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ASSOGESTIONI'S RESPONSE TO THE EUROPEAN COMMISSION'S CALL FOR EVIDENCE ON THE SFDR REVIEW

Assogestioni welcomes the opportunity to contribute to the European Commission's review of the Sustainable Finance Disclosure Regulation (SFDR). We strongly support the Commission's objectives to enhance the **clarity, coherence, and usability** of SFDR, while promoting full alignment with the broader **EU Sustainable Finance framework**—including the **CSRD**, **EU Taxonomy**, **MiFID/IDD**, and particularly the **Omnibus legislative initiativ**e and the ESMA Fund Naming Guidelines. The primary goal of the SFDR review should be to make the regulatory framework—including product categories—clearer, more accessible, and decision-useful for retail investors. Beyond investor communication, the SFDR must consider the operational needs of asset managers managing diverse and international portfolios. To be effective, the regulation should offer a stable and predictable regulatory environment, avoiding interoperability unnecessary complexity and costs.

- **Preserve continuity while enhancing clarity and streamlining disclosure**

Acknowledging the merits of the current framework and the very significant effort and resources committed by FMPs and also recognising that some key concepts have now become common knowledge also among investors, we would support a revision that builds on existing concepts and structures implemented by FMPs since 2021. The existing disclosure framework based around art.8 should not be discarded all together but rather revised, with the aim of leading to a new transparency-based framework valid for all products with ESG or sustainability claim.

In particular, we endorse a **two-tier structure** for disclosure:

Tier 1 – Baseline ESG Risk Disclosure for ALL financial products: In line with current art. 6 SFDR, all product, regardless of the existence of any sustainability /ESG claim, should disclose whether ESG risks are material to that PF and how they are taken into consideration. Consideration should be given to the simplification of art. 6 by eliminating art 6.1 (b) as the quantification of the impact of ESG risk on financial performance is proving particularly challenging for asset managers.

In our view, disclosure obligations should clearly distinguish between the two aspects of ESG materiality: products with no sustainability/ESG claim should be required to disclose only about financial materiality of ESG risk and how they consider it; disclosure of ESG indicators focusing on impact would risk confusing the investor with regards to the ESG commitments of the FMP.

Tier 2 – Additional ESG Disclosure for ALL FPs WITH SUSTAINABILITY CLAIMS: in continuity with SFDR, we would recommend maintaining the current transparency approach of the Regulation while simplifying the template. A single template for pre – contractual disclosure should be adopted, flexible enough to encompass all key information (no distinction between art. 8 and art. 9 templates) while allowing to omit irrelevant information.

Pre contractual disclosure (PCD):

In our view, the structure of the template for pre contractual disclosure could be structured as follows:

- Sustainable investment - if any
    - clearly articulated in the investment objectives
        - Description of positive contribution
        - Description of DNSH approach
    - Share of the portfolio in sustainable investment (%)
- ESG characteristics pursued – if any
    - Description of ESG characteristics
    - Share of the portfolio investments that promote E/S characteristics (%)
- Transition investing - in any
    - Description of transition investment strategy and envisaged transition path/paths
    - Share of the portfolio investments in undertaking with credible transition plans (%) and/or targeted reduction of negative impact at portfolio level
- Stewardship & engagement: description of key element of engagement policy - if any
- Minimum safeguards: e.g. exclusions (CTB, PAB, others), thresholds – if any
- Performance measurement:
    - KPIs (possibly including PAIs) identified by the FMP in line with sustainability objective/ESG characteristics or transition strategy of the FP

Periodic reporting: With regards to periodic reporting, in our view it should inform the investors both about the attainment of the objectives/characteristics outlined in the precontractual disclosure, including the performance of the indicators identified in the PCD together with some standards indicators (not more than 4-5 indicators, chosen among the most relevant across sectors and focused on negative impacts) to be published by all FPs with sustainability/ESG/Transition claims: this would allow comparability among all products with some ESG claims and provide a protection against potential greenwashing concerns of investors and regulators.

The template for periodic reporting could hence be structured as follows:

- Sustainable investment/ ESG characteristics pursued/ Transition investing attained – whichever relevant and in line with what indicated in the PCD:
    - Description of positive contribution or ESG characteristics attained
    - Description of DNSH approach (if relevant)
    - Description of transition objective attained – either at company or at portfolio level
    - Exclusions put in place (in line with PCD commitments)

- Share of the portfolio in sustainable investment/ESG characteristic/Transition investing attained (%)
- Performance measurement
  Results of the KPIs identified in the PCD
- Disclosure of standard and mandatory PAIs indicators (eg Greenhouse Gas Emissions (E), Violations of UNGC/OECD (S), Board Gender Diversity (G), Fossil Fuel Exposure)
- % of taxonomy alignment (if any)
- Brief summary of engagement activity – link to Engagement report available on the website
- Additional voluntary indicators

No minimum characteristics or threshold should be established beyond the above set of standard disclosure requirements: this would allow innovation and a broad and varied offering to cater for different clients with different level of ESG ambitions; at the same time, the disclosure would be sufficiently standardized to allow comparability, support investor decision-making, and limit the risk of greenwashing.

Furthermore, we propose a simplification with regard to the web disclosure (WSD) pursuant to Article 10, as it appears to offer limited added value. These disclosures largely duplicate the information already provided within the pre-contractual documentation (PCD) and, furthermore, exhibit negligible user engagement, as evidenced by extremely low download rates.

1.2 Voluntary Product Categorisation

Assogestioni supports a voluntary product categorisation driven by intentionality, building on the Platform on Sustainable Finance (PSF) proposal. To be effective, the product categories should (i) require intentionality of outcomes in line with a product's specific sustainability/ESG commitment and (ii) be based on objective criteria that can be consistently applied. The system should be:

- **Agnostic** to investment style (active/passive)
- **Applicable** across all asset classes (e.g. sovereign bonds, real estate, private equity) and to all FPs (FoF, Pension funds..)

Product categories should be designed in a **clear and objective manner** while remaining simple and intuitive for retail investors to understand. FMP should identify only one category to simplify the investor journey.

Minimum criteria for categories: to avoid the confusion and greenwashing accusation generated by the current regime and to ensure that category does identify a set of products meeting some minimum level of ESG ambition, minimum criteria must be well-defined for both product providers and supervisors to ensure a fully harmonised classification regime. At the same time, the criteria should not be too restrictive and limit excessively the investment option of asset managers so to reduce categories products to a niche of worthy investment product with limited impact on the transition effort of the economy at large. The clear articulation of objectives and the use of quantitative indicators would allow investors to identify - within each category - the FPs with the level of ambition that meet their preferences.

Categories & naming: taking into account recent market/regulatory development, we recommend considering the integration of naming discipline in the regulation of categories; to minimise further disruption, we also recommend building the criteria for categories on those already adopted and implemented to meet ESMA naming Guidelines while reconsider the level at which some of the criteria have been set. While we recommend the establishment of a minimum share of portfolio to be devoted to the pursuit of the Sustainability/ESG/Transition objectives, we consider the current ESMA guidelines too restrictive. We consider that committing at least half of the portfolio to an objective would be sufficient to qualify for a category while establishing mandatory minimum exclusions would provide sufficient safeguards for the entire portfolio. Such minimum exclusions should be sufficiently broad to be suitable for products with different ESG/sustainability/transition objectives not just the climatic ones.

Comparison with current art. 8/art. 9 "product classification"

We hope for a classification that would see all current art. 8 and art. 9 products to be subject to a standardised disclosure (see above), with existing art. 9 and a share of so called "art 8 plus" products (generally speaking those that are currently allowed to use "sustainability" in their names as per ESMA Guidelines) potentially eligible to be included in proposed Sustainable category. Market evidence shows that current art. 9 threshold are too restrictive and identify an excessively narrow group of FPs.

We expect most of current art. 8 products to fall partly in the Transition category, party in the ESG focus category and party fall in the uncategorized group of products with some ESG impact concern beyond ESG risk considerations.

1.2.1 Proposed Categories and Criteria

Category	**Purpose**	**Key Features**
Sustainable	Intentionally and measurably contribute to sustainable objectives (either E and/or S) by investing directly or indirectly: • in companies offering *targeted and measurable solutions* to sustainability matters; and/or • in companies meeting high sustainable standard while considering DNSH criteria (see 2(17)); and/or • in activities aligned with the taxonomy	- Minimum 50 % of Sustainable Investments - DNSH considerations - Corporate Governance minimum standard on portfolio Minimum safeguards – CTB exclusions[1] or possibly PAB exclusions
Transition	Support companies engaged in sustainable transition (either E o r S or both) by investing in: • companies or assets undergoing transition; or • material and technological solutions that foster transition progress of the wider economy. Or commit to set portfolio on a transition path by progressively reduce emissions or improve other PAI/Positive indicators over time (e.g. reduce portfolio emission year on year)	-Minimum x % invested in assets in transition (to be set between 50 and 70%) - Forward-looking targets (e.g. GHG reduction) - SBTi, CapEx plans, engagement strategies - in case of climate transitions, allow for various decarbonisation pathways - Minimum safeguards – consistent with CTB or

[1]Exclusions for EU Paris-Aligned Benchmarks, as stipulated in Commission Delegated Regulation (EU) 2020/1818, art.12 (1)

Category	Purpose	Key Features
		revised exclusions[2] - Corporate Governance minimum standards on portfolio
ESG Focus	Invest in all sectors of the economy but in issuers committed to minimising PAI on E/S factors and/or meet high E/S standards or are better E/S performer as compared to their peers or adopt a specific sustainability-related theme.	-Minimum 50 % of portfolio pursuing ESG characteristics; -Min. exclusion criteria such as CTB; -Corporate Governance minimum standards on portfolio

1.2.2 Clarification of Key Concepts and Metrics

The review should **refine and define** the following essential concepts to improve usability:

- **Sustainable Investment** (Art. 2(17));
- **Do No Significant Harm (DNSH);**
- **Minimum Exclusions** (harmonised across frameworks -e.g. CTB/PAB exclusions, UNGC/OECD breaches, controversial weapons)

[2] Revised **CTB set of exclusions** that are aligned with current market standards. This would be the following:

a) No investment can be made in the production of weapons prohibited by the Oslo Convention on Cluster Munitions and the Ottawa Treaty on Anti-Personnel Mines.

b) Violations of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

c) Companies involved in the cultivation and production of tobacco.

➢ **Adapt to Sustainable finance regulatory frameworks changing environment/market and avoid duplication/inefficiencies**

The **Omnibus I proposal** introduces significant changes that will directly affect SFDR implementation, especially regarding the availability and quality of sustainability data from corporates. Asset managers must have access to **accurate, granular, and standardised decision-useful data** to fulfil their fiduciary duties and deliver on sustainability commitments.

Asset managers cannot be expected to report beyond what companies disclose under the ESRS. Therefore, we advocate for **proportional reporting obligations**, calibrated to corporate data availability, and fully aligned with the CSRD.

The **design of SFDR product categories** should also reflect this data reality to maintain consistency across the regulatory landscape.

With regards to entity level reporting, to minimise duplication and fragmentation, we recommend a **consolidated entity-level disclosure framework**, ideally **merging SFDR and CSRD** reporting obligations. Asset managers should be required to report once, on assets under management on behalf of clients/investors.

3. Phased Evaluation: Impact Assessment and Consumer Testing

It is critical to evaluate the potential implications of any changes to the SFDR framework to ensure they deliver real and measurable improvements. This evaluation should include both market impact analysis of the proposed classification on current products on offer and consumer testing of the proposed template. The latter should follow the establishment of L1 provisions and should be carried out to test:

- the feasibility of the disclosure in consideration of the likely availability of data made available by companies;
- the usability, comprehensibility and decision usefulness of the information disclosed in the template the by end users – especially retail investors.

4.Impact of the SFDR reviews and classification on the distribution (MIFID ESG and IDD)

It is crucial that the revision of the SFDR obligation is carried out in parallel and in coordination with the revision of the rules disciplining the distribution of SFDR products. In particular the revision of the categories to use for the collection of EG preferences under MIID and IDD should be completely redrafted taking into consideration the classification system and allowing to differentiate between retail and institutional/professional investors and to calibrate the investors journey to the knowledge and preferences of the investors as regards sustainable invest in as identified by the distributor.