|  |  |
| --- | --- |
| **2023.12.22** |  |
| **Groupe La Banque Postale response to the SFDR Consultation**  ***Clarifying, specifying and simplifying to better focus on sustainable investment*** | |

In accordance with its strong commitment to the just transition, the La Banque Postale Group much supports the principles of the Sustainable Finance Disclosure Regulation. We would like to thank the European Commission as the consultation will enable us to make suggestions for a better implementation in the future. As the format of the consultation does not allow to reflect the diversity of the opinions assumed by each of the entities within the La Banque Postale Group, we transcribe the Group’s general ambition, while the individual entities send in their own responses.

While SFDR has undeniably improved transparency and raised awareness of sustainability issues among investors and asset management companies, SFDR should be reviewed and substantially modified to achieve its goals.

1. **Difficulty in meeting customer expectations**

**The regulation does not match with retail customers’ expectations** in link with the complexity and the level of granularity requested by the SFDR. Also, the information is not always very relevant to enable investors to fully understand the strategy of the product purchased and to identify which elements will be monitored to ensure that ESG objectives are met. **The information must be delivered in a simpler form**, and the disclosures should be simplified and adapted to the needs of retail investors.

1. **Lack of clarity regarding key concepts**

Implementation of the regulation has been hampered by **a lack of precision in definitions**, such as sustainable investment or "*consideration of the main negative impacts*". Indeed, market players are free to define their own methodological framework. This lack of standardization allows certain players to adopt a less precise or a favorable methodology. Those factors **do not allow comparability between actors, create a risk of greenwashing, and expose market participants to reputational risks**, which is reinforced by the entry into force of MIFID ESG/IDD. It should be added that, at this stage, SFDR does not provide a sufficient framework to identify or encourage companies to make the transition.

1. **Need of a full harmonization between regulations**

We call for a **complete alignment between the indicators of the SFDR (PAI) and those of the CSRD (ESRS)** and that the aspects of non-declaration be integrated (non-materiality or non-obligation). This would allow for increased transparency and comparability.

**MIFID and IDD provisions have raised the risk of greenwashing** by putting a strong focus on elements that are not sufficiently defined (sustainable investments, PAI consideration). Therefore, **the higher the sustainable investment rate is, the higher the chances are for a product to match sustainability preferences, irrespective of their intrinsic ESG objective**. And as the definition of sustainable investment is left to the appreciation of producers, this gives an advantage to imprecise definitions and hence strengthen the risk of greenwashing. At last, once minimum standards have been defined in the SFDR (either by maintaining Article 8 and 9 categories or by creating new categories), **MIFID and IDD provisions should directly rely on these categories** rather than on underlying characteristics that may not be comparable across products.

1. **Complexity of disclosures and limited use by investors**

Until CSRD is fully implemented, the Commission must remain steadfast, against the estimation of data (whether by investment funds or suppliers), and should foster greater (or even total) transparency on methodologies.

1. **Product categories: building on the existing framework rather than "starting from scratch”**

La Banque Postale Group is in favor of adapting articles 8 and 9, and wishes to capitalize on the work already done, while clarifying or refining strategies.

**We strongly support adding minimum requirements to SFDR** as the disclosure-based approach has proved insufficient (i) to allow investors and distributors to understand the sustainability-features of investments products and (ii) to prevent greenwashing.

**We also strongly support adopting a strategy-based approach** as it would be the best way to (i) facilitate investors’ understanding, (ii) enhance ESG products distribution as it would be easier for investors to identify products matching their preferences, and (iii) better consider the variety of ESG strategies existing on the market and set tailored minimum requirements.

However, **we see merit in maintaining the current A8/A9 classification** as (i) it has been widely adopted by the market and (ii) the underlying idea that Article 9 products are very ambitious products and Article 8 products are “mainstream ESG” products has been fully integrated by the market. It would hence be a shame not to capitalize on these achievements for enhancing the ESG legislative framework.

Therefore, **we would support a “hybrid approach”** consisting in maintaining Article 8 and Article 9 classifications as overarching categories and in defining sub-categories based on strategies.

Product not reaching Article 8 or Article 9 categories **should not be considered as “responsible product”** and should integrate, as described above**, a prominent disclaimer warning investors that they cannot be considered as responsible products under EU legislation.** This could incentivize investors to prefer ESG products and hence support the objective of EU’s sustainable finance policy to attract private investment to support the transition to a sustainable economy.