure templates of the SFDR are unnecessarily long and can be very confusing and time consuming for retail investors and others alike. We welcome the integration of dashboards at the top of the disclosure templates, which has the potential to avoid information overload. We would like to reinforce consistent sustainability-disclosure requirements for all financial products within the EU, regardless of their sustainability claims, as a necessary step toward transparency, comprehensiveness and investor confidence. To serve better purpose in helping consumers and those retail investors who are less experienced in navigating and understanding the information in disclosure templates, simplified language is encouraged alongside the use of visual infographics (simple charts etc.).

Potential establishment of an explicit categorisation system for financial products

The European Commission is considering two approaches for designation of categories:

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.

The review of the SFDR should mainly consider how to turn this disclosure regime

into a labelling requirement with a set of mandatory indicators and categories that are easily recognisable to consumers and investors alike. Apart from this, the SFDR must take into account its link to the "Green Claims Directive", and the "EU Ecolabel" among others. Environmental labels are a subset of environmental claims. The labels are in a form of a trust mark, quality mark or equivalent setting apart and promoting a product/process or business with reference to its environmental aspects. These labels are sometimes based on certification schemes (environmental labelling schemes) which certify that a product/process or business meets the requirements set up by the scheme and monitor compliance.

Thus, the FSUG is in support of the Commission's Approach 1 for designation of categories i.e splitting categories in a different way than according to existing concepts used in Article 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.

Consumers are already faced with the use of sustainability labels that are not always transparent and credible, and in the case of the new SFDR, the labelling must be easy to understand i.e keeping Article 9 (dark green funds) as the sole carriers of sustainability and separating this with labels for specific type of true sustainable investing: with impact, transition and engagement. Consumers and retail investors want and need to be better informed on the environmental impacts of their investments and make better choices.

About FSUG

The Financial Services User Group (FSUG) was set up by the Commission in 2010 in order to involve users of financial services in policy-making. FSUG's tasks include to advise the Commission in the preparation and implementation of legislation or policy initiatives affecting the users of financial services, to proactively identify key issues affecting users of financial services and to advise and liaise with financial services user representatives and representative bodies at the EU and national level.

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

Fields marked with * are mandatory.

Introduction

This consultation is also available in [German](#) and [French](#).

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 public 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

The public consultation covers 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.

The Commission is also interested in exploring possible options to improve the framework and address any potential shortcomings. You can therefore find a [targeted consultation](#) that in addition to topics 1 and 2 mentioned above, includes questions about potential changes to the disclosure requirements of the SFDR and the potential establishment of a categorisation system for financial products.

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 related targeted consultation](#)
- [the consultation document](#)
- [sustainability-related disclosure in the financial services sector](#)
- [the protection of personal data regime for this consultation](#)

About you

* Language of my contribution

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

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

* I am giving my contribution as

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

* First name

Mariyan

* Surname

Nikolov

* Email (this won't be published)

nikolov@betterfinance.eu

* Organisation name

255 character(s) maximum

Financial Services User Group (FSUG)

* Organisation size

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

Transparency register number

255 character(s) maximum

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

* Country of origin

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

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

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

- Cambodia
- 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
- Hungary
- 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
- North Korea
- 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
- Trinidad and Tobago
- 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

- Denmark Liberia Saint Lucia

* Field of activity or sector

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

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

- I am a financial market participant as defined in Article 2(1) of the Sustainable Finance Disclosure Regulation (SFDR)
- I am a financial adviser as defined in Article 2(11) of SFDR
- I am both a financial market participant as defined in Article 2(1) of the SFDR and a financial adviser as defined in Article 2(11) of SFDR
- I am another type of financial undertaking that does not fall under the 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

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

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	na
[*] Products disclosing under Article 8	na
[*] Products disclosing under Article 9	na

* Your business is oriented:

- predominantly towards professional investors
- predominantly towards retail investors
- equally to professional and retail investors

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

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association', 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* **Contribution publication privacy settings**

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

Anonymous

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

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

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

- Yes
 No

Section 1. Current requirements of the SFDR

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

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

Question 1.1 The SFDR seeks to strengthen transparency through sustainability-related disclosures in the financial services sector to support

the EU's shift to a sustainable, climate neutral economy.

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

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

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

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Increasing transparency towards end investor with regard to the integration of sustainability risks	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Increasing transparency towards end investor with regard to the consideration of adverse sustainability impacts	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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)	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<p>Ensuring that ESG considerations are integrated into the investment and advisory process in a consistent manner across the different financial services sectors</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>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</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

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

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

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

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

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

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The SFDR has raised awareness in the financial services sector of the potential negative impacts that investment decisions can have on the environment and/or people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The SFDR has had indirect positive effects by increasing pressure on investee companies to act in a more sustainable manner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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

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

Others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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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.

In simple terms, the The Sustainable Finance Disclosure Regulation (SFDR), stipulates an obligation for asset managers to disclose their environmental, social and governance (ESG) investment approach and the level of sustainability characteristics, including risk and impact, of their funds and other investment products. As the European Commission mandated the European Supervisory Authorities (ESAs) to provide draft regulatory technical standards (RTS) in relation to the SFDR - providing more information on content, methodologies and expected ways in which asset managers and other financial market participants have to present the required disclosure requirements, subsequent changes and amendments have been applied since the start of 2023. Given that the SFDR's main objective is to bring clarity and transparency to the market on sustainable investment, the extent of the Regulation's contribution to the awareness of negative impacts is quite contested. First, investors (asset managers) do not have a uniform interpretation of the way disclosures relate to financial products, making a constant shift between disclosing a fund as Article 8 (light green) to Article 9 (dark green) and back - the so called reclassification. According to data from Morningstar, investors (asset managers) continued to pull money from Article 8 funds and inflows into Article 9 shrunk to over half of their total from earlier in 2023.

Instead of raising awareness of negative impacts, the current form of the Regulation has created further confusion, with financial market participants changing investment decisions based on tick a box exercise as opposed to legitimate assessment of its adverse impacts at entity and product level. Despite the purpose of the SFDR, to improve transparency in the market for sustainable investment products and to prevent greenwashing practices, we are witnessing the regulation's use as a labelling exercise due to the fact that funds and asset managers have plenty of leeway to interpret ESG credentials in various ways and switch back and forth between Article 6, 8 and 9 of the SFDR. Reshuffling of funds from Article 9 to Article 8 classification, raises the question of whether the less ambitious Article 8 funds (in comparison to Article 9) will become the new norm, and more importantly, whether expectations linked with Article 8 or Article 9 are indeed met. Retail investors are consequently left alone in interpreting whether or not there are intended, or even unintended, greenwashing practices, with limited guidance and support.

Some deficiencies of the SFDR include but are not limited to:

- SFDR does not provide workable standardised definitions of sustainable investments. This could allow firms to label investments as "sustainable" even if they do not meet commonly accepted environmental, social, and governance (ESG) criteria.
- SFDR relies on self-assessment and self-reporting by financial firms. This may not always be reliable, either because of data quality or internal resource capacity. Some firms may be inclined to exaggerate or misrepresent their sustainability practices to attract investors or comply with the regulation.
- There are no strong enforcement mechanisms to ensure compliance included in SFDR. Firms that do not comply with the regulation may face reputational damage, but they may not face significant legal or financial penalties.

Non-professional "retail" investors, consumers and other end users are ultimately the ones being greenwashed. Greenwashing is a major risk for retail non-professional investors and others alike, and as such must be addressed thoroughly in order to avoid reduced consumer trust and confidence in financial markets. Studies already show that investors are increasingly more cautious with regard to investment advice for sustainable products (1). "A study from 2DII (2) found that most retail investors expect real world impact from finance products which are labelled as "green" or "sustainable", however, the majority of them cannot detect impact-washing without external support. The study found in addition that only 27% of all in-

scope funds were associated with environmental impact claims and that no fund with an environmental impact claim could sufficiently substantiate its claim according to the updated UCPD Guidance indicating a substantial potential legal risk. Retail investors need a manageable number of strictly defined product categories that prevent greenwashing and can be communicated through intuitive labels

(1) <https://www.dsw-info.de/presse/archiv-pressemitteilungen/pressemitteilungen-2022/anlageberatung-zu-nachhaltigen-produkten-investoren-zurueckhaltend-wenig-klarheit-in-den-vorgaben/>

(2) <https://2degrees-investing.org/resource/market-review-of-environmental-impact-claims-of-retail-investment-funds-in-europe/>

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

	1 (totally disagree)	2 (mostly disagree)	3 (partia disagree and partia agree)
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)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

Since the Financial Services User Group (FSUG) was set up by the Commission in order to involve users of financial services in policy-making and represent the interests of consumers, retail investors or micro-enterprises, product level disclosures must have a simple and easy to understand guidelines which can assist non-professional investors among others in deciphering their importance, relevance and impact of financial decisions. As representatives of financial services users we prioritise clarity and transparency and welcome the proposed indicators for principal adverse impacts (PAI), but the information should be accompanied with estimates for better comparison and prevention of misleading. Additionally, the current framework of the do no significant harm (DNSH) is not applied consistently and this creates barriers for retail investors and end-users as well as others alike. The inconsistency in question arises as the DNSH concept is absent from the provisions of Articles 4 and 7, specifically focusing on adverse impacts and principal adverse impacts. This discrepancy creates a confusion, necessitating a more harmonised approach that would ensure alignment between the SFDR's adverse impact provisions and the DNSH criteria laid out in the EU Taxonomy Regulation, wherever relevant and possible. Improving this harmonization is important for providing consistency and reducing complexity for FMPs. With unclear application and harmonisation of legislation, understandability and comparability of financial products becomes burdensome and may in fact contribute towards greenwashing practices and further its multiple associated risks that derive from such a practice.

Level 1 reform of SFDR could alleviate greenwashing concerns regarding the DNSH and in general for other notions (Article 6,8,9 etc.). Additionally, given the way different sustainability investment strategies (namely engagement among others) are taken into consideration, further clarity on thresholds, templates, guidance and disclosure will be beneficial in increasing comparability and ultimately reduce risk of greenwashing since FMPs may claim consideration of PAI/DNSH through engagement for example, but provide no evidence of such claim. The ongoing conundrum of what constitutes a sustainable investment under the SFDR, i.e. investments in companies / economic activities that contribute to an environmental or social objective, shows that there is a need for further specification. The EU Law rightly requires information provided to investors and consumers to be clear, i.e., "presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received" , and as such provide clear thresholds to what even constitutes as sustainable investment and under what condition/metric etc.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Estimates from data providers, based on data coming from other sources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
In-house estimates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Internal ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
External ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Estimates from data providers, based on data coming from the investee companies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Estimates from data providers, based on data coming from other sources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
In-house estimates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Internal ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
External ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Estimates from data providers, based on data coming from other sources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
In-house estimates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Internal ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
External ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Estimates from data providers, based on data coming from other sources	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
In-house estimates	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>

Internal ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
External ESG score models	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

Given the FSUG's role in advocating and defending the interests of European citizens as financial services users, the only ways in which retail investors, consumers and others alike can access disclosure information on invested companies is through the SFDR templates, Key Information Documents: including on sustainability risks and impacts and sometimes utilising external ESG scores and ratings to place a company within a certain category. In order to ease the access, improve clarity and enhance understanding, there should be harmonised dashboards/summaries within templates and key information documents, as well as consistent and easily comparable ESG ratings. The absence or low quality of available information of sustainability data is not merely a problem for financial market participants. It also creates quality problems further down the sustainable investment chain because it reduces the quality investment products. For example, if you are an asset manager who is putting together an actively managed investment portfolio for an ESG fund you can only base your selection on the available data, but if that data is faulty your portfolio will end up containing dubious assets.

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Retail investor interest	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Professional investor interest	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Market competitiveness	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other factors	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

Morningstar, a well-established investment research company, recently found that market actors have generated multiple interpretations of the SFDR creating uncertainty as to the appropriate way to calculate sustainability in financial products and undermining product comparability (3). The interpretations of the SFDR made by the Commission have caused an additional wave of re-classification of investment funds whereby article 9 SFDR funds are being shifted to article 8 SFDR funds. Additionally, various studies show that retail investors say they want to invest sustainably regardless of the regulatory requirements in place. For example in 2020, between 65% and 85% of retail investors in Germany and France seek sustainable investments (4). However, when said legislative tools create further confusion among investors (retail), this contributes towards lack of trust as observed by findings, where on average only 30% were confident in financial services providers. Lack of trust in financial advice was also mentioned in the Eurobarometer survey for 2022.

(3) <https://www.morningstar.com/en-uk/lp/sfdr-article8-article9>

(4) <https://2degrees-investing.org/wp-content/uploads/2020/03/Report-EU-Retail-Funds-Environmental-Impact-Claims-Do-Not-Comply-with-Regulatory-Guidance.pdf>

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	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The approach to DNSH and good governance in the SFDR is consistent with the environmental, social and governance exclusions under the PAB/CTB	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

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](#)).

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
There is room to streamline the entity level disclosure requirements of the SFDR and the CSRD	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Article 4, entity level disclosures						

about consideration of principal adverse impacts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Article 5, entity level disclosures about remuneration policies in relation to the integration of sustainability risks	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Article 6, product level pre-contractual disclosures about the integration of sustainability risks in investment or insurance advice	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Article 12, requirement to keep information disclosed according to Articles 3 and 5 up to date	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

The review of the SFDR should mainly consider how to turn this disclosure regime into a labelling requirement with a set of mandatory indicators and categories that are easily recognisable to consumers and investors alike. Apart from this, the SFDR must take into account its link to the "Green Claims Directive", and the "EU Ecolabel" among others.

Environmental labels are a subset of environmental claims. The labels are in a form of a trust mark, quality mark or equivalent setting apart and promoting a product/process or business with reference to its environmental aspects. These labels are sometimes based on certification schemes (environmental labelling schemes) which certify that a product/process or business meets the requirements set up by the scheme and monitor compliance. Consumers are already faced with the use of sustainability labels that are not always transparent and credible, and in the case of the new SFDR, the labelling must be easy to understand, i.e. by clearly indicating that Article 9 (dark green funds) are the sole carriers of sustainability and separating this with labels for specific type of true sustainable investing: with impact, transition and engagement. Consumers and retail investors want and need to be better informed on the environmental impacts of their investments which will enable them to make better choices.

Thus, the FSUG is in support of the Commission's Approach 1 for designation of categories i.e splitting categories in a different way than according to existing concepts used in Article 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. However, retaining Article 9 and improving it could be a second-best option if a real categorisation system is politically impossible.

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

00fdf4b9-0655-40e7-9b3b-8789dde91a4a/FSUG_consultation_response_on_SFDR_summary_.pdf

Useful links

[More on this consultation \(https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/public-consultation-implementation-sustainable-finance-disclosures-regulation-sfdr_en\)](https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/public-consultation-implementation-sustainable-finance-disclosures-regulation-sfdr_en)

[Consultation document \(https://finance.ec.europa.eu/document/download/602155f2-f429-47a9-bc91-b5a55145724b_en?2023-sfdr-implementation-consultation-document_en.pdf\)](https://finance.ec.europa.eu/document/download/602155f2-f429-47a9-bc91-b5a55145724b_en?2023-sfdr-implementation-consultation-document_en.pdf)

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

[Specific privacy statement \(https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en\)](https://ec.europa.eu/info/law/better-regulation/specific-privacy-statement_en)

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

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