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Targeted consultation on the implementation of the Sustainable Finance Disclosures Regulation (SFDR)

Fields marked with * are mandatory.

Introduction

The Sustainable Finance Disclosures Regulation (SFDR) started applying in March 2021 and requires financial market participants and financial advisers to disclose at entity and product levels 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 sustainable 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.

Please note that::

- we advise you to **save your draft reply regularly** by clicking on the "**Save as draft**" button on the right side of the screen
- some questions of this online questionnaire are displayed only when a specific response is given to a previous question
- in order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-sfdr@ec.europa.eu

More information on

- this consultation
- the consultation document
- the related public consultation
- sustainability-related disclosure in the financial services sector
- the protection of personal data regime for this consultation

About you

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*Language of my contribution

- ○ Bulgarian
- ○ Croatian
- ○ Czech
- ○ Danish
- ○ Dutch
- ● English
- ○ Estonian
- ○ Finnish
- ○ French
- ○ German
- ○ Greek
- ○ Hungarian
- ○ Irish
- ○ Italian
- ○ Latvian
- ○

- Lithuanian
- ( ) Maltese
- ( ) Polish
- ( ) Portuguese
- ( ) Romanian
- ( ) Slovak
- ( ) Slovenian
- ( ) Spanish
- ( ) Swedish

* I am giving my contribution as

- ( ) Academic/research institution
- ( ) Business association
- ( ) Company/business
- ( ) Consumer organisation
- ( ) EU citizen
- ( ) Environmental organisation
- ( ) Non-EU citizen
- (x) Non-governmental organisation (NGO)
- ( ) Public authority
- ( ) Trade union
- ( ) Other

* First name

Leo

* Surname

Donnachie

* Email (this won't be published)

ldonnachie@iigcc.org

* Organisation name

255 character(s) maximum

Institutional Investors Group on Climate Change (IIGCC)

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- (selected) Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](). It's a voluntary database for organisations seeking to influence EU decision-making.

962717910722-61

* Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Djibouti
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- Libya
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Saint Martin
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands

Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Benin
Bermuda
Bhutan
Bolivia
Bonaire Saint Eustatius and Saba
Bosnia and Herzegovina
Botswana
Bouvet Island
Brazil
British Indian Ocean Territory
British Virgin Islands
Brunei
Bulgaria
Burkina Faso
Burundi
Cambodia

French Guiana
French Polynesia
French Southern and Antarctic Lands
Gabon
Georgia
Germany
Ghana
Gibraltar
Greece
Greenland
Grenada
Guadeloupe
Guam
Guatemala
Guernsey
Guinea
Guinea-Bissau
Guyana
Haiti
Heard Island and McDonald Islands
Honduras
Hong Kong
Hungary

Mexico
Micronesia
Moldova
Monaco
Mongolia
Montenegro
Montserrat
Morocco
Mozambique
Myanmar/Burma
Namibia
Nauru
Nepal
Netherlands
New Caledonia
New Zealand
Nicaragua
Niger
Nigeria
Niue
Norfolk Island
Northern Mariana Islands
North Korea

Somalia
South Africa
South Georgia and the South Sandwich Islands
South Korea
South Sudan
Spain
Sri Lanka
Sudan
Suriname
Svalbard and Jan Mayen
Sweden
Switzerland
Syria
Taiwan
Tajikistan
Tanzania
Thailand
The Gambia
Timor-Leste
Togo
Tokelau
Tonga
Trinidad and Tobago

Cameroon
Canada
Cape Verde
Cayman Islands
Central African Republic
Chad
Chile
China
Christmas Island
Clipperton
Cocos (Keeling) Islands
Colombia
Comoros
Congo
Cook Islands
Costa Rica
Côte d’Ivoire
Croatia
Cuba
Curaçao
Cyprus
Czechia
Democratic Republic of the Congo
Denmark
Iceland
India
Indonesia
Iran
Iraq
Ireland
Isle of Man
Israel
Italy
Jamaica
Japan
Jersey
Jordan
Kazakhstan
Kenya
Kiribati
Kosovo
Kuwait
Kyrgyzstan
Laos
Latvia
Lebanon
Lesotho
Liberia
North Macedonia
Norway
Oman
Pakistan
Palau
Palestine
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Pitcairn Islands
Poland
Portugal
Puerto Rico
Qatar
Réunion
Romania
Russia
Rwanda
Saint Barthélemy
Saint Helena Ascension and Tristan da Cunha
Saint Kitts and Nevis
Saint Lucia
Tunisia
Turkey
Turkmenistan
Turks and Caicos Islands
Tuvalu
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
United States Minor Outlying Islands
Uruguay
US Virgin Islands
Uzbekistan
Vanuatu
Vatican City
Venezuela
Vietnam
Wallis and Futuna
Western Sahara
Yemen
Zambia
Zimbabwe

* Field of activity or sector

- [ ] Accounting
- [ ] Auditing
- [ ] Banking
- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pension provision
- [x] Investing
- [ ] Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- [ ] Financial advice
- [ ] Administration of benchmarks
- [ ] Providing of ESG data and/or ratings
- [ ] Structuring/issuance of securities
- [ ] Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Social entrepreneurship
- [ ] Other
- [ ] Not applicable

* To which category do you mainly belong or do you mainly represent:

- ( ) I am a financial market participant as defined in Article 2(1) of the Sustainable Finance Disclosure Regulation (SFDR)
- ( ) I am a financial adviser as defined in Article 2(11) of SFDR
- ( ) I am both a financial market participant as defined in Article 2(1) of the SFDR and a financial adviser as defined in Article 2(11) of SFDR
- ( ) I am another type of financial undertaking that does not fall under th definition of financial market participant of the SFDR
- ( ) I am a non-financial undertaking
- ( ) I am a non-professional investor
- ( ) I am a professional investor
- ( ) I am a national authority or supervisor
- (•) I am an NGO
- ( ) I am an ESG data and/or ratings provider
- ( ) I am a benchmark administrator
- ( ) I am an academic
- ( ) My organisation is none of the above

Please indicate your revenues, if applicable as published in your most recent financial statement (in million EUR):

Please indicate your balance sheet size, if applicable as published in your most recent financial statement (in million EUR):

* Do you have more than 500 employees on average during the financial year?

- Yes
- No

* Will your organisation be subject to the reporting requirements under the Corporate Sustainability Reporting Directive (CSRD)?

(The CSRD requirements will apply to all large and all listed undertakings with limited liability (except listed micro-enterprises) according to categories defined in Article 3 of Directive 2013/34/EU (the Accounting Directive). 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).

- Yes
- No
- Don’t know / no opinion / not applicable

The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, ‘business association, ‘consumer association’, ‘EU citizen’) country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- Anonymous

  Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.
- **Public** (selected)

  Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

- [x] I agree with the personal data protection provisions

Would you be available for follow-up questions under the contact information you provided above?

- Yes (selected)
- No

Section 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 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don’t know / no opinion / not applicable

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):

Note: 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.

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Increasing transparency towards end investor with regard to the integration of sustainability risks	○	○	○	◉	○	○
Increasing transparency towards end investor with regard to the consideration of adverse sustainability impacts	○	○	◉	○	○	○
Strengthening protection of end investors and making it easier for them to benefit from and compare among 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)	○	◉	○	○	○	○

Ensuring that ESG considerations are integrated into the investment and advisory process in a consistent manner across the different financial services sectors	○	○	◉	○	○	○
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	○	○	◉	○	○	○

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 - Totally disagree
- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- 4 - Mostly agree
- (x) 5 - Totally agree
- Don’t know / no opinion / not applicable

Question 1.4 Do you agree that the costs of disclosure under the SFDR framework are proportionate to the benefits it generates (informing end investors, channelling capital towards sustainable investments)?

- 1 - Totally disagree
- 2 - Mostly disagree
- (x) 3 - Partially disagree and partially agree
- 4 - Mostly agree
- 5 - Totally agree
- Don’t know / no opinion / not applicable

We are seeking the views of respondents on how the SFDR works in practice and the impact it has had.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
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			

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Some disclosures required by the SFDR are not sufficiently useful to investors	○	○	○	●	○	○
Some legal requirements and concepts in the SFDR, such as ‘sustainable investment’, are not sufficiently clear	○	○	○	●	○	○
The SFDR is not used as a disclosure framework as intended, but as a labelling and marketing tool (in particular Articles 8 and 9)	○	○	○	○	●	○
Data gaps make it challenging for market participants to disclose fully in line with the legal requirements under the SFDR	○	○	○	○	●	○
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 them easy to extract	○	●	○	○	○	○
There are other deficiencies with the SFDR rules (please in text box following question 1.7)	○	○	○	○	○	○

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The issues raised in question 1.6 create legal uncertainty for financial market participants and financial advisers	○	○	○	●	○	○
The issues raised in question 1.6 create reputational risks for financial market participants and financial advisers	○	○	○	●	○	○
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	○	○	○	○	○	●
The issues raised in question 1.6 create a risk of greenwashing and mis-selling	○	○	○	●	○	○
The issues raised in question 1.6 prevent capital from being allocated to sustainable investments as effectively as it could be	○	○	○	●	○	○
The current framework does not effectively capture investments in transition assets	○	○	○	○	●	○
The current framework does not effectively support a robust enough use of shareholder engagement as a means to support the transition	○	○	○	●	○	○

Others	○	○	○	○	○	○

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

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC welcomes the overarching intent and ambitions of the SFDR as a tool for promoting the integration of ESG risks into investment processes, addressing greenwashing in the market and reorienting capital towards sustainable investments.

However, while the overarching intent and ambitions are appropriate, the challenges financial market participants (FMPs) have faced in implementing SFDR have hindered the ability of SFDR to achieve its intent and ambitions. This includes an ongoing lack of clarity over fundamental concepts underpinning SFDR, such as the definition of 'sustainable investments' and 'Do No Significant Harm'.

IIGCC agrees that SFDR has been used as a de facto labelling regime, as well as a disclosure framework. This creates a risk of greenwashing where disclosure in line with Articles 8 and 9 is presented in and of itself as basis for substantiating the sustainability credentials of a product. IIGCC sees merit in addressing these implementation issues through the introduction of a complementary labelling/categorisation regime under SFDR. In line with our response to ESMA's consultation on ESG terms and fund names, quantitative thresholds and minimum criteria for different product categories could help to underpin sustainability-related claims and products and mitigate greenwashing. However, without further clarity on key sustainability-related terms and definitions, there is a risk that the proposed thresholds could create further confusion in the market and exacerbate existing greenwashing risks.

These issues have created particular challenges for investors pursuing transition-focused investment strategies, who remain uncertain as to whether such strategies and investment in transitioning assets qualify as 'sustainable investments' under SFDR. Given the urgent need to reorient capital towards companies and activities whose transition will have the greatest impact on real world emissions reductions, IIGCC sees this as a fundamental issue that should be addressed as part of this review.

We acknowledge the Commission's efforts to clarify the definition of sustainable investments under SFDR through Q&As. However, the continued lack of prescription, particularly for investments covered by transition plans, has meant that investors continue to interpret this concept broadly and lack the certainty needed to pursue much-needed transition focused investment strategies with confidence and certainty.

However, we emphasise the need to assess the credibility of transitioning assets against appropriate, robust criteria, otherwise there is a risk that such assets 'transition' indefinitely without making any meaningful progress on achieving emissions reductions. Progress against the criteria for transition plan disclosures as set out in the European Sustainability Reporting Standards (ESRS) would be a good example of a credible standard for assessing transition progress, as well as the indicators established under the Climate Action 100+ Net Zero Company Benchmark.

IIGCC agrees that data gaps make it challenging for market participants to disclose fully in line with the legal requirements under the SFDR, with many investors continuing to rely on estimates and third-party data providers in the absence of directly-reported data from issuers. We anticipate the availability and quality of data will increase following the rollout and implementation of the Corporate Sustainability Reporting Directive (CSRD) and the ESRS that will underpin the CSRD. However, we remain concerned that the Commission's decision to move away from mandatory core sustainability disclosures will reduce FMPs' ability to meet their own reporting obligations, including SFDR. In this context, the ESAs proposed updates to the Regulatory Technical Standards present a helpful step forward, in so far as FMPs would be able to omit from PAI calculations those datapoints that their investees have determined to be immaterial. Nevertheless, we reiterate the need for the Commission and supervisors to establish clear expectations and set out guidance to ensure companies are conducting robust materiality assessments, particularly where information is needed to meet obligations under SFDR.

The current framework needs to be enhanced to emphasise the critical role of shareholder stewardship and engagement, both in terms of mitigating the adverse impacts of investments and improving the sustainability performance of holdings over time. For example, through disclosure of the qualitative and quantitative outcomes of engagement (e.g. the results of actions taken/planned). Additional prescriptions around stewardship and engagement-related disclosures would also be especially helpful in the context of products pursuing transition-focused investment strategies. Lastly on this point, IIGCC suggests that any amendments to SFDR in this area should be considered in the context of the proposed review of the SRD II). SRD II

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 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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
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					

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 - Totally disagree
- ○ 2 - Mostly disagree
- ◉ 3 - Partially disagree and partially agree
- ○ 4 - Mostly agree
- ○ 5 - Totally agree
- ○ Don’t know / no opinion / not applicable

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
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)	( )	( )	( )	( )

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

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC believes it is appropriate for certain PAIIs to always be considered material for disclosure (e.g. scope 1, 2 and 3 emissions), and agrees that the current list of mandatory climate and environmental indicators is broadly sensible. However, the relevance of reporting on PAIIs at entity-level could be questioned, given that efforts to mitigate specific PAIIs is often conducted at fund-level.

Other PAIIs should be subject to a materiality assessment by FMPs, taking into account their asset allocations and market exposures. This could be followed by assessments of data availability and quality based on defined standards and checks (e.g. minimum coverage across the investment universe). Few investors at present are disclosing on additional PAIIs beyond the mandatory list due to a lack of data and associated reporting burdens. This could indicate the need for further simplification and streamlining of the PAII regime (or at the very least, to maintain a separate list of non-mandatory PAIIs that investors can choose to disclose on where relevant for specific funds). Otherwise, there is little incentive to report against additional PAIIs. In addition, we consider that mandatory PAIs should be reported on a uniform basis by all FMPs, in the interest of supporting consistency and comparability of PAI reporting.

The clarifications provided by the Commission in its responses to the ESAs questions on the interpretation of SFDR have been helpful in articulating how PAIIs should be considered at product level. In line with our responses above, alongside disclosing the policies and procedures in place to mitigate PAIIs, it would be helpful for more specific, tailored reporting on the outcomes of the actions taken to mitigate PAIIs to form part of the reporting requirements.

Investors continue to face difficulties in complying with DNSH requirements under SFDR (at product- and entity-level). Challenges around data availability and quality persist, particularly in the context of certain PAIIs which are less widely reported by companies, or which are less well-covered by third party service providers. Moreover, the RTS does not define thresholds for compliance with DNSH at entity-level (unlike the Taxonomy Regulation), which can lead to inconsistent approaches between investors as to how this test is applied and met in practice.

IIGCC agrees on the need for a degree of flexibility in PAII reporting, particularly in the context of supporting investment in transitioning assets which can make substantial contributions to the EU's climate goals and real-world emissions reductions (which may have credible transition plans but presently be 'harmful' on account of operating in carbon-intensive sectors). However, it would be helpful for the Commission to provide additional guidance on how FMPs should approach DNSH tests and thresholds to improve consistency.

We also note that the concept of DNSH as applied under the regime is not always coherent with the approach established under other pieces of sustainable finance legislation. For example, under the Taxonomy Regulation, the DNSH test consists of specific, detailed, technical criteria that need to be assessed at the activity-level. This is at odds with the approach set out in SFDR, which requires these assessments to be undertaken at the entity-level.

IIGCC supports the use of PAIIs, and actions to mitigate and address them, as a means of demonstrating how the sustainability characteristics or objectives of a fund have been met (for example, in the context of funds pursuing emissions reduction objectives). However, the methodological challenges cited above still create implementation difficulties that urgently need to be addressed as part of this review.

The cost of disclosures under the SFDR today

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

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, etc.).

If such a breakdown is not possible, please provide the total figures.

Please leave the cell blank for the data you are not able to provide.

	Estimated one off costs (in euros)	Estimated recurring annual costs (in euros)
Total internal costs		
Internal costs for personnel		
Internal costs for IT		
Total external costs		
External costs for data providers		
External costs for advisory services		

Total costs of SFDR disclosure requirements		

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

Please leave the cell blank for the data you are not able to provide.

	Product-level disclosures (in %)	**Entity-level disclosures (in %)**
Estimated percentage of costs		

If you wish, please provide additional details:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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 - 1 FTE corresponds to 1 employee working full-time the whole year) are involved in preparing SFDR disclosures?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 1.11.1 Could you please provide a split between:

Please leave the cell blank for the data you are not able to provide.

	Retrieving the data (in %)	Analysing the data (in %)	Reporting SFDR disclosures (in %)	Other (in %)
Estimated percentage				

Please specify what corresponds to “other” costs:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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?

- (selected) Yes
- No
- Don’t know / no opinion / not applicable

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

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
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)	○	○	◉	○	○	○
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)	○	○	○	◉	○	○
The good governance practices of investee companies (product level)	○	◉	○	○	○	○
Other	○	○	○	○	○	○

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

- 1 - Not at all
- 2 - To a limited extent
- 3 - To some extent (selected)
- 4 - To a large extent
- 5 - To a very large extent
- Don’t know / no opinion / not applicable

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

- 1 - Not at all
- 2 - To a limited extent (selected)
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don’t know / no opinion / not applicable

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

a) For entity level principal adverse impacts:

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers, based on data coming from the investee companies						
Estimates from data providers, based on data coming from other sources						

In-house estimates	◯	◯	◯	◯	◯	◯
Internal ESG score models	◯	◯	◯	◯	◯	◯
External ESG score models	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

b) For taxonomy aligned investments (product level):

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers, based on data coming from the investee companies	◯	◯	◯	◯	◯	◯
Estimates from data providers, based on data coming from other sources	◯	◯	◯	◯	◯	◯
In-house estimates	◯	◯	◯	◯	◯	◯
Internal ESG score models	◯	◯	◯	◯	◯	◯
External ESG score models	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

c) For sustainable investments (product level):

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers, based on data coming from the investee companies	◯	◯	◯	◯	◯	◯
Estimates from data providers, based on data coming from other sources	◯	◯	◯	◯	◯	◯
In-house estimates	◯	◯	◯	◯	◯	◯
Internal ESG score models	◯	◯	◯	◯	◯	◯
External ESG score models	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

d) Other data points:

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Estimates from data providers,						

based on data coming from the investee companies	◯	◯	◯	◯	◯	◯
Estimates from data providers, based on data coming from other sources	◯	◯	◯	◯	◯	◯
In-house estimates	◯	◯	◯	◯	◯	◯
Internal ESG score models	◯	◯	◯	◯	◯	◯
External ESG score models	◯	◯	◯	◯	◯	◯
Other	◯	◯	◯	◯	◯	◯

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

- ◯ 1 - Not at all
- ◯ 2 - To a limited extent
- ◯ 3 - To some extent
- ◯ 4 - To a large extent
- ◯ 5 - To a very large extent
- ◉ Don’t know / no opinion / not applicable

Please provide further explanations to your replies to questions 1.12 to 1.12.5:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our responses to questions 1.5, 1.6 and 1.7. The availability of good quality data from corporates remains one of the key challenges for FMPs in the context of SFDR implementation. While we expect data gaps to narrow once the CSRD is implemented, in the absence of directly-reported data, the use of estimates presents its own challenges.

We acknowledge the supervisory statements that have been issued by the ESAs in regard to use of estimates, which state that FMPs can rely on estimates where such information is deemed ‘equivalent’, including information obtained by third party providers. It is difficult to gauge what would constitute ‘equivalent’ information where directly reported information is not easy or impossible to obtain. And if this is the case, it is unlikely that the data relied upon by third party providers would be ‘equivalent’ as it will also rely on estimates. In practice, the current situation means it is inevitable that FMPs will rely on estimates to a greater or lesser degree, and that estimates will not be able to be treated as equivalent to data sourced directly from companies.

More guidance on the use of estimates is needed to support FMPs. As a starting point, the Commission could build on the Platform on Sustainable Finance’s recommendations on data and usability for taxonomy reporting published in October 2022.

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 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don’t know / no opinion / not applicable

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)

	Percentage of the total financial products
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 (not at all)	2 (not really)	3 (partially)	4 (mostly)	5 (totally)	Don't know - No opinion - Not applicable
SFDR requirements	◯	◯	◯	◯	◯	◯
Retail investor interest	◯	◯	◯	◯	◯	◯
Professional investor interest	◯	◯	◯	◯	◯	◯
Market competitiveness	◯	◯	◯	◯	◯	◯
Other factors	◯	◯	◯	◯	◯	◯

Please provide further explanations to your replies to questions 1.13, 1.13 1 and 1.13.2:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We have heard from our members that there is a clear and consistent market demand for products with sustainability characteristics. While this demand has yet to be fully reflected in the MIFID/IDD criteria, it has been observed in the market for a number of years, with funds promoting sustainability characteristics and/or objectives attracting greater inflows on average than funds that do not promote sustainability criteria as a feature. Nevertheless, our members have encountered challenges in the context of the sustainability preferences requirements. The current requirements are underpinned by the assumption that end investors are able and willing to take time to perform due diligence on the investment products in which they invest, which is not always the case. Our members have proposed that the most useful intervention to address these challenges would be the introduction of a comprehensive labelling or categorisation system for funds, underpinned by robust minimum standards and criteria.

Section 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 - Totally disagree
- ○ 2 - Mostly disagree
- ● 3 - Partially disagree and partially agree
- ○ 4 - Mostly agree
- ○ 5 - Totally agree
- ○ Don't know / no opinion / not applicable

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The [questions & answers published by the Commission in April 2023] 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	○	○	◉	○	○	○
The approach to DNSH and good governance in the SFDR is consistent with the environmental, social and governance exclusions under the PAB/CTB	◉	○	○	○	○	○
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	◉	○	○	○	○	○

Both the SFDR and the Corporate Sustainability Reporting Directive (CSRD) introduce entity level disclosure requirements with a double-materiality approach[1]. The CSRD sets out sustainability reporting requirements mainly for all large and all listed undertakings with limited liability (except listed micro-enterprises)[2], 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 the SFDR, they will rely to a significant extent, on the information reported according to the CSRD and its European Sustainability Reporting Standards (ESRS) (provided positive scrutiny of co-legislators of the ESRS delegated act).

[1] 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').

[2] 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).

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The SFDR disclosures are consistent with the CSRD requirements, in particular with the European Sustainability Reporting Standards						
There is room to streamline the entity level disclosure requirements of the SFDR and the CSRD						

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 MiFID 2 and the IDD?

- 1 - Totally disagree
- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- 4 - Mostly agree
- 5 - Totally agree
- Don't know / no opinion / not applicable

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 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Article 3, entity level disclosures about the integration of sustainability risks policies in investment or insurance advice						
Article 4, entity level disclosures						

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

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 / no opinion / not applicable

PRIIPs requires market participants to provide retail investors with key information documents (KIDs). As part of the retail investment strategy, 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:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Taxonomy-aligned investments: there remains a lack of consistency between concepts such as 'sustainable investment' and DNSH as applied under SFDR and the Taxonomy, and how to assess sustainability at the entity-level vs. the level of specific economic activities. A comprehensive approach to assessing sustainable investments should combine assessment of entity-level reporting against the ESRS and PAI indicators, and activity-level reporting on alignment of activities/assets with the Taxonomy. In this context, it will be vital for the Commission to continue working to ensure the various concepts, definitions and criteria across different sustainable finance regulations are fully coherent with one another. This should include alignment of methodologies and metrics between environmental PAIs and the Taxonomy criteria.

PABs/CTBs: IIGCC believes the clarity provided in recent Commission Q&As around the treatment of products tracking PABs/CTBs as sustainable investments is broadly sufficient in the context of passive funds. However, for active funds using PABS/CTBs as a reference benchmark, the regulations are less clear, which creates the risk that such funds are left at a competitive disadvantage.

IIGCC agrees that the concept of good governance under SFDR is broadly aligned with the relevant exclusions under PABs/CTBs, and that in relation to certain environmental exclusions, there is a link between PAB exclusions and the DNSH criteria as established in the Taxonomy Regulation. However, it is less clear how the wider DNSH test established under SFDR at entity-level (e.g. do no harm to environmental and social objectives) is consistent with the exclusions set out under PABs. For example, PABs and CTBs by definition are focused on climate; they do not address wider environmental or social harms to the same extent as the broader concept of DNSH under SFDR. In our view, exclusions under PABs /CTBs do not necessarily attempt to fully define a DNSH approach, so coherency between these concepts is challenging.

IIGCC is concerned that as currently designed, the Low Carbon Benchmarks Regulation (LCBR) reduces the scope for FMPs to reorient capital towards companies whose transition will have the greatest impact on real world emissions reductions. As a result, while the treatment of products tracking these benchmarks as 'sustainable' may be relatively clear, we are not convinced that such benchmarks, as currently designed, contribute meaningfully to positive, real-world outcomes on sustainability objectives (e.g. organic real-world emissions reductions).

IIGCC recently published a paper setting out investor-led recommendations for enhancing the quality of net zero benchmarks, which has particular relevance for products with transition-focused strategies. IIGCC is in the process of translating these principles into specific policy recommendations. We would be happy to discuss how our recommendations could support the Commission's aim to enhance transition finance through the use of sustainable finance tools and legislation, including where such benchmarks are referenced in SFDR.

CSRD: It will be vital to ensure there is full consistency (definitional, methodological, etc) between PAI indicators and the disclosure indicators under the ESRS. We acknowledge that companies in scope of CSRD must explicitly state where data points relevant to SFDR are not material. Nevertheless, the onus is on the company to make that decision, which could still lead to investors being deprived of much-needed information that is required to meet their own reporting obligations.

There is room to streamline entity-level disclosures under SFDR and CSRD. Noting that many investors will soon be required to produce ESG disclosures under the latter framework, care must be taken to avoid any duplicative or overlapping requirements between the two regimes. Additionally, concepts and definitions must be harmonised across both regulations to facilitate implementation by investors who fall under both.

Section 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 (not at all)	2 (not really)	3 (partially)	4 (mostly)	5 (totally)	Don't kno No opinio Not applicab
Article 3	○	○	○	●	○	○
Article 4	○	●	○	○	○	○
Article 5	○	○	○	●	○	○

Please explain your replies to question 3.1.1 as necessary:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC agrees that disclosures on the integration of sustainability risks into the investment decision-making process, alongside reporting on how sustainability factors link to remuneration policies, are useful.

There is less consensus on the extent to which entity-level reporting on adverse sustainability impacts is useful. While it is helpful to understand the overall approach that FMPs take to sustainability due diligence and engagement (given stewardship and engagement is typically conducted at entity-level), the meaningfulness of aggregating fund-level exposures to adverse impacts is debatable. Given end-investors invest in specific products offered by FMPs, rather than the FMP itself, and these products will have different strategies and risk exposures, it may be more useful for these disclosures to be made at product-level only.

Complementing the consultation by the European Supervisory Authorities (ESAs) on the revision of the regulatory technical standards of the SFDR, 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?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC sees the following PAIIs as the most useful for disclosure:

Table 1 (mandatory)

- PAII 1 (GHG emissions)
- PAII 2 (Carbon footprint)
- PAII 3 (GHG intensity of investee companies)
- PAII 4 (Exposure to companies active in the fossil fuel sector)
- PAII 5 (Share of non-renewable energy consumption and production)
- PAII 15 (GHG intensity of investee countries)

Table 2 (additional)

- PAII 4 (Investments in companies without carbon emission reduction initiatives)
- PAII 8 (Exposure to areas of high water stress)
- PAII 16/17 (Share of securities not issued under Union legislation on environmentally sustainable bonds)
- PAII 18 – 22 (Indicators applicable to investment in real estate assets)

We have heard from members that the energy consumption intensity metric can create challenges when it comes to reporting, as it essentially duplicates PAIIs relating to Scope 2 and the PAII on non-renewable energy use.

Our members have also identified several broader issues that impact the usefulness of PAI reporting at entity level:

- Some PAIs are material to all FMPs, while other PAIs might not be relevant, according to the sector exposure of the FMP.
- There is a lack of clarity on the regulatory definition of some PAIs which prevents a consistent

interpretation within the market.
• Current levels and quality of directly-reported PAIs are low, which prevents robust assessment of these PAIs by investors.

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 - Not at all
- ( ) 2 - Not really
- (x) 3 - Partially
- ( ) 4 - Mostly
- ( ) 5 - Totally
- ( ) Don’t know / no opinion / not applicable

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

- ( ) 1 - Not at all
- ( ) 2 - To a limited extent
- ( ) 3 - To some extent
- (x) 4 - To a large extent
- ( ) 5 - To a very large extent
- ( ) Don’t know / no opinion / not applicable

Please explain your replies to questions in section 3.1 as necessary:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our response to the questions in section 2. Consistency and coherency between disclosure requirements under SFDR, CSRD and wider regulations (including the forthcoming Corporate Sustainability Due Diligence Directive) is critical. On this basis, where there is potential for duplicative/overlapping requirements under SFDR and CSRD for FMPs in scope of both regimes, then there is certainly scope for streamlining entity-level requirements. As noted previously, the usefulness of entity-level reporting on PAIs is debatable, and streamlining or removing these disclosures are options the Commission should consider. However, certain requirements at entity-level (e.g. the publication of sustainability risk policies) should be maintained.

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 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 - Not at all
- ○ 2 - To a limited extent
- ○ 3 - To some extent
- ● 4 - To a large extent
- ○ 5 - To a very large extent
- ○ Don't know / no opinion / not applicable

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 - Not at all

- 2 - To a limited extent
- 3 - To some extent
- (selected) 4 - To a large extent
- 5 - To a very large extent
- Don’t know / no opinion / not applicable

Please specify which principal adverse impact indicators should be required for all financial products offered in the EU:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Table 1

- PAII 1 (GHG emissions)
- PAII 2 (Carbon footprint)
- PAII 3 (GHG intensity of investee companies)

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 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Taxonomy-related disclosures			X			
Engagement strategies				X		
Exclusions				X		
Information about how						

ESG-related information is used in the investment process	○	○	○	◉	○	○
Other information	○	○	○	○	○	○

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

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC agrees with the Commission’s concern that the current approach to SFDR creates a situation in which investors offering products with sustainable characteristics or objectives incur additional burdens and costs that could leave them at a competitive disadvantage, compared to peers that do not offer these products.

Ultimately, this could disincentivise investors from pursuing sustainability-focused investment strategies, undermining the objective of reorienting capital flows in line with the transition.

Moreover, the lack of clarity around definitions of sustainable investments and the reputational and legal risks associated with the development of sustainable products, could arguably se seen as a contributing factor to the growing phenomenon of ‘green hushing’ in the financial markets.

On this basis, IIGCC would support an approach which broadened the scope of products that are required to report on a limited number of material sustainability issues. This would contribute to a baseline degree of transparency and create a more level playing field, building on existing expectations that FMPs should disclose whether they integrate ESG factors into investment decision-making processes, irrespective of whether a fund is promoted as having sustainable characteristics or not. This should not, however, lead to funds reporting minimum levels of sustainability information in the interest of transparency being categorised or marketed as sustainable.

IIGCC recommends that these disclosures should include, at a minimum, reporting on how sustainability risks are integrated into the risk management and investment process, whether the product incorporates exclusions, and assessment of a limited number of PAI indicators (including total GHG emissions). However, we emphasise that the requirements should acknowledge that there is not a ‘one-size-fits-all’ list of relevant PAI disclosures across all asset classes (for example for real estate, where asset types can differ considerably), and that data availability and quality across all asset classes will vary considerably.

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, etc.)?

(Please note that next question 3.2.3 asks specifically about the need for disclosures in cases of products making sustainability claims.)

- (•) 1 - Not at all
- ( ) 2 - To a limited extent
- ( ) 3 - To some extent
- ( ) 4 - To a large extent
- ( ) 5 - To a very large extent
- ( ) Don’t know / no opinion / not applicable

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?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our response to question 3.2.1. IIGCC believes uniform disclosure requirements for all financial products would be more suitable.

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 - Not at all
- ( ) 2 - To a limited extent
- ( ) 3 - To some extent
- ( ) 4 - To a large extent
- ( ) 5 - To a very large extent
- ( ) Don’t know / no opinion / not applicable

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 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Taxonomy-related disclosures						
Engagement strategies						
Exclusions						
Information about how ESG-related information is used in the investment process						
Other information						

Please specify what other information should be required about the financial products that would be subject to disclosure obligations:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Please explain as necessary your replies to questions 3.2.2 and its sub-questions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our response to question 3.2.1.

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 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree
- ○ 4 - Mostly agree
- ● 5 - Totally agree
- ○ Don't know / no opinion / not applicable

Please explain as necessary your replies to question 3.2.3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC supports a standardisation of disclosure requirements for all financial products, irrespective of their sustainability claims, to better support comparability across the fund universe and to create a more level playing field.

However, it makes sense for those products that are pursuing sustainability characteristics or objectives to provide additional disclosures to substantiate their claims. This could include the criterion set out for Products A, B, D under Question 4.1.4, provided greater clarity on key definitions and methodologies for assessing sustainable investments are introduced.

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 - Not at all
- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent (selected)
- 5 - To a very large extent
- Don't know / no opinion / not applicable

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

- 1 - Not at all
- 2 - To a limited extent
- 3 - To some extent (selected)
- 4 - To a large extent
- 5 - To a very large extent
- Don't know / no opinion / not applicable

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

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The current requirements for disclosures to be made in pre-contractual, periodic documentation and on websites is broadly sensible. However, we agree that disclosures could be made more user-friendly.

For example, under the UK Financial Conduct Authority's (FCA) regime for Sustainability Disclosure Requirements (SDRs), disclosures will be structured around a 'two-tier' system. 'Consumer-facing' disclosures, aimed at the wider retail market, will provide a summary of the products' key sustainability-related features, with the intention of helping consumers to better understand the features of products, compare similar products or the same product over time, and hold the provider to account for its sustainability claims. In addition, a more detailed set of disclosures, setting out more granular information in pre-contractual disclosures, product reports and entity-level reports, would be aimed at institutional investors and a broader range of stakeholders.

This tiered approach could be considered by the Commission as a way of promoting comparability while allowing for some tailoring to suit the information needs of different clients and audiences.

Alternatively, we would support the inclusion of a dashboard at the top of Annexes II – V of the Delegated Regulation, to provide a high-level summary of key information in the pre-contractual and periodic disclosures.

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 (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) 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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
It is useful that product disclosures under SFDR are publicly available, (e.g. because they have the potential to bring wider societal benefits)	◯	◯	◯	◉	◯	◯
Confidentiality aspects need to be taken into account when specifying the information that should be made available to the public under the SFDR	◯	◯	◉	◯	◯	◯
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	◯	◯	◯	◯	◯	◉

Please explain as necessary your replies to question 3.2.6:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Current SFDR disclosures are well suited for open-ended funds, and we agree that making these disclosures publicly available brings wider benefits in terms of transparency over FMPs approaches to sustainable investment. The European Single Access Point (ESAP) should further help to increase the accessibility of SFDR information in future.

However, these disclosures are difficult to implement for dedicated and institutional business where documentation is governed by Investment Management Agreements. In these cases, documentation is confidential, and members inform us that the SFDR obligations are unclear and challenging to implement. As long as there is a reasonable assessment of when confidentiality exist, it should be taken into account (e.g. in the case of special funds/mandates, where the SFDR-related information should be provided to the client, but not be made available publicly).

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
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	○	○	●	○	○	○
The same sustainability disclosure topics should be required in all types of precontractual documentation to allow for comparability	○	○	○	●	○	○

Please explain as necessary your replies to question 3.2.7:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC supports a standardised approach to sustainability disclosure topics at a high level to support comparability between products. However, in line with our previous response, disclosures could be made more user-friendly by differentiating between the information needs of investors more clearly (e.g. institutional vs. retail investors). We also note that it may be challenging to apply the same level of granularity across all asset classes.

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 / no opinion / not applicable

Please explain as necessary your replies to question 3.2.8:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC does not think it would be helpful for product disclosures to explicitly depend on entity-level disclosures, and vice versa. However, we acknowledge that this will sometimes be the case – for example where product-level PAIIs are aggregated up to entity-level (although the usefulness of such disclosures at entity-level is debatable, as highlighted in previous responses).

The proposals could be interpreted as similar to the ‘entry-level criteria’ proposed by the FCA in their November 2021 discussion paper on SDRs and investment labels, wherein FMPs would need to meet a baseline standard of sustainability at entity-level before products could be considered to be sustainable.

In our response to this consultation, we noted that as a general principle, firms’ entity-level approaches to integrating sustainability should be commensurate with the sustainability ambitions of their products. However, many FMPs are currently operating on the basis that a fund could consider PAIIs and sustainability factors at product-level even where the FMP does not consider these factors at entity-level. In our view, this makes sense, as FMPs will develop a broad range of products to suit client and beneficiaries’ preferences.

There is a risk that if product disclosures are made conditional on entity-level disclosures, FMPs could not manufacture products with a sustainability focus unless the entity itself was considered sustainable. This could potentially reduce the universe of sustainable funds and reduce capital flows in line with the transition, contrary to the overarching objectives of SFDR.

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 / no opinion / not applicable

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

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
From direct enquiries to market participants	◯	◯	◯	◯	◯	◯
Via SFDR disclosures provided by market participants	◯	◯	◯	◯	◯	◯

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 - Not at all
- ◯ 2 - Not really

- 3 - Partially
- 4 - Mostly
- 5 - Totally
- Don’t know / no opinion / not applicable

Please explain as necessary your replies to questions 3.2.10 to 3.2.11:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC would welcome further clarity from the Commission as to how this approach would work in practice. A sliding scale similar to the PRIIPs SRI may be a useful communication tool for retail investors that are seeking to understand the sustainability ambitions of a product.

However, we are not convinced that such a scale would be able to credibly or fairly categorise the wide range of approaches taken by FMPs to sustainable investing. For example, would a fund investing in transitioning assets, with a view to maximising real world impacts by driving emissions reductions, be assessed as less sustainable than a fund invested in low-carbon holdings?

There is a risk that this approach imposes a hierarchy across products which could reduce capital flows towards transitioning assets, if such products are interpreted as ‘less’ sustainable, which again could undermine SFDR’s objective of reorienting capital in line with the transition.

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.

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.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
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	○	◉	○	○	○	○
It would be useful for all product information disclosed under the SFDR to be machine-readable, searchable and ready for digital use	○	○	○	◉	○	○
It would be useful for some of the product information disclosed under the SFDR to be machine-readable and ready for digital use	◉	○	○	○	○	○
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)	○	○	○	◉	○	○
It would be useful to make **all product information** disclosed under the SFDR available in the upcoming European Single Access Point as soon as possible	○	○	○	◉	○	○
Entity and product disclosures on websites should be interactive and offer a layered approach enabling investors to access additional information easily on demand	○	◉	○	○	○	○

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						

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 - Not at all
- 2 - Not really
- 3 - Partially
- 4 - Mostly (selected)
- 5 - Totally
- Don’t know / no opinion / not applicable

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Machine-readable formatting of disclosures would considerably increase the usability and comparability of SFDR-related data, given the volume of information to be disclosed under the regulation. The EET is a good starting point but requires further iteration to more faithfully capture specific information required under SFDR, as well as information on benchmarks. The ESAP should also help to improve the accessibility and searchability of SFDR-related information.

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Whether the product is a wrapper offering choices between underlying investment options like a Multi-Option Product	○	○	○	○	○	●
Whether some of the underlying investments are outside the EU	○	○	○	●	○	○
Whether some of the underlying investments are in an emerging economy	○	○	○	●	○	○
Whether some of the underlying investments are in SMEs	○	○	○	●	○	○
Whether the underlying investments are in certain economic activities or in companies active in certain sectors	○	○	○	●	○	○
Other considerations as regards the type of product or underlying investments	○	○	○	○	○	●

Please explain your reply to question 3.2.14:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC agrees that product-level disclosures should account for the types of investments highlighted above. The quality and availability of sustainability information globally is highly variable, particularly in emerging markets where data coverage remains low.

Initiatives such as the ISSB's disclosure standard should help to address this challenge by provide a 'global baseline' for sustainability-information, and many developed markets are in the process of, or have already adopted, sustainability disclosure regimes.
Nevertheless, FMPs continue to face difficulties in obtaining directly-reported and/or equivalent information from holdings beyond the EU, making it difficult to meet their legal obligations under SFDR where they have such exposures.

The rollout of the CSRD should help to address some of these issues. And IIGCC acknowledges that data limitations should not deter FMPs from taking steps to source relevant information to support their obligations under SFDR, including through engagement with holdings. However, to mitigate legal and reputational risk, there could be merit in allowing a degree of flexibility for FMPs to obtain this data 'as far as they are able', explaining any gaps and the actions taken to address these gaps.

Accounting for investments in certain economic activities or in companies active in certain sector is sensible, but could further add to the complexity of the existing regime. IIGCC believes such disclosures are already likely to be captured sufficiently in the regime (e.g. through PAII and Taxonomy-related reporting and disclosures on sustainability characteristics and objectives of funds).

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, suggests 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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Sustainability product categories regulated at EU level would facilitate retail investor understanding of products' sustainability-related strategies and objectives	○	○	○	○	●	○
Sustainability product categories regulated at EU level would facilitate professional investor understanding of products' sustainability-related strategies and objectives	○	○	○	○	●	○
Sustainability product categories regulated at EU level are necessary to combat greenwashing	○	○	○	○	●	○
Sustainability product categories regulated at EU level are necessary to avoid fragmenting the capital markets union	○	○	○	○	●	○
Sustainability product categories regulated at EU level are necessary to have efficient distribution systems based on investors' sustainability preferences	○	○	○	○	●	○
There is no need for product categories. Pure disclosure requirements of sustainability information are sufficient	●	○	○	○	○	○

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Approach 1: 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	○	○	●	○	○	○
Approach 2: 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.	○	○	●	○	○	○

Please explain as necessary your replies to questions 4.1.1 and 4.1.2.

Please keep in mind that there are further questions in this section that elaborate on these first two questions:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC welcomes the Commission's consideration of a categorisation system, which could run in parallel to the existing disclosure regime. We strongly agree that such a system should operate at the EU level. However, the extent to which such categories would facilitate understanding of products' sustainability-related strategies and objectives, and provide a basis for informing investment decisions, will depend on whether clear definitions and concepts of sustainability are in place, underpinned by robust, measurable and credible criteria for assessing sustainability characteristics and objectives.

Discrete product categories, provided they are supported by clear definitions and underpinned by credible, robust criteria, could help to mitigate greenwashing and provide end-investors with more clarity on the sustainability objectives of products, and how a product seeks to achieve those objectives. In this context, we strongly encourage the Commission to consider the approach taken by the FCA in establishing a sustainable investment labelling system for the UK market. The proposed categories A, B and D mirror the regime to a large extent, but we have reservations about the credibility of product C (see our answers below).

We note that investors and FMPs have spent significant amounts of time and effort in implementing the existing regime. It may therefore be more constructive to build on what already exists, rather than replacing the existing Article 8 and 9 disclosures with a new set of product categories.

However, if approach 2 were to be adopted, we urgently recommend that amendments to the existing framework are made to better accommodate for transition-focused investment strategies. At present, we do not feel that transition finance is adequately accounted for under Articles 8 and 9, nor in the definition of sustainable investments as set out in Article 2(17). See our previous answers for further rationale.

A 'hybrid' approach that builds on the existing framework (e.g. by accounting for the double materiality principle via the PAII regime and DNSH requirements) while also introducing new, discrete categories for funds with specific sustainability objectives and strategies could be a constructive way forward.

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 - Totally disagree
- 2 - Mostly disagree
- (selected) 3 - Partially disagree and partially agree
-

4 - Mostly agree
5 - Totally agree
Don’t know / no opinion / not applicable

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

	1 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
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.	○	○	○	○	●	○
C - Products that exclude investees involved in activities with negative effects on people and/or the planet	○	●	○	○	○	○
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.						

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

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC is supportive of categories A, B, and D as listed above. We are less supportive of a dedicated category for exclusions (C), which in and of themselves would not be sufficient to constitute a credible sustainable investment strategy. Exclusions are increasingly being deployed as a baseline criteria for a wide range of products (including those without specific sustainability characteristics and objectives), alongside integration of ESG risks into the investment decision-making process, which is already captured under SFDR Article 6. Exclusions could form a component of categories A, B and D but should not qualify as a standalone category.

We also emphasise the need for flexibility in the application of the proposed categories, ensuring they are both non-hierarchal and not mutually exclusive (unless a 'mixed' or 'blended' category is introduced – see below). Building categories out on the basis of investment strategies alone would not in our view be a sensible approach.

Many investors will pursue blended investment strategies when seeking to promote certain sustainability characteristics or when pursuing sustainability objectives (including net zero alignment). For example, under the Net Zero Investment Framework (NZIF), investors set portfolio coverage goals to increase the percentage of their holdings that are i) achieving net zero or ii) 'aligned' with net zero, measured against current and forward-looking alignment criteria, and alongside stewardship and engagement actions. In addition, investors using NZIF also aim to increase investment in climate solutions (e.g. Taxonomy-aligned activities) needed to reach net zero. In practice, such an approach could fall in scope of a number of labels, and it will be important to provide investors with a degree of flexibility to pursue these blended strategies and account for them in any proposed categorisation system.

This approach has been recognised and adopted in the FCA's recent policy statement setting out its rules for Sustainability Disclosure Requirements and investment labels. Under the FCA's approach, the 'mixed goals' label allows investors to pursue strategies that can combine an investment in already sustainable assets (e.g. the 'sustainability focus' label) as well as investing in assets that have the capacity to improve over time (the 'sustainability improvers' label). This category would also accommodate for other types of products (e.g. multi-asset funds) that could qualify for a number of categories. We suggest that this approach should constitute a fourth category, instead of the exclusions-focused category.

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 - Not at all
-

- 2 - To a limited extent
- 3 - To some extent
- 4 - To a large extent
- 5 - To a very large extent
- Don’t know / no opinion / not applicable

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

- 1 - Totally disagree
- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- 4 - Mostly agree
- 5 - Totally agree
- Don’t know / no opinion / not applicable

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

- 1 category
- 2 categories
- 3 categories
- 4 categories
- 5 categories
- More than 5 categories
- Don’t know / no opinion / not applicable

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 / no opinion / not applicable

Please explain what that other possible approach could be:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our response above. We would like to see a blended category included in the list that allows investors to combine different investment strategies and objectives (e.g. investment in both transitioning assets and climate solutions). If a category is introduced that accommodates for these approaches (e.g. a 'mixed goals' category) then we would support the categories being mutually exclusive.

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

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We believe that distinguishing between categories A and B is important. We recommend that the Commission considers aligning its approach here with that set out by the FCA in its sustainable investment labelling regime. In this context, category A is broadly aligned with the FCA's 'sustainability impact' category, for products investing in solutions to environmental or social problems to achieve real-world impact. Category B is broadly aligned with the FCA's 'sustainability focus' category, for products investing in assets that meet a high environmental and/or social standard.

We do not think it is necessary to distinguish at a high level between products with a social and environmental focus. Broad sustainability categories, covering impact, investment in companies/activities with a high sustainability standard, and investment in transitioning/improving assets, would be equally applicable and relevant across the ESG spectrum.

IIGCC would support the introduction of three product categories (A, B, D), alongside a 'mixed goals' or 'blended' category.

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 - Totally disagree
- 2 - Mostly disagree
- 3 - Partially disagree and partially agree
- **4 - Mostly agree** (selected)
- 5 - Totally agree
- Don't know / no opinion / not applicable

Please explain your reply to question 4.1.9 as necessary:

5000 character(s) maximum
including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

It will be very important to ensure the Commission supports FMPs with the transition to the new regime. This could take the form of guidance and Q&As, much like those that have been issued following the entry into force of SFDR. However, we emphasise that it will be important to minimise changes in the regulatory approach and interpretations once any such regime has been rolled out, to mitigate the risk of FMPs incurring ongoing costs in updating their own approaches. Consideration should also be given to whether grandfathering should be permitted for certain types of funds (e.g. closed-ended funds that are no longer raising capital or open to new investors).

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment			X			
Engagement strategies				X		
Exclusions			X			
Pre-defined, measurable, positive environmental, social or governance-related outcome					X	
Other						

Please explain your answers for product category A:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Product category A could best be described a sustainability impact product. The primary aim of such a product (alongside financial risk/return objectives) should be to achieve a pre-defined, positive and measurable environmental and/or social impact. This should be accompanied by a theory of change that sets out how both the investment and the fund's assets intend to achieve this impact, and underpinned by a robust methodology for assessing progress. Such products should also seek to drive continuous improvements in the sustainability performance of assets through stewardship and engagement (including escalation plans where assets fail to demonstrate sufficient progress).

For product category B of question 4.1.4:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment				X		
Engagement strategies				X		
Exclusions				X		
Pre-defined, measurable, positive environmental, social or governance-related outcome			X			
Other						

Please explain your answers for product category B:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Product category B could best be described a sustainability ‘focus’ product. The primary aim of such a product (alongside financial risk/return objectives) should be to invest in activities and companies that meet a credible standard of sustainability (e.g. EU Taxonomy) or align with a specified sustainability theme.

The primary means of delivering on these aims should be alignment with the Taxonomy or other credible sustainability standard. Exclusions could be used to limit exposure to certain assets (e.g. assets deriving a certain percentage of revenue from coal). A quantified threshold for assets that meet these standards should also be considered (for example, the FCA have opted for a 70% threshold, across each of their fund label categories). However, it is important to note that minimum alignment with credible standards may be difficult for certain asset classes or geographies, and proportionality must be taken into account in this context.

Such products should also seek to drive continuous improvements in the sustainability performance of assets through stewardship and engagement.

For product category C of question 4.1.4:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment	◎	◎	◎	◎	◎	◎
Engagement strategies	◎	◎	◎	◎	◎	◎
Exclusions	◎	◎	◎	◎	◎	◎
Pre-defined, measurable, positive environmental, social or governance-related outcome	◎	◎	◎	◎	◎	◎
Other	◎	◎	◎	◎	◎	◎

Please explain your answers for product category C:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

As outlined above, IIGCC does not support a dedicated category for products deploying exclusions alone.

For product category D of question 4.1.4:

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
Taxonomy alignment			X			
Engagement strategies					X	
Exclusions			X			
Pre-defined, measurable, positive environmental, social or governance-related outcome				X		
Other						

Please explain your answers for product category D:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Product category D could best be described a ‘sustainability improvers’ product. The primary aim of such a product (alongside financial risk/return objectives) should be to deliver measurable, time-bound improvements in the sustainability profile of its assets over time (for example investment in assets with credible transition plans, and which can demonstrate progress in delivering against these plans).

The primary means of delivering on these aims should be stewardship and engagement with holdings, with a view to encourage improvements in the sustainability profile of assets, including through participation in system-wide initiatives (e.g. advocacy with policymakers).

Such products should also seek to identify assets that are best-placed to improve their sustainability profile over time by influencing asset prices and the relative cost of capital of more sustainable economic activities/ projects. In this context, Taxonomy-aligned capex could be a helpful indicator to consider.

It will be important to ensure any such label has robust criteria for assessing meaningful and demonstrable improvement in holdings’ performance over time, otherwise it risks becoming a ‘catch-all’ category that would undermine integrity in the framework. In addition, we note that it can be difficult to quantify the precise impact of stewardship on the performance of investments (particularly for asset classes beyond equity), so again, robust criteria should be established for how to meaningfully assess the outcomes and effect of stewardship.

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't No o N appl
Category A of question 4.1.4	○	○	○	◉	○	○
Category B of question 4.1.4	○	○	○	○	◉	○

Category C of question 4.1.4						
Category D of question 4.1.4					X	

Question 4.1.11 a) If the criteria should focus on he processes implemented by the product manufacturer, what process criteria would you deem most relevant to demonstrate the stringency of the strategy implemented?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our previous responses.

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 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
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	○	◉	○	○	○	○
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	○	◉	○	○	○	○
The current element of ‘investee companies’ good governance practices’ of the sustainable investment concept	○	○	◉	○	○	○

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?

	Your answer
'contribution to an environmental or social objective', element of the sustainable investment concept	Per previous responses, this concept must be clarified further, including in relation to the extent to which investing in transitioning assets can contribute to environmental and climate objectives. These contributions should be underpinned by robust and credible minimum criteria.
'do no significant harm', element of the sustainable investment concept	Per previous responses, more clarity is needed on how this concept aligns with the DNSH element of other key pieces of sustainable finance legislation (including the EU Taxonomy). Simplification and where relevant, streamlining of the requirements should also help to mitigate implementation challenges faced by FMPs.
'investee companies' good governance practices', element of the sustainable investment concept	We are broadly comfortable with the existing concept of good governance practices as established by SFDR. However, we note that the concept as applied to investee companies/equity is not always as relevant for other asset classes.

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

- (selected) Yes
- No
- Don’t know / no opinion / not applicable

If the good governance concept should be adapted to include investments in government bonds, what should be the minimum criteria required for this element?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The work of the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) project should be considered in this context.

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

- (selected) Yes
- No
- Don’t know / no opinion / not applicable

If the good governance concept should be adapted to include investments in real estate investments, what should be the minimum criteria required for this element?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

We suggest that the Commission’s approach on this element takes into account the nuances of investment in real estate. Real estate funds can broadly be categorised as:

- Direct real estate;
- Real estate debt; and
- Real estate securities.

For direct real estate, existing regulatory requirements around the good governance criteria should apply.
For real estate debt and real estate securities, further clarity should be provided regarding how borrower (sponsor)/real estate security subject to a regulatory regime that has detailed governance requirements can act as a safe harbour to comply with the good governance criterion. This safe harbour could apply in cases where no information is identified suggesting non-compliance by the borrower (sponsor)/real estate security.

Furthermore, the good governance requirements in respect of real estate debt should be tied to the companies using the proceeds of the loans/debt financing, which are often specified in the facility agreement.

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?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Promotion of environmental/social characteristics should relate to the embedding of sustainability criteria in the fund investment approach in a robust, meaningful and binding way. Quantitative thresholds for sustainable investments and a range of qualitative/quantitative criteria should be used to substantiate such characteristics (e.g. Taxonomy-alignment, transition plans, stewardship and engagement targets). Intentionality should also be integrated into the concept. For example, by ensuring products are required to demonstrate how they intend to promote such characteristics, including assessment of the extent to which these characteristics have been achieved/supported on an ongoing basis, measured against robust, credible and comparable criteria.

However, in line with our response to ESMA's consultation on guidelines for the use of ESG or sustainability-related terms in funds' names, the Commission must first provide more clarity and certainty on key concepts and definitions within SFDR. In particular, the definition of 'sustainable investments' per SFDR Article 2(17). Any quantitative thresholds and minimum criteria must only be introduced once FMPs have certainty on how such thresholds and criteria should be calculated and interpreted.

In the context of minimum criteria for real estate investment, With regard to the minimum criteria, we would also encourage the use of EPCs where available or, when not available, Energy Efficiency indicators (Energy Intensity, Primary Energy Demand) or other certifications, for example certifications used outside the EU, to demonstrate business plans to decarbonise for both real estate equity and debt funds. We believe that it would also be helpful to have a list of different criteria that need to be met as minimum criteria.

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 - No opinion - Not applicable
…fall under the potential new product category of Article 8?	●	○	○
…fall under the potential new product category of Article 9?	●	○	○

Question 4.1.14 a) What should be this minimum proportion for **Article 8**?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our response above. IIGCC would prefer for the Commission to first provide more clarity and certainty on key concepts and definitions, including the definition of sustainable investments under SFDR, before introducing minimum criteria and thresholds.

While the Taxonomy's definition of sustainable investments is well-defined, we note that at present, the universe of Taxonomy-aligned investments is very small, which may create legal challenges where minimum proportions of investments are not met. Additionally, the quality and availability of Taxonomy-related data reported by corporates remains low, due to the sequencing challenges of SFDR entering into force before corporate sustainability disclosures.

It is also important to keep in mind the implications of a minimum proportion of Taxonomy-aligned investments for interoperability and investments held in non-EU assets (or assets not covered by an equivalent taxonomy). For example, would a global equity or emerging markets fund be required to make a minimum allocation to EU companies under such a proposal, or be obliged to hold a certain proportion of investments in jurisdictions covered by a taxonomy?

Question 4.1.14 b) What should be this minimum proportion for **Article 9**?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See our response above. Overall, a minimum proportion of such investments in an Article 9 product would be preferable to such requirements under Article 8. Some members have suggested that this proportion need not be an absolute threshold, but could instead be assessed relative to a benchmark (e.g. the fund holds at least 20% more taxonomy-aligned investments than the reference/parent benchmark).

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?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The key challenge FMPs have faced with the current design of the Article 8 and 9 categories relates to the trade-off created by establishing an intentionally broad disclosure framework and a need in the market for certainty and clarity. A wide variety of approaches and strategies are captured under Article 8 at present, covering a broad range of sustainability ambition. A lack of clarity on what constitutes a 'sustainable investment' has also created challenges for investors seeking to categorise funds as Article 9. Consequently, concerns around greenwashing risk have increased, and some FMPs have re-categorised products in response to further updates and guidance from the Commission.

Should the existing Article 8 and 9 product disclosure requirements be maintained, they should be defined with greater specificity and in relation to the objectives and aims of the fund. It will also be essential to ensure any such framework is underpinned by robust criteria and impose minimum standards that guarantee a baseline level of sustainability performance.

On that basis, we would suggest that the criterion proposed by the Commission above (for Products A, B and D, as well as a 'mixed' or 'blended' category) should be integrated into the existing disclosure requirements.

4.2 General questions about the potential establishment of sustainability products categories

If a sustainability products categorisation system was established, products will need to be distinguished according to a set of pre-established criteria.

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 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree
- ○ 4 - Mostly agree
- ● 5 - Totally agree
- ○ Don't know / no opinion / not applicable

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 (not at all)	2 (to a limited extent)	3 (to some extent)	4 (to a large extent)	5 (to a very large extent)	Don't know - No opinion - Not applicable
Taxonomy-related disclosures	○	○	●	○	○	○

Engagement strategies	○	○	○	◉	○	○
Exclusions	○	○	◉	○	○	○
Information about how the criteria required to fall within a specific sustainability product category have been met	○	○	○	○	◉	○
Other information	○	○	◉	○	○	○

Please specify to what other information you refer in your answer to question 4.2.1 a):

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See previous responses for our rationale on the type of criteria that would be suitable for different sustainability-focused products.

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
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)			(selected)			
Market participants should be able to use this categorisation system based on a self-declaration by the product manufacturer supervised by national competent authorities			(selected)			
Other						

Please explain your answer to Question 4.2.2:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

While mandatory third-party verification of categorises could help to increase trust in, and the credibility of, the regime, we would be cautious in recommending that it is introduced on a mandatory basis at this stage.

Such a requirement could potentially disadvantage smaller FMPs, who may not have the same resources to spend on verification, reducing the scope to compete with bigger players.

Nevertheless, the possibility of requiring independent verification should be kept under review as any revised regime beds in, and FMPs could still be encouraged to seek verification on a voluntary basis if they are able and willing to do so.

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
whether the product is a wrapper offering choices between underlying investment options like a Multi-Option Product	○	○	○	○	○	●
whether the underlying investments are outside the EU	○	○	○	●	○	○
whether the underlying investments are in an emerging economy	○	○	○	●	○	○
whether the underlying investments are in SMEs	○	○	○	●	○	○
whether the underlying investments are in certain economic activities	○	○	○	●	○	○
other considerations as regards the type of product or underlying investments	○	○	○	○	○	●

Please explain your answer to question 4.2.3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

See IIGCC's response to question 3.2.14. Broadly speaking, the factors listed above are all sensible and should be taken into account in the context of the development of a product categorisation system. The treatment of multi-asset funds/fund of fund products is important, and the regime will need to account for products pursuing a blended or mixed approach when it comes to the pursuit of sustainable investment objectives or the promotion of environmental/social characteristics.

Interoperability will also be a key consideration. Investors have global horizons, allocating capital across borders and often distributing funds across a wide range of geographies. It will be important to ensure as much consistency as possible between the EU's regime and wider disclosure regimes (e.g. in the US and UK) to support comparability and reduce reporting costs and burdens for FMPs. Additional guidance as to how the EU regime aligns with wider regimes, and mapping exercises (e.g. against the UK's sustainable investment labels) would be helpful in this regard.

A range of considerations will need to be taken into account for investments in emerging markets, notably in relation to data availability and quality. SFDR should not impose undue barriers to investment in these markets, and a proportionate approach is needed when it comes to assessing these investments. As national adoption and implementation of the ISSB standards increases, compatibility with these standards will be an important consideration in this context.

Investment in high impact companies, sectors and activities is critical to drive the financing of the transition. Where such companies have credible transition plans in place, and demonstrate meaningful progress in delivering on these plans, they must be accommodated for within the SFDR regime.

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 / no opinion / not applicable

Please explain your answer to question 4.3.1:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

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 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
The criteria set for the ESG benchmarks and the criteria defined for sustainability product categories should be closely aligned	○	○	●	○	○	○
Other	○	○	○	○	●	○

Please specify how should these criteria interact:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC agrees that criteria for ESG and climate benchmarks should be as consistent as possible with definitions of sustainability set out in other pieces of sustainable finance legislation to support the overall coherency of the EU's regulatory framework.

See our responses to questions 2.1 and 2.2 for more information on our wider concerns with PABs and CTBs as currently designed under the LCBR. Until such design issues are addressed, we are not convinced that PABs and CTBs are able to support real-world, organic emissions reductions, and by extension contribute in a meaningful way to sustainability characteristics/objectives.

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 / no opinion / not applicable

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 - Totally disagree
- ○ 2 - Mostly disagree
- ○ 3 - Partially disagree and partially agree
- ● 4 - Mostly agree
- ○ 5 - Totally agree
- ○ Don't know / no opinion / not applicable

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 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 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?

- (x) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

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

	1 (totally disagree)	2 (mostly disagree)	3 (partially disagree and partially agree)	4 (mostly agree)	5 (totally agree)	Don't know - No opinion - Not applicable
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			

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 - Totally disagree
- 2 - Mostly disagree
- (selected) 3 - Partially disagree and partially agree
- 4 - Mostly agree
- 5 - Totally agree
- Don't know / no opinion / not applicable

Please explain your replies to questions 4.4.1, 4.4.2 and 4.4.3:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

IIGCC strongly agrees that naming and marketing communications rules would help to mitigate greenwashing risk and underpin the integrity of sustainable product categories. Without these rules, there is a risk that products that do not qualify for such labels/categories continue to promote themselves in a way that suggests they are sustainable. Such funds should not be able to make sustainability claims (including in their name and marketing materials) where such claims are disproportionate to the underlying objectives and strategy of the fund.

However, we note that the effectiveness and credibility of any such rules are contingent on revisions to the regime to better clarify key definitions and concepts, and the introduction of robust, credible criteria across product categories to substantiate their claims. As outlined in our responses above, this should be a priority for the Commission before introducing thresholds and fund naming rules.

A degree of flexibility will be required if such rules are introduced, in acknowledgement of the fact that sustainability-related terms and investment strategies are evolving at pace. In addition, it will be important to ensure FMPs are still able to communicate (at entity- and fund-level) how/whether they are integrating ESG factors into their investment decision-making and risks management processes in a proportionate way, even where they are not offering sustainability-focused products. This is especially critical if the Commission takes forward proposals for FMPs to disclose baseline levels of sustainability information for all products for transparency purposes.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can

upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous**.

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7fe3a2ef-211c-493f-9d42-9efcd924d7aa/EC_Consultation_-_SFDR_Implementation_final_Exec_Summary.docx

Useful links

More on this consultation (https://finance.ec.europa.eu/regulation-and-supervision/consultations/finance-2023-sfd implementation_en)

Consultation document (https://finance.ec.europa.eu/document/download/99bc25fe-4dd8-4b57-ab37-212b5ab05c41_en?2023-sfdr-implementation-targeted-consultation-document_en.pdf)

More on sustainability-related disclosure in the financial services sector (https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en)

Specific privacy statement (https://finance.ec.europa.eu/document/download/a08edb89-59d8-44f8-873f-7a0f08b2f4c1_en?2022-sfdr-implementation-specific-privacy-statement_en.pdf)

Related targeted consultation (https://finance.ec.europa.eu/regulation-and-supervision/consultations-0/public-consultation-implementation-sustainable-finance-disclosures-regulation-sfdr_en)

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