

**MEMO# 35368**

July 5, 2023

# ICI Global Responds to ESAs Proposed Amendments to SFDR RTS

[35368]

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TO: ICI Global Members

EU Sustainable Finance Disclosure Regulation Working Group

Europe Regulatory and Policy Committee SUBJECTS: ESG

International/Global RE: ICI Global Responds to ESAs Proposed Amendments to SFDR RTS

ICI Global submitted the attached response to the European Supervisory Authorities (ESAs)[\[1\]](#) consultation on amendments to the Regulatory Technical Standards (RTS) under the Sustainable Finance Disclosure Regulation (SFDR).[\[2\]](#)

The consultation is in response to the European Commission's mandate in April 2022 to review the principal adverse impact (PAI) indicators and propose amendments to the product-level disclosure on greenhouse gas (GHG) emission reduction targets.[\[3\]](#) The ESAs further propose amendments to the "do no significant harm" (DNSH) assessment for sustainable investments, modifications of the product-level disclosure templates, and other technical adjustments.

ICI Global urges the ESAs to reconsider introducing the proposed changes to the RTS at this stage ahead of the European Commission's review of the SFDR Level 1 legislation, set to take place in the coming months. In our view, changes to the SFDR Level 1 legislation are needed to simplify and streamline the disclosure requirements to make them meaningful for retail investors. We strongly encourage the ESAs to contribute their assessment of the disclosure requirements and templates to the upcoming broader review of the SFDR Level 1 framework. Making changes in the interim that would expand reporting obligations or introduce additional challenges for market participants could effectively impede the legislative review.

Given the long timeline anticipated for the review of the SFDR and improvements to the Level 1 legislation, our response offers support for targeted changes to the RTS that are consistent with the European Commission's goals of simplifying and streamlining the disclosures for the benefit of retail investors, and would likely withstand any changes to the SFDR Level 1 legislation in the long run.

In response to specific proposed changes, we recommend the ESAs do not increase PAI reporting burdens, and introduce any new social metrics as voluntary rather than mandatory. The ESAs should allow more time for market participants and supervisors to assess whether it would be beneficial to introduce new formulae or other technical changes to the current list of PAI indicators. We also suggest the ESAs maintain the status quo with respect to DNSH requirements at this time to avoid market disruption. With respect to the treatment of derivatives for PAI reporting, we recommend that the ESAs take a consistent approach whether regarding reporting PAI indicators, sustainable investments, or taxonomy alignment.

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#### Notes

[1] There are three ESAs, namely, European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA), and European Securities and Markets Authority (ESMA).

[2] See ICI Memorandum [35269], dated 1 May 2023, available at <https://www.ici.org/memo35269>. See Also Joint Consultation Paper on the Review of SFDR Delegated Regulation regarding PAI and financial product disclosures ("Consultation Paper"), 12 April 2023, available at <https://www.esma.europa.eu/press-news/consultations/joint-consultation-review-sfdr-delegated-regulation>.

[3] See Europe Commission Letter to ESAs on Amendments to Regulatory Technical Standards under the Sustainable Finance Disclosure Regulation 2019/2088, dated 11 April 2022, available at [https://www.esma.europa.eu/sites/default/files/library/mandate\\_to\\_esas\\_on\\_pai\\_product.pdf](https://www.esma.europa.eu/sites/default/files/library/mandate_to_esas_on_pai_product.pdf).

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