



To: European Commission Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA)

Attn: Mr Ugo Bassi, Director DG FISMA  
Mr Alain Deckers, Head of Unit C.4 Asset Management DG FISMA

Subject: **Joint letter on coordination of SFDR level 1 and level 2 reviews**

Brussels, 26-01-2024

Dear Mr Bassi,  
Dear Mr Deckers,

As representatives of the financial sector, our associations are committed to supporting the transition to a more sustainable economy and tackling climate change as a matter of high priority. Our associations recognise that Europe played a key role as a pioneer for sustainable finance product disclosures, and commend the efforts made to set the European framework for such disclosures. The Sustainable Finance Disclosure Regulation (SFDR) is an important piece of regulation, a part of the larger set of regulatory initiatives forming the basis of the European Union (EU) sustainable finance framework.

Our associations contributed to the public consultation on the implementation of the SFDR launched in September 2023 by the European Commission (EC), as well as to the Final Report on draft Regulatory Technical Standards (RTS) released by the European Supervisory Authorities (ESAs) in December 2023. The latter was responding to the EC call for advice on reviewing Principle Adverse Impact (PAI) indicators and on addressing technical issues emerged since the SFDR was introduced.

In that respect, our associations are concerned about the lack of coordination of these major review projects under SFDR that puts investors' confidence in sustainable investment solutions and the reliability of the EU standards for sustainable disclosures at risk. The findings of consumer tests conducted by the ESAs based on the adaptations foreseen at level 2 demonstrate that investors still struggle to understand the aim and context of disclosures as well as their content.

It is **critical that the level 1 and level 2 reviews of the SFDR are fully coordinated** to guarantee legal certainty and deliver a successful law-making process, preventing overlapping and doubling efforts. Consequently, **our associations strongly support the EC delaying the adoption of the level 2 measures proposed by the ESAs to reconsider changes to the SFDR holistically**. Regardless of some improvements in the RTS, the assessment of whether changes and new disclosures should be introduced in the RTS should be done together with the holistic review of the framework and after major changes to the level 1 concepts.

The SFDR is a part of a larger set of regulatory initiatives (including the Corporate Sustainability Reporting Directive, Taxonomy Regulation, Corporate Sustainability Due Diligence Directive and European Single Access Point) which are interconnected, but the infrastructure between these different sets of regulation is still not in

place), and full PAI reporting only started in June 2023. Hence, adding further requirements or amending just implemented standards at this stage is premature.

Instead, further feedback from the implementation of current requirements, and a consolidation exercise of the data infrastructure between the different sets of regulation should take place to ensure that the regulation already in force works as intended, fulfils its purpose and creates value for investors. **A period of stability is necessary to avoid confusion** for financial market participants, consumers and investee companies.

Moreover, **any change** to the level 1 would necessarily entail further adaptation measures at the level 2 of the legislation, **bringing technical and operational challenges that the financial sector could only address by incurring additional costs**. Such additional efforts clash with President von der Leyen’s proposals to reduce the reporting burden by 25%.

Our associations therefore call for the EC to **merge the level 1 and level 2 reviews of the SFDR** to guarantee legal certainty and deliver a successful law-making process, preventing overlapping, doubling efforts and incurring additional costs, as well as to **provide the industry with appropriate grandfathering measures, and at least a year for implementation** after the revised level 2 texts are published in the Official Journal of the EU, **to be adjusted upwards to align with the availability of underlying data and the breadth of the changes**.

Our associations would welcome the opportunity to discuss our request with you and your staff in more detail if this may be helpful.

Yours sincerely,

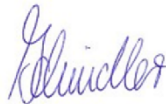
The undersigned associations:



Adam Farkas – CEO of AFME  
(Association for Financial Markets in Europe)



Jack Inglis – CEO of AIMA  
(Alternative Investment Management Association)



Nina Schindler – CEO of EACB  
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Wim Mijs – CEO of EBF  
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Tanguy van de Werve – Director General of EFAMA  
(European Fund and Asset Management Association)



Michaela Koller – Director General of Insurance Europe