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| 23 April 2020 |

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| Response form for the Joint Consultation Paper concerning ESG disclosures |
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| Date: 23 April 2020ESMA 34-45-904 |

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:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. 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.
3. 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.
4. 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.
5. 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](https://www.esma.europa.eu/press-news/consultations) under the heading ‘Your input - Consultations’ by 1 September 2020.
6. 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) 2018/1725[[1]](#footnote-2). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

# General information about respondent

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| --- | --- |
| Name of the company / organisation | Moody’s ESG Solutions Group, a business unit of Moody’s Corporation, and Moody’s majority-owned affiliates Vigeo Eiris and Four Twenty Seven |
| Activity | Other Financial service providers |
| Are you representing an association? |[ ]
| Country/Region | International |

# Introduction

Please make your introductory comments below, if any:

<ESA\_COMMENT\_ESG\_1>

Moody’s ESG Solutions Group and Moody’s majority-owned affiliates Vigeo Eiris and Four Twenty Seven appreciate the opportunity to provide comments to the European Supervisory Authorities (ESAs) in response to their Joint Consultation Paper on ESG Disclosures.

Moody’s ESG Solutions Group is a business unit of Moody’s Corporation. In conjunction with its affiliates, Moody’s ESG Solutions Group provides ESG and climate risk solutions including ESG scores, analytics, Sustainability Ratings and Sustainable Finance Reviewer/certifier services. Vigeo Eiris is a global leader in ESG assessments, data, research, analytics and peer comparisons. Four Twenty Seven is a leading provider of data, intelligence and analysis related to physical climate risks.

We are responding principally in our capacity as a user of ESG disclosures. We strongly support the evolution of material, high quality, more comparable disclosures. We have observed fast growing investor interest in ESG considerations. For example, while ESG investment was long seen as a niche activity, Vigeo Eiris now experiences increasing demand for its products and services from “mainstream” investors; as well as growing international demand. We believe this is evidence of a significant, and potentially permanent, shift in investor attitudes and demand for better data.

We have the following key comments on the consultation:

1. **Comparability, consistency and clarity for ESG-relevant data.** The sustainable finance market is best served by continued efforts to improve the comparability, consistency, and clarity of ESG-relevant data, information and issuer disclosures. We believe that the proposed standardization around reporting of adverse sustainability impact indicators and other disclosures by market participants will be helpful in that respect. The proposed disclosure standards for asset managers and other in-scope financial market participants (hereafter referred to as “asset managers”) will ultimately drive the type of extra-financial information that the companies will need to disclose to meet the needs of the financial statement users.
2. **Enhancing reporting quality.** We believe that the ESAs can help improve the quality of reporting in the following ways
	1. **Materiality process.** By requiring asset managers to disclose the process by which they determine which adverse impact indicators are material to the different sectors within their portfolio, and over which time horizon.
	We acknowledge that Article 7 of the proposed Regulatory Technical Standards (RTS) requires asset managers to disclose the policies they use to identify and prioritise principal adverse sustainability impacts of their investment decisions. We note, however, that the template for the Principal Adverse Impacts Statement (i.e. Tables 1, 2 and 3 in Annex I) contains many proposed indicators that are more significant to some sectors than to others. A given metric disclosed at the level of the whole entity and for the whole portfolio may not be meaningful or obscure important trends in the sectors where it is material to that sector’s stakeholders. The determination of which adverse sustainability indicators are “principal” under Article 6 will, in many cases, be sector-driven. We therefore believe that it’s important for asset managers to include sector considerations in their disclosure (see further suggestions under (4) below).
	2. **Data source disclosure.** By requiring asset managers to disclose the data sources they used to report the principal adverse sustainability impact indicators. We acknowledge that Article 7 of the RTS broadly requires assets managers to provide a description of the data sources used to identify and prioritise principal adverse sustainability impacts. However, the proposed template for the Principal Adverse Impacts Statement does not explicitly require disclosure of information that would help users evaluate the reliability and comparability of individual metrics reported. We note that many of the indicators listed in Tables 1, 2, and 3 of Annex I rely on availability of ESG data that, given current state of the market, is often of inconsistent reliability and quality. A broad disclosure of various data sources used to prepare the entire Principal Adverse Impacts Statement may be insufficient to allow users to evaluate and understand individual metrics. We therefore suggest that the template explicitly require disclosure of data sources used for each indicator reported, as well as its coverage(i.e. the proportion of the portfolio for which data is actually available).
3. **Mitigating implementation burdens**. We believe that the implementation of the proposals may be cumbersome and difficult for asset managers, due to issues with the consistency and reliability of ESG data available in the market. In order to collect the necessary information, asset managers may need to query investee companies, consult external specialists, or look to information that is publicly available but not regulated or independently verified. The implementation process can be made easier by allowing market participants not to report on a particular indicator if the underlying ESG data is not yet available, provided they also discuss what they are doing to obtain the requisite information.

1. **Proportionality principle.** As a practical solution to observations under (2) and (3) above, we would suggest that for each indicator, asset managers are required to disclose:
	1. The proportion of the portfolio where they judge the potential impact is likely to be immaterial, as well as the basis for that judgement and any relevant data sources used to make that judgment
	2. The proportion of the portfolio where there are potentially material impacts but they have been unable to assess them due to lack of data, as well as what steps they are taking with service providers or directly with companies to address that gap
	3. The proportion of the portfolio deemed to be materially exposed to the impact indicator, their methods and approach to that determination, the relevant quantitative metric, and the data sources used for measurement.
2. **Consistency across EU regulations**. The Do No Significant Harm (DNSH) provisions of the EU Taxonomy should be cross-referenced to the mandatory principal adverse impact indicators. As both pieces of regulation evolve over time, the guidelines on how they are cross-linked should also be updated. Having misaligned DNSH provisions and principal adverse impact indicators could be counterproductive to clarity, comparability and consistency of ESG data disclosure in the market.
3. **Indicator specifics.** In the responses that follow, we also have some detailed suggestions on the indicators proposed, including the balance achieved between environmental and social indicators, measures of quality of relevant policies, and impact metrics in the areas of climate, child labor, and career development, among others. For example:
	1. Indicator 26, **Child Labour risks**, could have the unintended consequence of simply discouraging investments in companies that deal with poorer countries. We suggest that including measures of acting responsibly in relation to the topic would probably lead to better outcomes than focusing on geographical risk exposure
	2. Indicator 28, **Number and nature of identified cases of severe human rights issues and incidents**, is unclear since what is considered severe appears open to interpretation. We advise that the definition focus on the severe human rights issues for the stakeholders (vs. for the corporate)
	3. **Climate related indicators** should promote understanding of exposure to physical climate hazards. We recommend that indicators be added for hazards such as floods, hurricanes and typhoons, heat stress and sea level rise which can pose material risks to companies.

Yours sincerely,

Andrea Blackman

Managing Director – Global Head of Environmental, Social, and Governance

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<ESA\_COMMENT\_ESG\_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 that specifying both mandatory and opt-in indicators can be an effective way to ensure consistency while allowing for some flexibility in implementation. However**, we recommend establishing a clearer basis for distinction between the two categories.** We agree that for some metrics, any value suggests an adverse sustainability impact, while other metrics are only relevant or significant for some sectors (as is further elaborated in our introductory statement). However, it is not clear whether this is how the distinction between mandatory indicators in Table 1 and “opt-in” indicators in Table 2 and Table 3 has been determined. For example, it is not always clear why some of the indicators in Tables 2 and 3 do not form part of the core mandatory group. Also, some indicators mentioned in Table 1 do not always have “adverse sustainability impact” by nature. For example, in cases of indicators 18, 19 or 20, the measurement itself could be of a negative value, indicating a characteristic that is positive or desirable from sustainability perspective. Additionally, indicators relating to the presence of geographical risk (such as indicators 26 and 27) do not necessarily lead to an actual adverse impact, especially if there are management systems in place to avoid, reduce or mitigate the impact. In short, to the extent that mandatory and opt-in division is retained, we would encourage more definitional clarity and a provision of a clearer rationale.

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<ESA\_QUESTION\_ESG\_1>

* : 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>

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<ESA\_QUESTION\_ESG\_2>

* : 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>

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<ESA\_QUESTION\_ESG\_3>

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

<ESA\_QUESTION\_ESG\_4>

The reporting template is simple to read and is generally clear and comprehensible. We have the following suggestions.

* For reasons discussed in our introductory remarks, we would suggest that for each indicator, asset managers are required to disclose:
	+ **Immateriality judgement basis.** The proportion of the portfolio where they judge the potential impact is likely to be immaterial, as well as the basis for that judgement and any relevant data sources used to make that judgment
	+ **Insufficient data.** The proportion of the portfolio where there are potentially material impacts but they have been unable to assess them due to lack of data, as well as what steps they are taking with service providers or directly with companies to address that gap
	+ **Materiality judgement basis.** The proportion of the portfolio deemed to be materially exposed to the impact indicator, their methods and approach to that determination, the relevant quantitative metric, and the data sources used for measurement.
* **Definitions.** We note that many of the readers of this table will not necessarily be versed in either ESG or the principal adverse impacts concept. The reporting template should ideally contain a very light pedagogical element to support understanding. This could be as simple as having an additional column with synthetic definitions of each indicator so that the layman can understand precisely what energy intensity, or carbon footprint, means. Alternatively, these definitions could be placed in an appendix.

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_ESG\_4>

* : 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>

We do not disagree with any of the indicators per se. We do have the following additional comments:

* **Policies vs quantitative metrics.** There is an imbalance between the Environment indicators and the other areas (Social, Governance). Within the Environment area (*aside from deforestation*) there are no indicators related to policies. The indicators are typically quantitative metrics. Contrast that with the Social and Governance areas where we see almost the reverse with the majority of indicators being policy and process focused. The majority of the quantitative metrics for social and governance elements are found in the optional list of indicators which again, warrants a clearer explanation as to why these are optional. In order to ensure a balanced approach to disclosures across ESG matters, reporting of both qualitative policies and quantitative results should be encouraged. In short – we advise the introduction of a number of the quantitative metrics from tables 2 and 3 into table 1 for social and governance areas.
* **Policy quality and relevance**. Where disclosure of policy indicators is required, we suggest that asset managers should be able to disclose a measure of quality and relevance of those policies, as opposed to a binary indicator of a share of companies with and without a relevant policy. From our experience in assessing companies, the seriousness and effectiveness of policies on a given issue vary. It may also be helpful to encourage reporters to differentiate policy disclosure across different ranges of measurement of the related adverse sustainability impact. For example in disclosing policies designed to address gender pay gap, it may be more relevant to understand what part of the portfolio has the most severe gap and focus policy disclosure and due diligence processes on such cases.
* **ILO considerations.** Within the social area, indicator 17 related to the ILO conventions appears impractical in its set up. The indicator wraps the issues captured by the eight ILO Core Conventions into one indicator. The interpretation may be that the asset managers must cover the four elements below in one measure:
	+ Forced or Compulsory Labour
	+ Child Labour
	+ Non-Discrimination
	+ Freedom of Association and the Right to Organise

From our experience of assessing companies, there are almost none that express commitments to the ILO Core Conventions per se. Rather, they express individual commitments to the individual elements. In addition, there is a large gap between companies expressing commitments on Freedom of Association and the Right to Collective Bargaining, and the other elements (which are more commonly reported upon). In short, wrapping all of these elements into one indicator could result in reporting that lacks in clarity and may end up being too harsh (failure on one, means failure on all).

Our advice is to break the four components up into four separate indicators pertaining to due diligence policies on (1) child labour, (2) forced or compulsory labour, (3) non-discrimination, and (4) freedom of association and the right to collective bargaining.

* **Child labour considerations.** Indicator 26, Child Labour risks, could have the unintended consequence of simply discouraging investments in companies that deal with poorer countries, instead of encouraging policies that promote education and address the poverty drivers that create child labour. Similar issue exists with any other geographically focussed criteria. We suggest including measures of acting responsibly in relation to the topic (some of them sector specific) which would probably lead to better outcomes than simply looking at the geographical risk exposure. All companies with large supply chains will have a tendency to be working in the areas of risk, so it is more meaningful to evaluate the quality of relevant policies they have in place. We also believe that how companies deal with allegations when they are made is a very important indicator which is missing from the proposed approach.
* **Human rights considerations.** Indicator 28, Number and nature of identified cases of severe human rights issues and incidents, is unclear

What is considered severe appears open to interpretation, as to whether it refers to the severity for the impacted stakeholder or the corporate. This is one area where the methodology for the indicator should be tightened. Given the nature of human rights (such that they may or may not have major financial implications for the company), and the objectives of this proposal on ESG disclosures, we would advise that the definition focus on the severe human rights issues for the stakeholders.

* **Physical climate exposures.** Climate related indicators should promote understanding of exposure to physical climate hazards. We would recommend that indicators be added for hazards such as floods, hurricanes and typhoons, heat stress and sea level rise which can pose material risks to companies. The guidance already includes relevant indicators on water stress (share of investee companies with sites located in areas of high water stress), and this same metric is relevant to each of the other hazards as well. Also, as proposed, it is ambiguous as to how an asset manager would respond if, say, all of their investee companies have a handful of facilities exposed but only a few have more than a quarter of their facilities exposed. It may be more meaningful to report on the number or percent of investee companies’ facilities exposed to a particular hazard. We encourage requiring asset managers to explain the approach they have taken to evaluate and report on their risk exposure across portfolio.
* **Career, talent development and reorganisation indicators.** We believe that additional policy indicators related to Career and Talent Development and Reorganisation would be beneficial given the current context of large-scale unemployment (driven by large segments of the economy undergoing disruptive transitions (energy, digital), compounded by the impacts of COVID-1*9*).
* **Consumer protection.** We note that as currently drafted, there are no adverse impact indicators related to consumer protection. We propose that the addition of policy indicators related to product and service safety will make the reporting framework more holistic and capture an important angle of adverse impact.

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<ESA\_QUESTION\_ESG\_5>

* : 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>

**Yes,** it would give an indication about the alignment of companies with the EU 2030 climate objectives. The metric could be: % of target reached or key performance indicators to assess progress against target as well as disclosure of own target if specific for the sector/company.  One example metric might be proportion of TCO2e emitted that are covered by EU ETS or other emissions trading schemes.

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<ESA\_QUESTION\_ESG\_6>

* : 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 believe this is a value added proposal that helps to contextualise the reporting.

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<ESA\_QUESTION\_ESG\_7>

* : **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>

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<ESA\_QUESTION\_ESG\_8>

* : 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 agree with this approach. This holistic approach gives the regulatory initiative a better chance of achieving its overarching objectives by ensuring that the full spectrum of potential adverse ESG impacts are reported upon from the outset. Only leading with environmental indicators would have clearly limited the value of this reporting (providing a one-dimensional view) and its impact on the market overall (by stimulating disclosures on this one angle).

Social and employee matters, respect for human rights, anti-corruption and anti-bribery are also issues on which reporting maturity lags behind. Initiatives such as the Carbon Disclosure Project (CDP) and the Task Force on Climate Related Financial Disclosures (TCFD) are guiding better reporting practices in the market on climate. There are initiatives covering these types of disclosure for social and employee matters (for example the Guiding Principles on Business and Human Rights / OHCHR and the Corporate Human Rights Benchmark / CHRB), but their adoption and impact across sectors and markets remain lower. COVID-19 and its associated social impacts has triggered a shift in the ESG industry, with both corporate and investors paying more attention to these elements. By integrating these issues into the scope of the reporting guidelines, ESAs may further stimulate necessary debates and reporting improvements in these areas.

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<ESA\_QUESTION\_ESG\_9>

* : 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 agree with the proposal to provide a back history of information. This will help contextualise the reporting and flag positive or negative trends. However, whenever providing time series data, it is vital to place a premium on quality and transparency to avoid the extended time series being misleading. A 10-year view needs to account for the likely fluctuations in data availability year on year. This will be particularly important for indicators that represent metrics (Carbon Footprint, Energy Intensity etc). From a guidance perspective, it might be prudent to inform stakeholders of any change in the basis of measurement in future reports. Also, attention must be paid to ensuring transparency on the quality of data (coverage in particular) that lies underneath each year of reporting to ensure that the time series of data is not misleading.

TYPE YOUR TEXT HERE

<ESA\_QUESTION\_ESG\_10>

* : 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>

There are a number of ways to discourage window dressing:

* **Transparency on sources at the indicator level**: as discussed in our introductory remarks, reporters should identify clearly where the underlying data has come from. This will enable people to understand if the data has come from independent third party providers or is self-reported by the financial institution.
* **Transparency on coverage and time horizon at the indicator level**: as discussed in our introductory remarks, reports should identify clearly and at indicator level the availability and time horizon of data for what is being reported upon.
* **Consistency of reporting windows at product level**: whilst we do not think that the ESAs need to determine a fixed period per annum, they should ensure that reporting on a given product covers the same period year on year.

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<ESA\_QUESTION\_ESG\_11>

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

<ESA\_QUESTION\_ESG\_12>

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<ESA\_QUESTION\_ESG\_12>

* : 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>

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<ESA\_QUESTION\_ESG\_13>

* : 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>

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<ESA\_QUESTION\_ESG\_14>

* : 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>

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<ESA\_QUESTION\_ESG\_15>

* : 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>

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<ESA\_QUESTION\_ESG\_16>

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

<ESA\_QUESTION\_ESG\_17>

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<ESA\_QUESTION\_ESG\_17>

* : 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>

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<ESA\_QUESTION\_ESG\_18>

* : 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>

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<ESA\_QUESTION\_ESG\_19>

* : 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>

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<ESA\_QUESTION\_ESG\_20>

* : 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>

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<ESA\_QUESTION\_ESG\_21>

* : 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>

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<ESA\_QUESTION\_ESG\_22>

* : 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>

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<ESA\_QUESTION\_ESG\_23>

* : 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>

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<ESA\_QUESTION\_ESG\_24>

* : 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>

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<ESA\_QUESTION\_ESG\_25>

* : 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>

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<ESA\_QUESTION\_ESG\_26>

* : 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>

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<ESA\_QUESTION\_ESG\_27>

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. [↑](#footnote-ref-2)