

OPSG

# OCCUPATIONAL PENSIONS STAKEHOLDER GROUP

Advice on product disclosure templates under  
the Sustainable Finance Disclosure Regulation

EIOPA-OPSG - 20-28

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**Background information:**

<https://www.eiopa.europa.eu/content/survey-product-disclosure-templates-under-sustainable-finance-disclosure-regulation>

**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

Please explain:

**The respondents generally find the standardization useful or fairly useful, but it's also clear that the templates can be improved. Although standardization helps consumer to compare, many respondents find the templates:**

- **Too prescriptive**
- **Too extensive**
- **Too complex**
- **Not comprehensible to the average consumer**
- **Unfit for purpose for many products**
- **Conflicting/overlapping with other regulation and national requirements**

**Too prescriptive:**

- "It is not clear which wording is compulsory and which is included in the template as an example, but overall the language used is far too complicated
- The ESG info overshadows the financial info when both should be equally important in making an investment decision
- The template duplicates information already provided elsewhere (eg in the Investment Strategy provided in the PRIIPs/PEPP KID)"
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"While we are convinced that standardised disclosure of information will improve the comparability of financial products that promote environmental and/or social characteristics or

have a sustainable objective, we believe that the illustrative mock-ups of pre-contractual and periodic disclosure templates offered by the ESAs are too prescriptive. Standardization should be about the framework and not the chapters, as asset managers need to tailor RTS requirements to the type of products.

Having the very similar models for article 8 and article 9 products does not allow a clear distinction to be made. Particularly for article 8 products, too many information to disclose should not necessarily be readable, accessible and comparable to retail end-customers.

In addition, such highly standardised presentation should be very complex to integrate into a prospectus (see answer to Q2).

We suggest the possibility of changing the main themes, while respecting the SFDR (level 1 and RTS).

This pre-contractual and periodic information is intended to be included into existing documents provided for under EU sectoral legislation and provided by, for example, AIFMs, UCITS management companies. To facilitate this inclusion, and to ensure that information can be provided in compliance with EU and national legislation, it is important to guarantee flexibility in the way documents are structured, while ensuring that the information they contain is meaningful and comparable.”

**Too extensive/readability:**

“Standardisation will be a big challenge, as well as to provide an information which is satisfactory to all addressees. As the addressees are mainly retail investors, if I am right, the general information has to be precise and not too complex. But I do think that the disclosure template needs to be revised in a more professional way, by better structuring and for example highlighting the topics eg Investment strategy, asset allocation...”

“I would bundle all the information on 1 maximum 2 pages (through dividing the page in columns), bold keywords and use of bullet point whenever possible.”

“Readability could be enhanced by graphic features such as bold keywords.”

“It is a step in the right direction yet it can be improved as there are many repetitions. Once standardised consumers can understand and compare better as they will know what to look for. The explanatory notes are very informative and easy to understand. We should not underestimate the more modern knowledgeable consumer and if things do not fit in this format or they are more complex they should be contained in sub-notes.”

**Too complex:**

“It is useful although I would imagine it will be a challenge for providers to describe their products in a standardised way. The information is also very complex and runs the risk of alienating consumers as they might think it is so complex, they will choose to invest in something simpler. “

“The new templates, together with the national requirement, risk feeding a perception of greater complexity of ESG investment compared to non-ESG ones. The feeling risks encouraging members (potential) to choose the latter, perceived as less complex and easy to understand because of the softer disclosure burden. This behaviour may be especially relevant where members have the legal right to choose the investment line when joining the scheme or to change it during the accumulation phase. If, in the end, the scope of the overall “EU green legislative package” is to further the environmental transition of the economy, the proposed rules (templates+contents) risk triggering a reverse effect. A fair balance between disclosure requirements, real disclosure needs of members (potential) and feasibility by financial counterparts should be defined; highly standardized templates by themselves are not sufficient to achieve the aforementioned fair balance. “

“Concepts like these should be explained in simple terms, or at least an easy access to a list of definitions and explanations would be helpful. This could more easily be constructed in a layered webbased approach.”

**Not understandable to the average consumer:**

“We feel that the following information items that need to be reported pre-contractually will not be easily understood by all pension fund members:

- The ‘no sustainable investment objective’. The average member of the public will not understand the difference between ‘environmental and social characteristics’ and ‘sustainable investments’. In fact, the Regulation hardly defines the difference and the terminology does not even resonate with ESG investment practitioners as these terms are not used in the world of finance either. The disclaimer would lead to confusion as to whether the pension fund would have a responsible investment policy or not;
- The difference between direct and indirect holdings;
- What it means to reduce the investment universe;
- What is a ‘derivative’;
- What is a reference benchmark or its role”

**Unfit for purpose for many products:**

- It will be impossible to properly represent the features of all different products in scope (such as PEPP, hybrid products or in periodic information for MOPs). The usefulness of this template for pension products is unclear, and it is not clear how it can be integrated into the PEPP KID. For PEPPs products in particular, the Level 1 Regulation foresees the integration of the ESG information into the PEPP KID. Therefore, the proposed one-size-fits-all mandatory templates do not seem coherent with the Level 1 provisions. I understand that the Level 1 requirements present a significant challenge for the ESAs,

but I believe this needs to be solved through maximum flexibility for companies rather than prescriptive standards.

The mock-ups may be suitable for disclosures in a prospectus (as required for funds), but the disclosures formats required for other products are consumer facing. The level of detail and the choice of language is not appropriate for these formats (PEPP-KID, SII disclosures).

“They give in general a quite good overview about the ESG approach which the investment product does follow. However, since this is designed for products, which are linked to an index resp. try to outperform a market index, it could be difficult for other, more individual investment approaches to be adequately covered by this format.”

“The illustrative mock-ups of pre-contractual and periodic disclosure information can be appropriate for classic investment products but are useless for most pension plans. They clearly show that a “one size fits all” approach does not work.”

“The vast majority of pension plan members are not investors and lack financial literacy. The ESG disclosure information templates require more than basic financial knowledge to understand and are therefore useless for pension plans. To most pension plan members the information provided on ESG should be much more basic, written in simple wording. The main goal of a pension plan is to provide pensions and the information provided on ESG should not be disproportionate compared to the information provided on the pension plan itself. The IORP itself is best placed to determine the language and level of detail to be used when informing its members.

In many countries, pension plans members do not have to take any investment decisions. For these pension plans article 8, 9 and 11 should not apply as the ‘greenwashing’ objective of the Regulation is irrelevant. It’s inappropriate to impose to these pension plans the same disclosure requirements than those applying to big commercial entities.”

“From a communication perspective, information is most useful if the people who receive this, can act upon this information. In particular for Dutch members of pension funds this perspective does not exist, because they are obliged to join on the basis of social legislation and cannot opt-out. Therefore comparing different ‘products’, will not give them an option to adhere to another pension fund. Depending on the pension fund concerned, arrangements exist in which members views are sought by boards of pension funds, and or elected bodies exist with a view to represent members.

Depending on the pension arrangement, members in other Member states may also face barriers for easy transferring their pension savings. The aim that is being pursued by the Regulation is sympathetic, but given the diversity of the pension landscapes, a proportionate and effective way of engaging with Members will require different solutions in different Member States. A clear link to the website of the pension provider in the pre-contractual information, which links to layered and precise information on the website will probably be more helpful.”

“We also note that the mock-ups are based on a very simple product, that invests almost only in listed equity. The ESG policies of the product can be summarized by reference to an index, which means that it is not even necessary to disclose the actual methodologies used. A pension funds’ portfolio is much more complex and typically includes private equity, private debt, real estate and infrastructure and derivatives for interest rate hedging. Moreover, the ESG policy, certainly for the large funds that make up most of the AUM of the sector, is also more elaborate. A bigger Dutch fund will have a voting policy, engagement policy, ESG integration policy, impact investments, due diligence policies, ESG-risk management (as required by IORP2) and climate policies. This means that the template will have to become much longer than you can expect most participants to read, or it will be a text dense with technical terms most people do not readily understand. “

**Conflicting/overlapping with other regulation and national requirements:**

“I am concerned by the potential effects of the new requirements on the perception of the ESG profiles by the members of pension funds, taking into account the overall financial disclosure (included ESG) already requested at national level. In some Member States (MS) IORP’s and personal pensions are already requested to disclose on the ESG profiles in the pre-contractual and periodic documents, using national frameworks; moreover IORP2 directive will put even more focus on the ESG issues. A risk of overlapping between SFDR and national requirements may not be excluded. “

“These pre-contractual and periodic disclosures are intended to be included in existing disclosures provided for under EU sectoral legislation and provided by, for example, AIFMs, UCITS management companies. To facilitate this inclusion, and to ensure that the information can be provided in compliance with EU and national legislation, it is important to guarantee flexibility in how the documents are structured, while ensuring that the information they contain is meaningful and comparable.”

“In order to further increase comparability, the templates should be more coherent with the content and structure for pre-contractual and periodic disclosures proposed in the joint ESAs consultation on ESG disclosures (Articles 14 and 23 of the draft RTS). Adhering with this approach more consistently would also benefit the objectives to prevent greenwashing and reduce information asymmetries for end-investors. In addition to reordering the items included in

the mock-ups, the following items shall be more consistent with the final RTS and the Regulation itself:

- **Use of derivatives:** when a financial product makes use of derivatives, the follow-up question in the dedicated box should ask *whether* (and not “how”) the derivatives are aligned with the E/S characteristics. The requirement to explain should apply in either case, including “how” the derivatives are aligned with the E/S characteristics, when applicable. It is also important to clarify the distinction with products that provide for the use of derivatives, but do not actually hold derivatives.
- **Adverse impacts:** the dedicated section in the mock-ups should not yet make a reference to the respective adverse impact section in the prospectus, as the latter requirement will only become applicable in December 2022.
- **Website reference:** as indicated in Article 10 SFDR and Art. 34 and 35 of the draft RTS, the information to be found on the website is not limited to the “data sources and methodologies used”. The wording in the mock-ups should be amended to reflect this.”

#### Other comments

“For retail clients, standardised disclosure of information will improve the comparability of financial products at promote environmental and/or social characteristics or have a sustainable objective. The illustrative mock-ups of pre-contractual and periodic disclosure templates proposed by the ESAs will be fairly useful for this purpose.

It is a good thing to have the possibility to

- specify that the use of derivatives may not be aligned with the ESG characteristics or sustainability objectives promoted by the product.
- explain that the data to support these disclosures may not be available.
- allow for a cross-reference to relevant disclosures in the Annual Report.”

From this perspective, one respondent suggests that standardised templates should be mandatory for products made available to retail investors and optional for products intended exclusively for professional/institutional investors, but this idea is strongly rejected by others.

“From the perspective of end-investors, there is scope to improve the clarity and understandability of the information provided to retail clients. At the same time, the content of the

proposed templates would bring little or no value to professional or institutional investors. In order to achieve the objectives of the Regulation, in terms of increased transparency towards end-investors it is important to draw a clear distinction:

- **Retail investors:** for information to be meaningful and comparable, they have to be provided in a clear, simple and concise manner; to be reliable, information have to be backed by solid data from investee companies. Subject to additional fine-tuning of its structure and content, the proposed templates would be fit for the purpose of providing meaningful, comparable and reliable information to retail clients.

**Professional/institutional investors:** this category of users requires highly tailored disclosures, in both content and structure. This information, in turn, is processed to fulfil their own reporting requirements, such as those of insurance companies and IORPs.”

On the basis of this distinction, and to preserve this focus, one member proposed that standardised templates should be mandatory for products made available to retail investors and optional for products intended exclusively for professional/institutional investors.

“To make the templates voluntary for retail investors would completely miss the policy objectives of the regulation”

This suggestion was strongly rejected by another member, who considers that the information in the templates is less suitable for consumers than it is for institutional investors:

“Hence, they should not be mandatory for retail customers. In order to ensure pension savers are provided with accessible and meaningful information the providers need to have more flexibility in how the information is presented and the level of granularity provided. The layering provided for by the PEPP-KID could be a useful tool in achieving this, but is not reflected at all in the current draft templates.”

Another member argues that “a member of a supplementary pension scheme (Iorp or personal pension) should not be considered as a retail investor. IORP is a “social product” and not a financial product. At least an exemption for supplementary pension scheme members should be proposed:

“In general I think that retail investor are those most affected by this overload of disclosure and they for sure will skip this information. May be a professional investor is better placed to understand the contents of the templates.”

**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:

**Opinions on icons are the most polarized and on average the least popular feature in the survey. Some members stress that although icons can serve as visual aid, they don't provide actual information, and should therefore not be mandatory.**

**More than half of the respondents think icons are very or fairly useful.**

“I'm supportive of the use of icons in the templates as visual aid to better understand information on disclosure. Moreover, the icons also ease the reading of the templates, encouraging the readers to go through all the details of the documents.”

“Icons are always useful as it makes it easier to understand complex topics or to look up information.”

“I find the icons are very helpful in giving a sense of what the text is covering.”

“While it takes space, icons provide kind-a 'bullet points' for structuring the otherwise indistinguishable, featureless text.”

"Icons as visual aids help consumers to easier understand complex contents especially with figures. Most consumers abstain from reading just texts (the "small print")."

"Very useful because it's necessary to have a tool adapted to an understandable way for all the consumers and icons are a very good idea."

"Icons and visual aids should help the investor to navigate through/understand content."

We feel that members of pension funds can be helped with icons that relate to the level of greenness and responsibility of the investment policies, that themselves could be explained on the website of the pension provider. These icons should be relatively simple and not too many.

Of course, the use of icons in my opinion does not influence the information given in the documents. However, they are "eye-catcher" making the structure of the document clearer and helping readers to find certain information more quickly."

**Some like icons in principle but are skeptical to those in the mock-up.**

"On the one hand it could enhance comparability as it will be easier for the consumer to retrieve information on the same subject when comparing two or more products. On the other hand the use of these icons might result in 'graphic overload'."

"Icons in general are good to help the eye but these don't seem very adequate."

"In general, the use of icons is helpful to consumers and should be encouraged, but not mandatory. However, in the mock-up the icons and question format do not seem to add much to consumer understanding as they relate to concepts that are not easily represented through a simple icon and the language of the questions is not simplified enough. The icons also make the format more prescriptive as they seem to require adding an additional column just for this purpose. This will make the templates unworkable in digital formats."

"As regards the icons included in the mock-ups, sometimes they do not seem so aligned to the contents to explain and in other cases, the same icon is used for sections that are supposed to disclose different topics in different mock-ups. Though first and third mock-ups relate to different disclosure, pre-contractual the first and periodic the third, in order to increase clarity and avoid

confusion, it could be useful to use the same or similar icons in different documents only when the information to provide is comparable in the two disclosures.

Finally, there does not seem to be a common criterion in the use of icons as in some cases they are used only for the titles of the sections while in other cases they are used also for the sub-titles.”

“Icons as visual aids are very useful. It helps to quickly oversee the structure of the document. I would suggest to give the icons colours.”

“Especially for **pre-contractual disclosure** of a product, for people to be able to decide whether to opt for the product or not. Icons should have **proper size and picture resolution** though.

Icons as visual aids could help the consumer/reader to focus on the specific issues of interest. However, those icons should be widely recognised so that there can be no misunderstanding of their meaning.”

**Some members stress that the use of icons should not be mandatory.**

“We believe that the icons would not add meaningful information, therefore we advise not to have them mandatory. While we understand the desire to make the documentation attractive to end customers, the inclusion of icons may be very difficult in existing disclosure materials. Mock-up 1 is an illustration of the information that should be added in the prospectus, while mock-up 3 is an illustration of the information that should be added in the periodic report. The prospectus is a regulatory document which is not intended to be marketing oriented and “colorful” but which gathers all the necessary information on the fund. As regards the periodic reports, technical and practical problems could arise.”

“The use of icons in the templates should not be mandatory. Moreover, the use of icons may also further complicate the inclusion of these templates in the existing disclosure documents.

Mandatory icons may also potentially clash with **accessibility requirements** for the visually impaired, reduce **documents’ readability across different devices**, and result in consistency issues with the **visual branding of individual firms**, which typically defines what icons can be used in reports.”

“Taking into account that the SFDR requests the templates to be published in existing disclosures provided for under the EU sectorial legislations, Eiopa could evaluate the opportunity to advise EU Commission not to mandate the icons to use, instead to leave MS to define which icons to use after the assessment of the “EU icons” consistency with the sectorial frameworks in place at national level. Should a MS ascertain that the icons requested by EU regulation does not fit the national templates, it should be entitled to define different icons. In my opinion, the use of different icons does not undermine the comparability between financial products, as the sections of the disclosure templates would remain the same.”

**Five respondents think icons are useless or fairly useless.**

“We advise against the mandatory use of icons in the templates. We find icons would not add meaningful information for end-investors, nor they will improve accessibility. On the contrary, they risk misleading the users of disclosures, moving their attention away from more important information and reducing the space available to report on the products’ features. In addition, the use of icons may also further complicate the inclusion of these templates in the existing disclosure documents. Mandatory icons may also potentially clash with accessibility requirements for the visually impaired, reduce documents’ readability across different devices, and result in consistency issues with the visual branding of individual firms, which typically defines what icons can be used in reports.”

“The icons do not really provide a support to explain the topic, eg the icon regarding the topic derivatives raises more question marks than answers. In my opinion it would make better sense to include a standardised numbering of the different questions.”

**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:

**Almost all members are positive in principle to using graphs as visual aid to enhance understanding.**

Several members mention that the combination of text, number and graphs is useful since different people absorb information in different ways.

“Graphs as visual aids help consumers to easier understand complex contents especially with figures. Most consumers abstain from reading just texts (the “small print”).”

“The graphical representation could help individual investors understand the features of the product e.g. presenting the performance of the products (against the chosen benchmark).”

**Some members are positive in principle but have objections to the suggested graphs.**

“In general I am positive... But I am not happy about the graphs included. (Investments and sectoral exposure. the segmentation used is very confusing and could be easier explained).”

“Graphs do help most people understand the presentation of the information, but they should be coloured and minimal. Decorations or artistic designs should be avoided.”

“It is essential for asset allocation & sectoral exposure to use a pie chart for top 25% holdings instead of table (also links to corporate websites) to illustrate the performance of the products (compared to the chosen benchmark), not just purely descriptive.”

“The first graph combines two different representations and its understanding may not be so immediate. To avoid possible misunderstanding and to have graphical continuity between the two elements of the graph in question, Eiopa could evaluate the option to substitute the histogram with another pie to detail the sub-section of the sustainable investments.”

“Moreover, the labels of the first graph are too long and they could be shortened. Possible alternative labels could be: #1 *Environmental/social characteristic*; #1A *Environmentally sustainable*, #1B *Environmental characteristics*; #1B *Social characteristics*; #2 *Other asset*. In any case, labels are not easy to understand as refer to a complex and unclear objects.”

**However, some members are not convinced that graphs are helpful.**

“Comparing across funds may (also) be misleading. Depending on the average age of members, an appropriate investment mix may have to differ in ways that impact on the sustainability of the investments.”

‘It would (also) be better to use the wording “percentage of investment” in the section heading, which would be more accurate than “percentage of assets”.’

**Some members stress that graphs used in pre-contractual disclosures could be misleading.**

“The presentation of the information with the use of graphs as visual aids duplicates the information contained in the narratives. Graphic representations can be misinterpreted by consumers as they imply a level of comparability which they cannot provide, since they apply the same methodology to very different products. The graphics themselves seems unnecessarily granular, in particular the differentiation between environmental and social characteristics could be reconsidered.”

“Pre-contractual disclosures should include valuable information to guide investors’ choices and initial decisions, providing information relevant at the time of distribution of the financial product.

However, asset managers cannot commit to specific figures on the asset allocation of the portfolio, especially in the case of actively managed and/or open-ended funds. As a result, graphical representations could be misleading if interpreted as a binding commitment, rather than as an indicative parameter.

Website disclosures, on the other hand, can be adapted more easily and are much better suited to include information that has elements of uncertainty and/or requires frequent updates, such as graphs representing the composition of the product. Therefore, it would be better to move the graphical representation of the investments of the product to website disclosures.”

Graphical representations can be useful to illustrate only some investment strategies and only in specific situations where data categories are limited (i.e. maximum five), but would be highly impractical, difficult to read and potentially misleading in case of certain strategies (e.g. negative exclusions) or when there is an high number of data categories, such as in the case of the sector analysis.”

“Dutch pension funds typically apply multiple exclusion screens (e.g. controversial weapons, human rights abuse, tobacco), but may additionally employ a best-in-class approach in certain sectors. To capture all these different elements in a single graphical representation or even a few graphical representations, will inevitably be a simplification.

Pension funds have to invest a significant share of premiums in highly-rated government bonds in order to deliver the promised pension with a high degree of certainty (based upon prudential supervisory rules) and to hedge interest rate risk. While Dutch pension funds have invested in

green government bonds where possible, the amount of green bond principals issued is still very low. Beyond green bonds, the scope to implement environmental or social characteristics in government bonds is limited. This means that pension funds with an older membership (and therefore a larger allocation to bonds) may look less sustainable than a fund with a younger membership.

The breakdown of the different sections of responsible investments between different categories is very complicated. The concepts are unclear and there are too many categories. From the perspective of the ESG investment policy, it might be difficult to classify an asset as meeting either an environmental or social objective. Even in the example used in the mock-up, the index provider would presumably screen companies against both environmental and social criteria. The fact that a company scores well against both elements, leads to the inclusion. How should the financial market participants classify this company?

Translating engagement and voting policies into a graphical representation, raises the question how you delineate the companies that meet the 'E/S characteristics'. Is it only those companies engaged with? Or all companies which fall under this engagement policy? Engagement works best if you concentrate on those companies and issues where your influence is optimal."

Because of these reasons we recommend not requiring any graphical representation of the subcategories. The sectoral representation is less problematic to provide, if the sectors are compliant with the GICS classification. The question however rises whether this provides any relevant information about the level of greenness of the investments concerned... Finally, graphs displayed on a website will be easier to capture. Graphs seem more suitable for periodic report."

**Some members claim the use of graphs should be optional.**

"... the inclusion of graphs requires annual reports to be prepared in multi-colour format rather than black & white, which is somewhat rare due to the additional printing costs. Therefore, we think that it should be at the discretion of the provider to decide whether to use a graphical representation and what type, according to the specificities of the product's strategy and composition."

"There should be a clear distinction between mandatory, legal documentation and marketing material. The proposed templates apply to the first category when the latter must not be in contradiction and in certain Member States as France, comply with national doctrine (cf SFDR

article 13 “financial market participants and financial advisers shall ensure that their marketing communications do not contradict the information disclosed pursuant to this Regulation »). With regard to pre-contractual and periodic reports, the choice of the graphs to be presented should be left to the product manufacturer. Indeed, the relevant graphs will vary from one fund line to another. In addition to this, some information will be more explicit if disclosed in a narrative way (e.g. asset allocation).”

**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:

**Most members welcome the explanatory notes in the interest of consumers but have some suggestions on how they could be improved.**

“The language of the ‘explanatory notes’ is too complicated (eg ‘remuneration’, ‘liquidity’) and it is not clear if the ‘explanatory notes’ are fixed or can be adapted. As with the icons this seems to require an additional column is added to the template. This makes the template difficult to use in digital formats, which seems like somewhat of a missed opportunity, as layering and pop-ups could be very useful in providing definitions.”

“The explanatory notes help but it is quite technical. Perhaps traffic light colours might be more intuitive.”

“Further explanatory notes could be added with reference to technical features of the investments. For example, there is a reference to the “*best in class investment strategy*” to select companies, I think that many readers may not be able to understand its meaning and an explanatory may be useful.”

“We need to be careful to ensure that these are specific to the product and not just general as they would lose their purpose”.

“These explanations need to be better placed in the context of pre-contractual disclosures, and they should not require to include information to which is not possible to commit at the distribution stage.”

“The explanatory notes are fairly simple but there could be difficulties for certain categories of members/beneficiaries depending on the distribution channels and the type of advice, it would require specialised staff training for such products (practical examples, company level information, an adequate narrative).”

#### **There are different views on the visual background.**

“Explanatory notes should be presented on a different background (grey is fine) but it is vital also to have the same font size and a maximum 20 or 30 word limit. Lots of info does not help.”

“... presentation wise, maybe the grey background colour diffuses too much from the text itself as the core information.”

#### **Some members express diverging opinions on the explanatory notes.**

“We feel that information provided in standardized form should be readily understandable for members. If definitions and explanations have to be provided, this deeper level of knowledge can be more easily provided in a layered form at the website of the pension provider.”

“I would prefer a very short summary of the content, but not a general explanation to explain the question behind.”

“Manufacturers should have the option to use them where appropriate and where digital tools facilitate their inclusion. Their inclusion in the template is unhelpful, and the language prescribed by EIOPA will lead to more confusion for consumers”

“Add explanatory notes, definitions, etc. is a very good idea. But having mandatory comments on the side of the prospectus might pose practical challenges. We suggest leaving the decision to insert or not to the AM as well as the chosen format. Indeed, in some cases, a glossary in

another part of the document could be more meaningful. In addition, this should only apply to funds distributed to retail clients. Not to mention that some documentation (KID for instance) are quite short.”

**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:

**Most members agree that it seems difficult for consumers to understand the difference between “sustainable investment products” in Article 9 and “products that promote environmental social criteria” in Article 8 of the Disclosure regulation.**

Some members suggest that a link to more information could be provided not to overload the document with information (e.g. link to the investment provider website be made or reference to KIID/brochure). Another member suggests a short example in the explanatory notes could help.

However, others conclude that an explanation of the distinction as such is not effective.

“I wonder if an in-depth and ‘legal’ explanation of the difference may be really useful for the reader to access the ESG profile of the financial product. In my view the best way to deal with that distinction is to keep things as simple as possible, try to focusing the attention of the reader more on the specific environmental/social features pursued by the financial product and less on the difference #1A vs. #1B. With that respect, an ease of the information to provide could be considered.”

**Members also point out that the graph and the explanatory notes are not clear and should be simplified.**

“Could the graph be improved by f.e. stating the main characteristics (instead of listing #1A etc)? Additional information in text? If ‘governance’ is explained in grey area, ‘taxonomy’ and

‘sustainable’ should be explained as well. F.e. how can the ‘do not harm’ principle from the EU taxonomy be taken on board? Maybe hyperlinking to additional information?”

“You should opt to present a) **sustainable investments** - b) **partially sustainable investments** – c) **Remainder** and if you have explanatory notes to follow the Q4 advice above.”

“The distinction between the sub-categories of investments, namely between #1A and #1B, would need more clarity. Perhaps because the mock-up examples are based on an article 8 product, when there is no obligation, in SFDR, for this category to have a sustainable objective. Maybe should be optional.”

“...the explanatory note of subcategory #1A that could be simplified by deleting the description of the potential environmental objectives. ... the explanatory note of #1A could be formulated as: *Environmentally sustainable: investments that contributes to environmental objectives*. The environmental objectives pursued by the investment would be detailed directly within the disclosure of the financial product. The note of the sub-category #1B could be rephrased as follows: *Environmental/Social characteristics: investments with environmental or social characteristics, different from those environmentally sustainable*. The note #2 could be rephrased as follows: *Other assets: other investments of the financial product*. The explanatory note of the item #1A should remain the same.”

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

Please explain:

**Several members are of the opinion that the template is too long and too prescriptive and they must be aligned with applicable regulation and national requirements.**

“To improve the presentation of the disclosure documents, their use should be optional. A minimum level of standardisation is already achieved by the Level 2 provisions with regard to content, order and titles of the information, without the need to introduce new, mandatory templates. The optional use of templates (provided all the required information is clearly provided) would allow companies to adapt the information to different product features and existing national practices. This is particularly true of more complex products and when looking at providing the information digitally.”

“To improve clarity and conciseness, it would be useful to place a limit to the document’s length to maximum two or three pages, instead of six.”

“The templates need to avoid information overload and should provide clear (in the MiFID sense; i.e. intelligible), 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.”

“In the mock-ups there are some overlapping information and in some cases the need to synthesize should be weighted with the need of the reader to clearly understand the information.”

“The application to real-life products needs to be considered. The fund used in the mock-ups is fictitious and artificially simple. The application to insurance products, and pensions in particular, needs a lot more consideration. At present the template will lead to an unreasonably long disclosure document for these products.”

“Focus on retail investors and leave flexibility for institutional ones.”

“Legal documents being within the scope, make sure that the templates are aligned with the applicable regulations and national requirements in particular for pre-contractual disclosure.”

“It is important to avoid the creation of an additional *ESG factsheet* falling outside of pre-contractual documents. Removing the numerous repetitions in the current proposal can achieve this without detriment to the level of detail of the disclosures (e.g. the description of the investment strategy in the mock-ups; the disclosure of the top 25 investments under UCITS requirements, etc.). The ESAs could also consider merging some sections to avoid unnecessary

duplication (i.e. “No significant harm of sustainability investment objectives” and “Attainment of the environmental or social characteristics”).”

“Given the space constraints imposed on existing disclosures, lengthy ESG templates would place a disproportionate weight on information related with sustainability risk. As proposed, the template would overshadow other information provided in informative documents and mislead users of pre-contractual disclosures, with retail investors being the most vulnerable. Alongside sustainability risks, prospective investors must be able to appropriately weigh in all material types of financial and non-financial risks, as well as costs and fees.”

“The decomposition of the portfolio into the different industry sectors is unnecessary and does not help at all. It is true for most sectors, that they may contain companies acting very sustainably and some who do not. Sustainability does not (always) depend on the sector, so that you cannot judge upon sustainability just by knowing the economic sector. Hence, I would skip this in this context because it might even create wrong impressions. It is unnecessary, because a decomposition of an investment product into sectors is usually contained anyhow in the information documents/prospect of the product independent from ESG-related information.”

**Some members have concrete proposal on how to make the document more readable:**

“Some of the text is quite technical and it might be worth finding ways of making it more obvious e.g. What is the minimum asset allocation planned for this product? This could be ‘Where will your money be invested?’”

“Since this is a test/sample I suggest that this will be monitored and continuously improved.

The structure of the templates is not enough elaborated yet, write in bold of the keywords (to find the topics of interest more quickly) or a better short overview of the fund/investment/asset with the a note/summary on the main sustainable approach would be helpful.”

“For the periodic disclosure of a product, the presentation could be in a black and white colour mode (grey shades) and all new info presented or significant changes / risks to be coloured for people to notice.”

“Eiopa could evaluate the opportunity to consider to re-arrange some sections of the mock-ups to achieve an even more efficient display of the SFDR disclosure requirements.”

**Some members point at the importance of field testing.**

“I think it is important to collect feedback from users to improve on how the information can be best presented. I would recommend to not only do this at the start but collect such feedback on a continuous basis in order to continuously improve based on user experiences.”

“It could be good to test on a selected population from different countries and different backgrounds in order to avoid risk of misinterpretations by the consumers, because we know there are very big differences in terms of financial culture across Europe.”

“The current testing on a very simplified synthetic fund is not sufficient to draw conclusions on the effectiveness of the template for all products in scope. As the OPSG we should in particular emphasise that the current testing gives us minimal insight into how well pension savers will understand the information provided and how useful they find the document.” **Some members suggest that websites are better suited for this kind of information.**

“Pre-contractual disclosures should include valuable information to guide investors’ choices and initial decisions, providing information relevant at the time of distribution of the financial product. Website disclosures, on the other hand, can be adapted more easily. Therefore, **websites are much better suited to include information that has elements of uncertainty and/or requires frequent updates**, such as graphical disclosures. This would help shorten pre-contractual disclosures and avoid too frequent changes to the documents, resulting in more reliable, valuable and up-to-date information for end-investors.”

**Other comments:**

“The mock-up templates are very green oriented due to the choice of product represented. In real life it should be balanced with social considerations.

Separate templates for article 8 and article 9 products after having better defined the distinction between the two.

Templates should not emphasize exclusions.

Be aware of practical and technical issues as well as possible extra-cost.”

“The template should give an explanation on why some indicators have been withheld in order to assess principle adverse impact and other indicators have not.”

**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:

**Several respondents are of the opinion that the template is too extensive to fit digital media. Some prefer to keep the text but not graphs/icons, whereas others prefer to keep the visuals and link to texts. Some members want to allow for searchable PDF.**

“A shorter and simpler template, which does not mandate the use of icons and graphical representations, would improve the usability of the templates presented via digital media, to the benefit of users with specific accessibility needs and to improve readability across different digital devices.”

“The accessibility of the document via digital tools is uncertain, given its length and the use of a table with different columns, which makes it difficult to read all the information on a smartphone or tablet. A lot more development would be needed to make a template that runs well on all devices and operating systems. More use of links to pre-existing and available information, if already reported elsewhere, should be encouraged. Ultimately the best way to develop a digital friendly template would be to allow the market to innovate within a set of minimum standards.”

“Graphs are the core of a good social media presentation. There is much less room for text and/or additional explanatory notes.”

“It may make sense to focus on the visuals and have more text available as a pop up or as a clickable option in the background.”

“It would be good, at least initially, to allow the use of a flexible format such as a searchable PDF for pre-contractual and periodic reports, rather more technical formats.”

“We recommend allowing search pdf as an authorized format as is the case for legal pre-contractual and periodic reporting. As more and more retail investors will use smartphones to access these reports, we recommend considering to present them through different layers as proposed for the PEPP.”

“I do not think there should be a difference in text between digital or email etc. This can only confuse the consumer. Consumer should access this information both online and also by a request on email. There should not be any difference of presentation by paper or digital media or any other durable medium.”