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| Response form for the Joint Consultation Paper concerning Taxonomy-related sustainability disclosures |
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| Date: 17 March 2021  ESMA34-45-1218 |

Responding to this paper

The European Supervisory Authorities (ESAs) welcome comments on this consultation paper setting out the proposed Regulatory Technical Standards (hereinafter “RTS”) on content and presentation of disclosures pursuant to Article 8(4), 9(6) and 11(5) of Regulation (EU) 2019/2088 (hereinafter Sustainable Finance Disclosure Regulation “SFDR”) and in particular on the specific questions summarised in Section 3 of the consultation paper under “Questions to stakeholders”.

Comments are most helpful if they:

* contain a clear rationale; and
* describe any alternatives the ESAs should consider.

When describing alternative approaches the ESAs encourage stakeholders to consider how the approach would achieve the aims of SFDR.

Instructions

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

* Insert your responses to the questions in the Consultation Paper in the present response form.
* Please do not remove tags of the type <ESA\_QUESTION\_ESG\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
* 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: ESA\_ESG\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESA\_ESG\_ABCD\_RESPONSEFORM.
* The consultation paper is available on the websites of the three ESAs and the Joint Committee. Comments on this consultation paper can be sent using the response form, via the [ESMA website](https://www.esma.europa.eu/press-news/consultations) under the heading ‘Your input - Consultations’ by 12 May 2021.
* Contributions not provided in the template for comments, or after the deadline will not be processed.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESAs rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESAs Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725[[1]](#footnote-2). Further information on data protection can be found under the [Legal notice](http://www.eba.europa.eu/legal-notice) section of the EBA website and under the [Legal notice](https://eiopa.europa.eu/Pages/Links/Legal-notice.aspx) section of the EIOPA website and under the [Legal notice](https://www.esma.europa.eu/legal-notice) section of the ESMA website.

# General information about respondent

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| --- | --- |
| Name of the company / organisation | Amundi Asset Management |
| Activity | Investment Services |
| Are you representing an association? |  |
| Country/Region | France |

# Introduction

Please make your introductory comments below, if any:

<ESA\_COMMENT\_ESG\_1>

TYPE YOUR TEXT HERE

<ESA\_COMMENT\_ESG\_1>

1. : Do you have any views regarding the ESAs’ proposed approach to amend the existing SFDR RTS instead of drafting a new set of draft RTS?

<ESA\_QUESTION\_ESG\_1>

We agree with the proposed approach. It’s more appropriate to have a single rulebook and avoid multiple sources. Consistency is particularly needed in the methods, definitions and the use of the “green asset ratio” under Article 8 of the Taxonomy Regulation and SFDR RTS. However, the timeline remains problematic. A transition period should be put into place.

<ESA\_QUESTION\_ESG\_1>

1. : Do you have any views on the KPI for the disclosure of the extent to which investments are aligned with the taxonomy, which is based on the share of the taxonomy-aligned turnover, capital expenditure or operational expenditure of all underlying non-financial investee companies? Do you agree with that the same approach should apply to all investments made by a given financial product?

<ESA\_QUESTION\_ESG\_2>

The turnover is probably the most relevant measure as it is already broadly used in the market for some indicators (CO2 intensity…). CAPEX could nevertheless reflect some kind of forward looking measure regarding the different KPI. Then it would be interesting to use it at some point in time, if put in perspective with the sector and the trajectory.

We agree that the same approach should apply for all investments made by a financial product. It allows to choose the company to invest in based on the same measure and it is more relevant in terms of portfolio construction and client communication.

<ESA\_QUESTION\_ESG\_2>

1. : Do you have any views on the benefits and drawbacks of including specifically operational expenditure of underlying non-financial investee companies as one of the possible ways to calculate the KPI referred to in question 2?

<ESA\_QUESTION\_ESG\_3>

The granularity of the information received from non-financial companies is not uniform. It is a challenge which is mainly linked to classic accounting and financial reporting. Then we recommend to use turnover and when possible, with a best effort approach, to disclose CapEx and OpEx-derived figures for Taxonomy-alignment of an asset managers’ investments.

<ESA\_QUESTION\_ESG\_3>

1. : The proposed KPI includes equity and debt instruments issued by financial and non-financial undertakings and real estate assets, do you agree that this could also be extended to derivatives such as contracts for differences?

<ESA\_QUESTION\_ESG\_4>

Considering the large scope of derivatives (future, forwards, options, Total Return Swaps, convertible bonds etc.), the nature of underlying (indices, interest rates, securities, currencies, cash etc.) and their potential usage (exposure, hedging, arbitrage), answering to this question in a simple and straightforward way is highly complicated.

Moreover, given the complexity of derivative financial instruments, their potential inclusion in the KPI calculation would raise several technical questions: for example on whether they are used in leverage or short positions, or whether their use is accompanied by technical specificities to be managed such as full exposure or residual exposure or delta equivalent exposure, collateral received or posted, etc.  But to avoid greenwashing in some cases where derivatives can influence greatly the characteristics of the portfolio, derivatives should not be ignored as a whole.

In sum, derivatives in KPI calculation should not be excluded but assessed instrument by instrument and according to the usage. When derivatives are used in a long exposure, then KPI make sense. When for hedging, the portfolio manager should be free to decide. Market practices should be developed on this topic for better comparability between products.<ESA\_QUESTION\_ESG\_4>

1. : Is the use of “equities” and “debt instruments” sufficiently clear to capture relevant instruments issued by investee companies? If not, how could that be clarified? Are any specific valuation criteria necessary to ensure that the disclosures are comparable?

<ESA\_QUESTION\_ESG\_5>

We suggest the definitions to be more precise, particularly for debt instruments and derivatives linked to equities. Securitized products should also be taken into account.

<ESA\_QUESTION\_ESG\_5>

1. : Do you have any views about including all investments, including sovereign bonds and other assets that cannot be assessed for taxonomy-alignment, of the financial product in the denominator for the KPI?

<ESA\_QUESTION\_ESG\_6>

They shouldn’t be included as they can’t be assessed for taxonomy alignment. But in return, a threshold in terms of maximum exposure to non-assessable assets in a portfolio must be define, to avoid for instance having a product with 90% sovereign exposure and 10% corporate while showing a great taxonomy alignment. Disclosing the percentage of the total portfolio analyzed would also be an option to avoid such an issue. Narrative can be added to the report, explaining the figures.<ESA\_QUESTION\_ESG\_6>

1. : Do you have any views on the statement of taxonomy compliance of the activities the financial product invests in and whether those statements should be subject to assessment by external or third parties?

<ESA\_QUESTION\_ESG\_7>

Statements must be reviewed by external or third parties at investee company level. It will probably increase the data quality and make the data even more trustful. This question relates also to the upcoming revision of the Non Financial Reporting Directive (proposal of Corporate Sustainability Reporting Directive) which will introduce stronger audit requirements and the information collected will benefit from better assurance.

<ESA\_QUESTION\_ESG\_7>

1. **: Do you have any views on the proposed periodic disclosures which mirror the proposals for pre-contractual amendments?**

<ESA\_QUESTION\_ESG\_8>

Although it makes sense to have consistency of sections in pre contractual and reporting documents, we believe that certain sections of the reporting documents are not necessary. This is mainly because they are merely a duplication of the content of the pre-contractual document or also because they are not matters of reporting. For ease of reading and also for keeping the spirit of a reporting document, we would prefer not to add too much information and not include the following headings: “Environmental and/or social characteristics” “what methodology was used for the calculation of the alignment with the EU taxonomy and why?”, “Why did the financial product invest in economic activities that are not environmentally sustainable?” and “How does the reference benchmark differ form a broad market index?” <ESA\_QUESTION\_ESG\_8>

1. : Do you have any views on the amended pre-contractual and periodic templates?

<ESA\_QUESTION\_ESG\_9>

Qualitative information should be allowed and the green asset ratio should clearly not be seen as a target.

<ESA\_QUESTION\_ESG\_9>

1. : The draft RTS propose unified pre-contractual and periodic templates applicable to all Article 8 and 9 SFDR products (including Article 5 and 6 TR products which are a sub-set of Article 8 and 9 SFDR products). Do you believe it would be preferable to have separate pre-contractual and periodic templates for Article 5-6 TR products, instead of using the same template for all Article 8-9 SFDR products?

<ESA\_QUESTION\_ESG\_10>

Only one template is better at the operational level. The simpler the better, though depending on the availability of the data.

<ESA\_QUESTION\_ESG\_10>

1. : The draft RTS propose in the amended templates to identify whether products making sustainable investments do so according to the EU taxonomy. While this is done to clearly indicate whether Article 5 and 6 TR products (that make sustainable investments with environmental objectives) use the taxonomy, arguably this would have the effect of requiring Article 8 and 9 SFDR products making sustainable investments with social objectives to indicate that too. Do you agree with this proposal?

<ESA\_QUESTION\_ESG\_11>

Article 8 and 9 products with social objectives would be at disadvantage until the Taxonomy has been developed in this topic. We think that the RTS is too heavily reliant on the Taxonomy as the sole tool to guide sustainable investing when this is not the case. We believe that more neutral language around sustainable investments, including environmental investments that are not Taxonomy-aligned or social investments, would address this issue.

<ESA\_QUESTION\_ESG\_11>

1. : Do you have any views regarding the preliminary impact assessments? Can you provide more granular examples of costs associated with the policy options?

<ESA\_QUESTION\_ESG\_12>

We should be careful not to create a kind of indirect tax or license to operate, investors being obliged to buy data from external providers. It would certainly push for a higher level of cost. That would be detrimental for smaller and new players. It is crucial to keep in mind the importance not to harm the competitiveness of the European players. A balance has to be found between transparency and additional requirements that could be burdensome.

<ESA\_QUESTION\_ESG\_12>

1. Regulation (EU) 2018/1725 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC, OJ L 295, 21.11.2018, p. 39. [↑](#footnote-ref-2)