

To: Corporate Reporting - Investments & Sustainable Finance WG, PRIIPs PG, Distribution PG

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Subject: Platform on Sustainable Finance publishes briefing on product categorisation under the SFDR

## Summary

On 17 December, the Platform on Sustainable Finance (PSF) published a briefing note on the categorisation of products under the Sustainable Finance Disclosure Regulation (SFDR) [here](#).

The [briefing note](#) outlines a proposal for a categorisation scheme and suggest all other products not meeting the criteria to be identified as "unclassified" products. In addition, the briefing provides key considerations for the Commission as part of the SFDR review process.

The Platform's recommended product categorisation can be summarised as follows:

Working Title	Sustainable	Transition	ESG Collection
Categorisation Strategy	Contributions through Taxonomy-aligned Investments or Sustainable Investments with no significant harmful activities, or assets based on a more concise definition consistent with the EU Taxonomy.	Investments or portfolios supporting the transition to net zero and a sustainable economy, avoiding carbon lock-ins, in line with the European Commission's recommendations on facilitating finance for the transition to a sustainable economy.	Excluding significantly harmful investments/activities, investing in assets with better environmental and/or social criteria or applying various sustainability features.
Minimum Criteria to be fulfilled by every product falling in that category	<ul style="list-style-type: none"> <li>• Minimum exclusion criteria</li> <li>• Minimum of investments positively contributing in line with sustainable strategy described by a list of binding elements to be determined in detail by FMP</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum exclusion criteria</li> <li>• Minimum of investments in line with transition strategy described by a list of binding elements to be determined in detail by FMP</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum exclusion criteria</li> <li>• Minimum of investments in line with identified ESG-criteria described by a list of binding elements to be determined in detail by FMP</li> </ul>
Indicators to measure	Depending on the binding elements, pre-defined or to be determined. E.g., commitment to certain Taxonomy alignment commitment needs to be measured against the resulting reported Taxonomy alignment of the product (based on revenues or CapEx).		
Pre-contractual disclosure	Defined (minimum criteria/binding elements, indicators to measure).		
Reporting	Defined (pre-defined indicators, minimum criteria, and additional indicators).		

As general considerations, the Platform:

- Favours a categorisation scheme based on the overall objective of the sustainability features.
- Emphasises the need to align investors sustainability preferences with product categories.

- Suggests evaluating extending the scope of the categorisation to IDD/MiFID products.
- Recommends clearly defining impact investing within the EU sustainable finance framework and its link to the Taxonomy.
- Advises Financial Market Participants (FMPs) to identify binding elements, indicators and specific details.
- Supports conducting further analyses on category thresholds, data sources, and approaches for diverse asset classes and non-liquid products like insurance and pension products.

In addition, the secretariat highlights the following points of relevance for the insurance industry:

- The proposed categories allow for differentiating between products that can largely be considered sustainable through their solutions or practices (sustainable); foster the transition to a net zero and sustainable economy by 2050 (transition); or that select or exclude sectors or companies based on ESG performance (ESG collection).
- The report includes considerations for **Multi-Option Products (MOPs)**, Funds of Funds and similar products and recommends to test whether the suggested categories allow for these products to be categorised appropriately. More specifically, the Platform suggests looking into the following:
  - Use for ESG collection category for Mixed Products
  - Use of other categories
  - Offer of unclassified products
- The briefing further defines unclassified products as products which have sustainable elements but which are simply not classified in any of the three categories. Moreover, it highlights how MOPs often include alternative underlying products that could fit defined categories, enabling clients to choose categorised options.
- The Platform discusses the potential incorporation of **sovereign bonds** to the categorisation scheme by further developing existing standards to assess their ESG performance and alignment with sustainability goals, which could be reflected as an element in the transitional category.
- The Platform also included a section dedicated to **insurer's general account**, and the platform recommends that the EC identify sources, collect and analyse data for SFDR products other than liquid funds, in particular insurance and pension products as well as private market funds.

Additionally, the briefing note provides the following overview of how products classified under the **current system could be integrated into the proposed scheme**:

Working title to differentiate	Sustainable	Transition	ESG Collection	Unclassified
So-called Article 6	x	x	x	✓
Article 8	✓	✓	✓	✓
Article 9	✓	(✓)	x	x
Article 9 tracking Climate Benchmark	(✓)	✓	x	x

The briefing note is accompanied by an annex with guidance on setting thresholds, supporting data and steps which are useful to determine possible category thresholds.

## Next Steps

- The Platform will present the proposal in a webinar on Tuesday 21 January 2025 from 13.00 to 14.00 CET [here](#).
- The secretariat will organise a dedicated call with members to discuss the PSF briefing in the new year. Members are invited to share their preliminary views in writing to [crisfin@insuranceeurope.eu](mailto:crisfin@insuranceeurope.eu).