**Reply form**

**on the Joint Consultation Paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures**

 12 April 2023ESMA34-45-1218

**Responding to this paper**

The ESAs invite comments on all matters in the Joint Consultation Paper and in particular on the specific questions in this reply form. Comments are most helpful if they:

* respond to the question stated;
* indicate the specific question to which the comment relates;
* contain a clear rationale; and
* describe any alternatives the ESAs should consider.

ESMA will consider all comments received by **4 July 2023.**

**Instructions**

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

* Insert your responses to the questions in the Joint Consultation Paper in this reply form.
* Please do not remove tags of the type <ESMA\_QUESTION\_SFDR\_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 responses, save the reply form according to the following convention: ESMA\_CP SFDR Review\_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA\_CP SFDR Review\_ABCD.

* Upload the Word reply form containing your responses to ESMA’s website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

**Publication of responses**

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. 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 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**

The protection of individuals with regard to the processing of personal data by the ESAs is based on Regulation (EU) 2018/1725[[1]](#footnote-1). 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**

|  |  |
| --- | --- |
| Name of the company / organisation | Reclaim Finance |
| Activity | Audit/Legal/Individual |
| Are you representing an association? |[x]
| Country/Region | France |

**Questions**

1. : Do you agree with the newly proposed mandatory social indicators in Annex I, Table I (amount of accumulated earnings in non-cooperative tax jurisdictions for undertakings whose turnover exceeds € 750 million, exposure to companies involved in the cultivation and production of tobacco, interference with the formation of trade unions or election worker representatives, share of employees earning less than the adequate wage)?

<ESMA\_QUESTION\_SFDR\_1>

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<ESMA\_QUESTION\_SFDR\_1>

1. : Would you recommend any other mandatory social indicator or adjust any of the ones proposed?

<ESMA\_QUESTION\_SFDR\_2>

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<ESMA\_QUESTION\_SFDR\_2>

1. : Do you agree with the newly proposed opt-in social indicators in Annex I, Table III (excessive use of non-guaranteed-hour employees in investee companies, excessive use of temporary contract employees in investee companies, excessive use of non-employee workers in investee companies, insufficient employment of persons with disabilities in the workforce, lack of grievance/complaints handling mechanism for stakeholders materially affected by the operations of investee companies, lack of grievance/complaints handling mechanism for consumers/ end-users of the investee companies)?

<ESMA\_QUESTION\_SFDR\_3>

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<ESMA\_QUESTION\_SFDR\_3>

1. : Would you recommend any other social indicator or adjust any of the ones proposed?

<ESMA\_QUESTION\_SFDR\_4>

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<ESMA\_QUESTION\_SFDR\_4>

1. : Do you agree with the changes proposed to the existing mandatory and opt-in social indicators in Annex I, Table I and III (i.e. replacing the UN Global Compact Principles with the UN Guiding Principles and ILO Declaration on Fundamental Principles and Rights at Work)? Do you have any additional suggestions for changes to other indicators not considered by the ESAs?

<ESMA\_QUESTION\_SFDR\_5>

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<ESMA\_QUESTION\_SFDR\_5>

1. : For real estate assets, do you consider relevant to apply any PAI indicator related to social matters to the entity in charge of the management of the real estate assets the FMP invested in?

<ESMA\_QUESTION\_SFDR\_6>

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<ESMA\_QUESTION\_SFDR\_6>

1. : For real estate assets, do you see any merit in adjusting the definition of PAI indicator 22 of Table 1 in order to align it with the EU Taxonomy criteria applicable to the DNSH of the climate change mitigation objective under the climate change adaptation objective?

<ESMA\_QUESTION\_SFDR\_7>

Adjusting the criteria to align it with the EU taxonomy criteria is useful to ensure coherency between financial institutions’ reporting of on buildings and taxonomy reporting, thus also helping to identify how much support is devoted to efficient real estate assets.

However, it should also be noted that major improvements to EU real estate energy performance are mandated by the recent EPBD that notably requires deeper involvement of the EU financial sector in building renovation. In this context, we believe **the DNSH criteria for real estate should be updated considering both the EU Taxonomy and the EPBD**. We call on the ESMA to check the coherence of the proposed criteria, and any additional criteria regarding building renovation, against EPBD objectives and to further adjust them accordingly.

<ESMA\_QUESTION\_SFDR\_7>

1. : Do you see any challenges in the interaction between the definition ‘enterprise value’ and ‘current value of investment’ for the calculation of the PAI indicators?

<ESMA\_QUESTION\_SFDR\_8>

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<ESMA\_QUESTION\_SFDR\_8>

1. : Do you have any comments or proposed adjustments to the new formulae suggested in Annex I?

<ESMA\_QUESTION\_SFDR\_9>

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<ESMA\_QUESTION\_SFDR\_9>

1. : Do you have any comments on the further clarifications or technical changes to the current list of indicators? Did you encounter any issues in the calculation of the adverse impact for any of the other existing indicators in Annex I?

<ESMA\_QUESTION\_SFDR\_10>

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<ESMA\_QUESTION\_SFDR\_10>

1. : Do you agree with the proposal to require the disclosure of the share of information for the PAI indicators for which the financial market participant relies on information directly from investee companies?

<ESMA\_QUESTION\_SFDR\_11>

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<ESMA\_QUESTION\_SFDR\_11>

1. : What is your view on the approach taken in this consultation paper to define ‘all investments’? What are the advantages and drawbacks you identify? Would a change in the approach adopted for the treatment of ‘all investments’ be necessary in your view?

<ESMA\_QUESTION\_SFDR\_12>

As is mentioned in the consultation document, defining “All investments” as “investments in the particular type of entity or real estate asset causing the adverse impact” has the major advantage of linking the indicator only to the investments for which it is relevant.

Indeed, the current definition of “all investments” aggregates the results of the reporting on each indicator at the level of the FMP, thus artificially increasing or lowering the value of the “all investments” indicator reported depending on how much of the FMP’s portfolio is composed of assets/entity for which the indicator is relevant. As the example provided in the consultation document shows, the values that are then reported under “all investments” could be misleading when it comes to understanding how a FMP considers PAIs no matter what its specific composition is.

To say it differently, **the proposed updated definition of “all investments” enables the users of the reporting to better understand how the FMP treats different types of assets/entities regarding relevant PAIs, and therefore to have a more accurate picture of its social and environmental commitments**.

<ESMA\_QUESTION\_SFDR\_12>

1. : Do you agree with the ESAs’ proposal to only require the inclusion of information on investee companies’ value chains in the PAI calculations where the investee company reports them? If not, what would you propose as an alternative?

<ESMA\_QUESTION\_SFDR\_13>

**Reclaim Finance does not agree with the ESAs’ proposal to only require the inclusion of information on investee companies’ value chains in the PAI calculations where the investee company reports them**.

Indeed, while we strongly agree with the ESAs’ decision to base value chain assessment of the definition of value chain laid out in the ESRS, we note that information should at least be fully reported for all indicators in Table 1 (regardless of whether the information is provided by the entity).

In the SFDR, Table 1 indicators are considered essential to assessing the potential “adverse impact” of a FMP’s activities. These indicators are also coherent with information required under the ESRS, where estimates and proxies can be used.

Furthermore, when information is not available on Table 1, 2 or 3 indicators, the lack of information itself is a relevant fact for reporting users and the FMP.

Providing the above elements, **we suggest that:**

1. **The FMP always reports on Table 1 indicators including entities where information is lacking by using estimates based on sectoral or activity information. These estimates should not rely on averages, but rather on high values in the sector/activity (**On this topic, for GHG reporting, see: [“Corporate Carbon Disclosure: A critical review”, *SSRN*, Brander and al, 2023](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4429430) ). Such high estimates will ensure that entities with lacking reporting do not benefit from a “free-rider” effect and that FMPs are incentivized to push them to report more accurately.
2. **The FMP provides for each indicator in Table 1 and for any indicator reported in Tables 2 and 3 the share of its assets/entities that do not provide sufficient information.**

Beyond the scope of this consultation, Reclaim Finance underlines that the materiality assessment added by the European Commission in the last draft ESRS risks significantly lowering the quality and comparability of reporting.

<ESMA\_QUESTION\_SFDR\_13>

1. : Do you agree with the proposed treatment of derivatives in the PAI indicators or would you suggest any other method?

<ESMA\_QUESTION\_SFDR\_14>

We agree with the treatment of derivatives laid out in the consultation document. We especially note that ESAs rightfully point out that failure to include derivatives in PAIs could result in greenwashing.

<ESMA\_QUESTION\_SFDR\_14>

1. : What are your views with regard to the treatment of derivatives in general (Taxonomy-alignment, share of sustainable investments and PAI calculations)? Should the netting provision of Article 17(1)(g) be applied to sustainable investment calculations?

<ESMA\_QUESTION\_SFDR\_15>

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<ESMA\_QUESTION\_SFDR\_15>

1. : Do you see the need to extend the scope of the provisions of point g of paragraph 1 of Article 17 of the SFDR Delegated Regulation to asset classes other than equity and sovereign exposures?

<ESMA\_QUESTION\_SFDR\_16>

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<ESMA\_QUESTION\_SFDR\_16>

1. : Do you agree with the ESAs’ assessment of the DNSH framework under SFDR?

<ESMA\_QUESTION\_SFDR\_17>

Reclaim Finance strongly agrees with the points made in 43 to 46 by the ESAs. Based this shared assessment, we note that **requiring more specific disclosures is necessary to ensure a proper implementation of SFDR DNSH**.

While we note that greater convergence between Taxonomy DNSH and SFDR DNSH could be pursued, we also want to highlight that Taxonomy DNSH will not be sufficient to cover SFDR DNSH:

* The Technical Screening Criteria of the taxonomy are applied at the level of an activity, while PAIs are reported at FMP level. This raises some concerns regarding how an alignment with the taxonomy could be pursued, notably how would a company that develops some TSC aligned activities but also some non-aligned and potentially harmful ones would be considered and would influence aggregated PAI reporting.
* The Taxonomy DNSH is only available for activities that are considered potentially sustainable under the taxonomy, thus leaving many activities “harmful” activities out of its scope.

**Making the disclosure of quantitative thresholds used by the FMP to assess DNSH mandatory seems like an obvious first step to tackle the above-mentioned issue but will clearly not be sufficient to do so**. The quantitative threshold will notably hide the fact that the FMP supports entities and assets that are “always harmful”, such as for example new fossil fuel production projects or coal power plants. Furthermore, the ESAs’ proposal does not clarify what should be the benchmark for this threshold, failing to link environmental DNSH to clear goals featured in the ESRS such as limiting global warming to 1.5°C.

Therefore, **we urge the ESAs to:**

1. **Put forward a list of “always harmful” activities that must be directly addressed under the SFDR DNSH** (See: WWF, [*Central Banking and Financial Supervision: Transitioning to a Net Zero and Nature Positive economy*](https://wwfint.awsassets.panda.org/downloads/wwf_gfri_roadmap_2022_nov_2022.pdf), 2022);
2. **Link environmental DNSH to reaching key climate and environmental EU goals in line with the ESRS, notably the goal of limiting global warming to 1.5°C.**

<ESMA\_QUESTION\_SFDR\_17>

1. : With regard to the DNSH disclosures in the SFDR Delegated Regulation, do you consider it relevant to make disclosures about the quantitative thresholds FMPs use to take into account the PAI indicators for DNSH purposes mandatory? Please explain your reasoning.

<ESMA\_QUESTION\_SFDR\_18>

**Reclaim Finance considers the disclosure of quantitative thresholds relevant** and highlights that without such disclosure it appears to even begin to understand what PAI indicators relate to for the FMP.

However, as explained in our response to Q17, **we also want to underline that such quantitative threshold will be largely insufficient to remedy the shortcomings of SFDR DNSH, and therefore to avoid greenwashing**:

* The quantitative threshold does not provide information on the FMP’s support to entities and assets that are “always harmful”, such as for example new fossil fuel production projects or coal power plants. Such activities – and most notably their development – is fully incompatible with EU climate and environmental objectives and cannot be deemed to meet the SFDR DNSH principle. **The ESAs should provide a list of “always harmful” activities for FMP to implement the DNSH principle**.
* The ESAs’ proposal on introducing quantitative thresholds does not clarify what should be the benchmark for this threshold to be built. **Environmental DNSH threshold should be directly linked to environmental and climate goals featured in the ESRS such as limiting global warming to 1.5°C.**

<ESMA\_QUESTION\_SFDR\_18>

1. : Do you support the introduction of an optional “safe harbour” for environmental DNSH for taxonomy-aligned activities? Please explain your reasoning.

<ESMA\_QUESTION\_SFDR\_19>

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<ESMA\_QUESTION\_SFDR\_19>

1. : Do you agree with the longer term view of the ESAs that if two parallel concepts of sustainability are retained that the Taxonomy TSCs should form the basis of DNSH assessments? Please explain your reasoning.

<ESMA\_QUESTION\_SFDR\_20>

While we note that greater convergence between Taxonomy DNSH and SFDR DNSH could be pursued, we also want to highlight that Taxonomy DNSH will not be sufficient to cover SFDR DNSH:

* The Technical Screening Criteria of the taxonomy are applied at the level of an activity, while PAIs are reported at FMP level. This raises some concerns regarding how an alignment with the taxonomy could be pursued, notably how would a company that develops some TSC aligned activities but also some non-aligned and potentially harmful ones would be considered and would influence aggregated PAI reporting.
* The Taxonomy DNSH is only available for activities that are considered potentially sustainable under the taxonomy, thus leaving many activities “harmful” activities out of its scope.

Therefore, **we urge the ESAs to:**

1. **Put forward a list of “always harmful” activities that must be directly addressed under the SFDR DNSH** (See: WWF, [*Central Banking and Financial Supervision: Transitioning to a Net Zero and Nature Positive economy*](https://wwfint.awsassets.panda.org/downloads/wwf_gfri_roadmap_2022_nov_2022.pdf), 2022);
2. **Link environmental DNSH to reaching key climate and environmental EU goals in line with the ESRS, notably the goal of limiting global warming to 1.5°C.**

<ESMA\_QUESTION\_SFDR\_20>

1. : Are there other options for the SFDR Delegated Regulation DNSH disclosures to reduce the risk of greenwashing and increase comparability?

<ESMA\_QUESTION\_SFDR\_21>

As mentioned in our responses to Q17/18 and 20, **other options must be pursued to reduce the risk of greenwashing and increase comparability**.

**It is essential that the ESAs define a list of “always harmful” activities that could serve as a basis for FMPs to conduct their own assessments**. Such a list could be relatively narrow (See: WWF, [*Central Banking and Financial Supervision: Transitioning to a Net Zero and Nature Positive economy*](https://wwfint.awsassets.panda.org/downloads/wwf_gfri_roadmap_2022_nov_2022.pdf), 2022) and would not be sufficient to cover the full spectrum of SFDR DNSH but would significantly contribute to lower the risk of greenwashing and provide a joint baseline for FMPs to build their SFDR reporting. The list could be improved and extended overtime, depending on changes in EU regulation and other environmental and climate standards.

Additionally, **the ESAs should clarify that the assessment of SFDR DNSH should closely be based on EU climate and environmental targets**. Indeed, the large freedom left to FMPs in conducting their analysis should not ban users of the reporting to be able to assess whether the information they provide are contributing or hindering these objectives.

<ESMA\_QUESTION\_SFDR\_21>

1. : Do you agree that the proposed disclosures strike the right balance between the need for clear, reliable, decision-useful information for investors and the need to keep requirements feasible and proportional for FMPs? Please explain your answers.

<ESMA\_QUESTION\_SFDR\_22>

Reclaim Finance notes that the proposed disclosures would not be sufficiently decision useful for investors, and notably for retail investors.

We agree with the proposal for more standardized GHG emission calculations, as well as specific GHG reduction targets for article 9(3). However, we note that:

* Investors, even more so retail investors, are often focusing on a handful of basic criteria to determine whether a fund meet their non-financial preferences. For example, many EU citizens do not want to invest in funds that contribute to financing things like fossil fuels, tobacco or activities responsible for deforestation. **Under SFDR, all funds should be required to provide – in a simplified format and on top of additional disclosures – information on whether they contain assets from companies in such controversial sectors. A specific indicator should notably exist to make clear which funds contain companies that are developing new fossil fuel projects** at odds with EU climate and sustainability goals.
* GHG reductions targets are some of the most basic element users can look for when trying to assess whether a fund aligns with their climate preferences and EU climate goals. **GHG reduction targets should therefore be made mandatory for article 9 and 8 funds** (beyond article 9(3)).
* Overall, GHG indicators remain difficult to interpret for stakeholders. **Further indicators could be introduced to provide a simplified vision of the alignment of article 9 and 8 products**. Such an indicator could be based on methodologies to provide a single alignment score at product level and to ensure companies in the portfolio have adopted proper transition plans to reduce their emissions and phase-out harmful activities (see our response to Q25).

<ESMA\_QUESTION\_SFDR\_22>

1. : Do you agree with the proposed approach of providing a hyperlink to the benchmark disclosures for products having GHG emissions reduction as their investment objective under Article 9(3) SFDR or would you prefer specific disclosures for such financial products? Do you believe the introduction of GHG emissions reduction target disclosures could lead to confusion between Article 9(3) and other Article 9 and 8 financial products? Please explain your answer.

<ESMA\_QUESTION\_SFDR\_23>

We do not believe GHG reduction targets would lead to confusion between article 9(3) and other article 8/9 funds. We further stress that GHG reductions targets should be required for all article 9 and 8 funds (as mentioned in our response to Q22).

<ESMA\_QUESTION\_SFDR\_23>

1. : The ESAs have introduced a distinction between a product-level commitment to achieve a reduction in financed emissions (through a strategy that possibly relies only on divestments and reallocations) and a commitment to achieve a reduction in investees’ emissions (through investment in companies that has adopted and duly executes a convincing transition plan or through active ownership). Do you find this distinction useful for investors and actionable for FMPs? Please explain your answer.

<ESMA\_QUESTION\_SFDR\_24>

Reclaim Finance underlines this distinction could be problematic because it opposes two approaches that are regularly combined. Indeed, paragraph 66 seems to oppose a “divestment” approach to a “engagement” approach. However, these approaches are largely complementary. Reallocation of the portfolio away from certain entity/assets is necessary when GHG reductions are not met and/or when the activities being developed are incompatible with the climate and environmental goals.

**We call on the ESAs to avoid opposing the two perspectives in its disclosure requirement**s.

<ESMA\_QUESTION\_SFDR\_24>

1. : Do you find it useful to have a disclosure on the degree of Paris-Alignment of the Article 9 product’s target(s)? Do you think that existing methodologies can provide sufficiently robust assessments of that aspect? If yes, please specify which methodology (or methodologies) would be relevant for that purpose and what are their most critical features? Please explain your answer.

<ESMA\_QUESTION\_SFDR\_25>

**Having a disclosure on the level of alignment of a fund with the Paris Agreement would be very useful. However, this also raises some major methodological concerns. Inadequate disclosure on the issue could lead to significant greenwashing**.

To avoid such a negative outcome, **we suggest any Paris Alignment indicator would consider**:

* **An assessment of whether the fund supports the development of fossil fuel production** (through project or company level investments).
* **Best-available methodology to aggregate the fund assets’ contribution and its evolution and compare it to a trajectory aligned with a 1.5°C scenario**. While no full-proof methodology is available to do this today, the [MyFairMoney project](https://www.meinfairmoegen.de/fileadmin/user_upload/Documents/MFM_technical_documentation.pdf) provides an example of an application of the PACTA methodology to provide a Paris-alignment score. It should be noted however that the underlying scenarios are not 1.5°C no/low overshot with negative emissions, meaning that the grade given based on this methodology could be above a fully “science-based” evaluation.
* **An assessment of the adoption of 1.5°C transition plans by entities in the fund, with these plans meeting the criteria of the** [**UN HLEG Net-Zero report**](https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf)and reporting requirements of the ESRS. The content of these plans should be further analyzed and standardized at EU level, coherently with their inclusion in the ESRS.

<ESMA\_QUESTION\_SFDR\_25>

1. : Do you agree with the proposed approach to require that the target is calculated for all investments of the financial product? Please explain your answer.

<ESMA\_QUESTION\_SFDR\_26>

We agree with this approach.

<ESMA\_QUESTION\_SFDR\_26>

1. : Do you agree with the proposed approach to require that, at product level, Financed GHG emissions reduction targets be set and disclosed based on the GHG accounting and reporting standard to be referenced in the forthcoming Delegated Act (DA) of the CSRD? Should the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF be required as the only standard to be used for the disclosures, or should any other standard be considered? Please justify your answer and provide the name of alternative standards you would suggest, if any.

<ESMA\_QUESTION\_SFDR\_27>

We broadly agree with the proposed approach that provides more consistency to GHG emission reportings.

Nonetheless, we note that the ESAs should explicitly clarify that they will follow any development in GHG accounting methodology to update the requirements if any new methodology that provides a more accurate picture of emissions is developed.

<ESMA\_QUESTION\_SFDR\_27>

1. : Do you agree with the approach taken to removals and the use of carbon credits and the alignment the ESAs have sought to achieve with the EFRAG Draft ESRS E1? Please explain your answer.

<ESMA\_QUESTION\_SFDR\_28>

**Reclaim Finance agrees with this approach** that mitigates the potential adverse effect of reliance on carbon credits and removals and helps avoid greenwashing.

<ESMA\_QUESTION\_SFDR\_28>

1. : Do you find it useful to ask for disclosures regarding the consistency between the product targets and the financial market participants entity-level targets and transition plan for climate change mitigation? What could be the benefits of and challenges to making such disclosures available? Please explain you answer.

<ESMA\_QUESTION\_SFDR\_29>

Reclaim Finance strongly agrees that disclosures regarding the consistency between the product targets and the financial market participants' entity-level targets and transition plan would be useful.

It is essential to link the potential environmental and climate impact of a product to the practices of the FMP that manages it. Indeed, the climate transition requires shifting all financial services from highly emitting to sustainable activities and companies. Such a shift cannot be operated with sustainability criteria established solely at product level. In most cases, FMPs that manage funsd with sustainability criteria also provide significant support to harmful companies via other products and services. Only providing information at the fund level can be misleading for retail investors that want to invest sustainably.

In this context, **disclosures that link product targets to FMP targets and plans could help ensure the consistency of the FMP approach and investors to identify more complete sustainability approaches. Such disclosures should notably include whether**:

* **The FMP is supporting activities at odds with the transition through other financial services, and notably fossil fuel development** (information on companies developing fossil fuels are available in the Global Oil and Gas and Global Coal Exit List from NGO Urgewald);
* **The FMP has adopted a transition plan that aligns with the requirements and ambition of the ESRS and with the** [**recommendations of the UN HLEG**](https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf);
* The FMP is reducing its financed emissions at a pace compatible with the transition and what are its expectations for companies to transition.

<ESMA\_QUESTION\_SFDR\_29>

1. : What are your views on the inclusion of a dashboard at the top of Annexes II-V of the SFDR Delegated Regulation as summary of the key information to complement the more detailed information in the pre-contractual and periodic disclosures? Does it serve the purpose of helping consumers and less experienced retail investors understand the essential information in a simpler and more visual way?

<ESMA\_QUESTION\_SFDR\_30>

A dashboard could help consumers understand some basic information about the fund. But, its relevance largely depends on its content.

<ESMA\_QUESTION\_SFDR\_30>

1. : Do you agree that the current version of the templates capture all the information needed for retail investors to understand the characteristics of the products? Do you have views on how to further simplify the language in the dashboard, or other sections of the templates, to make it more understandable to retail investors?

<ESMA\_QUESTION\_SFDR\_31>

The current version of the template captures some relevant information for retail investors, including GHG reductions. But, beyond the proposed information, **the dashboard should at least contain disclosures on the exposure to coal and fossil fuels** (as laid out in Table 1).

<ESMA\_QUESTION\_SFDR\_31>

1. : Do you have any suggestion on how to further simplify or enhance the legibility of the current templates?

<ESMA\_QUESTION\_SFDR\_32>

Investors, even more so retail investors, are often focusing on a handful of basic criteria to determine whether a fund meet their non-financial preferences. For example, many EU citizens do not want to invest in funds that contribute to financing things like fossil fuels, tobacco or activities responsible for deforestation.

**Under SFDR, all funds should be required to provide – in a simplified format and on top of additional disclosures – information on whether they contain assets from companies in such controversial sectors. A specific indicator should notably exist to make clear which funds contain companies that are developing new fossil fuel projects** at odds with EU climate and sustainability goals.

Having such indicators featured in the proposed dashboard would considerably simplify the decision of retail investors. Furthermore, the activities and sectors identified could also serve as basis for a list of “always significantly harmful” activities that would facilitate SFDR DNSH assessment as proposed in our response to Q17/18/20/21.

<ESMA\_QUESTION\_SFDR\_32>

1. : Is the investment tree in the asset allocation section necessary if the dashboard shows the proportion of sustainable and taxonomy-aligned investments?

<ESMA\_QUESTION\_SFDR\_33>

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<ESMA\_QUESTION\_SFDR\_33>

1. : Do you agree with this approach of ensuring consistency in the use of colours in Annex II to V in the templates?

<ESMA\_QUESTION\_SFDR\_34>

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<ESMA\_QUESTION\_SFDR\_34>

1. : Do you agree with the approach to allow to display the pre-contractual and periodic disclosures in an extendable manner electronically?

<ESMA\_QUESTION\_SFDR\_35>

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<ESMA\_QUESTION\_SFDR\_35>

1. : Do you have any feedback with regard to the potential criteria for estimates?

<ESMA\_QUESTION\_SFDR\_36>

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<ESMA\_QUESTION\_SFDR\_36>

1. : Do you perceive the need for a more specific definition of the concept of “key environmental metrics” to prevent greenwashing? If so, how could those metrics be defined?

<ESMA\_QUESTION\_SFDR\_37>

« Key environmental metrics » could be better defined by referencing the climate and sustainability objectives of the EU Taxonomy as well as EU climate targets. They are all metrics that could have a negative or positive impact on these objectives.

<ESMA\_QUESTION\_SFDR\_37>

1. : Do you see the need to set out specific rules on the calculation of the proportion of sustainable investments of financial products? Please elaborate.

<ESMA\_QUESTION\_SFDR\_38>

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<ESMA\_QUESTION\_SFDR\_38>

1. : Do you agree that cross-referencing in periodic disclosures of financial products with investment options would be beneficial to address information overload?

<ESMA\_QUESTION\_SFDR\_39>

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<ESMA\_QUESTION\_SFDR\_39>

1. : Do you agree with the proposed website disclosures for financial products with investment options?

<ESMA\_QUESTION\_SFDR\_40>

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<ESMA\_QUESTION\_SFDR\_40>

1. : What are your views on the proposal to require that any investment option with sustainability-related features that qualifies the financial product with investment options as a financial product that promotes environmental and/or social characteristics or as a financial product that has sustainable investment as its objective, should disclose the financial product templates, with the exception of those investment options that are financial instruments according to Annex I of Directive 2014/65/EU and are not units in collective investment undertakings? Should those investment options be covered in some other way?

<ESMA\_QUESTION\_SFDR\_41>

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<ESMA\_QUESTION\_SFDR\_41>

1. : What are the criteria the ESAs should consider when defining which information should be disclosed in a machine-readable format? Do you have any views at this stage as to which machine-readable format should be used? What challenges do you anticipate preparing and/or consuming such information in a machine-readable format?

<ESMA\_QUESTION\_SFDR\_42>

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<ESMA\_QUESTION\_SFDR\_42>

1. : Do you have any views on the preliminary impact assessments? Can you provide estimates of costs associated with each of the policy options?

<ESMA\_QUESTION\_SFDR\_43>

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<ESMA\_QUESTION\_SFDR\_43>

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-1)