



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
MARKETS UNION

The Director-General

Brussels
FISMA.C.4/LB/mp(2022)2726506

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Mr José Manuel Campa
Chairperson
European Banking Authority
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**Subject: Re: amendments to regulatory technical standards under the
Sustainable Finance Disclosure Regulation 2019/2088**

Dear Ms Hielkema, Dear Ms Ross, Dear Mr Campa,

On 4 February 2021, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority and the European Banking Authority (collectively the ESAs) jointly submitted to the Commission a first batch of seven draft regulatory technical standards under Articles 2a(3), 4(6) and (7), 8(3), 9(5), 10(2) and 11(4) of the Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR).¹ On 22 October 2021, the ESAs jointly submitted to the Commission a second batch of six draft regulatory technical standards under Articles 8(4), 9(6) and 11(5) SFDR.

The Commission decided to bundle all 13 draft regulatory technical standards in a single delegated regulation and defer the date of application of the act to 1 January 2023. The Commission adopted the SFDR Delegated Regulation on 6 April 2022.

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (OJ L 317, 9.12.2019, p. 1).

The Commission recognises that developments in a novel and fast evolving area like sustainable finance disclosures will require regular adaptations of the regulatory technical standards to reflect increased demand for high quality sustainability-related information and to further promote supervisory convergence.

This is why the Commission announced in the Strategy for Financing the Transition to a Sustainable Economy (the Strategy)² the review of the regulatory technical standards to cater for the increased request for transparency in areas that extend beyond the environment. The Commission also announced in the Strategy, by referring to the SFDR regulatory technical standards, its aim to strengthen the disclosure and effectiveness of decarbonisation actions by financial market participants for all financial products.

The Commission therefore needs to make amendments to the SFDR Delegated Regulation based on new regulatory technical standards. If the Commission does not adopt such amendments, several areas in the SFDR Delegated Regulation might risk, if not adjusted, not to appropriately reflect the new factual and regulatory situation.

1. Principal adverse impacts indicators

The review and revision of the regulatory technical standards laid down in the SFDR Delegated Regulation should aim at broadening the disclosure framework and addressing the main technical issues that have emerged since the SFDR was originally agreed, which concern **sustainability indicators in relation to adverse impacts as referred to in Article 4(6) and (7) SFDR.**

We invite the ESAs to (1) streamline and develop further the regulatory framework, (2) consider extending the lists of universal indicators for principal adverse impacts, as well as other indicators, and (3) refine the content of all the indicators for adverse impacts and their respective definitions, applicable methodologies, metrics and presentation.

A guiding principle for amendments to the regulatory technical standards should be to reduce the risk of ‘false certainty’ and potential ‘safeguards washing’ by requiring well-substantiated evidence that investments align with the safeguards, and that implementation and application efforts do take place. At the same time, these amended regulatory technical standards should be carefully calibrated so that disclosures based on these indicators are proportionate and feasible for financial market participants.

The ESAs should inform their changes to the technical regulatory standards with the results of the stocktaking for the annual report envisaged in Article 18 SFDR and with the Q&As adopted by the ESAs on the practical application of standards. The ESAs should seek input from the European Environment Agency and the Joint Research Centre of the European Commission, and, where suitable, from decentralised agencies, such as the EU Agency for Fundamental Rights, the European Labour Authority, the European Foundation for Living and Working Conditions, the European Agency for Safety and Health at Work, the European Institute for Gender Equality, the European Maritime Safety Agency.

2. Transparency by financial products

We invite the ESAs to jointly propose amendments to regulatory technical standards laid down in the SFDR Delegated Regulation in relation to the **information provided in relation to financial products in pre-contractual documents, on websites, and in**

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Strategy for Financing the Transition to a Sustainable Economy (COM(2021) 390 final).

periodic reports on decarbonisation targets, including intermediary targets and milestones, where relevant, and actions pursued. The ESAs should also consider whether **the provisions in regulatory technical standards regarding financial products referred to in Article 5 and 6 of the Taxonomy Regulation sufficiently address the disclosure and information on environmentally sustainable economic activities.**

We invite the ESAs to propose amendments to regulatory technical standards on pre-contractual and periodic documents or information referred to in Article 6(3) and Article 11(2) SFDR and on website product disclosures referred to in Article 10(1) SFDR for financial products referred to in Article 8(1) to (2a) SFDR and in Article 9(1) to (4a) SFDR.

We invite the ESAs to jointly submit the draft regulatory technical standards amending the regulatory technical standards laid down in the SFDR Delegated Regulation, at the earliest opportunity, and at the latest **within a period of 12 months** following the receipt of this letter. The ESAs should use mandates to develop draft regulatory technical standards in accordance with Articles 4(6) and (7), 8(3), 8(4), 9(5), 9(6), 10(2), 11(4) and 11(5) SFDR in conjunction with Articles 10 of the ESAs Founding Regulations,³ and, where necessary, Article 2a(3) SFDR. In developing these amending draft regulatory technical standards, we invite the ESAs to fully reflect the principle of proportionality in line with Article 5 of the Treaty on European Union.

We would like to express our gratitude for the outstanding work on this complex matter during the last years. The SFDR and the regulatory technical standards constitute a building block of the European Sustainable Finance Agenda. We therefore continue to count on your collective efforts to deliver another important piece of the regulatory framework.

Yours sincerely,

Electronically signed

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³ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12), Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48), Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

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