

May 2025 - Call for Evidence SFDR | AIFI response

AIFI, the Italian private equity, venture capital and private debt association, thanks the European Commission for the possibility to provide feedback on the revision of EU Regulation 2019/2088 (Sustainable Financial Disclosure Regulation – SFDR).

As the Association representing private capital, we underline the necessity to take into consideration the **peculiarities of our industry and its specific business model**. Private capital managers were among the first - within the financial community - to face the introduction of ESG disclosure requirements. In this respect, they have been playing a very delicate and strategic role in paving the way to develop their own ESG strategies as well as contributing to the spread of ESG knowledge and practices on the market. In this context, we believe that, to be effective, the **SFDR revision should guarantee a clear, proportional and efficient disclosure requirement framework**. In particular, the characteristics of private capital managers and investment products and their closed-end nature, the progresses reached so far as well as the need for coherent and consistent coordination with other relevant EU legislations should be taken into account.

While we welcome the initiative to simplify the SFDR, it is of the utmost importance to take due account of the current legislative process, started last February 26 with the **Omnibus Directive Proposal**, that will likely reshape the Corporate Sustainability Reporting Directive (CSRD), the ESRS framework and the EU Taxonomy. In this sense, since there are many different overlapping levels, it would be useful to **consider a new round of consultation on SFDR** before publishing a formal amending proposal, in order to guarantee better coordination, as well as to avoid possible future misalignment or duplication.

Focusing on SFDR, we support the statement of the EU Commission that simplification and clarification would facilitate the compliance with disclosure requirements and reduce the risk of greenwashing. However, there is the necessity to intervene and **focus on very specific elements**, that has proven not to be functional, so far, to the overall objectives of the Regulation. It is, therefore, important to **preserve the flexibility that SFDR has guaranteed** without introducing a profound overhaul of the framework. In fact, since its entry into force, the SFDR has provided a common ground that has progressively been adopted and acknowledged by fund managers, institutional investors and companies.

Taking into account the abovementioned elements, the following are the main issues that the SFDR review should target:

- **Classification of products:** ensuring increased consistency and clarity on products classification, by privileging amendments to the existing categories (art. 8, art. 9) instead of introducing a new categorization.
- **Increasing transparency on key concepts:** providing a clearer definition of: i) ‘sustainable investment’ (art. 2(17)); ii) ‘promotion of environmental and sustainable characteristics’; iii) ‘good governance practices’, without mandatory elements; iv) notion of ‘Do Not Significant Harm (DNSH)’.
- **PAI system:** making the PAI disclosure more effective by: i) considering the introduction of a materiality principle; ii) ensuring consistency with ESRS; iii) avoiding the distinction between “entity-level” and “product-level” PAI that is particularly burdensome and not useful for disclosure purposes.
- **Disclosure requirements:** eliminating redundant information between pre-contractual and website disclosures. Disclosure requirements should also be modulated on the basis of the type of client to whom the product is marketed.
- **Alignment to the overall EU legislative framework on sustainability:** taking into consideration the reduction of the scope of application that will likely be implemented within the CSRD, as well as providing a clarification of the DNSH principle included in the EU Taxonomy and assuring consistency between PAI and ESRS.
- **Grandfathering:** defining grandfathering provisions in order to guarantee that closed-end funds established and marketed under SFDR I will continue operating according to those requirements and are therefore exempted from SFDR II.