2023 Joint ESAs Report

On the extent of voluntary disclosure of principal adverse impacts under SFDR

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1. Executive Summary

Context

1. On 28 July 2022, the European Supervisory Authorities (ESAs) published the first Joint Report on the extent of voluntary disclosure of principal adverse impacts (PAI) under the Sustainable Finance Disclosure Regulation (SFDR) and developed some preliminary recommendations to National Competent Authorities (NCAs) and the European Commission.

2. The first Report’s overall conclusion was that the extent of take-up of the voluntary disclosures of principal adverse impact of investment decisions on sustainability factors varied significantly across jurisdictions and Financial Market Participants (FMPs) in the scope of SFDR, making it difficult to identify definite trends.

3. The detailed implementing measures on these disclosures in the SFDR Delegated Regulation were not yet applicable at the time of that last publication. In addition, the supervisory practices on voluntary disclosures were still emerging. As a result, in the 2022 Report the ESAs only provided some initial recommendations to the European Commission, and a preliminary, indicative and non-exhaustive overview of good and bad practices for the PAI disclosures.

Current approach

4. For the 2023 Report, the ESAs have taken a similar approach to the one adopted for the 2022 Report and launched a survey of the NCAs through the Joint Committee (JC) and the relevant Standing Committees of the ESAs.

5. The purpose of the survey was to gather feedback from NCAs on the current state of entity-level voluntary PAI disclosures under SFDR. It also included a question to gather NCAs’ feedback on...
the disclosures by FMPs choosing to explain why they do not consider adverse impacts of investment decisions on sustainability factors.

6. The survey also covered disclosures of PAI consideration for financial products for the first time since FMPs had to apply them by 30 December 2022. The ESAs carefully assessed the responses and developed an indication of good examples of disclosures observed, including preliminary recommendations.

7. Section 2 of this Report includes the background and rationale of this exercise and the lessons learned from the second year of implementation of the voluntary disclosures, based on responses from NCAs.

8. Section 3 provides an overview of good and bad practices, covering not only PAI consideration but also where FMPs choose to explain when they do not consider PAIs. The last part of this section also includes recommendations to the European Commission and NCAs.

9. The Annex provides the list of the questions included in the survey with highlights from the responses received from NCAs.

Main findings

10. While there is still a significant variation in the extent of compliance with the disclosure requirements both across FMPs and jurisdictions, the results of this year’s survey show an overall improvement in the application of voluntary disclosures. Interestingly, compared to last year, disclosures appear also easier and more straightforward to find on websites. The ESAs consider that an area that requires improvement is regarding the explanation of non-consideration of PAIs, where explanations are still not fully complete and satisfactory. Where PAIs are considered, the disclosures on the degree of alignment with the Paris Agreement are still vaguely formulated.

11. The area which will deserve further analysis in the future iterations of this Report is the voluntary disclosures of PAI consideration by financial products, where the level of understanding of such disclosures is limited.

Next steps

12. The European Commission may want to consider the ESAs’ findings and take them into account in the context of their comprehensive assessment on the functioning of the SFDR.

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6 Under Article 7 (1) SFDR: 1. By 30 December 2022, for each financial product where a financial market participant applies point (a) of Article 4(1) or Article 4(3) or (4), the disclosures referred to in Article 6(3) shall include the following: (a) a clear and reasoned explanation of whether, and, if so, how a financial product considers principal adverse impacts on sustainability factors; (b) a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2). Where information in Article 11(2) includes quantifications of principal adverse impacts on sustainability factors, that information may rely on the provisions of the regulatory technical standards adopted pursuant to Article 4(6) and (7).

7 The observations are until May 2023, i.e before the first use of the template in Table 1 of Annex I of the SFDR Delegated Regulation.
13. The future iterations of this Report will also include an assessment of the PAI disclosure template\(^8\) and on the disclosure of engagement policies, which started being used on 30 June 2023. However, it is important to note that the main purpose of the future iterations will remain an assessment of how widespread those disclosures have become and point at best practices.

2. Background analysis

2.1 Introduction

14. The SFDR started applying on 10 March 2021 and sets out sustainability disclosure requirements for FMPs and financial advisors to communicate sustainability information to investors.

15. On 6 April 2022, the European Commission adopted the SFDR Delegated Regulation, which specifies technical standards that FMPs should use when disclosing sustainability related information under SFDR and which started applying on 1 January 2023.

16. The ESAs and the European Commission have also responded to queries submitted by stakeholders to clarify aspects of the Delegated Regulation\(^9\).

17. Article 4(1)(a) SFDR mandates disclosure on the FMP’s website of the principal adverse impacts of its investment decisions on sustainability factors and a statement on due diligence policy with respect to those impacts. Article 4(1)(b) requires that where an FMP does not consider adverse impacts of investment decisions on sustainability factors, it must publish and maintain on its website clear reasons for why it does not do so, and where relevant, information as to whether and when it intends to do so.

18. Under Article 4(3)-(4) SFDR, from 30 June 2021, FMPs exceeding on their balance sheet dates the criterion of the average number of 500 employees during the financial year (the ‘500-employee threshold’) must publish and maintain on their websites a statement on their due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors.

19. Finally, according to Article 7(1) SFDR, FMPs who decide to voluntarily disclose under Article 4(1)(a), or who have more than 500 employees, have to publish, for each of their products, a clear and reasoned explanation of whether, and if so, how their products consider principal adverse impacts on sustainability factors. These disclosures should be complemented by a statement that information on those sustainability factors is available in the information required by sectoral disclosures\(^10\). Article 7(1) SFDR only started applying on 30 December 2022.

\(^8\) Table 1-3 of Annex I of the SFDR Delegated Regulation

\(^9\) Consolidated Q&A on the SFDR (Regulation (EU) 2019/2088) and the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288

\(^10\) Under Article 11(2) SFDR. The information may rely on the requirements in Chapter II and Annex I of the SFDR Delegated Regulation.
20. This year’s Report under Article 18 SFDR builds on last year’s recommendations on best practices towards voluntary reporting standards and adds evidence gathered from a survey to NCAs conducted between April and May 2023. The 11 questions shared with the NCAs aimed at collecting feedback on the current state of play of voluntary disclosures and at highlighting any best practice observed in the market.

21. Compared to last year’s, the 2023 survey includes two additional questions: the first is on the voluntary disclosures at product level under Article 7 SFDR, with a request – where possible – to provide a breakdown of the share of products disclosing under Article 8 and Article 9 SFDR; the second is a question on whether NCAs have perceived any improvement in the market compared to 2022 with respect to the compliance with Article 4 (1)(a) and (b) SFDR.

22. Regarding the request in Article 18 on “recommendations towards voluntary reporting standards”, the ESAs would like to reiterate that they have already developed a mandatory reporting template provided in Table 1 of Annex I of the SFDR Delegated Regulation which became applicable on 1 January 2023. FMPs are expected to comply with the PAI due diligence statement requirement under Article 4 SFDR. The deadline for FMPs to start publishing their first PAI statements using the template and the indicators in Annex I was 30 June 2023. At the time of the writing of this second Report, the ESAs were not in the position to draw definite conclusions on the effectiveness and impact of the presentation and content of voluntary disclosures.

23. The lessons learned and preliminary recommendations on best practices could however represent an indication for FMPs to consider when publishing their PAI statements. Future iterations of this Report will build on the current experience and potentially include new recommendations based on observations about the first use of the template in Table 1 of Annex I of the SFDR Delegated Regulation.

2.2 Lessons learned from voluntary disclosures – two years on

24. As a first observation, the ESAs welcome the improvement in the quality of responses provided through the survey, with a greater sample size and higher representativeness in terms of number of FMPs covered. The responses also showed more exact figures on the sample selected, as recommended in last year’s Report. As market practices have started developing for Article 4(1)(a) SFDR disclosures, NCAs could highlight more concrete examples of good and bad practices observed in their own jurisdictions.

25. Compared to last year, there is still a significant variation in the extent of compliance with the disclosure requirements across FMPs. The ESAs believe there is room for improvement in the way NCAs provide guidance and help FMPs interact with their supervisors to meet the requirements. Some NCAs indicated that FMPs still find it challenging to use voluntary disclosures, as they fail to make specific reference to PAI indicators and/or not providing a clear explanation as to how they consider them. Interestingly, disclosure of due diligence policies remains extremely limited. Usually, FMPs mention the fact that they and/or their parent group participate in sustainability related international organisations and initiatives.

11 Recommendations to NCAs, paragraph 32 (b) of 2022 Report.
26. The ESAs note that NCAs welcome the fact that the survey has allowed them to identify cases of non-compliance with the regulatory provisions. When non-compliance was detected, the ESAs expect appropriate follow-up supervisory action to be undertaken by NCAs.

27. The ESAs believe improvements are needed regarding the explanation of non-consideration of PAIs. While FMPs mention issues related to data availability and comparability or insufficient clarity from a legal perspective, those explanations remain short and vague.

28. However, some NCAs noted an effort from some FMPs to include an indication on when they will start considering PAIs, reflecting one of the examples of best practices the ESAs provided in the 2022 Report.

29. It is notable that there is still a low level of understanding by FMPs on the non-consideration of PAIs, as FMPs in different jurisdictions have declared that they do not comply because they are under the 500 employees’ threshold or because of the current limitations on readily available data to fully comply with the reporting requirements. The ESAs do not consider those to be a sufficient justification for explaining why the FMP does not consider the adverse impacts of its investment decisions and recommend supervisory follow up to ensure appropriate understanding of the relevant provisions. At a minimum, the ESAs consider it best practice that FMPs should at least indicate a target date for when they intend to start to consider PAI indicators.

30. The area which will deserve further analysis in the future iterations of this Report is the voluntary disclosures by financial products of PAI consideration under Article 7 SFDR. The level of understanding of such disclosures is limited, with some FMPs confusing Article 7 SFDR voluntary PAI consideration disclosures with the statement under Article 7 of Regulation (EU) 2020/852 (the Taxonomy Regulation), i.e. the standardised statement for non Article 8 and Article 9 SFDR products. Broadly speaking however, NCAs could not provide data on the exact share of Article 8 and Article 9 SFDR financial products using voluntary PAI disclosures since the rules only started being applied on 30 December 2022.

31. Similar to the Report published the previous year, NCAs confirmed that those FMPs which belong to large groups can have more sophisticated disclosures compared to smaller ones and tend to disclose more detailed information regarding sustainability and exclusion policies. In addition, those FMPs who are part of a group are also more likely to complete the voluntary disclosures under Article 4(1)(a) SFDR. The ESAs note a trend reported by NCAs that disclosures are being used as part of the company’s marketing strategy.

32. The ESAs welcome the fact that NCAs consider that currently website disclosures are easier to find compared to last year’s survey. Margin for improvement still exists, in particular as some NCAs still had to search for the voluntary disclosures through search engines, as those were hidden under ‘required information’ or in the ‘download’ section.

33. The level of disclosure of the degree of alignment with the objectives of the Paris Agreement remains an area of improvement, as disclosures still appear to be vague, and FMPs mention their degree of alignment to Paris Agreement without mentioning indicators measuring the decarbonisation path of their investments. The ESAs would however like to note that those
disclosures are not mandatory as the degree of alignment with the objectives of the Paris Agreement should be disclosed “where relevant”.

34. Compared to last year, NCAs reported an improvement in terms of how the regulatory requirements are understood and the level of detail disclosed. This improved understanding is promoted by supervisors organising discussions with market participants and industry associations and providing relevant recommendations and guidance.

35. As expanded on in Section 3 of this Report, the ESAs have highlighted some examples of best practices shared by the NCAs, and included recommendations based on responses received. The ESAs want to highlight in particular:

a) the importance of a clear statement which includes identification of PAI indicators, the methodology and data used for the assessment of each PAI, the reference period of the statement and, where applicable, a brief summary of engagement policies and adherence to responsible business conduct codes and internationally recognised standards, in line with the general principles for the presentation of information in the SFDR Delegated Regulation; and

b) clear identification of relevant disclosures on the website, making the information easily accessible, clear and intuitive for the investor to find.

36. Finally, the ESAs welcome that the questionnaire increased the level of NCAs’ awareness of FMPs’ disclosures under Article 4(1)(a) and (b) SFDR and that the level of monitoring and market observation has significantly improved, including using market surveys and questionnaires, as recommended in last year’s Report.

37. In 2024, the third iteration of the Report will likely include an additional assessment of product level voluntary disclosures under Article 7(1) SFDR and additional questions regarding processes and methods in comparing disclosures from previous years.
3. Good and bad practices and preliminary recommendations

3.1 Good and bad examples for disclosures under Article 4(1)(a) and (b) SFDR

38. NCAs have welcomed the approach used in last year’s Report of providing a list of examples of best practices and suboptimal examples of disclosures under Article 4(1)(a) and (b) SFDR. In the 2023 Report, the ESAs have added some initial considerations also on Article 7(1) SFDR.

39. This list represents a subjective assessment of the helpfulness of the disclosures to understand how FMPs consider, or why they do not consider, the principal adverse impacts of their investment decisions on sustainability factors.

40. It is important to reiterate that the disclosure obligations provided in the SFDR Delegated Regulation have become mandatory from 1 January 2023. The examples below on statements made under Article 4 (1)(a) and 7(1) SFDR (the “do’s” in green, and the “don’ts” in red) should not be understood to affect disclosures made under the mandatory templates.

Entity level disclosures – do’s and don’ts

<table>
<thead>
<tr>
<th>Issue</th>
<th>Example</th>
<th>ESAs assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclosure of due diligence</td>
<td>The statement includes a description of strategies for identifying and weighting key adverse impacts on sustainability factors, and an assignment of responsibility for implementation within organisational policies and procedures</td>
<td>Complete statement on due diligence and transparency policies</td>
</tr>
<tr>
<td>Detailed statement</td>
<td>The statement includes identification and prioritisation of PAIs, actions taken to mitigate such impacts, description of engagement policy, list of international standards respected and degree of alignment with the Paris Agreement, last date of update</td>
<td>PAI statement include details/relevant information</td>
</tr>
<tr>
<td>Disclosure of due diligence</td>
<td>Adherence of the company and/or group to sustainability related international organisations and initiatives (e.g. Net-Zero Asset Owner Alliance, Climate Action 100+, Principles for Responsible Investments)</td>
<td>The statement on disclosure of due diligence is not detailed/substantiated</td>
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<td>-----------------------------</td>
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<td>------------------------------------------------------------------</td>
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<tr>
<td>Partial, voluntary disclosures</td>
<td>An FMP, while not falling directly under Article 4(1)(a), includes at group level disclosures about adverse effects on sustainability in their investment decisions and assesses their impact on sustainability factors.</td>
<td>FMPs deciding to consider PAIs at group level but not on a solo basis</td>
</tr>
<tr>
<td>Fewer than 500 employees</td>
<td>FMPs explaining that the rationale for not considering PAI was that they employ fewer than 500 employees</td>
<td>The ESAs believe that when FMPs do not consider any adverse impacts of investment decisions on sustainability factors, it is a good practice to include in the statement clear reasons for why they do not do so, and information as to whether and when they intend to consider such adverse impacts</td>
</tr>
<tr>
<td>Lack of legal clarity and unclear procedures</td>
<td>FMPs referring to unclear procedures and lack of legal clarity to calculate PAI impact</td>
<td>The ESAs have provided numerous clarifications and responses to stakeholders’ queries to provide clarity to the market (including formulae in the JC 2023 09 consultation paper[^12]), and other</td>
</tr>
</tbody>
</table>

[^12]: [JC 2023 09 Joint Consultation Paper on the Review of SFDR Delegated Regulation regarding PAI and financial product disclosures](https://eur-lex.europa.eu)
<table>
<thead>
<tr>
<th>Confusion between PAI statement and integration of sustainability risks</th>
<th>FMPs have managed to calculate PAIs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FMPs disclosing information about their policies on the integration of sustainability risks in their investment decision-making process.</strong></td>
<td>ESG/sustainability risks are not relevant for the purpose of PAI statement, and including such references in the PAI statement can result in confusion for investors.</td>
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<tr>
<th>Absence of website</th>
<th>FMPs disclosing information about their policies on the integration of sustainability risks in their investment decision-making process.</th>
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</thead>
<tbody>
<tr>
<td>FMPs disclosing information about their policies on the integration of sustainability risks in their investment decision-making process.</td>
<td>ESG/sustainability risks are not relevant for the purpose of PAI statement, and including such references in the PAI statement can result in confusion for investors.</td>
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</tbody>
</table>

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<tr>
<th>Different information for professional and retail investors</th>
<th>FMPs disclosing information about their policies on the integration of sustainability risks in their investment decision-making process.</th>
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</thead>
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<td>FMPs disclosing information about their policies on the integration of sustainability risks in their investment decision-making process.</td>
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<tr>
<th>Product level disclosures – do’s and don’ts</th>
<th>FMPs disclosing information about their policies on the integration of sustainability risks in their investment decision-making process.</th>
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<tbody>
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</table>

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<tr>
<th>Indication of when more information will be provided</th>
<th>The indication of when further information will be provided is an example of good practice, without prejudice to presenting the reasons for not considering the PAI on sustainability factors according to article 7(2) SFDR.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMPs disclosing information about their policies on the integration of sustainability risks in their investment decision-making process.</td>
<td>ESG/sustainability risks are not relevant for the purpose of PAI statement, and including such references in the PAI statement can result in confusion for investors.</td>
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Confusion between Article 7 (1) SFDR and Article 7 Taxonomy Regulation\(^{13}\)

FMP confusing compliance under Article 7(1) SFDR with the statement under Article 7 Taxonomy Regulation (transparency of other financial products, e.g. non Article 8 and Article 9 SFDR products) in pre-contractual disclosures and periodic reports

Those are very different as Article 7 Taxonomy Regulation relates to disclosures for products not taking into account the EU criteria for environmentally sustainable economic activities.

3.2 Recommendations to the European Commission

41. In the context of the comprehensive assessment of the SFDR, the ESAs would like to invite the European Commission to consider the following:

a) Other ways of introducing proportionality for FMPs, as the more than the 500-employee’s threshold may not be a meaningful way to measure the extent to which investments may have principal adverse impacts on sustainability factors. The ESAs are of the view that a more suitable approach to disclose on the adverse impact of FMPs could consist, for example, of establishing a threshold based on the size of the FMP’s investments;

b) Whether the product level disclosures under Article 7 SFDR should also follow a comply or explain basis, regardless of whether the FMP applies Article 4(1)(a) SFDR, to ensure consistency with the entity level disclosures which cover all investments of the FMP and with Q&A IV.2 in the consolidated Q&A document which allows PAI consideration for the financial product even when the FMP does not apply Article 4(1)(a)\(^{14}\). Hence, when an FMP discloses at entity level that it considers adverse impacts of the investment decisions on sustainability factors under Article 4(1)(a) SFDR, investors might expect that this entails that the product sold by the FMP also considers adverse impact of investment decisions on sustainability factors under Article 7 SFDR. The current practice observed by supervisors is that while at entity level FMPs declare that they consider PAIs, this is not always reflected in the product disclosures.

c) Consistent with the proportionality principle, reducing the frequency of the Article 18 SFDR Report in the upcoming review of the Level 1, to every two or three years. This would allow more meaningful analysis about longer term trends.

\(^{13}\) Article 7 Taxonomy Regulation - Transparency of other financial products in pre-contractual and in periodic reports: Where a financial product is not subject to Article 8(1) or to Article 9(1), (2) or (3) of Regulation (EU) 2019/2088, the information to be disclosed in accordance with the provisions of sectoral legislation referred to in Articles 6(3) and 11(2) of that Regulation shall be accompanied by the following statement: ‘The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.’

The above recommendations are formulated with the caveat that the ESAs do not have complete information yet on the number of FMPs below the 500 employee’s threshold complying with Article 4(1)(a) SFDR.

3.3 Recommendations to NCAs

43. The ESAs welcomed that NCAs followed the preliminary recommendations in the 2022 Report, in particular in terms of a more representative and greater sample size, including exact figures, breakdowns and percentages of the market surveyed. NCAs have also made the effort to undertake supervisory dialogue with those FMPs who did not comply with Article 4(1)(a) and (b), launching own questionnaires, organising meetings with industry associations, and providing guidance on how to complete the statements. Interestingly, one NCA also announced the launch of an IT tool to help locate disclosures on the websites. This is in line with the recommendation on focusing on website supervision and use of web scraping and / or other SupTech tools. This recommendation remains valid for future iterations of the 2023 Report.

44. Building on last year’s Report, the ESAs would like to share the following recommendations to NCAs to assist them in their ongoing applicable supervisory actions:

a. Follow up with non-compliant market participants and consider whether the use of enforcement tools could be appropriate. Similar to last year’s recommendation, NCAs should identify breaches from FMPs and follow up appropriately;

b. Provide support to market participants and highlight common supervisory expectations, potentially coordinated by the ESAs, to facilitate understanding about how to comply with Article 4(1)(a) SFDR disclosures;

c. Use tools, potentially coordinated by the ESAs, that could assist NCAs in the identification of the information on the voluntary disclosures on PAI considerations of products disclosing under Article 8 and Article 9 SFDR;

d. Facilitate exchange with the industry to raise awareness and exchange best practices;

e. Share survey results with the industry, including the supervisory expectations used by NCAs to assess the market participants’ level of compliance with the disclosure requirements;

f. Finally, the ESAs noted the use of incorrect references to specific disclosure obligations in the responses provided by NCA which show that there is still an improvement and build-up of expertise needed by the NCAs to enable thorough checking of the compliance. We have provided below some examples and clarified those concepts:

- ‘Consider’ and ‘take into account’: the ESAs noted a confusion between the references to ‘consider’ and ‘take into account’ in connection with specific disclosures and would like to clarify that the specific legal reference consistent with the Level 1 text when assessing
compliance with Article 4(1)(a) and (b) is to check whether FMPs have considered principal adverse impacts of investment decisions on sustainability factors. Take into account is the reference used for the SFDR disclosure of how sustainable investments Do Not Significant Harm (DNSH) any environmental or social objective. According to the Commission answer to the ESAs question on this issue\(^1\), the requirement to consider PAI means that the FMP should disclose how it addresses the adverse impacts of the investments, for example how it aims at reducing them. In contrast, the requirement to take into account the PAI for the DNSH test consists in requiring to take into account the indicators of adverse impact only for the sustainable investments made, to make sure that these sustainable investments do not cause significant harm to the environment or society.

- **Use of terms such as ‘ESG criteria’, ‘ESG risk’ and ‘sustainable investment goals’**: there is a widespread use from NCAs of the terms ‘ESG criteria’, ‘ESG risks’ and ‘sustainable investments goals’ but these terms are not related to the consideration of adverse impacts. The correct terminology should rather focus on ‘sustainability impacts’, ‘sustainability indicators’, the ‘engagement policies to address the adverse impacts of the investment decisions’, and the ‘degree of alignment with the objectives of the Paris Agreement’ which represent a good measure on the adverse impact on the climate.

Annex – supervisory survey

1) To what extent are financial market participants (FMPs) in your jurisdiction – below the thresholds set in Article 4(3)-(4) SFDR – complying with the voluntary disclosure under Article 4(1)(a) SFDR to publish and maintain on their websites information on how they consider principal adverse impacts of the investment decisions on sustainability factor, in the statement on due diligence policies with respect to those impacts?

The quality of responses from NCAs has significantly improved compared to the previous year. There is a higher level of compliance from market participants reported by NCAs, and a better understanding of requirements of the SFDR Delegated Regulation.

However, there is some variation with regards to the quality of the disclosed information on the consideration of PAI, and still room for improvements on FMP’s use of the measures in the SFDR Delegated Regulation as reference for the completion of their statement.

The degree of compliance remains higher for those FMPs which are part of a group (e.g. bancassurance).

Highlights from the responses received are below:

- One NCA stated that in 2022 it has performed a first supervisory exercise on 78 entities (all life insurers with a balance sheet above EUR 500 million) and on around 250 life insurers and based on the responses it is developing a supervisory framework for internal use.

- A second NCA noted that due diligence disclosures are usually limited to the fact that company and/or group participate in sustainability related international initiatives (e.g. Net-Zero Asset Owner Alliance, Climate Action 100+, Principles for Responsible Investments).

- According to one NCA, UCITS management companies have made an effort in improving their voluntary disclosures to align them with the SFDR Delegated Regulation; while an AIFM was asked to clarify some of the elements required by Article 4(1)(a) SFDR.

- One NCA gave the example of statements provided by investment managers which included: a description of strategies for identifying and weighting key adverse impacts on sustainability factors, an assignment of responsibility for implementation within organisational policies and procedures, methods for selecting indicators, and explanation of how these methods consider the likelihood and magnitude of occurrence of these key adverse impacts.

- Elsewhere, it was reported that while more than half of the FMPs in the market comply with the voluntary disclosures under Article 4(1)(a) SFDR, only half also refer to their due diligence policies and a description on how principal adverse impact is considered.

- One NCA reported that five management companies, while not falling directly under Article 4(1)(a) include, at group level, adverse effects on sustainability in their investment decisions and assess their impact on sustainability factors. The policies and processes developed at group
level form the basis of the company's responsible investment policy, which serves as a set of rules and guidelines for sustainable investment.

- Another NCA observed that the same information reported by the parent entity is also reported through the various branches.

- One NCA provided the following figures: 25 out of 44 management companies choose to explain on their websites that they do not consider adverse impact of their investment decisions under Article 4(1)(b) SFDR. The main reasons mentioned are: i) application of proportionality criteria such as size, internal organisation and the nature, scope and complexity of the activities in question; ii) lack of data and comparable information regarding sustainability; iii) the need to further develop regulation to provide more certainty on how to comply with the requirements. All firms (five investment firms and two credit institutions) below the thresholds set in Article 4(3)-(4) SFDR that opted not to consider adverse impact of their investment decisions under Article 4(1)(b) SFDR explain on their websites the reasons why. In all cases, the reasons given by firms are that they do not have currently either data or procedures to calculate those adverse impacts.

- Finally, one NCA from outside the EU noted that the law will only be transposed in national legislation in June 2023.

2) To what extent are FMPs below the thresholds set in Article 4(3)-(4) SFDR choosing to explain that they do not consider adverse impact of their investment decisions under Article 4(1)(b) SFDR?

The extent of the disclosures where FMPs do not consider the adverse impact of investment decisions on sustainability factors remain limited. The explanations are usually limited to general and vague sentences. The FMPs choosing to explain under Article 4(1)(b) remain a lower proportion compared to those complying with Article 4(1)(a) SFDR.

The most common reasons mentioned for the statement under Article 4(1)(b) SFDR are the lack of availability of publicly available data and challenges in the quantification which prevent FMPs to properly take those elements into account, the small size of FMPs and the absence of clear regulatory guidance. An interesting finding is that there are some FMPs that have misinterpreted the spirit of the article, as they say their rationale for not considering PAI indicators was that they employ fewer than 500 people, without any additional explanation on why they do not do so, and when they intend to consider such adverse impacts.

Some NCAs include a reference to the fact that they might reconsider their decision of not considering PAI indicators in due course. However, a general weakness identified in this type of disclosure is about when FMPs intend to disclose such adverse impacts.

- One NCA, when reviewing the websites of insurance undertakings under the 500 employees’ threshold, found no cases where the insurance undertakings explain that they do not consider the adverse impacts of their investment decisions.

- One NCA reported that the explanations are mainly the lack of consistent, accessible and accurate data and that overall disclosure rules are not entirely clear.
- One NCA mentioned that their FMPs clearly state that they will re-evaluate their procedures and the impacts of their investment decisions on sustainability factors may be considered in the future.

- One NCA mentioned that most of the FMPs in their jurisdiction do not consider the adverse impacts of their investment decisions, mainly because of the lack / incompleteness of ESG factors at issuers level.

- One NCA noted that insurance undertakings in its jurisdiction are fully aware of the importance of PAIs on sustainability factors, but some of them do not consider those at present and inform about their main reasons on their websites (e.g. those cannot be clearly and correctly quantified).

- A different NCA commented that three of the 21 firms that explained under Article 4(1)(b) demonstrated that they misinterpreted the legislation, as their rationale for not considering PAI was that they employ fewer than 500 people.

- One NCA explained that in the area of investment management, 25 out of the 44 management companies surveyed choose to explain on their websites that they do not consider adverse impact of their investment decisions under Article 4(1)(b) SFDR. The main reasons mentioned are: i) the application of proportionality criteria such as size, internal organization and the nature, scope and complexity of the activities in question; ii) lack of data and comparable information regarding sustainability; iii) the need to further develop the regulation to provide more certainty on how to comply with the requirements.

- The same NCA drew attention to the fact that all investment firms analysed have decided not to consider adverse impact of their investment decisions because of lack of data or procedures to calculate those impacts.

- Another highlighted that the majority of asset managers, investment firms and IORPs had not updated their statements since 2021.

- One NCA mentioned the example of two pension funds. The first states that considering risks related to sustainability is a natural part of the investment process and does not believe its investment decisions have a negative impact on sustainability, although it does not rule out considering PAIs in the future. The second pension fund states that the market is just getting acquainted with the new legislation and to consider ESG risks it would need to be able to analyse data from product issuers.

- One NCA mentioned that most insurance companies indicate that they do not consider PAIs due to “insufficient clarity from a legal perspective”. One insurance company in run-off indicated that for the existing products, they are not changing their investment decision process and investment strategy to incorporate sustainability risks. Consequently, they will not consider the principle adverse impacts of investment decisions on sustainability factors.

- For self-managed schemes and below threshold AIFMs, one NCA noted that a significant number of such entities reported having no website at all.
– Finally, one respondent stated that in the case of insurance undertakings, explanations are only limited. Most of them indicate that they apply some exclusions in their investment policies, for example: investments in controversial weapons, coal mining, high GHG emissions.

3) Have you observed any examples of FMPs not complying under Article 4(1)(a) SFDR nor explaining under Article 4(1)(b) since March 2021?

From the responses received, the level of compliance varies across jurisdictions and type of FMPs. While a few NCAs reported cases of non-compliance under Article 4(1)(a) or (b) SFDR, the majority however stated that the problems were more in the completeness and quality of the information included in the statements, with room for improvement in the quality of the disclosure.

The cases of non-compliance and those of confusion with information under Article 3 SFDR are quite frequent and NCA have responded that there will be targeted follow ups to ensure appropriate actions. Similarly, some respondents reported that the non-compliance is linked to the absence of a website.

In addition, the information about whether and when they intend to consider such adverse impacts is not clearly disclosed. Small investment firms are the type of FMPs reporting the most limited compliance.

– One NCA noted that there is currently one UCITS and one AIF management companies that do not yet have an official website due to their recent authorisation, but they are under development.

– One NCA noted that non-compliance has been observed only for less than 5% of the insurance undertakings in the market.

– According to one respondent two out of 38 FMPs did not comply under Article 4(1)(a) SFDR nor explain under Article 4(1)(b) since March 2021. Two more firms’ online disclosures could not be accessed and the NCA could not determine compliance or non-compliance.

– One NCA mentioned that while formally all the market participants comply with the provisions as they were all asked to send website links of the disclosures to the NCA, those could be significantly improved in terms of content and presentation.

– One NCA noted that only one FMP (specifically a small AIF manager) did not comply with Article 4(1)(b) SFDR but described instead how environmental, social and governance principles are incorporated in investment strategies and business conducting principles.

– One NCA responded that across the various market participants, the registered AIFMs (84%) are amongst those that do not comply with the requirements.

– One NCA raised the case of insurance undertakings, where four of those undertakings have not disclosed the information at the level of the financial advisors (even though they are insurance undertaking and advisor) and two have disclosed unclear information (overlapping with Article 3 SFDR).

– One NCA confirmed that the majority of FMPs complied with the rules, with the notable exception of investment firms.
Out of 18 authorised UCITS and AIFM management companies, one NCA noted that only one company did not comply (the remainder citing the non-availability of a website). However, on the website of the 16 insurance companies in the survey there was no information relating to the reasons why the insurance company did not comply with Article 4(1)b SFDR.

The priority for one NCA for the time being is to supervise pension schemes’ adaptation to IORP II requirements, and to ensure that the vehicles for scheme consolidation are of a sufficient standard. The NCA will be able to give more attention to website disclosures only when more progress is made on this workstream.

For one NCA, 41% of financial market participants are not complying with voluntary disclosure under article 4(1) SFDR, and 18% of this 41% are not complying because they don’t own a website.

One NCA found that two companies did not update their website and three needed to correct the information available.

Finally, one NCA noted an improvement in terms of compliance with disclosures (e.g. currently only 10% of FMPs are non-compliant, compared to the higher numbers from last year).

4) How many FMPs have been considered in your assessment under questions 1-3? Is that a reflection of the market size in your jurisdiction? Where available, please provide a breakdown by sector (asset management, insurance, pensions, banks).

As was done for the previous year’s exercise, the ESAs have decided not to provide a specific threshold in terms of minimum number of FMPs or AuM to be included in the sample.

NCAs have taken a different approach in the selection of the sample of FMPs to be considered in the assessment of questions 1-3, with an overall higher sample analysed compared to last year and a higher diversity in terms of population assessed. Some respondents even covered all FMPs in their jurisdictions, or in other cases up to 80-90% of their market.

Some highlights from the responses received by NCAs are included below:

- One NCA stated that it considered all assets managers in its market (both AIF and UCITS management companies) and all investment firms that provide portfolio management services.

- Another considered all their insurance undertakings.

- One NCA noted that given the high number of FMPs in their own jurisdiction, it would be very difficult to assess the compliance with voluntary disclosures in their market and selected a small sample.

- One NCA provided the following breakdown: two life insurers (100% of the market), nine UCITS management companies, seven pension funds, 22 AIFM, two credit institutions and two investment firms.
- For one jurisdiction, the NCA considered 128 financial markets participants of which 118 are asset managers and 10 investment firms which provide portfolio management while the other responsible NCA covered in the analysis all the insurance companies and pension providers, headquartered in that member, or that operate through a local branch, and are covered by the article 2 (11) SFDR.

- As final example, one NCA performed the analysis on 162 pension funds (almost 100% of the market), twelve asset managers (about 10% of the market), ten investment firms (about 5% of the market) two banks (with the caveat that most banks do not have more than 500 employees or do not offer investment advice).

5) Of the Article 8 and Article 9 SFDR financial products in your jurisdiction, could you approximately state what share of those products disclose under article 7(1) SFDR? Where possible, please include the breakdown between Article 8 and 9 SFDR.

Article 7(1) SFDR started applying from 30 December 2022, which helps explain the limited feedback received on this question, together with the fact that considering PAI under Article 7 SFDR disclosures is entirely voluntary. Most NCAs duly reported that information in the market was limited and very few respondents provided a breakdown of product-level voluntary disclosures per Article 8 and Article 9 SFDR.

Some NCA highlighted the problematic areas of implementation of Article 7(1) SFDR, mostly linked to the ambiguity on the definition of sustainability for all asset classes, as well as data availability.

Those NCAs who managed to provide data on the disclosures under Article 8 and Article 9 SFDR, highlighted that the product level compliance for those voluntary disclosures are quite high for both Article 8 and Article 9 SFDR, with the caveat that those are only preliminary observations.

There is still room for improvement because some of the disclosure assessed as not very elaborate or failing to mention which PAIs are considered.

The following represents highlights from some of the respondents:

- One NCA stated they are developing a database which will provide exact information on the voluntary disclosures of Article 8 and Article 9 SFDR investment funds authorised in that jurisdiction.

- One NCA highlighted the absence of clear interpretation of many legislative, classification and reporting requirements, insufficient timeframe and ambiguity in the definition of sustainability of all asset classes which make the analysis difficult.

- One NCA said that a large number of Article 8 and Article 9 SFDR investment funds confirmed they do consider PAIs on sustainability factors.

- One NCA confirmed that all UCITS funds (currently 30 UCITS funds from a total of 103 U) disclosing under Article 8 SFDR and one multi-option product (MOP) disclosing under Article 8 SFDR comply with Article 7(1) SFDR.
- Another noted that in relation to the sample reviewed (329 collective investment schemes classified as Article 8 or 9 according to SFDR, from 44 management companies), 89% considered PAIs at product level (100% under Article 9, and 85.41% under Article 8). The percentages are even higher if those funds where the management company consider PAIs at entity level are included (Article 4(1)(a): 97.45% consider PAIs at product level (100% Article 9 and 97.31% Article 8).

- One NCA reported instead that in their jurisdiction while there is an effort to comply, some insurance undertakings confuse compliance under Article 7(1) SFDR with the statement under Article 7 Taxonomy Regulation.

- In one jurisdiction, one NCA noted that out of the UCITS funds assessed 93% of the Article 9 SFDR and 76% of the Article 8 SFDR funds are meeting the product disclosure under Article 7(1) SFDR. The other NCA in that same jurisdiction noted that nearly 73% of the Insurance Undertakings that offer life insurance products disclose under Article 8 of SFDR. There are no Article 9 SFDR financial products at the moment.

- Another NCA noted that as of 31 March 2023, there are nine UCITS funds disclosing under Article 8 SFDR and none disclosing under Article 9 SFDR. All of the Article 8 SFDR UCITS funds explain that they do not consider PAIs at product level under 7(2) SFDR.

- One NCA found that half of the sampled insurance-based MOPs comply with the SFDR disclosures on profit participation funds. For the remainder, no SFDR disclosure was found online for profit participation funds.

- Finally, one NCA noted that disclosures refer to indices and methodologies used by institutions for grading ESG investments, and some companies are disclosing that their products do not take into consideration sustainability goals and that they do not intend to promote such products in the near future.

6) **Have you observed any differences with regard to FMPs’ disclosures under Article 4(1)(a) depending on their size, the nature and scale of their activities and the types of financial products they make available? Please explain, possibly with examples**

Similarly to last year’s results, replies to this question vary significantly across respondents, with an equal split between respondents that have observed differences of disclosures based on size, nature and scale and those who have not.

Some NCAs responded that they could not observe any differences, while others confirmed that those FMPs part of a large group have more detailed disclosures or simply make reference to the relevant information on the website of the parent company or group, also with higher levels of compliance reported. In addition, FMPs part of a group are also more likely to voluntarily disclose information at the individual FMP level.

Interestingly, one NCA reported that large FMPs which disclose under Article 4(1)(a) SFDR tend to use disclosures as a marketing strategy.

Below are few relevant excerpts of responses:
One NCA highlighted that large and mid-sized asset management companies which are part of groups have more detailed disclosures; in addition, disclosures for UCITS and retail AIFs management companies appear more detailed compared to AIFs managed for professional investors. IORPs that are part of a larger insurance group follow and adhere to the general strategy of the group itself, otherwise IORPs are more likely to use the explanation mechanism due to their size and burden associated with the disclosure under Article 4(1)(a) SFDR.

One NCA highlighted that AIFMs that follow the principles of good corporate governance and have more geographically diversified investors and investment activities, have more extensive, structured, and more responsible disclosures under the SFDR.

Another stated that companies belonging to large groups/conglomerates are more advanced in the type and quality of disclosures and are more likely to voluntarily disclose information at the individual FMP level.

One NCA did not observe a correlation between the size and the compliance with the disclosure requirements, we might bring out that the quality of the disclosures depends on the importance given to ESG criteria in the investment decisions.

Another NCA observed lower levels of compliance for smaller FMPs.

With the caveat that the assessment was made before the entry into force of the SFDR Delegated Regulation, one NCA identified that larger FMPs disclose on the following points: identification and prioritisation of PAIs, actions taken to mitigate such impacts, description of engagement policy, list of international standards respected and degree of alignment with the Paris Agreement. The level of disclosure is however more limited for smaller companies. Some mention that international standards are being ‘respected’ without providing further details.

One NCA noted that the largest investment management company disclosed a large volume of information compared to smaller ones. In addition, branches considering PAIs under Article 4(1)(a) SFDR disclose very detailed information related to sustainability, while no differences related to size were noted by the same NCA in the insurance and pension sector.

7) Do you believe the website disclosures of PAI under Article 4 SFDR are ‘easy’ and ‘straightforward’ to find?

The majority of respondents confirmed that overall disclosures under Article 4 SFDR are easy to find. However, differences in the structure of the websites make the research of the information more time-consuming, in particular when information is presented in several documents and sub-pages.

One NCA mentioned that they developed a tool – which they started to use in 2023 – to identify disclosures under Article 4 SFDR.

Some FMPs place the information on their websites in conjunction with various information documents, either in a "Downloads" or "Required Information" section.
The fragmentation of different disclosures continues to be an issue and most FMPs still prefer to include Article 4 SFDR related information in the legal documentation, requiring extensive research from the NCA to check compliance.

Finally, some NCAs noted that information on the voluntary PAI disclosures still need to be found through a search engine.

Below are the highlights of the responses received:

- One NCA announced the development of a tool to be used from 2023 to check if all disclosure of PAI under Article 4 SFDR are “easy” to find and have the label provided by the article 4 of SFDR.

- One NCA highlighted different approaches for FMPs. In some cases, there are two sections related to sustainability on the website, one related to the FMP’s overall approach to sustainability and the second specific to SFDR, while other FMPs only have one document (usually named ‘ sustainability policy) which includes all the SFDR sustainability-related disclosures.

- One NCA noted that there is room for improvement in the standardisation of the website disclosures, as some FMPs align the creation of the website with the requirements of the parent group / company rather than with the requirements of the investor, which makes it difficult for investors to compare different products with respect to ESG criteria and sustainable investment goals.

- One NCA provided details on the numbers: only eight of the 38 FMPs in the survey had difficult to find disclosures.

- One NCA highlighted savings banks as the type of FMP where disclosures are most difficult to find, as statements can be at the bottom of the website under items not clearly connected to the PAI statement

- In the area of investment services an NCA listed the following issues: a) information is included in sections with non-intuitive titles (e.g. corporate governance, legal reports, corporate information, corporate social responsibilities) or 2) information is included only in the corporate website but not in the commercial one (usually accessed by retail investors).

- One NCA noted that banks include voluntary disclosures information in legal documentation, together with risk management related documentation. For asset managers, website disclosures of PAI were easy and straightforward to find for more than 70% of the sample (documentation is easier to find for the large entities).

- One NCA reported that on the asset management side, information was easy to find only for professional investors, so an area of improvement could be to extend it also to retail investors; the same NCA noted that the information is also easy to find for insurance companies, but the information is published under the ‘download’ or ‘legal document’ section which make them more difficult to find.
8) As part of the statement under Article 4(1)(a) SFDR, do FMPs disclose the degree of their alignment with the objectives of the Paris Agreement?

The disclosure of the degree of alignment with the objectives of the Paris Agreement is confirmed as an area where more analysis needs to be done.

While the overall level of disclosure is low, disclosures are made in vague term and entities mention their degree of alignment to Paris Agreement without referencing the indicators for the decarbonisation path of their investments.

A few NCAs admitted that they had not specifically investigated this type of disclosure.

Please find below excerpts of relevant responses:

- One NCA noted that all life-insurers in their jurisdiction reported about their alignment with the objectives of the Paris Agreement. Reported figures are however based on different methods and perimeters, making them impossible to compare.

- One NCA noted that whenever disclosure on Paris alignment is made, it is quite vague and not substantiated.

- One NCA reported that management companies only make vague references to the Paris Agreement without specifying the actual degree of alignment; similarly for investment firms subject to mandatory disclosures, only two out of the eleven analysed make a reference to the Paris Agreement without publishing the degree of alignment.

- One NCA reports that for banks, the degree of alignment is rarely found, similarly for investment firms the information is not clear or standardised. 83% of management companies make a reference to their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and the degree of alignment with the objective of the Paris Agreement (however, the information is generally not standardised).

- One NCA has presented the case of one investment firm that discloses information under Article 4(1)(a) mentioning the Paris Agreement very generally and in connection with exclusion policies for the coal industry, without a specific level of alignment.

- One NCA provided the following figure to show the level of compliance in the sample: one out of 33 management companies, zero out of 15 credit institutions and investment firms, and two out of 24 insurance undertakings.

- One NCA reported that some of the market participants disclose this information but mostly they just claim that they are contributing to UN Sustainable Development Goals (SDGs) or UN Global Compact or PRI (Principles for Responsible Investments), etc.
9) Do you have any best practices you would like to share or highlight in terms of voluntary reporting standards?

Responses to this question were more detailed compared to last year, with NCAs providing the ESAs with examples of FMPs’ websites which are considered as best examples from their perspective.

Compared to last year, NCAs have also issued targeted recommendations for their markets, providing indications on the supervisory expectations for the compliance with voluntary PAI reporting.

A number of NCAs noted that additional observations will be provided to the ESAs once the first PAI statements will be published based on the mandatory template in Table 1 of Annex I of the SFDR Delegated Regulation.

- One NCA mentioned that they have issued several recommendations to the market to highlight in particular the focus on the transparency of the disclosure, limit the use of external links and improve the accuracy regarding the use of data (e.g. avoid use of benchmarks or graphs without explaining the source).

- One NCA noted the importance of the identification of PAI indicators, the methodology and data used for the assessment of each PAI, stewardship activities (engagement and voting) engagement policies, changelog already compliant with Level 2 provisions before 30 June 2023.

- One NCA highlighted that it is considered a good practice that information on due diligence policies is available on a section of the website dedicated to sustainability aspects.

- One NCA highlighted that on the banking side, some entities have provided a mapping exercise facilitating the identification of which SFDR requirements they disclose. For investment firms, a standardised text should help entities have a common base to perform the disclosures as required by Article 4 SFDR, and for asset managers the suggestion is to provide more guidance on the content and format of the disclosures.

- One NCA noted that in their jurisdiction some entities established a committee for the purpose of identifying and overseeing ESG risk and ensuring the integration of sustainability elements in their processes and procedures.

- Finally, one NCA noted that management companies that comply with the voluntary disclosure consider and include in the statement under Article 4(1)(a) SFDR the PAI indicators in Annex I of the SFDR Delegated Regulation.

10) Have you noticed progress in FMPs’ practices compared to last year’s survey (e.g. the quality of the rationale provided by entities that did not consider PAIs or the degree of alignment of the objective with the Paris Agreement) or any uptake by FMPs of the good practices highlighted in the latest report?

Overall, NCAs noted an improvement in terms of better understanding of the regulatory requirements and the level of details to be disclosed. This improved understanding is also promoted by supervisors organising discussions and providing recommendations.

Some improvements relate to some FMPs not disclosing at all last year that now discloses that they do not consider PAI.
One NCA mentioned that compared to last year most of their life insurers have published their warming potential and alignment to the Paris Agreement, questioning the data quality of the information disclosed on the alignment to the Paris Agreement.

One NCA noted that considerable progress was made in the area of entity level voluntary disclosure, both in the investment management and investment services area, with the exception of the degree of alignment with the Paris Agreement.

One NCA explained that the number of entities disclosing under Article 4(1)(b) has increased, with an improvement in the reasons provided for explaining rather than complying.

One NCA acknowledged the progress made and the regulatory framework becomes more and more understood by FMPs. However, the wording of the legal text remains complex and difficult to digest.

One NCA observed that the quality of the website disclosures varied and could be characterised as lacking clarity. FMPs in scope need to take all necessary steps to ensure that they abide by all the applicable SFDR requirements whilst also providing sufficient and clear detail, granularity and reasoning in their disclosures.

Only one mentioned that the improvement can be considered limited compared to last year and relates to the fact that FMPs which were not disclosing at all last year, now they have a statement indicating that they do not consider PAI indicators.

Finally, one NCA stated that the quality of disclosures in their own jurisdiction has significantly improved in the past year with disclosures which are currently well explained, better thought-through and showing a better understanding of the regulation.

11) Is there any other comment or consideration you would like to share with the ESAs at this stage?

Many respondents did not provide comments or additional considerations, stating that they will do so next year based on the review of the PAI statements which will be available in the market after 30 June 23.

The confusion between information related to PAI indicators and transparency, sustainability risk management and integration of sustainability risks remains problematic, as some FMPs keep confusing those concepts. One NCA mentioned that they will provide additional guidance to the market to clarify the issue.

Please find below the key responses provided:

- One NCA pointed that there are still many examples in the market that information about FMP risk management, investment decisions and PAI considerations disclosed are often mixed. FMPs usually mix up principal adverse impacts of investment decisions on sustainability factors and sustainability risks, which can result confusion especially for the investors.
- Another NCA noted that policies disclosed in terms of risk management and PAI considerations are often confused, and in many cases exclusion policies are used to justify both ESG risk management and risk mitigation actions.

- Another NCA pointed out that FMPs in their jurisdiction have their strategies directed towards zero non-ESG compatible investments, they publicly disclose the percentage of those unwanted investments in their portfolio and the goal year when those investments will be out of their portfolio.

- One FMP noted that it is often unclear where the information provided relates to a financial product or the entity, and that the information is difficult to find, even when there is a sustainable section of the website, the information on PAI is not necessarily available.

- Another NCA also asks for more guidance on how to supervise Article 4 SFDR disclosures.

- One NCA noted that FMPs offering Article 8 SFDFR financial products do not have a full understanding on what should be disclosed at entity level and they appear to mix the double materiality aspects when disclosing information from Article 3 and Article 4 SFDR.