ESBG's response to the ESAs Consultation Paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures

Executive summay

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On 3 July 2023, ESBG responded to the ESAs Consultation Paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures. Overall, even though ESBG welcomes the objective to clarify the current framework as well as to make it more workable, we are stressing that implementing changes comes at a high economic expense, hence that future changes must be considered carefully. Moreover, defining a sustainable investment should be a priority and the prerequisite to all regulations concerning ESG products.

ESBG'S POSITION

First of all, ESBG welcomes the opportunity to comment on the ESA joint consultation paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures, even if one might wonder whether fundamental changes regarding the PAI disclosure requirements and the templates are needed at this point in time.

Defining what a "sustainable investment" is should be a priority and the prerequisite to all regulations concerning ESG products. It would enable product comparability and legal protection against greenwashing risk. This notion should integrate transition finance which should first be clearly defined and then modelled.

As for **the timing** to add new requirements, ESBG believes it to be unsatisfactory and premature:

- the SFDR framework is not stabilized yet.
- the problem of data availability and reliability has not been solved – the CSRD is still not implemented.
- it will require costly developments (IT, training, customer information) that will have to be reviewed.

Overall, ESBG believes that the inclusion of new mandatory social indicators might not currently be the main priority given the lack of data and common measurement methodology. More clarity is needed regarding the definition and metrics of the proposed mandatory social indicators. Indeed, the existing PAIs already cover quite a wide range of issues. Therefore, adding more PAIs could result in an information overload. Keeping the list of mandatory (social) indicators to a small set of KPIs would also be highly beneficial for the general understanding by distributors and end-investors. The concept of PAI is still new not only to most market participants and financial advisers, but especially to retail investors.

From a general perspective, ESBG would like to highlight that implementing changes comes at a high economic expense, which requires a considerable investment of resources as well as costly IT adaptations. That is why only social indicators that are of general importance for all assets and sectors and with satisfactory data coverage should be included in the final opt-in list.

On a more general note, we kindly ask to consider very carefully any future changes to:

- avoid adding an extra layer of complexity to the current framework;
- avoid making it even more difficult to implement for financial market participants and;
- avoid causing fatigue to customers with new information/requirements in a short period of time.

READ THE FULL ESBG RESPONSE

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