In addition to the question-specific explanations provided in the body of the consultation paper, BEAMA would like to highlight the following key take aways. These take-aways elaborate on the two main subjects of the consultation, namely (i) the evaluation of the current requirements of the SFDR and other sustainable finance related regulations, and (ii) the proposed establishment of a new way of labeling/categorizing financial products.

1. **Evaluation of the current requirements of the SFDR and other sustainable finance related regulations**

The aim of the SFDR is to provide more clarity and transparency on sustainability in the financial market for the end investor on the one hand, and for the other stakeholders in the financial market on the other. In order to achieve this aim, the SFDR foresees disclosure requirements both on entity and on product level. Taking into account all the disclosure requirements (both on entity, as on product level) and their volume, the end investor is inundated with a multitude of information at different levels which could have the unintended effect that end customers don’t understand the most important ESG characteristics of the investment products.

Therefore BEAMA strongly suggests to subject the SFDR to a review. This review should take into account the question-specific concerns above (as indicated in the answers), and generally consider the following main principles at all times:

* **More simple and clear disclosures** to the end-investors. This might lead to less and more simple documentation, focusing on the understandability for the end-investor;
* The aim to **avoid overlap** as much as possible, on two levels:
  + On the one hand: to avoid overlap within the SFDR disclosures. For example, the website disclosures (conform art. 10 SFDR): most of the information in the website disclosures is also in the pre-contractual information. Removing this disclosure requirement reduces the information overload to the end investor, resulting in a more clear, straight forward and consistent provision of information to the end investor;
  + On the other hand: to avoid overlap with the other sustainable finance regulations. For example, the PAI statement on entity level and the CSRD reporting requirements. Removing the PAI statement on entity level also reduces the information overload to the end investor, resulting in a more clear, straight forward and consistent provision of information to the end investor. Concerning the PAI statement on entity level, the confusion towards the end investor with the PAI statements on product level should also be taken into account. The focus of the information to be provided to the end-investor should be on product level, not on entity level.

As mentioned above, the disclosure-templates should be simplified, However, concerning the content and the information to be provided via the templates, BEAMA advocates for a more harmonized approach towards these disclosure requirements across the European Union. There should be consistent, clear and harmonized guidance on how to interpretate and fill in the questions and concepts as introduced by the SFDR today. **Harmonized, consistent and clear guidance** inform the end-investor in the most efficient and transparent way, as it will also avoid green washing and achieve a level playing field.

1. **The proposed establishment of a new way of labeling/categorizing financial products**

The risk of an overload of information to the end-investor should be avoided at all times. Disclosing too much information in an insufficiently clear manner and/or based upon insufficiently clear distinctions between various financial products could result in insufficient and unclear information about these products on the market. If the end investor no longer has a clear overview, wrong interpretations and conclusions will be made. This also involves a reputational risk for the FMPs. Therefore, a classification system that is not sufficiently clear and not properly defined might result into incorrect expectations of the end-investor.

Taking the above into account, BEAMA is **not in favor of expanding the scope of the SFDR disclosure requirements** to all financial products (i.e. including non-sustainable financial products). This extension of the scope will not add any value to the disclosure requirements in place today. Even more so, this could result in an unclear distinction between sustainable and unsustainable financial products for the end-investor. If too much sustainability related information is provided to the end-investor (whether the product is sustainable or not), the impression may arise that non-sustainable products are sustainable (increasing risk of greenwashing). In addition, end investors without any interest in sustainability will not be triggered to invest in sustainable products by the additional disclosure requirements for all financial products. The expanding of the scope would lead into an overload of information.

In this context, BEAMA would like to highlight there is a clear distinction in terms of sustainable and non-sustainable products today and that a minimum level of sustainability-related information already must be included in the documentation for the non-sustainable products today, namely;

* PAI – disclosures on product level (in both the precontractual and periodic information)
* Transparency about the integration of sustainability risks in the management of the financial product;
* Sustainability risks as part of the risk profile of the financial product; and
* Taxonomy disclosure (in both the precontractual and periodic information)

Concerning the **introduction of a categorization system**: BEAMA would like to stress that a new categorization system will have an impact on the current SFDR regulation. The financial sector is still implementing the SFDR disclosure requirements. The SFDR regulation has not yet been able to prove its full usefulness given the ongoing implementation and recent disclosures and reports. Therefore, BEAMA is strongly against the introduction of a new categorization system.

In order to be able to create and introduce as many sustainable products on the financial market as possible, a high level of flexibility in ESG methodologies is required. Implementing a new categorization system might decrease this much needed level of flexibility. It should also be noted that other similar initiatives are already in place: the ESMA consultation on the fund names and the EU Taxonomy. An additional product categorization system could lead to more complexity and unclarity.

If a new categorization system was to be implemented, BEAMA would like to highlight that the FMP’s should retain sufficient flexibility in applying their own ESG methodologies. If not, a risk concentration in investments could occur impacting the risk and return characteristics of the investment product of the clients.