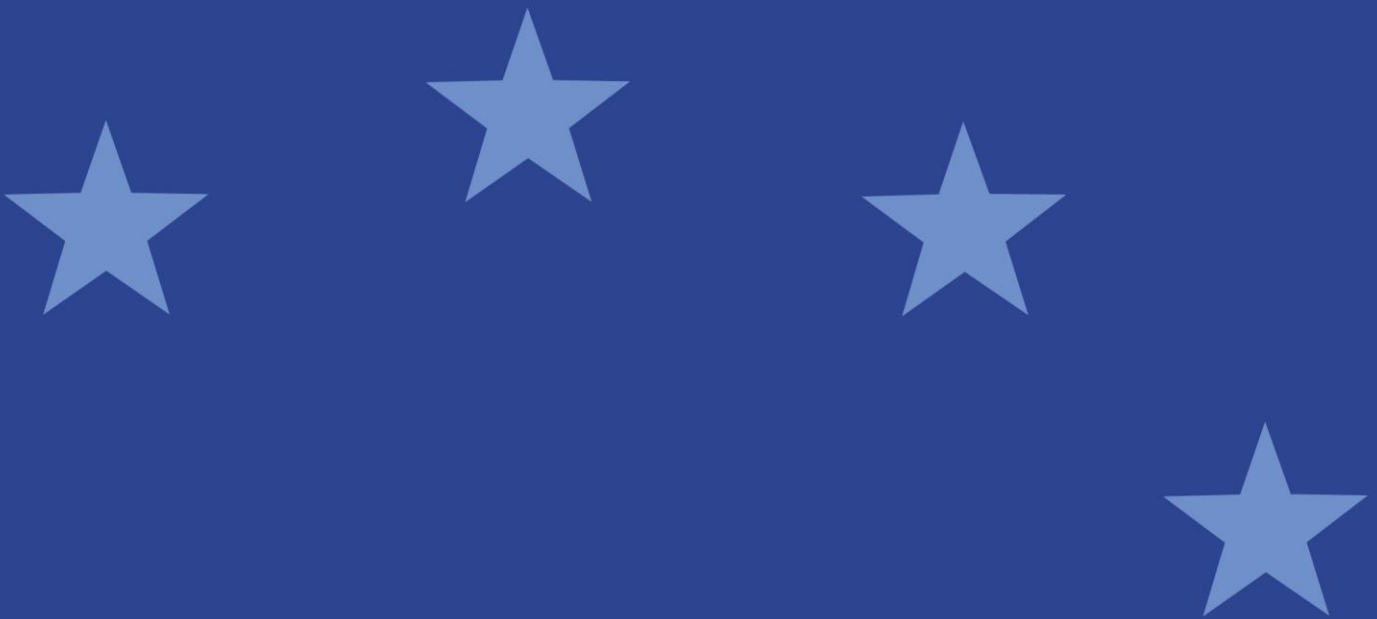


Response form for the Joint Consultation Paper concerning ESG disclosures





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:

1. contain a clear rationale; and
2. 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	SIFMA AMG
Activity	Investment Services
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	North-America

Introduction

Please make your introductory comments below, if any:

<ESA_COMMENT_ESG_1>

SIFMA AMG welcomes the opportunity to provide the European Supervisory Authorities (ESAs) with feedback on the draft Regulatory Technical Standards (RTS) under the EU Sustainability Finance Disclosure Regulation (SFDR).

SIFMA AMG brings the asset management community together to provide views on U.S. and global policy and to create industry best practices. SIFMA AMG's Members represent U.S. and global asset management firms whose combined assets under management exceed \$45 trillion. The clients of SIFMA AMG Member firms include, among others, tens of millions of individual investors, registered investment companies, endowments, public and private pension funds, UCITS and private funds such as hedge funds and private equity funds. For more information, visit <http://www.sifma.org/amg>.

SIFMA AMG Members appreciate the detailed requirements that the Joint ESAs have provided in the draft RTS and the explanations in the accompanying consultation paper. Nevertheless, there remain some clarifications that would enable SIFMA AMG Members to better understand the logic of the ESAs. We would have two principal questions above all - what is the core purpose of disclosing information – particularly entity-level disclosures? And for the benefit of whom?

Our Members also have concerns that the ESAs' seeming fixation on achieving comparability may have resulted in overly prescriptive requirements. While we fully appreciate the fundamental need for comparability it is important to acknowledge that full comparability may not be achievable or, if it is achieved, it may come at the expense of other aspects of the disclosures, such as their comprehensibility.

Overall, SIFMA AMG Members believe that introducing some measure of flexibility into the requirements – in the form of greater optionality - whereby entities in scope could disclose the performance of their products on the basis of a subset of the most relevant or practicable Principal Adverse Impact (PAI) indicators – would improve the relevance and value of the disclosures and render them more accessible and meaningful to external stakeholders.

Practically speaking, there are substantial obstacles to applying and complying with the disclosure requirements. At present, there is inadequate data available to calculate and indicate principal adverse impacts on the basis of the metrics proposed by the ESAs. Existing non-financial disclosure requirements will not furnish the necessary data to reliably determine sustainability impacts.

Furthermore, for smaller companies, having to gather data on the ESG impacts of their activities to satisfy the requests of shareholders would be onerous and out of proportion to their size and impact on ESG outcomes. It would also effectively impose significant disclosure requirements on these smaller investee companies and negate the proportionality built-in to the NFRD. The limited territorial scope of the NFRD implies additional challenges for asset managers when engaging with, and gathering the necessary information from, investee companies situated and active outside Europe.

Continuing the theme of proportionality, the intensive engagement required by the asset manager to acquire the data necessary to calculate principal adverse impacts is excessive and beyond the capacity of many market participants. An asset manager may hold equity or debt associated with hundreds or even thousands of issuers, many of whom may not have gathered the data needed for the purposes of the disclosures in the first instance. It is unreasonable to expect that asset managers have adequately staffed and resourced internal functions capable of gathering and processing such an enormous volume of information. In addition, while there is data and common methodologies available to calculate principal adverse impacts for a limited subset of indicators, for many there are no commonly agreed metrics or methodologies that would enable market participants to make reliable, consistent or comparable disclosures.

From a legal standpoint, once the available data is attained from investee companies not subject to general disclosure requirements, there are serious concerns over the handling of the data – its processing, verification and storage– and the liability that arises therefrom. Without clarification as to the legal aspects of handling investee company data market participants will be reluctant to gather, process and store that data. In addition, doubts will persist as to the reliability or accuracy of that data. With the onus for engagement and attaining the necessary information placed squarely on each individual market participant there are valid concerns over verification of the data provided by the investee company and questions over where ultimate responsibility lies in the event of inaccurate, unreliable or misleading data being used as the basis for disclosures.

Finally, in relation to the timeframe for implementation, SIFMA AMG Members are fully cognisant of the fact that the ESAs are required to deliver the RTS by the end of 2020 and that the legislation will gradually start applying in 2021. However, this timeframe is overly ambitious according to our estimation. We advise the joint ESAs and the Commission to reassess, and if deemed necessary, adjust the timeframe to ensure smooth implementation and application of the requirements – including the resolution of any issues identified over the course of the consultation process.

<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>

SIFMA AMG Members have reservations regarding the overall approach taken - which confronts entities in scope with a binary choice between complying with highly prescriptive and granular requirements or explaining their non-compliance.

While we understand the desire of the ESAs, based on the text of the SFDR, to introduce as much as possible a set of unified and standardised indicators, we believe full standardisation and comparability will remain elusive and may actually have unforeseen consequences by promoting quantitative solutions at the expense of necessary and meaningful qualitative analysis. Therefore, while we appreciate that the ESAs are attempting to deliver on the mandate in the Level 1 text requiring comparability of PAI, the proposed approach - which focuses on quantitative reporting on the indicators is likely to lead to a ‘tick-the-box’ approach rather than the qualitative assessment required.

Still further, the value and comprehensibility of the disclosures will vary depending on whether they are entity-level disclosures or product-level disclosures. While our Members agree that product-level disclosures may offer meaningful insights for investors, doubts persist regarding the value of entity-level disclosures. When aggregated at entity-level, the value of the PAI disclosures of the financial market participant concerned is doubtful. It is difficult to discern how the disclosures – consisting of a quantitative metric – will be meaningful and comprehensible for investors. The requirement to disclose the overall performance of an entity based on the aggregated impacts of a diverse range of products – with widely varying characteristics and investment strategies - will not convey meaningful information to an external audience. Accordingly, SIFMA AMG Members feel strongly that entity-level disclosures should be simplified and that some element of qualification should be permitted to ensure greater accessibility.

More broadly, SIFMA AMG Members would like to underline that the overall obligation to disclose on adverse sustainability impacts (Article 4(1)(a) SFDR) is subject to the general principle of proportionality. It is essential that the ESAs acknowledge that not all financial market participants in scope will be able to undertake the necessary investments to gather the information and data required to report back on the mandatory 32 indicators of Table 1, nor on the optional indicators in Table 2 and 3.

In addition, the sourcing of data and information will remain fragmented. As the ESAs have indicated in Article 7(2) RTS, the first source of information should be investee companies themselves. Until the NFRD (or equivalent legislative instrument) has been revised to require companies in scope to mandatorily report on these indicators using harmonised and broadly agreed methodologies, the data will be difficult to attain and compare. Furthermore, this will not solve the problem of reporting by non-EU companies not subject to the NFRD which constitute a significant share of the issuers represented in the portfolios of entities subject to these requirements. If data from investee companies is not available, entities will have to base their assessment on reasonable assumptions, data from third party providers and external experts (Article 7(2)(b) RTS). This will inevitably lead to different assumptions, approaches and datasets being used in the market with the result that reporting on the indicators will not be fully comparable nor fully reliable. SIFMA AMG Members have highlighted that there will be a heavy reliance on the estimations of third-party data providers in order to comply with their PAI disclosure requirements.

Finally, quite a few of the 32 mandatory indicators proposed – for example around biodiversity – will require internal assessment within the entity of how to report, or will focus on quantitative mechanical processes (I.e. number of investee companies with certain policies) without examining the qualitative assessment (what do these policies say? How rigorously do the investee companies apply these?). As a result, the reporting of these indicators may be very challenging to compare between different reports by different market participants or may not convey any meaningful information.

As an alternative approach – that would ensure both greater proportionality and practical feasibility – SIFMA AMG recommends introducing greater flexibility into the requirements by enabling compliance by disclosure of PAIs on the basis of a narrower set of mandatory indicators. The PAI indicators included on the final, more tailored list of mandatory indicators should depend on: (i) whether the data required to enable the disclosures is available or readily attainable, and; (ii) whether the indicator is generally applicable or relevant to all products.

Limiting the mandatory disclosures to a narrower list of indicators would also ensure the disclosure requirements did not place excessive and unreasonable pressures on market participants and smaller investee companies to gather/attain, process, store, and transfer information necessary to calculate principal adverse impacts.

<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>

SIFMA AMG Members do not believe that the proposed approach truly reflects the principle of proportionality as laid down in (Article 4(1)(a) SFDR) (“[...] *taking due account of their size, the nature and scale of their activities, and the types of financial products they make available,*”).

While we appreciate that the Level 1 text limits the application of disclosure requirements to firms with staff levels above certain thresholds, we believe mandating the 32 indicators from Table 1, as well as one indicator from Table 2 and one from Table 3 for every entity required, is excessive. In addition, the disclosures as currently envisioned by the draft RTS risk, in many instances, being of limited use to investors or a wider audience of stakeholders.

There is a genuine concern that smaller firms may find the implementation of the PAI disclosure requirements excessively expensive and will refrain from offering certain products.

As mentioned above, the intensive engagement required by the asset manager to acquire the data necessary to calculate PAI is excessive and beyond the capacity of many market participants. An asset manager may hold equity or debt associated with hundreds or even thousands of issuers, many of which may not have gathered the data needed for the purposes of the disclosures in the first instance. It is unreasonable to expect that asset managers have adequately staffed and resourced internal functions capable of gathering and processing such an enormous volume of data. In addition, while there is data and common methodologies available to calculate PAI for a limited subset of indicators, for many there are no commonly agreed metrics or methodologies that would enable market participants to make reliable disclosures based on this information.

SIFMA AMG Members have also expressed concern over the “best efforts” obligation to gather the information related to the disclosures. The exact meaning or what the ESAs envisage by “best efforts” is unclear and risks placing unreasonable expectations on market participants. A more appropriate and proportionate term could be “reasonable efforts”. As indicated, in many instances, the data necessary for the purposes of the disclosures will not be attainable from the investee company directly. Accordingly, SIFMA AMG Members will be forced to resort to third-party data providers purporting to have access to the required information. The reliability of the data third-party providers offer may be doubtful.

Also relevant is the proportionality of the requirements vis-à-vis issuers that are outside the scope of the NFRD. Existing non-financial disclosure requirements, which will not – in their current form – furnish the

necessary data to reliably determine sustainability impacts for entities in scope, do not apply to companies with under 500 employees, which often represent a significant proportion of a portfolio. In relation to these issuers - there are serious concerns as to whether the data required is attainable, even with active and intensive engagement on the part of the asset manager. For smaller companies, having to gather data on the ESG impacts of their activities to satisfy the requests of shareholders would be onerous and wholly out of proportion. It would effectively subject these issuers to the same requirements as companies mandated to make public disclosures under the NFRD.

Accordingly, SIFMA AMG Members feel strongly that some degree of flexibility should be introduced into the requirements – whereby entities in scope could report on a subset of the most relevant and generally applicable PAI indicators – those for which data and common methodologies are available.

<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>

SIFMA AMG Members believe an alternative approach - that would address both proportionality concerns and practical constraints - should be pursued. This alternative approach would entail greater optionality by limiting the number of mandatory PAI indicators on the basis of two criteria; (i) whether the data required to enable the disclosures is available or readily attainable, and; (ii) whether the indicator is generally applicable or relevant to all products.

Following extensive internal discussion, SIFMA AMG Members have been able to analyse the feasibility and relevance of each of the 32 mandatory indicators proposed by the ESAs. To facilitate the ESAs in identifying the PAI indicators that could realistically be proposed as mandatory please refer to figures I and II below which outline which of the indicators could be potentially useful to investors, depending on the investment strategy or product to which the disclosure relates, and whether there is data available to make the disclosures.

Determining mandatory indicators on the basis of these two criteria would reduce the number of mandatory PAI indicators significantly – alleviating the pressure on both market participants and investee companies to gather/provide and process data required to calculate principal adverse impacts based on an excessive number of PAI indicators – the relevance of which may vary depending on the product to which the disclosures relates or which may suffer from interpretive issues.

Ultimately, SIFMA AMG Members feel strongly that, at least initially, the PAI indicators should be optional until the European Commission has undertaken a comprehensive assessment to determine the availability, attainability, reliability, quality and robustness of the data required to make the disclosures based on the PAI indicators. As highlighted elsewhere in the response, the limited availability of the data required for the purposes of the disclosures is an insurmountable practical obstacle at the present juncture. Moreover, requiring extensive engagement with investee companies to gather the necessary data that is otherwise not available in the public domain will place excessive and unreasonable burdens on both financial market participants and their investee companies.

Accordingly, entities in scope of the disclosure requirements will be forced to resort to third-party service providers that purport to have access to the necessary data. SIFMA AMG Members harbour serious concerns over the reliability, quality and robustness of the data offered by third-party service providers and the risk of disclosing inaccurate, unreliable or otherwise misleading information that may largely reflect the assumptions of third-party service providers. Moreover, there are legitimate concerns that these requirements will create a dependence on a small number of third-party providers that may provide unreliable or misleading data in relation to multiple indicators.

At a minimum, the list of mandatory indicators should be limited to ensure that the disclosure requirements do not place excessive and unreasonable pressures on market participants and smaller investee companies to gather/attain, process, store, and transfer information necessary to calculate principal adverse impacts. This would imply expanding the list of optional PAI indicators so as to encompass the indicators excluded from the list of mandatory indicators. Disclosures based on these optional indicators would supplement disclosures based on the generally applicable mandatory indicators as and when relevant to the products they concern. It would also allow for a more phased approach whereby the list of mandatory indicators could be gradually expanded provided there is robust and reliable data available for the indicators in question.

Echoing our earlier comments, SIFMA AMG Members appreciate the ESAs concern for the comparability of disclosures. However, we would like to reiterate that pursuing comparability may come at the expense of meaningful disclosures that are relevant to the products they relate to and comprehensible to investors. Still further, as stated previously, requiring disclosures on the basis of all 32 mandatory PAI indicators and an additional 2 optional indicators is excessive and, in the case of many indicators, impractical.

In addition, SIFMA AMG Members believe it is crucial that the ESAs acknowledge the significant constraints imposed on entities in scope by the inadequacy of available data and/or the lack of common methodologies to calculate principal adverse impacts based on the metrics proposed by the ESAs. Consequently – until the availability of standardised data and/or common methodologies are assured greater optionality with regard to the use of many of the indicators should be introduced. In addition, the possibility of qualifying the disclosures should be introduced to compensate for the lack of a reliable quantitative assessment in relation to some of the indicators – particularly those that are more subjective in nature.

FIGURE I – CLIMATE & ENVIRONMENT RELATED INDICATORS

CLIMATE & ENVIRONMENT-RELATED INDICATORS			
DIMENSION	PRINCIPAL ADVERSE IMPACT INDICATOR	METRIC	COMMENTS
Greenhouse gas emissions	1. Carbon emissions (broken down by scope 1, 2 and 3 carbon emissions – including agriculture, forestry and other land use emissions – and in total)	Carbon emissions calculated according to formula provided in point (f) on Pg. 49 of consultation paper	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) Data would be available for a subset of investee companies, with the exception of data on scope 3 carbon emissions.
	2. Carbon footprint	Carbon footprint calculated according to formula provided in point (g) on Pg. 50 of consultation paper	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) Data would be available for a subset of investee companies
	3. Weighted average carbon intensity	Carbon intensity calculated according to formula provided in point (i) on Pg. 50 of consultation paper	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and

			(II) Data would be available for a subset of investee companies
	4. Solid fossil fuel sector exposure	Share of investments in solid fuel sectors	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
Energy Performance	5. Total energy consumption from non-renewable sources and share of non-renewable energy consumption.	Total energy consumption of investee companies from non-renewable energy sources expressed as weighted average.	(I) We believe that this information is potentially duplicative with Indicator #1. Carbon emissions would be a good proxy for use of non-renewable resources (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
	6. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
	7. Energy consumption intensity	Energy consumption of investee companies per million EUR of revenue of those companies (in GWh) expressed as a weighted average.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
	8. Energy consumption intensity per sector	Energy consumption intensity per million EUR of revenue of investee companies, per NACE sector (in GWh), expressed as a weighted average.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and

			(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
Biodiversity	9. Biodiversity and ecosystem preservation practices	Share of all investments in investee companies that do not assess, monitor or control the pressures leading to biodiversity change	(I) We think this indicator is potentially subjective for investee companies (how assess or monitor is defined will vary amongst investee companies) and therefore this will be of limited usefulness to investors, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
	10. Natural species and protected areas	Share of investments in companies that affect IUCN red list species	(I) We <u>do not</u> think this indicator would be useful to most investors, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
	11. Deforestation	Share of investments in entities without a deforestation policy.	(I) We <u>do not</u> think this indicator would be useful to most investors, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
Water	12. Water emissions	Weight in tonnes of water emissions generated by investee companies per million EUR invested, expressed as a weighted average.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) Data would be available for a subset of investee companies
	13. Exposure to areas of high-water stress	Share of investments in investee companies with sites located in areas of high-water stress	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and

			(II) Data would be available for a subset of investee companies
	14. Untreated discharged waste water	Total amount in cubic meters of untreated waste water discharged by the investee companies expressed as a weighted average.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
Waste	15. Hazardous waste ratio	Weight in tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
	16. Non-recycled waste ratio	Weight in tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).

FIGURE II – SOCIAL & EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION & ANTI-BRIBERY

SOCIAL & EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION & ANTI-BRIBERY MATTERS			
DIMENSION	PRINCIPAL ADVERSE IMPACT INDICATOR	METRIC	COMMENT
Social and employee matters	17. Implementation of fundamental ILO Conventions	Share of investments in entities without due diligence policies on issues addressed by the fundamental ILO conventions 1 to 8	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine

			whether reliable and robust data could be available by 2021).
	18. Gender pay gap	Average gender pay gap of investee companies	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).</p> <p>(III) We believe this indicator would only be helpful if other attributes are incorporated, such as title or job function. Otherwise this indicator does not tell the full story.</p>
	19. Excessive CEO pay ration	Average ratio within investee companies of the annual total compensation of the highest compensated individual to the median annual total.	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) Data would be available for a subset of investee companies</p>
	20. Board gender diversity	Average ratio of female to male board members in investee companies	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) Data would be available for a subset of investee companies</p>
	21. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers.	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) Data would be available for a subset of investee companies</p>
	22. Investment in investee companies without work place accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy.	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) Data would be available for a subset of investee companies</p>
Human Rights	23. Human rights policy	Share of investments in entities without a human rights policy.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and

			<p>(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).</p> <p>(III) The absence of a human rights policy does not automatically imply a principal adverse impact</p>
	24. Due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts.	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021). (III) The absence of due diligence policies to identify, prevent, mitigate and address adverse human rights impacts does not automatically imply a principal adverse impact</p>
	25. Processes and measure for preventing trafficking in human beings	Share of investments in investee companies without policies against trafficking in human beings.	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021). (III) The absence of policies against trafficking in human beings does not automatically imply a principal adverse impact.</p>
	26. Operations and suppliers at significant risk of incidents of child labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour	<p>(I) We think this indicator is potentially subjective for investee companies (how "significant risk of incidents of child labour" is defined will vary amongst investee companies/asset managers) and therefore this will be of limited usefulness to investors</p> <p>(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).</p>

	27. Operations and suppliers at significant risk of incidents of forced or compulsory labour	Share of investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour	<p>(I) We think this indicator is potentially subjective for investee companies (how "significant risk of incidents of forced or compulsory labour" is defined will vary amongst investee companies/asset managers) and therefore this will be of limited usefulness to investors;</p> <p>(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).</p>
	28. Number and nature of identified cases of severe human rights issues and incidents	Number and nature of severe human rights issues and incidents connected to investee companies.	<p>(I) We think this indicator is potentially subjective for investee companies (how "severe...issues" is defined will vary amongst investee companies) and therefore this will be of limited usefulness to investors</p> <p>(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).</p>
	29. Exposure to controversial weapons (land mines and cluster bombs)	Any investment in entities involved in the manufacture or selling of controversial weapons (land mines and cluster bombs)	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) Data would be available for a subset of investee companies</p>
Anti-corruption & anti-bribery	30. Anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption.	<p>(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and</p> <p>(II) Data would be available for a subset of investee companies</p> <p>(III) The absence of policies on anti-corruption and anti-brivery consistent with the United Nations Convention against Corruption does not automatically imply a principal adverse impact.</p>
	31. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery.	<p>(I) We think this indicator is potentially subjective for investee companies (how will "insufficiencies" be identified, through audits or self-reporting?) and therefore this will be of limited usefulness to investors</p>

			(II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).
	32. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies.	(I) We think this indicator could be useful to investors depending on the investment strategy or product to which the disclosure relates, and (II) This data is not generally reported and would be difficult to attain (we would likely need to engage a third-party service provider to determine whether reliable and robust data could be available by 2021).

<ESA_QUESTION_ESG_3>

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

<ESA_QUESTION_ESG_4>

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<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>

As outlined in our answer to Question 3, SIFMA AMG Members believe that each of the indicators could be relevant depending on the product to which the disclosure relates. However, all of the indicators will not be relevant to all products. Accordingly, while we agree with the indicators in principle, we reiterate the need for greater optionality with regard to the use of a majority of the indicators labelled as mandatory in the draft RTS. The list of mandatory indicators should be limited to those that are practically feasible – based on the availability of the necessary data – and universally relevant to all products.

In other words, only a subset of the indicators proposed as mandatory should be retained as such in the final report. The final list of mandatory indicators should depend on adequate data and common methodologies being available to reliably calculate sustainability impacts according to the metrics provided by the ESAs. Indicators excluded from the list of mandatory indicators should be made optional – accounting for the fact that some of the indicators may not be relevant for all products.

In addition, SIFMA AMG Members highlight that some of the indicators are flawed in the sense that any positive value should not be regarded as automatically implying an adverse impact. For instance, the absence of policies on deforestation or whistle-blower protection does not, in and of itself, automatically lead to principal adverse impacts. The relevance of indicators referring to the internal policies of investee companies is not immediately apparent when assessing their principal adverse impact. Ultimately, whether or not an investee company has policies in place offers disclosing entities no additional insight into their overall sustainability impact. Moreover, these indicators will not be relevant to, or applicable, to all products, to all companies and to all economic sectors.

With regard to forward-looking indicators – such as emission reduction pathways – SIFMA AMG Members have serious doubts as to the feasibility and reliability of forward-looking disclosures. There is no common or sufficiently harmonised methodology agreed on among either industry or supervisory authorities at the present juncture that would render such disclosures possible. Moreover, the constraints imposed by insufficient data on existing sustainability impacts already constitutes a daunting challenge. Without further clarification from the ESAs, our Members are uncertain how to identify and gather the relevant data to include disclosures on forward-looking indicators.

<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>

SIFMA AMG Members believe there could be some value to including a measure of carbon emissions relative to the EU 2030 climate and energy framework target. However, at present, there are no means to deliver the necessary assessment. There is no common methodology in place that would allow for the results of any such assessment by disclosing entities to be comparable.

<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 assume here that what the indicators are trying to achieve is to 1) identify the share of the investment portfolio in companies and 2) the number of companies in absolute terms.

One of the key policy objectives of the SFDR and the EU Sustainable Finance agenda more broadly is to ensure that capital flows and capital allocation increasingly goes towards companies with improving sustainability track records. Therefore, the key metric is to understand what share of the investment portfolio is invested in companies/issuers fulfilling certain indicators, rather than the absolute number of issuers.

Therefore, we believe indicator (1) is useful, while indicator (2) would provide little added value.

<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>

The Level 1 text of the SFDR clarifies that the RTS on the social & employee matters, respect for human rights, anti-corruption and anti-bribery matters is only due by the 30 December 2021 (Article 4(7) SFDR).

SIFMA AMG Members understand the motivation for delivering both social & employee related indicators and climate and environment related indicators at the same time.

However, consistent with our comments above, SIFMA AMG Members are concerned that the timeframe for implementation and application of SFDR requirements is overly ambitious. We would prefer a more deliberate and carefully sequenced approach to the elaboration of technical requirements.

In addition, as highlighted above, many of the indicators set out in the draft RTS are not universally applicable or relevant in the case of all products; are impractical - due to the inadequacy of available data; are not amenable to quantitative assessment; would require qualification in order to be comprehensible or meaningful; or are highly subjective in nature or likely to suffer from interpretive issues.

Concerns over the subjective nature of the indicators and the availability of data relate, in particular, to the indicators on social & employee-related indicators. Accordingly, SIFMA AMG Members would have a distinct preference for the joint ESAs to abide by the original implementation schedule stipulated in the Level 1 text and use the additional time to address the greater subjectivity and interpretive issues that arise in relation to social & employee related indicators.

<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 understand that Article 6(2) of the RTS proposes to ensure that financial market participants required to provide PAI disclosure will have to provide a comparison for at least the shortest period of (1) the period since the 10 March 2021 (entry into force), 2) the date at which PAI is for the first time taken into account or (3) the last 10 years. We understand that for financial market participants that are required to report PAI disclosure will only be required to provide a 10-year comparison for the first time 10 years after the PAI disclosure requirement has come into effect. We would be opposed to any requirement that would require financial market participants to have to collect retroactively historical data.

SIFMA AMG Members also regard the 10-year timespan of historical comparisons as too long. First and foremost, the composition of a portfolio can vary significantly over time such that the comparison may be misleading or the PAI performance of a product volatile. Accordingly, we would recommend that the ESAs retain the possibility of conducting historical comparisons but within a much shorter timeframe of 2 to 3 years.

<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>

We believe that ‘window dressing’ should not be the main concern of the ESAs. As outlined earlier, the implementation by financial market participants is going to prove very challenging. Some data will simply initially not be available. The reporting on other indicators is unlikely to be uniformly applied, simply because some of the indicators require qualitative assessment by each financial market participant.

However, we would welcome further guidance on the reference periods, observation dates for the composition of portfolios, etc., to make the implementation as easy and smooth as possible.

<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>

SIFMA AMG Members fear that templates would be overly prescriptive and rigid. While templates may serve to standardise disclosures and improve their comparability, it is unlikely a standardised template could be developed that is adapted to the wide variety of financial products, or their respective sectoral disclosures that are present on the market.

Also, we are conscious that disclosures containing too much information will very likely overwhelm their intended recipient in such a way as to discourage investor engagement. The templates could also contain a significant amount of information that is irrelevant to the recipient at pre-contractual level and in periodic reports.

Overall, SIFMA AMG Members believe that the draft RTS provide adequate guidance on what information should be contained in pre-contractual and periodic disclosures and feel that entities in scope should be permitted to present the information in a manner they regard as most effective and impactful.

<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>

Further to our answer to Question 12, SIFMA AMG Members do not believe that the ESAs should develop templates for pre-contractual and periodic disclosures. The templates would risk being overly prescriptive in nature to the detriment of impactful disclosures. The draft RTS provide a sufficient level of detail to guide entities in making disclosures at pre-contractual level and in periodic reports.

<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>

SIFMA AMG Members believe that entities subject to the disclosure requirements should be permitted to include sustainability-related information in pre-contractual and periodic disclosures in a manner that they deem to be the most effective and impactful. The draft RTS provide adequate guidance as to the information that must be disclosed at different levels and at various points in the investment process and engagement with the investor.

Developing standardised templates that are adapted to the wide range of products and that complement pre-existing sectoral disclosures would also be a difficult task.

<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>

As a general comment, SIFMA AMG Members have a distinct preference for concentrating the greater portion of information on the website in order to allow for disclosures at pre-contractual level to be as concise

and engaging as possible. Including an excessive volume of information at a pre-contractual level carries the distinct risk of overwhelming the intended recipient and diminishes the likelihood that they will engage with the information provided.

In order to render the disclosures at a pre-contractual level as effective and impactful as possible, the amount of information disclosed at this juncture should be limited and presented in a visually compelling manner so as to capture the attention of investors. Appropriate links should be provided and prominently displayed directing the investor to more comprehensive and granular information on the disclosures available on dedicated webpages.

On a purely practical point – concentrating the majority of disclosure related information on the website would also render it easier for entities in scope to update the information as required.

<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>

No – SIFMA AMG Members do not believe that Article 8 and Article 9 products are clearly differentiated by the proposed provisions. On the contrary, there is significant confusion as to how to differentiate between Article 8 and Article 9 products - particularly due to significant uncertainty and ambiguity regarding the meaning and precise definition of the term ‘sustainable investments’.

The ESAs specify that Article 8 products are broadly defined in order to allow for a wide range of environmental or social characteristics to qualify investment products as Article 8 products. Article 9 products, by contrast, must qualify as sustainable investments in order to be regarded as such.

These draft RTS have introduced significant confusion as to the understanding of fundamental terms – such as ‘sustainable investments’ and concepts – such as the ‘do not significantly harm’ principle. They have also heightened the risk of incoherence between different pieces of EU legislation intended to enable and facilitate investments in environmentally sustainable activities – namely the EU Taxonomy.

On a more practical note, the ESAs have introduced the possibility for Article 8 products to contain a portion of investments that qualify as ‘sustainable investments’ and, accordingly, have imposed the requirement to subject these investments to screening and disclosure requirements applicable in the context of Article 9 products.

SIFMA AMG Members are uncertain with the rationale behind this step – which appears to have no basis or reasoning derived from the Level 1 text. Our understanding is that Article 8 products are expressly not pursuing sustainable investments as an objective and yet having a share of ‘sustainable investments’ represented in an Article 8 product imposes the requirements applicable to Article 9 products.

This has introduced confusion as to why a distinction is made between Article 8 and Article 9 products in the first instance, if the ESAs are intent on subjecting both products to similar requirements.

<ESA_QUESTION_ESG_16>

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

<ESA_QUESTION_ESG_17>

SIFMA AMG Members believe that the graphical and narrative descriptions of investment proportions as they relate to direct investments will be challenging to capture in the first instance. Accordingly, at present,

we have not considered how well suited the graphical and narrative descriptions are to capture indirect investments.

<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>

SIFMA AMG Members note that Article 15 of the RTS suggests that an Article 8 product should be able to identify the share of sustainable investments in its portfolio. However, doing this accurately would require applying the EU Taxonomy Technical Screening Criteria as well as the Do No Significant Harm (DNSH) principle to be able to disclose this information.

However, an Article 8 SFDR product is pursuing environmental and/or social characteristics. It is explicitly not pursuing sustainable investments. The requirements to identify and report on this would be quite costly to implement for products which do have as core objective to be seeking to make sustainable investments.

We would advocate for a deletion of Article 15(2)(a)(i).

<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>

We do not support this proposal. In general, asset managers will take great caution in investing in companies with good governance and will engage with companies on these matters. The entry into force of the Shareholder Rights Directive II (SRD II) will further ensure that asset managers take adequate measures. Article 2(17) SFDR (the DNSH principle) is key to products pursuing sustainable investments, in line with the EU Taxonomy.

The category of Article 8 products under the SFDR is explicitly meant for products that will pursue environmental and/or social characteristics but will not pursue sustainable investments (as aligned with the EU Taxonomy). Integrating the DNSH principle for Article 8 will change significantly the obligations that Article 8 are subject to.

We do believe this was the intend of the co-legislators and the policy issue is adequately dealt with under the SRD II and the Corporate Governance codes in EU Member States. We therefore do not believe that the RTS should be identical on this point for Article 8 as for Article 9 products.

<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>

SIFMA AMG Members reiterate that these draft RTS have introduced significant confusion with respect to the definition of fundamental terms - such as ‘sustainable investments’ - and concepts – such as the ‘do not significantly harm principle’. This heightens the risk of incoherence between the SFDR and the Taxonomy Regulation in particular.

With regard to the DNSH principle – SIFMA AMG Members note that the concept appears to differ in the SFDR compared to the Taxonomy Regulation. Whereas in the Taxonomy Regulation, the principle relates exclusively to environmental considerations, in the SFDR it encompasses both environmental and social aspects. As a general point – SIFMA AMG Members feel strongly that using the same concept or term in multiple pieces of legislation while defining it differently in each is not legally viable. Entities that apply both the SFDR and the Taxonomy Regulation need clarity as to which definition is operative in different scenarios.

Furthermore, there is little clarity as to how the DNSH principle interacts with the PAI indicators or whether the extent of significant harm or lack thereof will be determined according to the provisions of the Taxonomy Regulation. Accordingly, we urge the ESAs to clarify the use of the DNSH principle in the SFDR and Taxonomy Regulation to avoid further confusion and offer more precise guidance as to how it should be applied.

<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>

SIFMA AMG Members understand that defining widely used ESG investment strategies would likely clarify the scope of products that qualify as Article 8 products. Nevertheless, as Article 8 is intended to capture a wide variety of diverse products we would favour leaving widely used ESG investment strategies undefined.

<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>

SIFMA AMG Members understand that defining widely used ESG investment strategies would likely clarify the scope of products that qualify as Article 8 products. Nevertheless, as Article 8 is intended to capture a wide variety of diverse products we would favour leaving widely used ESG investment strategies undefined.

<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.
1. 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);
 2. 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);
 3. 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
 4. 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>

SIFMA AMG Members note that the information to be disclosed pursuant to points (a), (b), (c) and (d) above appears to represent additional disclosure obligations.

In the event the ESAs insist upon mandating the disclosure of this additional information, the distinct preference of SIFMA AMG Members would be to disclose this information on websites.

<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>

SIFMA AMG Members do not understand the reason to subject derivatives to specific treatment. We gather that the ESAs appear to regard the use of derivatives seems as potentially in conflict with environmental or social characteristics. However, we would like to underline that investments promoting environmental or social characteristics and 'sustainable investments' will have some of the same risks as conventional investments (Interest rate, credit, currency/FX, etc...) As with other exposures, the risks associated with these investments need to be hedged like with other, more conventional investments. As a result, the specific focus on derivatives seems unwarranted and may inadvertently introduce additional burdens that deter sound risk management.

<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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