**General remark concerning the above scoring questions:**

Given that we had to find a “consensus/majority”-answer amongst our members for the above scoring questions, we used the following methodology:

* If less than half of the participants answered a question, then we answered with a blank.
* If at least half of the participants answered a question, then we tried to come up with a “consensus/majority”-answer via the following process:
  + If all the answers deviated no more than two points, then we calculated the average.
  + If all the answers deviated more than two points, then we deleted an equivalent number of left and right outliers and calculated the average.
  + If it was clear that we had two camps (a double top distribution), then we answered with a blank.

**Belgian market actors high level feedback on SFDR Review: Introduction**

Based upon this EC-consultation paper, we came to the observation that there are currently two strands in the industry regarding the direction of the SFDR-review. Yet, both strands have many points in common, it’s only regarding the way forward for the product categorization system that the main differences can be found.

On the one hand, there are asset managers who want to stay as close as possible to the current SFDR article 8/9 products. On the other hand, there are asset managers that want to take the opportunity to work out a new SFDR product categorization, and even labeling -, system.

**Common points of both positions**

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.

Moreover, some concepts introduced in the regulation seem not to be clearly defined, which may lead to different interpretations between FMPs and to unlevel playing field across jurisdictions depending on each NCA’s interpretation, hence harming the cross border distribution of funds.

Therefore we strongly suggest to subject the SFDR to a review. This review should, aside from our answers on the question-specific concerns, generally consider the following main principles at all times:

* Provid**e 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.  
  In short, simplify, and ensure consistency and credibility in the regulatory framework for sustainable finance in which the end-customer should be placed at the center of the sustainable finance regulatory framework;
* Introduce a **more harmonized approach** across the European Union in relation to the **requirements of the disclosure-templates**, and this specifically for the content and the information to be provided via these templates.  
  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.  
  We suggest to simplify the reporting requirements by using **a single template for all financial products for both pre-contractual and periodic information** (instead of different templates based on the category of financial product). Pre-contractual information should be a maximum of 3 pages and should ideally be integrated in a section of the current KID. The current pre-contractual document as such should only be made available to professional investors upon request of these investors (so there will be only one pre-contractual document, and it will be for professional investors only). This summarized information should be compulsorily given to customers at the time of subscription (cf. the KID) and published on the website.  
  SFDR article 10 can be maintained, yet it should also be simplified. This simplification can be obtained via:
  + The introduction of the requirement that only information which is not mentioned in other documents (such as pre-contractual documents, KID, prospectus, …), should be disclosed on the website of the asset manager;
  + This disclosure should ideally be no more than one page;
  + This disclosure should only cover entity level reporting.
* 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.  
    In order to suit both tendencies in the market, leave the choice to the FMP to report the entity level disclosures under SFDR or under CSRD. Of course, knowing that CSRD reporting regime should cover all information to be disclosed under SFDR articles 3, 4(2)(b) and 5 with consistent requirements for all companies and sectors, there is a clear need to streamline the entity level disclosure requirements of the SFDR and the CSRD. For example, the possibility to consolidate all subsidiaries into a single PAI statement.  
    In any case, a clear separation between entity-level and product-level disclosures is needed. It is important for these disclosures to remain independent of each other.

In short, foresee a harmonization within the SFDR regulatory framework as well as between other European sustainable finance regulations/frameworks.

* Develop **no additional/new conditions for financial** products without E/S commitments (or non-sustainable 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, then 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, the majority of the actors on the Belgian market are **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 the 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, we 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), indicating whether or not sustainability risks are taken into account;
  + 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).
* **Incorporate** the **transition concept** clearly into the SFDR framework as financing the transition is key to achieve the target of sustainable development;
* **Agree on a high level of flexibility in ESG methodologies and eligible asset categories** in order to be able to create and introduce a wide variety of sustainable products on the financial market.  
  In other words, allow sufficient room for all type of financial products to be able to get classified as sustainable products according to SFDR.
* **Focus** the sustainable finance regulation **on the strategies and ambition level of financial products**;
* Combining the two above principles, we suggest that **if certain binding minimum requirements would need to be introduced**, that these **should be linked to the ambition level of the financial product**. These binding minimum requirements can be differentiated between different types of financials products as well as between asset managers. This is linked to ESMA's consultation on fund names as fund names should clearly reflect the ambition and intentionality of the financial product.

As referred to in the introduction we see two possible ways forward to implement these principles.

**Position 1: stay as close as possible to the current SFDR article 8/9 products**

Concerning the introduction of a categorization system, asset managers in favor of this position want 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, these asset managers strongly oppose the introduction of a new categorization system, and suggest staying with the current SFDR article 8/9 products.

Furthermore, implementing a new categorization system might decrease the much needed level of flexibility to create as many sustainable products on the financial market as possible.  
In this regard, 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, asset managers in favor of sticking to the current SFDR article 8/9 products 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.

**Position 2: work out a new SFDR product categorization**

Concerning the introduction of a categorization system, asset managers in favor of this position want SFDR to evolve from a transparency regime to one that includes minimum investment requirements which would result in clear product categories that can be linked/aligned to the MIF/IDD (insurance MIF) questions. These minimum requirements would be applicable to all sustainable strategies.  
Concretely, these minimum requirements should be:

* The financial product must demonstrate that it has a binding and measurable target that is significantly higher or very significantly higher than the target of its benchmark or investment universe, or demonstrate that significant targets or very significant targets have been set (i.e. absolute thresholds).  
  In this regard, article 2.17 of the SFDR (“sustainable investment” applied at issuer level) should be replaced by a concept built on binding and measurable targets at financial product level (“sustainable investment” could still be an indicator, but then this concept should be better defined);
* The financial product must demonstrate that all mandatory PAIs are taken into account in its investment process; and
* The financial product must apply CTB-like exclusions.

Furthermore, the European regulator should apply the equivalence principle to national labels and strategies equivalent to the PAB/CTB-criteria.

In practice, this position could be concretized as follows, with a focus on the product’ strategy and corresponding to the categories A, B and D of question 4.1.4 but with better definitions/concepts.

CATEGORY A:  
Financial products with a “Generic focus on Environmental and/or Social objective”: products which can state and demonstrate the presence of binding environmental and/or social factors at the heart of the investment process, applicable to the whole investment portfolio.

The financial product would be required to have one or more relevant KPI indicators relevant to the environmental and/or social objective(s) pursued that is binding on the investment portfolio (ex: PAI indicator(s) or another KPI indicator(s) of its choice).

CATEGORY B:  
Financial products with a “Contribution” strategy: the objective is measured at “activity” or “project level”.

This approach typically refers to Environmental products with an EU Taxonomy alignment or products investing in green bonds, green infrastructure, green equity, impact investing funds relating to Environment. This approach also typically refers to Social products investing in social bonds or impact investing funds relating to Social, etc. This approach also refers to products that offer targeted and measurable solutions to sustainability matters.

CATEGORY D:  
Financial products with a “Transition” strategy: the objective is measured at the “product” level through the commitment of the investment fund, but not necessary at underlying level (i.e. not on line-by-line basis).

This approach typically refers to Environmental products like to Net Zero aligned funds, transition-linked-bonds, sustainability-linked-bonds, PAB, CTB, etc.

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| A blue and white diagram  Description automatically generated  *This diagram could be linked as follows to the existing SFDR article 6, 8 and 9 products:*  A screenshot of a computer screen  Description automatically generated  *Next, SFDR can be linked to MiFID/IDD sustainability preferences via the following questions:*   * *Does the client have ESG preferences?* * *Which strategy does the client want to invest in? “Generic focus on Environmental and/or social objectives”? and/or “Transition” and/or “Impact and contribution”?* * *What level of ambition does the client expect from the product: strong commitment or very strong commitment?* |  |