Law

Feedback from: ShareAction

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‘ShareAction welcomes the opportunity to contribute to the review of the Sustainable Finance Disclosure Regulation (SFDR). This submission draws on the findings of our recent report, Bridging the Data Divide: An analysis of market practice to strengthen engagement disclosures under the Sustainable Finance Disclosure Regulation (SFDR), which assesses the due diligence and engagement disclosures of 30 of the largest asset managers based in or operating within the EU. The report shows that, while the SFDR has played a pivotal role in raising awareness of sustainability impacts in the financial sector, key

weaknesses remain. Disclosuresparticularly on engagement and due diligenceare often generic, lack consistency, and fall short of enabling end investors to assess how financial market participants (FMPs) manage sustainability risks and impacts at entity and product levels. Nonetheless, our analysis also identifies strong examples of current market practice, showing that clear, meaningful disclosure is both feasible and already underway among some asset managers. Based on our findings, we put forward two priority recommendations: 1)Uphold and streamline entity-level disclosures. Entity-level disclosures are essential for understanding how FMPs address adverse impacts at a firm-wide level. These disclosures provide end investors with a clear view of how due diligence and engagement practices are embedded across portfoliosnot just within individual products. Despite leading practices, disclosures vary widely in format, clarity, and comparability. The SFDR review should maintain and strengthen these requirements by introducing more precise guidance on what information FMPs must disclose, including how they identify, prioritise, and mitigate principal adverse impacts, and how engagement policies and objectives contribute to these efforts. The Principal Adverse Impact (PAI) indicators remain a key part of this framework and should be preserved as a core tool to assess adverse impacts across the market. 2) Introduce robust engagement disclosure requirements across all product categories, with binding criteria for transition products. The Commissions plans to introduce a product categorisation system present an opportunity to clarify the role of engagement in driving sustainability outcomes. Our research shows that while many asset managers disclose meaningful engagement practices outside the SFDRfor example, through engagement reportsthis information is rarely reflected in SFDR product-level disclosures. Engagement disclosures should be required across all product categories, particularly in the form of a robust engagement strategy that outlines objectives, methods, escalation processes, and outcomes. For a 'transition' category, engagement should be mandatory, given its central role in driving investee companies toward improved performance on sustainability matters. In addition, the revised SFDR should also require minimum disclosure requirements for all financial products, including those not marketed as sustainable. This is essential to close information gaps, enable comparability, and combat greenwashing, as well as putting sustainable and non-sustainable financial products on an equal footing from a transparency perspective. As highlighted by the ESAs and

> *several national regulators, disclosures on key adverse impacts could be required for all financial products.'*

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