

Response form for the Joint Consultation Paper concerning ESG disclosures





Responding to this paper

The European Supervisory Authorities (ESAs) invite comments on all matters in this consultation paper on ESG disclosures under Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (hereinafter “SFDR”) and in particular on the specific questions summarised in Section 3 of the consultation paper under “Questions to stakeholders”.

Comments are most helpful if they:

- contain a clear rationale; and
- describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of SFDR.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Q1** Insert your responses to the questions in the Consultation Paper in the present response form.
- Q2** Please do not remove tags of the type <ESA_QUESTION_ESG_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- Q3** If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
- Q4** When you have drafted your response, name your response form according to the following convention: ESA_ESG_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA_ESG_ABCD_RESPONSEFORM.
- Q5** The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](#) under the heading ‘Your input - Consultations’ by **1 September 2020**.
- Q6** Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725¹. Further information on data protection can be found under the [Legal notice](#) section of the EBA website and under the [Legal notice](#) section of the EIOPA website and under the [Legal notice](#) section of the ESMA website.

¹ Regulation (EU) 2018/1725 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC, OJ L 295, 21.11.2018, p. 39.

General information about respondent

Name of the company / organisation	Climate Disclosure Standards Board
Activity	
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Germany

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_ESG_1>

CDSB would like to thank the ESAs for the opportunity to comment on the draft Regulatory Technical Standards (RTS) under the Sustainable Finance Disclosure Regulation.

As CDSB's mission focuses on supporting corporates in providing environmental information via the main-stream corporate report for the benefit of investors and market participants in their decision-making processes, our response to this consultation will focus on entity-level disclosures and the statement on due diligence policy in respect of principal adverse impacts on sustainability factors.

As a starting point, we would like to stress that we support the increase of transparency and ensuring disclosures of sustainability-related information in a consistent and comparable way. This will be crucial in order to protect investors and European citizens as well as improve the contribution of the financial sector to the financing of more sustainable activities aligned with the overarching climate and environmental objectives of the European Green Deal, the Paris agreement and other international initiatives supporting the transition to a low carbon economy. This will also ensure that the net zero commitments investors are increasingly making are transposed into concrete actions and changes within their investment activities and practices.

We agree that the approach taken in the design of the RTS needs to find a fine balance in ensuring the appropriate material information required by end-investors is disclosed without resulting in lengthy and verbose reporting, which is both burdensome and costly for those producing this information, and difficult for end-investors to navigate and decipher, which could have detrimental impact on their ability to incorporate environmental information into their decision-making.

At this stage, we believe the proposed approach is not striking the right balance and should be amended to reflect the following:

- Materiality of the indicators in the assessment of the principal adverse impacts, including from a financial materiality perspective, should be considered when determining what needs to be disclosed. This would require a clarification of the definition of principal adverse impacts, in relation to the sustainability risks, which are defined in the Regulation as "all relevant sustainability risks that might have a relevant material negative impact on the financial return of an investment or advice" but are left out of the scope of the RTS ;
- Adopting a more balanced approach, by specifying further in the text that financial market participants have appropriate flexibility in assessing the materiality of the various indicators leading to principal adverse impacts beyond disclosing all of the required indicators, without creating any loopholes damaging the quality, comparability and consistency of the disclosed information ; and
- Ensuring integration and coherence with existing disclosure-related legislation, including the Taxonomy Regulation and the Non-Financial Reporting Directive (NFRD), as many organisations will be caught under a number of legislations as listed companies and as investment companies. As the regulatory landscape evolves rapidly, these requirements should be updated on a regular basis in order to avoid duplicative requirements,
- These recommendations will help improve the quality of the disclosures from financial markets participants who often argue they do not get the relevant information from their investee companies

and investment managers. In that sense, we agree with the comment in the Consultation Paper saying that “despite some potential lack of data of specific environmental, climate or social issues, it is necessary to start demanding data from the financial market participants” and move ahead to boost the quality of non-financial disclosures, just as in the case of the NFRD review.

Beyond the need for policy coherence between European pieces of legislation (as already stated by a majority of stakeholders in the NFRD public consultation), the approach to ESG disclosures should also rely on existing standards, frameworks and market practices, including the Task Force for Climate-Related Financial Disclosures (TCFD). We can already see a degree of alignment with the inclusion in the article 10 of the draft RTS of the use of scenario analysis. Nonetheless, the governance issues, which are an important part of the TCFD recommendations, are not as equally considered in the Regulation and the RTS despite being included in the definition of sustainability risks as well as in the Recital 17 of the Regulation as part of the definition of a sustainable investment (saying that the investee companies should follow good governance practices). We believe that the Regulation and the RTS should be updated to better cover these topics which are intertwined with climate and environmental as well as social topics.

In these reflections aiming to streamline policy requirements, reducing any unnecessary reporting burden, and ultimately improving the quality of ESG disclosures, we also believe that the information coming out of the SFDR requirements should be included in the company's management report in addition to being displayed on the company's website. This is already suggested in the Recital 25 of the Regulation. This should avoid duplicative requirements applied in silos, as we have seen it within annual reports between information requested under the NFRD, the TCFD recommendations and, in some cases, national disclosure requirements.]

<ESA_COMMENT_ESG_1>

1. : **Do you agree with the approach proposed in Chapter II and Annex I – where the indicators in Table 1 always lead to principal adverse impacts irrespective of the value of the metrics, requiring consistent disclosure, and the indicators in Table 2 and 3 are subject to an “opt-in” regime for disclosure??**

<ESA_QUESTION_ESG_1>

[We believe the proposed approach does not strike the right balance and will not lead to the disclosure of meaningful and material information for the end-users of that information.

As explained during the Public hearing of July 2nd, materiality was not part of the discussion in the design of the indicators. As a result, the approach does not consider the materiality of the various indicators leading to principal adverse impacts a specific financial market participant is exposed to as a result of its investment activities.

We also note that the principal adverse impact notion itself is not clearly defined in the legislation, in particular in relation to sustainability risks. This leads to a lack of consideration of the financial materiality of the indicators leading to principal adverse impacts despite being relevant for an investor audience. This could also lead to confusions and duplicative requirements for financial market participants covered by both the SFDR and the NFRD, as well as other legislations and already applying disclosure frameworks and standards at national, European or international level.

We believe that while keeping the requirement to report on all of the mandatory indicators, the RTS should further specify that as a second step, in the description of policies and actions to identify, prioritise and address principal adverse sustainability impacts, financial market participants should explain how they identify the material indicators leading to principal adverse impacts to their business with an explanation of the indicators they used in this process and the indicators they left out depending on the nature of their investment activities. That process should follow already existing frameworks and standards, most of which are reflected in [the CDSB Framework](#). The CDSB Framework stresses the need for that information to be prepared applying the principles of relevance and materiality, clear and understandable and forward-looking.

In terms of scope, we believe that the comply or explain principle taken for smaller organisations with less than 500 employees could be restricted to incentivise them to also report on their principal adverse impacts. This could be done through the introduction of a limited transitional period of time (e.g. 1 or 2 years) where they could still not apply the requirements.

For the cases where a financial market participant would choose the explain option, the purpose and the required information in the “prominent statement that the financial market participant does not consider the adverse impacts of its investment decisions/advice on sustainability factors” should be amended to allow firms to clarify that they consider sustainability risks (based on sectorial financial legislations) and also (if this is the case) consider other material sustainability impacts but do not actively consider all of the sustainability adverse impacts specified in Annex I.]

<ESA_QUESTION_ESG_1>

2. : **Does the approach laid out in Chapter II and Annex I, take sufficiently into account the size, nature, and scale of financial market participants activities and the type of products they make available?**

<ESA_QUESTION_ESG_2>

[We believe all financial markets participants irrespectively of their size, nature and scale of activities are exposed to environmental, climate and social risks and impacts and should be reporting on them accordingly.

This is why we have suggested in Question 1 to adjust the comply or explain approach for organisations with less than 500 employees, recognising that these organisations have less internal resources to comply with the requirements. |

<ESA_QUESTION_ESG_2>

3. : If you do not agree with the approach in Chapter II and Annex I, is there another way to ensure sufficiently comparable disclosure against key indicators?

<ESA_QUESTION_ESG_3>

| As highlighted in our response to Question 1, we partially agree with the proposed approach.

On the one hand, we believe detailed requirements, including specific indicators, ensure the comparability and the consistency of the disclosed information across all financial market participants.

Nonetheless, we recommend that materiality of principal adverse impacts should be considered as a second step following the disclosures of the set of indicators. This means that the approach should allow financial market participants to prioritise those principal adverse impacts identified as material in order to avoid generic disclosures and narrative reporting without creating loopholes where some material information might not be disclosed.

To ensure the comparability and usefulness of information disclosed, we believe disclosures should be designed to allow for comparison of the performance of a financial market participant with its peers i.e. indicators that are specific to the type of financial market participant. This should be reflected in the methodologies proposed. We agree with the requirement to publish methodologies to assess each principal adverse impact in the article 7 (c) of the draft RTS, but it should be ensured the methodologies proposed incorporate existing methodologies used, including methodologies developed by financial markets participants from the same industry. These methodologies ultimately need to be harmonised to allow a comparison of the principal adverse impacts across financial market participants.

We also believe that these requirements should be supported with further guidance to explain to financial market participants, including clarifying the methodologies and use of the various indicators.. |

<ESA_QUESTION_ESG_3>

4. : Do you have any views on the reporting template provided in Table 1 of Annex I?

<ESA_QUESTION_ESG_4>

| We do not have specific comments on the reporting template. Please go to our response to Question 5 to see our feedbacks on the indicators. |

<ESA_QUESTION_ESG_4>

5. : Do you agree with the indicators? Would you recommend any other indicators? Do you see merit in including forward-looking indicators such as emission reduction pathways, or scope 4 emissions (saving other companies' GHG emissions)?

<ESA_QUESTION_ESG_5>

| It should be ensured that the proposed indicators are:

- aligned with existing international standards such as the Greenhouse gas Protocol or the TCFD recommendations;
- forward-looking in nature (which is not the case with the selected indicators); and
- clearly defined to avoid ambiguity for users and result in comparable disclosures.
 - o For example, on the gender pay gap indicator, how are employees defined? Does this include directors? How should part-time employees vs full-time employees be normalised? On the gender diversity board indicator, how should organisations report where there have both a management and supervisory body?

When it comes to the set of proposed indicators, we have the following comments

- Indicator 1 Carbon emissions - There is no defined scope 3 category under the GHG Protocol's corporate standard for capturing Agriculture, Forestry and Other Land Use (AFOLU) emissions, therefore it is unclear what basis investors would be using to capture this information. If AFOLU represents Scope 1 emissions for an investee company, then this would already be captured in their total carbon footprint, and so would be reported by the investor as Scope 3 emissions from investments, but where AFOLU are not within the direct control of an investee company they will not be included in their carbon accounting as there is currently no defined method for them to do so (except by voluntarily capturing supplier emissions), so it is unclear why this aspect has been separately referenced for this indicator.
- It is not specified what organisational and operational boundaries (as set out under the GHG protocol) investors should collect and aggregate investee company greenhouse gas emissions using – given the GHG Protocol corporate standard allows companies to set their boundaries using a number of different approaches (i.e. financial or operational control and they may choose to report their equity share or the full emissions of a relevant entity), the boundary to be applied to aggregated investee emissions would need to be standardised in order for emissions figures to be aggregated on a comparable basis.
- Under existing reporting provisions, the reporting of Scope 3 categories by companies is optional and levels of completeness of Scope 3 reporting are highly varied – while some organisations seek to provide a full Scope 3 footprint encompassing aspects such as their supply chain and customer use of products, others typically only report categories for which data would already be readily available internally, such as business travel and waste. If investee company's aggregated Scope 1-3 emissions are used to calculate the carbon intensity indicator, how will this differing completeness in investee company carbon accounting practices be accounted for?

We have the following additional comments when it comes to the water-related indicators

- Point (p) “‘area of high water stress’ means regions where the percentage of total water withdrawn is high (60%) or extremely high (80%) in the World Resources Institute's (WRI) Water Risk Atlas tool “Aqueduct””. Water stress as defined by the WRI considers only physical water availability (ratio between water withdrawals and water supply) but does not consider water quality issues (e.g. water pollution) and bad water management/governance/policy, for instance. In practice, this means that there can be some errors in assessing risks. For instance: Singapore is one of the most naturally water stressed countries in the world but its policies go a long way to ensuring it is not going to run out of water. The United States of America on the other hand is far from stressed nationally and enjoys lots of water but old infrastructure and lack of investment in water will mean that they will face water issues.
- Indicator 12. Water emissions. Point (o) refers to different EU directives for the definition of water emissions. While the agricultural emissions to be considered seem clear, the industrial ones might need further clarifications. In the Industrial Emissions Directive 2010/75/EU, the list of emissions might not cover all relevant industrial sectors. This might make the use of that indicators difficult unless completed with additional information about the main polluting emissions by sectors. Furthermore, if all the emissions are to be summed up, it does not allow to make a difference between different types of emissions causing different environmental issues (e.g. eutrophication, toxicity).
- Indicator 13. Exposure to areas of high-water stress. As explained above (referring to point (p)), focus on water-stressed areas does not consider the full spectrum of water-related risks (e.g. risks linked to regulation or local water governance, to infrastructure maintenance, or to water quality/pollution; see examples reported above in comment 1 on point (p)). Of course, the WRI definition and the related tool are widely used (ongoing projects aim to include more water-related aspects), but if

a financial market participant is aware of water-related risks (in a specific area) not considered in the WRI definition, this should probably be considered and disclosed. |

<ESA_QUESTION_ESG_5>

- 6. : In addition to the proposed indicators on carbon emissions in Annex I, do you see merit in also requesting a) a relative measure of carbon emissions relative to the EU 2030 climate and energy framework target and b) a relative measure of carbon emissions relative to the prevailing carbon price?**

<ESA_QUESTION_ESG_6>

Inclusion of a metric which enables carbon emissions to be understood in the relative context of EU policy ambition would be a helpful addition and would support consistency and comparability across disclosures. However, careful consideration would be required as to the methodologies that would be employed to enable entity-level carbon emissions to be understood in this context, in order to ensure methodologies are readily adoptable and consistent with existing disclosure initiatives and reporting requirements. One means to achieve this could be through requiring the methodology currently being developed by the science-based targets initiative for 1.5C aligned carbon reduction targets, given that the EU 2030 climate target is intended to be aligned towards this same objective. A number of financial institutions have already committed to setting targets using this methodology once it has been finalised, therefore this would provide consistency and reduce duplication between different voluntary and mandatory reporting requirements.

Regarding the second proposal for an emissions measure relative to a prevailing carbon price, it is less clear what established methodology would be used for this, given this is not a metric that is commonly currently disclosed, or included as a requirement within existing reporting frameworks. Care should therefore be taken not to introduce reporting requirements which create additional metrics which are not consistent with existing practices. |

<ESA_QUESTION_ESG_6>

- 7. : The ESAs saw merit in requiring measurement of both (1) the share of the investments in companies without a particular issue required by the indicator and (2) the share of all companies in the investments without that issue. Do you have any feedback on this proposal?**

<ESA_QUESTION_ESG_7>

We welcome the emphasis on negative reporting around the share of investments/ investee companies **without** a policy on the issue measured through the indicator as our work has shown that companies tend to have an overly positive reporting on these issues. While it is important to highlight opportunities, disclosures must be **balanced**, which also includes risks and other negative disclosures.

The share of investments rather than the share of investee companies will ensure policy coherence and implementation of the Taxonomy requirements which aims to measure investments in sustainable economic activities. |

<ESA_QUESTION_ESG_7>

- 8. : Would you see merit in including more advanced indicators or metrics to allow financial market participants to capture activities by investee companies to reduce GHG emissions? If yes, how would such advanced metrics capture adverse impacts?**

<ESA_QUESTION_ESG_8>

In order to ensure a focus on material disclosure, it would be more appropriate to include metrics on the actions that financial organisations have taken to influence the emissions reductions activities of investee companies, as opposed to requiring disclosure of the actions investee companies are undertaking themselves. Given emissions from investee companies are typically Scope 3 emissions for financial market par-

ticipants, their degree of direct influence over these emissions can be limited, therefore it would be inappropriate to require disclosure of actions that are being undertaken by third parties. There would also likely be significant challenges for financial organisations in obtaining this information from all investee companies.

This is in keeping with the approach companies commonly take to disclosure of Scope 3 emissions reductions from their suppliers, where the emphasis is typically on actions they can take to influence the activities of their suppliers, as opposed to companies disclosing the emissions reductions actions of the suppliers themselves.

Any disclosure that is focused on investee company emissions should focus only on investments which constitute material adverse impacts for financial institutions in order to support concise and materially focused disclosure.]

<ESA_QUESTION_ESG_8>

9. : Do you agree with the goal of trying to deliver indicators for social and employee matters, respect for human rights, anti-corruption and anti-bribery matters at the same time as the environmental indicators?

<ESA_QUESTION_ESG_9>

We do agree with linking social, environmental and climate issues because they are related but also equally important to ensure a just and low carbon transition of the economy.

From our understanding, the Regulation does not cover governance issues yet. We would like to stress to need to also address them as soon as possible. In fact, the draft RTS are already referring to governance issues when requiring the disclosure of “the allocation of responsibility for the implementation of the policies within organisational strategies and procedures” or “the date of approval of the policies by the governing body of the financial market participant.”

As recommended by the TCFD recommendations, there should be governance-related disclosures based on governance-related indicators, namely:

- Describe the board’s oversight of climate-related risks and opportunities; and
- Describe management’s role in assessing and managing climate-related risks and opportunities]

<ESA_QUESTION_ESG_9>

10. : Do you agree with the proposal that financial market participants should provide a historical comparison of principal adverse impact disclosures up to ten years? If not, what timespan would you suggest?

<ESA_QUESTION_ESG_10>

We strongly agree that the disclosures of indicators should allow a comparison to track progress over time in the identification and the reduction of principal adverse impacts.

We do not disagree with the proposed time frame of 10 years as opposed to shorter timeframe. Not including historical disclosures would hinder the financial market participant and the end-user of the information to assess progress over time to reduce principal adverse impacts.]

<ESA_QUESTION_ESG_10>

11. : Are there any ways to discourage potential “window dressing” techniques in the principal adverse impact reporting? Should the ESAs consider harmonising the methodology and timing of reporting across the reference period, e.g. on what dates the composition of investments must be taken into account? If not, what alternative would you suggest to curtail window dressing techniques?

<ESA_QUESTION_ESG_11> We do not have particular views on this question.]

<ESA_QUESTION_ESG_11>

12. : Do you agree with the approach to have mandatory (1) pre-contractual and (2) periodic templates for financial products?

<ESA_QUESTION_ESG_12>

[TYPE YOUR TEXT HERE]

<ESA_QUESTION_ESG_12>

13. : If the ESAs develop such pre-contractual and periodic templates, what elements should the ESAs include and how should they be formatted?

<ESA_QUESTION_ESG_13>

[TYPE YOUR TEXT HERE]

<ESA_QUESTION_ESG_13>

14. : If you do not agree with harmonised reporting templates for financial products, please suggest what other approach you would propose that would ensure comparability between products.

<ESA_QUESTION_ESG_14>

[TYPE YOUR TEXT HERE]

<ESA_QUESTION_ESG_14>

15. : Do you agree with the balance of information between pre-contractual and website information requirements? Apart from the items listed under Questions 25 and 26, is there anything you would add or subtract from these proposals?

<ESA_QUESTION_ESG_15>

[TYPE YOUR TEXT HERE]

<ESA_QUESTION_ESG_15>

16. : Do you think the differences between Article 8 and Article 9 products are sufficiently well captured by the proposed provisions? If not, please suggest how the disclosures could be further distinguished.

<ESA_QUESTION_ESG_16>

[TYPE YOUR TEXT HERE]

<ESA_QUESTION_ESG_16>

17. : Do the graphical and narrative descriptions of investment proportions capture indirect investments sufficiently?

<ESA_QUESTION_ESG_17>

[TYPE YOUR TEXT HERE]

<ESA_QUESTION_ESG_17>

18. : The draft RTS require in Article 15(2) that for Article 8 products graphical representations illustrate the proportion of investments screened against the environmental or social characteristics

of the financial product. However, as characteristics can widely vary from product to product do you think using the same graphical representation for very different types of products could be misleading to end-investors? If yes, how should such graphic representation be adapted?

<ESA_QUESTION_ESG_18>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_18>

19. : Do you agree with always disclosing exposure to solid fossil-fuel sectors? Are there other sectors that should be captured in such a way, such as nuclear energy?

<ESA_QUESTION_ESG_19>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_19>

20. : Do the product disclosure rules take sufficient account of the differences between products, such as multi-option products or portfolio management products?

<ESA_QUESTION_ESG_20>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_20>

21. : While Article 8 SFDR suggests investee companies should have “good governance practices”, Article 2(17) SFDR includes specific details for good governance practices for sustainable investment investee companies including “sound management structures, employee relations, remuneration of staff and tax compliance”. Should the requirements in the RTS for good governance practices for Article 8 products also capture these elements, bearing in mind Article 8 products may not be undertaking sustainable investments?

<ESA_QUESTION_ESG_21>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_21>

22. : What are your views on the preliminary proposals on “do not significantly harm” principle disclosures in line with the new empowerment under the taxonomy regulation, which can be found in Recital (33), Articles 16(2), 25, 34(3), 35(3), 38 and 45 in the draft RTS?

<ESA_QUESTION_ESG_22>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_22>

23. : Do you see merit in the ESAs defining widely used ESG investment strategies (such as best-in-class, best-in-universe, exclusions, etc.) and giving financial market participants an opportunity to disclose the use of such strategies, where relevant? If yes, how would you define such widely used strategies?

<ESA_QUESTION_ESG_23>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_23>

24. : Do you agree with the approach on the disclosure of financial products' top investments in periodic disclosures as currently set out in Articles 39 and 46 of the draft RTS?

<ESA_QUESTION_ESG_24>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_24>

25. : For each of the following four elements, please indicate whether you believe it is better to include the item in the pre-contractual or the website disclosures for financial products? Please explain your reasoning.

- **an indication of any commitment of a minimum reduction rate of the investments (sometimes referred to as the "investable universe") considered prior to the application of the investment strategy - in the draft RTS below it is in the pre-contractual disclosure Articles 17(b) and 26(b);**
- **a short description of the policy to assess good governance practices of the investee companies - in the draft RTS below it is in pre-contractual disclosure Articles 17(c) and 26(c);**
- **a description of the limitations to (1) methodologies and (2) data sources and how such limitations do not affect the attainment of any environmental or social characteristics or sustainable investment objective of the financial product - in the draft RTS below it is in the website disclosure under Article 34(1)(k) and Article 35(1)(k); and**
- **a reference to whether data sources are external or internal and in what proportions - not currently reflected in the draft RTS but could complement the pre-contractual disclosures under Article 17.**

<ESA_QUESTION_ESG_25>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_25>

26. : Is it better to include a separate section on information on how the use of derivatives meets each of the environmental or social characteristics or sustainable investment objectives promoted by the financial product, as in the below draft RTS under Article 19 and article 28, or would it be better to integrate this section with the graphical and narrative explanation of the investment proportions under Article 15(2) and 24(2)?

<ESA_QUESTION_ESG_26>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_26>

27. : Do you have any views regarding the preliminary impact assessments? Can you provide more granular examples of costs associated with the policy options?

<ESA_QUESTION_ESG_27>
[TYPE YOUR TEXT HERE]
<ESA_QUESTION_ESG_27>



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