

MEMO# 32788

September 29, 2020

EU ESG: Summary of ESAs' Consultation on Draft SFDR Product Disclosure Templates

[32788]

September 29, 2020 TO: ICI Global Members

ESG Task Force (Global)

EU ESG Disclosure Regulation Working Group SUBJECTS: Disclosure

ESG RE: EU ESG: Summary of ESAs' Consultation on Draft SFDR Product Disclosure Templates

The European Supervisory Authorities^[1] (ESAs) published a survey^[2] seeking public feedback on the *layout and presentation* of product disclosure templates for sustainable investment products (*i.e.*, Article 8 and 9 products) under the Sustainable Finance Disclosure Regulation (SFDR).^[3] The survey complements the ESAs' SFDR consultation (Level 2 Consultation) that concluded on 1 September, which solicited public input on the *substantive* disclosure requirements under the SFDR for Article 8 and Article 9 products, including whether disclosures should be made through mandatory templates.^[4]

Although the SFDR does not require the use of templates for ESG product disclosure, the ESAs believe that mandatory use of templates will improve comparability of different financial products in different EU Member States. They intend these templates to be included in existing pre-contractual and periodic disclosures provided by Undertakings for Collective Investment in Transferable Securities (UCITSs), alternative investment fund managers (AIFMs), insurance undertakings, Institutions for Occupational Retirement Provision (IORPs) or providers of pan-European Personal Pensions Products (PEPPs). For UCITS, this disclosure would be located in the prospectus and the annual report, respectively.

The survey is open for comments until 16 October 2020. We plan to submit a response.

Overview

The purpose of the survey is to illustrate how the template approach could work and to solicit input on the *presentation* of the SFDR-required disclosures. The templates in the survey do not yet reflect the outcome of a concurrent consumer testing exercise.

Proposed Templates

The consultation package includes three preliminary, illustrative mock-ups of pre-contractual and periodic disclosure templates for products that promote environmental and/or social (E/S) characteristics (under SFDR Article 8). The ESAs did not publish templates for the disclosure for products with a sustainable investment objective (SFDR Article 9), as they think the disclosures are similar.

ESA indicated that the colour, the size and the type of the font and the template's background are not specified by the templates and should be adapted to fit the formatting of the underlying document into which they are integrated (e.g., a UCITS prospectus).

The following mock-ups are included for comments:

- Mock-up 1: pre-contractual disclosure for Article 8 products (with icons)
- Mock-up 2: pre-contractual disclosure for Article 8 products (without icons)
- Mock-up 3: periodic disclosure for Article 8 products (with icons)

The templates include sample language and provide a clearer sense of what the ESAs intend, including disclosure around “sustainable investments” and “Do No Significant Harm (DNSH)” principle and disclosure about the use of benchmarks.

Survey Questions:

1. How useful is the highly standardised presentation of the information in this format?
2. More specifically, how useful is the presentation of the information with the use of icons as visual aids?
3. More specifically, how useful is the presentation of the information with the use of graphs as visual aids?
4. More specifically, how useful is the presentation of the information with the use of explanatory notes, in the column at the right side of the document, which are presented on a grey background?
5. Are there presentation aspects that might make it hard to understand the sustainability aspects of the product? For example, with regards to the distinction between the sub-categories of investments, namely between 1A, Classified as sustainable: environmental and 1B, Other investments aligned with E/S characteristics: Environmental
6. Do you have any other suggestions or comments to improve the presentation of these disclosure documents?
7. When the templates are presented via digital media, can you foresee any particular challenges? Can you suggest how these particular challenges could be overcome while retaining the core aspects of the standardized template format?

Anna Driggs
Director and Associate Chief Counsel
ICI Global

endnotes

[1] The ESAs include the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Banking Authority (EBA).

[2] See <https://ec.europa.eu/eusurvey/runner/ESGtemplatesSFDR>.

[3] See SFDR Article 8(3), Article 9(5) and Article 11(4), *available at* <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R2088&from=EN>. We provided a detailed summary of the SFDR in ICI Memorandum No. 32229, *available at* <https://www.ici.org/esg/international/Policy-Developments/memo32229>.

[4] We responded to the ESAs' consultation. See ICI Global Memorandum No. 32734, *available at* https://www.ici.org/my_ici/memorandum/memo32734.

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