



**EUROPEAN COMMISSION**

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL  
MARKETS UNION

Financial markets  
Asset management

**TARGETED CONSULTATION DOCUMENT**

**IMPLEMENTATION OF**

**THE SUSTAINABLE FINANCE DISCLOSURES REGULATION (SFDR)**

**Disclaimer**

This document is a working document of the Commission services for consultation and does not prejudice the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

You are invited to reply **by 15 December 2023** at the latest to the **online questionnaire** available on the following webpage:

[https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfdr-implementation\\_en](https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfdr-implementation_en)

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses.**

This consultation follows the normal rules of the European Commission for targeted consultations. Responses will be published in accordance with the privacy options respondents will have opted for in the online questionnaire.

Responses authorised for publication will be published on the following webpage:

[https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfdr-implementation\\_en](https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfdr-implementation_en)

Any question on this consultation or issue encountered with the online questionnaire can be raised via email at [fisma-sfdr@ec.europa.eu](mailto:fisma-sfdr@ec.europa.eu).

## INTRODUCTION

The [Sustainable Finance Disclosures Regulation \(SFDR\)](#) started applying in March 2021 and requires financial market participants and financial advisers to disclose how they integrate sustainability risks and principal adverse impacts in their processes at both entity and product levels. It also introduces additional product disclosures for financial products making sustainability claims.

This targeted consultation aims at gathering information from a wide range of stakeholders, including financial practitioners, non-governmental organisations, national competent authorities, as well as professional and retail investors, on their experiences with the implementation of the SFDR. The Commission is interested in understanding how the SFDR has been implemented and any potential shortcomings, including in its interaction with the other parts of the European framework for sustainable finance, and in exploring possible options to improve the framework.

The main topics to be covered in this questionnaire are:

- 1. *Current requirements of the SFDR***
- 2. *Interaction with other sustainable finance legislation***
- 3. *Potential changes to the disclosure requirements for financial market participants***
- 4. *Potential establishment of a categorisation system for financial products***

Sections 1 and 2 cover the SFDR as it is today, exploring how the regulation is working in practice and the potential issues stakeholders might be facing in implementing it.

Sections 3 and 4 look to the future, assessing possible options to address any potential shortcomings. As there are crosslinks between aspects covered in the different sections, respondents are encouraged to look at the questionnaire in its entirety and adjust their replies accordingly.

## CONSULTATION QUESTIONS

### 1. CURRENT REQUIREMENTS OF THE SFDR

The EU's sustainable finance policy is designed to attract private investment to support the transition to a sustainable, climate-neutral economy. The SFDR is designed to contribute to this objective by providing transparency to investors about the sustainability risks that can affect the value of and return on their investments ('outside-in' effect) and the adverse impacts that such investments have on the environment and society ('inside-out'). This is known as double materiality. This section of the questionnaire seeks to assess to what extent respondents consider that the SFDR is meeting its objectives in an effective and efficient manner and to identify their views about potential issues in the implementation of the regulation.

We are seeking the views of respondents on how the SFDR works in practice. In particular, we would like to know more about potential issues stakeholders might have encountered regarding the concepts it establishes and the disclosures it requires.

**Question 1.1:** The SFDR seeks to strengthen transparency through sustainability-related disclosures in the financial services sector to support the EU's shift to a sustainable, climate neutral economy. In your view, is this broad objective of the regulation still relevant?

1	2	3	4	5	Don't know
				X	

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 1.2:** Do you think the SFDR disclosure framework is effective in achieving the following specific objectives (included in its [Explanatory Memorandum](#) and mentioned in its recitals)<sup>1</sup>:

	1	2	3	4	5	Don't know
Increasing transparency towards end investors with regard to the integration of sustainability risks <sup>2</sup>			X			
Increasing transparency towards end investors with regard to the consideration of adverse sustainability impacts			X			
Strengthening protection of end investors and making it easier for them to benefit from and compare among		X				

<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52018PC0354>

<sup>2</sup> In this questionnaire we refer to the term 'end investor' (retail or professional) to designate the ultimate beneficiary of the investments in financial products (as defined under the SFDR) made by a person for their own account.

a wide range of financial products and services, including those with sustainability claims						
Channelling capital towards investments considered sustainable, including transitional investments ('investments considered sustainable' should be understood in a broad sense, not limited to the definition of sustainable investment set out in Article 2(17) of SFDR)		X				
Ensuring that ESG considerations are integrated into the investment and advisory process in a consistent manner across the different financial services sectors			X			
Ensuring that remuneration policies of financial market participants and financial advisors are consistent with the integration of sustainability risks and, where relevant, sustainable investment targets and designed to contribute to long-term sustainable growth			X			

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 1.3:** Do you agree that opting for a disclosure framework at EU level was more effective and efficient in seeking to achieve the objectives mentioned in Question 1.2 than if national measures had been taken at Member State level?

1	2	3	4	5	Don't know
				X	

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 1.4:** Do you agree with the following statement?

	1	2	3	4	5	Don't know
The costs of disclosure under the SFDR framework are proportionate to the benefits it generates (informing end investors, channelling capital towards sustainable investments)		X				

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 1.5:** To what extent do you agree with the following statements?

	1	2	3	4	5	Don't know
The SFDR has raised awareness in the financial services sector of the potential negative impacts that investment decisions can have on the environment and/or people				X		
Financial market participants have changed the way they make investment decisions and design products since they have been required to disclose sustainability risks and adverse impacts at entity and product level under the SFDR.			X			
The SFDR has had indirect positive effects by increasing pressure on investee companies to act in a more sustainable manner.			X			

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

We would also like to know more about potential issues stakeholders might have encountered regarding the concepts that the SFDR establishes and the disclosures it requires.

**Question 1.6:** To what extent do you agree or disagree with the following statements?

	1	2	3	4	5	Don't know
Some disclosures required by the SFDR are not sufficiently useful to investors					X	
Some legal requirements and concepts in the SFDR, such as 'sustainable investment', are not sufficiently clear				X		
The SFDR is not used as a disclosure framework as intended, but as a labelling and marketing tool (in particular Articles 8 and 9)			X			
Data gaps make it challenging for market participants to disclose fully in line with the legal requirements under the SFDR					X	
Re-use of data for disclosures is hampered by a lack of a common machine-readable format that presents data in a way that makes it easy to extract				X		

There are other deficiencies with the SFDR rules (please specify in text box following question 1.7)				X		
--	--	--	--	---	--	--

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 1.7:** To what extent do you agree or disagree with the following statements?

	1	2	3	4	5	Don't know
The issues raised in question 1.6 create legal uncertainty for financial market participants and financial advisers				X		
The issues raised in question 1.6 create reputational risks for financial market participants and financial advisers					X	
The issues raised in question 1.6 do not allow distributors to have a sufficient or robust enough knowledge of the sustainability profile of the products they distribute			X			
The issues raised in question 1.6 create a risk of greenwashing and mis-selling			X			
The issues raised in question 1.6 prevent capital from being allocated to sustainable investments as effectively as it could be			X			
The current framework does not effectively capture investments in transition assets				X		
The current framework does not effectively support a robust enough use of shareholder engagement as a means to support the transition				X		
Others						

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please provide any additional explanations as necessary for questions 1.5, 1.6 and 1.7:

Europe's insurers support the SFDR's objective to serve as a tool to raise awareness, inform about sustainable investments in the financial services sector and ultimately enable retail investors to reliably base their investment decisions on sustainability considerations. The regulation has been in force since 2021 and insurers have invested significant resources and efforts in its implementation. Insurance Europe recognises that Europe played a key role as a pioneer in sustainable finance product disclosures and commends the efforts made to set the European framework for such disclosures. The SFDR is an important piece of regulation and part of the larger set of regulatory initiatives (including the CSRD, Taxonomy Regulation and the upcoming CSDDD and ESAP). The infrastructure for these different sets of regulation is still not in place. While the overall framework may be improved to provide better and more meaningful information, the regulation should not be subject to a complete overhaul. Otherwise, all the internal processes put in place by insurers would need to be revised, with significant additional costs and burden. Insurers strongly believe that the review is a great opportunity to address the issues that hamper the fulfillment of the SFDR goals.

The timing of the Level 1 and Level 2 reviews of the framework should be better coordinated. The review of SFDR Level 1 (through this assessment) and Level 2 (through the review of the SFDR social PAIs) and its Delegated Regulation should be staggered to minimise the number of changes and ultimately ease implementation efforts.

1) Uphold the founding principles of the SFDR

The SFDR's main goal should remain product transparency. One of the main reasons for today's dysfunction is the misinterpretation of the goals of the SFDR as a categorisation system. It is vital that the SFDR sets out clear and harmonised disclosure requirements that will enable final customers to understand the sustainability features of products and compare different products.

2) Increase the relevance of the information provided

The information must be delivered in a form that is adapted to the target audience. This is not the case under the current regime. Insurance Europe strongly agrees with EIOPA's observations in its technical advice on the EU Commission's retail investment strategy: EIOPA found that the disclosure requirements of – inter alia – the SFDR do not, in fact, benefit consumers because the information is too complex, too long and too detailed (EIOPA-BoS-22/244, p. 35 et seq.). According to EIOPA, one reason for this is that market and supervisory transparency objectives are being mixed with consumer transparency objectives in a way that leads to a single disclosure document being designed for very different target audiences. EIOPA proposes that information should be presented in a radically simpler and more user-friendly format.

In line with these considerations, insurers are convinced that the information that is provided to retail investors pre-contractually or annually needs to be substantially simplified and reduced. Inspiration could be drawn from the dashboard proposed by the ESAs in this year's consultation on SFDR Level 2. The proposed dashboard would provide consumers with a straightforward highlight of the key characteristics of the product. It can also become a useful instrument to favour the matching between consumers' sustainability preferences expressed during the IDD suitability test and the product features. Such a dashboard should, in particular, include taxonomy alignment, a selection of relevant PAI indicators and information on the sustainable investments in the product. More detailed information could be provided on a voluntary basis through a complementary dedicated section in the templates or made available on the internet.

However, careful consideration must be given to the fact that the dashboard should not become an extra layer of reporting/information. In order to avoid duplications, all the information disclosed in the dashboard should be removed/reduced from the main body of the template.

Product-level website disclosures should be structured to facilitate access for non-experts (layering). Its level of detail should also be critically reviewed in terms of real relevance to establish a proportionate relationship between costs and benefits.

In any case, editable versions of templates in all languages should be made available sufficiently in advance of the implementation of any regulatory changes to allow financial market participants (FMPs) enough time to adapt their documentation and processes. Moreover, if any regulatory changes are implemented, it must be made clear which Q&As are affected and the updated and consolidated Q&As should be published at the same time, as this would be an important tool to support the implementation by FMPs.

3) Clarify concepts

Further clarification and guidance on the interpretation and application of SFDR-related definitions (eg, definition of sustainable investment) is important to support consistent and comparable disclosures for consumers and avoid legal and reputational risks for preparers, in particular in the context of competing definitions under the various pieces of the EU sustainable finance regulatory framework. European insurers seek further guidance on the framework of the concept of sustainable investments rather than a strict definition. As different financial products imply diverse challenges of interpretation and application, a general concept is more useful. The timing of the provision of such guidance must be carefully considered to avoid market disruption. In particular, the significant ongoing industry



efforts to implement SFDR requirements including all recent amendments (eg, additional disclosures on exposures to gas and nuclear-related activities) should be acknowledged. Such clarifications should take into account coherence with other EU sustainable finance legislative requirements (such as the Taxonomy Regulation, CSRD, benchmarks, MiFID, IDD).

4) Increase relevance of entity's information and address data gaps

The Level 1 review should also allow investors to better focus on relevant information and indicators that will efficiently inform investment decisions. In this regard, the improvement of the regulation should also focus on reducing the number of disclosure requirements and PAI indicators set out in Level 2 legislation, which are excessive and not only constitute a significant burden for insurers and other market participants but also hamper investors' ability to understand the sustainability features both at product and entity level.

Indeed, there is a notable overlap in the PAI statements at the entity level with other sustainable finance regulation, leading to potential redundancies and inefficiencies. It is imperative that any regulatory framework, particularly those pertaining to sustainable finance, is optimised to balance the administrative burden on entities while ensuring that the information provided is not only relevant but also conveys clear benefits to the ultimate recipients of these disclosures.

5) Clarify the timeline for the SFDR review.

European insurers suggest coordinating the review of SFDR Level 1 (through this assessment) and Level 2 (through the review of the SFDR social PAIs). The SFDR and its Delegated Regulation would benefit from coordination of both the topics and the timing of the two ongoing review processes. Additionally, stability of the SFDR overall framework is crucial. Since the approval of the SFDR Regulation there has been a series of changes in Level 2 regulation that do not allow either customers or financial market participants to consolidate the information settings. It should be borne in mind that each time the SFDR requirements are clarified or modified, FMPs have to adapt and readapt their processes and disclosures: this also increases the costs of products, to the detriment of customers.

Ultimately, account should also be taken of the fact that sustainability information is only one element of a package of pre-contractual/periodic information required by other legislation. If the package becomes too extensive, the information in its entirety is in danger of being disregarded by customers due to information overload.

### 1.1. Disclosures of principal adverse impacts (PAIs)

There are several disclosures concerning PAIs in the SFDR. As a general rule, the SFDR requires financial market participants who consider PAIs to disclose them at entity level on their website. It also includes a mandatory requirement for financial market participants to provide such disclosures when they have more than 500 employees (Article 4). The [Delegated Regulation](#)<sup>3</sup> of the SFDR includes a list of these PAI indicators. These entity level PAI indicators are divided into three tables in the Delegated Regulation. Indicators listed in table 1 are mandatory for all participants, and indicators in tables 2 and 3 are subject to a materiality assessment by the financial market participant (at least one indicator from table 2 and one from table 3 must be included in every PAI statement).

Second, the SFDR requires financial market participants who consider PAIs at entity level to indicate in the pre-contractual documentation whether their financial products consider PAIs (Article 7) and to report the impacts in the corresponding periodic disclosures (Article 11). When reporting these impacts, financial market participants may rely on the PAI indicators defined at entity level in the Delegated Regulation.

Finally, in accordance with the empowerment given in Article 2a of SFDR, the Delegated Regulation requires that the do no significant harm (DNSH) assessment of the sustainable investment definition is carried out by taking into account the PAI indicators defined at entity level in Annex I of the Delegated Regulation.

In this context:

**Question 1.8:** To what extent do you agree with the following statements about entity level disclosures?

	1	2	3	4	5	Don't know
I find it appropriate that certain indicators are always considered material (i.e. “principal”) to the financial market participant for its entity level disclosures, while having other indicators subject to a materiality assessment by the financial market participant (approach taken in Annex I of the SFDR Delegated Regulation).						X
I would find it appropriate that all indicators are always considered material (i.e. “principal”) to the financial market participant for its entity level disclosures.						X
I would find it appropriate that all indicators are always subject to a materiality assessment by the financial market participant for its entity level disclosures.						X

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 1.8.1:** When following the approach described in the first statement of question 1.8 above, do you agree that the areas covered by the current indicators listed in table 1 of the Delegated Regulation are the right ones to be considered material in all cases?

1	2	3	4	5	Don't know
		X			

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

---

<sup>3</sup> [Commission Delegated Regulation \(EU\) 2022/1288 of 6 April 2022](#)

**Question 1.9:** To what extent do you agree with the following statements about product level disclosures?

	1	2	3	4	5	Don't know
The requirement to 'take account of' PAI indicators listed in Annex I of the Delegated Regulation for the DNSH assessment, does not create methodological challenges.	X					
In the context of product disclosures for the do no significant harm (DNSH) assessment, it is clear how materiality of principal adverse impact (PAI) indicators listed in Annex I of the Delegated Regulation should be applied		X				
The possibility to consider the PAI indicators listed in Annex I of the Delegated Regulation for product level disclosures of Article 7 do not create methodological challenges.			X			
It is clear how the disclosure requirements of Article 7 as regards principal adverse impacts interact with the requirement to disclose information according to Article 8 when the product promotes environmental and/or social characteristics and with the requirement to disclose information according to Article 9 when the product has sustainable investment as its objective.		X				

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please provide any additional explanations as necessary for questions 1.8, 1.8.1 and 1.9:

The coherence between the SFDR and CSRD/ESRS is extremely important. As of today, the final version of the delegated act introducing the ESRS states that SFDR data points shall be included in the new sustainability reporting by applying a materiality filter. The same does not apply to the SFDR, where most of the PAI indicators are mandatory. As a result of this inconsistency, financial market participants – including insurers – may not be able to fulfill their obligations under the SFDR if they do not find data in the sustainability reporting of the investee undertaking. Moreover, entity-level disclosure as prescribed in the SFDR today should be reconsidered, as this kind of disclosure will be done through the sustainability reporting, which will include also SFDR data points.

Regarding applying a materiality filter to entity-level PAIs under the SFDR, while Europe's insurers recognise that, generally, materiality would ensure alignment with the approach under the ESRS and improve the relevance of reported information overall, it is unclear at this stage how this would apply to SFDR PAIs. This is because PAI indicators are designed in a way that indicators close to 0 show a positive impact of investment decisions. It is thus very challenging to set a materiality threshold and carry out a materiality analysis on PAI indicators.

**Questions 1.10, 1.10.1 and 1.11 are intended for financial market participants and financial advisors subject to the SFDR.**

## **1.2. The cost of disclosures under the SFDR today**

The following two questions aim to assess the costs of the SFDR disclosure requirements

distinguishing between one-off and recurring costs. One-off costs are incurred only once to implement a new reporting requirement, e.g. getting familiarised with the legal act and the associated regulatory or implementing technical standards, setting-up data collection processes or adjusting IT-systems. Recurring costs occur repeatedly every year once the new reporting is in place, e.g. costs of annual data collection and report preparation. In the specific case of precontractual disclosures for example, there are one-off costs to set up the process of publishing precontractual disclosures when a new product is launched, and recurring annual costs to repeat the process of publishing pre-contractual disclosures each time a new product is launched (depends on the number of products launched on average each year). These two questions apply both to entity and product level disclosures.

**Question 1.10:** Could you provide estimates of the one-off and recurring annual costs associated with complying with the SFDR disclosure requirements (EUR)? Please split these estimates between internal costs incurred by the financial market participant and any external services contracted to assist in complying with the requirements (services from third-party data providers, advisory services ...). If such a breakdown is not possible, please provide the total figures.

EUR	Estimated one off costs	Estimated recurring annual costs	Don't know
Internal costs			X
Thereof personnel costs			X
Thereof IT costs			X
External costs			X
Thereof data providers			X
Thereof advisory services			X
Total costs of SFDR disclosure requirements			X

**Question 1.10.1:** Could you split the total costs between product level and entity level disclosures?

%	Product-level disclosures	Entity-level disclosures	Don't know
Estimated percentage of costs			X

If you wish to provide additional details, please use the box below:

Cost is a significant concern for insurers implementing the SFDR. The EC should always consider the balance between costs and benefits when developing or amending the SFDR.

The main costs of disclosure experienced by insurers are for IT structures and developments, and external data providers. Currently, European insurers experience data gaps and difficulties in the collection and comparability of data. Hence, European insurers expect that too frequent and excessive changes to the SFDR framework will increase those costs. These costs are disproportionately high for smaller (re)insurers.

In addition, costs associated with necessary FTEs, distribution channels and training of distributors to familiarise them with SFDR requirements should also not be underestimated.

**Question 1.11:** In order to have a better understanding of internal costs, could you provide an estimate of how many full-time-equivalents (FTEs - FTEs - 1 FTE corresponds to 1 employee working full-time the whole year) are involved in preparing SFDR disclosures.

Could you please provide a split between:

%	Retrieving the data	Analysing the data	Reporting SFDR disclosures	Other	Don't know
Estimated percentage					X

### 1.3. Data and estimates

Financial market participants' and financial advisers' ability to fulfil their ESG transparency requirements depends in part on other disclosure requirements under the EU framework. In particular, they will rely to a significant extent on the [Corporate Sustainability Reporting Directive \(CSRD\)](#). However, entities are not reporting yet under those new disclosure requirements, or they may not be within the scope of the CSRD. Besides, even when data is already available today, it may not always be of good quality.

**Question 1.12:** Are you facing difficulties in obtaining good-quality data?

Yes X	No	Don't know
----------	----	------------

**Question 1.12.1:** If so, do you struggle to find information about the following elements?

	1	2	3	4	5	Don't know
The entity level principal adverse impacts				X		
The proportion of taxonomy-aligned investments (product level)				X		
The contribution to an environmental or social objective, element of the definition of 'sustainable investment' (product level)				X		
The product's principal adverse impacts, including when assessed in the context of the 'do no significant harm' test which requires the consideration of PAI entity level indicators listed in Annex I of the Delegated Regulation and is an element of the definition of 'sustainable investment' (product level)				X		
The good governance practices of investee companies (product level)				X		
Other						

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 1.12.2:** Is the SFDR sufficiently flexible to allow for the use of estimates?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 1.12.3:** Is it clear what kind of estimates are allowed by the SFDR?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 1.12.4:** If you use estimates, what kind of estimates do you use to fill the data gap?

	Entity level principal adverse impacts	Taxonomy aligned investments (product level)	Sustainable investments (product level)	Other
Estimates from data providers, based on data coming from the investee companies	X	X	X	
Estimates from data providers, based on data coming from other sources	X	X	X	
In-house estimates				
Internal ESG score models			X	
External ESG score models			X	
Other				

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 1.12.5:** Do you engage with investee companies to encourage reporting of the missing data?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

Please also provide further explanations to your replies to questions 1.12 to 1.12.5.

European (re)insurers are facing similar challenges when it comes to taxonomy-alignment reporting.

Moreover, the challenges faced by European (re)insurers differ regarding the supply of data: in some areas data is available but it is hard to validate, whereas in other areas data is missing.

**Question 1.13:** Have you increased your offer of financial products that make sustainability claims since the disclosure requirements of Articles 8 and 9 of the SFDR began to apply (i.e. since 2021, have you been offering more products that you categorise as Articles 8 and 9 than those you offered before the regulation was in place and for which you also claimed a certain sustainability performance)?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 1.13.1:** Please specify how the share of financial products making sustainability claims has evolved in the past years. (Please express it as a percentage of the total financial products you offered each year.)

2020	2021	2022	2023

**Question 1.13.2:** If you have increased your offering of financial products making sustainability claims, in your view, has any of the following factors influenced this increase?

	1	2	3	4	5	Don't know
SFDR requirements			X			
Retail investor interest				X		
Professional investor interest			X			
Market competitiveness				X		
Other factors						

(1= not at all, 2= not really, 3= partially, 4= mostly, 5= totally)

If other, please specify. Please also provide further explanations to your replies to questions 1.13, 1.13.1 and 1.13.2.

European insurers experience issues with comparability among companies, arising also from the percentage of the portfolio on which the PAI is calculated. Therefore, answers to the above questions probably differ between European countries.

## 2. INTERACTION WITH OTHER SUSTAINABLE FINANCE LEGISLATION

The SFDR interacts with other parts of the EU's sustainable finance framework. Questions in this section will therefore seek respondents' views about the current interactions, as well as potential inconsistencies or misalignments that might exist between the SFDR and other sustainable finance legislation. There is a need to assess the potential implications for other sustainable finance legal acts if the SFDR legal framework was changed in the future. Questions as regards these potential implications



are included in section 4 of this questionnaire, when consulting on the potential establishment of a categorisation system for products, and they do not prejudge future positions that might be taken by the Commission.

The SFDR mainly interacts with the following legislation and their related delegated and implementing acts:

- the [Taxonomy Regulation](#)
- the [Benchmarks Regulation](#)
- the [Corporate Sustainability Reporting Directive \(CSRD\)](#)
- the [Markets in Financial Instruments Directive \(MiFID 2\)](#) and the [Insurance Distribution Directive \(IDD\)](#)
- the [Regulation on Packaged Retail Investment and Insurance Products \(PRIIPs\)](#)

Other legal acts that are currently being negotiated may also interact with the SFDR in the future. They are not covered in this questionnaire as the detailed requirements of these legal acts have not yet been agreed. At this stage, it would be speculative to seek to assess how their interaction with SFDR would function.

Both the SFDR and the Taxonomy Regulation introduce key concepts to the sustainable finance framework. Notably, they introduce definitions of ‘sustainable investment’ (SFDR) and ‘environmentally sustainable’ economic activities (Taxonomy). Both definitions require, inter alia, a contribution to a sustainable objective and a do no significant harm (DNSH) test. But while these definitions are similar, there are differences between them which could create practical challenges for market participants.

**Question 2.1:** The [Commission recently adopted a FAQ](#) clarifying that investments in Taxonomy-aligned ‘environmentally sustainable’ economic activities can automatically qualify as ‘sustainable investments’ in those activities under the SFDR. To what extent do you agree that this FAQ offers sufficient clarity to market participants on how to treat Taxonomy-aligned investment in the SFDR product level disclosures?

1	2	3	4	5	Don't know
			X		

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

The Benchmarks Regulation introduces two categories of climate benchmarks – the EU climate transition benchmark (EU CTB) and the EU Paris-aligned benchmark (EU PAB) - and requires benchmark administrators to disclose on ESG related matters for all benchmarks (except interest rate and foreign exchange benchmarks). The SFDR makes reference to the CTB and PAB in connection with financial products that have the reduction of carbon emissions as their objective. Both legal frameworks are closely

linked as products disclosing under the SFDR can for example passively track a CTB or a PAB or use one of them as a reference benchmark in an active investment strategy. More broadly, passive products rely on the design choices made by the benchmark administrators.

**Question 2.2:** To what extent do you agree or disagree with the following statements?

	1	2	3	4	5	Don't know
The <a href="#">questions &amp; answers published by the Commission in April 2023</a> specifying that the SFDR deems products passively tracking CTB and PAB to be making 'sustainable investments' as defined in the SFDR provide sufficient clarity to market participants					X	
The approach to DNSH and good governance in the SFDR is consistent with the environmental, social and governance exclusions under the PAB/CTB			X			
The ESG information provided by benchmark administrators is sufficient and is aligned with the information required by the SFDR for products tracking or referencing these benchmarks				X		

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Both the SFDR and the Corporate Sustainability Reporting Directive (CSRD) introduce entity level disclosure requirements with a double-materiality approach.<sup>4</sup> The CSRD sets out sustainability reporting requirements mainly for all large and all listed undertakings with limited liability (except listed micro-enterprises),<sup>5</sup> while the SFDR introduces sustainability disclosure requirements at entity level for financial market participants and financial advisers as regards the consideration of sustainability related factors in their investment decision-making process. Moreover, in order for financial market participants and financial advisers to meet their product and entity level disclosure obligations under

<sup>4</sup> Transparency requirements relate to the sustainability risks that can affect the value of investments (SFDR) or companies (CSRD) ('outside-in' effect) and the adverse impacts that such investments or companies have on the environment and society ('inside-out').

<sup>5</sup> Credit institutions and insurance undertakings with unlimited liability are also in scope subject to the same size criteria. Non-EU undertakings listed on the EU regulated markets and non-EU undertakings with a net turnover above EUR 150 million that carry out business in the EU will also have to publish certain sustainability-related information through their EU subsidiaries that are subject to CSRD (or - in the absence of such EU subsidiaries – through their EU branches with net turnover above EUR 40 million).

the SFDR, they will rely to a significant extent, on the information reported according to the CSRD and its [European Sustainability Reporting Standards \(ESRS\)](#)<sup>6</sup>.

**Question 2.3:** To what extent do you agree or disagree with the following statements?

	1	2	3	4	5	Don't know
The SFDR disclosures are consistent with the CSRD requirements, in particular with the European Sustainability Reporting Standards			X			
There is room to streamline the entity level disclosure requirements of the SFDR and the CSRD				X		

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Financial advisors (under MiFID 2) and distributors of insurance-based investment products (under IDD) have to conduct suitability assessments based on the sustainability preferences of customers. These assessments rely in part on sustainability-related information made available by market participants reporting under the SFDR.

**Question 2.4:** To what extent do you agree that the product disclosures required in the SFDR and [its Delegated Regulation](#) (e.g. the proportion of sustainable investments or taxonomy aligned investments, or information about principal adverse impacts) are sufficiently useful and comparable to allow distributors to determine whether a product can fit investors' sustainability preferences under MiFID2 and the IDD?

1	2	3	4	5	Don't know
	X				

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 2.5:** MIFID and IDD require financial advisors to take into account sustainability preferences of clients when providing certain services to them. Do you believe that, on top of this behavioural obligation, the following disclosure requirements for financial advisors of the SFDR are useful?

	1	2	3	4	5	Don't know
Article 3, entity level disclosures about the integration of sustainability risks policies in investment or insurance advice		X				

<sup>6</sup> Provided positive scrutiny of co-legislators of the [ESRS delegated act](#).

Article 4, entity level disclosures about consideration of principal adverse impacts		X				
Article 5, entity level disclosures about remuneration policies in relation to the integration of sustainability risks		X				
Article 6, product level pre-contractual disclosures about the integration of sustainability risks in investment or insurance advice		X				
Article 12, requirement to keep information disclosed according to Articles 3 and 5 up to date		X				

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 2.6:** Have the requirements on distributors to consider sustainability preferences of clients impacted the quality and consistency of disclosures made under SFDR?

Yes	No	Don't know
X		

**Question 2.6.1:** If so, how?

PRIPs requires market participants to provide retail investors with [key information documents \(KIDs\)](#). As part of the [retail investment strategy](#)<sup>7</sup>, the Commission has recently proposed to include a new sustainability section in the KID to make sustainability-related information of investment products more visible, comparable and understandable for retail investors. Section 4 of this questionnaire includes questions related to PRIIPs, to seek stakeholders' views as regards potential impacts on the content of the KID if a product categorisation system was established.

Please clarify your replies to questions in section 2 as necessary:

European insurers welcome the objective of this section of the questionnaire, which is to establish the consistency of the legal framework applicable to financial products with sustainability characteristics. Otherwise, overlaps, contradictions and superfluous bureaucracy could discourage the development and distribution of sustainable products. It should also be noted that European insurers in the scope of SFDR-type rules in other jurisdictions globally may find it extremely challenging to comply simultaneously with different rules in different jurisdictions.

Before any change to the EU disclosure requirements, it is essential to conduct thorough consumer-testing that covers both proposed and existing disclosures to ensure that the proposals benefit consumers and match their actual information needs.

As product manufacturers, Europe's insurers highlight that SFDR templates are difficult to understand for consumers. European insurers are concerned that customers are being provided with disclosures that are too detailed. Consumer disclosures should include clear and accessible information needed to support financial decision-making and sustainability preferences. The current SFDR templates go too far away from this. Furthermore, European insurers are experiencing a misalignment between IDD and SFDR requirements.

Adding ESG information to the PRIIPs KID would increase the information overload on consumers and would not bring tangible benefits, as disclosure templates are already prescribed under the SFDR.

Ultimately, the increased disclosure requirements have increased the burden on product manufacturers with no significant increase in consumer protection.

European insurers suggest that alignment with the CSRD framework could be improved by also introducing a materiality assessment in the SFDR framework. Over the coming years, SFDR entity-specific disclosures will be supplemented by entity-specific CSRD disclosures, which have the potential to become the “go-to” entity-specific disclosures. As European insurers consider it important to avoid the duplication of information, they believe the SFDR entity-specific disclosure requirements should be phased out as the CSRD disclosures are phased in.

---

<sup>7</sup> [https://finance.ec.europa.eu/publications/retail-investment-strategy\\_en](https://finance.ec.europa.eu/publications/retail-investment-strategy_en)

### 3. POTENTIAL CHANGES TO DISCLOSURE REQUIREMENTS FOR FINANCIAL MARKET PARTICIPANTS

#### 3.1. ENTITY LEVEL DISCLOSURES

The SFDR contains entity level disclosure requirements for financial market participants and financial advisers. They shall disclose on their website their policies on the integration of sustainability risks in their investment decision-making process or their investment or insurance advice (Article 3). In addition, they shall disclose whether, and if so, how, they consider the principal adverse impacts of their investment decisions on sustainability factors. For financial market participants with 500 or more employees, the disclosure of a due diligence statement, including information of adverse impacts, is mandatory (Article 4). In addition, financial market participants and financial advisers shall disclose how their remuneration policies are consistent with the integration of sustainability risks (Article 5).

**Question 3.1.1:** Are these disclosures useful?

	1	2	3	4	5	Don't know
Article 3			X			
Article 4			X			
Article 5			X			

(1= not at all, 2= not really, 3= partially, 4= mostly, 5= totally)

Please explain your replies to question 3.1.1 as necessary:

A more effective and coherent EU sustainable finance legislative framework could be attained by having entity-level disclosures covered in the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD) for entity-level disclosures, while product-level disclosures should be covered by the SFDR.

Disclosure at entity-level is an important source of information, more so for institutional investors than for retail clients. Nevertheless, the SFDR is more of a product-disclosure regulation. Therefore, it would be more appropriate to cover entity-level disclosure via the ESRS and not via the SFDR. Indeed, the requirements for entity-level disclosure under the SFDR predominantly constitute an administrative burden for reporting entities, the benefits of which remain unclear for the ultimate users of these disclosures.

Entity-level disclosures are particularly useful to understand how FMPs are considering sustainability risks and impacts in their investment decisions. In this regard, European insurers fully support coherence and consistency of requirements across legislation. A more effective and coherent EU sustainable finance legislative framework could be attained by having entity-level disclosures covered in the ESRS under the CSRD for entity-level disclosures, while product-level disclosures should be covered by the SFDR.

Complementing the [consultation by the European Supervisory Authorities \(ESAs\) on the revision of the Regulatory Technical Standards of the SFDR](#)<sup>8</sup>, the Commission is interested in respondents' views as regards the principal adverse impact indicators required by the current Delegated Regulation.

**Question 3.1.2:** Among the specific entity level principal adverse impact indicators

required by the [Delegated Regulation of the SFDR](#) adopted pursuant to Article 4 (tables 1, 2 and 3 of Annex I), which indicators do you find the most (and least) useful?

European insurers consider that the principal adverse impact indicators should only be made mandatory if they assess two fundamental criteria:

- **Relevance to steer investment portfolios.** Beyond the transparency exercise, the indicators should also help entities to identify the adverse impact of their investment decisions and ultimately help them steer their investment portfolios.
- **Data availability.** Consistency between the SFDR and CSRD is essential, as investors need the ESG data collected through the CSRD to comply with the SFDR. Therefore, significant effort is required from financial market participants to obtain consistent and reliable information from their investees to be included in their PAI statement for each mandatory indicator.

Given the above, the mandatory list of PAI should be revised to only keep the most relevant and consistent indicators.

Therefore, European insurers suggest partially amending the list as follows:

- The PAI indicators related to the disclosure of GHG emissions (1), as well as the exposure to companies active in the fossil sector (4) must remain mandatory given their crucial importance. Nevertheless, and to foster comparability and consistency between financial institutions, the share of investments in companies active in the fossil fuel sector should be weighed against the turnover of the financial market participant.
- PAI indicator 8 related to emissions of water, as well as PAI indicator 9 related to hazardous waste and radioactive waste ratio (9) should not be made mandatory, given the lack of current data and methodologies on these issues.
- The PAI indicator related to the unadjusted gender pay gap (12) should not be made mandatory given the lack of consistent data on this issue.
- As regards PAI indicator 17 related to exposure to fossil fuels through real estate assets, the metric of “share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels” is not fit for purpose.

As for the current list of optional PAI indicators, European insurers support the possibility that they are subject to a materiality assessment by the financial market participant. This will prevent the disclosure of indicators that are not relevant or for which data is not yet available. In addition, this will help ease the burden of non-financial companies, which would not have to disclose all PAI indicators to satisfy the information demand of financial market participants.

---

<sup>8</sup> <https://www.esma.europa.eu/press-news/consultations/joint-consultation-review-sfdr-delegated-regulation> – placeholder see what in right hyperlink in September when we launch OPC.

Several pieces of EU legislation require entity level disclosures, whether through transparency requirements on sustainability for businesses (for example the CSRD) or disclosure requirements regarding own ESG exposures (such as the Capital Requirements Regulation (CRR) and its Delegated Regulation).

**Question 3.1.3:** In this context, is the SFDR the right place to include entity level disclosures?

1	2	3	4	5	Don't know
	X				

(1= not at all, 2= not really, 3= partially, 4= mostly, 5= totally)

**Question 3.1.4:** To what extent is there room for streamlining sustainability-related entity level requirements across different pieces of legislation?

1	2	3	4	5	Don't know
			X		

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

Please explain your replies to questions in section 3.1 as necessary

--

### 3.2. PRODUCT LEVEL DISCLOSURES

The SFDR includes product level disclosure requirements (Articles 6, 7, 8, 9, 10 and 11) that mainly concern risk and adverse impact related information, as well as information about the sustainability performance of a given financial product. The regulation determines which information should be included in precontractual and periodic documentation and on websites.

The SFDR was designed as a disclosure regime, but is being used as a labelling scheme, suggesting that there might be a demand for establishing sustainability product categories. Before assessing whether there might be merit in setting up such product categories in Section 4, Section 3 includes questions analysing the need for possible changes to disclosures, as well as any potential link between product categories and disclosures. The need to ask about potential links between disclosures and sustainability product categories is the reason why this section contains some references to ‘products making sustainability claims’. However, this does not pre-empt in any way a decision about how a potential categorisation system and an updated disclosure regime would interact if these were established. The Commission services are openly consulting on all these issues to further assess potential ways forward as regards the SFDR.

The Commission services would therefore like to collect feedback on what transparency requirements stakeholders consider useful and necessary. We would also like to know



respondents' views on whether and how these transparency requirements should link to different potential categories of products.

The general principle of the SFDR is that products that make sustainability claims need to disclose information to back up those claims and combat greenwashing. This could be viewed as placing additional burden on products that factor in sustainability considerations. This is why, in the following questions, the Commission services ask respondents about the usefulness of uniform disclosure requirements for products across the board, regardless of related sustainability claims, departing from the general philosophy of the SFDR as regards product disclosures. Providing proportionate information on the sustainability profile of a product which does not make sustainability claims could make it easier for some investors to understand products' sustainability performance, as they would get information also about products that are not designed to achieve any sustainability-related outcome. This section also contains questions exploring whether it could be useful to require financial market participants who make sustainability claims about certain products to disclose additional information (i.e. in case a categorisation system is introduced in the EU framework, the need to require additional information about products that would fall under a category).

**Question 3.2.1:** Standardised product disclosures - Should the EU impose uniform disclosure requirements for **all** financial products offered in the EU, regardless of their sustainability-related claims or any other consideration?

1	2	3	4	5	Don't know
X					

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 3.2.1. a):** If the EU was to impose uniform disclosure requirements for **all** financial products offered in the EU, should disclosures on a limited number of principal adverse impact indicators be required for all financial products offered in the EU?

1	2	3	4	5	Don't know
	X				

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

Please specify which ones:

--

**Question 3.2.1 b):** Please see a list of examples of disclosures that could also be required about **all** financial products for transparency purposes. In your view, should these disclosures be mandatory, and/or should any other information be required about **all** financial products for transparency purposes?

	1	2	3	4	5	Don't know
Taxonomy-related disclosures	X					
Engagement strategies	X					
Exclusions		X				
Information about how ESG-related information is used in the investment process		X				
Other information						

(1 = not at all, 2 = to a limited extent, 3 = to some extent, 4 = to a large extent, 5 = to a very large extent)

If you selected 'Other information' please specify:

Please explain as necessary your replies to questions 3.2.1 and its sub-questions:

There is a risk of misleading retail investors if sustainability information were required for products that do not, in fact, commit to certain sustainability-related characteristics or goals. For retail investors who wish to base their investment decisions on sustainability aspects, the most important information is on the actual commitments of the product. Otherwise, retail investors could be led to base their decision on a status quo that may not represent the characteristics of the investment throughout its lifetime. Furthermore, introducing information requirements specifically to increase the burden for providers is not in line with the principle of proportionality to which all legislation is subject.

**Question 3.2.2:** Standardised product disclosures - Would uniform disclosure requirements for **some** financial products be a more appropriate approach, regardless of their sustainability-related claims (e.g. products whose assets under management, or equivalent, would exceed a certain threshold to be defined, products intended solely for retail investors...)? Please note that next question 3.2.3 asks specifically about the need for disclosures in cases of products making sustainability claims.

1	2	3	4	5	Don't know
	X				

(1 = not at all, 2 = to a limited extent, 3 = to some extent, 4 = to a large extent, 5 = to a very large extent)

**Question 3.2.2 a):** If the EU was to impose uniform disclosure requirements for **some** financial products, what would be the criterion/criteria that would trigger the reporting obligations?

**Question 3.2.2. b):** If the EU was to impose uniform disclosure requirements for **some** financial products, should a limited number of principal adverse impact indicators be required?

1	2	3	4	5	Don't know
	X				

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

Please specify which ones:

--

**Question 3.2.2. c):** Please see a list of examples of disclosures that could also be required about the group of financial products that would be subject to standardised disclosure obligations for transparency purposes (in line with your answer to Q 3.2.2 above). In your view, should these disclosures be mandatory, and/or should any other information be required about that group of financial products?

	1	2	3	4	5	Don't know
Taxonomy-related disclosures	X					
Engagement strategies	X					
Exclusions	X					
Information about how ESG-related information is used in the investment process	X					
Other information	X					

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)


If you selected 'Other information' please specify: Please explain as necessary your replies to questions 3.2.2 and its sub-questions:

The following and last section of this questionnaire (section 4) includes questions about the potential establishment of a sustainability product categorisation system at EU level based on certain criteria that products would have to meet. It presents questions about different ways of setting up such system, including whether additional category specific disclosure requirements should be envisaged. There are therefore certain links between questions in this section (section 3) and questions in the last section of the questionnaire (section 4).

**Question 3.2.3:** If requirements were imposed as per question 3.2.1 and/or 3.2.2, should there be some additional disclosure requirements when a product makes a sustainability claim?

1	2	3	4	5	Don't know
	X				

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain as necessary your replies to question 3.2.3:

Piling up information is not a solution. Consumers need to receive easy-to-read, understandable and simple information focusing on the essential aspects of the product.

Sustainability product information disclosed according to the current requirements of the SFDR can be found in precontractual and periodic documentation and on financial market participants' websites, as required by Articles 6, 7, 8, 9, 10 and 11.

**Question 3.2.4:** In general, is it appropriate to have product related information spread across these three places, i.e. in precontractual disclosures, in periodic documentation and on websites?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 3.2.5:** More specifically, is the current breakdown of information between precontractual, periodic documentation and website disclosures appropriate and user friendly?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

Please explain as necessary your replies to question 3.2.4 and 3.2.5:

It is essential that information requirements are designed to meet the needs of consumers. Experience shows that information that is too detailed, too complex or too extensive is not read by customers.

On the other hand, different customers may be interested in more detailed information on different subjects. The allocation of information to different channels could be an appropriate way to meet both demands.

The key information provided in the templates under Articles 8, 9 and 11 of the SFDR should be consistent with the priorities set by the delegated Regulations under IDD and MiFID II. In Insurance Europe's view, the dashboards proposed by the ESAs in the consultation paper published in April 2023 (p.125) would constitute a useful basis for determining practicable key information, as it would highlight at the top of the first page of the SFDR templates the following elements: (i) Sustainable investments, (ii) Taxonomy-aligned investments, (iii) PAI considerations. Such a basis should reflect the product's level of ESG commitment.

Current website disclosures make it mandatory for product sustainability information to be publicly available. This includes portfolios managed under a portfolio management mandate, which can mean a large number of disclosures, as each of the managed portfolios is considered a financial product under the SFDR. A [Q&A published by the Commission in July 2021](#)<sup>9</sup> clarified that where a financial market participant makes use of standard portfolio management strategies replicated for clients with similar investment profiles, transparency at the level of those standard strategies can be considered a way of complying with requirements on websites disclosures. This approach facilitates the compliance with Union and national law governing the data protection, and where relevant, it also ensures confidentiality owed to clients.

**Question 3.2.6:** To what extent do you agree with the following statements?

	1	2	3	4	5	Don't know
It is useful that product disclosures under SFDR are publicly available (e.g. because they have the potential to bring wider societal benefits)			X			
Confidentiality aspects need to be taken into account when specifying the information that should be made available to the public under the SFDR				X		
Sustainability information about financial products should be made available to potential investors, investors or the public according to rules in sectoral legislation (e.g.: UCITS, AIFM, IORPs directives); the SFDR should not impose rules in this regard		X				

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain as necessary your replies to question 3.2.6:

European insurers generally grasp the merits of publicly available product disclosures. Publishing more detailed information on the website would allow a reduction in the information that has to be provided as part of the sectoral information requirements, thus it would help to avoid the current information overload. Furthermore, publicly available product information is more accessible on websites and enables retail investors to compare products without having to initiate proceedings to conclude a contract. For end-users, it is easier to have more detailed information consolidated on the websites instead of having it scattered across multiple sources. However, there may be products in the scope of SFDR disclosure where public disclosure seems to be not adequate, ie, tailor-made products. If only a small circle of customers is able to invest in such a product, disclosure should only be available for these customers.

Current product-level disclosures have been designed to allow for comparability between financial products. The SFDR requires pre-contractual disclosures to be made in various documents for the different financial products in scope of the regulation. The disclosure requirements are the same, even though these documents have widely varying levels of detail or complexity, i.e. a UCITS prospectus can be several hundred pages long, while the Pan-European Pension Product Key Information Document (PEPP KID) comprises a few pages.

**Question 3.2.7:** To what extent do you agree with the following statements?

	1	2	3	4	5	Don't know
The same sustainability disclosure topics and the exact same level of granularity of sustainability information (i.e. same number of datapoints) should be required in all types of precontractual documentation to allow for comparability			X			
The same sustainability disclosure topics should be required in all types of precontractual documentation to allow for comparability			X			

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain as necessary your replies to question 3.2.7:

The objective of all precontractual information is to make customers aware of the facts that are relevant for their investment decisions. The same level of granularity should be requested for comparable products.

Experience shows that retail investors (usually consumers) have difficulties reading and digesting information that exceeds a few pages. Documents that are too long, too complex or too detailed will not be read. Information requirements need to take this fact into account if they want to serve their objective. For end-users, it is easier to have more detailed information consolidated on the websites instead of having it scattered across multiple sources.

Many sectoral regimes on precontractual information do not live up to this aspiration, as is made clear in the European Commission's introductory remarks to this subsection. While European insurers are aware that the review of the SFDR is not the forum in which to contemplate fundamental changes to the sectoral information requirements, care should be taken that sustainability information does not aggravate the problem of information overload even further.

Therefore, regardless of the respective sectoral regime, the precontractual sustainability information under the SFDR should be as concise as possible. Customers should receive a short summary of key points on sustainability together with their sectoral precontractual information. The information should contain a reference (hyperlink) to the website of the financial market participant, where more detailed disclosures can be found.

<sup>9</sup> See question 3 of section V of the [consolidated questions and answers \(Q&A\) on the SFDR and its Delegated Regulation published on the ESAs websites](#).

**Question 3.2.8:** Do you believe that sustainability related disclosure requirements at product level should be independent from any entity level disclosure requirements, (i.e. product disclosures should not be conditional on entity disclosures, and vice-versa)?

Yes	No	Don't know
X		

Please explain as necessary your replies to question 3.2.8:

An independent disclosure requirement could be motivating for SMEs to offer sustainable products. Some SMEs might have refrained from offering sustainable products to avoid the burden of having to fulfil all the disclosure requirements.

The SFDR is intended to facilitate comparisons between financial products based on their sustainability considerations. In practice, investors, and especially retail investors, may not always have the necessary expertise and knowledge to interpret SFDR product-level disclosures, whether it is about comparing these disclosures to industry averages or credible transition trajectories.

**Question 3.2.9:** Do you think that some product-level disclosures should be expressed on a scale (e.g. if the disclosure results for similar products were put on a scale, in which decile would the product fall)?

Yes	No	Don't know
	X	

**Question 3.2.9.1:** If so, how should those scales be established and which information should be expressed on a scale?

Expressing information on a scale may be useful in principle but seems extremely complicated to implement in practice and will also increase interpretation efforts for end-users.

The concern that the current SFDR product disclosures are not suitable for retail investors, because they are too complicated and too detailed, is legitimate. However, this can be solved by radically simplifying the precontractual and periodic disclosures (Articles 8, 9 and 11 SFDR) while making more detailed information available on the website for customers who wish to know more (Article 10 SFDR). Such a simplification should lead to the disclosure of consistent and comparable information that is easy to understand by customers.

**Question 3.2.10:** If you are a professional investor, where do you obtain the sustainability information you find relevant?

	1	2	3	4	5	Don't know
From direct enquiries to market participants					X	
Via SFDR disclosures provided by market participants				X		

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 3.2.11:** If you are a professional investor, do you find the SFDR requirements have improved the quality of information and transparency provided by financial market participants about the sustainability features of the products they offer?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= not really, 3= partially, 4= mostly, 5= totally)

Please explain as necessary your replies to question 3.2.10 and 3.2.11:

Professional investors need and use sustainability information for their investments. But the exact data needed by an institutional investor depends on the applicable investment strategy. Therefore, uniform disclosure requirements may not provide the investor with all relevant data necessary for investment decisions. In this case, the investor should reach out to the investee. In other cases, investors may receive standardised data that is not relevant for the investment decision. It is extremely important to understand that the market for raw sustainability data, provided by rating agencies, is a big and growing market, and there is a need to ensure the transparency and quality procedures of such agencies through relevant legislation.

For disclosures to be effective, they need to be accessible and useable to end investors. We are seeking respondents' views about the need to further improve the accessibility and usability of this information, in particular in a digital context.<sup>10</sup>

**Question 3.2.12:** To what extent do you agree or disagree with the following statements?

<sup>10</sup> These questions are intended to complement Question 42 in the ESAs' [joint consultation paper on the review of the SFDR Delegated Regulation \(JC 2023 09\)](#) which asks for criteria for machine readability of the SFDR Delegated Regulation disclosures.



	1	2	3	4	5	Don't know
Article 2(2) of the SFDR Delegated Regulation already requires financial market participants to make disclosures under the SFDR in a searchable electronic format, unless otherwise required by sectoral legislation. This is sufficient to ensure accessibility and usability of the disclosed information.			X			
It would be useful for all product information disclosed under the SFDR to be machine-readable, searchable and ready for digital use.				X		
It would be useful for some of the product information disclosed under the SFDR to be machine-readable and ready for digital use.			X			
It would be useful to prescribe a specific machine-readable format for all (or some parts) of the reporting under the SFDR (e.g. iXBRL).				X		
It would be useful to make <u>all</u> product information disclosed under the SFDR available in the upcoming European Single Access Point as soon as possible.					X	
Entity and product disclosures on websites should be interactive and offer a layered approach enabling investors to access additional information easily on demand.				X		
It would be useful that a potential regulatory attempt to digitalise sustainability disclosures by financial market participants building on the European ESG Template (EET) which has been developed by the financial industry to facilitate the exchange of data between financial market participants and stakeholders regarding sustainability disclosures.					X	

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 3.2.13:** Do you think the costs of introducing a machine-readable format for the disclosed information would be proportionate to the benefits it would entail?

1	2	3	4	5	Don't know
			X		

(1= not at all, 2= not really, 3= partially, 4= mostly, 5= totally)

Please provide any comments or explanations to explain your answers to questions 3.2.12 and 3.2.13:

It is of the utmost importance that a potential common format is consistent across all EU legislation (ESAP, ESRS, etc.). The European ESG Template (EET) can be used as a basis for improving the quality and alignment of the data exchanged between market participants.

Current product-level disclosures have been designed to allow for comparability between financial products. These financial products and the types of investments they pursue can present differences.

**Question 3.2.14:** To what extent do you agree with the following statement? “When determining what disclosures should be required at product level it should be taken into account: ...”

	1	2	3	4	5	Don't know
Whether the product is a wrapper offering choices between underlying investment options like a Multi-Option Product					X	
Whether some of the underlying investments are outside the EU				X		
Whether some of the underlying investments are in an emerging economy				X		
Whether some of the underlying investments are in SMEs				X		
Whether the underlying investments are in certain economic activities or in companies active in certain sectors			X			
Other considerations as regards the type of product or underlying investments						X

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your reply to question 3.2.14:

European insurers advocate flexibility in the disclosure requirements of multi-option products (MOPs). The underlying investment options are numerous in MOPs and this needs to be taken into account in the legislative framework.

For products that offer different underlying investment options, the approach chosen by the ESAs in the current RTS, which is to disclose at the level of the investment options, has proven to be transparent and practicable. The current approach also allows the use of hyperlinks for MOPs pre-contractual disclosures under Article 20(5) and 21(5) of the Delegated Regulation. This is appreciated and should be maintained. Further simplifications are possible for MOPs' periodic disclosures: as suggested by the ESAs in their Joint Consultation on the Review of SFDR Delegated Regulation regarding PAI and financial product disclosures, cross-referencing should also be allowed also for MOPs' periodic disclosures.

Today, SFDR periodic disclosures can be very long: for example, for MOPs, there might be a need to provide over 60 pages to clients on top of the Solvency II periodic disclosures. Since the RTS clearly provide for a possibility to use hyperlinks to address the excessive amount of information in MOPs' pre-contractual disclosures, the use of hyperlinks should also be possible for period disclosures to help both clients and providers to manage the number of documents. In principle, the European legislator recognises in Article 20(5) and 21(5) of the RTS that a reference can be an adequate means of submitting information.

Moreover, Insurance Europe's members see an issue in terms of a level playing field with other providers. Based on the sectoral legislation, insurers are required to deliver the information to clients annually, while UCITS and IORP providers are only required to hand over annual information to consumers on demand. Besides, UCITS and AIFM do not publish standalone documents on the SFDR but include the SFDR information in the prospectuses, leading to difficulties in having a direct link to their SFDR information. The delivery of numerous pages of periodic disclosures every year creates an additional burden and cost for insurers, who should at least be allowed to use hyperlinks to existing sources of information.

In a paper-based transaction, it seems disproportionate (and not environmental-friendly) for insurers to send a considerable volume of paper to clients. Even in a fully digital environment, members do not appreciate the advantage for the client of not using hyperlinks to navigate the information.

In general, it is important to promote a digital-by-default approach to disclosures in the sectoral legislation, with the possibility for consumers to ask for a paper copy on request. For example, this is not the case in the current IDD, which requires the provision of information to consumers on paper by default.

## **4. POTENTIAL ESTABLISHMENT OF A CATEGORISATION SYSTEM FOR FINANCIAL PRODUCTS**

### **4.1. POTENTIAL OPTIONS**

The fact that Articles 8 and 9 of the SFDR are being used as de facto product labels, together with the proliferation of national ESG/sustainability labels, suggesting that there is a market demand for such tools in order to communicate the ESG/sustainability performance of financial products. However, there are persistent concerns that the current market use of the SFDR as a labelling scheme might lead to risks of greenwashing (the Commission services seek respondents' views on this in section 1). This is partly because the existing concepts and definitions in the regulation were not conceived for that purpose. Instead, the intention behind them was to encompass as wide a range of products as possible, so that any sustainability claims had to be substantiated. In addition, a proliferation of national labels risks fragmenting the European market and thereby undermining the development of the [capital markets union](#).

The Commission services therefore seek views on the merits of developing a more precise EU-level product categorisation system based on precise criteria. This section of the questionnaire asks for stakeholders' views about both the advantages of establishing sustainability product categories and about how these categories should work. When asking about sustainability product categories, the Commission is referring to a possible distinction between products depending on their sustainability objectives or sustainability performances.

Replies to questions in this section will help assess which type of investor would find product categories useful. Some questions relate to different possibilities as to how the system could be set-up, including whether disclosure requirements about products making sustainability claims should play a role. There are therefore certain links between questions in this section and section 3 on disclosures. Accordingly, respondents are invited to reply to questions in both sections, so that the Commission services can get insights into how they view disclosures and product categories separately, but also how they see the interlinkages between the two.

Given the high demand for sustainability products, questions in this section assume that any potential categorisation system would be voluntary. This is because financial market participants would likely have an interest in offering products with a sustainability claim. The questions in this section presume that only products that claim to fall under a given sustainability product category would be required to meet the corresponding requirements. However, this should not be seen as the Commission's preferred policy approach, as the Commission is only consulting on these topics at this stage.

If the Commission was to propose the development of a more precise product categorisation system, two broad strategies could be envisaged. On the one hand, the product categorisation system could build on and develop the distinction between Articles 8 and 9 and the existing concepts embedded in them (such as environmental/social characteristics, sustainable investment or do no significant harm), complemented by additional (minimum) criteria that more clearly define the products falling within the scope of each article. On the other hand, the product categorisation system could be based on a different approach, for instance focused on the type of investment strategy (promise of positive contribution to certain sustainability objectives,

transition focus, etc.), based on criteria that do not necessarily relate to those existing concepts. In such a scenario, concepts such as environmental/social characteristics or sustainable investment and the distinction between current Articles 8 and 9 of SFDR may disappear altogether from the transparency framework.

**Question 4.1.1:** To what extent do you agree with the following statements?

	1	2	3	4	5	Don't know
Sustainability product categories regulated at EU level would facilitate retail investor understanding of products' sustainability-related strategies and objectives		X				
Sustainability product categories regulated at EU level would facilitate professional investor understanding of products' sustainability-related strategies and objectives		X				
Sustainability product categories regulated at EU level are necessary to combat greenwashing	X					
Sustainability product categories regulated at EU level are necessary to avoid fragmenting the capital markets union.	X					
Sustainability product categories regulated at EU level are necessary to have efficient distribution systems based on investors' sustainability preferences.	X					
There is no need for product categories. Pure disclosure requirements of sustainability information are sufficient.				X		

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 4.1.2:** If a categorisation system was established, how do you think categories should be designed?

	1	2	3	4	5	Don't know
<b>Approach 1:</b> Splitting categories in a different way than according to existing concepts used in Articles 8 and 9, for example, focusing on the type of investment strategy of the product (promise of positive contribution to certain sustainability objectives, transition, etc.) based on criteria that do not necessarily relate to those existing concepts.	X					

<b>Approach 2:</b> Converting Articles 8 and 9 into formal product categories, and clarifying and adding criteria to underpin the existing concepts of environmental/social characteristics, sustainable investment, do no significant harm, etc.			X			
---	--	--	---	--	--	--

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Please explain your reply to questions 4.1.2 and 4.2.2:**

Before considering other changes, priority should be given to strengthening and harmonising the transparency requirements. Financial market participants are increasing developing methodologies and best practices for the definition and implementation of Art. 8 and Art. 9 features, included an increasing ability to disclose PAIs; moreover, investors are getting used to these definitions and are becoming more and more aware of what they should entail, as also highlighted by the Joint ESAs' Report on the extent of voluntary disclosure of principal adverse impact under the SFDR. Therefore, it would be inefficient to put aside this system and create new categories from scratch.

To improve the efficiency and usefulness of Art. 8 and 9 categories, it is important to provide further guidance on the application of pivotal concepts such as "promotion of ESG characteristics", "sustainable investments", etc. It is also important to provide guidance on how these notions should be applied, ie, guidance on DNSH methodologies, on the amount of sustainable assets in a portfolio, etc. This is necessary to increase the comparability between products and support investors in their investment choices. This will also improve transparency and reduce the risk of greenwashing, while offering more legal certainty for retail investors and for financial market participants. In any case, and in line with the objective of the SFDR, which is to help retail investors who wish to base their investment decisions on sustainability aspects, it is important that Art. 6 products are considered as legitimate options and not labelled as harmful options for investment under the SFDR.

.....

**If a categorisation system was established according to approach 1 of question 4.1.2**

**Question 4.1.3:** To what extent do you agree that, under approach 1, if a sustainability disclosure framework is maintained in parallel to a categorisation system, the current distinction between Articles 8 and 9 should disappear from that disclosure framework?

1	2	3	4	5	Don't know
		X			

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 4.1.4:** To what extent would you find the following categories of sustainability products useful?

	1	2	3	4	5	Don't know
A - Products investing in assets that specifically strive to offer targeted, measurable solutions to sustainability related problems that affect people and/or the planet, e.g. investments in firms generating and distributing renewable energy, or in companies building social housing or regenerating urban areas.				X		
B - Products aiming to meet credible sustainability standards or adhering to a specific sustainability-related theme, e.g. investments in companies with evidence of solid waste and water management, or strong representation of women in decision making.				X		
C - Products that exclude activities and/or investees involved in activities with negative effects on people and/or the planet			X			
D - Products with a transition focus aiming to bring measurable improvements to the sustainability profile of the assets they invest in, e.g. investments in economic activities becoming taxonomy-aligned or in transitional economic activities that are taxonomy aligned, investments in companies, economic activities or portfolios with credible targets and/or plans to decarbonise, improve workers' rights, reduce environmental impacts. <sup>11</sup>				X		
Other						

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

If you think there are other possible useful categories, please specify which ones:

--

**Question 4.1.5:** To what extent do you think it is useful to distinguish between sustainability product category A and B described above?

1	2	3	4	5	Don't know
		X			

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 4.1.6:** Do you see merits in distinguishing between products with a social and environmental focus?

1	2	3	4	5	Don't know
			X		

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 4.1.7:** How many sustainability product categories in total do you think there should be?

1	2	3	4	5	More than 5	Don't know
						X

---

<sup>11</sup> In line with the transition to a climate neutral and sustainable economy.



**Question 4.1.8:** Do you think product categories should be mutually exclusive, i.e. financial market participants should choose only one category to which the product belongs to in cases where the product meets the criteria of several categories (independently from subsequent potential verification or supervision of the claim)?

Yes	No	There is another possible approach	Don't know
			X

In case you have selected “There is another possible approach”, please specify below.

--

Please explain your replies to questions 4.1.5, 4.1.6, 4.1.7 and 4.1.8.

--

**Question 4.1.9:** If a categorisation system was established that builds on new criteria and not on the existing concepts embedded in Articles 8 and 9, is there is a need for measures to support the transition to this new regime?

1	2	3	4	5	Don't know
			X		

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your replies to questions 4.1.9 as necessary:

<p>Considering the diversity of sustainability-related investment strategies (and of retail investors' sustainability preferences), it is essential to provide a disclosure regime for products that does not fit into a statutory category. Regardless of the development of any categories, the current purpose of the SFDR as a transparency regime should, therefore, be maintained.</p>
--

**Question 4.1.10:** What should be the minimum criteria to be met in order for a financial product to fall under the different product categories? Could these minimum criteria consist of:

For product category A of question 4.1.4

	1	2	3	4	5	Don't know
Taxonomy alignment		X				
Engagement strategies			X			
Exclusions			X			
Pre-defined, measurable, positive environmental, social or governance-related outcome			X			
Other						

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please specify reply:

Regarding taxonomy alignment, the current investable universe is too small for reasonable thresholds. Furthermore, it may be more important to invest more in the transition and not in activities, which are already transitioned. Therefore, in the absence of a transition taxonomy, insurers have doubts regarding taxonomy thresholds.

A commitment to taxonomy-alignment seems crucial today, as the taxonomy framework is currently the only harmonised framework that provides for a definition of environmentally sustainable activities at EU level. However, the current gap in the % of taxonomy alignment of the economy jeopardises efforts made by investors.

For product category B of question 4.1.4

	1	2	3	4	5	Don't know
Taxonomy alignment					X	
Engagement strategies				X		
Exclusions			X			
Pre-defined, measurable, positive environmental, social or governance-related outcome			X			
Other						

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please specify reply:

The taxonomy alignment in the current investable universe is too small for reasonable thresholds. Furthermore, it may be more important to invest more in the transition and not in activities, which are already transitioned. Therefore, in the absence of a transition taxonomy, Insurance Europe has doubts regarding taxonomy thresholds.

The difference between product A and B will not be easy to outline nor to understand for retail investors. In any case, a commitment to taxonomy-alignment seems crucial today, as the taxonomy framework is currently the only harmonised framework that provides for a definition of environmentally sustainable activities at EU level. However, the current gap in the % of taxonomy alignment of the economy jeopardises efforts made by investors. In addition, criteria should also be set on credible standards on which the product may rely. Pre-defined, measurable, positive ESG-related outcomes should be defined but significant challenges in outlining such requirements can be expected.

For product category C of question 4.1.4

	1	2	3	4	5	Don't know
Taxonomy alignment		X				
Engagement strategies				X		
Exclusions				X		
Pre-defined, measurable, positive environmental, social or governance-related outcome		X				
Other						

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please specify reply:

Regarding taxonomy alignment, the current investable universe is too small for reasonable thresholds. Furthermore, it may be more important to invest more in the transition and not in activities that are already transitioned. Therefore, in the absence of a transition taxonomy, Insurance Europe has doubts about taxonomy thresholds.

For this kind of products, information on relevant PAIs that will demonstrate the ability of products in preventing negative impacts would be key.

For product category D of question 4.1.4

	1	2	3	4	5	Don't know
Taxonomy alignment				X		
Engagement strategies				X		
Exclusions		X				
Pre-defined, measurable, positive environmental, social or governance-related outcome				X		
Other						

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please specify reply:

Regarding taxonomy alignment, the current investable universe is too small for reasonable thresholds. Furthermore, it may be more important to invest more in the transition and not in activities already transitioned. Therefore, in the absence of a transition taxonomy, Insurance Europe has doubts about taxonomy thresholds.

In the case of products category D focusing on transition, the following criteria are key:

- A commitment on taxonomy KPI related to CAPEX.
- Minimum proportion of assets invested in companies that are engaged in a credible transition pathway (through CSRD assessment / reference to credible standards) or in assets aimed at accelerating the transition (i.e. Green Bonds).
- Criteria on engagement showing notably escalation strategies.

**Question 4.1.11:** Should criteria focus to any extent on the processes implemented by the product manufacturer to demonstrate how sustainability considerations can constrain investment choices (for instance, a minimum year-on-year improvement of chosen key performance indicators (KPIs), or a minimum exclusion rate of the investable universe)?

	1	2	3	4	5	Don't know
Category A of question 4.1.4						X
Category B of question 4.1.4						X
Category C of question 4.1.4						X
Category D of question 4.1.4						X

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 4.1.11 a):** If so, what process criteria would you deem most relevant to demonstrate the stringency of the strategy implemented?

--

.....

**If a categorisation system was established according to approach 2 of question 4.1.2**

**Question 4.1.12:** If a categorisation system was established based on existing Articles 8 and 9, are the following concepts of the SFDR fit for that purpose?

	1	2	3	4	5	Don't know
The current concept of 'environmental and/or social characteristics'			X			
The current concept of 'sustainable investment'			X			
The current element of 'contribution to an environmental or social objective' of the sustainable investment concept			X			
The current element 'do no significant harm' of the sustainable investment concept, and its link with the entity level principal adverse impact indicators listed in tables 1, 2 and 3 of Annex I of the Delegated Regulation			X			

The current element of ‘investee companies’ good governance practices’ of the sustainable investment concept				X		
--	--	--	--	---	--	--

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

**Question 4.1.12 a):** If you consider that the elements listed in question 4.1.12 are not fit for purpose, how would you further specify the different elements of the ‘sustainable investment’ concept, what should be the minimum criteria required for each of them?

‘contribution to an environmental or social objective’, element of the sustainable investment concept	Such notion may be further defined by setting thresholds as a minimum taxonomy investment or a maximum GHG intensity. In case of bonds, it can also undergo an analysis of the purpose of the project financed (ie infrastructure assets).
‘do no significant harm’, element of the sustainable investment concept	A distinction should be operated between the environmental and social dimension.
‘investee companies’ good governance practices’, element of the sustainable investment concept	

**Question 4.1.12 b):** Should the good governance concept be adapted to include investments in government bonds?

Yes	No	Don’t know
X		

If yes, what should be the minimum criteria required for this element?

European insurers seek further guidance on the framework of the concept of sustainable investments rather than a strict definition. Different financial products imply divers challenges of interpretation and application, why a general concept is more useful.
Reference could be made to a recognized index, e g freedom house index. Furthermore, the European Commission should clarify the definition of ‘sustainable investment’ to make it suitable for implementation by financial market participants.

**Question 4.1.12 c):** Should the good governance concept be adapted to include investments in real estate investments?

Yes	No	Don’t know
		X

If yes, what should be the minimum criteria required for this element?

--

**Question 4.1.13:** How would you further specify what promotion of ‘environmental/social characteristics’ means, what should be the minimum criteria required for such characteristics and what should be the trigger for a product to be considered as promoting those characteristics?

It is essential that the SFDR is maintained as a transparency regime for every kind of sustainability-related commitment. The fact that a financial market participant communicates a sustainability-related commitment with respect to a product should be sufficient to trigger the information requirements.

Retail investors who are interested in sustainability characteristics of financial products should be able to rely on standardised information which allows the comparison of different products. This standardised information should be available for products with sustainability characteristics of any level of ambition, reflecting the diversity of sustainability preferences by retail investors. In line with the objective of the SFDR, which is to help retail investors who wish to base their investment decisions on sustainability, the information requirements should be triggered by commitments made by the financial market participant on future considerations of sustainability. Mere descriptions of a status quo, without any commitments for the future, should not be subject to the product information under SFDR.

**Question 4.1.14:** Do you think that a minimum proportion of investments in taxonomy aligned activities shall be required as a criterion to:

	Yes	No	Don't know
...fall under the potential new product category of Article 8?		X	
...fall under the potential new product category of Article 9?		X	

**Question 4.1.14 a):** If yes, what should be this minimum proportion for Article 8?

**Question 4.1.14 b):** If yes, what should be this minimum proportion for Article 9?

**Question 4.1.15:** Apart from the need to promote environmental/social characteristics and to invest in companies that follow good governance practices for Article 8 products and the need to have sustainable investments as an objective for Article 9 products, should any other criterion be considered for a product to fall under one of the categories?

In line with the objective of the SFDR, which is to help retail investors who wish to base their investment decisions on sustainability aspects, the information requirements should be triggered by commitments made by the financial market participant on future considerations of sustainability. Mere descriptions of a status quo, without any commitments for the future, should not be subject to the product information under SFDR.

## 4.2. GENERAL QUESTIONS ABOUT THE POTENTIAL ESTABLISHMENT OF SUSTAINABILITY PRODUCTS CATEGORIES

**Question 4.2.1:** In addition to these criteria, and to other possible cross-

cutting/horizontal disclosure requirements on financial products, should there be some additional disclosure requirements when a product falls within a specific sustainability product category? This question presents clear links with question 3.2.3 in section 3.

1	2	3	4	5	Don't know
		X			

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 4.2.1 a):** Please see a list of examples of disclosures that could be required when a product falls within a specific sustainability product category. Should this information be required when a product falls within a specific sustainability product category, and/or should any other information be required about those products?

	1	2	3	4	5	Don't know
Taxonomy-related disclosures				X		
Engagement strategies				X		
Exclusions				X		
Information about how the criteria required to fall within a specific sustainability product category have been met				X		
Other information				X		

(1= not at all, 2= to a limited extent, 3= to some extent, 4= to a large extent, 5= to a very large extent)

Please specify any other information:

Products falling into one of the new categories should provide the same information as products which make sustainability-related claims without falling into one of the categories. To avoid information overload, pre-contractual and sectoral periodic information should be limited to very short key information. More detailed information should be accessible on the internet site of the financial market participant.



**Question 4.2.2:** If a product categorisation system was set up, what governance system should be created?

	1	2	3	4	5	Don't know
Third-party verification of categories should be mandatory (i.e. assurance engagements to verify the alignment of candidate products with a sustainability product category and assurance engagements to monitor on-going compliance with the product category criteria)			X			
Market participants should be able to use this categorisation system based on a self-declaration by the product manufacturer supervised by national competent authorities				X		
Other						X

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your answer to question 4.2.2:

--

**Question 4.2.3:** If a categorisation system was established, to what extent do you agree with the following statement? “When determining the criteria for product categories it should be taken into account: ...”

	1	2	3	4	5	Don't know
Whether the product is a wrapper offering choices between underlying investment options like a Multi-Option Product				X		
Whether the underlying investments are outside the EU				X		
Whether the underlying investments are in an emerging economy			X			
Whether the underlying investments are in SMEs				X		
Whether the underlying investments are in certain economic activities			X			
Other considerations as regards the type of product or underlying investments						

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your reply to question 4.2.3:

For products with different underlying options (MOP), information should – as is the case under the current regime – be provided at the level of the underlying investment options. This is essential because in many cases, the distribution of the capital between different underlying investment options is not predetermined but varies according to the market situation.

### **4.3. CONSEQUENCES OF THE ESTABLISHMENT OF A SUSTAINABILITY PRODUCTS CATEGORISATION SYSTEM**

As highlighted in Section 2, any potential changes to the current disclosure regime and the creation of a categorisation system would need to take into account the interactions between the SFDR and other sustainable finance legislation. The following questions address these interactions for different legal acts, in such a scenario of regulatory changes in the arena of financial product disclosures and categorisation.

**Question 4.3.1:** The objective of the PRIIPs KID is to provide short and simple information to retail investors. Do you think that if a product categorisation system was established under the SFDR, the category that a particular product falls in should be included in the PRIIPS KID?

Yes	No	Don't know
	X	

Please explain your answer to question 4.3.1:

Insurance Europe stresses the need to maintain the existing distinction between PRIIPs KID and the SFDR regimes to avoid confusion and prevent potential overlapping.

In addition, Insurance Europe is concerned that the inclusion of sustainability information in the PRIIPs KID is currently being discussed as part of the EU Retail Investment Strategy (RIS), while there is a need to wait for the outcome of the SFDR review. If any information will be added to the PRIIPs KID based on the RIS review, it is important to consider the “one in, one out” principle: for the KID to remain an accessible and short document, any additional information must be compensated by the deletion of other information.

**Question 4.3.2:** If new ESG Benchmarks were developed at EU level (in addition to the existing Paris-aligned benchmarks (PAB) and climate transition benchmarks (CTB), how should their criteria interact with a new product categorisation system?

	1	2	3	4	5	Don't know
The criteria set for the ESG benchmarks and the criteria defined for sustainability product categories should be closely aligned				X		
Other						

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

If you chose other, please specify how should these criteria interact:

--

**Question 4.3.3:** Do you think that products passively tracking a PAB or a CTB should automatically be deemed to satisfy the criteria of a future sustainability product category?

Yes	No	Don't know
X		

**Question 4.3.4:** To what extent do you agree that, if a categorisation system is established, sustainability preferences under MiFID 2/IDD should refer to those possible sustainability product categories?

1	2	3	4	5	Don't know
			X		

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

#### 4.4. MARKETING COMMUNICATIONS AND PRODUCT NAMES

Market participants are increasingly informing their clients about sustainability, both in the context of the SFDR and voluntarily in marketing communications and names. Potentially, any expression related to sustainability provided by market participants to describe and promote the entity or its products and services could mislead clients and other stakeholders if it does not appropriately consider the reasonable expectations.

The SFDR does address the issue of marketing communications in Article 13, prohibiting contradictions between such marketing communications and disclosures under the regulation. Article 13 also includes empowering an empowerment for the European Supervisory Authorities to draft implementing technical standards on how marketing communication should be presented. This empowerment has not been used up until to now.

**Question 4.4.1:** Do you agree that the SFDR is the appropriate legal instrument to deal with the accuracy and fairness of marketing communications and the use of sustainability related names for financial products?

Yes	No	Don't know
		X

**Question 4.4.2:** To what extent do you agree with the following statements?

	1	2	3	4	5	Don't know
The introduction of product categories should be accompanied by specific rules on how market participants must label and communicate on their products						X
The use of terms such as 'sustainable', 'ESG', 'SDG', 'green', 'responsible', 'net zero' should be prohibited for products that do not fall under at least one of the product categories defined above, as appropriate.						X
Certain terms should be linked to a specific product category and should be reserved for the respective category.						X

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

**Question 4.4.3:** Would naming and marketing communication rules be sufficient to avoid misleading communications from products that do not fall under a product sustainability category?

1	2	3	4	5	Don't know
		X			

(1= totally disagree, 2= mostly disagree, 3= partially disagree and partially agree, 4= mostly agree, 5= totally agree)

Please explain your replies to questions 4.4.1, 4.4.2 and 4.4.3

Insurance Europe is concerned that existing cross-sectoral regulation is not always adequately considered in the discussions on this point.

For decades, the Unfair Commercial Practices Directive (2005/29/EC – “UCPD”) and the Unfair Terms Directive (93/13/EC) have been pursuing the aim of protecting consumers from misleading communication. During this time, these provisions have been constantly refined and amended. Their abstract rules form the basis of extensive jurisprudence and supervisory practice. In this way, they provide civil courts and supervisory authorities with robust yet flexible means to deal with greenwashing when it arises.

When developing and marketing products to retail investors, financial market participants shall comply with all of the abovementioned provisions, in addition to any sectoral requirements. Therefore, when the introduction of new requirements is considered, it is essential that sector-specific and cross-sectoral legislation are viewed not in isolation from each other but as one set of rules. Otherwise overlaps, contradictions and superfluous bureaucracy could discourage the development and distribution of sustainable products. Moreover, both the EU's institutions and national competent authorities (NCAs) are already working to address greenwashing risks. This work must also be kept in mind to avoid any overlaps between potential initiatives at both the European and national level.