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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:

1. respond to the question stated and indicate the specific question to which they relate;
2. contain a clear rationale; and
3. 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:

1. 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’).
2. 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.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESMA\_TRART8\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_TRART8\_ABCD\_RESPONSEFORM.
5. 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 | BNP PARIBAS |
| Activity | Other |
| Are you representing an association? |[ ]
| Country/Region | France |

# Introduction

Please make your introductory comments below, if any:

<ESMA\_COMMENT\_TRART8\_1>

We welcome ESMA’s consultation on its proposed advice to the Commission regarding Article 8 of the Taxonomy Regulation and the reporting obligations that non-financial enterprises and asset managers will have to fulfill. We agree with most of the ESMA proposals and congratulate them for a very thorough piece of work. .

We are pleased to see that ESMA took on board the TEG’s recommendations for non-financial corporates on differentiating the treatment of climate adaptation and climate mitigation, of voluntary second level disclosures, of breaking down KPIs by environmental objective and activity, specifying alignment to transitioning activities and to enabling, and has recommended qualitative disclosures to ensure that some investments are part of a solid plan. These requirements will facilitate the work of financial institutions when calculating alignments or using the taxonomy for portfolio creation.

<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>

We appreciate the clear definitions of turnover and capex based on the Accounting Directive, IFRS Regulation and/or national GAAP. Also, the ESMA consideration that the logic proposed by the TEG in differentiating between inclusion of turnover from climate change mitigation and climate change adaptation can be expanded to cover the remaining four environmental objectives. And that the latter can follow the same logic as climate mitigation.

<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>

Yes, we find the proposed approach adequate and consistent with other (forthcoming) elements of sustainable finance legislation, notably on DNSH in Taxonomy DA, minimum safeguards in Article 2 of SFDR and Articles 10-16 of the Taxonomy regulation on activities that substantially contribute to environmental objectives.

<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>

 We agree with the ESMA 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.

The inclusive approach for those that will allow companies to disclose in line with their chosen accounting standard (IFRS or national GAAP). Yet, asking transparency on the definition applied.

We agree with the proposed conditions for expenditures to be considered part of an eligible plan: approval by administrative body, publicly disclosed, and aimed to make the economic activity in questions taxonomy-aligned within 5 yrs. We propose, however, to make an exception for large infrastructure projects and will advance this issue in the consultation on the Taxonomy Regulation Delegated Act.

<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>

We agree with the proposed approach: approval by administrative body, publicly disclosed, and aimed to make the economic activity in questions taxonomy-aligned within 5 yrs. We propose, however, to make an exception for large infrastructure projects and will advance this issue in the consultation on the Taxonomy Regulation Delegated Act.

<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>

 Regarding the OpEx KPI, we are uncertain how in practice it would be calculated by companies. Further, the inclusion of OpEx as a financial metric to measure portfolio-alignment provides no value to the regulator or to institutional investors. We therefore highly recommend to the EC to revert to the original proposed text of the Taxonomy Regulation: “capex **and, if relevant** opex” which will ensure its inclusion at project financing level and in those cases where and when is appropriate and meaningful. We also recognise the importance to include expenditures for public actors, the inclusion if relevant might be flexible enough to allow for sovereign and sub sovereign entities to disclose alignment when needed, which by definition don’t invest in Capex but vote and implement expenditures.

<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>

Please see our answer to question 5

<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>

Yes, we agree. TYPE YOUR TEXT HERE

<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>

We agree with the proposed requirements for accompanying information, given that contextual and qualitative information is essential for investors to put the Taxonomy KPIs in context. We would also suggest the inclusion of voluntarily disclosed “potentially aligned” activities where the firm has the objective to reach Taxonomy alignment in near future as the TEG recommended.

<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, we agree.

<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>

Yes, we agree.

<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>

 We disagree with the statement that minimum safeguards and compliance with them are sufficiently clear and do not deserve further examination. In concrete we think that:

* The OECDs Multinational Guidelines are extremely comprehensive. For the purpose of the Taxonomy they should be limited (as recommended by the TEG) to labour and human rights, and anti-bribery and anti-corruption. But clarification should be provided by the European Commission on the breadth of their coverage.
* Companies should be given guidance on what is exactly expected from them in order to be able to confirm and assess compliance, and what explanatory details they should provide to give confidence to financial market participants of their compliance.

For those companies that do not fall under the scope of the NFRD, financial market participants can only assess compliance by conducting due diligence. The latter should be based on a risk approach where the principle of proportionality should apply. But the market feels a bit uncertain of what will be considered as “compliance” and the expectations from regulators on a) their due diligence (and for the different financial products) and b) what can be considered as aligned or not with the minimum safeguards.

<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, we believe that the economic activity breakdown is important for investors to conduct their own assessments and verify the level of Taxonomy alignment of investee companies.

<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>

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<ESMA\_QUESTION\_TRART8\_15>

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

<ESMA\_QUESTION\_TRART8\_16>

We agree that the categorisation of activities across enabling and transitional should be provided by non-financial undertakings. This will enable financial market participants to make use of this information for their own disclosure obligations

<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>

Yes. Asset managers will utilize disclosure per environmental objective especially for impact and thematic funds targeting a specific environmental objective. At the same time, disclosure at group/undertaking level across all objectives will facilitative comparability and Taxonomy integration.

<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>

We are pleased to see that ESMA has taken on board the TEGs recommendations and has gone even further in relation to economic activities which are not Taxonomy-aligned and economic activities which are not covered by the Taxonomy. This will help:

* + Financiers and investors understand what could potentially align and simply what not and avoid misinterpretations. Companies can then describe if they wish so how they manage environmental potential issues in their non-eligible activities.
	+ Disclosures by financial institutions in terms of aligned vs. eligible.

<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>

 We also agree that requiring retroactive disclosures would be unnecessarily burdensome for companies.

<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>

No, we strongly agree with ESMA´s approach in the draft advice, which will be instrumental for asset managers to comply with their obligations under the Taxonomy Regulation and SFDR.

<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>

For compliance and cost management purposes, firms are looking into automating ESG information gathering. This objective could be facilitated by submitting Taxonomy disclosures in a machine-readable format.

We believe that Taxonomy-related disclosures should be verified by a certified third-party. This would strengthen financial market participant compliance by strengthening the credibility of the disclosed information.

<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>

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<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>

 We agree on the proposed presentation of the disclosure as the template will facilitate comparability and integration by financial market participants.

<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>

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<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>

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<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>

TYPE YOUR TEXT HERE

<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>

 We agree that the KPI for asset managers should consist of a ratio of eligible investments that are Taxonomy-aligned.

We also agree that the weighted average should be based on the share of Taxonomy-aligned activities of the investee companies measured by turnover. Additional calculations for CapEx may also be provided. Capex disclosures is probably the single most interesting metric for investors as it helps understand the direction of travel of the company and validate companies’ strategies.

The list of eligible investments could be widen as the taxonomy evolves (criteria for remaining environmental objectives and social taxonomy later on) and once NFRD is reviewed.

It is important to have now (and in the future) a coherent approach for the numerator and the denominator if this reporting is to provide guidance on progress achieved.

<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>

 We agree with focusing only on collective portfolio management activities. Carrying out this analysis for individual portfolios would be for the cases when the client requires us to do it.

Asset managers are most likely going to have to help their listed institutional clients fullfill their own taxonomy reporting obligations and could therefore be in a position to report on taxonomy alignement of mandates (but not advice/safekeeping/RTO).

We don´t believe that the disclosure of these activities on Taxonomy compliance would be relevant and bring added value to the policy objective. Such requirements would be costly, immaterial and onerous and could therefore be detrimental to the general investment process. The activities mentioned have little to no impact on the role of the taxonomy as a tool to raise funds to narrow the investment gap in Europe, and to facilitate companies’ access to finance in order to fund their transition. The focus of disclosures requirements should be to enable the taxonomy to live up for its purpose.

We consider that it may be helpful to align with the scope of SFDR. Under SFDR, asset managers would be covered under the categories of UCITS ManCo, AIFM and MiFID investment firm providing portfolio management.

<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>

We agree with the weighted average of the investments exposed to investee companies based on the share of turnover derived from Taxonomy aligned activities of the investee companies. However, we would recommend giving equal weight also to the CapEx indicator compared to the turnover indicator. CapEx is a crucial forward looking metric because it reflects new, incremental green investments in the economy filling the existing investment gap.

 We disagree though that the numerator should consist of the value of green bonds **complying only with the EU Green Bond Standard** and a weighted average of the value of the investments invested in Taxonomy-aligned activities of investee companies.

We agree with the second part of the equation, but we believe the value of green bonds cannot be limited to those that comply with the EUGBS. While those that comply will be counted for their entire value (100%) other green bonds should be included for their value aligned with the Taxonomy.

This is even more important because there needs to be coherence between:

* + - The accounting on corporate bonds and green bonds – if corporate bonds are accounted, it is only reasonable for green bonds to be as well – for the % that they are aligned.
		- Portfolio-level disclosures and at asset management level.

The weighted average should be based on the share of Taxonomy-aligned activities of the investee companies measured by turnover. Additional calculations for CapEx and OpEx may also be provided.

What we question here is the inclusion of OpEX as a KPI for asset managers’ disclosures. We are uncertain of what meaningful information OpEx could provide to the outside world and/or to investors except for specific cases as part of the total expenditures invested in a project – this is, when some operational expenditures are included in the investment made given they are inherent to the project.

<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>

Capex is probably the most interesting alternative metric for investors as it helps understand the direction of travel of the company and validate companies’ strategies and will be useful for investment funds focusing on companies in transition (vs already green).

We believe there are valid reasons for requiring the disclosure for CapEx. We are unsure what meaningful information OpEx could provide to investors and should be used only if relevant for specific cases. The mandatory inclusion of OpEx would represent a disproportionate accounting burden for companies when allocating OpEx to specific economic activities. The % of OpEx alignment at asset managers-level adds little to no information to the reader.

<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>

The calculation should not cover derivatives nor sovereign debt in our view.

We believe the value of green bonds cannot be limited to those that comply with the EU GBS. While those that comply with the EU GBS will be counted for their entire value (100%) other green bonds (including sovereign green bonds) should be included for their value aligned with the Taxonomy. This is not only necessary to have an accurate picture of asset managers’ taxonomy contribution; this is also a prerequisite to make the EU Taxonomy a global standard rather a regional tool causing market fragmentation. Further, it will hinder the ability of the Taxonomy to fulfil its ultimate purpose which is to narrow the existing investment gap to transition to a neutral economy.

<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>

We agree with the idea that we should not include all assets in the denominator, and with point 188, where it is proposed to define a set of “eligible assets” which could consist of “green bonds complying with the EU Green Bond Standard, public and private equity, real estate and corporate bond investments in investee companies“ but as we suggest in our answer to Question 30, to include other Green Bonds, in addition to those complying with EU GBS.

<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>

We consider both calculations could be helpful, as they provide different information.

Our suggestion would be a phase-in approach: First limiting the information to Art 8 & 9 products and later, extending the scope to other types of funds.

* Phase 1. Denominator restricted to Art.8 & 9 products In order to provide information on to what extent these kinds of products (aimed at promoting sustainable characteristics or objectives) are aligned with EU objectives. This would be aligned to SFRD requirements and would help avoiding greenwashing.
* Phase 2. Denominator with a wider scope to all funds managed (considering eligible assets mentioned in our response to Q.33). In order to provide information on to what extent asset managers’ portfolios, in general, are aligned with the EU objectives. This will help understand how committed asset managers are.

<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>

We agree with the combination of equity and fixed income.

<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>

These requirements will impose significant additional on-going costs. To address some of the increased costs, we propose that:

1. That European Single Access Point includes a specific segment on taxonomy-related disclosures.

2. The European Commission develops a methodology as proposed in our answer to question 38.

3. Following the methodology, it creates an open source data internet tool to help a) companies in their disclosing efforts b) asset managers in their disclosures.

<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>

The main benefit would be to rely on standardized information. If the EC develops an official methodology or framework that allows for the use of estimations and proxies when the information is partially or entirely lacking, and it is easy to apply; we see benefits to include companies outside of the NFRD. **We also encourage the EC to expand the current scope of the NFRD to include all large companies listed and private, with more than 250 employees – all except for SMEs according to the EU official definition; and non-EU with large operations in the EU.**

<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>

 We agree that the EC should develop a methodology or a framework for using estimations and proxies to allow KPI calculation to cover also investments in companies not reporting under the Non-Financial Reporting Directive the extent of their Taxonomy-aligned activities. This said, we disagree that the way forward is exclusively by assigning them a coefficient derived on a sector-basis under a common methodology.

We believe that the assignment of a coefficient should be applied to those stocks that lack minimum reporting. But for all those that have a certain level of disclosures, a more thorough customised methodology based on proxies and estimations should apply. This will allow a) for more accurate results; b) will help encourage non-NFRD companies to disclose and will encourage investors to ask for greater transparency; and c) will not undermine those companies that make the effort to disclose. A mixed approach should be allowed. We agree that the EC should develop specific guidelines and rules for both approaches. The Platform should provide advice to the EC on those.

We also believe that a special methodology or adapted one should be developed for SMEs – this is important for listed SMEs or SMEs that issue listed debt.

In the meantime, we favour the approach proposed by the TEG that distinguishes between disclosure of fully and potentially Taxonomy-aligned activities (cf. TEG final report, section 3.3.7 on page 41). Economic activities can be considered potentially aligned in case they meet the technical criteria for substantial contribution, but full compliance with other criteria, especially the “do not significant harm” requirements, cannot be demonstrated due to the lack of data.

More generally, we agree that the absence of reported data is a major problem that needs to be addressed by the delegated act.

The best way forward is to ensure, not only that relevant financial information, but also “non-financial” and ESG information is readily available for all interested stakeholders as part of the European Single Point of Access database.

The EU should support a common, publicly accessible, free-of-cost (or on a cost-basis) environmental data space not only for environmental data but for all ESG factors to foster comparability. The EU should support development of a centralized data register that would facilitate building of ESG disclosures and the access to relevant and reliable data at the EU level (ideally in a standardized form but also providing access to disaggregated raw data) in an open source format.

With all the different initiatives, it is important that the Commission act to facilitate and improve ESG disclosures and the access to relevant and reliable data at the EU level, based on EU legislation.

The Commission should build or support, based on existing solutions and infrastructures already in place, an EU infrastructure that could collect periodically, with the help of new reading technologies, existing climate change mitigation and adaptation data of companies that publish non-financial statements under the NFRD and other available relevant information, ESG metrics and relevant data points. It should also be possible to upload additional information to the register on a voluntary basis, but compliant with quality and credibility rules previously established. The EU should also open its databases that collect environmental reporting data and make those re-usable for finance providers via the central repository.

<ESMA\_QUESTION\_TRART8\_38>

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

<ESMA\_QUESTION\_TRART8\_39>

We agree with ESMA to allow for netting short positions on the lines of Article 3 of the Short-Selling Regulation. This will ensure a more accurate reporting on equity exposure.

Shorting and single stock options only have the same payoff profile if one is buying puts. Otherwise these are different. Netting short positions is separate to derivatives.

<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>

We agree with ESMA’s position that the calculation on taxonomy-alignment should exclude derivatives. It is important to understand that Contracts for Difference (CFDs) should not be included as derivatives. In many geographies, notably the UK , investors commonly use CFDs to simply avoid stamp duty.

We support the exclusion of derivatives unless they are CFDs.

The delta of single stock options should be taken as a starting point as an equity-like exposure to a corporate. If one just sticks to CFDs the delta is 1 (100%) so the CFD notional = equity notional. For an option it is a fractional representation. For futures, we highly recommend to avoid trying to measure them as it will require look-through (for example, measuring the MSCI ACWI would require decomposing it into 3,000 constituents, measuring each one at the respective weighting, and building it back up again. Logistically hard for many in the market and overly complicated particularly if the underlying data ought to be estimated.

<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>

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<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>

Regarding the template for Asset Managers’ disclosures, we support the proposed template except for:

* + The inclusion of OpEx – as mentioned, we see little value at asset management level.
	+ Asset managers having to break down their AuM by economic activity, as recommended by ESMA in section 4.4.2 of the draft advice on page 77 (“the presentation of the disclosure should identify which environmental objectives the investments contribute to and where possible the activities invested in should be identified for each environmental objective”). There are a total of 21 NACE macro sectors, with 7 of these having been identified as relevant by the TEG for climate mitigation. These 7 macro sectors have been further broken down into over 70 more detailed economic activities. As the remaining four environmental objectives are screened, we are likely to see this list multiply considerably. Given that most asset managers invest across the market, disclosures by economic activity would become extremely cumbersome for asset manager. Such level of reporting is also not useful to either investors or distributors.
	+ We would also add that financial market participants, subject to reporting requirements under articles 5 to 8, should not be obliged to report in line with NACE. Instead, they should continue using sector frameworks aligned with investment guidelines and investment workflows.
	+ While the breakdown by environmental objective makes perfect sense, the activities of one company might apply to more than one objective. And while for the calculation of the overall taxonomy-alignment there cannot be double-counting and investors will use the overall % disclosed or estimated per company, an accurate reporting at environmental objective should be done based on the companies’ breakdown disclosures allowing for the inclusion of one activity in more than one environmental objective.
	+ The proposed template assumes that for all environmental objectives there are and/or will be transitioning and enabling activities; and that is not the case already for climate adaptation and no decision has been taken regarding the remaining activities. The breakdown should only be applied – for the time being to climate change mitigation activities.
	+ If available from investee companies’ disclosures, we believe a more useful metric in the standardized table for asset managers could be the ratios of eligible assets not aligned with EU Taxonomy due to a failure in the technical screening criteria or due to a failure in DNSH criteria. For more information on such a segmentation of non-aligned but eligible activities, please consult our answer to question 18.

<ESMA\_QUESTION\_TRART8\_42>

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

<ESMA\_QUESTION\_TRART8\_43>

 Yes, we agree that information should be provided within the vicinity of the main KPIs.

<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>

We agree that entity level disclosures and PAI information would shed further light on asset manager´s sustainability performance, but we see no merit in making the accompanying information link mandatory. We would recommend keeping the link on a voluntary basis, as both pieces of information fall under different regulations.

<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>

Yes, same formatting criteria would be conducive to automating and structuring of ESG data.

<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>

 We believe the costs would be relatively limited if and only if a) European companies provide the necessary information and the NFRD scope is extended as we advocate in our answer to Q 37; and b) asset managers can estimate alignment following an official methodology as proposed in our answer to question 38.

<ESMA\_QUESTION\_TRART8\_46>