PUBLIC CONSULTATION

CONFINDUSTRIA ASSOIMMOBILIARE

Public consultation on the review of the European Regulation on Sustainability Reporting for the Financial Services Sector (SFDR)

European Commission

May 30, 2025

1. WHO WE ARE

Confindustria Assoimmobiliare represents the entire real estate value chain at the national level. Its members include major institutional investors such as asset management companies (SGRs), real estate funds, listed and unlisted real estate investment companies, as well as banking institutions and insurance providers. The association also brings together leading Italian and international developers, public companies managing significant real estate portfolios, proptech firms, engineering and design studios, and the professional real estate services industry. This includes asset valuation, due diligence, property management, brokerage, credit servicing, and legal and tax advisory. The investment, management, and consulting activities of Assoimmobiliare's members span all real estate asset classes: offices, hotels, residential (including social housing, senior living, and student housing), retail/shopping centers, logistics hubs, data centers, light industrial facilities, and healthcare buildings (nursing homes and hospitals).

2. BACKGROUND AND PREMISES

The Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019 on Sustainability Disclosure in the Financial Services Sector (Sustainable Finance Disclosure Regulation - hereafter, "SFDR") is an important piece in the European Sustainability Agenda, aiming to direct capital flows to sustainable economic activities and foster transparency in environmental, social and governance (ESG) investments.

A few years after the adoption of the SFDR, the market has now absorbed and gradually adapted to both the primary regulatory framework and the subsequent specifications introduced through delegated acts and guidance from the relevant Authorities. Any revision should therefore be targeted and proportionate, avoiding disruption to the existing framework, and oriented toward principles of simplicity, clarity and transparency.

The proposals included in the response to this public consultation would significantly affect the structure of the SFDR, with reference to the contents of the pre-contractual and periodic disclosure templates. Considering this, it appears necessary to provide for an appropriate transitional period and limit the application of the new provisions to new financial products only, while allowing existing ones to continue to use the templates currently in place for periodic disclosure.

Following an internal assessment, several main issues were identified in relation to the specific operations of real estate AIFs and the real estate sector in general, on which regulatory intervention aimed at simplification and greater clarity is required. Specifically:

A. **Classification vs. Labeling**: it is essential to maintain the current approach without disrupting the product classification "labels" now in current use (Art.6/8/9 SFDR). The change, while "lightening" in scope, would require enormous operational and economic efforts to align and adapt to the new system proposed by the Targeted Consultation Implementation of the Sustainable Finance Disclosures Regulation (SFDR), and also would not be in line with the stated objective of the Commission to streamline and reduce disclosure requirements and related costs ("Omnibus Package”).

B. **Transparency of Disclosures**: It is important to differentiate listed from unlisted and restricted products, which are subject to regulatory limitations on the information that can be disclosed to the market. In addition, disclosures on real estate investments should be distinguished from those related to other types of investments (e.g., corporate, equities). In line with the Commission’s stated objective, we propose streamlining and simplifying the disclosure templates.

C. **Simplification of Principal Adverse Impacts** (hereafter**, PAI**): streamlining, aligning and unburdening indicator metrics applicable to real estate asset investments to other regulatory requirements (e.g., EU Taxonomy) and formalizing product-level use and disclosure.

D. **Revision of Delegated Regulation (EU) No. 2022/1288 ("Regulatory Technical Standards**"-hereafter, **RTS)**: The revision of the technical annexes should be carried out concurrently with the regulatory revision, to enable impacted entities to implement the necessary changes promptly following the approval of the new Regulation and to ensure operational alignment across Member States.

E. **Q&A and Guidance**: provide for the new Regulation to incorporate clarifications issued post-enactment, as well as Guidance issued by the ESAs (e.g., *Joint ESAs Opinion on the Assessment of the Sustainable Finance Disclosure Regulation; ESMA - Consolidated Q&A on the SFDR and on the SFDR Delegated Regulation; ESMA - Guidelines on funds' names using ESG or sustainability-related terms; Annual reports on principal adverse impact disclosures under the Sustainable Finance Disclosure Regulation; Final Report on Greenwashing*, etc.).

In Annex I below, a detailed outline of proposed regulatory interventions, based on the macro areas identified above.

Annex I - The proposed revisions

A. Classification of products

Item	Critical issues	Proposed revision
1. Percentage of Open Market Value for Real Estate Investments.	The SFDR does not consider the details of the income statement of real estate financial products. The portfolio valuation in the *asset allocation* should be referable only to the economic value (Open Market Value) of the typical Investment, i.e., "real estate" (asset/building).	**Exclude accounts receivables, cash, derivatives and all non-typical investments from the calculation of asset *allocation* ratios under the SFDR for unlisted real estate investment funds so as not to penalize them relative to other asset classes.**
2. Minimum percentage classification of sustainable products - *former* Article 9.	The SFDR does not define a minimum threshold of investments considered "sustainable."	**Aligning the minimum investment allocation percentage for sustainable products to 80%, consistent with the "Guidelines on funds' names using ESG or sustainability-related terms " published by ESMA on May 14, 2024.**
3. Minimum percentage classification of products that promote environmental and/or social characteristics - *ex* art. 8	The SFDR does not define a minimum threshold for investments that "promote environmental and/or social characteristics." According to the ESAs' Q&A, "*Article 8 of Regulation (EU) 2019/2088 remains neutral in terms of design of financial products. It **does not prescribe certain elements such as the composition of investments or minimum investment thresholds**, the eligible investment targets, and neither does it determine eligible investing styles, investment tools, strategies or methodologies to be employed*."	**Clarify whether low percentages of asset *allocation* can also be provided considering the mentioned Q&A. Alternatively, define the minimum percentage of investment allocation for products that promote environmental and/or social characteristics by adjusting it to what the market has settled on: 51% of the value of typical investments underlying the financial product.**

ITEM	CRITICAL ISSUES	PROPOSED REVISION
4. Social sustainability of products and/or investments	A Social Taxonomy of financial products (including real estate products) has not been issued.	**In the context of Article 9, it is necessary to define the concept of social sustainability of real estate products through a parameterization of social aspects considered sustainable (e.g., social housing asset class, healthcare, etc.).**
5. "Transition" products and/or investments	The SFDR does not define the concept of "transition" i.e., a so-called "*brownfield*" investment to be transformed to maximize E/S objectives or sustainability through a Capex plan for unlisted real estate investment funds.	**We believe that introducing a new category of "transition investment classification" would further complicate the definition of products and investments. The concept of transition inherently refers to progress toward specific sustainability objectives, which should instead be reflected within the existing Article 8 and/or Article 9 classifications, based on the nature of those objectives. Therefore, we believe it is necessary to indicate the cases within the classification adopted with the proposals indicated below.** **Art. 8 - Define the concept of transition and mid-term implementation plans of E/S characteristics defined for real estate assets with targets to be achieved post redevelopment/regeneration and/or improvement/efficiency plans.** **Art. 9 - Define concept of environmental transition and medium-term implementation plans of the sustainable goals outlined in the EU Taxonomy for Real Estate Assets (Section 7.7).** **Art. 9 - Define concept of social transition and medium-term implementation plans of the sustainable goals outlined in the EU Taxonomy for Real Estate Assets (Section 7.7).**

ITEM	CRITICAL ISSUES	PROPOSED REVISION
6. Sustainable investments and distinction between products classified under Art. 8 or Art. 9 SFDR	Article 2 of the SFDR includes all definitions useful in the application of the Regulation. Paragraph 17 defines "sustainable investment" as *"an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators concerning energy use, use of renewable energy, use of raw materials and water resources and land use, waste generation, greenhouse gas emissions as well as impacts on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective , in particular an investment that contributes to the fight against inequality, or that promotes social cohesion, social integration and industrial relations, or an investment in human capital or economically or socially disadvantaged communities provided that such investments do not significantly harm any of these objectives and that the enterprises benefiting from such investments comply with good governance practices, in particular with regard to sound management structures, employee relations, staff remuneration and compliance with tax obligations."*	**Therefore, it is necessary to clarify the definition of sustainable investment in SFDR Art. 2 par. 17 with respect to the notion of environmental or social characteristics (to be defined) and to clarify the distinction between Art. 8 or Art. 9 SDFR product at the regulatory level also based on Q&A.**

B. Transparency of Disclosure

Item	Critical issues	Proposed revision
7. Pre-contractual information so-called WEB (ex art. 10 SFDR)	SFDR does not differentiate between listed and unlisted products that have regulatory limitations on market disclosure.	**Provide differentiation of market disclosures taking into consideration the limitations of unlisted products.**
	The RTS Disclosure Template provides complex details to be substantiated at a stage when investment properties have not been identified.	**Revise and simplify market disclosure, take into account the limitations present at the pre-investment stage.**
	The standard requires that this disclosure be posted on the website regardless of the type of product.	**Provide for the possibility of exemption from publication for reserved AIFs (with mere delivery of such disclosure to investors).**
	The Article 10 SFDR online disclosure largely replicates the information provided in the pre-contractual disclosures under Articles 8 and 9 SFDR, as implemented by the RTS. According to a recent ESA Q&A, "the ESAs' supervisory expectation is that the obligation to publish the information referred to in Article 10(1)(c)-(d) (i.e., the information required under Articles 8, 9, and 11 SFDR) should be fulfilled by publishing the templates in Annexes II–V of the SFDR Delegated Regulation."	**To avoid duplication, the online disclosure requirement should be eliminated, as the pre-contractual and periodic disclosures are already required to be published. Moreover, the content of the online disclosure largely replicates the information included in Annexes II and III of the RTS.**
8. Pre-contractual and periodic disclosures products classified under Art. 8 or Art. 9 SFDR	The disclosures are too verbose and not very schematic and therefore difficult to interpret, that is going in the opposite direction of making clear and comprehensive information to investors.	**Revise and simplify the tables of Pre-contractual and Periodic Disclosures, better schematizing product classification.**
	The initial tables in the Disclosures regarding product classification do not provide a clear picture of the product itself.	**Revise and simplify the tables of Pre-contractual and Periodic Disclosures by better schematizing product**

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		classification (reference to market-recognized *labeling* (Art. 8 and Art. 9).
	The tables in the Asset Allocation Disclosures do not have minimum thresholds.	**Revise and simplify the tables of Pre-contractual and Periodic Disclosures, schematizing the minimum thresholds granted** (referring to the proposals in Topics No. 1 and 2 above).
	The tables in the Disclosures regarding alignment to "sovereign bonds" do not fit real estate products.	**Revise and differentiate the tables based on the investment type of financial product (Art. 8 and Art. 9).**
	The Disclosures require comparison with ratings/indices of reference, the nature of which is not specified.	**Provide a classification of recognized ratings/indices by investment type that guides managers by ensuring a response consistent with expectations.** **Finally, clarify whether ratings/indices should be authorized by ESMA, based on the new EU Regulation 2024/3005 on Environmental, Social and Governance (ESG) rating activities, aimed at making rating activities in the EU more transparent and comparable, amending Regulations (EU) 2019/2088 and (EU) 2023/2859.** **The Global Real Estate Sustainability Benchmark (GRESB), which offers an ESG scoring and rating system, is the most widely used in the corporate real estate market (https://www.gresb.com/nl-en/).**
	The Periodic Reporting Scheme requires reporting on performance for at least the previous 5 years, the exposition of which is often ineffective and highly redundant.	**Provide reporting approach from previous periods limited to essential KPIs/indicators and PAIs (see § C below) prioritizing relevant indicators.**

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C. Principal Adverse Impacts

Item	Criticality	Proposed revision
9. PAI *Entity level* (corporate assets)	RTSs identify PAIs to be reported at the "entity" level without defining minimum thresholds for proxy data use, for pre-SFDR managed products i.e., those that do not promote E/S characteristics or are sustainable (so-called ex-Article 6).	**In line with the Commission's stated goal of streamlining and reducing disclosure requirements by focusing on the most essential information for investors, define the minimum percentage of total AUM of financial products for which proxy data cannot be used when direct data is not available.** **Furthermore, it should be provided that, at entity level, only products classified under Article 8 and Article 9 — that is, products managed after the entry into force of the SFDR — are to be reported (i.e., not 100% of Assets Under Management – AUM).**
	The calculation methods are complex, making reporting difficult and inconsistent among managers.	**Revise and simplify the calculation methods while for those who issue them better specify the solutions.**
10. PAI Product *level* (financial product assets)	ESAs - *Q&A on the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288)* specified that PAIs can also be developed at the product level only, in case the financial market participant decides not to consider PAIs at the *entity* level.	**It appears necessary to include the clarification at the regulatory level and to provide a mode of reporting within the Periodic Disclosure for products/investments that consider PAIs.**
	According to SFDR Art. 7 in case product-level PAIs are provided, quantifications of PAIs may be based on the provisions of RTSs.	**Clarify whether product-level PAIs can be referred to the *entity-level* PAIs in Annex 1 of the RTS and whether there should be both mandatory and optional PAIs (as at the *entity* level).**
11. PAI: "Scope 3 GHG emissions" related to tenant consumption.	The RTS identify, among the PAIs to be reported at the "entity" level, Scope 3 GHG emissions, which in the real estate sector correspond to the consumption of meters in the tenants' names.	**Collecting data that are not linked to landlords makes reporting on Scope 3 GHG emissions complex and costly, the management of which is not directly**

ITEM	CRITICALITY	PROPOSED REVISION
		traceable to the landlords themselves, including with respect to any emission reduction trajectories. **We recommend that an obligation to share data between tenant and landlord, similar to the French "*Décret Tertiaire*," be established for EU countries to adopt at a centralized national level in order not to burden this activity on management companies, which own the properties but do not directly hold the consumption themselves.** **The proposal is in line with the Commission's goal of reducing the burden of ESG reporting while improving data quality and comparability and containing reporting costs.**
12. Harmonization of EPCs at the European level	PAIs and the EU Taxonomy (Delegated Regulation 2021/2139) include, among the indicators, Energy Performance Certificates (in Italian "APE" in English "EPC") issued with different modalities and criteria at the European level.	**We recommend that EPCs should be equalized among member states for them to be effective, so that a financial market participant will gain more confidence in seeing their validity within Europe as well.**