ALLIANZ POSITION

12 May 2021

ESAS CONSULTATION ON TAXONOMY-RELATED PRODUCT DISCLOSURES

We appreciate the opportunity to comment on the European Supervisory Authorities' (ESAs) consultation on taxonomy-related product disclosures and strongly support the establishment of a single rulebook for sustainability-related product disclosures. At the same time, we have some concerns with view to the ESAs' proposals, which we hope will be considered in the finalization of the Regulatory Technical Standards (RTS) under the Sustainable Finance Disclosure Regulation (SFDR). This paper summarizes the Allianz Group's key positions as to the ESAs' proposals and consultation questions.

PROPORTIONALITY AND GOOD COMMUNICATION

There is a clear need to take due account of proportionality from a preparer perspective and obstacles for good communication, such as complexity and information overload, from a user perspective. The ESAs' draft product templates are already very long and complex. Thus, we urge the ESAs to limit their new proposals to Taxonomy-related disclosures that are relevant and clearly add value from a cost-benefit perspective.

DATA AVAILABILITY

Financial Market Participants (FMPs) make a vast number of investments and will need respective Taxonomy alignment data for each investment on a regular basis. We deem it as essential that such information is publicly disclosed for a sufficiently large scope (as per the Non-Financial Reporting Directive (NFRD)/Corporate Sustainability Reporting Directive (CSRD)) and made available in a structured and digital format via a European Single Access Point (ESAP). It is key that FMPs are not pressured to disclose information which is not considered sufficiently reliable and could bear reputational or legal risks. Therefore, where data is not (yet) available or guidance is not provided with sufficient lead time, we suggest that respective disclosures shall only be required on a reasonable best efforts basis. Also, it needs to be clarified how FMPs shall deal with time gaps, data availability issues, and the respective need for judgment. One key concern in this regard relates to Multi-Option Products (MOPs). While the same application date applies to all FMPs, FMPs need information on MOPs from asset managers in advance to prepare their own disclosures. While, according to the ESAs' public hearing, the ESAs are of the opinion that asset managers will be able to provide the relevant information in advance with sufficient lead time, we do not expect that this would always be the case. Rather, the fact that no time lag is foreseen imposes significant operational challenges and risks on concerned FMPs and is not straightforward. This should be addressed via a) the possibility of hyperlinks in periodic reporting, b) a reasonable delay of the effective date for FMPs (where concerned), or c) adequate safeguards where FMPs did not receive the information for MOPs in a timely manner.

CONSISTENCY IN EU LEGISLATIONS

We deem it as absolutely essential that any current and upcoming EU sustainability reporting requirements be streamlined and consistent a) across all relevant EU legislations (especially the NFRD/CSRD, SFDR and Taxonomy Regulation (TR)), taking into account FMPs' specific reporting requirements, b) within EU legislations across FMPs, and c) within EU legislations across different levels. In particular, all in-scope FMPs should be required to apply the TR in the same way, irrespective of their type and whether they are preparing entity-level or product-level disclosures under the SFDR or Art. 8 disclosures under the TR. This does not only apply to sustainability reporting, but to all legislations related to sustainability (e.g. the Insurance Distribution Directive (IDD)).

TAXONOMY ALIGNMENT KPI(S)

We do not agree with the proposed approach to allow FMPs to choose between turnover, CapEx and OpEx, yet to require them to use this KPI for all investments of a financial product. This approach does not account for the fact that turnover vs. expenditures are not equally relevant/suitable a) for all types of investments/economic activities/investees and b) all levels of transition of economic activities/investees, nor equally well available for the non-EU scope. Accordingly, FMPs should be allowed to use the most relevant KPI for each investment and to report Taxonomy alignment based on all three KPIs (rather than based on one aggregated KPI).

MINIMUM SHARE INFORMATION

We strongly disagree that FMPs should report minimum share information as a) a minimum share is not necessarily established (and is not generally required to be established) for many financial products, b) respective evaluations of the minimum share are complex and subject to significant levels of uncertainty, among others, because the TR is dynamic and will change in further due course, and c) at least upon initial implementation, even for existing financial products, the relevant investee data for the current portfolio is not (publicly) available, but would be needed to compute realistic values. Consequently, FMPs would likely report values that lie significantly below their expectations on minimum Taxonomy alignment to avoid making regular amendments as well as incurring sanctions and legal or reputational risks.

ELIGIBLE VS. TOTAL INVESTMENTS

We would deem it as significantly more meaningful if Taxonomy alignment was only based on Taxonomy-eligible investments. Investments that could under no circumstances at a particular point in time be Taxonomy-aligned should not be considered in the denominator. A ratio relative to total investments would present a result that is difficult to interpret and potentially misleading, and is likely to penalize investors with a large portion of (currently) non-eligible and non-EU investments such as insurers. If the KPI shall nonetheless be based on total investments, an approach that ensures the necessary transparency as to both eligible investments (in relation to total investments) and aligned investments (in relation to eligible investments) should be considered.

UNINTENDED CONSEQUENCES

While we fully support the aim to enhance transparency about the sustainability of financial products, there is a need to take due account of unintended consequences. In this respect, we are particularly concerned about the disclosure requirements under Art. 10 of the SFDR. In our understanding, the ESAs argue that even for tailored products, publishing the respective information in a password-protected area would not suffice. Though the draft RTS specifically mention national and EU law protecting confidentiality of information, in practice, FMPs especially agree to confidentiality in their contracts with clients. We disagree that the respective information should be made public, not even anonymously, as this would lead to a disadvantage for EU FMPs while not adding value for clients.