

# Reply form

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

12 April 2023

ESMA34-45-1218

## 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<sup>1</sup>. Further information on data protection can be found under the [Legal notice](#) section of the EBA website and under the [Legal notice](#) section of the EIOPA website and under the [Legal notice](#) section of the ESMA website.

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<sup>1</sup> 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.

## General information about respondent

Name of the company / organisation	impak Analytics
Activity	ESG ratings / sustainability analysis
Are you representing an association?	<input type="checkbox"/>
Country/Region	Canada

## Questions

**Q1 : 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>

impak Analytics embraces the ESA's recognition of the data scarcity challenge and its commitment to aligning the indicators in SFDR with the European Sustainability Reporting Standards (ESRS). The incorporation of ESRS disclosure requirements for all CSRD-affected companies promises a streamlined and less burdensome reporting process.

We also welcome SFDR's proactive approach to incorporating social indicators into its framework. Generally, the social dimension has not received the same level of attention as the environmental aspect, which can be attributed to the lack of consensus on appropriate social indicators and the relative scarcity of robust regulations and financial reporting frameworks for addressing social issues. It is worth noting that while frameworks such as the European Taxonomy, CDP, TCFD, TNFD, and SBTi provide comprehensive coverage of environmental concerns, there needs to be an equivalent framework to address social issues.

While the proposed metrics provide a certain perspective into how an organization handles the adequation of its business model and governance structure to a few specific society issues, some remain vague.

For instance, the indicator "share of employees earning less than the adequate wage" is interesting, as approximately 630 million workers worldwide (19% of all employed) earned insufficient wages to escape extreme or moderate poverty. Still, there remains to be more

clarity regarding the extent of data collection, as crucial matters of this nature are commonly identified within the supply chain for most organizations.

<ESMA\_QUESTION\_SFDR\_1>

**Q2 : Would you recommend any other mandatory social indicator or adjust any of the ones proposed?**

<ESMA\_QUESTION\_SFDR\_2>

The inclusion of "the cultivation and production of tobacco" as a controversial sector indicator aligns with existing indicators in the current version of SFDR, such as the manufacture or sale of controversial weapons (Table 1, Indicator 14) and companies involved in the fossil fuel sector (Table 1, Indicator 4), which are commonly recognized as controversial sectors. While defining controversial activities remains a highly culture-specific topic that needs to be approached with caution.

For instance, it is pertinent to also incorporate alcohol-producing and retailing companies due to the harmful social effects associated with their products. The World Health Organization (WHO) has cautioned about the numerous acute and chronic health consequences of excessive alcohol consumption, which is also a sub-target of the Sustainable Development Goals (SDGs). Similarly, the WHO acknowledges gambling as having detrimental health effects, particularly through addiction and over-indebtedness. Hence, SFDR should recognize the negative health impacts of both alcohol and gambling activities, aligning with the findings of the WHO.

<ESMA\_QUESTION\_SFDR\_2>

**Q3 : 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>

Impak Analytics expresses concern that the ESAs have contemplated suggesting additional opt-in indicators that are currently not reported under ESRS.

**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**

The proposed indicators, such as excessive use of non-guaranteed-hour employees, temporary contract employees, and non-employee workers in investee companies, lack clear definitions and remain ambiguous. Indicators should aim to provide objective measurements rather than passing judgment. Terms like "insufficient," "excessive," and "lack of" already imply a subjective perspective within SFDR, which may discourage disclosure. It is important for metrics to have neutral titles, and their comparison to predefined thresholds should determine whether a company's performance is considered adequate or not. The Commission should define what constitutes "excessive use" and "insufficient employment." These adjectives should refer to specific thresholds set by regulations. For example, in France, companies are required to employ persons with disabilities in a proportion of 6% of the total workforce; anything below this threshold would be deemed insufficient.

We appreciate the introduction of the newly proposed indicators regarding the utilization of non-employee workers by temporary contract employees. It is important to understand the purpose and measurement objectives behind this data. These indicators have the potential to shed light on precarious employment conditions, and although different interpretations may arise due to varying contexts, it is encouraging to observe that nearly all companies are reporting on these indicators. High temporary workers in the hospitality sector are not synonymous with precarious conditions. In contrast, as in the healthcare sector, we have seen an increase in precarious employment becoming more common.

SFDR should emphasize the importance of providing context for interpreting data to financial market participants.

**Lack of grievance/complaints handling mechanism for stakeholders materially affected by the operations of investee companies, lack of grievance/complaints handling mechanism for consumers/ endusers of the investee companies**

impak appreciates that SFDR expands the grievance/complaints mechanisms for a broader range of stakeholders, including communities affected and consumers, as access to an effective remedy is a fundamental human right. However, it would be beneficial for SFDR to provide a precise definition of a grievance mechanism and make reference to the UN Guiding Principles on Business and Human Rights. This would enable SFDR to leverage the outlined criteria within those principles, which serve as a valuable framework for designing, revising, or assessing non-judicial grievance mechanisms, thereby enhancing their practical effectiveness.

<ESMA\_QUESTION\_SFDR\_3>

**Q4 : Would you recommend any other social indicator or adjust any of the ones proposed?**

<ESMA\_QUESTION\_SFDR\_4>

We recommend the addition of the following indicators to the list of opt-in social indicators:

### **Diversity and inclusion**

We welcome the proposed integration of data regarding disability inclusion (with the aforementioned caveats) to complete the other diversity indicators ("Number incidents of discrimination," "Board gender diversity," "Unadjusted gender pay gap"); but we consider it insufficient; however, we argue that SFDR should cover more broadly diversity and inclusion matters. To effectively address inequalities and ensure inclusivity for all, it is crucial to consider various factors such as gender, race, ethnicity, age, sexual orientation, and disability. This comprehensive approach aligns with SDG 10's objective, which emphasizes reducing inequalities and the commitment to leave no one behind.

Diversity and inclusion is a multifaceted subject that poses inherent complexities due to their encompassing nature. We know that the collection of racial and ethnic identity data varies across member states. As a lot of other social matters are regulated at the Member State level and between social partners, not at the EU level.

Due to these difficulties, SFDR should also include qualitative indicators regarding the presence of equal policy. An equal opportunities policy aims to establish transparency and accountability within the company, ensuring that fair treatment is clearly defined while also addressing issues related to discrimination, abuse, and harassment.

### **Personal data protection**

SFDR should include indicators for personal data protection as companies gather and use more personal data related to their staff, customers, clients, and stakeholders. Processing personal data increases the risk of violations of customers' right to privacy.

### **Definition of policy**

impak recommends the inclusion of a clear definition of the term "policy" in the Annex. While certain qualitative indicators, such as the human rights policy (Annex I, table 3, indicator 9) are explicitly defined, others, like the workplace accident prevention policy (Annex I, table 3, indicator 1), lack a precise definition. The concept of policy can vary in meaning: should a policy be disclosed on the company's website, be approved by the board etc. Establishing these criteria is crucial for ensuring consistency and understanding.

Moreover, we appreciate the definition provided for sustainable land/agriculture practices or policies, as it brings clarity to the necessary measures companies should implement to mitigate their impacts.

### **Labour practices**

To complete the data regarding non-guaranteed-hour employees in investee companies, excessive use of temporary contracts, metrics concerning the use of time-bound contracts repetitively, and proportion of part-time employees, as well as the proportion of management hired locally or from within the company would add a more detailed picture of a company's labour practices.

### **Excessive CEO pay ratio**

Regarding the indicator Excessive CEO pay ratio (Annex I, table 3, indicator 8), Impak would appreciate more clarity.

CEO compensation has become a highly debated topic globally, attracting growing interest from executives, shareholders, journalists, activists, and regulatory bodies. The variations in CEO-to-worker pay ratios across countries can be attributed to diverse traditions, legal frameworks, and government directives that shape these disparities.

As a data provider, we have observed that certain organizations are required to calculate and publish their own "remuneration ratio," which is intended to reflect the disparity in compensation between their executives and average employees. However, some entities choose to disclose this ratio solely for their parent company, typically comprised of a select few top executives, conveniently neglecting the majority of employees within the organization. This selective reporting results in distorted figures. Additionally, there are instances where misleading data is published based on a small subset of the workforce. To ensure transparency and accuracy, we strongly recommend the disclosure of more comprehensive and clear information pertaining to CEO pay ratios.

<ESMA\_QUESTION\_SFDR\_4>

**Q5 : 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>

The UN Global Compact Principles, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines, and the ILO Declaration on Fundamental Principles and Rights at Work are distinct frameworks that address different aspects of business practices and human rights.

Replacing the UN Global Compact principles with UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation (Annex I, table 1, indicators 10/11), gives more weight to social issues as the UN Guiding Principles on



Business and Human Rights focus on human rights impacts of businesses and the ILO Declaration addresses core labour rights and places primary responsibility on governments to ensure their implementation.

More importantly, keeping the OECD guidelines is crucial even more with the recent update. Updates include companies ensuring emission reduction targets are science-based and in line with the Paris Agreement and Intergovernmental Panel on Climate Change assessments, including animal welfare. The changes represent substantial and far-reaching new expectations for multinationals, particularly about areas of their operations or business which may have human rights or environmental implications.

As for the UN Global Compact (UNGC), it is important to remember it constitutes a voluntary initiative, and participating companies are not legally bound to comply with its principles. It operates based on self-assessment and reporting. In opposition, the Guidelines are recommendations made by the OECD member governments to multinational enterprises. While they are not legally binding, they carry political weight and adherence to the Guidelines is expected from member countries. Companies adhering to the OECD Guidelines are expected to establish internal mechanisms to implement the Guidelines and address complaints. They are also encouraged to contribute to National Contact Points (NCPs), designated offices in each OECD member country that handle issues related to the Guidelines.

Hence, we agree with replacing the UN Global Compact with other standards.

<ESMA\_QUESTION\_SFDR\_5>

**Q6 : 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>

**Q7 : 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>

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<ESMA\_QUESTION\_SFDR\_7>

**Q8 : 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>

**Q9 : Do you have any comments or proposed adjustments to the new formulae suggested in Annex I?**

<ESMA\_QUESTION\_SFDR\_9>

impak welcomes the proposed adjustments to new formulae for PAIs, as it provides greater clarity and transparency for comparable data.

<ESMA\_QUESTION\_SFDR\_9>

**Q10 : 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>

As a data provider, we noticed that only some issuers report data across all mandatory PAIs, as the collection of some of these metrics can be challenging.

For instance, SFDR-specific metrics such as "emissions to water" are not yet disclosed by companies and have proved to be challenging to estimate considering the specifications of the definition. Other metrics, such as the presence of human rights policies, are ESG favourites; therefore, companies are used to disclosing about it in very minimalist terms. For instance, they will mention whether the company's human rights policies cover child labour, but the policy will not be available online or will only provide a general statement. This does not explain how the company limits child labour in its supply chain. Therefore, precisions could be added to the metrics definition to specify what it means to have a human rights policy.

The metric regarding biodiversity (Annex 1. Table 1, Indicator 7) "Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas," is the vaguest and difficult to apply as the concept of "nearness" is subjective.

The metric regarding violations (Annex 1. Table 1, Indicator 10) are also somewhat problematic. Determining whether a specific action, event or practice violates the UN Global Compact can indeed be subjective. Interpretations may vary, and there may be differing perspectives on what qualifies as a violation, particularly in complex areas such as human rights or environmental sustainability. There is no universal reporting framework or standardized methodology for asset managers to report compliance with the UN Global Compact. This makes it difficult to consistently measure and compare violations across asset managers, as reporting practices may vary.

Also, the use of the NACE code is quite challenging as various industry classification systems exist (Global Industry Classification Standard (GICS), Standard Industrial Classification (SIC), Industry Classification Benchmark (ICB)... The fact that some metrics require specific reporting according to the NACE classification (Annex I, table 1, Indicator 6) is therefore challenging because companies rarely disclose their operational segments according to the NACE classification. Therefore, impak uses conversion tables, which can result in inconsistencies and discrepancies when comparing data or analyzing industries across different systems.

<ESMA\_QUESTION\_SFDR\_10>

**Q11 : 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>

impak Analytics supports the proposal to differentiate between estimated data and information obtained directly from investee companies. This distinction plays a vital role in promoting transparency and accountability, enabling stakeholders such as investors, analysts, and regulators to assess the reliability and source of the data they rely on. By transparently disclosing the origin of information, a more informed and accountable decision-making process can take place.

Furthermore, when conducting comparisons or benchmarking exercises, it is imperative to clearly understand whether the data is derived directly from investee companies or based on estimations. The variances in methodologies and assumptions involved in estimations can complicate accurate comparisons. Therefore, establishing this differentiation is crucial for facilitating meaningful analysis and supporting informed decision-making.

In summary, the differentiation between information sourced directly from investee companies and estimations is essential for upholding accuracy, transparency, trust, and facilitating robust analysis and decision-making processes.

<ESMA\_QUESTION\_SFDR\_11>

**Q12 : 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>

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<ESMA\_QUESTION\_SFDR\_12>

**Q13 : 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>

The presence of topics covered by SFDR in the value chain is highly dependent upon the sector of a company. Whereas for some sectors the inclusion of the value chain would not be relevant, it should be mandatory for others where disclosure of supply chain data is common, such as IT hardware manufacturing or textile manufacturing. Therefore we would recommend a sector-based approach.

<ESMA\_QUESTION\_SFDR\_13>

**Q14 : Do you agree with the proposed treatment of derivatives in the PAI indicators or would you suggest any other method?**

<ESMA\_QUESTION\_SFDR\_14>

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<ESMA\_QUESTION\_SFDR\_14>

**Q15 : 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>

**Q16 : 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>

**Q17 : Do you agree with the ESAs' assessment of the DNSH framework under SFDR?**

<ESMA\_QUESTION\_SFDR\_17>

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<ESMA\_QUESTION\_SFDR\_17>

**Q18 : 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>

We welcome the idea of incorporating the notion of threshold into the regulation, as thresholds are critical contextual reference points for organizations assessing whether an outcome is sustainable or unsustainable. They are distinct from other types of targets that organizations might set themselves, which are not explicitly linked to a scientific assessment of what constitutes a sustainable outcome. It will help clarify the definition of 'sustainable

investment' per Article 2(17), as SFDR leaves significant discretion to FMPs regarding assessing whether an investment qualifies as sustainable.

The threshold is also a crucial concept in impact measurement, and, as such, we invite SFDR to provide a definition aligned with the existing frameworks, such as the Impact Management project hosted by Impact Frontiers. A threshold is a level or range of performance that divides sustainable from unsustainable performance. These ranges are set with reference to social norms or planetary limits that have been identified through scientific research.

At the core part of the definition is that societal or ecological thresholds are identified by science to help establish the foundations and ceilings that the earth and society should seek to operate within to prevent harm to people and the natural environment.

The research on thresholds is still in its early stages, and its comprehension is continually expanding. Consequently, consensus-based thresholds may only partially capture the essence of sustainability or accurately identify the tipping point of unsustainability.

Requiring FMPs to predefine thresholds is, therefore, impractical because they, their methodologies and their measurements must always be strictly science-based.

<ESMA\_QUESTION\_SFDR\_18>

**Q19 : 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>

(pros: )

impak agrees that the safe harbour solution mentioned in the consultation paper would encourage the use of proceeds instruments that focus exclusively on activities aligned with the European Taxonomy, a positive since these are activities that are classified by the European Commission as aligned with a net zero trajectory by 2050 based on scientific evidence. Furthermore, it will leave less room for interpretation or greenwashing and would ensure greater interoperability between the two regimes.

As outlined in the consultation paper (p. 20, see excerpt below), the introduction of a safe harbour would ensure a better understanding and comparability of financial products for investors and could reduce the risk of greenwashing or of investing in assets that are incompatible with climate neutrality by 2050.

In addition, from a data collection perspective, this approach would be more user-friendly for FMPs, who will not have to ask those issuers carrying out taxonomy-aligned activities for data for their PAI reporting. As such, this will reduce the amount of data to be aggregated.

(Cons: )

The fact that the safe harbour provision would incentivize FMPs to include more EU Taxonomy-aligned activities in their funds due to a lighter data collection burden also has drawbacks. For instance, it would make it more difficult for companies outside the scope of the EU Taxonomy, such as SMEs, to be included in an SFDR-labeled fund. Similarly, FMPs will have a greater interest in establishing an Article 9 fund focused on environmental sustainability objectives than on social sustainability objectives, which will create an imbalance and thus make environmental and social Article 9 funds less comparable and with different levels of reliability.

As outlined in the Consultation Paper, we agree that the need for FMPs to collect two different types of information (activity level EU Taxonomy DNSH for EU Taxonomy compliant activities and PAIs for others) to demonstrate DNSH from issuers would add a layer of complexity from a data collection perspective.

The fact that the proposed safe harbour is optional is also an issue, as it will mean FMPs using different methodologies to assess environmental DNSH (environmental PAIs or EU Taxonomy alignment), which in turn will reduce comparability between funds, contrary to the objective of this measure.

Furthermore, the fact that the environmental DNSH criteria are specific to the EU Taxonomy activity means that there could still be negative environmental impacts at the company level which would not be taken into account. Consequently, Article 9 funds could theoretically invest in companies with EU Taxonomy-aligned activities that generate negative environmental impacts at the entity level - which is not the effect intended. The co-legislators regulators should consider adding additional disclosure requirements or amending existing ones where the safe harbour mechanism is employed to ensure that this measure does not allow adverse company-level impacts within Article 9 funds. An indicator of environmental controversies could be an option.

Finally, it should be noted that EU companies within the scope of the EU Taxonomy Regulation are legally obliged to report EU Taxonomy indicators according to the disclosure templates and methodology, while out-of-scope companies are not. Therefore, if an FMP wishes to include in its fund a company that voluntarily reports on the EU Taxonomy (or does not report on the Taxonomy at all), there is a risk that the EU Taxonomy KPIs and the assessment of alignment will not follow the methodology prescribed by the EU Taxonomy Regulation, making the data less reliable. Therefore, if the safe harbour is implemented, we recommend that FMPs ensure that EU Taxonomy alignment, and therefore compliance with the DNSH criteria, is verified by a third party to ensure the reliability of data.

<ESMA\_QUESTION\_SFDR\_19>

**Q20 : 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>

In general, impak supports measures that will ensure interoperability between SFDR and EU Taxonomy regulations.

However, this proposal seems problematic from a data collection perspective in terms of the volume of data and the workability of the process of collection. This is because EU Taxonomy DNSH TSCs are specific to each EU Taxonomy activity, and there are several criteria to be respected to ensure that the DNSH principle is respected for the other five environmental objectives. In addition, these criteria sometimes refer to international or EU standards and regulations. This will significantly increase the data collection burden for FMPs, whereas environmental PAIs are easier to collect as they require fewer data and are not activity specific.

<ESMA\_QUESTION\_SFDR\_20>

**Q21 : Are there other options for the SFDR Delegated Regulation DNSH disclosures to reduce the risk of greenwashing and increase comparability?**

<ESMA\_QUESTION\_SFDR\_21>

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<ESMA\_QUESTION\_SFDR\_21>

**Q22 : 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>

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<ESMA\_QUESTION\_SFDR\_22>



**Q23 : 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>

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<ESMA\_QUESTION\_SFDR\_23>

**Q24 : 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>

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<ESMA\_QUESTION\_SFDR\_24>

**Q25 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_25>

**Q26 : 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>

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<ESMA\_QUESTION\_SFDR\_26>

**Q27 : 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>

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<ESMA\_QUESTION\_SFDR\_27>

**Q28 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_28>

**Q29 : 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 your answer.**

<ESMA\_QUESTION\_SFDR\_29>

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<ESMA\_QUESTION\_SFDR\_29>

**Q30 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_30>

**Q31 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_31>

**Q32 : Do you have any suggestion on how to further simplify or enhance the legibility of the current templates?**

<ESMA\_QUESTION\_SFDR\_32>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_32>

**Q33 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_33>

**Q34 : 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>

**Q35 : 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>

**Q36 : 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>

**Q37 : 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>

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<ESMA\_QUESTION\_SFDR\_37>

**Q38 : 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>

**Q39 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_39>

**Q40 : Do you agree with the proposed website disclosures for financial products with investment options?**

<ESMA\_QUESTION\_SFDR\_40>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_40>

**Q41 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_41>

**Q42 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_42>

**Q43 : 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>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SFDR\_43>