Invest Europe approach to SFDR II

In the context of the European Commission consultation on the SFDR review

13 December 2023

Invest Europe welcomes the opportunity to participate in the European Commission targeted consultation on the implementation of the Sustainable Finance Disclosure Regulation (SFDR). The ongoing implementation and application of the SFDR and the interplay with the EU Taxonomy Regulation remain a key operational issue for both private fund managers and investors and hence, a main priority for Invest Europe as an association.

This note accompanies the formal Invest Europe consultation response. More concretely, it:

1. provides background information on the specific business model and nature of the private equity, venture capital and infrastructure (PE/VC) industry;
2. sets out Invest Europe's views on a possible future SFDR II regime; and
3. summarises the main priorities and key concerns of the pan-European PE/VC industry in light of the forthcoming SFDR review.

Invest Europe is the association representing Europe's private equity, venture capital and infrastructure sectors, as well as their investors. Our members take a long-term approach to investing in privately held companies, from start-ups to established firms. They inject not only capital but dynamism, innovation, and expertise. This commitment helps deliver strong and sustainable growth, resulting in healthy returns for Europe's leading pension funds and insurers, to the benefit of the millions of European citizens who depend on them.

1. Background – Why PE/VC funds are different

Despite often subject to the same or similar rules, PE/VC funds do not share the same characteristics and purpose, nor do they bear the same risks as UCITS and hedge funds. In contrast to these funds, PE/VC funds:

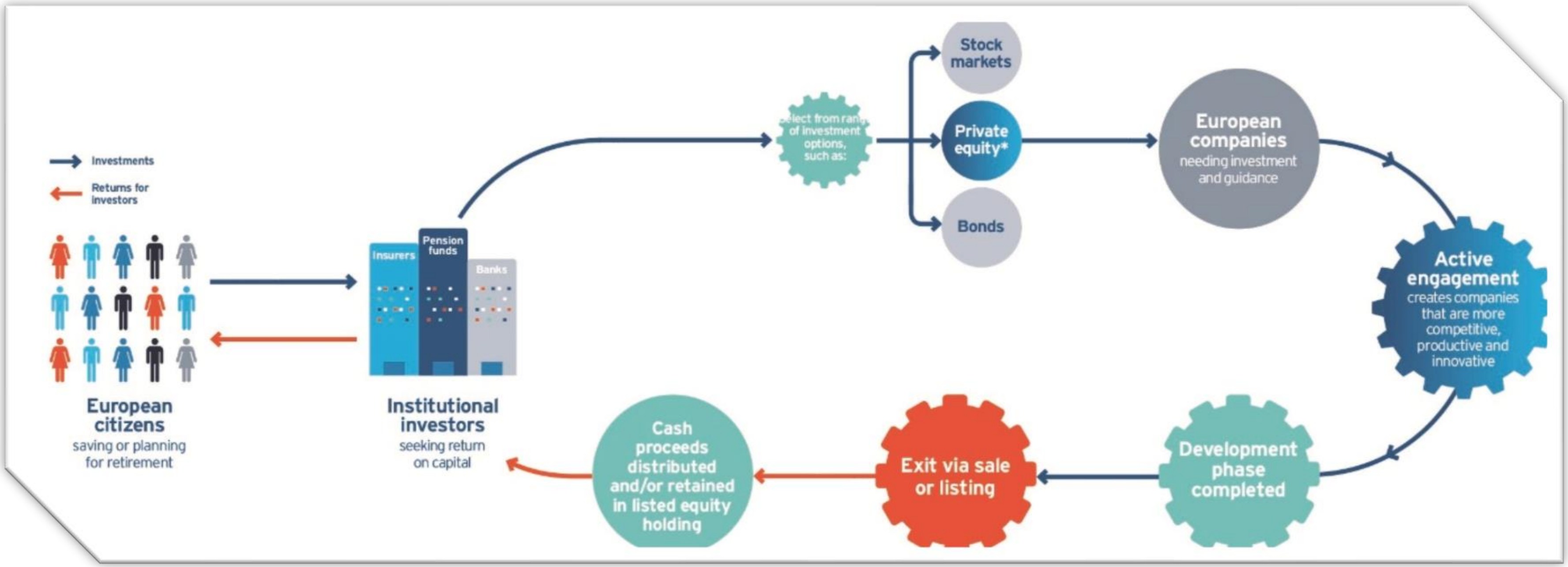
- make direct and active investments into unlisted businesses (as opposed to directly or indirectly managing listed securities, often based on a reading of indexes rather than an active selection process);

- are set up as long-term, illiquid, closed-ended and unleveraged structures, which cannot be regularly traded and whose assets are not easily tradable; and
- are vehicles of choice to institutional investors looking for long-term returns and are generally not marketed to retail clients.

The PE/VC industry is composed of managers:

(a) investing into businesses with a potential to grow;
(b) through long-term, closed-ended equity funds;
(c) with the capital of institutional and sophisticated investors.

Each of these three aspects is explained in more detail below.



(a) From start-ups to turnarounds: In which companies does private equity invest?

- Private equity managers will commit capital to a wide range of companies in all sectors of the economy and all stages of development, from the smallest start-ups to the largest conglomerates, from promising scale-ups to businesses in distress.
- There are several types of private equity investments (venture, growth, infrastructure, turnaround, etc.), with limited distinctions between these from an operating perspective. They will all invest patiently (for five years on average) in the businesses and actively use their ownership positions to ensure those businesses become successful. In other words, private equity managers do not only choose the companies in which they invest after a long due diligence process, they also take minority or majority equity ownership and are actively involved in their running for several years.
- Private equity managers offer operational guidance and assistance to the businesses they own until the very last moment of the investment period. As the success of the company in which they have invested will make the success of the fund, managers need to spend a significant amount of time with these businesses.

(b) Illiquid and closed-ended: How are private equity funds set up?

- Enabling invested companies to have sufficient time to grow and develop requires funds to be structured in a certain way. This has shaped how managers are marketing to their investors. This distinguishes private equity as an asset class.
- While there is no definition of private equity funds in EU law, the proxy that has been used in various EU laws ("closed-ended and unleveraged funds") is a good indication of the industry's particularity. Private equity funds indeed have the following characteristics:
    - They are long-term and closed-ended: Funds are typically set up for a 10-year period, extendable by two years.
    - They are illiquid: All capital is committed at the beginning of the fund and cannot be redeemed. Indeed, investors will subscribe to a private equity fund at the beginning of its life – during a time-limited subscription period – and will not be in a position to redeem their investment for the entire life of the fund.
    - They are unleveraged: Funds are typically not authorised to borrow more than the capital committed.
    - They are international: Managers very often operate cross-border. Private equity funds by nature almost always operate on a cross-border basis: investments are usually made globally; teams are very often located in different countries; and investors will also be dispersed across Europe and the wider world.

(c) Investors of a third kind: Who commits capital to private equity?

- Committing capital to a private equity fund requires careful consideration and a strong liquidity profile from investors in the asset class. Typically, private equity is an institutional asset class reserved for knowledgeable investors able to commit larger sums of capital.
- The typical composition of a private equity fund investor base will be:
  - 70% of institutional investors: pension funds, insurers, banks, sovereign wealth funds, funds of funds; and
  - 30% of other experienced investors: family offices, entrepreneurs.
- The vast majority of direct investors into private equity funds are therefore sophisticated, professional clients with an expertise of the market who invest large sums of capital after having negotiated their entry in the fund with the manager.

In summary, the private equity model is built on a three-step process:

1) Commitments received from investors are pooled into a fund;
2) The capital collected will over the years be invested in the portfolio companies; and
3) Once an investment in a portfolio company is divested, the capital is returned to the investor, along with the overall profits that have been made.

2. Future SFDR II regime

Set out below is Invest Europe's stance on what a future SFDR II regime could look like, building on the existing framework and considering current market practices, expectations and needs. As explained above, the management of private capital funds differs fundamentally from that of liquid asset funds for a number of reasons and these idiosyncrasies are not reflected in the current version of SFDR. There are a wide range of investment strategies, geographic focuses, and sizes of fund present across Invest Europe's membership and hence a variety of views on the path to ensuring any future regime has sufficient proportionality and flexibility to work effectively for investors in the full spectrum of private capital funds. The below represents a compromise position and is an attempt to reflect the breadth of views and investment approaches across Invest Europe's membership.

As a starting point, we believe it is essential that any new SFDR II regime includes a "disclaimer" category. There are many reasons for this, such as:

a) the need for private fund managers to offer a single financial product to competing investor constituencies globally with different ESG priorities and for which a formal classification under the SFDR may be problematic in other jurisdictions;

b) the need for managers to reconcile competing labelling frameworks where such labels may not be reconcilable (e.g., the UK's SDR framework, the SEC's proposals and the SFDR); and/or
c) for complex fund structures involving aggregator/master/feeder or similar vehicles, a desire to avoid unnecessary work classifying multiple fund vehicles.

For more information on the proposal below, please see our answer to Question 4.1.1 in the comprehensive response to the targeted consultation.

Category	Disclaimer rule	Disclosure rule	"New SFDR II Article 8"	"New SFDR II Article 8+"	"New SFDR II Article 9"
Qualification	Funds that may (or may not) mention ESG and provide reports on ESG to their investors but include a prominent warning on all fund and marketing documents that *"EU law does not regulate any ESG commitments this product might make (if any) beyond requiring all claims to be clear, fair and not misleading and EU SFDR disclosure obligations are not applicable to this fund."* This category is only available to funds marketed directly to professional investors.	Bespoke E, S or G claims are made about the fund, which do not contain a commitment or "binding element" in the investment strategy (distinction from "New SFDR Article 8"). But there is a commitment to disclose in accordance with certain templates (to be determined by the SFDR) and report on an ongoing basis (by using such templates) about underlying investments' performance with respect to sustainability criteria (outlined in the pre-contractual disclosure).	In respect of all or a specified minimum proportion of investments, the manager must commit to "binding elements" with an ex-ante and/or ex-post effect on the fund's investments, either by: (a) selecting or excluding investments in order to meet a clear characteristic or investment objective (thereby narrowing the fund's investment universe); and/or (b) pursuing a meaningful stewardship	Must commit to making more than 0% Article 2(17) "sustainable investments" or Taxonomy-aligned investments and up to 70% "sustainable investments" and/or Taxonomy-aligned investments (distinction from "New SFDR II Article 9"). The definition of "sustainable investment" in SFDR Article 2(17) should be amended: (a) to include investments which are not sustainable on day one but have a credible path to becoming so within a	Must commit to making more than 70% SFDR Article 2(17) "sustainable investments" and/or Taxonomy-aligned investments. The definition of "sustainable investment" in SFDR Article 2(17) should be amended as in the previous column.

Category	Disclaimer rule	Disclosure rule	"New SFDR II Article 8"	"New SFDR II Article 8+"	"New SFDR II Article 9"
		This category is only accessed intentionally by self-declaration and can e.g., be used for approaches focussing on ESG data collection, non-binding targets or engagement targeting but without committing to a specific binding engagement result.	strategy to achieve outcomes after an investment has been made. A product in this category could (but need not) align to the PRI's [definitions for responsible investment approaches](#). An exclusion screen may qualify under (a) if sufficiently ambitious, by reference to rules to be set.	reasonable period (to be defined based on ESG topic, geographical and sector-specific criteria) and on the basis of specific measures supported by an underlying budget (thus including transition and impact investments); and (b) to add an express materiality qualifier to the DNSH test.	
All fund documents and communications must be clear, fair and not misleading. An "anti-greenwashing rule".	Yes	Yes	Yes	Yes	Yes
Pre-contractual and periodic disclosure templates must be provided to investors (only, not public).	No	Yes	Yes	Yes	Yes

Category	Disclaimer rule	Disclosure rule	"New SFDR II Article 8"	"New SFDR II Article 8+"	"New SFDR II Article 9"
We intend to make suggestions to improve the templates where targeted at professional investors.					
Good governance assessment required	No	No	Yes However, the requirement should not apply on day one but to give sufficient time to have these in place within the investee companies. It should be possible to take a proportionate approach taking into account the geography, size, nature and sector of the investee business.	Yes, with regard to the proportion of investments which are not either (a) SFDR "sustainable investments" or (b) Taxonomy-aligned investments (for these investments, "good governance" is already covered by alignment with international standards/minimum safeguards). However, the requirement should not apply on day one but to give sufficient time to have these in place within the investee companies. Note the comments in the prior column re: proportionality.	Yes, with regard to the proportion of investments which are not either (a) SFDR "sustainable investments" or (b) Taxonomy-aligned investments (for these investments, "good governance" is already covered by alignment with international standards/minimum safeguards). However, the requirement should not apply on day one but to give sufficient time to have these in place within the investee companies. Note the comments in the "New SFDR II Article 8"

Category	Disclaimer rule	Disclosure rule	"New SFDR II Article 8"	"New SFDR II Article 8+"	"New SFDR II Article 9"
					column re: proportionality.
Consider PAIs at product level	No	No	No	Yes[1]	Yes[1]
Other requirements	None	None	Some detailed requirements	Some detailed requirements	Some detailed requirements

3. Key priorities

Recognising the characteristics of the PE/VC industry and its specific business model (see Section 1 above), Invest Europe believes it is crucial to consider and address the following issues and concerns during the forthcoming SFDR review – in addition to the need for a "disclaimer" category outlined above.

Each of these points is also covered in Invest Europe's full response to the targeted consultation. References to where equivalent wording can be found in that response are included below.

PE/VC/Infrastructure-specific concerns

1. Grandfathering: Private funds are typically closed-ended and long-term (albeit of finite duration). It will be essential to introduce clear grandfathering provisions from SFDR I, which last for the life of a product, which could be 12 years or more. These provisions would work by providing an optional exemption from SFDR II requirements for all closed-ended funds (whether Article 6, 8 or 9) which were fully closed to new EU investors or established and in the process of concluding their time-limited fundraising period as at the date of SFDR II's application provided that such funds continue disclosing to investors in line with SFDR I requirements – this is the basis on which these products were marketed and sold. The reason this is essential relates to the inherent features of closed-ended private capital funds which makes them different to open-ended products investing in liquid assets:

[1] Note that we suggest that entity-level PAI disclosures ought to be phased out. If entity-level PAI disclosures are not phased out, we suggest that the link between entity and product-level PAI disclosures ought to be removed – this would prevent a manager being required to report PAIs at entity level across all of its funds merely due to having a single "New SFDR II Article 8+" or "New SFDR II Article 9" product.

a. Private capital fund terms can typically be formally amended with consent from investors. The level of consent required typically depends on the type of change to the terms, and it is often contractually possible for the fund manager to amend terms unilaterally where the necessary change is clear and is required to comply with changes in law or regulation. However, rule changes being contemplated under SFDR II seem likely to require active decisions, e.g. on whether to opt-in to a label etc., that go beyond simple “change of law” amendment powers granted to the manager in the fund contract. Therefore, we think it likely that investor consent procedures would need to be executed for closed-ended funds to adapt to any SFDR II requirements. At best this would be expensive for investors (not least because it would require sophisticated legal advice), and at worst in the case of divided opinions amongst a fund’s investors it could lead to failure to gain clear consent and potential conflicts between contracts, regulation and investors’ wishes;

b. Given that closed closed-ended funds pose limited risk of greenwashing because they (a) are professional products subject to extensive due diligence by and monitoring from sophisticated investors and (b) cannot admit new investors anyway (except as replacements for individual investors that wish to sell their interests), we consider that these negative impacts on (private capital fund) investors would be heavily disproportionate and should be avoided in the interests of well-functioning capital markets and the EU’s competitiveness in the eyes of global institutional investors; and

c. Investors and firms agree certain contractual terms, including in relation to sustainability reporting, when committing to the fund and cannot later redeem their investments in the fund if the fund terms change. Therefore, without grandfathering, changes to regulation affecting reporting terms would change the deal that investors agreed without their consent and with no option for them to exit the fund if they feel that they would not have agreed to the new terms (as they could in an open-ended context), thereby “trapping” them in a deal they did not agree to (absent formal consent to amend the terms).

Open-ended products (which are less common in private capital) should be subject to an 18-month transition period starting on the date of SFDR II’s application permitting them to either change the strategy to keep the classification or to scale down. On an ongoing basis it should be clarified that only funds that are marketed to investors in the EU will be subject to SFDR (and not funds which are only managed but not marketed). *For more information, please see our narrative explanation in respect of Questions 1.5, 1.6 and 1.7, and our answer to Question 4.1.9.*

2. <u>Website disclosures</u>: We believe that the existing product-level website disclosure requirements are largely duplicative of the pre-contractual product disclosure requirements and therefore ought to be abolished. Should the European Commission disagree, we suggest that the requirements be refined for private funds. Firstly, the requirement to translate the “Summary” section of the website disclosure into one of the official languages of each host EU member state where a financial product is made available is of limited value to professional investors who are used to reviewing disclosures in English. We consider that this requirement should be dropped. Secondly, private funds are restricted by other global laws from making their offering documents public. To the extent that product-level disclosures are retained, public website disclosure obligations under SFDR II should

be confined to retail funds or those which are publicly offered. Private funds should have the option to make product-level disclosures available to investors – through website access which is password protected or by any other suitable means having similar effects (e.g., in a data room). *For more information, please see our answer to Question 3.2.5.*

3. Firm-level PAI reporting: Private fund managers manage funds with diverse strategies. The firm-level PAI regime should be abolished because the aggregated data at manager level is meaningless, and costly to obtain. Aggregate reporting is of no benefit to investors, data is simply not available for certain strategies and managers are required to estimate, which is misleading. If the firm-level PAI regime should nevertheless be maintained, it should be clarified that the firm-level PAI regime is detached from product-level PAI consideration, meaning that managers are permitted to consider PAI for certain products even if they do not consider PAI at firm level. *For more information, please see our answer to Question 3.1.1 (narrative response in respect of Article 4).*

4. Blind pool and commitments: Private funds investing in illiquid assets are typically blind pool. Any portfolio composition rules, thresholds, or numerical commitments or minimum standards, should be measured only after a disclosed "ramp-up" period has ended. We note that in the context of UCITS funds, Article 57(1) of Directive 2009/65/EC disapplies the UCITS portfolio composition spread requirements for a period of six months from initial authorisation. The same principle should apply to private funds, for which it would be most logical to measure any thresholds or numerical commitments and comply with minimum standards once the fund is fully invested, i.e. after a suitable ramp-up period – provided this ramp-up period is transparently disclosed and noting that the "ramp-up" period in private capital funds (typically known as the "investment period") typically lasts around five years until the fund is effectively fully invested – this is the point at which any portfolio construction threshold requirement should be measured in order to be meaningful. The regime should also allow sufficient flexibility for compliance to be layered in over time, especially to encourage adoption amongst existing strategies (such as "evergreen" private capital products, that may be listed on an exchange) which are already focussed and making ESG-related progress. Such requirements should equally not apply during the divestment period which for illiquid assets can extend to several years. We suggest the same flexibility is provided for open-ended funds, with ramp-up and divestment periods adequate to the nature of the assets held in the fund. The basis of measurement for this purpose should generally be NAV. However, certain private funds, often those investing in infrastructure, generally set their minimum commitments with reference to alternative non-NAV related measures (e.g., total capital deployed at cost over the lifetime of the fund). We suggest that SFDR II should introduce flexibility for such funds to set commitments with reference to alternative measures provided they are transparently and clearly disclosed to investors. *For more information, please see our answers to Question 3.2.7 and Question 4.1.11(a).*

5. Targets v commitments and investment restrictions: We understand that regulators expect to treat commitments made in relation to achievement of certain ESG-related outcomes (e.g., the proportion of SFDR Article 2(17) "sustainable investments" or Taxonomy-aligned investments) as investment restrictions with a dedicated methodology to track and remedy any breaches. However, private funds investing in illiquid assets on a blind pool basis typically cannot concretely commit to minimum binding commitments prior to or during fundraising because, at the start of the fund's life,

managers of such funds cannot guarantee what investment opportunities will arise during the fund's investment period (which typically lasts around five years). While we agree that target commitments made to investors should be tracked and their achievement reported periodically to investors, not achieving such commitments in a private fund investing in illiquid assets on a blind pool basis should not result in any breach of investment restrictions unless the manager has failed to take all reasonable steps to ensure the attainment of the target commitment. More importantly, even if at the point of making the investment the requirements of a sustainable investment are met, they may no longer be met over the holding period without the manager being at fault (for example, where a minority venture capital fund holds a portfolio company whose management team decides to change the company's strategy in a way that makes it fall out of the definition). Moreover, mere passive breaches of target commitments caused by fluctuations in NAV should equally not be treated as breaches, given the illiquidity of the fund's assets which makes short-term rebalancing through acquisitions or disposals not feasible. Neither situation ought to result in a requirement to allocate the fund to another product category (i.e., to "downgrade" the fund). Grace periods for the remediation of breaches ought to be granted, which flex dependent on the size, geography, sector and nature of the relevant investment business. We would suggest that a minimum of two years would be advisable considering the generally longer holding periods of private funds. *For more information, please see our answer to Question 4.1.11(a).*

6. Data gaps: Private funds often invest in global portfolio companies with no connection to the EU, and/or in small companies and/or in securities other than equities. These companies are unlikely to be subject to CSRD or any EU-mandated corporate disclosure framework. Private funds will often hold a minority of an unlisted portfolio company's share capital (this is especially but not only true amongst venture capital and growth funds) which means the fund manager will not have control of the portfolio company and therefore will have limited influence over the amount and type of sustainability reporting data it can obtain from the company. This lack of influence over underlying companies, when combined with the absence of investor or public sustainability reporting requirements for smaller companies, is a critical reason why many private capital fund managers are in a different position to fund managers managing products that invest in liquid securities. It means that private capital fund managers investing in early-stage companies often cannot obtain the same amount of sustainability information from investee companies as is available to managers of products investing in listed companies (or large private companies subject to CSRD or other sustainability reporting rules). In this context, data gaps (in relation to investor reporting, Taxonomy alignment data, PAI data, etc.) should be recognised as appropriate on the same proportionality grounds that underpin the policy decision to exclude smaller companies from corporate reporting frameworks (both in the EU and elsewhere). For venture capital funds (and for other fund products where data gaps are particularly prevalent due to lack of influence that could compensate for the absence of investee reporting requirements, such as growth equity funds, private capital funds of funds and private credit funds), we do not believe that fund managers should be forced to close these gaps using estimates in all instances. This is because, for many private capital asset classes, as well as a general lack of data, there is also, unsurprisingly, a consequent lack of credible estimates. Instead, we believe that managers of these kinds of products should be allowed the flexibility to either explain data gaps or to use estimates where appropriate. *For more information, please see our narrative explanation in respect of Questions 1.12 to 1.12.5.*

7. Good governance: Private funds may invest in special purpose vehicles, or other bespoke corporate structures, and/or in new or developing companies and/or globally. Where a "good governance" obligation applies, it should be proportionate and flexible (designed to screen out bad governance) and not based on assumptions about listed company governance standards in developed markets. It should also be possible for the good governance requirement to be satisfied by implementing changes following the acquisition to ensure good governance, rather than it being a pre-requisite at the time of the initial investment. Private equity is well placed to make a real difference by improving portfolio companies, including addressing governance issues that existed prior to the acquisition. It seems contrary to the policy objectives behind SFDR for the regime to prevent a private equity investor from fixing bad governance by prohibiting their investment in the respective portfolio company. *For more information, please see our answer to Question 4.1.12(a).*

8. Product-level PAI reporting: Where the PAI regime applies at product level, it should be capable of being satisfied by taking post-investment steps to mitigate adverse impacts (as clarified by the European Commission in its April 2023 Q&A). *For more information, please see our answer to Question 3.2.2(b).*

Other

9. ESRS: At product level, the existing PAIs should be conformed to ESRS, meaning that instead of having a pre-defined set of mandatory PAI indicators which may not be material to the pursued investment strategy of the fund, managers should be in a position to define (based on a reasonable materiality assessment) which PAI indicators are material to the fund's strategy. *For more information, please see our narrative explanation in respect of Question 1.8.*

10. Fund names: Any restrictions on fund names should be confined to funds marketed directly by the manager to retail investors. *For more information, please see our narrative explanation in respect of Question 4.4.2.*

11. "Sustainable investment" definition: The current definition of "sustainable investment" set out in Article 2(17) SFDR should be broadened to include investments which are not sustainable on day one but have a credible path to becoming so within a reasonable period (to be defined based on ESG topic, geographical and sector-specific criteria) and on the basis of specific measures supported by an underlying budget. This would result in transition and impact investments being able to qualify as SFDR "sustainable investments". Private capital funds are well placed to make a real difference by improving the sustainability profile of portfolio companies, including ensuring contribution to an environmental or social objective, and not significantly harming any of those objectives. And we believe that this is aligned with the current approach under the EU Taxonomy which recognises that "transition activities" are capable of qualifying as environmentally sustainable economic activities as well as with the intention of the EU Taxonomy "safe harbour" set out in the European Commission's Q&As issued in June 2023 and the ESAs' recently published Final Report confirming

that investments whose underlying economic activities are Taxonomy-aligned qualify as "sustainable investments". *For more information, please see our narrative explanation in respect of Question 4.1.15.*

12. "Promoting environmental and social characteristics": In our proposal set out above, we distinguish between the Disclaimer and Disclosure rule on the basis of intentionality rather than on the basis of the concept of "promoted characteristics". Should the European Commission adopt a different approach and retain the existing framework, we believe that it would be helpful to clarify the boundary between SFDR Article 6 and Article 8. In particular, we believe that there is a need to clarify the concept of "promotion" to confirm that it refers to *how* the financial product is presented and "characteristics" in this context refers to features of a financial product, for example binding investment restrictions regarding investment in a particular activity or not investing in a particular activity. Furthermore, we believe that the concept of "sustainability indicators used to measure the attainment of each of the environmental or social characteristics" should continue to be broadly understood and managers should have the freedom to define such indicators as they see fit. For example, a "sustainability indicator" could be confirmation that 100% of the portfolio aligned to the relevant investment restrictions as set out appropriately in a financial product's pre-contractual and periodic disclosures. *For more information, please see our answer to Question 4.1.13.*

13. Application of the RTS: On 4 December 2023, the ESAs published their Final Report on draft Regulatory Technical Standards on the review of PAI and financial product disclosures in the SFDR Delegated Regulation. Given the imminent review of SFDR Level 1, it is of utmost importance to delay implementing the RTS. Doing so would alleviate the substantial resource allocation needed by financial market participants for compliance. This is particularly critical considering that they would be required to comply with the new RTS requirements proposed by the ESAs for a limited period of time before those requirements are likely further changed by the results of this ongoing review - which in addition hugely increases legal uncertainty. In particular, if the proposals set out in the ESAs' Final Report come into effect without a suitable delay, they will require financial market participants to make a host of changes such as:

    a. For those products which consider PAIs, firms will be required to change their existing data collection and reporting systems to account for both (a) the methodological changes introduced for a number of the existing PAI indicators and (b) to reflect the addition of new social PAI indicators;

    b. The proposed changes to the pre-contractual and periodic disclosure templates and to the website disclosure rules are significant and will require fund managers to revise their disclosure documentation and procedures, both for existing and for new funds. Given the lack of appropriate grandfathering provisions, closed-ended products in their fundraise period and open-ended funds will be required to "re-paper" their documents to comply with the revised pre-contractual disclosure templates and the new website disclosure rules set out in the draft RTS annexed to the Final Report. As noted above, in relation to 1, this could trigger investor consent and other regulatory procedures (such as a requirement for UCITS funds to update their Prospectus disclosures and seek regulatory approval for doing so); and

c. For those products setting “GHG emissions reduction” targets, comply with a host of new disclosure requirements and build new processes to gather the data required to make those disclosures.

In the light of the above and the imminent review of SFDR Level 1, we believe that implementation of the RTS ought to be delayed as it risks imposing a significant burden on financial market participants at a time when the entire SFDR regime is itself subject to review. *For more information, please see our narrative explanation in respect of Question 1.7.*