

Ref: ESAs Survey on templates for Environmental and/or Social financial products under SFDR

Link to consultation: <https://ec.europa.eu/eusurvey/runner/ESGtemplatesSFDR>

BETTER FINANCE Response ESAs Survey on templates for Environmental and/or Social financial products under SFDR

Executive Summary

General comment	We warmly welcome the the use of specific templates to standardise the disclosures of ESG information. We consider that to be comparable, the information disclosed must reach the highest degree of standardisation at a cross-sectoral levels and standardisation concerns not only the type of information to be included, but also the order flow and format; in other words, it must exhibit the same structure. However, we suggest shortening the templates avoiding information overload including complex and misleading information regarding the sub-categories of investments.
Graphical representation and the use of icons	Icons and visual aids can guide and help the investor to understand complex contents. In addition, the icons and visual images can make the text “lighter” and more intuitive for the investors. Graphical representation could help individual investors to easily understand the sustainable features of the product as long as the same format of graphical representation (for example pie and/or bar chart) is used for the same product category.
Digital media	The use of digital media can be a good opportunity to streamline online KIIDs or KIDs. It would be useful to have different layers disclosing different level of details. In this way, the investor will have a more intuitive and shorter document (at first glance) with an easier access to information.

About BETTER FINANCE

BETTER FINANCE, the European Federation of Investors and Financial Services Users, is the public interest non-governmental organisation advocating and defending the interests of European citizens as financial services users at the European level to lawmakers and the public in order to promote research, information and training on investments, savings and personal finances. It is the one and only European-level organisation solely dedicated to the representation of individual investors, savers and other financial services users.

BETTER FINANCE acts as an independent financial expertise and advocacy centre to the direct benefit of European financial services users. Since the BETTER FINANCE constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other stakeholders who are independent from the financial industry, it has the best interests of all European citizens at heart. As such its activities are supported by the European Union since 2012.

Introduction

*The European Supervisory Authorities (ESAs) welcome comments on this survey setting out the details of the **presentation of the information** to be disclosed pursuant to Article 8(3), Article 9(5) and Article 11(4) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services (SFDR). This information concerns pre-contractual and periodic disclosures to be included in existing disclosures provided for under EU sectoral legislation and provided by, for example, AIFMs, UCITS management companies, insurance undertakings, IORPs or PEPP providers. The ESAs propose to standardise the disclosures by requiring the use of specific templates, recognising the need for standardisation of disclosures to promote comparability of different financial products in different Member States with respect to ESG information, in line with Recital 9 of the SFDR.¹*

The colour of the font and of the template's background, as well as type of font to be used are not prescribed in the templates. These should be adapted by the financial market participants to fit the formatting of the underlying document to which the templates are integrated (prospectus, annual report, pre-enrolment disclosure for prospective pension scheme members, etc).²

The final content of the templates is subject to the outcome of concurrent consumer testing exercise and the final report of the ESAs on the draft RTS under SFDR. The consultation package includes:

- *Three preliminary, **illustrative mock-ups** of pre-contractual and periodic disclosure templates of products promoting Environmental and/or Social (E/S) characteristics (under Article 8 and Article 11 of the SFDR). The templates for the disclosure of products with a sustainable investment objective (Article 9) are very similar to those for the products promoting E/S characteristics and have not been included in the on-line survey. **N.B. These mock-ups are purely illustrative for the purposes of gathering feedback on the presentation of information. The pre-contractual mock-up is presented in two variations: with and without icons, to gather feedback on the use of the icons. Please note that some of the sections of the templates (notably on "benchmarks", are not applicable for all products when not relevant - as defined in the draft RTS).**³*
- *An on-line survey.⁴*

Questions to the survey

Q1. How useful is the highly standardised presentation of the information in this format?

1. Useless
2. Fairly useless
3. Neither useless nor useful
4. Fairly useful
5. **Very useful**

¹ <https://ec.europa.eu/eusurvey/runner/ESGtemplatesSFDR>

² Ibid.

³ Ibid.

⁴ Ibid.

Please explain:

To be comparable, the information disclosed must reach the highest degree of standardisation at a cross-sectoral levels and standardisation concerns not only the type of information to be included, but also the order flow and format; in other words, it must exhibit the same structure.

Q2. More specifically, how useful is the presentation of the information with the use of **icons** as visual aids?

1. Useless
2. Fairly useless
3. Neither useless nor useful
4. Fairly useful
5. **Very useful**

Please explain:

Icons and visual aids can guide and help the investor to understand complex contents. In addition, the icons and visual images can make the text “lighter” and more intuitive for the investors.

Q3. More specifically, how useful is the presentation of the information with the use of **graphs** as visual aids?

1. Useless
2. Fairly useless
3. Neither useless nor useful
4. Fairly useful
5. **Very useful**

Please explain:

We believe that the graphical representation could help individual investors to easily understand the sustainable features of the product as long as the same format of graphical representation (for example pie or bar chart) is used for the same product category. This would enhance comparability across sustainable products facilitating individual investors to understand the characteristics of the product.

Research and extensive testing by the AFM (Dutch supervisor) on infographics for key information documents have confirmed their effectiveness.

Q4. 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)?

1. Useless
2. Fairly useless
3. Neither useless nor useful
4. Fairly useful
5. **Very useful**

Please explain:

Explanatory notes are useful for the individual investors but need to be adapted with the type of the information disclosed, and must be accessible digitally via draw down menus.

Q5. Are there any presentational aspects that might make it hard to understand the sustainability-aspects of products? For example, with regards the distinction between the sub-categories of investments, this is the difference between #1A and #1B?

- **Yes**
- No
- Other

Please explain:

Not clear and misleading for individual investors. As mentioned in the previous consultation there is not a clear distinction between “sustainable investment products” in Article 9 and “products that promote environmental social criteria” in Article 8 of the Disclosure regulation. The information presented in the sub-category does not help the investor to understand the non-financial characteristic of the product. A simplified representation is needed in this regard.

Q6. Do you have any other suggestions or comments to improve the presentation of these disclosure documents?

Please explain:

The templates need to avoid information overload and should provide clear (in the MiFID sense; i.e. intelligible for the average reader), simple, short and concise, avoiding jargon and comparable. To be clear, simple, short and concise, it must focus only on key elements that can and should guide the financial and non-financial decision making of the average investor. At the moment the templates proposed are too long with an information overload for individual investors. However, we agree with the use of graphs and icons to make the document “lighter” more understandable.

Therefore, we suggest shortening the templates avoiding information overload including complex and misleading information regarding the sub-categories of investments #1A and #1B.

Q7. 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 standardised template format?

Please explain:

The use of digital media can be a good opportunity to streamline online KIIDs or KIDs. It would be useful to have different layers disclosing different level of details. In this way, the investor will have a more intuitive and shorter document (at first glance) with an easier access to information.