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| 5 November 2020 |

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| Response form for the Consultation Paper on the Draft advice to European Commission under Article 8 of the Taxonomy Regulation |
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| Date: 5 November 2020 |

**Responding to this paper**

ESMA invites responses to the questions set out throughout this Consultation Paper and summarised in Annex II. Responses are most helpful if they:

* respond to the question stated and indicate the specific question to which they relate;
* contain a clear rationale; and
* describe any alternatives ESMA should consider.

ESMA will consider all comments received by **4 December 2020**.

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

**Instructions**

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

* Insert your responses to the consultation questions in the form “Response form\_Consultation Paper on TR Article 8 advice”, available on ESMA’s website alongside the present Consultation Paper ([www.esma.europa.eu](http://www.esma.europa.eu) → ‘Your input – Open consultations’ → ‘Consultation on advice under Taxonomy Regulation Article 8’).
* Please do not remove tags of the type <ESMA\_QUESTION\_TRART8\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
* 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.
* When you have drafted your response, name your response form according to the following convention: ESMA\_TRART8\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_TRART8\_ABCD\_RESPONSEFORM.
* Upload the form containing your responses, in Word format, to ESMA’s website ([www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input – Open consultations’ → ‘Consultation on advice under Taxonomy Regulation Article 8’).

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. If you do not wish for your response to be publicly disclosed, please clearly indicate this by ticking the appropriate box on the website submission page. 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 ESMA’s rules on 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 ESMA’s Board of Appeal and the European Ombudsman.

**Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘[Data protection](https://www.esma.europa.eu/about-esma/data-protection)’.

**Who should read this paper?**

This Consultation Paper may be of particular interest to non-financial undertakings and asset managers covered by Article 8 of Regulation (EU) 2020/852 (the ‘Taxonomy Regulation’) as well as to investors and other users of non-financial information

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | Bloomberg L.P. |
| Activity | Other |
| Are you representing an association? |  |
| Country/Region | UK |

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_TRART8\_1>

Bloomberg welcomes the opportunity to contribute to ESMA’s consultation paper including draft advice to the European Commission (EC) under Article 8 of the Taxonomy Regulation. We believe ESMA closely aligned its technical advice with the recommendations of the EC’s Technical Expert Group on Sustainable Finance (TEG). We would therefore like to share our suggestions to improve the quality and usability of the proposed reporting framework and ensure it is adjusted to the type of activities in scope.

**Non-financial undertakings - KPIs reporting:**

* Bloomberg thinks that at a minimum a corporate should be reporting at a group or entity level. There is further complexity for a company reporting across economic activities (i.e. segmenting their taxonomy turnover) and also on their contribution to each environmental objective, that needs to be clearly communicated. Should full segmentation by economic activity, by environmental objective and by enabling/transitioning be required for all 3 KPIs, it will become very costly and time consuming for the corporate discloser, the data aggregator and the financial market participant. Bloomberg therefore recommends retaining the 3 KPIs in the context of each environmental objective and transitioning or enabling activities, but with the option to apply an existing sectoral system to any asset management reporting.
* Bloomberg highlights that the methodology to report EU Taxonomy revenue should align with how such revenue is accounted for, therefore the Taxonomy turnover should be consistent with a company’s overall turnover.
* Overall, Bloomberg agrees with the use of NACE but it needs to be aligned with all activities under the EU Taxonomy, and it needs to be accompanied by alternate industry classification mapping systems, therefore NACE equivalence tables are essential. It is important that the ‘products / services associated with economic activities which qualify as environmentally sustainable under Articles 3 and 9 of the Taxonomy Regulation’ are clearly defined. The Taxonomy Regulation classifies activities with and without NACE mappings, but to make this applicable for Financial Market Participants consuming the information NACE equivalence tables are crucial and should be used.
* Bloomberg would recommend limiting the primary KPI to entity level alignment for each environmental objective and providing context on the transitioning or enabling activities.
* Bloomberg also recommends ESMA to provide further clarity on the following additional aspects:
  + Whether companies may use estimates for their mandatory Taxonomy-alignment reporting;
  + How European companies are expected to report on their non-EU operations (Bloomberg recommends to clarify the requirements in respect of activities of EU corporates located outside the EU and opt for a reporting model including global operations, if any).

**Reporting non-covered activities**

* Bloomberg recommends that the first statement in the non-financial report should break out eligible from non-eligible turnover, with eligibility meaning that the activity is covered in the technical annexes of the Taxonomy Regulation. We agree with approach 1, as proposed in section 3.3.4.
* Bloomberg disagrees with including non-covered activities in Annex III: even though these have n/a for the remaining columns it may confuse reporting corporates and lead to (accidental) taxonomy alignment reporting for non-covered activities.
* There is a need for the European Commission’s Platform on Sustainable Finance to provide further clarity and advise on key metrics for enabling and transitioning activities.
* Bloomberg believes that if technical screening criteria for an economic activity have not yet been established by the Platform, then a company cannot make a taxonomy aligned KPI claim in their non-financial undertakings. Should the company feel that they are substantially contributing to an environmental objective, then they should feed back to the Platform on why their economic activity should be considered and the technical screening criteria that they feel would represent compliance with the Taxonomy framework.

**Asset management reporting recommendations**

* Bloomberg believes that Annex IV reporting for asset managers does not need to be NACE aligned. Asset managers should be free to use their existing sector classifications, but still provide details on the 3 KPI in the context of each environmental objective and transitioning or enabling activities.
* Bloomberg agrees with the recommendations to report portfolio weighted holdings of taxonomy aligned activities based on turnover. Bloomberg agrees with the TEG recommendations on waterfall logic, such that a green debt instrument with use of proceeds aligned to the Taxonomy would be counted first and if such use of proceeds are not taxonomy aligned then the company’s activities (based on turnover) would be assessed for taxonomy alignment.
* Bloomberg believes that asset managers’ CapEx and OpEx reporting under Article 8 should be associated with their own practices, for example investments in more energy efficient offices or changing employee transport options to less carbon intensive travel. Bloomberg does not believe that the CapEx or OpEx of the underlying investee company should apply to these KPIs. We would not have a sufficient understanding of what asset managers are doing in the context of their own operations, without these reports.
* Bloomberg believes that the methodology under Article 8 reporting should draw parallels to the reporting required under Articles 5 and 6; therefore any clarification of eligible investment (e.g. removing government holdings, derivatives, FX or certain commercial deposits) should apply to both Article 8 and Articles 5 and 6 methodologies. This will ensure consistency in reporting and comparable data sets.
* Bloomberg agrees with the proposal of eligible investments.
* Bloomberg disagrees with the layout of Annex IV. Bloomberg believes that asset managers’ CapEx or OpEx should represent the greening of their own business practices and not those of the underlying investment. Only the turnover KPI should represent the proportion of holdings in taxonomy aligned activities. Any direct investment or holdings in a company whose use of proceeds are taxonomy aligned would count in the turnover calculation. This would represent the direct impact the asset manager has on green CapEx or investment made by the investee company.
* Bloomberg agrees with the advice provided by the TEG that taxonomy eligible activities conducted by companies not covered by the Non-Financial Reporting Directive (e.g. international companies or SMEs) should be allowed to report separately the percentage of an asset manager’s holdings that are “potentially aligned”. Otherwise asset managers who are investing in Taxonomy covered activities outside the scope of the NFRD will be under-stating their impact on the transition to more environmentally sustainable practices*.*

Finally, in the context of non-financial reporting, Bloomberg would like to reiterate its support for the Task-force on Climate-related Disclosures (TCFD) recommendations, as also outlined in previous responses to consultations. To claim substantial contribution to climate change adaptation, a company needs to demonstrate that it is reducing all material physical climate risks to the extent possible. The TCFD is the only framework that can help a company demonstrate they have robustly analysed climate-related risks and opportunities and in turn enable investors to make clear, informed decisions.

<ESMA\_COMMENT\_TRART8\_1>

1. For this KPI, do you agree with the proposed approach to defining turnover (bullet a in the draft advice)?

<ESMA\_QUESTION\_TRART8\_1>

Bloomberg recognises the challenges of reporting turnover subject to both IFRS and GAAP accounting standards, and would ask that the end figure is comparable between disclosing companies. To achieve this, Bloomberg agrees with recommendations that the amount of turnover is accompanied with a percentage of total turnover at the group or entity level, then the percentage value can be used to compare between companies with different accounting standards.

Bloomberg highlights that the methodology to report EU Taxonomy revenue should align with how such revenue is accounted for, therefore the Taxonomy turnover should be consistent with a company’s overall turnover.

It is also important to recognise that industries have different definitions of net sales changes dependent on their industry or sector, defined below as per Bloomberg:

* INDUSTRIAL: Amount of sales which are generated by a company after the deduction of sales returns, allowances, discounts, and sales based taxes. This includes revenues from financial subsidiaries in industrial companies if the consolidation includes those subsidiaries throughout the report, as well as subsidies from federal or local government in certain industries (i.e. transportation or utilities). Turnover from joint ventures and/or associates is excluded, in addition to inter-company revenue and revenues from discontinued operations.
* BANKS & FINANCIALS: Gross revenue from any operating activity. Total revenue is defined as the sum of total interest income, investment income, trading profit (loss), commissions and fees earned and other operating income.
* INSURANCE: All revenues from any operating activities, such as: the sum of net premiums earned; realized investment gain (loss); investment income; real estate operations; and other income.
* UTILITIES: Includes revenues from electric, gas, water and other operating revenue, in addition to all revenues from any operating activity (principal activities), and gross revenues less adjustments. Internal or inter-company revenues are excluded, except for privately held companies (utility subsidiaries).
* REITS: Revenues from real estate operating activities. Total of rental income, real estate sales (for Real Estate Operating companies), management and advisory fees, mortgage and note income and other operating income are included. Equity in income from unconsolidated entities is excluded, as well as gain/(loss) on sale of rental properties*.*

<ESMA\_QUESTION\_TRART8\_1>

1. For this KPI, do you agree with the proposed approach to when turnover can be counted (bullet b in the draft advice)?

<ESMA\_QUESTION\_TRART8\_2>

Overall, we agree with the use of NACE but it needs to be aligned with all activities under the EU Taxonomy, and it needs to be accompanied by further mappings to alternate industry classification systems, therefore NACE equivalence tables are essential.

In more detail, it is important that the ‘products / services associated with economic activities which qualify as environmentally sustainable under Articles 3 and 9 of the Taxonomy Regulation’ are clearly defined. The Taxonomy Regulation classifies activities with and without NACE mappings, but to make this applicable for Financial Market Participants consuming the information NACE equivalence tables are crucial and should be used.

For disclosing corporates, segmented revenue or turnover isn’t always aligned to NACE activities and can be independently named by the disclosing corporate. When comparing the segment revenue of car manufacturers, for example, it will be noted that the segments, whilst referring to the same activities (manufacturing, auto-finance, etc.) will be segmented with different naming conventions. A process is then required to map the corporate named segment to a classification system. There are some systems which classify the majority share of a company’s activities by one reference, and there are other more granular classification systems that recognise the diverse nature of companies’ revenue profiles.

For Article 8 to be appropriately applied, disclosing corporates will need to break out their turnover by activities in line with the NACE system. Equally the NACE system should be able to map classifications to each of the activities in scope for Article 3 and 9 of the Taxonomy Regulation. Bloomberg therefore agrees with the proposal under Annex III to increase standardisation in revenue segmentation and taxonomy alignment, and also suggests the NACE classification system to be updated in order to cover all activities set forth in the Taxonomy Regulation.

<ESMA\_QUESTION\_TRART8\_2>

1. For this KPI, do you agree with the proposed approach to defining CapEx (bullet a in the draft advice)?

<ESMA\_QUESTION\_TRART8\_3>

Bloomberg agrees with the proposal to determine CapEx with reference to the indirect method, thus calculating CapEx as the difference between the carrying amount of fixed assets recognised in the statement of financial position between the beginning and the end of the reporting year plus current year’s related depreciation and amortisation charges. As with turnover, comparability using a percentage of total CapEx should be applied.

Bloomberg notes that most companies choose to report the cash flow statement using the indirect method because of the accrual accounting and as it is less complex for corporates. Some companies do still choose to report with the direct method (cost and accounting change for these companies if the indirect method is used).

<ESMA\_QUESTION\_TRART8\_3>

1. For this KPI, do you agree with the proposed approach to when CapEx can be counted, including the definition of ‘plan’ (bullet b in the draft advice)?

<ESMA\_QUESTION\_TRART8\_4>

Similar to the answer provided to Question 2, clear segmentation of CapEx by activities is not currently market practice. It is also important to appropriately segment by activities and not assign CapEx to the majority share of activities performed by a company.

As with turnover, providing a percentage of total alongside the amount of CapEx can help in making figures more comparable between companies with different accounting standards.

Regarding the fixed period of time by which the technical screening criteria are met to qualify as taxonomy-aligned, Bloomberg recommends that the five-year period should be either audited or independently assured before the data is used.

<ESMA\_QUESTION\_TRART8\_4>

1. For this KPI, do you agree with the proposed approach to defining OpEx (bullet a in the draft advice)?

<ESMA\_QUESTION\_TRART8\_5>

Bloomberg agrees with the proposed approach to defining OpEx.

<ESMA\_QUESTION\_TRART8\_5>

1. For this KPI, do you agree with the proposed approach to when OpEx can be counted, including the definition of ‘plan’ (bullet b in the draft advice)? With reference to the TEG’s inclusion of the words “if relevant” in relation to OpEx, in which situations should it be possible to count OpEx as Taxonomy-aligned?

<ESMA\_QUESTION\_TRART8\_6>

Using OpEx is complex, as we currently do not see standardized accounting standards used. The standards may vary, but as long as both overall OpEx and Taxonomy aligned OpEx entail the same process, then the OpEx can be proportionately comparable with other companies. ESMA recommendations should take into account these differences.

<ESMA\_QUESTION\_TRART8\_6>

1. Do you believe that any of the suggested approaches covered in questions 1 to 6 above will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, including whether they are one-off or ongoing, and provide your best quantitative estimate of their size.

<ESMA\_QUESTION\_TRART8\_7>

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<ESMA\_QUESTION\_TRART8\_7>

1. Do you agree that sectoral specificities should not be addressed in the advice, as proposed in Section 3.2.3?

<ESMA\_QUESTION\_TRART8\_8>

Bloomberg agrees with the recommendations, including the importance of reporting 0% alignment.

<ESMA\_QUESTION\_TRART8\_8>

1. Do you agree with the requirements for accompanying information which ESMA has proposed for the three KPIs?

<ESMA\_QUESTION\_TRART8\_9>

Bloomberg agrees with the importance of supplementary information to support the KPIs, noting that evidence of the substantial contribution, DNSH and minimum social safeguards being met are important to give confidence in how the figures were derived and that they are comparable to other similar companies. Bloomberg, as a data vendor, would look for such KPIs to cover a certain percentage of the company’s global operational footprint, for example. For additional information, Bloomberg recommends ESMA to also list the need to disclose which estimates are used in the computation of taxonomy alignment as part of the methodology section.

<ESMA\_QUESTION\_TRART8\_9>

1. Do you consider that the requirement to refer to the relevant line item(s) in the financial statements for each KPI ensures sufficient integration between the KPIs and the financial statements?

<ESMA\_QUESTION\_TRART8\_10>

Yes, Bloomberg would expect that any restatement of revenue has a corresponding restatement of taxonomy alignment. In parallel, whatever method is used in the calculation of OpEx and CapEx should be equivalent to and correspond with the method that is used in determining the taxonomy alignment.

<ESMA\_QUESTION\_TRART8\_10>

1. Do you agree with ESMA’s suggestion to permit compliance by reference, so that non-financial undertakings may present the accompanying information elsewhere in the non-financial statement than in the immediate vicinity of the KPIs, as long as they provide a hyperlink to the location of the accompanying information?

<ESMA\_QUESTION\_TRART8\_11>

Bloomberg agrees that the core information should be contained in the non-financial statement with supplementary information referenced elsewhere such as the annual sustainability report. From a data collection perspective, having data in multiple places may cause issues if there are delays between filings, therefore having this information in the same document is a preference.

<ESMA\_QUESTION\_TRART8\_11>

1. Do you consider there are additional topics that should be considered by ESMA in order to specify the content of the three KPIs? If yes, please elaborate and explain the relevance of these topics.

<ESMA\_QUESTION\_TRART8\_12>

Bloomberg recommends ESMA to provide further clarity on the following additional aspects:

* Whether companies may use estimates for their mandatory Taxonomy alignment reporting;
* How European companies are expected to report on their non-EU operations (Bloomberg recommends to clarify the requirements in respect of activities of EU corporates located outside the EU and opt for a reporting model including global operations, if any).

As also highlighted above, a clarification on the scope of reporting is needed, and Bloomberg recommends to cover global operations. Bloomberg also observes that there is significant over-reporting of certain business segments, rather than comprehensive reporting of entire business operations. This in turn may result in a ‘greenwashing’ effect in some circumstances. To avoid this, the Taxonomy report should represent all business undertakings equally.

<ESMA\_QUESTION\_TRART8\_12>

1. Do you believe that providing the suggested accompanying information will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, including whether they are one-off or on-going, and provide your best quantitative estimate of their size.

<ESMA\_QUESTION\_TRART8\_13>

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<ESMA\_QUESTION\_TRART8\_13>

1. Do you agree that non-financial undertakings should provide the three KPIs per economic activity and also provide a total of the three KPIs at the level of the undertaking / group? If not, please provide your reasons and address the impact of your proposal to financial market participants along the investment chain.

<ESMA\_QUESTION\_TRART8\_14>

Yes, Bloomberg thinks that at a minimum a corporate should be reporting at a group or entity level. There is further complexity for a company reporting across economic activities (i.e. segmenting their taxonomy turnover) and also on their contribution to each environmental objective, that needs to be clearly communicated.

Should full segmentation by economic activity, by environmental objective and by enabling/transitioning be required for all 3 KPIs, it will become very costly and time consuming for the corporate discloser, the data aggregator and the financial market participant. Creating data models that can understand and interpret the many dimensional views of the reporting framework would incur expense for data preparers, aggregators and consumers, but add very little additional benefit to encouraging companies to act in an environmentally sustainable way. Most notably, the process of mapping a NACE disclosure through the investment workflow to persist into the asset management disclosure will be very costly.

Clarity on how an economic activity is meeting the Substantial Contribution (and to which objective or objectives), DNSH and Minimum Social Safeguard requirements in the supplementary report should be sufficient alongside the primary 3 KPI at an entity or group level.

Bloomberg would recommend limiting the primary KPI to entity-level alignment and environmental objective, with transitioning and enabling data points.

To build out 4 different views on a company:

* entity level alignment (3 KPIs)
* economic activity alignment (3\*72 KPIs)
* environmental objective alignment (3\*6 KPIs)
* enabling/transitional (3\*2 KPIs)

For the data model to work, it would be needed across all 4 dimensions with 2,592 permutations

Bloomberg suggests Article 8 to remain as suggested for corporates, however disclosure for asset management should be limited to:

* entity-level alignment (3 KPIs)
* environmental objective alignment (3\*6 KPIs)
* enabling/transitional (3\*2 KPIs)

For the data model to work, it would be needed across all 3 dimensions with 36 permutations, which would be much more manageable.

Asset management firms already map companies to sector classification systems, for the purpose of their investment guidelines and investment workflow. Bloomberg suggests that asset managers are allowed to continue to use these sector classification systems for the purpose of their own reporting. This will ensure consistency between the existing periodic reporting to the asset owner and their taxonomy disclosures.

<ESMA\_QUESTION\_TRART8\_14>

1. Do you agree that where an economic activity contributes to more than one environmental objective, non-financial undertakings should explain how they allocated the turnover / CapEx / OpEx of that activity across environmental objectives and where relevant the reasons for choosing one objective over another?

<ESMA\_QUESTION\_TRART8\_15>

The answer to Question 14 is also applicable here.

Yes, Bloomberg agrees that where an economic activity contributes to more than one environmental objective, non-financial undertakings should explain how they allocated the turnover/CapEx/OpEx of that activity across environmental objectives. It is important to clarify when a company substantially contributes to more than one environmental objective, how exactly this is reported.

<ESMA\_QUESTION\_TRART8\_15>

1. Do you agree that non-financial undertakings should provide information on enabling and transitional activities?

<ESMA\_QUESTION\_TRART8\_16>

The Taxonomy Delegated Acts identify enabling and transitioning activities, for the purpose of the taxonomy report. Bloomberg observes that there is confusion in the market on the extent to which supply chain activities can be counted as enabling, and therefore suggests that a further report providing clear guidelines on transitioning and enabling activities is produced.

The following points would also need to be clarified:

1. If I supply a ‘green’ company, can I be considered green?

2. If I am made of ‘green’ ingredients, can I be considered green?

3. If I finance a ‘green’ activity like auto-financing or leasing equipment – do I qualify?

The manufacture of respective key components for manufacturing activities eligible under low carbon technologies are eligible under the Taxonomy. Responses from users of the Taxonomy indicate that “further clarification of what is considered a “key component” is needed. Therefore the TEG suggests clarifying this category by defining key components further as:

1.     “ Key components” are those manufactured for dedicated use in other activities defined in the taxonomy as making a substantial contribution. For example:

a.      screw manufacturer supplying screws to wind turbine manufacturer – not eligible as the screws could be used in multiple applications;

b.      battery manufacturer supplying 100% of output to EV market – eligible as all products are supplying an eligible low carbon manufacturing activity;

c.      battery manufacturer supplying 80% of output to EV market, and 20% to other battery markets that are not eligible – The batteries for the EV are dedicated for activities that make a substantial contribution, therefore 80% of their turnover or revenue is taxonomy eligible.

In addition, to be eligible, key components must be either be explicitly named in the taxonomy in the “manufacture of low carbon technology” activity, or the manufacturers of key components shall prove by third-party validated life cycle carbon footprinting that the manufactured product/solution leads to substantial GHG emissions reductions.

As per Article 16, Bloomberg recommends ESMA to provide further clarity on both enabling and transitioning activities beyond the current guidelines: “(i) should not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and (ii) has a substantial positive environmental impact, on the basis of life-cycle considerations”.

The TEG recommended that the members of the future Platform consider identifying guidance for enabling activities that brings all the elements referring to them across the Taxonomy in one chapter or section. Currently they are referred to in multiple sections of the technical annex. Bloomberg supports this view.

<ESMA\_QUESTION\_TRART8\_16>

1. Do you agree that the three KPIs should be provided per environmental objective as well as a total at undertaking or group level across all objectives? If not, please provide your reasons and address the impact of your proposal to financial market participants along the investment chain.

<ESMA\_QUESTION\_TRART8\_17>

Bloomberg believes that clarity on which environmental objective(s) an economic activity is contributing to is an important part of the supplementary information. Entity or group level reporting of taxonomy aligned turnover should also be explained in the context of each environmental objective.

For example, a company is substantially contributing to mitigation with 50% of turnover and to adaptation with 70% of turnover, but overall the company can only be contributing 100% as its entity level taxonomy alignment. Understanding where there is overlap between each environmental objective is important so that a company cannot be given a false overall taxonomy aligned turnover figure.

<ESMA\_QUESTION\_TRART8\_17>

1. Do you agree that non-financial undertakings should be required to provide the three KPIs for economic activities which are covered by the Taxonomy, economic activities which are covered by the Taxonomy but for which the relevant criteria are not met and therefore are not Taxonomy-aligned as well as for economic activities which are not covered by the Taxonomy?

<ESMA\_QUESTION\_TRART8\_18>

Bloomberg recommends that the first statement in the non-financial report should break out eligible from non-eligible revenue, with eligibility meaning that the activity is covered in the technical annexes of the Taxonomy Regulation. We agree with approach 1, as proposed in section 3.3.4.

Bloomberg disagrees with including non-covered activities in Annex III: even though these have n/a for the remaining columns, it may confuse reporting corporates and lead to (accidental) taxonomy alignment reporting for non-covered activities. For example, if they think they are contributing to an environmental objective, they may erroneously tick that column to indicate when they feel an activity is substantial contributing (e.g. to fishing) for activities without testing criteria.

Bloomberg believes that if technical screening criteria for an economic activity have not yet been established by the European Commission’s Platform on Sustainable Finance, then a company cannot make a taxonomy aligned KPI claim in their non-financial undertakings. Should the company feel that they are substantially contributing to an environmental objective, then they should feed back to the Platform on why their economic activity should be considered and the technical screening criteria that they feel would represent compliance with the Taxonomy framework.

If companies are allowed to create their own Taxonomy screening criteria in order to demonstrate taxonomy alignment, then this would be open to greenwashing and false claims in sectors not yet covered by the Taxonomy Regulation. There is a need for the Platform to provide further clarity and advise on key metrics for enabling and transitioning activities.

Bloomberg recommends a reporting framework that starts with what proportion of your activities are covered (eligible) or not. For example, company A is 40% covered by the Taxonomy, and 60% not. The company should then complete Annex III with details for the 40%.The segmentation should be aligned to annual accounts where revenue is segmented, which should correspond with the detail reported in Annex III.

<ESMA\_QUESTION\_TRART8\_18>

1. Do you agree with the proposal not to require retroactive disclosure concerning the four environmental objectives relating to the financial year 2021?

<ESMA\_QUESTION\_TRART8\_19>

Bloomberg is in agreement with the proposal to not retro-actively disclose these KPI, as a disclosing corporate would not know what data collection is required in 2021 to honour the reporting. We agree with approach 2 in section 3.3.5.

<ESMA\_QUESTION\_TRART8\_19>

1. Do you consider that there are specific elements in ESMA’s draft advice which are not in line with the information needed by financial market participants in order to comply with their own obligations under the Taxonomy Regulation and the SFDR? If yes, please specify in your answer.

<ESMA\_QUESTION\_TRART8\_20>

Corporate disclosure of the data required to assess the principle adverse impacts under the SFDR is not mandated but should be reviewed if Financial Market Participants are expected to report in alignment with these metrics. Clarity on the difference between activity (Taxonomy Regulation) versus entity (SFDR) level requirements under significant harm is required for both the disclosing corporate and the Financial Market Participant.

<ESMA\_QUESTION\_TRART8\_20>

1. Are there points that should be addressed in ESMA’s advice in order to facilitate compliance of financial market participants across the investment chain? If yes, please specify.

<ESMA\_QUESTION\_TRART8\_21>

It would be useful to breakout a company as having eligible revenue streams, and then the proportion of those revenue streams that are aligned. For example, company A makes cement across 5 plants, 2 of them are operating within the EU ETS benchmark limits and make 40% of the overall company’s turnover. As a result, Company A is 100% eligible but only 40% aligned. As an investor is looking to encourage eligible companies to decarbonise in line with the Taxonomy, an understanding of which portion of their portfolio is eligible and then which portion is aligned is an important metric to incentivise the right behaviour.

<ESMA\_QUESTION\_TRART8\_21>

1. Do you believe that ESMA’s detailed proposals under Section 3.3 will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, to which specific proposal they relate including whether they are one-off or on-going, and provide your best quantitative estimate of their size.

<ESMA\_QUESTION\_TRART8\_22>

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<ESMA\_QUESTION\_TRART8\_22>

1. Do you consider there are additional topics that should be considered by ESMA in order to specify the methodology that non-financial undertakings should follow? If yes, please elaborate and explain the relevance of these topics.

<ESMA\_QUESTION\_TRART8\_23>

Please refer to the answer to Question 12.

<ESMA\_QUESTION\_TRART8\_23>

1. Do you agree that in order to ensure the comparability of the information disclosed under Article 8(2) of the Taxonomy Regulation and as such facilitate its usage, ESMA should propose the use of a standardised table?

<ESMA\_QUESTION\_TRART8\_24>

Bloomberg agrees with the recommendations to make the disclosure machine-readable with a clear framework to break out each attribute and activity in alignment with the Taxonomy. Bloomberg has provided an alternate annex table, to reduce the error rate in the proposed disclosure. Bloomberg recommends XML delivery.

On delivery and acquisition methods, Bloomberg recommends a centralized location where this information would be made available for all companies, with the ability for anyone to access the files and download the same. Files should have a consistent naming convention and format with a predefined schema. It would be optimal if the data is stored against publicly available identifiers such as the Financial Instrument Global Identifier (FIGI) and Legal Entity Identifier (LEI). Enabling the data to be distributed through a feed would also improve efficiency. Otherwise, additional options would be FTP or API.

Bloomberg recommends the following data formats, in order of preference:

1. JSON / XML
2. CSV / TXT / any other delimited
3. xls(x)
4. html
5. doc /pdf

It is crucial to ensure the data is as consistent as possible in terms of formats, for instance, the same headers, columns, locations*.*

<ESMA\_QUESTION\_TRART8\_24>

1. Do you consider that the standard table provided in Annex III of this Consultation Paper is fit for purpose? Do you think the standard table provides the right information, taking into account the burden on non-financial undertakings of compiling the data versus the benefit to users of receiving the data? If not, please explain and provide alternative suggestions to promote the standardisation of the disclosure obligations pursuant to Article 8 of the Taxonomy Regulation.

<ESMA\_QUESTION\_TRART8\_25>

Bloomberg would recommend that the table is only used for covered activities, and that the proportion of revenue made from covered vs non covered activities is listed in the summary. Bloomberg therefore suggests dropping item e from the table. Bloomberg believes that inclusion of non-covered activities into the Taxonomy disclosure may give rise to companies making substantial contribution claims for activities without clear Taxonomy-aligned testing criteria, which could be confusing for the disclosing corporate and receiving financial market participant.

Bloomberg would recommend the following alternative suggestions regarding the standard table for Annex III:

* Scale/Currency/Units/Date of measure should always be specified where relevant (if possible in separate cell consistent over time). For example, on absolute Turnover, is this in Millions, Actuals etc.?
* Use of special characters should be avoided. For example, DNSH √.
* Merging information into one cell should also be avoided, for instance, climate change mitigation -SC√ 50% SCx 50%. Instead, these should be placed in separate columns in the table to specify Taxonomy-aligned vs. Taxonomy non-aligned.
* Consistent headers or industry recognised standard should be applied and used. For example, for an economy activity, the corresponding NACE code should be used.

Bloomberg has attached an alternate template to this response to allow for Boolean data ingestion (Y/N) answers to standardised questions.

<ESMA\_QUESTION\_TRART8\_25>

1. Do you agree that the disclosure in the three standard tables should comply with the formatting rules mentioned in Table 5?

<ESMA\_QUESTION\_TRART8\_26>

Answers to Questions 24 and 25 are also applicable here.

To reiterate, use of special characters and merging information in one cell should always be avoided. Bloomberg recommends the file suggestions set out in the answer to Question 24 also in this case.

<ESMA\_QUESTION\_TRART8\_26>

1. Do you believe that ESMA’s detailed proposals under Section 3.4 will impose additional costs on non-financial undertakings? If yes, please specify the type of those costs, to which specific proposal they relate including whether they are one-off or on-going, and provide your best quantitative estimate of their size.

<ESMA\_QUESTION\_TRART8\_27>

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<ESMA\_QUESTION\_TRART8\_27>

1. Do you agree that a share of investments is an appropriate KPI for asset managers? If you do not, what other KPI could be appropriate, please justify.

<ESMA\_QUESTION\_TRART8\_28>

Bloomberg agrees with the share of investments in activities associated with the taxonomy following the AUM guidelines provided in section 4.2.1. Bloomberg agrees that a revenue or fees based model would not be a suitable indicator of the impact of the asset manager on delivering the goals of environmentally sustainable investment practices.

<ESMA\_QUESTION\_TRART8\_28>

1. This advice focuses on the collective portfolio management activities of asset managers. Should this advice also cover potentially any other activities that asset managers may have a license for, such as individual portfolio management, investment advice, safekeeping and administration or reception and transmission of orders (‘RTO’)?

<ESMA\_QUESTION\_TRART8\_29>

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<ESMA\_QUESTION\_TRART8\_29>

1. Do you agree that for the numerator of the KPI the asset manager should consider a weighted average of the investments exposed to investee companies based on the share of turnover derived from Taxonomy-aligned activities of the investee companies? If not please propose and justify an alternative.

<ESMA\_QUESTION\_TRART8\_30>

Bloomberg agrees with the proposal that portfolio weighted (by AUM) holdings \* the taxonomy aligned turnover of each holding should be the numerator of the KPI.

<ESMA\_QUESTION\_TRART8\_30>

1. Do you agree that in addition to a main turnover-derived Taxonomy-alignment KPI, there is merit in requiring the disclosure of CapEx and OpEx-derived figures for Taxonomy-alignment of an asset managers’ investments?

<ESMA\_QUESTION\_TRART8\_31>

Bloomberg agrees with the recommendations to report portfolio weighted holdings of taxonomy aligned activities based on turnover. Bloomberg also agrees with the TEG recommendations on waterfall logic, such that a green debt instrument with use of proceeds aligned to the Taxonomy would be counted first and if such use of proceeds are not taxonomy aligned then the company’s activities (based on turnover) would then be assessed for taxonomy alignment.

Bloomberg believes that an asset managers’ CapEx and OpEx reporting under Article 8 should be associated with their own practices; for example, investments in more energy efficient offices or changing employee transport options to less carbon intensive travel. Bloomberg does not believe that the CapEx or OpEx of the underlying investee company should apply to these KPIs. We would not have a sufficient understanding of how the asset managers are directly contributing to more environmentally sustainable practices themselves without this information in their Article 8 disclosure**.**

CapEx aligned reporting under Articles 5 or 6 can talk about the impact the asset manager is having in financing the transition of certain investee companies, however Bloomberg does not think this represents an accurate report under Article 8 requirements.

<ESMA\_QUESTION\_TRART8\_31>

1. Do you think sovereign exposures, such as sovereign bonds (but excluding green bonds complying with the EU Green Bond Standard) should be considered eligible investments and if so under what methodology?

<ESMA\_QUESTION\_TRART8\_32>

Bloomberg believes that sovereign debt meeting the Green Bond Standard can be counted in an investment manager’s reporting. In line with the response to question 31, any taxonomy aligned use of proceeds from assets would count first, with any turnover-based taxonomy aligned activities considered thereafter. Bloomberg does not believe that general holdings of sovereign debt can be counted as taxonomy aligned and Bloomberg does not believe that a turnover-based model is applicable to sovereign investment.

<ESMA\_QUESTION\_TRART8\_32>

1. Do you agree that the denominator should consist of the value of eligible investments in the funds managed by the asset manager or should it be simply the value of all assets in the funds managed by the asset manager?

<ESMA\_QUESTION\_TRART8\_33>

Bloomberg believes that the methodology under Article 8 reporting should draw parallels to the reporting required under articles 5 and 6; therefore any clarification of eligible investment (e.g. removing government holdings, derivatives, FX or certain commercial deposits) should apply to both Article 8 and Articles 5 and 6 methodologies. This will ensure consistency in reporting and comparable data sets.

Bloomberg agrees with the proposal that eligible investments are equity and fixed income from eligible investee entities.

<ESMA\_QUESTION\_TRART8\_33>

1. Do you support restricting the denominator to funds managed by the asset manager with sustainability characteristics or objectives (i.e. governed by Article 8 or 9 of Regulation (EU) 2019/2088)? What are the benefits and drawbacks of such an approach?

<ESMA\_QUESTION\_TRART8\_34>

Bloomberg believes that the reporting should go broader than Article 8 and 9, and include all eligible investments managed by the reporting entity, and should also include turnover-based reporting. Bloomberg believes that reporting should apply to long-only holdings. If ESMA uses netting for any cash shorts, and derivatives are excluded from the calculation, then there would be an incentive to short using only derivative instruments to improve your taxonomy alignment score. The Taxonomy Regulation should not be designed to encourage investment towards derivatives and away from cash holdings. Bloomberg therefore recommends that only long holdings in eligible investment should be counted.

<ESMA\_QUESTION\_TRART8\_34>

1. Is it appropriate to combine equity and fixed income investments in the KPI, bearing in mind that these funding tools are used for different purposes by investee companies? If not, what alternative would you propose?

<ESMA\_QUESTION\_TRART8\_35>

Bloomberg agrees that the Taxonomy can be applied to long-only Fixed Income and Equity holdings by the asset manager. Bloomberg recommends following the waterfall logic of the asset’s use of proceeds first and thereafter the aligned turnover of the investee company.

<ESMA\_QUESTION\_TRART8\_35>

1. Do you believe the proposed advice will impose additional costs on asset managers? Please specify the type of those costs, to which specific proposal they relate including whether they are one-off or on-going, and provide your best quantitative estimate of their size.

<ESMA\_QUESTION\_TRART8\_36>

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<ESMA\_QUESTION\_TRART8\_36>

1. What are the benefits and drawbacks of limiting Taxonomy-aligned activities to those reported by Non-Financial Reporting Directive companies?

<ESMA\_QUESTION\_TRART8\_37>

Bloomberg agrees with the advice provided by the TEG where taxonomy eligible activities conducted by companies not covered by the Non-Financial Reporting Directive (e.g. international companies or SMEs) should be allowed to report separately the percentage of an asset manager’s holdings that are “potentially aligned”. So a holding in a non-EU cement company would be 100% eligible. Under mitigation, if the company’s carbon intensity is < EU ETS threshold would all or a portion of their turnover count as Taxonomy “potentially aligned”. If the company does not report their carbon intensity, then no taxonomy aligned statement can be made. If, for example, an asset manager invests in an international cement company, and that company is taxonomy-aligned but they do not have an obligation to self-report, then the asset manager can make a claim to say it is investing in a taxonomy-aligned company if they can demonstrate substantial contribution and DNSH criteria are met.

Otherwise, asset managers who are investing in Taxonomy covered activities outside the scope of the NFRD will be under-stating their impact on the transition to more environmentally sustainable practices.

Bloomberg agrees with KPIs being stated in line with one environmental objective to prevent the risk of double counting.

<ESMA\_QUESTION\_TRART8\_37>

1. Do you agree with ESMA’s recommendation that the Commission develop a methodology to allow a sector-coefficient to be assigned for non-reporting investee companies?

<ESMA\_QUESTION\_TRART8\_38>

Bloomberg agrees with the Commission developing guidance notes on suitable use of estimates and proxies for investments in companies outside the scope of the NFRD.

<ESMA\_QUESTION\_TRART8\_38>

1. Should netting be allowed, on the lines of Article 3 of the Short-Selling Regulation?

<ESMA\_QUESTION\_TRART8\_39>

Bloomberg believes that any short holding should not be counted as an eligible investment. Taxonomy alignment should be a representation of the investment held, and not the hedging activities of the manager.

<ESMA\_QUESTION\_TRART8\_39>

1. How should derivatives be treated for the calculation purposes? Should futures be considered as potential Taxonomy-aligned investments?

<ESMA\_QUESTION\_TRART8\_40>

Bloomberg believes that long only fixed income and equity holdings should be considered as eligible investment for the purpose of taxonomy reporting.

Furthermore, the percentage of taxonomy alignment should also be provided as both a proportion of eligible assets in that portfolio (equity and fixed income long only investments) as well as a proportion of total AUM. It is important that asset owners find the transparency of this information. For example, if 40% of a portfolio is invested in derivatives and cash, and the rest is completely taxonomy aligned, we do not want the final taxonomy-alignment KPI to be 100% (which is effectively the taxonomy alignment of the eligible investments) but you want it to be 60%, which is the actual alignment.

<ESMA\_QUESTION\_TRART8\_40>

1. What are the costs and benefits associated with the different options for non-reported activity coverage, netting and derivatives treatment presented above? Please provide a quantitative estimate for each option, distinguishing between one-off and on-going costs.

<ESMA\_QUESTION\_TRART8\_41>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_TRART8\_41>

1. Do you have any views on the proposed advice recommending a standardised table for presentation of the KPI for asset managers in Annex IV?

<ESMA\_QUESTION\_TRART8\_42>

Bloomberg agrees with the disclosure sitting alongside principle adverse impacts under SFDR.

Bloomberg disagrees with the layout of Annex IV. Bloomberg believes that an asset manager’s CapEx or OpEx should represent the greening of their own business practices and not those of the underlying investment. Bloomberg believes that only the turnover KPI should represent the proportion of holdings in taxonomy aligned activities. Any direct investment or holdings in a company whose use of proceeds are taxonomy aligned would count in the turnover calculation. This would represent the direct impact the asset manager has on green capex or investment made by the investee company.

Bloomberg believes that Annex IV is too complex, with too many permutations for the data to be easily understood and interpreted by the reader.

To build out the suggested different views on a company, based on turnover alone:

* economic activity alignment (72 KPIs)
* environmental objective alignment (6 KPIs)
* enabling/transitioning (2 KPIs)

For the data model to work, you would need it across all 3 dimensions with 864 permutations.

A more useful and manageable data set should be the asset manager’s contribution to taxonomy aligned revenue by each environmental objective, and by enabling or transitioning activities. As stated in our answer to Q14, we believe that Asset Managers should be free to use their existing sector classification frameworks.

An asset manager doesn’t typically report in line with NACE activities, and an adjustment from their existing reporting framework to a NACE based framework would require significant re-coding of the investment workflow, without adding material advantage to incentivising environmentally sustainable investment practices.

<ESMA\_QUESTION\_TRART8\_42>

1. Do you agree with presenting accompanying information in the vicinity of the standard table?

<ESMA\_QUESTION\_TRART8\_43>

Yes, Bloomberg agrees that any context or narrative should accompany the table.

<ESMA\_QUESTION\_TRART8\_43>

1. Do you agree that there would be merit in including in the accompanying information a link, if relevant, to an asset managers’ entity-level disclosures on principal adverse impacts of investment decisions on sustainability factors?

<ESMA\_QUESTION\_TRART8\_44>

Yes, Bloomberg agrees with providing a hyperlink to the underlying data, for ease of update and to prevent any unnecessary redistribution of paperwork and fund factsheets.

<ESMA\_QUESTION\_TRART8\_44>

1. Do you agree with adopting the same formatting criteria as presented in Section 3.4.2 for the asset manager KPI disclosure?

<ESMA\_QUESTION\_TRART8\_45>

Please refer to the suggestions outlined in Questions 24 and 26.

<ESMA\_QUESTION\_TRART8\_45>

1. What are the one-off and on-going costs of setting up the reporting and disclosure under this obligation? Please clarify the type of costs incurred and provide a quantitative estimation where possible.

<ESMA\_QUESTION\_TRART8\_46>

The higher the degree of data permutations, the more expensive the data model will be to build. Bloomberg suggests that ESMA balances data clarity with the more meaningful KPI to drive environmentally sustainable behaviours.

Investment managers rarely use the NACE system for their investment practices, and adjusting their existing classification system and workflow to a new NACE model could be costly without making a significant impact on the correct investment behaviours. Due to internationally integrated investment practices, global managers may choose different sector classification systems such as NAICS. Focusing more on contribution to each environmental objective and to enabling or transitioning activities would be the priority KPI. Bloomberg would therefore suggest some flexibility in the classification of activities to allow investment managers to continue to use the sector based reporting framework currently in practice.

<ESMA\_QUESTION\_TRART8\_46>