21 December 2023

Directorate-General for Financial Stability, Financial Services and Capital Markets Union
European Commission
1049 Brussels
Belgium

Submitted via online survey response

Targeted consultation on the implementation of the EU Sustainable Finance Disclosure Regulation ("the consultation")

MSCI[1] welcomes the opportunity to provide feedback to the European Commission ("the Commission") on the consultation. Since coming into force, the SFDR has been successful in encouraging firms to disclose how they integrate sustainability risks and principle adverse impacts in their decision-making. Through targeted enhancements the Commission can continue building on the positive foundations already laid by the SFDR and without introducing market disruption and more uncertainty.

We would like to put forward the following points. We have provided more detailed feedback to the consultation in the official survey response.

1. **There is a strong market demand for investment product labels.**
   We welcome the Commission's suggestion to introduce a new sustainable investment categorisation and labelling system for financial products. There is a strong market demand for the development of purpose-made categories of sustainable investment labels across the EU. A well-defined set of product labels with minimum disclosure requirements leveraging the existing SFDR metrics will help better guide sustainable investment by increasing transparency and investor confidence. The new labelling regime should reflect and incorporate the broad range of sustainable investment strategies, as well as a transition category.

2. **SFDR disclosure framework needs targeted improvements.**
   Implementing the current requirements and reporting obligations of the SFDR has already required significant investment and, resources. Rather than a complete overhaul of the disclosure framework, we would encourage the Commission to address targeted improvements to specific components of the SFDR regime such as simplification of

[1] MSCI Inc. comprises subsidiaries including MSCI ESG Research (UK) Limited (United Kingdom), MSCI ESG Research LLC (United States), and MSCI Limited (United Kingdom). MSCI indexes are products of MSCI Inc., and MSCI Limited is the benchmark administrator. Products and services in the ESG and Climate segment are provided by MSCI ESG Research (UK) Limited and MSCI ESG Research LLC.

product-level disclosures and enhanced entity-level reporting. We highlight these in more detail in our official survey submission.

3. **Maintain the mandatory list of PAI indicators for entity and product level reporting as well as the concept of Sustainable Investment (SI).**
   PAI indicators listed in Table 1 of the SFDR Delegated Regulation are mandatory for all financial market participants, regardless of materiality. This core requirement helps firms identify the areas which they will need to focus on as a minimum disclosure requirement. Furthermore, a consistent set of PAI indicators by all in-scope firms creates a minimum baseline of core indicators which users can use to compare relative performance on the most critical sustainability-related information. In addition, we believe the concept of Sustainable Investment is relevant to retail investors to capture the degree of sustainability of the fund. We recommend continuing to allow for flexibility in the SI definition to ensure interoperability around the world.

4. **Use of estimates remains important due to data gaps.**
   As acknowledged by the Commission in the consultation[2], there are currently material data gaps in company disclosures partly due to the regulatory framework, in particular the Corporate Sustainability Reporting Directive, not yet being fully in place. Therefore, financial market participants will continue to need to use estimates, e.g., GHG intensity of investee companies, in meeting their own reporting requirements under SFDR.

We look forward to continued engagement with the Commission. Should you have any questions, please do not hesitate to contact me through **neil.acres@msci.com**.

Yours sincerely,

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Neil Acres
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